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Investing in rural people

Republic of the Philippines

Country strategic opportunities programme

Note to Executive Board representatives

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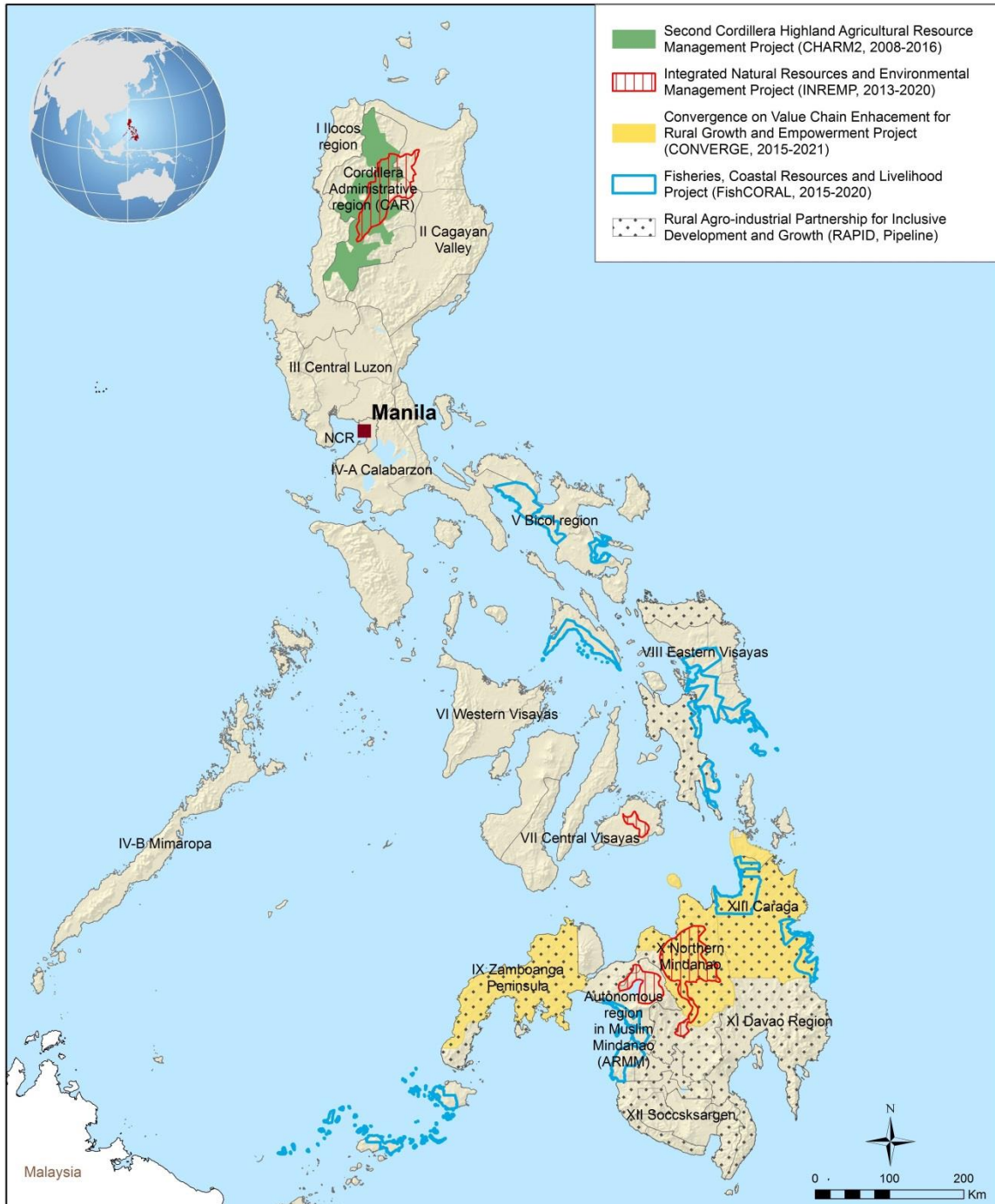
Abbreviations and acronyms

AFF	agriculture, forestry and fishing
ARMM	Autonomous Region of Muslim Mindanao
AsDB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
CAR	Cordillera Autonomous Region
CHARMP2	Second Cordillera Highland Agricultural Resource Management Project
ConVERGE	Convergence on Value Chain Enhancement for Rural Growth and Empowerment Project
COSOP	country strategic opportunities programme
CSPE	country strategy and programme evaluation
DRRM	disaster risk reduction and management
ICO	IFAD Country Office
IPGN	IFAD-Philippines Gender Network
KLM	Knowledge Learning Market
LGU	local government unit
NEDA	National Economic and Development Authority
PBAS	performance-based allocation system
PDP	Philippine Development Plan
PIDS	Philippine Institute of Development Studies
RAPID	Rural Agroenterprise Partnerships and Inclusive Development
SDG	Sustainable Development Goal

Map of IFAD-funded operations in the country

Republic of the Philippines

IFAD-funded ongoing and pipeline operations



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
 Map compiled by IFAD | 23-03-2017

Executive summary

1. The Philippines is a lower-middle-income country. Its 7,100 islands and population of 101 million offer diverse economic, demographic, social, cultural and natural resource contexts that frame rural development prospects.
2. While the Philippines has achieved rapid macroeconomic growth and stability over the past decade, the benefits have not been fairly distributed throughout the population. Extreme poverty and hunger persist in many areas, and some 22 million people still live below the poverty line. The Government is concerned about the social and economic costs of leaving behind a large segment of the population.
3. The results-based country strategic opportunities programme (RB-COSOP) for 2017-2022 is guided by the IFAD Strategic Framework 2016-2025, its diverse programmatic and operational experiences in the country, and the new Philippines Development Plan 2017-2022. It takes into account the Government's increasing selectivity in its development assistance borrowing. IFAD is seen as a trusted partner that can provide innovative models, technology and investments on the ground to address the root causes of poverty and malnutrition.
4. The goal of this COSOP is to provide the Government with innovative and scalable pathways for rural poverty reduction – pathways that influence national policies and generate substantial and measurable benefits. Its strategic objective is to develop an enabling environment and delivery systems in support of competitive, inclusive and resilient agrifood value chains. As IFAD's financial resources are limited, there is consensus that this objective will be supplemented through partnerships with government agencies, civil society and the private sector to leverage financing and operate at scale. Engagement in policy and knowledge platforms will also be enhanced.
5. The country programme will sharpen its geographical and socio-economic targeting. Geographical targeting will identify provinces, municipalities and *barangays* (villages) where the incidence of poverty is highest – primarily in the Eastern Visayas, Mindanao and the North Luzon highlands. Poverty targeting will focus on small-scale rural producers and entrepreneurs, agrarian reform beneficiaries, vulnerable indigenous communities and small-scale fishers operating in municipal waters. Special attention will be devoted to women and youth.
6. Over the COSOP period, IFAD will finance two investment projects. The first is the Rural Agroenterprise Partnerships and Inclusive Development (RAPID) Project. It will provide strategic enabling conditions for sustained growth of small and microenterprises in value chains that offer comparative advantage, market demand, growth potential, backward linkages to small farmers and job creation effects. The second project will be identified by the Government and IFAD under the 2019-2021 performance-based allocation system (PBAS) cycle.
7. The recent strengthening of the IFAD Country Office and its relocation to premises within the Asian Development Bank will be leveraged to broaden and deepen country programme engagement.
8. This COSOP aims to contribute to achievement of the following Sustainable Development Goals: SDG1 (no poverty), SDG2 (zero hunger), SDG5 (gender equality), SDG8 (decent work and economic growth), SDG10 (reduced inequalities) and SDG 13 (climate action). It complies with all IFAD areas of focus, including gender equality, nutrition, youth, indigenous peoples and climate resilience.

Republic of the Philippines

Country strategic opportunities programme

I. Country diagnosis

A. Macroeconomic and development framework

1. The Philippines is an archipelagic country of 101 million people, spread across 7,100 islands, with a land area of almost 300,000 square kilometres. It is home to a variety of distinct ethnic groups and over 180 languages or dialects. This diversity forms the basis of a range of development experiences and outcomes across the country.
2. The Philippines is among the fastest growing economies in Asia. Over the past decade, GDP growth has averaged 5.4 per cent per annum and average per capita incomes have doubled, reaching US\$2,900 in 2015. This has led the Philippines to achieve lower-middle-income country status. Supported by sound macroeconomic fundamentals, the Philippines is expected to remain one of East Asia's top growth performers in the medium term. The Government continues to pursue an expansionary fiscal policy while controlling inflation, and is committed to increasing infrastructure investment to sustain the country's growth momentum.
3. However, structural transformation is unbalanced. Transformation of the economy has accelerated in recent years, but remains tilted towards services rather than industry. Most new jobs have been generated in low-paid, low-skilled retail and transportation sectors. Having grown a modest 1.9 per cent per annum over the past decade, agriculture comprised 10 per cent of value added in 2015, while services and industry accounted for 59 per cent and 31 per cent respectively. The gains of structural transformation are not proportionally accruing to primary producers or to workers, resulting in significant levels of poverty among these groups.
4. The agriculture sector remains fundamental to inclusive growth. With 55 per cent of the population living in rural areas, and agriculture employing 30 per cent of the labour force, slow agricultural growth implies continuing poverty in rural areas. Vulnerabilities stemming from the agriculture sector continue to threaten the economy's long-term structural reform agenda and control of inflation. Instead of rising agricultural productivity paving the way for a vibrant, labour-intensive manufacturing sector and a highly skilled service sector, agricultural productivity has remained depressed.
5. The Philippines is the third top recipient of remittances globally. Over the past decade, remittance inflows have increased by 10.7 per cent annually, reaching a record high of US\$30 billion in 2015. Outmigration of the labour force from rural areas, particularly of youth, is a manifestation of limited economic opportunities and slow agricultural growth. There is scope to influence the use of remittance flows from short-term consumption to investment in productive assets that creates economic benefits and employment opportunities for rural youth.

Political context

6. A new government took office in June 2016, with a focus on creating opportunities for "the lower bottom of the pyramid". Its external political agenda is to redefine the Philippines' role in the international arena by strengthening cooperation with China, Association of Southeast Asian Nations (ASEAN) member states, and other regional partners. The internal political agenda is focused on greater opportunities to enable the lower bottom of the pyramid to emerge, and the middle class to broaden its participation in economic and social life. There is increasing emphasis on pro-competition legislation and on transforming the country into a federal state,

favouring the emergence of new dynamic classes and groups that have led to the recent growth of the metropolitan areas of Cebu, Cagayan de Oro and Davao in the south.

Philippines Development Plan 2017-2022

7. The Philippines Development Plan (PDP) 2017-2022 aims to build a prosperous middle class society where no one is poor. The plan sets ambitious targets for raising growth rates in agriculture, forestry and fisheries (AFF), and prioritizes an inclusive approach that will benefit all segments of society. In particular, it seeks to expand modern, high-productivity opportunities in AFF through technology upgrading and new models of enterprise growth. It also seeks to expand access to economic opportunities by enabling small farmers and fishers to operate effectively in profitable value chains, use new technologies and innovative financial services, and benefit from land and natural resources securely and sustainably.

Agriculture policy framework

8. Agricultural diversification, improved land markets and investment in infrastructure would accelerate rural transformation. The policy context underpinning agriculture and rural development is shaped by several agendas. First, emphasis on rice self-sufficiency absorbs a large share of public resources for agriculture and constrains diversification into high-value commodities. Second, land reform has helped reduce rural poverty, but weak functioning of land markets has constrained access to land by entrepreneurial smallholders. Third, substantial public investment in communications, transport and logistics is expected to bridge the gap between leading and lagging areas, and to stimulate private-sector investment in agrifood value chains. The Government seeks IFAD's support in addressing the challenges faced by smallholders by helping frame policies and programmes in support of sustainable market-oriented agriculture.

B. Recent trends in poverty and human development

9. The incidence of poverty remains significant. From the start of the Millennium Development Goal period to 2012, according to World Bank estimates, the share of people living on less than \$1.25 a day (2005 purchasing power parity) fell from 33 to 19 per cent. Some 18 million people still lived in extreme poverty in 2012, and 40 million lived in moderate poverty. National data indicate that in 2015 the poverty rate was just below 22 per cent.
10. Substantial inequalities persist, and the Gini coefficient is one of the highest in Asia. A large share of the population is not benefiting from growth. Poverty is concentrated in three ways: (i) it is overwhelmingly rural – 80 per cent of the extreme poor live in rural areas; (ii) it remains particularly acute for farmers, fishers and the self-employed; and (iii) it differs across regions, with high incidence in remote areas and in Mindanao. Other measures of well-being also suggest that rapid growth has not generated equitable human development. The Human Development Index – at .682 in 2015 – ranks the country 116th in the world, which is lower than other countries with similar per capita incomes.
11. Gender gaps are reducing, but challenges remain. The Philippines has fared relatively well in reducing gaps. The maternal mortality rate has decreased significantly, women have a higher life expectancy than men, and a larger proportion of women than men are enrolling in and completing primary to tertiary education, with a higher literacy rate of 98.9 per cent. In 2015, the Gender Development Index of 1.001 and Gender Inequality Index of 0.436 place the Philippines above many other middle-income countries. However, women continue to face lower labour force participation, more vulnerable employment and disparities in earnings.
12. The peace process remains unfinished, constraining economic growth. For decades, the Government has sought to address issues with non-state, armed actors

through peace agreements and security interventions. Despite these efforts, peace processes and associated legislation remain incomplete, particularly in Mindanao. Socio-economic inequities and grievances that exacerbate social unrest must be addressed through improved local development and empowerment models.

C. Main challenges to sustained progress in poverty reduction

13. The main challenges to sustained progress in poverty reduction include:
- Weak land tenure, unequal land distribution and land-titling issues are key constraints, despite over 40 years of major land reforms.
 - Rural areas are underserved by formal financial institutions, which constrains investment in agriculture and enterprise.
 - Unsustainable use of the natural resource base and climate change are both adversely affecting primary-sector productivity.
 - National food security policies have not achieved self-sufficiency in grains and have undermined agricultural diversification.
 - Logistics and communications are weak, particularly in Mindanao and the Visayas, owing to low investment in infrastructure, including roads, ports and airports.

D. Main country, sector and programme risks

14. A number of risks affect IFAD's country strategy for 2017-2022. These and the related mitigation measures are summarized:

Risk	Risk level	Mitigation strategy
Limited execution capacity of local government units	Medium	<ul style="list-style-type: none"> ➤ LGU capacity-building ➤ LGU incentives for infrastructure ➤ Channelling of resources to communities
High vulnerability to climate shocks and natural disasters	High	<ul style="list-style-type: none"> ➤ Mainstream mitigation and adaptation ➤ Allow flexibility in response to crises ➤ Integrate CC and DRRM in local planning
Limited opportunities for smallholders to diversify cropping	Medium	<ul style="list-style-type: none"> ➤ Upgrade profitable value chains ➤ Improve access to technology/financing ➤ Broker market-based linkages
Slow progress in instilling entrepreneurial behaviour among smallholders	Medium	<ul style="list-style-type: none"> ➤ Facilitate entrepreneurial opportunities ➤ Empower land reform beneficiaries ➤ Facilitate land property rights and titles
Slow processing by Government of externally financed projects	Medium	<ul style="list-style-type: none"> ➤ Continued engagement by ICO ➤ Continued engagement by country team ➤ Increased policy dialogue
Ongoing conflict in some regions of Mindanao, undermining operations	Medium	<ul style="list-style-type: none"> ➤ Ongoing monitoring by ICO ➤ Application of conflict-sensitive approaches ➤ Participation in peace-building initiatives

Note: local government unit (LGU); climate change (CC); disaster risk reduction and management (DRRM); IFAD Country Office (ICO).

II. Previous lessons and results

15. **Long engagement.** Since 1978, IFAD has supported 15 projects in the Philippines valued at US\$782 million, of which US\$254 million financed by IFAD. These have benefited some 1.8 million people. The active portfolio consists of: (i) the Second Cordillera Highland Agricultural Resource Management Project (CHARMP2), supporting commercialization of smallholder agriculture in indigenous communities of the Cordillera Autonomous Region (CAR); (ii) Convergence on Value Chain Enhancement for Rural Growth and Empowerment Project (ConVERGE), upgrading agricultural value chains in agrarian reform communities in Mindanao; (iii) the Fisheries, Coastal Resources and Livelihood Project (FishCORAL), supporting

coastal fishery ecosystems and productivity in Luzon, the Visayas and Mindanao; and (iv) the Integrated Natural Resources and Environmental Management Project (INREMP), which aims to reverse environmental degradation and improve smallholder incomes across key watersheds.

16. The 2016 country strategy and programme evaluation (CSPE) by the Independent Office of Evaluation of IFAD reviewed the performance of the strategy and programme since 1999. The CSPE provides four recommendations for the evolving country strategy and programme: (i) match IFAD's comparative advantage better to evolving country needs; (ii) improve diagnostic analyses of potential target groups and targeting; (iii) strengthen the use of knowledge and evidence in policy engagement; and (iv) strengthen partnerships with development partners to support the Government. This new country strategy incorporates all four recommendations.
17. Country programme experiences and the CSPE have generated important lessons for IFAD's future directions in the Philippines:
 - (a) Social empowerment through participatory approaches is the cornerstone of development activities; however, the capacities of beneficiary organizations need to be carefully calibrated to their objectives.
 - (b) Investments in rural infrastructure are highly prioritized by target groups and generate notable social and economic benefits; their sustainability depends on the strength of the community organizations that manage them.
 - (c) Access to financial services is needed to commercialize smallholder agriculture and stimulate enterprise growth; financial institutions need to improve lending products and risk management.
 - (d) Proper natural resource management, climate change adaptation and flexible disaster-preparedness instruments must be explicitly embedded in the design of activities from the outset.
 - (e) Successful policy influence is generated by enhancing the way public agencies and LGUs work on development initiatives, and how they work with poor people.

III. Strategic objectives

18. **Comparative advantage.** The Fund's approach in the Philippines is based on the global IFAD Strategic Framework 2016-2025, its rich and diverse programmatic and operational experiences in the country and the objectives of the Government as articulated in the PDP 2017-2022. IFAD's comparative advantage lies in its ability to provide: global knowledge, best practices and innovations for rural transformation and sustained poverty reduction; and solutions for the inclusion of poor and vulnerable rural people in development pathways.
19. **Pro-poor focus in a middle-income country (MIC).** The Eleventh Replenishment of IFAD's Resources (IFAD11) business model clearly articulates IFAD's role and approach in MICs. A significant number of rural people ("the bottom billion") live in economies that are growing rapidly but have been unable to eradicate chronic poverty, within a persistent "middle income trap".¹ IFAD will continue to meticulously target this poor population.
20. The Philippines has reached a crossroads on the path towards sustained economic and human development. While macroeconomic growth is robust and the medium-term outlook is positive, structural transformation is unbalanced, the incidence of

¹ Structural economic conditions that prevent a middle-income country from transitioning to high-income status.

poverty is high and levels of inequality are alarming. The Government recognizes the social and economic costs of leaving behind a large segment of the population.

21. The PDP 2017-2022 directly tackles these issues and aims to rebalance structural transformation by significantly increasing productivity in agriculture and services. The Government has substantial fiscal space to fund development investments, and is becoming more selective in its borrowing for development assistance. Under the PDP, the Government increasingly seeks tangible and innovative solutions from development partners to address the persistence of poverty, inequality and natural resource degradation. It views IFAD as a trusted partner that can provide policy advice, knowledge, technology and investments on the ground to address the root causes of rural poverty and inequality.
22. In this context, the Government has requested IFAD to clearly focus on providing innovative models for improving the competitiveness, inclusion and resilience of agrifood value chains of relevance to poor and vulnerable households. The Fund will focus on commodities cultivated by small producers, and on locations in which poverty is concentrated. As IFAD's financial resources are limited relative to the needs and to public investment programmes, this objective will be complemented by partnerships with government agencies, civil society and the private sector to leverage financing and operate at scale.
23. **Strategic goal and objective.** The goal of this 2017-2022 results-based country strategic opportunities programme (RB-COSOP) is to provide the Government with innovative and scalable pathways for rural poverty reduction – pathways that influence national policies and generate substantial and measurable benefits. In consensus with the Government, one clear, focused strategic objective (SO) will inform IFAD's country-level engagement in the Philippines:
Strategic objective: Develop an enabling environment and delivery systems in support of competitive, inclusive and resilient agrifood value chains.
24. The focus of this SO is the economic empowerment of the rural poor through equitable and remunerative engagement of small-scale producers and enterprises in profitable value chains. Its three cardinal principles – competitiveness, inclusion and resilience – are outlined below.
 - (a) **Competitiveness.** This will support the PDP focus on improving AFF productivity and strengthening agro-based enterprises. It includes: (i) the regulatory, policy and business framework governing engagement of producers and enterprises in profitable value chains; (ii) the capacity of relevant public institutions and community organizations to support the competitiveness of producers and enterprises; (iii) delivery systems for the provision of assets, financing, technology, knowledge and services to producers and enterprises; (iv) the productive infrastructure required to upgrade value chains for high-value commodities; and (v) the private and public research and extension systems required to generate and share productivity-increasing technologies.
 - (b) **Inclusion.** This will support the PDP focus on ensuring inclusion of all rural groups and communities in the development process, and in particular on accessing profitable value chains. It includes small rural producers, agrarian reform beneficiaries, fisher communities and indigenous peoples. Attention will be devoted to women and youth within these groups, and to strengthening community organizations. Local institutions will be supported in responding to their needs. Selection of commodities for value chain investments will give preference to commodities produced by poor households (and within them, by women farmers) and indigenous peoples. Project-specific targeting and outreach will include skills development, nutrition awareness and financial literacy for poor households.

- (c) **Resilience.** This will support the PDP focus on biodiversity conservation, ecosystem services (particularly in critical watersheds), ecosystem resilience (particularly to mitigate and adapt to climate change), sustainable management of natural resources and disaster risk reduction. Priority will be given to areas in which the interface with agricultural systems is more intense and ecosystem services are critical to the resilience of small rural producers.
25. **Lending activities.** During this COSOP period, IFAD will finance two operations. The first is the Rural Agroenterprise Partnerships and Inclusive Development (RAPID) Project, which will provide strategic enabling conditions for sustained growth of small and microenterprises in value chains that offer comparative advantage, market demand, growth potential, backward linkages to small farmers and job creation effects. It will be implemented by the Department of Trade and Industry and is expected to be submitted to the IFAD Executive Board in December 2017.
26. The second investment will be identified by IFAD and the Government based on the Public Investment Program 2017-2022, which is expected to emerge from the PDP in the second semester of 2017. The two parties will seek investments aligned with IFAD's comparative advantage, consistent with this country strategy, and prioritized by the Government. Subsequent conversations with key agencies will inform the final selection. A concept note will be submitted to IFAD Management and the implementing agency for approval. This second project will be financed under the 2019-2021 performance-based allocation system (PBAS) cycle.
27. IFAD-financed operations in the CAR and Northern and Western Mindanao have demonstrated the importance of applying participatory approaches in conflict-affected areas. Where required, IFAD will continue to emphasize the importance of pro-poor development models relevant to economic growth and peace-building in conflict zones.
28. **Linkage to Sustainable Development Goals (SDGs).** Under this COSOP, IFAD will contribute to achievement of the following SDGs: SDG1 (no poverty), SDG2 (zero hunger), SDG5 (gender equality), SDG8 (decent work and economic growth), SDG10 (reduced inequalities) and SDG13 (climate action).
29. **Country team.** The IFAD country team for the Philippines was strengthened in 2016. This has enabled greater strategic interaction with the Government and partners, increased operational support to investments, and more opportunities to engage in collective policy dialogue and knowledge platforms. It is also enhancing operational efficiency with the upcoming deployment of the IFAD Client Portal, which will facilitate financial transactions between IFAD and the Government. The recent relocation of the ICO to premises within the headquarters of the Asian Development Bank (AsDB) will allow IFAD to expand its partnership with AsDB.

IV. Sustainable results

A. Targeting and gender

30. Rural poverty continues to become more concentrated within specific geographical areas and socio-economic classes. IFAD's strategy for targeting poor rural people will pay greater attention to combining geographical and household level approaches. As recommended by the CSPE, project design will enhance diagnostic analyses of potential target groups and targeting instruments.
31. **Geographical targeting.** Geographical targeting will use the Family Income and Expenditure Survey poverty data at provincial and municipal levels, as well as the small-area poverty estimates produced by the Philippine Statistics Authority (PSA). Provinces will be clustered by poverty severity, and targeting of municipalities and *barangays* (villages) will be based on PSA data and Department of Agriculture maps of land suitability. In principle, IFAD will focus on regions of the Eastern

Visayas, Mindanao and the North Luzon highlands, where the incidence of poverty is highest and where successes can be scaled up by the Government.

32. **Target groups.** The primary target groups of the country programme will be poor smallholders, agrarian reform beneficiaries, vulnerable indigenous communities in highland areas, small-scale fishers in coastal municipalities and the rural unemployed. Within these groups, priority will be given to small-scale rural producers and entrepreneurs capable of accessing economic and social opportunities. As a means to provide markets for small producers and jobs for the rural unemployed, agrifood-related small and medium enterprises will be indirectly targeted.
33. Three instruments will be applied in socio-economic targeting: (i) the national household targeting system of the Pantawid Pamilyang Pilipino Program (4Ps) (conditional cash transfer programme); (ii) the community-based monitoring system for the social sector; and (iii) consultations with rural organizations and indigenous communities.
34. **Gender targeting.** IFAD's experience demonstrates the transformational impact of women's equitable participation in development operations on improved economic and nutritional outcomes at the household level. IFAD will continue to focus on the social and economic empowerment of women, their organizations and their apex networks; and to promote equal access to decision-making, assets, investments, services, knowledge and markets. Recognizing that greater economic participation of women requires a set of enabling conditions, the country programme will create synergies with public agencies and the private sector in organizing healthcare services, day care and childcare support, and labour-saving technologies at the household level to reduce drudgery and free up women's time.
35. The country programme will seek to scale up the IFAD Philippines Gender Network (IPGN), which is a network of gender focal points from development operations, civil society organizations and implementing agencies. The IPGN provides a forum for analysis of gender issues, knowledge sharing, support and advocacy. This COSOP will take steps to link the IPGN with national policy and knowledge forums.
36. **Youth targeting.** In light of the demographic characteristics of the population and the concentration of youth in rural areas, the country programme will create employment and entrepreneurship opportunities for young women and men in AFF and non-farm sectors. The value chain approach – which creates direct employment in production and processing, and indirect employment through multiplier effects across the rural economy – will be a key job creation driver. The International Labour Organization's "decent work" agenda will inform contractual working conditions, particularly in processing.
37. **Indigenous peoples targeting.** IFAD will further facilitate indigenous peoples' access to their cultural resources and to commercially viable agribusiness opportunities. It will address: (i) land administration, security of tenure and delineation of ancestral domains; (ii) regulatory processes that improve indigenous peoples' capacity to leverage their cultural and biodiversity resources across agrifood value chains; (iii) policies that reward ecosystem services originating in upland areas; and (iv) participation of indigenous peoples' communities in local development and land-use planning. It will continue to link Philippine indigenous peoples' representatives with IFAD's Indigenous Peoples Forum.

B. Scaling up

38. The scaling up of successful innovations, outcomes, results and impact has been an integral element of IFAD's long-term engagement in the Philippines. Consultations between IFAD and the Government have indeed placed the scaling up agenda at the centre of the new country strategy. This is reflected in the strategic goal of this COSOP, which focuses on providing the Government with scalable pathways for

rural poverty reduction. The intention is to demonstrate evidence-based replicable solutions to challenges that are widely prevalent across the country. Knowledge, partnerships and policy will be three important spaces that IFAD will leverage to bring innovations to scale. As the country programme will provide optimal models and delivery systems for competitive, inclusive and resilient agrifood value chains, analysis of outcomes and results will constitute the evidence basis for taking these models and systems to scale. This is expected to lead to the inclusion of additional profitable value chains, expansion to additional regions and provinces, and/or involvement of additional partners, mainly from the private sector.

C. Policy engagement

39. Policy engagement will be linked to the strategic goal and objective, and supported by the project portfolio. It will support implementation of existing progressive regulations by LGUs, including: (i) empowering indigenous peoples' communities under the Indigenous Peoples' Rights Act, building on the policy influence generated by operations in the CAR and Northern Mindanao; (ii) promoting rural entrepreneurship and value chain governance under the Go Negosyo Act, through the RAPID Project; (iii) enabling regions and municipalities to manage coastal resources and support fisheries livelihoods in accordance with the Fisheries Code, through FishCORAL; and (iv) improving the agrarian reform cluster programme, through ConVERGE. IFAD will continue to pursue gender equality and nutritional improvement by strengthening linkage of the IPGN with policy forums; and will promote rural development options that support peace-building and conflict resolution through operations in Mindanao.
40. Drivers of policy engagement will be the emerging experiences of the investment projects, the knowledge generated and shared by IFAD's regional and country grants, the annual Knowledge and Learning Market (KLM), and the IPGN pioneered by the country programme.

D. Natural resources and climate change

41. The Philippines faces significant challenges in loss of farmland, overuse of forests, unsustainable agricultural practices, soil erosion, water conservation, and degradation of watersheds and other fragile agricultural areas. Climate change further threatens biodiversity and ecological stability. Increased variability in rainfall, more frequent natural disasters and reduced fish stocks will place the AFF sector under significant stress.
42. The resilience dimension of the SO serves to develop an enabling environment for investments that have a low environmental impact, mitigate and adapt against climate shocks, and increase resilience. Tools applied will include innovative value chain practices, disaster support, community risk-assessment systems, and comprehensive land-use plans enabling LGUs to lead climate change adaptation and mitigation. These will be focused on community-based resource management and will build on partnerships in watershed and sustainable fisheries management with the Department of Agriculture, the Bureau of Fisheries and Aquatic Resources (BFAR) and the Department of Environment and Natural Resources (DENR). Moreover, IFAD will pursue opportunities to mobilize funding from the Green Climate Fund.

E. Nutrition-sensitive agriculture and rural development

43. The Philippines has partially fulfilled the hunger target of the Millennium Development Goals. It successfully reduced its proportion of undernourished people by half from 1990 to 2012, but has not met the target for reduction of the share of under-five children underweight. Child stunting has remained stagnant at 20 per cent since 2003, while child wasting has slightly increased from 6 to 8 per cent over the same period. The prevalence of stunting, underweight and wasting is most severe in many regions of Mindanao and the Visayas. The PDP

attributes this slow progress to weak coordination across healthcare and education systems. It describes nutritional outcomes in the greater context of improving access to health services.

44. The country programme will contribute to reduction of undernutrition and malnutrition in rural areas by investing in nutrition-sensitive agriculture, promoting women's economic empowerment and brokering partnerships with the Departments of Health and of Education for nutrition awareness and education. IFAD will also collaborate with the World Food Programme (WFP) to develop local nutrition activities within the framework of IFAD-financed operations in Mindanao and the Visayas.

V. Successful delivery

A. Financing framework

45. The adjusted PBAS allocation for the Philippines for the 2016-2018 cycle amounts to US\$74.3 million. The allocation is being used to provide additional financing for scaling up CHARMP2 and financing the RAPID Project.
46. Policy engagement under this COSOP will aim to help the Government enhance rural-sector performance. Enhanced sector performance and continued satisfactory portfolio performance may increase future resource allocations (table 1).

Table 1

Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/- 1)</i>	<i>Rural-sector performance Score (+/- 0.3)</i>	<i>% change in PBAS country score from base scenario</i>
Low	3.8	4.25	-24%
Base	4.8	4.55	0%
High	5.8	4.85	28%

B. Monitoring and evaluation

47. IFAD and the Government will jointly monitor implementation of the COSOP and achievement of targets through annual reviews. A midterm COSOP review will be undertaken in late 2019 to verify its continuing relevance and validity.
48. Project evaluations will be carried out through a partnership with the Philippines Institute for Development Studies (PIDS), an agency of the National Economic and Development Authority (NEDA) and a policy think tank. PIDS will design and manage baseline, midterm and outcome surveys using a common methodology, allowing for cross-project comparisons of progress towards the SO. By regularly publishing analyses and presenting key findings to Congress, PIDS directly links projects, knowledge and evidence-based engagement with policymakers.

C. Knowledge management

49. The arrangement with PIDS will provide a rigorous evidence base on outcomes and impact, and will generate knowledge for policymakers in the Philippines and across the region. Moreover, the KLM, a platform organized by IFAD over a decade ago, annually brings together IFAD, public agencies, community organizations, civil society organizations and private-sector entities. The event showcases experiences and best practices emerging from operations, and highlights successful methodologies for providing evidence to influence relevant policies. The KLM is evolving into a rural development platform that brings in additional multilateral and bilateral partners. This presents an opportunity for IFAD to provide structured policy and programmatic support to the Government. The platform is a pioneering contribution to knowledge management and policy engagement, and serves as a model at regional and global levels.

D. Partnerships

50. IFAD will broker strategic partnerships for innovative rural transformation. The key transformation objectives of the PDP will require an enabling environment for the implementation and scaling up of investments. In light of the role of local governments in decentralized rural transformation, leading LGUs will be focal points for such partnerships. Other partners may include public agencies, development institutions, civil society organizations and private-sector entities.
51. Areas for partnerships may include: (i) inclusion and empowerment of indigenous communities, to complement IFAD's investments in their social and economic improvement; (ii) the "decent work" agenda, to complement IFAD's investments in on- and non-farm job creation for youth; (iii) enabling conditions for women's participation in the labour market, to complement IFAD's investments in women's empowerment, with spillover effects for nutrition; (iv) multipartner support for the Mindanao peace process, to complement IFAD's investments there; and (v) technical elements of commodity-based value chain development and high-value cropping, with the Food and Agriculture Organization of the United Nations.
52. **Harmonization and alignment.** IFAD has maintained a constructive partnership with NEDA, particularly since the signing of a memorandum of understanding in 2008. Since then, NEDA and IFAD have conducted joint supervision missions and worked closely to identify and remedy bottlenecks in project implementation.
53. **Cofinancing.** AsDB remains the most realistic partner for project cofinancing, owing to the optimal prospects for synergy between AsDB's upstream investments and IFAD's downstream capabilities. Given the potential for IFAD to invest in degraded watershed areas, partnership with the Green Climate Fund and Global Environment Facility will be explored.
54. **CGIAR.** IFAD will continue to collaborate with those institutes of the Consultative Group on International Agricultural Research (CGIAR) that are present in the Philippines and have demonstrated the capacity to provide technologies of relevance to small-scale rural producers. These include the International Rice Research Institute (IRRI), World Agroforestry Centre (ICRAF), International Potato Center (CIP), and International Center for Tropical Agriculture (CIAT). Instruments for such collaboration will include regional grants (with emphasis on concrete linkages with operations), and agreements at the project level.

E. Innovations

55. Consultations with stakeholders have pointed towards support for several types of innovations, in partnership with relevant agencies and partners. These may include: (i) an accreditation programme that offers fiscal incentives for scaling up inclusive agribusiness models; (ii) incentives for private-sector equity investments in small and microenterprises; (iii) structured opportunities for diaspora investment in productive agroenterprises; (iv) collective trademarks that allow cooperatives and producers' associations to leverage indigenous products; and (v) models for value chain governance that allow for more-effective inclusion of organized smallholders.

F. South-South and Triangular Cooperation

56. This COSOP provides three opportunities for furthering the South-South Triangular Cooperation agenda: (i) connecting the Cooperative Development Authority with similar institutions in ASEAN; (ii) linking the Overseas Workers Welfare Administration and national remittance-centred NGOs with international remittance facilities and the Global Forum on Remittances; and (iii) supporting engagement with other ASEAN countries on international food quality and safety standards.

COSOP results management framework

Country Strategy Alignment (Philippine Development Plan: 2017-2022) ²	Strategic Goal and Objectives	Key Results ³		Means of Verification
<p>Growth will be more inclusive as manifested by a lower poverty incidence in the rural areas, from 30 percent in 2015 to 20 percent in 2022. Overall poverty rate will decline from 21.6 percent to 14.0 percent in 2022.</p>	<p>Strategic Goal: Provide the Government with innovative and scalable pathways for rural poverty reduction</p>	Impact Indicators		<p>Philippine Statistics Authority</p> <p>Philippines Institute of Development Studies</p> <p>Dept. of Social Welfare</p> <p>Baselines: project dots</p>
		<ul style="list-style-type: none"> Reduced poverty incidences in target areas Lower number of municipalities exhibiting poverty rates above 60%, 40% in target areas 		
<p>Sector Outcome A: Economic Opportunities in Agriculture, Forestry and Fisheries Expanded</p> <ul style="list-style-type: none"> Growth of GVA in Agriculture, Forestry and Fisheries Increased (year-on-year at constant 2000 prices, in percent) 2015 0.1% 2.5%-3.5% Growth in Value of Production of Fisheries Increased (year-on-year at constant 2000 prices, in percent) Growth in the Value of Agriculture and Fishery Exports Increased (year-on-year, FOB value, in percent) 2015 -21.6% 9.0% <p>Sector Outcome B: Access to Economic Opportunities by Small Farmers and Fisherfolk Increased</p> <ul style="list-style-type: none"> Growth in Labor Productivity of Farmers and Fisherfolk Increased (year-on-year at constant 2000 prices, in percent) 2015 4.6% 5.0-6.0% <p>Sector Outcome A: Economic</p>	<p>Strategic Objective 1: Develop an enabling environment and delivery systems in support of competitive, inclusive and resilient agrifood value chains</p>	Outcome Indicators	Milestone Output Indicators	Indicative lending and non-lending activities in the next 6 years
		<ul style="list-style-type: none"> 100 000 farmers (w/m/youth/IPs) reporting adoption of environmentally sustainable and climate-resilient technologies and practices 100 000 farmers (w/m/youth/IPs) reporting adoption of new/improved inputs, technologies or practices 100 000 farmer (w/m/youth/IPs) reporting an increase in production and labor productivity 100 000 households reporting improved physical access to markets, processing and storage facilities 1 500 rural producers' 	<ul style="list-style-type: none"> Number of persons (m/w/youth/IPs) trained in production practices and/or technologies Number of rural producers (m/w/youth/IPs) accessing production inputs and/or technological packages Number of rural enterprises accessing business development services Number of persons/ groups/ enterprises in rural areas accessing financial services Number of rural producers' organizations/ rural enterprises supported Number of persons trained in enterprise/business 	<p>Investments:</p> <p>Scaling up the Second Cordillera Highland agricultural Resource Management Project (approved: \$10.3 million)</p> <p>Convergence on Value Chain Enhancement for Rural Empowerment (ongoing: \$26 million loan)</p> <p>Fisheries, Coastal Resources and Livelihood Project (ongoing: \$30 million loan)</p> <p>Rural Agro-enterprise Partnerships for Inclusive Development Growth (pipeline: \$66 million loan)</p>

² The Philippine Development Plan (PDP) 2017-2022 is the first medium-term plan to be anchored on a national long-term vision, or *AmBisyon Natin 2040*. This National Economic and Development Authority (NEDA) Board officially approved the Philippine Development Plan 2017-2022 on February 20, 201.

³ Individuals/persons are disaggregated by sex (male/female), age (to reflect youth participation), and ethnicity (to reflect indigenous people's participation)

<p>opportunities in Industry and Services (I&S) Expanded</p> <ul style="list-style-type: none"> - Employment generated from the industry increased annually (in thousands)** 2016 508 2,319 (2017-2022) <p>Sector Outcome B: Access to economic opportunities in I&S for MSMEs, cooperatives, and OFs increased</p> <ul style="list-style-type: none"> - Proportion of small-scale industries (enterprises) in total industry value added increased - Number of MSMEs participating in global value chains increased - Proportion of small-scale industries (enterprises) with a loan or line of credit increased <p>Sector Outcome : Maximize gains from the demographic dividend</p> <ul style="list-style-type: none"> - Prevalence of stunting among children under 5 from 33.4% to 20% - Reduced youth unemployment from 11% 8% <p>Sector Outcome: Ecological integrity ensured and socioeconomic condition of resource-based communities improved</p>		<p>organizations/enterprises engaged in formal partnerships/agreements or contracts with public or private entities, in global value chains</p> <ul style="list-style-type: none"> • 20 000 persons using rural financial services • 1000 rural enterprises reporting an increase in profit • 20 000 new jobs created for young women and 20 000 for young men, in sustainable community resource-based enterprises • All projects generate analytical briefs for policy-makers drawing on experiences of local Governments in executing national policies. • Existing national laws and regulations are implemented by LGUs to develop and enabling rural investment environment. 	<p>management</p> <ul style="list-style-type: none"> • Number of groups supported to sustainably manage natural resources and climate-related risk • Demonstrate financial and economic viability of project methods and models • Targeted LGUs formulate coastal resource management and investment plans • Targeted LGUs develop river basin and watershed management and investment plans • Targeted IP communities formulate ancestral domain development plans • Agrarian reform community cluster development plans are formulated and implemented by targeted LGUs 	<p>Second project to be identified (pipeline: estimated \$66 million)</p> <p>Partnerships:</p> <p>FishCORAL grant ((\$0.7 million)</p> <p>RAPID grant (\$1.5 million)</p> <p>Second project in-loan grant (est. \$1.5 million)</p> <p>Medium Term Farmer Org. Cooperation Programme regional grant (\$5 million)</p> <p>ACCESS regional grant: OFW Investment in agriculture (\$1.1 million)</p> <p>IFPRI regional grant: ASEAN Food Market Integration (\$2.5 million)</p> <p>SEARCA regional grant: Agro-advisory services (\$1.2 million)</p> <p>Technology</p> <p>APRACA regional grant: Best practices in rural finance (\$1.1 million)</p> <p>Intl Potato Center regional grant::Foodstart roots and tubers (\$ 2.2 million)</p> <p>IRRI regional grant: Under-utilized rice species (\$2.4 million)</p> <p>Green Climate Fund grant (tbd)</p>
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Agreement at completion point of last country programme evaluation

EC 2017/96/W.P.2/Add.1

Republic of the Philippines Country Strategy and Programme Evaluation Agreement at Completion Point

A. Introduction

1. This is the first country strategy and programme evaluation (CSPE) in the Republic of the Philippines conducted by the Independent Office of Evaluation of IFAD (IOE). The main objectives of the CSPE were to: (i) assess the results and performance of the IFAD-financed country strategy and programme; and (ii) generate findings and recommendations for the future partnership between IFAD and the Republic of Philippines for enhanced development effectiveness and rural poverty eradication.
2. The CSPE assessed the IFAD-Government partnership pursued under the country strategic opportunities paper/programmes (COSOPs) of 1999 and 2009. To inform the assessment, the CSPE covered: (i) the lending portfolio (US\$153.4 million across seven loans effective between 2003 and 2015); (ii) non-lending activities (knowledge management, policy dialogue, partnership building, and selected grants); and (iii) performance of IFAD and the Government.
3. This agreement at completion point (ACP) contains recommendations based on the evaluation findings and conclusions presented in the CSPE report, as well as proposed follow-up actions as agreed by IFAD and the Government. The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail, and will be submitted to the IFAD Executive Board as an annex to the new country strategic opportunities programme for the Philippines. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

B. Recommendations and proposed follow-up actions

4. **Recommendation 1: Carefully reflect on IFAD's comparative advantage relative to the country's needs in the new country strategy.** The new country strategy should reflect IFAD's specificity and comparative advantage, in terms of the target group (e.g. indigenous peoples, fishers) and/or thematic areas with a clear pro-poor orientation, with a view to generating knowledge and lessons to inform investments by the Government and other partners for scaling-up.
5. Engagement with indigenous peoples in a proactive manner is one of the areas where IFAD has accumulated experience and comparative advantage, in the Philippines and at corporate level. Taking into consideration earlier achievements and prevailing institutional challenges, there is an opportunity to revisit and strategically reflect on future support. Land tenure remains a potential source of conflict and a key issue for the rural poor, and the new country strategy needs to consider ways to upgrade IFAD's support in this area. Furthermore, given the exposure of the country and the rural poor to natural disasters, the country strategy should include a vulnerability and risk assessment and a disaster preparedness country brief.
6. Learning from project results and using information to support government policy should be an explicit element of the strategy. The strategy should discuss the opportunities for diverse types of support apart from investment financing, such as reimbursable technical assistance and knowledge-sharing with other countries.

Proposed Follow-up: IFAD and the Government agree with this recommendation.

Formulation of the IFAD country strategy (envisaged for presentation to the IFAD board by December 2017) will build on the Philippine Development Plan, selecting areas where IFAD can add most value. The Government has adopted a Revised

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Financing Framework that (i) prioritises programmes for Government support; (ii) determines whether they can be funded domestically; and (iii) selects any required financing partner based on technical and cost advantages. IFAD and NEDA shall dialogue closely to determine the development challenges that IFAD can best contribute to - which included IP issues, land tenure, commercialising smallholder agriculture, and strengthening pro-poor value chains and rural enterprises.

In selecting future interventions and policy areas where IFAD can best support the Government, IFAD's Social, Environmental and Climate Procedures (SECAP) shall provide a foundation for prioritising environmental and natural resources management, climate change, and other developmental and social challenges.

7. **Recommendation 2: Enhance diagnostic analysis of the potential target group and targeting.** Within the target locations of investment projects, there is scope to improve the identification of potential beneficiaries and how to reach them. First, there should be good-quality analysis of the different groups within the potential target population, a differentiated approach to reach them, and monitoring of the outreach, beneficiary profiles and the targeting performance. Issues of food security and inclusiveness should be more strongly built into targeting. Second, a more strategic approach to increase intensity of investment (either under a specific project or by creating synergies between projects) in targeted locations should be pursued where possible, to enhance the likelihoods of palpable impact. The latter might involve an agreement on a geographical focus in confined areas (building on experience in Mindanao, Visayas and Cordillera).

Proposed Follow-up: IFAD and the Government agree on the need for good diagnostics of the target group and to monitoring of targeting performance.

This will be founded on a Social, Environmental and Climate Procedures (SECAP) Study, which identifies key vulnerabilities in the country for different potential target groups in future programming. For ongoing projects, the target groups and targeting strategy have been approved by IFAD's Executive Board and the Government. IFAD supervision missions will support Government in assessing outreach and efficacy of targeting.

Opportunities for synergies are regularly reviewed during the IFAD Annual Country Programme Review (ACPoR). At these events, NEDA and government agencies, development partners, NGOs and farmer organisations also discuss operational targets and outreach. Synergies are regularly identified and partnerships established between IFAD-funded loans and grants. To optimise efficiency and maximise returns, synergies between projects will continue to be sought.

IFAD and NEDA do not agree on confining IFAD assistance within a geographic focus. Different interventions, with different outcome targets, should be directed to areas where they are respond best to the needs of their respective target group. Because each geographic zone may have different specificities, focussing different projects into one zone is not certain to maximise impact. Instead, IFAD and NEDA may seek to intensify investments by designing larger-sized projects.

8. **Recommendation 3: Strengthen leverage for policy engagement by improving the quality of knowledge and evidence.** Building on generally good performance in knowledge management, an implementation strategy should be developed to improve the quality of evidence from monitoring and evaluation (M&E) across the portfolio. This could include working more closely with NEDA and the Department of Budget Management in support of the national results-based M&E initiative, and supporting M&E by the implementing line departments as well as LGUs and local stakeholders. Project designs should be accompanied by theories of change and should plan for analytical work and self-assessments. Consideration could be given to identifying and working with an organization to manage M&E and learning across the portfolio and bring consistency and rigour to evaluation design.

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9. The established knowledge management platforms and processes should bring in other development partners and commission a comparative analysis beyond IFAD-supported projects. In addition, the IFAD Country Office should be resourced to increase support to national policy and strategy issues.

Proposed Follow-up: IFAD and the Government agree with this recommendation.

IFAD and NEDA have signed a Memorandum of Understanding (MoU) in 2008 to support collaboration in results monitoring, and IFAD has supported capacity building in NEDA M&E. The MoU will be reviewed to strengthen joint actions on improving the M&E of IFAD supported projects in alignment with government M&E systems. Working with NEDA, IFAD will strengthen the annual KLM-PE event by upgrading it into a more strategic and programmatic platform to build on learnings that can be turned into policy and program proposals. IFAD will explore options to engage a qualified research institute for impact studies of projects ready for scaling up. As part of strengthening knowledge sharing, the platform shall engage both IFAD-supported projects and non-IFAD projects in the country.

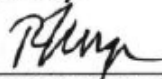
10. **Recommendation 4. Strengthen partnerships with development partners to support the Government.** Good performance to date in working with government agencies, research organizations and civil society should be expanded to other development partners. Relationships with grant recipients with clear potential for value addition and linkages should be mainstreamed in the country strategy.
11. IFAD should work more closely with other multilateral and bilateral development partners in the rural sector to strengthen the exchange of information with the Government. There are opportunities for IFAD to work with other Rome-based UN agencies to provide advice on issues such as food production and food security, gender equality and women's empowerment in agriculture and rural development, and disaster risk reduction. Opportunities should be sought for private sector partnerships that support value chain investments by farmers.

Proposed Follow-up: IFAD and the Government agree with this recommendation.

IFAD will explore options for joint events with NEDA and ADB on selected themes in agriculture and rural development where IFAD can feed its expertise into ADB programming for rural transformation and poverty reduction.

IFAD and NEDA shall continue knowledge exchange with World Bank projects, including the Philippines Rural Development Programme and the Inclusive Partnerships for Agricultural Competitiveness Project. The ICO shall support dissemination of knowledge from regional grants to the Government and partners.

Signed by:



 Rolando G. Tungpalan
 Undersecretary for Investment Programming
 National Economic Development Authority (NEDA)
 Government of the Philippines

Date:



 Mr. Perin Saint Ange
 Associate Vice President, Programme Management Department
 International Fund for Agricultural Development
 Date:

COSOP preparation process including preparatory studies, stakeholder consultation and events

- **Design team.** The COSOP was developed by a team led by Omer Zafar (Country Programme Manager, Asia Pacific Division, IFAD). It consisted of Fabrizio Bresciani (Regional Economist, Asia Pacific Division, IFAD), Tawfiq El-Zabri (Programme Officer, Asia Pacific Division, IFAD), Jerry E. Pacturan (Country Programme Officer, Asia Pacific Division, IFAD), Yolando C. Arban (Consultant, Asia Pacific Division, IFAD), Dilva Terzano (Consultant, Asia Pacific Division, IFAD), Minah Kausar (Intern, Asia Pacific Division, IFAD), Tom Chalmers (Consultant, Asia Pacific Division, IFAD), and Matteo Prayer-Galleti (Lead Technical Specialist – Rural Development and Institutions, Lead Technical Advisor for the COSOP, Policy and Technical Advisory Division, IFAD).
- **In-house Country Programme Management Team (CPMT).** In addition to the individuals above, the design team was supported by a CPMT that included Pedro De Vasconcelos (Senior Technical Specialist – Coordinator, Financing Facility For Remittances, IFAD), Eleonora Lago (Programme Analyst, Financial Assets, Markets and Enterprises, Policy and Technical Advisory Division, IFAD), Lauren Philipps (Senior Technical Specialist, Policy, Rural Institutions Development and Empowerment, Policy and Technical Advisory Division, IFAD), Harold Liversage (Lead Technical Specialist – Land Tenure, Farming Systems for Food Security, Policy and Technical Advisory Division, IFAD), Antonella Cordone (Senior Technical Specialist – Indigenous Peoples and Tribal Issues, Policy, Rural Institutions Development and Empowerment, Policy and Technical Advisory Division, IFAD), Roshan Cooke (Regional Climate and Environment Specialist, Environment and Climate Division, IFAD), Virginia Cameron (Senior Finance Officer & Team Leader, Financial Management Services, IFAD), Aslihan Arslan (Senior Economist, Strategy and Knowledge Department, IFAD) and Anita Kelles Viitanen (Gender Specialist, Policy and Technical Advisory Division, IFAD).
- **In-Country consultation team.** The design team also benefited from the support of a group of in-country specialists and experts. This team included Gilbert Llanto (President, Philippine Institute for Development Studies), Jose Luis Fernandez (Country Director, FAO), Dan Songco (President, PINOY Microenterprise), Simon Bakker (President, Kennemer Foods), Tony Quizon (Asian NGO Coalition), Dave De Vera (Executive Director, Philippine Association for Inter-Cultural Development) and Praveen Agrawal (Country Director, World Food Programme).
- **In-country consultations.** In developing the COSOP, the design team met with individuals from the following institutions, companies, or organizations during the design mission.
 - **Civil society organizations:** AsiaDHHRA; CARET/MTCP2 National Implementing Agency; TRIAS; PAKISAMA; PINOY ME; ACCESS; ATIKHA; Agrarian Reform Beneficiary Cooperative; Don Bosco Foundation.
 - **Private sector:** KENNEMER Foods; DFI Consulting; MARS Hong Kong; UNIFRUTTI; Jollibee Group Foundation.
 - **Government:** National Economic and Development Authority (NEDA); Department of Agriculture (DA); Department of Budget and Management (DBM); Department of Agrarian Reform (DAR); Department of Trade and Industry (DTI); National Commission on Indigenous Peoples (NCIP); Cooperative Development Authority (CDA); Office of the Presidential Advisor on the Peace Process (OPAPP); Department of Finance (DOF); Department of Environment and Natural Resources (DENR); ARMM Regional Board of

Investments; Mindanao Development Authority; Overseas Workers' Welfare Administration (OWWA); Philippine Competition Commission.

- **Academic and Research Institutions:** University of the Philippines School of Economics; Philippine Institute for Development Studies (PIDS); International Rice Research Institute (IRRI); Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA); World Agroforestry Centre (ICRAF).
 - **Government Financial Institutions:** Development Bank of the Philippines (DBP).
 - **Multilateral Development Institutions:** AsDB; World Bank; World Food Programme (WFP); Food and Agriculture Organization of the United Nations (FAO).
 - **Non-State Armed Actors:** Moro Islamic Liberation Front/Bangsamoro Transition Commission.
- **Preparatory Studies.** The following papers served as background documents during the COSOP preparation process:
 - COSOP Completion Review, by Julian Gonsalves (Consultant, Asia Pacific Division, IFAD) and Yolando C. Arban (Consultant, Asia Pacific Division, IFAD).
 - Land Tenure Assessment and synthesis, by Yolando C. Arban (Consultant, Asia Pacific Division, IFAD).
 - Poverty, Human Development, and Nutrition in the Philippines: an Overview, by Tom Chalmers (Consultant, Asia and the Pacific Division, IFAD).
 - The Bangsamoro Conflict and Peace Accords: Key Risks and Challenges, by Jerry E. Pacturan (Country Programme Officer, Asia Pacific Division, IFAD) and Yolando C. Arban (Consultant, Asia Pacific Division, IFAD).
 - **Final reviews** were undertaken by IFAD's Operations Steering Committee and by NEDA as the government planning agency in July 2017.
 - **Timeline for the COSOP formulation process.**

Activity	Timeframe
2009-2017 COSOP Completion Review	January-March 2017
COSOP memo circulated to CPMT	7 April
First IFAD CPMT meeting	13 April
COSOP Design Mission: meetings with key government, civil society, and private sector stakeholders.	17 April – 3 May
Creation of mission aide memoire and first draft of COSOP.	04-31 May
Draft COSOP circulated to NEDA and stakeholders.	Early June
In-country stakeholder consultation workshop	6 June
In-country CPMT	6 June
COSOP finalization by design team, following comments from in-country stakeholders and CPMT members.	6-16 June
Second IFAD meeting.	14 June
Submission to and review from IFAD Senior. Management.	16 June

OSC Review	5-6 July
In-country final endorsement	24 July
Approval by AVP/PMD (IFAD)	26 July
Presentation to Executive Board	12 September 2017

Natural resources management and climate change adaptation: Background, national policies and IFAD intervention strategies

A. Environmental and natural resource management challenges of AFF sector

The following priority ENR issues and challenges at the national, sub-national, and local levels, concern the agricultural sector:

1. Accelerated soil erosion and soil loss in agricultural production areas.

Continuous cultivation of agricultural areas, marginal and fragile lands, and the use of unsustainable agricultural practices have resulted to accelerated soil erosion and soil loss which deplete soil fertility and reduce crop yields, and consequently, decreased income for the farmers through time. This is further exacerbated by the occurrence of more intense extreme weather events such as typhoons with strong winds and intense rainfall resulting to floods, and the episodes of more severe droughts during El Niño years. Increased rainfall intensity is expected to accelerate soil erosion especially in hilly areas affecting significantly the yield potential of the production areas. Regions vulnerable to soil erosion are also the productive agricultural production areas. This is particularly true in agricultural areas where production systems depend much on the available natural resources in the area. Soil loss and erosion leads to decline in soil fertility resulting to yield reduction.

The benefit of soil conservation techniques, or shifting away from erosive land use, is the avoidance of soil loss in the long term. Uplands farmers have a large population of subsistence corn growers, improved soil and water conservation outcomes require promotion of permanent crops in these areas.

2. Land Use and Land Cover Change (LUCC). Land use in the Philippines has significantly changed over the last few decades. While the Government is keen on implementing the National Greening Program (NGP), official statistics and data at the local level as well as activities in different parts of the country indicate an apparent unregulated conversion of agricultural and forest lands into human settlements, recreational facilities, industrial parks, memorial parks, and other non-food producing land uses. Unregulated land use change threatens environmental sustainability as well as food security and nutritional security of the country. This phenomenon provides an opportunity for IFAD to dialogue with the Government to rationalize the national land use plan which has been in the law-making process for some time now. Availability of a national land use plan will also guide LGUs in the formulation of their respective Comprehensive Land Use Plans (CLUP) to achieve multiple goals (e.g. maximizing food production, disaster risk reduction, environmental stability, etc.). CLUPs have to be synchronized with other local development plans such as the Local Climate Change Action Plan (LCCAP), protected area management plan, etc. Formulation and approval of the national land use policy is a political decision dependent much on Congress. Land degradation particularly in many mining areas is a serious concern in recent years. This problem has to be addressed by concerned government agencies and LGUs.

3. Environmental degradation resulting to change in hydrology and deterioration of water quality.

Agricultural activities and agroforestry practices in the watersheds have greatly affected the hydrologic regimes of river basins affecting water quantity and water quality. These resulted to changes in the stream flow hydrographs over time often characterized by more intense peak (flood) flow and shorter time-to-peak. Flash floods result to significant damages and losses of properties and even lives. These processes occur, not only in urbanized and populated human settlement areas, but also in many agricultural production areas where poor families live. These activities deplete the water resources for human

consumption and ecological services and result in deterioration of water quality in the watershed, water table, rivers, and creeks. This pressing issue calls for sound watershed management following integrated water resources management schemes employing river basin management, landscape and ridge-to-reef approaches.

4. **Waste disposal and management.** Increased population in urban areas as well as in agricultural and rural areas has generated significant amount of solid and liquid wastes, and also poses a challenge on their disposal and management. While local communities and LGUs in some areas have initiated the establishment of materials recovery facilities (MRFs) in their respective jurisdictions, proper disposal of wastes still presents a problem. This is partly due to limitation of a suitable area for disposal, and also due to low priority given to the problem. Disposal of wastes has also become a health issue threatening the health and sanitation in poor human settlement areas. This issue has to be addressed to ensure environmental stability. Opportunities for recycling, reduction, and re-use of waste materials should be promoted.
5. **Unsustainable production systems in geo-hazard prone marginal agricultural areas.** Many agricultural production areas are also prone to geo-hazards. Production systems being practiced in many marginal and populated upland areas are not sustainable resulting to accelerated soil degradation, depletion of soil fertility, and significant soil loss. There is urgent need to promote sustainable agricultural practices such as sloping land agricultural technologies (SALT)⁴. Production technologies that protect the watershed, its flora and fauna, and overall integrity and resilience of fragile ecosystems should be adopted. Considering the limited availability of land and water resources in marginal areas optimal multiple use of resources should be promoted.
6. **Inefficient management of protected areas (PAs) resulting to loss of biodiversity and ecological stability.** PAs are managed based on a management plan designed to optimize the multiple uses of the watershed flora and fauna, conserve and protect its natural resources. Anthropogenic activities lead to loss of biodiversity and ecological stability. This phenomenon is further exacerbated by changing climate that adversely affect the natural habitat of many species of flora and fauna. Thus, there is an urgent need to update the management plans of the different PAs to incorporate climate change adaptation strategies and measures to address adverse climate effects and impacts, and to build up resilience of local communities and fragile ecosystems within the PAs. Effective and efficient management of the PAs is expected to ensure preservation of biodiversity in the critical areas that are vital to the ecological stability of watersheds. Climate-smart agricultural practices must also be promoted. At the local level, the PA management plan has to be synchronized with the LGU CLUP, LCCAP, and other planned activities that affect the watershed.
7. **Unsustainable fishing practices and over-fishing** destroying coral reefs and increasing pressure on capture fisheries and coastal resources, resulting in increased aquaculture to meet growing fish demand. Conversion to aquaculture, especially shrimp farming, results in nearly irreversible, and economically costly, environmental damage to the area, such as significant mangrove destruction. There is a need for DENR and LGUs to expand reef restoration programmes and education of coastal communities.

Many of the nation's natural resource problems result from the same underlying problems-lack of alternative livelihoods for the rural poor who depend on the resource

⁴ Although, the first generation SALT technologies (alley cropping) have not been widely adopted because of high labor demand. Less labor intensive technologies such as Natural Vegetative Strips (NVS) have better potential. In parts of Mindanao, farms with NVS have given way to monoculture pineapple and banana plantations or to herbicide adaptive GMO corn.

base for subsistence and rent-seeking, encouraged by inappropriate resource pricing. An essential component of any approach to improved natural resource management in the Philippines, therefore, is to formulate programs which improve sustainability and encourage resource productivity and efficiency.

To address resource degradation issues, GOP must support improved area-based planning and program implementation that stresses the importance of community led problem solving and which addresses land and resource tenure concerns. Fundamental to this is the need for well-functioning property rights regimes. Watershed management and Integrated Coastal Zone Management (ICZM) are two approaches which can address these issues. DENR has expressed its strong interest in pursuing both watershed management approaches to natural resource management especially in the area of water, forestry and bio-diversity conservation. There is also substantial scope for initiating Integrated Coastal Zone Management (ICZM) approaches.

B. Climate change impacts on the agricultural and rural development sector

Although the Philippines economy has been transitioning to services and manufacturing due to accelerated industrialization, and agriculture comprises only 11% of GDP, it remains a significant source of employment, employing about 12 million people or 30% of the labor force. Agriculture emissions increased 13.19 MtCO₂e during 1990-2012. In 2012, the emissions from the agricultural sector amounted at 51.3 MtCO₂e - 64% of which came from rice cultivation. From 1990 to 2012, the rice paddy harvested areas grew 41% while rice production increased 82% (FAOSTAT; USAID).

Climate-related impacts will reduce cultivatable land, which will decrease agricultural productivity and impact food security. Climate change results to an average annual damages of Php12.43 billion to agriculture with about 93% of the total damages attributed to extreme weather events such as typhoons, floods, and droughts. These damage costs constitute 3% of total agricultural production. Although yearly typhoons have been the norm, their increased intensity, together with their associated effects (e.g. flooding, droughts, and landslides), may wreak havoc on the agricultural sector. Land use and yields are projected to be particularly affected by climate change, and this is likely to result in lower growth of farmer income and productivity, increased disruption to food supplies, and a greater likelihood of damage to agricultural assets and infrastructure, which will in turn bring higher restoration costs. The impacts of natural hazards in the Philippines are severe: between 2006 and 2013, total damage and losses in the agriculture sector amounted to US\$3.8 billion. Currently, 27% of the total land area in the country (8.3 million hectares) is considered to be vulnerable to drought, especially during El Niño years (OECD, 2017).

Overall, climate change will slow agricultural productivity growth for most commodities: rice and maize are likely to suffer moderate and significant damage from higher temperatures, respectively. A few crops (e.g. coconut) may, on average, gain from a changing climate. The prices of a majority of agricultural commodities are likely to increase due to climate change effects (OECD, 2017).

Assessments show that the significant differences in the annual rainfall total together with the changes in the onset and recession of the rainy season, and the increase in nighttime temperatures, could significantly influence agricultural planning and production and overall productivity of agricultural systems. Crop simulation studies show that crop yields generally decrease as temperatures increases beyond a certain range. Reductions in yields differ between crops and across locations as well as between seasons (i.e. wet and dry seasons). Also results show that the yield increase under CO₂ enrichment will be offset by the yield reduction due to temperature increase (Comiso et al. 2014). Results from an International Rice Research Institute (IRRI) study show that every 1°C increase in growing season-nighttime mean temperatures leads to a corresponding decrease in rice yield by 10% and the effect on other crops range from 8-14% yield reduction depending on location. Climate change is likely to further reduce rice yield by up to 75%

in the Philippines by 2100 compared with 1990. Documented impacts on crop production include:

- **Temperature changes lead to crop yield reduction:** Every 1°C mean temperature increase leads to about 8-14% loss in rice yield during the dry season. 2°C mean air temperature increase could decrease rainfed rice yield by 5-12% (IPCC). Minimum surface temperature increases in Los Banos and other areas in the Philippines led to reduced rice yields. 0.5-1.5 °C mean temperature increase could decrease maize yield potential by 2-5%. Corn yield is expected to decrease by 7-10% per 1 degree increase in minimum temperature. Likewise, tomato and sugarcane yields decrease by less than 10% while peanut yield by less than 5%.
- **Extreme events lead to yield reduction:** Frequency and severity of ENSO El Nino during the last five to six decades showed impact on rice and corn production in the Philippines. Extreme rainfall events associated with floods damage the rice crops due to prolonged submergence; flood waters erode fertile production areas. Floods submerge crop production areas, reduce yield potential, and destroy the crops. Sea level rise inundates and reduces crop production areas especially in low-lying regions. This leads to salinity intrusion which also reduces crop yields. Droughts damage the crops and reduce areas devoted to crop production.
- **Rainfall variability and shift in rainfall distribution or pattern changes the water supply dependability of watersheds, and has altered the cropping season**
- **Warming leads to the increased incidence of pests and diseases**

In the Philippines, **the impacts of climate change on cropland, pasture, poultry, and fisheries make the agriculture industry especially vulnerable.** The entire lifecycle of livestock production, from production of feeds to disposal of waste of animal products, is affected, through the reduction in quality and quantity of feeds, heat stress, reduced water supply during extreme dry seasons, reduced water quality during extreme wet and dry periods, occurrence of virulent diseases, and increase in abundance of disease vectors.

The national global warming potential from livestock and poultry manure and enteric fermentation, based on Guidelines for National GHG Inventories (IPCC) and Bureau of Agriculture Statistic's animal population for 2006, is about 10 MtCO_{2e}, of which ruminants contribute the major portion.

Fisheries in particular will suffer as a result of loss or degradation of ecosystem services, which are projected to accelerate as a consequence of growing species extinctions, declining species abundance, or widespread shifts in species and biome distributions. The live coral cover of the Philippines decreased by half after the 1998 to 1999 ENSO-inducing coral bleaching, and fisheries yield diminished by more than Php 7 billion (Center for Environmental Concerns Philippines 2011; Santos, Dickson, and Velasco 2011). In a 4°C warmer world, the projected changes in maximum catch potential range from a 50% decrease around the southern Philippines to a 6-16% increase around the northern Philippines. Increased sea surface temperature (SST) reduces fish production areas resulting to reduced fish catch and productivity. Ocean acidification reduces fish production areas and fishery productivity, and thus threatens food security. Such shifts in catch potential are likely to place additional challenges on coastal livelihoods in affected regions (World Bank 2013).

Fast-growing environmental degradation and unsustainable development practices magnify the climate vulnerability of agriculture sector in the Philippines. In general, natural resources and the environment are facing a triple problem of overexploitation, depletion, and deterioration of overall quality. Healthy soils, good quality water and the existence of natural predators for pests dampen the effects of climate shocks on productivity. Land and forest degradation have also disrupted the hydrological cycle of watersheds, resulting in accelerated soil erosion, silting of rivers and reservoirs, increased and more severe floods, destruction of coastal mangroves, and

reduced water supply. Furthermore, groundwater levels have generally declined due to over-extraction, causing wells and springs to dry up, and further irrigation in water stressed areas will only exacerbate the problem.

Widespread mining and deforestation in Mindanao were to blame for the occurrence of flash floods, including those produced by Tropical Storm Sendong in 2011, which cost the lives of about 1,000 people. The neglect of drainage systems and the lack of long-term planning and enforcement exacerbated the floods in 2012, which swamped nearly all of Manila. Meanwhile, water scarcity, already felt in many areas of the country at certain seasons, is aggravated by the deterioration of water quality due to pollution from untreated domestic sewage, industrial wastewater, agricultural runoffs, and urban runoffs (CCC 2011).

Smallholder farmers vulnerability to adverse shocks from climate change is amplified by poverty. Climate change will have significant impacts on communities dependent on subsistence livelihoods. Farmers and fisher folk, who are among the poorest population categories in the Philippines with poverty incidences of 45% and 50%, respectively, will be affected most severely because of their high dependence on resources that rely on a stable climate. They are less equipped to adapt to climate-related disasters and weather variations. Increases in local temperatures, extreme weather events, droughts, and floods will lead to reduced crop yields. With limited access to sustainable, alternative livelihoods and economic means, the capacity of poor people to adapt to climate variability and extremes is low. Food insecurity and loss of livelihood are likely to be further exacerbated by the loss of cultivated land and nursery areas for fisheries due to inundation and coastal erosion in low-lying areas.

Moreover, the current trade policy settings induce higher domestic rice prices, contribute to higher rates of undernourishment, and increase the impact of extreme weather events on the prevalence of food insecurity. The inability to reduce production deficits caused by climate events increases the price of rice even further. This is especially important for the net-rice consumers, of which subsistence farmers form a large group (OECD, 2017).

The share of food in total household consumption expenditure provides an indication of food security: the lower the share, the greater the food security. Negative rainfall shocks, defined as less-than usual precipitation, have been shown to reduce rural household consumption. The impact of the negative shocks varies according to regions, and the most affected regions include Ilocos and Western Visayas Islands. In these regions, a negative shock decreases household consumption by 9%. Households with less access to the highway and the market suffer greater impact of negative rainfall shocks than those with more access.

The extent of the climate change effects will depend on farmers' and agricultural sector's adaptive/resilience capacity. High poverty rates amplify farmers' vulnerability to climate change by hampering their ability to make adaptation decisions and investments. Similarly, the vulnerability of agricultural systems is aggravated by environmental deterioration, pollution and over-exploitation of natural resources and ecosystems (OECD, 2017).

C. Current climate change mitigation and adaptation strategies and plans:

Since the late 2000s, the Philippines has joined numerous international initiatives and has made numerous efforts to adapt to climate change. Most significantly at the international level, the Philippines signed the United Nations Framework Convention on Climate Change (UNFCCC) in 1994. The GOP has signed and ratified the UNFCCC Paris agreement, which recently entered into force on 22 April 2017⁵.

⁵ The GOP declared: " that its accession to and the implementation of the Paris Agreement shall in no way constitute a renunciation of rights under any local and international laws or treaties, including those concerning State responsibility for loss and damage associated with the adverse effects of climate change; THAT, the accession to and implementation of

The Philippine government has already announced through its Intended Nationally Determined Contributions (INDCs)⁶, submitted in October 2015 under the UNFCCC, its commitment to undertake GHG (CO₂eq) emission reduction of about 70% by 2030 relative to its business-as-usual scenario of 2000-2030, through mitigation measures in the energy, transport, waste, forestry and industry sectors. The commitment is conditioned on receipt of financial resources including capacity building, and technology development and transfer.

The two most significant documents outlining the agenda for adaptation and mitigation actions are the **2011-2028 National Climate Change Action Plan (NCCAP)** and the **2017-2022 Philippine Development Plan (PDP)**.

The NCCAP strategically established Philippines' first long-term highly ambitious climate agenda from 2011–2028, divided into three six-year phases, corresponding to the terms of the PDP and the Philippines' electoral and planning cycles. The first phase of the agenda is focused on building an enabling environment, while the subsequent phases will focus on scaling up climate action. The NCCAP is formulated around seven thematic priorities aimed at two ultimate outcomes: (1) enhance adaptive capacity of communities, resilience of natural ecosystems, and sustainability of built environment to climate change; and (2) achieve a successful transition to climate-smart development.

The previous **2011-2016 Philippine Development Plan** included specific adaptation and mitigation objectives as national priorities and represented an improvement on its predecessor, The Medium Term Development Plan (MTPDP) for 2004-2010. The MTPDP emphasized the importance of identifying and addressing extreme weather events and disasters but did not consider climate change impacts. More specifically, it included massive investments in flood control but left unclear whether infrastructure design and management for these projects incorporated potential climate change scenarios. The PDP 2011-16 made explicit reference to the need to consider climate change scenarios and impacts, in particular for infrastructure, agriculture and social development investments. Moreover, it included a chapter dedicated specifically to the challenges and strategies related to creating a sustainable and climate-resilient environment.

The **2011-2028 National Disaster Risk Reduction and Management (NDRRM) Plan** developed with the NDRRM Act highlights two pertinent aspects of the DRRM system for MSME disaster resilience:

- The NDRRM Plan envisages a high level of integration between DRRM and CCA policies and activities, including risk assessments, risk mapping and other technical data, from national to local level, all of which helps to underpin risk reduction for MSMEs shared community risks. The data, in particular, is potentially important for cross-referencing with national statistics to improve our understanding of MSME exposure.
- MSMEs or 'economic activities' appear not to be part of the NDRRM Plan except concerning recovery, and DTI is not named as a participating agency in any aspect of the plan. A focus on MSME needs and participation in the thematic areas on disaster prevention and mitigation, disaster preparedness and disaster response could be an important underpinning for better integration of MSMEs into the DRRM system.

Inclusion of MSMEs in legal, institutional, and policy frameworks for climate and disaster risk reduction and management is important in addressing their shared community disaster risks, while the risk mapping efforts of these government institutions is an essential underpinning for business continuity risk management (ADPC-DTI, 2016).

the Paris Agreement by the Republic of the Philippines is for the purpose of supporting the country's national development objectives and priorities such as sustainable industrial development, the eradication of poverty and provision of basic needs, and securing social and climate justice and energy security for all its citizens."

unfccc.int/paris_agreement/items/9444.php

⁶ www4.unfccc.int/Submissions/INDC/Published%20Documents/Philippines/1/Philippines%20-%20Final%20INDC%20submission.pdf

Other weaknesses include:

- water policies and infrastructure are inadequate to deal with climate change. The current water distribution system in the Philippines is inadequate to respond to climate change-related intensified rain surges and droughts, which may negatively affect irrigation water availability and in turn decrease the adaptive capacity of farmers. #The most prevalent type of irrigation (flooded irrigation) and the water payment system⁷ caused inefficient use of the resource. Wasteful use of current water resources intensifies farmers' vulnerability to climate change (OECD, 2017).
- ENR laws are overall weakly enforced. There are sufficient rules and regulations in the country that compel the protection, proper management, and sustainable use of resources. Their implementation and enforcement, however, are constrained by weak and fragmented institutional arrangements.
- There is a lack of sustainable financing and limited access to available funding facilities. Especially in local government units, funding for ENR, CC, and DRRM competes with other development priorities. This has limited the initiatives for environmental management, CCA and DRRM. Moreover, stakeholders have difficulty accessing available funds, such as the People's Survival Fund, debt-for-nature swap, and risk transfer mechanisms.
- Private sector engagement is limited in ENR management, including investment in CC and DRRM actions.
- Land ownership uncertainties reduce incentives for investing in climate resilient technologies. Current risk management and land tenure policies do not necessary increase the investment capacity of farmers, which may impede adaptation. The current crop insurance and disaster protection system supports rice producers to a large extent; this is likely to delay farmers responding and adapting to climate change; in particular it disincentivizes them from diversifying their crops, an activity which would improve resilience. Uncertain land-ownership rights hamper adaptation investments. Lack of property rights increases the vulnerability of farmers to climate change by discouraging and limiting adaptive capacity and investments in adaptation options (OECD, 2017).

Recently, the GOP released the 2017-2022 Philippine Development Plan (PDP), which includes a chapter on "ensuring ecological integrity, clean and healthy environment". The PDP 2017-2022 includes more aggressive strategies to rehabilitate and restore degraded natural resources, and protect the fragile ecosystems while improving the welfare of resource-dependent communities. Sustainable integrated area development (SIAD) and participatory environmental governance will be the overarching principles guiding the implementation of the various strategies to achieve the outcomes. See Tables below for detailed descriptions of the PDP 2017-2022 strategies, targets, and legislative agenda needed.

In January 2013, the DA launched the Adaptation and Mitigation Initiative in Agriculture (AMIA), a programme to mainstream climate change considerations within the Department. Under the AMIA, the DA introduced the Climate Change Systems-Wide Program (CCSWP), which cuts across policy instruments and agencies of the Department and is expected to allow the Department to better address climate change vulnerabilities and risks. The DA now envisions strengthening the implementation of adaptation activities by pursuing four strategic objectives to advance mainstreaming climate change adaptation and mitigation into the DA's plans and actions: a) increase the adaptive capacity and productivity potential of agriculture and fisheries livelihoods by modifying commodity combinations to better meet weather issues and natural resource endowments; b) redefine or remap the Strategic Agriculture and Fisheries Development Zones by including climate change vulnerabilities as part of mapping variables; c) redefine the agriculture development planning framework by including key factors or variables associated with climate change; and d) develop a new framework and plan for

⁷ Current GOP has suspended the irrigation service fee

the provision of “new” government agriculture services towards the accelerated development of climate-smart agriculture and fisheries industries (DA, 2013b).

The AMIA targets a total of 750,000 ha of irrigated rice fields, approximately half of the irrigated rice fields across the whole country. The introduction of Alternated Wetting and Drying (AWD) in these flooded irrigated rice fields could potentially bring approximately 12,151 ktCO₂e/yr of emission reductions by 2020, if implemented across the entire country. This will represent a sizeable mitigation effect, decreasing GHG emissions from rice cultivation by close to 25%. Once the AMIA is successfully implemented in its current format, it can be further expanded to cover all irrigated rice fields in the Philippines.

However, the priority given to rice self-sufficiency undermines other adaptation actions. Policies stimulating rice self-sufficiency, may also impede climate adaptation of the agricultural sector. For instance, it may pre-determine the prioritization of crops to be covered by adaptation actions and may undermine the exploration of other adaptation strategies. It can also directly contribute to some maladaptive behaviour when, for instance, production of rice is stimulated in areas that already suffer from water shortages. With climate change this situation may further deteriorate (OECD, 2017).

The Philippines also participated in the Enhancing Capacity for Low Emissions Development Strategies (LEDS) and the UNDP/EU Low-Emission Capacity Building Project (2012-2015)⁸ to operationalize the GHG inventory management system, formulated Nationally Appropriate Mitigation Actions (NAMAs) and sectoral roadmaps, and design measurement, reporting and verification (MRV) systems to support the implementation of NAMAs and LEDS/sectoral roadmaps.

The Philippines also participated in the UN-REDD Programme which supports national level planting and implementation for Reducing Emissions from Deforestation and Forest Degradation and the conservation and sustainable management of forests and enhancement of forest carbon stocks (REDD+). The Philippines National REDD+ Strategy was developed and approved in 2010. Throughout 2012, it focused on strengthening participatory processes, social and environmental safeguards, a harmonized methodology for reference baselines and the establishment of a national MRV approach. The Philippines received targeted support on REDD+ corruption risks, REDD+ safeguards information and national forest monitoring systems (UN-REDD, 2013).

The review of Lasco et al. (2013) of the 5 pioneering REDD+ projects in the Philippines revealed that external financial and technical support, local participation, free and prior informed consent, training of stakeholders, sustainability, national laws and policies, biodiversity conservation and safeguards are crucial in REDD+ development in the country.

Since the country is in the early stage of adapting REDD+ projects, there are several challenges such as lack of funds and expertise, passive participation of the government, and conflicting interests with the local government plans. Hence, partnership with local funding institutions will be helpful to ensure the sustainability of REDD+ projects. Moreover, legal framework of REDD+ should be strengthened by national laws and policies to enhance links of local communities to various government and nongovernment agencies for REDD+ financing and collaboration. The limitations faced by the pioneering projects do not imply low potential of REDD+ in the country. The existence of national policies and programs such as Philippine Environmental Impact Statement System (PEISS), Community-Based Forest Management (CBFM), Philippine Strategy for Sustainable Development, Indigenous Peoples Rights Act, Wildlife Resources and Conservation Act, and Strategic Environmental Plan for Palawan Act could be a good starting point in the formulation of national REDD+ safeguards. Moreover, the active participation of the civil society, which has even led to the formulation of National REDD+ Strategy, has proven to be essential in the development of REDD+ initiatives in the country.

⁸ lowemissiondevelopment.org/lecbp/countries/philippines

Learning from the pioneering projects can guide future REDD+ actions in the country. There are still several areas where information and experience are sorely lacking. First, there is still very limited information on baseline forest degradation rates. Biomass and carbon density surveys must be conducted to determine current levels as well as rates of accretion or decline. Second, reforestation and tree planting in the uplands have been slow to take off in the country due to numerous technical and governance reasons. Current REDD+ discussions have not included new and innovative ways to overcome these barriers. Business-as-usual set of strategies may simply repeat the failed experiences of forestry projects in the past. The Philippines has almost 100 years of reforestation experience but the country has not reaped much success. A review of reforestation in the Philippines showed that reforestation rate significantly lagged behind deforestation rate (Chokkalingam et al, 2006). From 1960 to 2002, the annual average area planted is about 41,000 ha per year which is less than 50% of the annual deforestation rate for the same period. More importantly, the actual success rate of the reforestation effort could be less than 30% in many cases. Official statistics report the area planted for the year but do not track what portion still exists. This is validated by the fact that available maps do not show where the reforested areas are (Lasco, 2008). Third, there is very limited experience in the country in paying for an environmental service like carbon. How proceeds from carbon payments will be distributed to local communities must be carefully studied to avoid perverse social outcomes.

Another CCM programme is the **National Greening Programme (NGP)** spearheaded by the Department of Environment and Natural Resources (DENR). NGP is a massive forest rehabilitation program of the government, established in 2011 which seeks to grow 1.5 billion trees in 1.5 million hectares nationwide from 2011 to 2016 (Executive Order No. 26, 2011). Plantings were done by eligible People's Organizations in collaboration with LGUs. NGP scope was not only to mitigate climate change through the enhancement of the countries forest carbon stocks, but also to reduce poverty, providing alternative livelihood activities for marginalized upland and lowland communities relating to seedling production and care and maintenance of newly-planted trees.

The Forest Management Bureau of DENR reported in March 2017⁹ that "Aside from having planted 1,352,147 hectares of forestlands with 916,766,691 seedlings, 3,058,184 jobs were generated and 432,508 persons were employed through the National Greening Program (NGP)" The NGP is extended from 2016-2028 (EO 193) to sustain the gains of the Program and to harmonize all forest development activities in the country with the updated Master Plan for Forestry Development.

At national level, it was shown that NGP has only partially attained its replanting targets, and appeared to have become relatively inefficient in the conduct of replanting activities over the years. At the individual site level, it may have been effective to some degree in increasing incomes and livelihood opportunities, improving ENR situation and achieving the other objectives of reforestation in many areas. Majority of households interviewed perceived that there was a significant increase in income due to NGP, while there was no statistical difference in the real income of household before and after NGP and comparing NGP-receiving recipients vs. non-NGP recipients (Vista et al. 2016). A study assessing the accomplishment of the reforestation program of the DENR for the past 20 years, determined the causes of delays in its implementation, associated programs/projects implemented and implementation arrangements with other NGAs and LGUs as being insufficient finance and manpower resources, as well as monitoring and evaluation (M&E) was found to be the main issues (Israel & Lintag 2013). Key recommendations included that average cost per hectare of the NGP (2011-2016) was PhP 21,421, however the suggested allocated budget per hectare of forest plantation development (considering spacing and peculiarities of labor cost in different areas), should be twice as much - from PhP 44,180 per ha (under 4x4 m spacing) to PhP 88,983 per ha (under 2x3 m spacing) for the first 3 years of implementation. Of this, 50% should be allocated for maintenance

⁹ FMB chief presents NGP gains, challenges for 2017 onward (<http://r2.denr.gov.ph/index.php/89-webpage/423-fmb-chief-presents-ngp-gains-challenges-for-2017-onward>)

and protection of reforestation projects. Additionally, outcome-based M&E by third-party technical working groups are recommended for the following criteria: quality of seedlings, canopy closure and microclimate, biodiversity condition and survival rate of seedlings.

D. Current CSA strategies implemented in the Philippines

- **Climate resilience rice.** This is the use of drought, submergence, and saline-tolerant rice varieties. Farmers participated in the selection of these rice varieties, paving the way for a need-based selection of rice varieties and faster adoption of these varieties in the farming community.
- **Review and adjustment of cropping calendar.** Farmers in the MASIPAG (Farmers Scientist) network have developed early-maturing rice varieties that are harvested before the main typhoon season starts, They stagger planting and use diverse crops to reduce crop failure risks.
- **Using SALT.** (Sloping Agricultural Land Technology) promotes contour farming and other soil conservation measures in sloping lands, i.e., using tree legumes to improve the fertility and stability of agricultural soils. SALT is a form of alley farming in which field and perennial crops are grown in bands 4-5 m wide between contoured rows of leguminous trees and shrubs. The latter are thickly planted in double rows to form hedgerows. The DA used SALT as the basis for its extension effort on sloping uplands. The Department of Environment and Natural Resources (DENR) endorsed the concept for its social forestry projects. A significant training effort for extension personnel was launched by the Philippine Government and demonstration plots of SALT were installed on farmers' fields throughout the country.
- **Farm diversification** in the rainfed and upland ecosystems where farmers are intercropping corn with cassava, because the 2nd cropping of corn is no longer successful. Cassava is harvested after 10 months. In addition, many farmers are diversifying their production systems, growing other cereals, vegetables and rearing fish and animals such as swine and chickens. The residues and waste from each system are being composted and used on the land. This diversification has increased incomes, improved nutrition, built resilience to shocks and minimized financial risks.
- **Rice intensification in the farm** refers to integrated farming for rice and vegetable components, as well as fish and livestock. It integrates crop management to improve productivity, profitability and environmental safety. The technology is widely adapted in irrigated rice ecosystems.
- **Rain water harvesting** that provide irrigation water during the dry season and at the same time slowing down inundation of lowland areas during extreme rainfall events. Rainwater storage tanks were constructed made of wire-framed ferrocement, with capacities varying from 2 to 10 m³. The tanks were then plastered both inside and outside, thereby reducing their susceptibility to corrosion relative to metal storage tanks.
- **The System of Rice Intensification (SRI)** is a methodology for increasing the productivity of irrigated rice by changing the management of plants, soil, water and nutrients. SRI leads to healthier soil and plants supported by greater root growth and the nurturing of soil microbial abundance and diversity. A local group SRI-Pilipinas, an Oxfam-assisted organization, records an average of 6.4 tons per hectare, which is a yield gain of around 114% over the current national average; and higher returns on investment (Oxfam 2011).
- **Mitigating methane emissions** through new irrigation schemes called **Alternate-Wetting and Drying (AWD)** which was developed by the International Rice Research Institute (IRRI) in cooperation with the Philippine Rice Research Institute (PhilRice). The visible success of AWD in pilot farms, as well as specific training programs for farmers, was able to dispel the widely held perception of possible yield losses from non-flooded rice fields. The adoption of AWD facilitated an optimum use of irrigation water, so that the cropping intensity could be increased from 119% to 160% (Bouman et al. 2007 and Wassman, R. 2012). Even IPCC recognizes the benefits of AWD, according to which multiple aeration, to which the AWD

corresponds, potentially reduces methane emissions by 48% compared to continuous flooding rice fields. AWD therefore generated multiple benefits related to methane emission reduction (mitigation), reducing water use (adaptation where water is scarce), increasing productivity and contributing to food security.

- **Farmers using biotechnology** additional income from planting Genetically Modified (GM) corn is approximately US\$ 107.8 million covering 125,000 small farmers.
- **Promotion of organic agriculture.** Farmers are now encouraged to shift to organic agriculture by virtue of the Organic Agriculture Act of 2010. According to Muller (2010), adaptation and mitigation based on Organic Agriculture (OA) can build on well-established practice as OA is a sustainable livelihood strategy with decades of experience in several climate zones and under a wide range of specific local conditions. The potential of this strategy to adapt to the adverse effects of climate change and at the same time contribute to reduction of GHG emissions and to carbon sequestration is huge.
- **Enhanced Farmers Field School (EFFS).** The aim of the EFFS is to build farmers' capacity to analyze their production systems, identify problems, test possible solutions and eventually adopt the practices and technologies most suitable to their farming system. The DA Agricultural Training Institute (ATI) have encourage farmers to build up their knowledge, skills and climate response by making close observations and experimenting on the farm on various aspects of agriculture –crop response to various types of nutrients and amounts of water, soil and water management, how to build organic matter in soil, pest-predator relationship and growth cycles for ecological pests control. Farmers are making their own weather observations and use these and other agro-metrological information in taking farming decisions.
- **Aquasilviculture.** This constitutes the integration of mangrove ponds and pens for fish and crabs (Primavera, 2000). Such systems not only sequester carbon, but they are also more resilient to shocks and extreme events and also lead to increased production due to improved ecosystem services. There are more than 50 mariculture parks distributed in fourteen regions of the country. Each mariculture park is established with a purpose as a breeding facility, tourism destination or research and development area. Activities in these parks include integration of research results and business trends for sustainable ventures for local community development.
- **Livestock Industry:** The DA Bureau of Animal Industry (BAI) is focusing on strategic research such as: (1) breeding and screening for heat tolerant livestock and poultry, indigenous species and breeds will be evaluated for their adaptability and climate resiliency, (2) novel feed formulations that will reduce the production of CH₄ from livestock and from livestock waste, (3) systems to efficiently and cost effectively capture GHG from farm wastes and converted into an energy source to replace more carbon-intensive fuels such as firewood, coal, and kerosene.
- **Agroforestry reforestation** integrates perennial and annual crops in a two canopy or multi- canopy production system. The DA is promoting tree-based farming systems as part of a low carbon emissions development pathway and adaptation strategy. In the watershed areas of the Soil and Water Impounding Projects (SWIP) of the DA Bureau of Soil and Water Management (BSWM), indigenous agroforestry species are planted to provide watershed protection and additional source of food to the farming community.
- **Non-conventional irrigation programs:** The BSWM is pursuing the development of water resources in the country for Small-Scale Irrigation Projects (SSIPs) including, Small Water Impounding Projects (SWIPs), Small Diversion Dams (SDDs) Small Farmer Reservoir (SFR) and Shallow Tube Wells (STW). These provide supplemental irrigation to about 8,100 hectares of rainfed rice-based area that benefited more than 5,500 farmers that are not within the coverage of the National Irrigation Administration (NIA)¹⁰.

¹⁰ bswm.da.gov.ph/

E. IMPACT IDENTIFICATION, EVALUATION AND LESSONS LEARNED FROM IFAD PROGRAMMES

A number of loan projects and/or country and regional grants focused on natural resource management and/or livelihoods in a changing climate in the Philippines. Activities and sub-projects included NRM planning (i.e. watershed, lakeshore, coastal and upland areas), sustainable farming and fishery technologies, soil and water conservation techniques, fish sanctuary establishment, erosion control and slope protection and drainage systems, reforestation and agro-forestry.

- Country specific loan projects: i) *Northern Mindanao Community Initiative and Resource Management Project (NMCIREMP)* (2003-2010), ii) *Second Cordillera Highland Agricultural Resource Management Project (CHARMP2)* (2008-2017); iii) *Integrated Natural Resources and Environmental Management Project (INREMP)* which was effective in May 2013); iv) *Convergence on Value Chain Enhancement for Rural Growth and Empowerment Project (CONVERGE)* building on NMCIREMP with geographical emphasis in Mindanao and the Visayas; and v) *Fisheries, Coastal Resources and Livelihood Project (FishCORAL)*.
- Country specific grant project: *Typhoon Haiyan Agricultural Rehabilitation Programme (HARP)* under the Department of Agriculture (DA) was completed in 30 June 2015.
- Regional grants projects: i) *Enabling poor rice farmers to improve livelihood and overcome poverty in South and Southeast Asia through the Consortium for Unfavourable Rice Environments (CURE)*; ii) *Climate Smart Tree Invest by World Agroforestry Center (ICRAF)* building on its predecessors the *Rewards for Use of and Shared Investment in Pro-Poor Environmental Services (RUPES 1 and 2)* projects; iii) *Root and Tuber Crops for Food Security in Asia-Pacific (FoodSTART 1 and FoodSTART+)* implemented by International Potato Center (CIP) was launched in February 2016.

The investment on NRM in the Philippines' portfolio is significantly increasing as a result of *INREMP*, which is just initiating its activities, and building on watershed development experience from *CHARM1* and *2*, including some ancestral domain areas and others in the uplands and river basin areas. The latest project *FishCORAL* is the first entry in the fisheries sub-sector, even though there were some earlier projects with fisheries and coastal management activities as part of community based natural resource management. *INREMP* and *FishCORAL* are two relatively complex projects, because of the social and institutional dimensions involved related to access to productive resources, are in early stages of implementation. The design of the *Rural Agro-Enterprise Partnership and Inclusive Development Project (RAPID)*, which is in the pipeline, identified the need to strengthen the climate resilience of MSMEs, through their inclusion in DRRM and CCA policy, planning and local institutions. Farmer field schools organized under *NMCIREMP*, *CHARMP2*, and *Rapid Food Production Enhancement Programme / Irrigated Rice Production Enhancement Project (RaFPEP-IRPEP)* also covered as crop rotation, palay check, water control and management, etc. which were identified as part of CCA measures for agriculture and food security under the Philippine's NFSCC. The earlier projects were not explicit on climate change, also because IFAD developed a Climate Change Strategy in 2010.

Increasing resilience and adaptive capacities of local communities in the Philippines suggest the need for a more integrated framework, which mainstream both DRR and CCA into local development projects. Given the high vulnerability of the Philippines to extreme climatic events, IFAD projects will have to increasingly include features that incrementally reduce the risks of poor people to climate change, while ensuring there is no maladaptation. A bigger role for resilient oriented programming which includes climate-smart agriculture and resilient livelihoods and climate proofing of infrastructure might be considered in the future.

The Philippines' high vulnerability to climate shocks and natural disasters increases the risk of delays in program implementation. Typhoons have historically been the key source of disaster, impacting heavily on human lives, food security and broader economic

activity. Although Mindanao was historically less exposed to typhoons, extensive deforestation along its eastern coastal areas has changed this. East and Central Visayas, and Southeast and Northeast Luzon remain highly vulnerable. The Philippines is well positioned to improve its adaptive capacity given its development level and public sector capacity. Mainstreaming adaptation in development operations, and allowing flexibility to response to crises, can protect achievements and minimize losses. Assisting local governments in integrating CC and DRRM into local development plans will contribute to sustainability.

Conservation projects oriented to the protection and rehabilitation of forest, watershed and coastal ecosystems are expected to benefit resource dependent communities who live within or surrounding these areas by providing ecosystem services on which they often depend. However, individual household benefits must accrue if these stakeholders and local custodians of nature are to support the conservation objectives. This is well known and accepted. Household level income flows are ultimate determinants of sustainability of any community-based natural resource management (CBNRM) interventions. This will remain a major opportunity for IFAD projects (especially *CONVERGE*, *FishCORAL* and *INREMP*) for deriving useful programmatic and policy recommendations.

The Philippines is known worldwide for its participatory approaches in forestry management after it adopted CBNRM as a national policy in the nineties. Related forest tenure reform allowed users tenurial security for 25 years, renewable after 25 years. While such legal options for upland dwellers – engaged in smallholder agriculture – to *secure* individual tenure (stewardship contracts) are still in place it needs to be given more attention in IFAD/DENR/BFAR projects especially *INREMP*, *CONVERGE* and *FishCORAL*. This is primarily to encourage individual households to make investments that provide both long term tenurial security and incentives for investment (climate-smart infrastructure, agroforestry systems, and physical infrastructure). Individual tenure is known to provide the stability and provide households better incentives to secure financial support (credit) and business support services (which characterizes the current focus of most IFAD project).

The country has some very useful operational lessons in value chain work. Agriculture and forestry related value chains – from farm to markets (production, postharvest, processing, transformation, market linkages, etc.) – should receive more attention. The exceptional example of this approach in agriculture was offered by the IRRI-*CURE* project in *CHARMP* sites where the focus was on assessing traditional cultivars, finding ways to raise productivity, climate change adaptation and small mechanization interventions and finally, the important market linkage development element.

The provision of certificates of land ownership awards (CLOAs) in the case of agriculture and stewardship contracts (in community forestry) are important indicators of security of access to land. Without the stabilization of ownership rights, investment on individual small farms physical infrastructure – like climate-smart irrigation infrastructure (water harvesting ponds, wells) and climate resilient agroforestry systems – is unlikely to be made. Better ways of reaching those at the bottom of the ladder in rural areas (e.g. assetless poor especially tenants in coconut and ricelands, new migrants or climate refugees, and especially coastal dwellers) need to be included in efforts to address the persistent problem of poverty the Philippines has experienced in recent decades

As mentioned, enhancing the productivity of farmers while building resilience to climate change remains a high priority for the Philippine government in terms of poverty reduction and food security. The project *HARP* effectively modeled rapid response mechanisms required for restoring agriculture in a post-disaster (typhoon) situation. The regional project *RUPES 1* and *2* made contributions of global significance by its focus on finding ways to reward poor people (rewards for environmental services or RES) for ways to restore upland landscapes and watersheds. This ground breaking work also derived methods for understanding the role of trees (e.g. agroforestry) in the interphase between

adaptation and mitigation efforts, and generated cutting edge knowledge related to upland restoration and ecosystem services. Similarly, *CURE* and *FoodSTART*, via their regional initiatives have derived a range of technological and methodological innovations to promote adaptation in adverse agro-climatic conditions.

F. RECOMMENDATIONS FOR ENHANCING ENVIRONMENTAL AND CLIMATE CHANGE RESILIENCE IN THE AGRICULTURAL AND RURAL DEVELOPMENT SECTOR

Farmers and fisher folks in the Philippines have to actively adapt to changing weather conditions and develop various mechanisms to cope with extreme events. Failure to do so will negatively affect their welfare and increase their vulnerability to the effects of climate change. In particular, more intensive and frequent extreme events may create or strengthen the poverty trap. Farmers' ability to take adaptive decisions depends on three things: their socio-economic situation, well-tailored and timely advice, and, crucially, the enabling environment provided by governments (OECD, 2017).

Poverty alleviation and agricultural and rural development can be achieved if natural resources-based livelihood activities are provided and promoted in marginalized areas, climate smart technologies are used, and environmental resources are protected. Science-based technologies and interventions that affect the different factors that influence poverty, vulnerability, and ecological stability should be implemented. These interventions can be conducted as package of technologies. That is, there should be a shift in paradigm on how to deal with pressing and emerging issues.

This section is designed to help identify priority ENRM, social and CC issues based on IFAD's comparative advantage for deepening its policy dialogue with the GOP as well as lay the basis for possible interventions to be included either in the COSOP or to be financed by external funding sources such as the Global Environmental Facility (GEF) or the Global Climate Fund (GCF), etc.

Strategic Orientation of the Proposed COSOP related to ENRM and CCA

The Philippines faces significant challenges in the loss of farmland, the overuse of biodiverse forests, unsustainable agricultural practices, soil erosion and water conservation, and degradation of watersheds and other fragile agricultural areas. Climate change further threatens biodiversity and ecological stability. Increased variability in rainfall, more frequent natural disasters, and reduced fish stocks will place the Philippine AFF sector under significant stress.

The SECAP recommends one ENRM and CCA related strategic objective to be included in the COSOP that will inform IFAD's lending and non-lending country programme in the Philippines.

Strategic objective 1 (SO1) of the COSOP, is aimed to *develop an enabling environment and delivery systems in support of competitive, inclusive and resilient agrifood value chains*, and should include the following ENRM and CCA related pillar:

- *Resilience*. This will support PDP focus on biodiversity conservation, ecosystem services (particularly in critical watersheds), ecosystem resilience (particularly to mitigate and adapt to climate change), sustainable management of natural resources, and disaster risk reduction. Priority would be given to areas where the interface with agricultural systems is more intense and where ecosystem services are critical for the resilience of small rural producers.

This resilience element under SO1 serves to develop an enabling environment for investments that have a low environmental impact, that mitigate and adapt against climate shocks, and that increase resilience against climate shocks. Tools to be applied will include innovative value chain practices (e.g. sustainable agroforestry production systems, financial products offering climate risk management), disaster support, community risk assessment systems, and comprehensive land use plans enabling LGU's to take the lead in climate change adaptation and mitigation. These tools will be based on

community-based resource management and will build on partnerships with DA, BFAR and DENR in the areas of integrated watershed management and sustainable fisheries management.

Additionally, an inclusiveness element under SO1 should be added, with a focus on: i) small rural producers, ii) small entrepreneurs, iii) poor and rural communities in upland and highland areas populated by IPs, iv) in areas high density of ARBs, and v) in coastal municipalities where fisheries represent an important livelihood activity. In light of the demographic configuration of the population, and the concentration of youth in rural areas, the country programme should create employment opportunities for the youth in AFF and non-farm activities. Also, the country programme should maintain its strong focus on the social and economic empowerment of women, their organizations, and their apex networks. It will foster the participation of women in the labour market and in income generating activities. It will ensure equal access of women to decision making and access to assets, investments, services, knowledge, and markets. Hence, SO1, should also include the following pillar:

- *Inclusion.* This will support the PDP focus on ensuring the inclusion of all rural groups and communities in the development process, and in particular on access to profitable value chains – small rural producers, agrarian reform community clusters, fishers' communities, and indigenous peoples' ancestral domains. Particular attention will be devoted to women and the youth within these groups, and to the strengthening of community organizations.

Proposed SECAP Strategic Action

The SECAP recommends that SO1 can be linked from an operational perspective through a landscape management approach that integrates land and water from a multi-sectoral perspective that would allow IFAD to better incorporate the various lessons outlined above, and to address GOP requests for financing, technical, and capacity building existence for improved CCA and DRRM activities.

The results of the SECAP study suggest that strategies that promote ecological stability and at the same time enhances the adaptive capacity of local communities and ecosystems should be implemented to cope up with increasing pressure from the threats of environmental hazards and the disruptions these cause to smallholder participation in otherwise profitable value chains. These will involve the use of integrative and holistic approaches that account for the social, environmental and climate issues and concerns in formulating specific strategic projects and interventions. For example, approaches towards climate-smart interventions in agricultural development should be promoted within a value chain development framework. This may involve a suite of CCA measures or options which are often location-specific.

Identification and formulation of effective and efficient location-specific CCA options to reduce vulnerability and build resilience is key for incorporating appropriate CCA measures into development interventions addressing rural poverty, food and nutritional insecurity, and environmental stability. CCA strategies should promote appropriate agricultural production systems and enterprises that enhances rural income level and reduces poverty, and improve food and nutritional insecurity. Reduction of vulnerability may involve any or combination of measures to reduce exposure to the hazard, modifying the sensitivity to the threat, and/or increasing the adaptive capacity to cope up with the climate hazard. CCA options or measures may include responses based on good agricultural practices as well as ecosystems-based adaptations that have been field-tested or based on practical experiences of stakeholders. These options may involve scaling up in other sites or locations with some modifications to suit the environmental and socio-economic conditions in the area, strategies involving management of climate risks, and also piloting of certain CCA measures before eventual area-wide implementation. Some CCA measures have been generated from scientific studies (e.g. adaptive planting calendar, planting stress tolerant varieties, etc.).

Role of Local Governments

The results of SECAP study suggest that strategies that promote ecological stability and at the same time enhances the adaptive capacity of local communities and ecosystems should be implemented to cope up with increasing pressure from the threats of environmental hazards.

In its framework strategy on climate change, the CCC (2010) sets the ultimate goal of the Philippines towards CCA: "to build the adaptive capacity of communities and increase the resilience of natural ecosystem to climate change and optimize mitigation opportunities towards sustainable development". The CCC also included in their framework that four principles shall guide adaptation strategies; namely, (i) equity and social justice, (ii) the precautionary principle, (iii) the principle of subsidiarity, and (iv) sustainable development (Rola, Sumalde and Garcia, 2016).

The principle of subsidiarity puts the community at the center of decision-making, in which approaches to addressing climate change issues are participatory and collaborative among and across sectors (Abrigo et al, 2016). The community in the Philippine context refers to the barangays, municipalities and the provinces and are collectively known as the Local Government Units (LGUs). Examples of adaptation to flooding in Leyte and Ormoc and those along Cabalian Bay in Southern Leyte have been documented by Predo (2010). These included relocation, evacuation, restructuring of housing units, building stone breakwaters, improving the dike, system and canals, change in land use, change in livelihoods and early preparation of household needs.

The common indicators of adaptive capacity include technological, economic or financial, physical or infrastructural, natural, social and political or institutional resources (Abrigo et al, 2016). Penalba and Elazegui (2011), identified five indicators of adaptive capacity to include institutions and governance, risk assessment, monitoring and warning, knowledge, education and information, climate change adaptation technology and infrastructure, and underlying risk factors.

Implementation of intervention strategies or development activities in an area should consider already the possibility of mainstreaming such activities as part and component of LGU plans and programs. At the local government level, LGUs are required to develop their respective Local Climate Change Action Plan (LCCAP), and to update their Comprehensive Land Use Plan (CLUP) to incorporate disaster risk reduction management considering hazards posed by future climate.

LGUs at the barangay, municipal and provincial levels are essential partners for the Philippine government to address ecological stability. Since natural calamities do not recognize political boundaries, LGUs should either individually, jointly or collaboratively plan and manage activities that promotes ecological stability with respect to:

- (i) Watershed protection that would cover their jurisdictions;
- (ii) Supporting the creation and institutionalization of organizations (i.e. Watershed Management Organization, River Basin organization, etc) that cut across administrative boundaries and that would address ecological stability;
- (iii) Participating in local inter-agency, multi-stakeholder panels consultative meetings that promotes ecological stability;
- (iv) Updating of ecological profiles on regular basis;
- (v) Promoting and financing sustainable agro-forestry based livelihood activities in line with the principles of ecological stability;
- (vi) Supporting capacity development (e.g. Adaptive Capability), specially the empowerment of stakeholders vis a vis natural calamities and the like;
- (vii) Supporting advocacies for legislation and public participation that relate to ecological stability, and,
- (viii) Ensuring that the above are integrated into the plans, programs and budgets including the comprehensive land use plans (CLUPs) and comprehensive development plans (CDPs)

Development programs are site-specific and in the case of the Philippines, interventions may be at the village-, city/municipal-, or provincial-level. The Local Government Code of 1991 or the decentralization from national government to the local government provides local autonomy which enables the latter to be effective partners in achieving national goals which are in line with the objectives of most, if not all, development programs in the country.

The local government units (LGUs) have the authority to assign functions and responsibilities necessary to provide basic services to a barangay, municipality, city, and province. In ensuring ecological stability and resilience to climate change, LGUs provide basic services such as agricultural support services including planting materials distribution system and operation of farm produce collection, extension and on-site research services and facilities related to agriculture and fishery activities and water and soil resource utilization and conservation projects.

LGUs also work closely with the Department of Environment and Natural Resources in the implementation of community-based forestry projects which include integrated social forestry programs, management and control of communal forests, establishment of tree parks, greenbelts, and similar forest development projects.

With the power given to the LGUs, it is important to include them at the start of any research and development program. It is easier to mobilize people on site when LGUs are part of the projects. Also, most of these units already have plans (e.g. Comprehensive Land Use Plan) for a specific period wherein it would be best to mainstream the programs for a more cohesive attainment of goals.

Equipping LGUs with precise, correct and updated information on the causes and impacts of environmental problems through science-based tools for monitoring and decision making. These scientific information can be utilized by the LGU for developing and implementing sound environmental policies. Related to this, is a need for capacitating the LGU in using these tools, and understanding these information to optimize its impacts. For example, by using the hydrological assessments in Bukidnon as evidence of the impacts of water use in the watersheds, the provincial Government was able to require a higher water users fee, that it is implementing up to now.

In order to improve the role of LGUs the following actions are needed:

- Enhance standards such as promoting Seals of Good Local Governance to better incorporate recent ecological and resilient practices in agriculture and NRM.
- Unleash the power of LGU through citizen partnerships. Incentivize enforcement of policies that promote participation, and accountability in local agriculture and NRM planning and monitoring. Increase subsidies for convening the local Agriculture and Fishery Councils (AFCs) the lessen feudal dependence on incumbents "corsonada (fleeting pet projects)". This will help make agriculture more relevant, strategic and accountable and draw broader support. Coordination with local stakeholder councils, ENR Councils, Solid Waste Management Councils, Water Quality Councils etc
- Fortify weak policies that establish the Local Agriculture Offices (e.g. LAOs) and Environment and Natural Resources Offices (ENROs), through the support of technical agencies that can effectively guide their direction, and systems under the decentralized set up.
- Create the fiscal space for LGUs to engage. LGUs depend on national government transfers to operate - LGUs are therefore very much interested in projects and programs that increase their ability to access funds that are critically needed in order to implement their priorities. Usually, infrastructure is on the top of the list; or improving their capacity to levy taxes, such as for instance land taxes. NRM projects are typically not higher order priority as they usually do not mobilize great amount of funds, are not so visible as road rehabilitation, and do not strengthen their fiscal capacity. Linking NRM projects to a flow of funds that strengthens their fiscal capacity or that enhances their capacity to recover lost taxation is in my view quite critical.
- Knowledge support through making existing systems for knowledge sharing among LGUs more efficient and effective. Make FOI work among Line agencies by requiring

them to translate results of projects into practical knowledge products for LGU development practitioners and local stakeholders . Develop and observe a standard for communicating to LGUs. No great need to recreate the wheel on "ecosystems" approach . Revisit previous and current efforts for convergence; assess them and agree on a support agenda on how they can be strengthened to support LGUs i) earlier efforts for inter LGU coastal alliance and watershed councils; ii) Enhanced National Convergence Initiative (NCI); iii) Landscape based planning being introduced within DA, and iv) Ecosystems Based Adaptation (EBA)

Opportunities for incorporating CCA in agricultural and rural development programs

In line with the entry points identified in the 2017-2022 PDP, and considering IFAD's emphasis on integrated watershed management and sustainable fisheries management, the following are recommendations and opportunities for IFAD operations to support the country's actions to build its environmental and climate resilience in the agricultural and rural development sector.

The SECAP recommends that the COSOP consider the following opportunities for incorporating CCA in agricultural and rural development programs to be considered as strategic actions:

1. Sustainable agroforestry production systems to provide livelihood activities and to promote environmental stability of watersheds in the vulnerable and fragile ecosystems.
2. Promotion of climate smart agriculture. This strategy involves the applications of advances in science and technology in responding to or coping with climate variability and climate change. For instance, adaptation measure using adaptive planting calendar based on seasonal climate forecasts (SCF) may be used to determine the best planting date for rice and corn. SEARCA with GIZ and the ASEAN Climate Change Programme have documented some specific technologies for rice, corn and cassava for ASEAN countries. \
3. Climate risk management using weather index-based insurance (WIBI).
4. Calamity support fund (CSF) for the most vulnerable and poor areas. This involves the provision of support fund for those who incur heavy damages and losses to their properties and crops (e.g. PCF and PSF).
5. Climate-proofing of management plan of protected areas in marginal lands and fragile ecosystems. This involves the conduct of vulnerability assessment to climate change, and the incorporation of CCA strategies and measures in the updating of the management plan of protected area.
6. Setting-up of a monitoring and evaluation (M&E) system for assessing climate resilience of local communities and ecosystems. This involves identifying the indicators (flora and fauna) of resilience, design of regular data acquisition for monitoring, and analysis of data for detection of change.
7. Linking or coupling CLUP with CCA and DRRM to complement the LGU LCCAP.
8. Use of green technologies. Green technologies such as vermicomposting, bio pesticides, and dehydration for postharvest processes have shown beneficial impacts on rural communities while conserving the environment.
9. MSME inclusion in DRRM and CCA policy, planning and local institutions.

Promising CCAM and DRRM actions undertaken:

Initiatives and measures have been undertaken or piloted in some areas in the Philippines to avert and mitigate the adverse effects and impacts of disasters and calamities as well as enhance the resilience of the AFF sector. These implementation activities include the following:

- Conduct of massive information, education and communication (IEC) campaigns;

- Trainings of key local stakeholders on needed skills such as the conduct of risk analysis and vulnerability assessments in the communities;
- Field demonstrations on effective and science-based technologies and best practices;
- Promotion of climate-smart technologies including stress-tolerant varieties and breeds;
- Setting-up of community-based early warning system (EWS);
- Developing and adapting risk transfer/sharing mechanisms for climate risk management such as agri-insurance or weather index-based insurance (WIBI);
- Provision of financial resources as calamity support fund, DRRM fund, and Quick Response Fund (QRF) in the most vulnerable areas.
- Preparation of science-based CCA and DRRM plans using results of risk and vulnerability assessments, and incorporating plausible climate scenario in the planning process.

Accessing GCF, and other sources of funds

In the Philippines, funds for CCA are limited, though increasing. Prioritization of climate change adaptation in the national policy framework is mirrored by an increase in funding sources at the international, national, sectoral and local levels. However, several questions remain regarding how to track adaptation expenditures and whether there are mechanisms that allow for co-ordination of internationally funded PAPs with nationally funded ones.

At the international level, the Green Climate Fund (GCF) and, to a lesser extent, the Adaptation Fund (AF) are likely to form the two most important financing sources for adaptation projects. Support from international funds is often allocated to specific climate-related programmes and projects (Quieta, 2015). The mobilization of funds for adaptation in the international arena has intensified since the recently adopted Paris Agreement. However, it is unclear at this point what share of these funds will be available for adaptation activities in the Philippines.

At the national level, the People's Survival Fund (PSF) is the main source of financing for climate change adaptation activities followed by the Performance Challenge Fund (PCF) (Quieta, 2015). The People's Survival Fund (PSF) was created through the Republic Act 10174: Establishing the People's Survival Fund to Provide Long-Term Finance Streams to Enable Government to Effectively Address the Problem of Climate Change. It is an annual fund intended for local government units and accredited local/community organizations to implement climate change adaptation projects that will better equip vulnerable communities to deal with the impacts of climate change. It supplements the annual appropriations allocated by relevant government agencies and local government units for climate-change-related programs and projects.

The Philippine government programmed at least PhP 1 Billion (US\$200 million) into the PSF from the national budget. The allocation may be augmented by mobilizing other funding sources such as local government units, the private sector, and individuals who support adaptation initiatives.

The PSF is intended for adaptation activities that include water resources management, land management, agriculture and fisheries, health, among others, and serve as guarantee for risk insurance needs for farmers, agricultural workers and other stakeholders. It will also be used for establishing regional centers and information networks and strengthening of existing ones to support climate change adaptation initiatives and projects, for setting up of forecasting and early warning systems against climate-related hazards, support to institutional development such as preventive measures, planning, preparedness and management of impacts relating to climate change, including contingency planning for droughts and floods. The PSF is managed and administered by the People's Survival Fund Board. The Final Implementing Rules and

Regulations reconfirm the scope of activities that are to be funded by the Act, which is narrower – with support only for adaptation activities of the LGUs and communities – than the NFSCC or the NCCAP (Quieta, 2015). See Appendix 6 with further details on PSF.

Adaptation funds are not well-aligned with the adaptation priorities identified by the government. Despite food security being the first priority of NCCAP, only 1% of adaptation PAPs were related to agriculture in 2012. Moreover, this small share actually represents an increase of more than 140% in real terms since 2011 (WB, 2013). In the same year, a large share of funds was allocated to other strategic priorities outlined in NCCAP, namely water sufficiency for municipal use, followed by ecosystem and environmental stability. According to the World Bank (2013), funding for water sufficiency has shown the largest growth among NCCAP strategic priorities, from about PHP 6 billion in 2009 to about PHP 20 billion in 2013 (from US\$0.14 billion to US\$0.47 billion).

Currently, many climate-tagged activities belong to the core activities of the DA. The overall public budget of the DA allocated to agricultural development has experienced a significant increase, from around PHP 35 billion (US\$0.8 billion) in 2011 to PHP 69 billion (US\$1.58 billion) in 2014 and PHP 89.2 billion (US\$2 billion) in 2015. The planned share of the DA's climate change allocations in the overall 2015 budget was 22%, but those in the actual 2015 budget reached 36% (PHP 14.2 billion). The DA's budget proposal for 2016 tags about 41% of its resources as climate related.

Financing of the LGU activities to combat climate change hazards and disaster risks is made available through the PSF. Other financing opportunities are also available from NGOs and donor agencies working directly with some LGUs and NGOs, and POs. These also include opportunities for financing from other sources, e.g. the Global Environment Facility (GEF) and/or the Green Climate Fund (GCF).

Monitoring and Feedback Mechanisms

Monitoring the implementation of the recommendations of this SECAP study will require the identification of appropriate indicators for that purpose. The following table proposes a set of indicators for the expected outputs from the SECAP's recommended actions/measures, as well as for strategic objective 1 of the COSOP.

Recommendations	Expected Outputs	Indicators
<p><u>SECAP study recommended SO1: develop an enabling environment and delivery systems in support of competitive, inclusive and resilient value chains</u></p>	<p>COSOP strategic objective promotes positive environmental and social benefits for local communities and project beneficiaries</p>	<p>Inclusion in COSOP and further strengthening</p>
<p><u>SECAP study recommended resilience pillar: will support PDP focus on biodiversity conservation, ecosystem services (particularly in critical watersheds), ecosystem resilience (particularly to mitigate and adapt to climate change), sustainable management of natural resources, and disaster risk reduction. Priority would be given to areas where the interface with agricultural systems is more intense and where ecosystem services are critical for the resilience of small rural producers.</u></p>	<p>COSOP promotes the development of an enabling policy and regulatory environment for the sustainable expansion of economic opportunities in resource-based enterprises.</p> <p>COSOP promotes the development of sustainable ENRM, CCA and DRRM plans at local level with a focus on integrated watershed management and sustainable fisheries management.</p> <p>Additional COSOP activities financed from supplemental sources (CSF, PSF, GEF, GCF)</p>	<p>No. of new policies adopted or implemented for the sustainable expansion of economic opportunities in resource-based enterprises</p> <p>No. of NRM, CCA and DRRM programmes and plans developed for local beneficiaries</p> <p>No. of ecosystems approaches to municipal fisheries management developed</p> <p>No. of climate-resilient small-scale irrigation systems implemented</p> <p>No. of projects/activities receiving supplemental financing (CSF/ PSF/ GEF /GCF)</p>
<p><u>SECAP study recommended inclusiveness pillar: will support the PDP focus on ensuring the inclusion of all rural groups and communities in the development process, in particular on access to profitable value chains – small rural producers, agrarian reform clusters, fishers' communities, and IPs. Particular attention will be devoted to women and the youth within these groups, and to the strengthening of community organizations</u></p>	<p>COSOP promotes the inclusiveness of small rural producers, agrarian reform community clusters, fishers' communities, and IPs. Particular attention on women and youth.</p> <p>COSOP promotes the strengthening of community organizations.</p>	<p>Number of inclusive programmes and plans developed for local beneficiaries</p> <p>Number of community organizations supported and strengthened</p>

Country at a glance

Land area (km2) 2016 1/	298 170	GNI per capita Atlas method (Current USD) 2014 1/	3 550
Total population (million) 2015 1/	100.7	GDP per capita growth (annual %) 2014 1/	4.3
Population density (people per km2) 2014 1/	337.7	Inflation, consumer prices (annual %) 2015 1/	1.4
Local currency Philippine Peso (P)		Exchange rate: USD 1 =	47.5 P
Social Indicators		Economic Indicators	
Population growth (annual %) 2015 1/	1.6	GDP (Current USD million) 2015 1/	292 451
Crude birth rate (per thousand people) 2015 1/	23.3	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2015 1/	6.8	2010	7.6
Infant mortality rate (per thousand live births) 2014 1/	22.2	2015	5.9
Life expectancy at birth (years) 2014 1/	68.4		
Number of rural poor (million) (estimate) 2012 2/	13.3	Sectorial distribution of GDP 2015 1/	
Poor as % of total rural population (estimate) 2012 2/	25.1	% agriculture	10.3
Total labour force (million) 2016 1/	45.2	% industry	30.8
Female labour force as % of total 2014 1/	n/a	% manufacturing	20.1
		% services	59.0
Education		Consumption 2015 1/	
School enrolment, primary (% gross) 2013 1/	116.8	General government final consumption expenditure (as % of GDP)	11.0
Adult illiteracy rate (% age 15 and above) 2015 1/	96.6	Household final consumption expenditure, etc. (as % of GDP)	75.1
		Gross domestic savings (as % of GDP)	13.9
Nutrition			
Daily calorie supply per capita	n/a	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5) 2013 1/	30.3	Merchandise exports 2015 1/	58 648
Malnutrition prevalence, weight for age (% of children under 5) 2013 1/	19.9	Merchandise imports 2015 1/	69 920
		Balance of merchandise trade	-11 272
Health		Current account balances (USD million) 2015 1/	7 266
Health expenditure, total (as % of GDP) 2014 1/	4.7	before official transfers 1/	n/a
Physicians (per thousand people) 2012 1/	n/a	after official transfers 1/	n/a
Population using improved water sources (%) 2015 1/	91.8	Foreign direct investment, net 2015 1/	5 835
Population using adequate sanitation facilities(%) 2015 1/	73.9		
Agriculture and Food		Government Finance	
Food imports (% of merchandise imports) 2015 1/	11.7	Cash surplus/deficit (as % of GDP) 2013 1/	n/a
Fertilizer consumption (kilograms per hectare of arable land) 2014 1/	183.1	General government final consumption expenditure (% of GDP) 2015 1/	11.0
Food production index (2004-06-01=100) 2013 1/	121.6	Present value of external debt (as % of GNI) 2015 1/	14.6
Cereal yield (kg per ha) 2014 1/	3 637.4	Total debt service (% of GNI) 2015 1/	2.3
Land Use		Lending interest rate (%) 2015 1/	5.6
Arable land as % of land area 2014 1/	18.7	Deposit interest rate (%) 2015 1/	1.6
Forest area as % of total land area 2015 1/	27.0		
Irrigated land as % of total agric. land 2011 1/	9.3		

1/ World Bank, *World Development Indicators* Online database (<http://databank.worldbank.org/data>)

2/ World Bank, 2016. PovcalNet. Available at: <http://iresearch.worldbank.org/PovcalNet/home.aspx> [Accessed December 15, 2016].

Project/programme CONCEPT NOTE



Concept note(s)

Date: 24 November 2016

Concept Note on: Republic of the Philippines: Rural Agro-enterprise Partnerships and Inclusive Development for Growth Project

A. Strategic context and rationale for IFAD involvement, commitment and partnership

Country socio-economic background

- The Philippine economy is among the fastest growing in Southeast Asia in recent years, expanding 5.8% in 2015 and 6.1% in 2014¹¹. In 2014, GDP amounted to US\$285 billion with a GNI per capita of US\$3500 - classifying the Philippines as a lower middle-income country. Though the Gini coefficient is stabilising, at 0.43 in 2014 it is amongst the highest in Asia. Together with poor nutrition outcomes (30% of under-5s are stunted; 15% suffer vitamin A deficiencies) and dollar-a-day poverty of 27%, this depicts a particularly nuanced challenge of income inequality in spite of fast growth and middle income status. Such disparities are also apparent along spatial lines: poverty incidence is significantly higher among the country's 55 million rural inhabitants (34.9%) than among the 45 million living in urban areas (13.2%). Indeed, about two thirds of the country's poor depend on agriculture for income and sustenance. For those poor households, low returns in agriculture are exacerbated by the vulnerability of production to climate variability.
- The services sector has been the main engine of the country's fast growth, expanding its share of GDP by about 4 percentage points over the past 8 years, to 57%. Agriculture, which employs around 31% of working Filipinos, contributed only 10.3% of GDP in 2015, a drop of 3% since 2008. With three quarters of agricultural land devoted to subsistence crops (78% of farms are family farms) and one quarter to commercial crops, agriculture has been restrained by poorly developed infrastructure for logistics, diminishing farm sizes, degradation of natural resources, and a decline in the productivity and profitability of farming. Further, value addition and commodity chain coordination is underdeveloped for many commodities; while access to improved agricultural technologies is constrained by a weak extension system and high costs of inputs; and product standards and quality systems are not in place- all contributing to underinvestment in agriculture.
- As a consequence of low returns to agriculture coupled with rapid growth in services, rural youth continue to migrate; resulting in an average age of 57 years among the Philippines 11 million farmers. Unless agriculture and agro-enterprises generate higher financial returns, youth out-migration from rural areas is likely to continue. More generally, migration has offered an important coping strategy and is a defining feature of the Philippine's economic transformation. An estimated 6 million Filipinos work overseas, generating substantial remittance flows back to their families: over US\$ 28 billion (close to 10% of GDP) in 2014. But real estate and household consumption absorb significant amounts of personal remittances: productive investment, e.g. in enterprises, is low. Aside from child education and real estate, remittances are often not directly transformed into capital. Supporting migrants and their families in leveraging their finances- savings and remittances- towards

¹¹ These impressive growth rates are in spite of vulnerability to extreme climatic events: UNESCAP ranked the Philippines third among a list of countries most exposed to natural disasters over the past 45 years.

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productive capital investment remains a significant and yet untapped opportunity for the country.

- **Micro, Small and Medium Enterprises (MSMEs).** MSMEs play a central role in the Philippine economy. According to the Department of Trade and Industry statistics, MSMEs generate more than a third of the country's GDP and employ 60% of the labour force. Among the 950,000 business establishments registered in 2014, an overwhelming majority (852 000, or 90%) are micro enterprises (1 to 9 workers); while 87 000 (9%) are small (10 to 99 workers). Together, these two categories account for 60% of all jobs generated by business establishments and contribute 25% of GDP. Thus, despite their size, micro and small enterprises play a pivotal role in the country's economic performance.
- Notwithstanding their importance, MSMEs are disadvantaged compared to large enterprises- in terms of productivity, access to finance, and ability to penetrate export and other remunerative markets. The ratio of agro-enterprises is not available from official statistics, but their scale may be gleaned from a relatively low employment share of agricultural and fishery MSMEs as compared to trade, accommodation, food services, and other service activities. To some degree, this results from lower registration of MSMEs in agriculture; but also from the challenging operating framework facing rural enterprises, including poor organization and supply of raw materials and limited outreach of Government and private business services in rural areas.

Policy, Governance and Institutional Framework

- Following elections in May 2016, a new Government administration was sworn into office in July. The new administration's Philippine Development Plan (PDP, for 2016-2022) is expected to be issued in early 2017. In the meantime, the Duterte administration's 10-point economic agenda expresses the Government's priority action plan. It underlines the importance given by the Government to: promotion of rural enterprise and value chain development; increasing competitiveness and ease of doing business; investing in human capital, and matching skills development to meet the demand of the businesses and the private sector; acceleration of infrastructure spending; and promotion of science and technology to enhance innovation and creative capacity.
- Under the Local Government Code, public services related to rural and agricultural development sector have been devolved to Local Government Units (LGUs)¹². In this environment, public agricultural extension services are considered fragmented and ineffective, with public expenditures covered partly by the Department of Agriculture (DA) annual budget, partly by the Department of Agrarian Reform (DAR) annual budget (but limited to agrarian reform beneficiaries), in addition to LGUs- many of whom suffer from weak technical capacity and under-resourced extension provision. The absence of a robust extension program is in part mitigated by commercial companies through crop-specific technology modules (e.g. seeds, fertilizers, pesticides) that can be accessed through credit financing from traders, with high interest rates.
- Several other government agencies are involved in agriculture and rural development, including the Departments of: Trade and Industry (DTI), Environment and Natural Resources (DENR), Science and Technology (DOST), Social Welfare and Development (DSWD) and the Technical Education and Skills Development Authority (TESDA). The delivery of basic business development services for MSMEs is led by

¹² Administratively, the country is composed of LGUs and one autonomous region, the Autonomous Region of Muslim Mindanao. LGUs are divided into three levels: provinces (81); component cities and municipalities; and *barangays*, the smallest political unit.

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the Department of Trade and Industry through the "Negosyo Centers"¹³ and other DTI programs. Business advisory services from the private sector and academic institutions are available but inaccessible particularly to rural MSMEs in the absence of better enabling policies and programs by government.

- Government financing institutions (GFIs) that play important roles in financing and credit are the Development Bank of the Philippines (DBP) and Land Bank of the Philippines (LBP), while risk mitigation programs are provided by the Small Business Corporation (SBC). Also involved in lending and equity investment products are the DA/LBP Agriculture Guarantee Fund Pool (AGFP) and the DA-Philippine Crop Insurance Corporation (PCIC). Private and government financing institutions are required to adhere to two mandatory lending quotas through the Agri-Agra Law and the Magna Carta for SMEs. However these laws are largely seen as restrictive policies on more accessible, and market-based lending programs, with commercial banks typically opting to pay penalties rather than lend to the agriculture and MSME sectors. Rural financial services for smallholders and MSMEs are mainly provided by rural banks, cooperatives, micro-finance institutions and traders, with the latter two having prohibitive interest charges.
- Governance and participation of smallholders, MSMEs and the private sector in government bodies are mandated under the Agri-Fisheries Modernization Act providing for national and local agri-fisheries councils, the Magna Carta for SMEs providing for national and local Small and Medium Enterprise Development Councils (SMEDC), the Regional Development Councils (RDCs) with NEDA regional offices as secretariat, the Local Development Councils (LDCs) of LGUs at provincial and city/municipal levels. Largely a venue for promoting MSME interests and a platform for advocacy and policy engagement with government, private sector-led chambers of commerce at national, provincial and city levels are present but with insufficient organizational and technical capacities.

IFAD country programme

- Since 1978, IFAD invested US\$243.7 million to 15 loan-financed projects in the Philippines with a portfolio in the country was heavily co-funded by other international financing institutions like AsDB and WB. However, since 1998, with the approval of the Northern Mindanao Community Initiatives and Resource Management Project (NMCIREMP) of an IFAD loan of US\$ 15.5 million, IFAD financing in Philippine projects increased significantly.
- IFAD has developed two COSOPs for the Philippines- the first in 1999 (extended until a new COSOP was formulated in 2009). The second RB-COSOP originally covered the period 2010-2014, but was extended to align with the Philippine Development Plan or PDP (2011-2016). Seeking to improve development outcomes of upland dwellers/indigenous peoples, agrarian reform beneficiaries, small holder farmers and fisher folks, the RB-COSOP stipulated three strategic objectives:
 - Improved access to, and control over, the land and water resources in the uplands;
 - Improved access to markets and rural financial services; and
 - Sustainable access to fisheries and other productive resources in coastal areas.
- The current RB-COSOP for the Philippines had envisaged a value chain and agro-enterprise development programme of \$20 million to be implemented by the Department of Trade and Industry (DTI). In advancing the concept for a small

¹³ Mandated under the Go Negosyo Act of 2014 (RA 10644) "Negosyo Centers" are established in each of the regional, provincial and city offices of the DTI. Interested LGUs and academic institutions with DTI technical support may also operate Negosyo Centers.

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enterprise and agribusiness development project, this updated note repositions the respective Concept Note according to latest Government priorities and national developments; updates the original note based on latest data, field investigation and Government consultations; and elaborates further on project components and scaling up prospects.

- The Philippines PBAS under IFAD10 amounts to \$78.9 million, as compared to US\$ 101 million committed to four ongoing projects:
 - Second Cordillera Highland agricultural Resource Management Project,
 - CHARMP II (US\$ 26.6 million) implemented by Dept. of Agriculture;
 - Integrated Natural Resources and Environmental Management Programme, INREMP (US\$ 20.0 million) implemented by Dept. of Env. and Natural Resources
 - Convergence on Value-Chain Enhancement for Rural Growth and Empowerment, ConVERGE (US\$ 25.0 million); implemented by Dept. of Agrarian Reform and
 - Fisheries, Coastal Resources and Livelihood Project, FishCORAL (US\$ 29.4 million) implemented by the Bureau of Fisheries and Aquatic Resources.
- Country-specific and regional grants are active in the Philippines. Of the four ongoing IFAD loan-financed projects, CHARMP II has an IFAD grant of US\$ 0.6 million and FishCORAL of USD 0.7 million. In 2014, IFAD granted USD 4.0 million to the Philippine government in response to Typhoon Haiyan. Other country-specific grants include those to government agencies as well as non-governmental organizations and academic institutions. The regional grants benefitting the country are with international agricultural research institutions (IRRI, ICRISAT, ICRAF, CIP), and non-government and farmer organizations with focus on strengthening farmer organizations and remittances.
- Lessons learned. The most relevant lessons to the RAPID Growth design are generated from the reviews of IFAD-financed projects in the country that have livelihood/value chain components; namely, Northern Mindanao Community Initiatives and Resource Management Project (NMCIREMP), Rapid Food Production Enhancement Programme-Irrigated Rice Production Enhancement Project (RaFPEP-IRPEP), Second Cordillera Highlands Agricultural Resource Management Project (CHARMP2), and the Rural Microenterprise Promotion Programme (RuMEPP).
- Reaching out the vulnerable and poor sectors in the rural areas through organizations or groups. Overall, community institutions and groups (e.g. farmers' associations, irrigator associations, cooperatives, self-help groups and livelihood interest groups) have effectively reached majority of very poor households. Mobilizing the poor and marginalized sectors through an inclusive approach, one of the comparative advantages of IFAD in the country, is highly relevant to the proposed RAPID project, which seeks to link smallholder producers/suppliers, landless workers, and micro entrepreneurs in the commodity chain. IFAD is known in the Philippines for targeting poor and vulnerable people; and would continue to ensure that its investments adopt inclusive approaches that secure participation of and benefits to poor rural households.
- Participatory approaches and capability building of targeted households and their organizations not only strengthens project ownership, but also enables targeted groups to access public and private goods and services. IFAD experiences from the aforementioned projects have empowered smallholders and micro entrepreneurs to access services from public and private enablers and service providers. Active participation by the beneficiaries and their continuous interactions with the

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implementing agencies (national line agencies, national government organizations and local government units) were key to project success. In communities where a strong sense of ownership is built, technologies are replicated and expanded and infrastructure sub-projects are properly maintained. This is the case in the operation and maintenance of communal irrigation systems managed by irrigator associations (RaFPEP-IRPEP) and access/productive infra administered by people's organizations or groups. (NMCIREMP, CHARMP2).

- Effectiveness of rural development interventions requires Government agencies to adopt convergence strategies in implementation. A key lesson is that Convergence among agencies can elicit greater community participation, ownership, effectiveness and efficiency in achieving project outputs and outcomes. Convergence as applied by IFAD projects in the country has come in two forms: (i) collaboration of different agencies in delivering services to common target groups; and (ii) combination of mutually reinforcing and synergistic components to deliver results. With respect to the first, RaFPEP-IRPEP has demonstrated that inter-agency collaboration (DA, National Irrigation Administration, Agricultural Training Institute, National Food Authority) facilitates resource complementarity and maximizes accomplishments of each agency's targets. The second form is exhibited in RuMEPP by combining related components. The provision of both credit and business development services to micro-entrepreneurs and credit retailers in product development, market linkages and easier access to credit can be scaled up in the RAPID project.
- Climate change is the new normal. With the Philippines being highly vulnerable to extreme climatic events, inclusion of disaster preparedness/climate change mitigation/adaptation in projects requires attention in upcoming project designs. IFAD projects will have to increasingly include design features that incrementally reduce vulnerability of poor people to climate risks. Buffer stocking under RaFPEP-IRPEP proved effective in making available quality seeds to paddy farmers during times of disaster and during seed shortage. There were also some efforts in modernizing the rehabilitation of communal irrigation systems to withstand effects of natural calamities. When Typhoon Haiyan hit RuMEPP areas in 2013, DTI and SBC developed a new micro-financing product, better adapted to the new situation. RAPID may look into developing risks mitigation measures, e.g. climate-based insurance, to assist enterprises/ industries cope with effects of climate changes.
- Decentralized project management is more responsive to local conditions and facilitates faster delivery of services. While there were some projects that started with a centralized approach in project management, e.g. CHARMP2 and RuMEPP, IFAD and the Government empowered a decentralized project implementation (including in procurement and financial management) during midterm. This decentralization resolved implementation delays and permitted more responsive management that delivered project services and investments in a timelier manner.

B. Possible geographic area of intervention and target groups

- Geographic Coverage. With a view to harnessing the latent potential of agro-enterprises in spurring rural economic growth and contributing to rural poverty reduction, project interventions shall invest in selected agricultural value chains that feature strong market demand, comparative advantages in domestic or regional markets, and promising growth potential. The willingness and commitment by stakeholders (agribusiness and value chain actors, including producer associations and private enterprises) will be critical. The project is thus conceived to have national coverage¹⁴, though special attention and preference will be given through an evaluation/ selection process, to low income municipalities where production potential is high.

¹⁴ The scope for the concentration of project activities in geographic clusters would be explored at design.

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- In supporting agro-enterprises and producer associations, the project delineates a commodity-based rather than geographic coverage, targeting rural households engaged within the selected commodity value chains. With guidance from IFAD country team, DTI has prepared comprehensive commodity chain analyses, to ensure careful selection of those value chains that offer best prospects for returns on investment and employment. An expert workshop, organised by DTI's management in November 2016, reviewed and validated the analyses based on economic and outreach criteria. Subject to further validation by the IFAD design team, it is expected that RAPID shall intervene in the cacao, coffee, banana, coconut, rubber, abaca, and processed fruits and nuts value chains- all of which feature high participation of poor rural households.
- Target group. The project has two key target groups: (i) micro and small enterprises located in rural areas engaged in selected agricultural value chains; (ii) small farmers producing for the selected value chains, and unemployed or underemployed rural women and men who would potentially be employed by participating enterprises. Enterprises interested to participate in the project will have to demonstrate comparative advantage, market demand, growth potential and profitability to be eligible, while final selection will prioritize the magnitude of backward linkages to small farmers and incremental remunerative job creation effects. In some cases, medium sized enterprises may be supported by the project for strategic value chain purposes and/or the magnitude of links with small farmers and employment generation effects. Efforts will be made to ensure that ethnic groups, indigenous peoples, women and the youth are prioritized, to the extent feasible.
- Within these target groups, and in view of the high out-migration rates from rural areas, the project design shall assess the extent to which labour and financial assets of remittance receiving households can be leveraged to improve development and entrepreneurship outcomes for the target group.
- The project design shall review the availability of secondary poverty data (e.g. data collected by the Department of Social Welfare for purposes of administering conditional cash transfers), that can support optimized targeting within value chains and that can enable project management to fine-tune interventions to maximize outreach and impact on the rural poor. In particular, the project monitoring system shall periodically assess the participation levels of different groups; and inform DTI on the project's efficacy in targeting the needs of poor rural women, men and youth and indigenous communities. Efforts will be made to ensure that project interventions are fine-tuned to maximize backward linkages with these groups and enhance poverty reduction outcomes.

C. Justification and rationale

- Rationale. With over half the population living in rural areas and poverty incidence almost twice as high as in urban areas, promoting rural economic growth is a critical thrust for poverty reduction. The Government recognises MSME's as the commercial engine that can help unlock latent potentials in the most promising commodity value chains, thereby spurring economic growth and poverty reduction in rural areas. However, unless Government is able to resolve systemic challenges related both to enterprise support services as well as weak supply systems for agricultural produce, economic growth and financial returns in the agricultural sector will continue to be restrained.
- Challenges. The rural economy is characterised by the relatively weak performance of the agriculture sector. Factors include poorly developed infrastructure, degraded natural resources, small farm sizes, insufficient access to capital, and a decline in productivity and profitability. Access to improved agricultural technologies is constrained by a weak extension system. Value chains of key commodities are

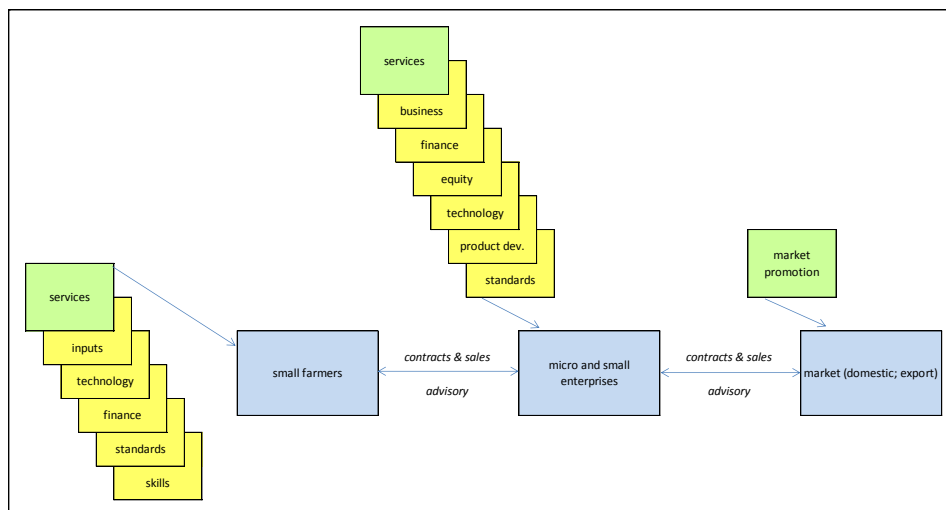
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underdeveloped, and product standards are ineffectively regulated, resulting in underinvestment by the private sector.

- Opportunities. Domestic and regional (ASEAN) demand for rural goods and agricultural commodities is growing rapidly. Enterprises that operate efficiently, sourcing sufficient quality raw materials, applying modern technology, complying with recognised product standards, and responding to market demand have substantial growth potential. Enterprise growth in selected value chain clusters can have significant positive effects for small farmers, unemployed women and men, and overall rural economic growth. The banking sector has sufficient liquidity for financing agriculture and rural enterprises, and seeks effective delivery and service models that will provide confidence for investing in these areas. In this context, the project seeks to develop systems and models for value chain upgrading which are conducive for sustained enterprise growth and which attract the participation of financial institutions.

D. Key Project Objectives

- The project's goal is to sustainably increase the incomes of small farmers and unemployed women and men across selected rural value chains. Its objective is to provide strategic enabling conditions for the sustained growth of micro and small enterprises in commodity value chains with comparative advantage, market demand and growth potential. Its outcomes are: (i) profitable and socially equitable business relationships are forged between primary producers and agricultural enterprises; (ii) producers and enterprises have access to customised services, technologies and financial instruments; (iii) incremental employment and better income opportunities are created across the selected value chains; (iv) micro and small agricultural enterprises are increasingly able to compete in domestic and overseas markets. Its scaling up objective is to create an optimal model of profitable enterprise growth which has strong backwards linkages with small farmers and multiplied job creation effects.
- In partnership between private entities and public institutions, the project will provide an array of services to micro and small enterprises across selected value chains. Products and commodities to be supported should exhibit a good market, with comparative advantage and growth potential. To strengthen links and business relationships among suppliers, processors and traders towards functional, well developed, efficient and equitable value chains, RAPID will support the provision of financial services, agribusiness and enterprise services, compliance with product and food safety standards, technology improvement for improved productivity and efficiency, and equitable contractual arrangements.



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E. Scaling up

- Programmatic scaling up of RAPID is founded on building knowledge and political support through the demonstration of innovative, effective models for commercializing smallholder agriculture. There is already apparent strong Government commitment to increase rural economic growth and strengthen the rural MSMEs and agribusiness sector, as well as significant (but latent) potentials for this to be accomplished. By demonstrating how Government and other actors can improve outcomes, through facilitation of reliable relationships between smallholders and agri-business downstream in the commodity chain, the project will enable increased investment in the rural space by targeted Government programmes as well as the private sector.
- Further, RAPID shall boost the capacity of Government agencies to expand the provision of strategic public goods, including targeted investments with high multiplier effects and improved access to business development services to poor households and their organizations. To support learning and scaling, evidence will be captured on the extent to which margins upstream of the chain have been improved, and rural employment increased.
- As in the case of RuMEPP (which offered significant contributions to the MSME law of 2012), RAPID's interventions on strengthening and transforming producer associations into drivers of agri-business is expected to inform public discussions and policy-setting towards a better managed and more enabling framework for small enterprises, investment finance, and producers associations. In turn, policy strengthening can potentially open doors for further rural transformation at scale.
- Finally, the project also actively addresses the lack of private investment capital made available to viable SMEs, entrepreneurs and smallholders in spite of a fairly liquid financial system. Applying risk-mitigating instruments for innovative value chain finance seeks to unlock bank lending, equity investments and MSME finance including through migrant savings. The capital base available for scaling rural investment will thereby be limited only by competitiveness and sustainable "carrying capacities" of natural resources- as opposed to limitations in access to knowledge, finance and markets.
- From a more project-oriented lens, scaling of RAPID can occur along three pathways. Firstly, the project has a strong focus on involvement of the private sector on a long-term basis to enhance the sustainability of investments and benefits; and will support contractual and other types of arrangements linking smallholders with the private sector to enable them to move up the supply chain and incorporate greater value addition. Second, there is scope for the Government and its partners to scale up RAPID by expanding coverage within the project area, which altogether features a rural population of an estimated 55 million persons, or 13.3 million households. Finally, DTI can scale up RAPID interventions by expanding the number of provinces, as well as replicating the RAPID approach across a larger number of commodity chains, beyond those initially targeted by the project.

F. Ownership, Harmonization and Alignment

- Given the dominance of micro, small and medium enterprises (MSMEs) in the Philippines entrepreneurial landscape, MSMEs feature prominently in the Philippines' Development Plan (PDP) of 2010-2016. Correspondingly, the Department of Trade and Industry (DTI) launched midterm MSME Development Plans (the first one, from 2004 to 2010 and the current plan covers the period 2011 – 2016). The IFAD-funded RuMEPP programme, completed in 2013, was a flag bearer for DTI's MSME programme; considered successful in extending financial and non-financial services to MSMEs. DTI's interest in a follow-up project emanates from the success of the RuMEPP programme and integrates lessons learned on targeting and focus.

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- While the 2016-2022 PDP is currently under formulation, the Government has already expressed its key economic priorities through its 10-point economic agenda. The promotion of Medium, Small and Micro Enterprises (MSMEs) is a key pillar of this agenda. The Government and DTI recognise the importance of providing MSMEs with the necessary capacity building and access to financing, technology and markets in order to generate jobs, increase value-addition and boost local economic development across the country.
- Through the 2011 – 2016 Philippine Development Plan, the government had included overseas Filipinos as targets for financial sector interventions (such as financial education, and savings and investment programs). The PDP also mandated the promotion of migrant entrepreneurship, and leveraging the talents and skills of overseas migrants for entrepreneurship.
- The Department of Agriculture leads the implementation of the World Bank-funded Philippines Rural Development Programme (PRDP), which articulates a value chain approach in its investment programming. PRDP is focussed on strengthening extension and improving agricultural productivity, as well as strengthening market infrastructure in rural areas. Given the focus of RAPID on agro-enterprise downstream with close linkages to producers and their associations, PRDP and RAPID complement one another in important areas.
- The engagement of RAPID in value chain programming enables DTI to better support the DA programmes through innovative financial services, business advisory services and similar MSME support activities that do not fall within the realm of PRDP. Importantly for RAPID, IFAD's CHARMP2 programme in the Cordillera region has demonstrated the benefits of smaller low-cost community infrastructure (as compared to the higher cost standards and larger infrastructure models promoted by PRDP). RAPID shall similarly support lower cost and indeed better targeted infrastructure.
- IFAD is also in close consultation with the Asia Development Bank to explore potential complementarities with AsDB's pipeline project for SMEs, which may focus on sector wide policy instruments, larger infrastructure investments (such as ports), and disaster readiness and resilience.

G. Components and activities

- Component 1: Value Chain Development. This component aims to organise the enabling services required for sustainable micro and small enterprise growth in the selected value chains.
- (i) Value chain cluster strengthening. To ensure coherence between project interventions and both opportunities and needs, and to develop Business to Business linkages and ensure sustainability, the role of producer associations/federations, chambers of commerce/agriculture, private sector and other commercial groups shall be explored during design to secure a solid participation in project implementation.
- Out of the seven value chain clusters (VCCs) identified, only the Bamboo VCC benefits from a formalized institutional arrangement: the Philippine Bamboo Development Council. The other six VCCs are led by ad-hoc Technical Working Groups (TCGs). To improve coordination and collaboration, the project shall support the formalization of the remaining six VCCs¹⁵. Thus existing multi-stakeholder structures that are already developing various road maps for the value chain clusters shall serve as the starting point for establishing legal entities that represent the

¹⁵ The time, work and cost required to manage the ad-hoc TCG requires the same effort as supporting a formal institutional arrangement for the remaining VCCs and may have weaker collaboration outcomes.

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interest of the clusters. This support shall adopt a highly participatory process and will strive to ensure representation of all stakeholders in the cluster.

- After the establishment of the legal entity for each cluster, the project will assist each legal entity in developing specific cluster strategies that improve trust and social capital among stakeholders and bring about rapid benefits to the value chain across stakeholders. Examples of strategy components include: (i) methodologies for resolving phytosanitary issues related to export of raw and processed agricultural produce; (ii) introduction of standards, certification, regulation and enforcement of propagation of planting material; (iii) establishment or strengthening of entities to undertake plant variety selection; and (iv) specific innovative studies e.g. to develop new products from coco coir; (v) ICT systems that could be embedded with the respective value chain legal entities. The below-mentioned responsibilities of strengthening stakeholders, enterprise and supply chains will gradually be handed over to the VCC legal entities when the necessary capacity is in place.
- (ii) Stakeholder strengthening. Building on ongoing encouraging experiences with value chain clusters, the project will strengthen service delivery by stakeholders (such as DTI, DA, DAR, DOST, TESDA, LGUs and value chain cluster legal entities) in support of MSMEs. DTI and other relevant entities will be supported to provide training to business service providers from public and private sectors in enterprise analysis and business modelling. Models will cover technology, logistics, compliance with standards, business growth, marketing, financial analysis, sourcing of finance, and scalability. DTI will be assisted to create an accreditation system for business service providers including annual performance assessments. The provision of business services (and, eventually, support for the introduction of standards) will be cost-shared by the project and beneficiary enterprises on the basis of clear criteria to be defined during project design. With respect to food quality/safety standards, DTI will be supported to organize relevant protocols for GGAP, ASEANGAP, HACCP, ISO, CA, Forest Stewardship, Fair Trade, organic and other certifications.
- (iii) Enterprise strengthening. RAPID shall provide specific and targeted marketing assistance to participating enterprises to improve their competitiveness in domestic, regional and international markets. This will include promoting participation in trade fairs, organising buyers' and business-to-business visits, carrying out market assessments/projections regarding new and existing markets, and increasing the awareness of enterprises regarding domestic and international market developments. The project will specifically assist enterprises and more broadly clusters with product development and the introduction of new technologies, ICT systems and services to improve access of MSEs to global value chain developments and innovations, and enterprise improvement training and mentoring. Updated information flow will be assured on new crop varieties, processing equipment, food additives, industrial efficiency, packaging materials, and market trends.
- (iv) Supply chain strengthening. The project will develop sectoral capacity to help micro and small enterprises upgrade their supply chains for raw materials. In this context, the project will cost-share supply chain managers embedded in participating enterprises, who will provide training to farmers on all aspects of production and supply of raw materials. Project cost sharing will be on declining basis, with enterprises assuming full financial responsibility within three or four years of operation; the scheme will be calibrated according to wealth ranking and ethnicity. Supply chain managers would operate either seasonally or annually, depending on the nature of the commodities being sourced. They could be hired on individual basis or through entities such as private companies, universities, associations, and accredited business service providers.
- The responsibilities of supply chain managers will include: (i) canvassing sufficient numbers of small farmers for supplying to the particular enterprise; (ii) supporting farmers to develop and/or strengthen producers' associations or cooperatives where

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feasible; (iii) developing equitable contractual arrangements with farmers or their associations; (iv) organising supply of quality planting materials to farmers; (v) advising on production protocols from planting to output delivery; (vi) ensuring compliance with quality/safety standards and organising certification accordingly; and, (viii) providing production, pre/post-harvest, and pre-processing advice for farmers on ongoing basis. Supply chain managers will cooperate with relevant institutions, such as DA, DAR, and LGUs, in carrying out these activities. The operations of supply chain managers will be monitored by DTI in consultation with relevant subject matter entities and relevant stakeholders.

- As a key constraint in raw material output by small farmers is the availability of quality planting materials, the project will support entities interested to engage in research/development and production of planting materials. This will include sourcing available planting materials for on-farm testing, establishment of orchards for mother trees, propagation of high quality planting materials, and subsequently their sale to small farmers. Initial varietal materials will be supplied to interested entities on grant basis, and support will be offered to commercial nurseries operated by producers' associations, cooperatives, or private entities.
- (v) Investment partnerships and producer associations. Supply chain management is one critical element for partnerships between producers and agro-enterprises. Other forms of partnership shall also be considered, covering a larger range of types of support such as access to inputs, financing etc. The project would also seek to build capacities of producer associations organising the production and supply of raw material along the supply chain, with particular attention to management and governance.
- (vi) Micro-enterprise services. To address the specific needs of the smallest (typically, informal) enterprises, a more diversified range of services and tools will be developed. This will include financial/business literacy, business planning, bookkeeping, registration, technical skills, market linkages, etc.; and the capacities of potential service providers (including financial institutions) shall be assessed and developed so that they can cater to this target group.
- Component 2: Strategic Financing. This component aims to ensure small farmers and rural micro and small enterprises have access to diversified and adapted financial products, aligned with their business requirements and cash flow profiles.
- (i) Lending operations. The project will mobilise resources for lending to small farmers and to micro and small enterprises. As sufficient liquidity targeted to agriculture is available in the financial sector, the project will establish partnerships with selected banks to provide financing to small farmers and rural enterprises. In particular, RAPID will collaborate with the Land Bank's EMBRACE programme which provides collateral-free loans to small farmers and fishers from its own resources, and the DA-LBP Agricultural Guarantee Fund which mitigates the risks of lending by participating banks for food-producing enterprises. RAPID will identify groups of farmers within the selected value chains who have established market linkages but require working capital to expand production, and organise their access to EMBRACE loans. It will link eligible value chain enterprises with banks that lend under Guarantee Fund coverage. The project will also provide support to financial institutions to develop appropriated financial product addressing the need of debt financing of the various segments of the value chain and needs of these segments i.e. working capital and investment capital for farmers, small enterprises and medium enterprises.
- (ii) Insurance. The EMBRACE and Agricultural Guarantee Fund Pool referred to above do not cover producers or enterprises which are not food commodity based. As several of the project's value chains fall within this category (rubber, bamboo, wearables), RAPID will support loan insurance for producers and rural enterprises

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operating therein. If applicable, SBC will be supported to capitalise several Credit Surety Funds operating in rural areas, which are currently capitalised by LGUs and cooperatives. These Funds offer banks loan insurance and immediate payback in case of loan repayment arrears or default by borrowing cooperatives or members. Incremental capital will allow Surety Funds to expand coverage to producers and cooperatives in the project's non-food value chains, with risk shared by cooperatives, SBC and LGUs. RAPID will also partner with DA's Philippines Crop Insurance Corporation which has a crop insurance scheme for small farmers, as well as the privately-initiated crop and index insurance product of the Pioneer Insurance-CARD joint venture company.

- (iii) Institutional equity. The project will provide incremental capital to the SBC's existing equity financing window or other equity manager, possibly through Dept. of Finance (DoF) capitalizing the SBC or similar institutions. Equity investments allow enterprises to expand through access to risk capital and associated business, managerial, technical and marketing support. Structured preference shareholding will be promoted, which maximizes ownership, flow of benefits, and buyback for the entrepreneur. Enterprises interested in equity capital will have to demonstrate comparative advantage, market demand, growth potential and profitability to be eligible, while final selection will prioritize magnitude of backward linkages to small farmers and incremental job creation effects. Banks such as DBP have expressed keen interest to provide debt financing in combination with RAPID equity investments and DTI's business services. Should SBC participate in RAPID as equity manager, the project will also build its capabilities to strengthen SBC equity operations.
- RAPID will also invest in SBC's mezzanine financing operations (unsecured loans, subordinated debt). It will capitalize the mezzanine financing instruments to enable eligible enterprises to upgrade their competitiveness in domestic and international markets. Capacity building will be provided to SBC for assessing enterprise eligibility; instrument structuring and pricing; security; redemption and call protection; equity participation parameters; accounting and taxation; and, reporting and information rights. The project will provide support and TA to SBC as required for managing both equity investments and mezzanine financing products.
- (iv) Analytical studies and pilot initiatives. Better off migrant workers often acquire savings, skills and entrepreneurial profiles of interest to MSME development. Remittance-receiving households associated with unskilled labor migrants are also of interest as they often feature higher propensities to save compared to non-receiving households and, for the most entrepreneurial, a higher to credit-worthiness to borrow and invest into MSMEs. In some cases, however, migration-affected households are at a disadvantage due to over-indebtedness from departure loans, or as a result of depleted labor. The project will support DTI/SBC to undertake a number of studies which analyze additional instruments for migrant enterprise financing, such as: (i) methods to attract and channel diaspora investments for rural enterprises; (ii) crowd funding options for individuals and businesses to invest in rural enterprises and cooperatives.
- Component 3: Strategic Market Derived Infrastructure Investment. The aims of this component will be to support rural infrastructure investments that can strategically upgrade enterprise performance and support associated agricultural producers to become competitive and environmentally and profitably sustainable. Infrastructure will be prioritised according to strategic investment plans (see paragraph 70 on value chain governance) and the associated requisites for upgrading enterprises with strong backward linkages along the value chain. These investments shall include:
 - *Roads related infrastructure.* The project will support infrastructure, for eligible enterprises and farming areas, including construction of short distance roads, retaining walls, bridges to connect the enterprise production facilities and farmers production.

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- *Water and irrigation.* To improve reliability and volume of production, the project shall install water infrastructure for enterprises and, for farming areas supplying enterprises, support irrigation to farmer fields.
- *Solar energy.* Access to power is an essential requisite for successful rural processing enterprises. The project shall support to installation of solar energy for eligible enterprises as well as solar drip irrigation for farmers linked to enterprises.
- *Starter package for agro forestry.* Support to farmers supplying enterprises from degraded lands requires improved resource management. Towards this end, a starter package may be provided, to include planting material for introduction of appropriate SALT systems.
- *Waste management.* Support to agribusiness, particularly processing enterprises, requires adequate attention to waste management. RAPID may support enterprises in introducing sustainable waste management as may be needed.

H. Preliminary Environmental and Social category

- The interventions supported by RAPID will all advance sustainable strategies according to best international practises that will benefit all stakeholders, while protecting, sustaining and enhancing human and natural resources, having a positive or natural impact on the natural environment, community, society and the economy. The strategic principles which will be the foundation of the project include: (i) transparency through fostering an open environment, both internally and externally, for entities receiving project support; (ii) business capacity building of MSMEs; (iii) capacity building of suppliers of raw material (farmers), which will include introduction of environmental sound practises like SALT, appropriated use of inputs etc.; (iv) employee development at all levels of the value chain; (v) recycling of waste and packaging material; (vi) maximizing use of degradable/recycled packaging material; (vii) food safety standards and traceability along the value chain; and (ix) employee health and safety standards. The incremental income generated along the value chain for existing and new workers, farmers and MSME owners will improve food security, nutrition, health status and education levels primarily through increased purchasing power.
- In upgrading the value chains, RAPID will include special measures/safeguards for addressing the specific needs of indigenous peoples, providing equal opportunity for women and youth, and strengthening financial inclusion along the value chain.
- In line with IFAD's Social Environmental and Climate Assessment Procedures and following the initial fieldwork and report preparation, the project is considered to be classified as Category B.

I. Preliminary Climate Risk classification

- The most recent scientific climate change assessments¹⁶ have confirmed that the warming of the climate system since the mid-20th century is most likely due to human activities; and thus, is due to the observed increase in greenhouse gas concentrations from human activities, such as the burning of fossil fuels, pollution of the sea and land use change, particularly deforestation. Projections on seasonal temperature increase and rainfall change, and total frequency of extreme events nationally and in the provinces strongly support these observations. These changes are already exposing agriculture to increased climate-related risks resulting in more frequent reduced productivity or total crop failures.

¹⁶ Philippines Atmosphere, Geophysical and Astronomical Service Administration (PAGASA)

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- The project will contribute to climate adaptation efforts for the agriculture sector by improving the resilience of suppliers of agricultural produce as well as agro-enterprises through: (i) improvement of agricultural production capacities by adapting planting materials; (ii) introducing agroforestry and expansion of contour agriculture where relevant; (iii) expansion of mixed cropping systems; (iv) introduction of GAP for suppliers of raw materials to supported MSMEs. All project supported MSMEs will follow best practices for minimizing emission of greenhouse gases. MSMEs supported by the project shall fulfil the best practices related to handling of all type of waste generated by their respective enterprise. With these mitigation and adaptation systems in place, project climate risk is assessed as being positive.

J. Costs and financing

- The IFAD financial allocation for the Philippines for the 2016-18 cycle amounts to about US\$ 79 million. It is envisaged that US\$69 million will be applied to RAPID, unless Government decides to forego additional financing for CHARMP2 of US\$10 million.
- The total project cost is expected to amount to US\$ 91 million, to be financed by an IFAD loan of US\$ 67.5 million, an IFAD grant of US\$ 1.5 million, and domestic resources of USD 22 million equivalent, mainly to be provided by participating financial institutions.

K. Organization and management

- Governance. A project steering committee will be constituted to provide policy and strategic guidance to the project. It will be chaired by the DTI's Undersecretary of Regional Operations Group and composed of representatives from oversight agencies (Department of Finance, National Economic and Development Authority, Department of Budget and Management , participating financial institutions (Land Bank of the Philippines, Development Bank of the Philippines, Small Business Corporation), line departments involved in rural and agro-industrial development (Department of Agriculture, Department of Agrarian Reform, Department of Environment and Natural Resource, Department of Trade and Industry, Technical Education and Skills Development Authority), and private sector representatives from MSMEDC and value chain clusters. The project coordination and support unit will act as the secretariat of the PSC
- Governance of value chain clusters: Project execution shall be guided by promotion of clusters of commodity value chains using planning tools such as VC/cluster mapping/analysis, VC strategic investment plans (that also ensure infrastructure selection is related to actual needs in the target VC/areas), identification of cluster initiatives and common services, brokering business to business linkages, multi-stakeholder platforms, or other types of multi-stakeholder arrangements.
- Management. DTI will be responsible for project coordination and oversight. It will create a central project coordination unit to manage and coordinate implementation, in consultation with other stakeholders. It will be headed by a project coordinator and staffed with a value chain specialist, rural infrastructure specialist, a business services specialist, a financial services specialist, a financial manager, a procurement officer, and a M&E/KM officer. Management and coordination will be decentralised to value chain clusters, and to regions where targeted enterprises are located, to the extent feasible. Regional coordination units will organise implementation, monitoring and reporting. A project monitoring, evaluation, reporting and knowledge sharing system will be developed.
- Implementation. Project implementation will be structured around the selected value chains. Business services will be implemented by accredited business service

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providers from public and private sectors selected on competitive basis. Financial services will be implemented by several public financial institutions (Land Bank of the Philippines, Development Bank of the Philippines, Small Business Corporation) and possibly private financial institutions. Rural infrastructure interventions shall be undertaken by LGUs. Supply chain managers selected on competitive basis and embedded in participating enterprises will provide training, mobilise inputs, and organise financing for small farmers, and will coordinate enterprise activities with key value chain actors. Supply chain managers will also create links with regional coordination units, local Government units, and service providers.

- **Partnerships.** DTI will seek to create effective partnerships and synergies with relevant public institutions and private entities involved with agricultural value chain clusters and enterprise growth. It will facilitate business relationships among all value chain actors, such as farmers, enterprises, processors, transporters, traders, exporters, business service providers, cluster associations, and banks. Collaborative arrangements will be pursued with other development projects and financiers involved in the sector, to ensure complementarity and synergy. These will include ongoing and upcoming livelihood and enterprise projects such as: DA Philippine Rural Development Project (PRDP) , DAR ConVERGE, DA/BFAR FishCORAL, DOST Set-Up, DSWD Sustainable Livelihood Programme (SLP), and DAR Inclusive Partnership for Agricultural Competitiveness Project (IPAC). The project will scale up previous and current DTI programmes including the JICA-financed National Industry Cluster Capacity Enhancement Project (NICCEP), IFAD-financed RUMEPP, SME Roving Academy (SMERA), Shared Service Facilities (SSF), Negosyo Centers, Manufacturing Resurgence Program, Bamboo Development Project, Livelihood Seeding Program for disaster areas, and One Town One Product in order to provide comprehensive value chain services.
- **Procurement.** The project will follow the government's procurement regulations (RA 9184) using the latest Implementing Rules and Regulations to the extent that they are consistent with IFAD's Procurement Guidelines. The RA 9184 and its Implementing Rules and Regulations have been harmonized with the procurement procedures of most foreign funding institutions and are acceptable to IFAD. Generally, the RA and IFAD Procurement Guidelines have the same methods of procurements, although some procurement thresholds differ. When there are divergences between the RA and the IFAD Procurement Guidelines, the IFAD Procurement Guidelines will take precedence. As in RuMEPP, the project may come up with Harmonized Procurement Guidelines which will be reviewed and approved by PSC and issued a no objection letter by IFAD.
- **Financial management and Audit.** DTI will be responsible and accountable for management of project funds. Project financial management will adhere to national systems, rules and regulations on receipt, expenditure and reporting on funds to the extent that they are consistent with IFAD's requirements. Value chain development expenditures and rural infrastructure will be decentralised to DTI's regional coordination units, while strategic financing expenditures will be managed by participating financial institutions based on Subsidiary Financing Agreements, with DoF and DTI oversight. The project will prepare annual financial statements, and will be subject to annual audit by the Commission on Audit (COA) in compliance with Government and IFAD guidelines.

L. Monitoring and Evaluation indicators, KM and Learning

- The project's Theory of Change provides the foundation of the M&E system, which shall be designed to provide reliable information for active results-based management. The primary objective of the project's M&E system will be to provide stakeholders with information and analysis required to measure outputs and outcomes; assess effects on household livelihoods; assess the efficacy of the

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targeting and implementation strategy and processes. A second objective is to support economic decision making. To this end, the M&E system shall provide quantitative and qualitative information and analysis to the implementing agency, target groups, service providers and other stakeholders to assess the returns generated by investments; and capture improvement in MSME's access to finance and investment capital. The third objective relates to supporting evidence-based policy formulation and scaling up. RAPID shall measure results and capture evidence of what works and what doesn't. It shall provide Government with information to measure RAPID's contributions to execution of national MSME strategies.

- The M&E system will have three levels – output, outcomes and impact – disaggregated by poverty status, gender, and indigenous group. The M&E system shall also monitor the type of participating households and enterprises, in order to periodically review the efficacy of the targeting system and the viability of the implementation approach. Where appropriate, outcome and impact indicators will be disaggregated by gender and poverty quintile.
- Key indicators at the goal and objective level will measure improved profitability and increased volume of sales at the agro-enterprise and producer association levels. The number of households supplying raw material, the volume and pricing for their sales and the number of full-time jobs created shall feature as important outcome and outreach indicators. Finally, access and use of financial and technical services would be monitored. Monitoring indicators will be determined during project design in consultation with key stakeholders.

M. Risks

Risks	Possible Consequences	Mitigation Measures
Political risk	Changing policies, strategies and priorities	Financing Agreement. PSC accountability. Fiduciary compliance procedures, prior review and supervision.
Governance risk	The proposed implementing agency has proven to be effective and efficient in implementing previous IFAD	The strength of DTI will be further improved through capacity building activities .
Expropriation risk	Expropriation risks are minimal	Assurances in legal agreement between IFAD and GoP.
Fiduciary risk	Possible Financial mis-management or mis-procurement.	Fiduciary risk mitigation detailed in the sections on financial management and procurement.
Financing risk	Possible hesitance of financial institutions towards agriculture financing.	Provision of TA to financial institutions for developing appropriated financial products addressing upgrading issues along the value chain.
Commercial risk	Possible lack of market access for target groups	All project support will be based on value chain analysis and detailed investment analysis for all interventions, including tougher market analysis and linkages.
Capacity risk	Low capacities may adversely affect the investment in upgrading along the value chain.	Substantial investments in institutional strengthening of the value chain clusters, capacity building at firm level along the value chains.

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N. Timing

- The proposed design timeframe is as follows:
 - *detailed design mission*: December-January 2016
 - *final design mission*: March-April 2017
 - *negotiation of Financing Agreement*: August 2017
 - *approval by IFAD Executive Board*: September 2017
 - *start of implementation*: October 2017

Logical framework

Results Hierarchy	Indicators			Means of Verification			Assumptions / Risks
	Name	Baseline	End Target	Source	Frequency	Responsibility	
Goal: Incomes of small farmers and unemployed rural women and men are increased	▪ Rural households below poverty line	36%	-33% for participating households	Dept of Social Welfare, Statistics Dept.	Annual	Secondary data- PMU analysis	
Development Objective: Sustained growth of micro and small rural enterprises in pro-poor commodity value chains	▪ Participating SMEs reporting increase in profit	0	90%	AOS	Annual	PMU	Backward linkages & multiplier effects are optimised (A)
	▪ HHs reporting improved physical access to markets, processing, storage facilities	0	tbd	Client satisfaction survey	Bi-annual	PMU	
	▪ New jobs created	0	tbd	MSME reports	Annual	Regional PMU	
Component 1: Value Chains developed	▪ Producer Organizations reporting increase in sales	0	tbd	PO sales records	Annual	AOS	SMEs able to access regional markets (A)
Outputs: 1.1 Market linkages established between firms & producers/associations	▪ Rural POs in commercial partnership >3yrs	0	tbd	Prod. Assoc. records	Annual	Regional PMU admin records	VC integration is climate resilient (A)
1.2 Business development services extended to MSMEs & POs	▪ Rural enterprises provided with business dev. services	0	tbd	Project records	Annual	Training records	

Results Hierarchy	Indicators			Means of Verification			Assumptions / Risks
	Name	Baseline	End Target	Source	Frequency	Responsibility	
Component 2: Strategic Financing	<ul style="list-style-type: none"> • HHs using financial services for productive purposes • Partner FSPs with OSS > 100% 	tbc	tbd	AOS FSP records	Annual Annual	AOS FSP financing records	Financing structures effective in mitigating climate variability (A)
Outputs 2.1 Value chain finance and risk finance products introduced	<ul style="list-style-type: none"> • People accessing project financial services 	0	Tbd	FSP records, AOS	Annual	PMU	
	<ul style="list-style-type: none"> • FSPs supported in delivering outreach strategies, financial products and services 	0	tbd	Project records	Mid-term, end-term	PMU	
Component 3: Strategic Market-Derived Infrastructure	<ul style="list-style-type: none"> • HHs reporting improved physical access to markets, processing & storage facilities 	0	tbd	AOS	Mid-term, end-term	PMU	
Outputs 3.1 Roads constructed/rehabilitated	<ul style="list-style-type: none"> • Kms of roads constructed, rehabilitated or upgraded 	0	tbd	Project records	Annual	PMU	
3.2 Irrigation infrastructure constructed/rehabilitated	<ul style="list-style-type: none"> • HHs reporting improved access to irrigation water for production 	0	tbd	tbd	Annual	PMU	
3.3 Solar energy installations supported	<ul style="list-style-type: none"> • Individuals provided with technologies that reduce greenhouse gas 	0	tbd	tbd	Annual	PMU	
3.4 Agroforestry packages rolled out	<ul style="list-style-type: none"> • Producer groups supported to manage climate-related risks 	0	tbd	tbd	Annual	PMU	

Key file 1: Rural poverty and agriculture-/rural-sector issues

Priority areas	Affected groups	Main issues	Actions needed
Sustainable growth in agriculture, forestry, and fishery (AFF) production	Poor farmers, Fisherfolk, IP's	<ul style="list-style-type: none"> • Slow growth in the AFF sector, averaging at 1% between 2013 and 2015, with the crops subsector growing by only 0.2% • Sluggish growth in the fisheries subsector, attributed to over-fishing and to extreme weather events. • Irrigation projects cover only 57% of potential irrigable area, and are composed mostly of inefficient large-scale systems • Post-harvest losses remain high: they account for roughly 16.5% of rice production, 30.1% in mango, and 45.1% in onion • The risk of extreme weather events to agricultural production is likely to increase 	<ul style="list-style-type: none"> • Integrated agricultural map to identify the comparative advantages of different areas • Construction of disaster- and climate-resilient, small-scale irrigation systems • Facilitation of the use of farm and fishery equipment that is appropriate to the size of farms or fishing operations in which they are used • Pursue an ecosystems approach to fisheries management, including fish stock assessments, boat registration, and education • Strengthen the AFF extension system via input certification, new programmes on climate change adaptation and organic agriculture • Development of a watershed-level approach to ecosystem management that emphasizes cross-LGU collaboration and both upland and lowland ecosystem services
Rural enterprise development	Poor farmers, landless workers, women, youth, returning OFW's	<ul style="list-style-type: none"> • On- and off-farm enterprise growth is constrained by a lack of access to infrastructure and financial services in remote rural areas • Business development and quality compliance regulations are not "pro-SME" • Lack of coordination across relevant agencies (DA, DENR, DAR, and DTI) prevents the improvement of a support system for rural SME's 	<ul style="list-style-type: none"> • Diversification of farm-based enterprises into commodities with high value and high market potential • Expansion of farm-based enterprises through new production and marketing linkages, including contact farming and corporate farming • Strengthening of community-based enterprises in remote or upland areas, including cooperatives and other producers' organizations that could serve as focal points for new market linkages • Development of commodity roadmaps and rural industrial clusters
Access to expanding value chains	Poor farmers	<ul style="list-style-type: none"> • Inadequate expansion of farm-to-market roads (FMR's): between 2011 and 2017, DA constructed less than half the distance of FMR's as it originally had planned • Poorer rural producers are often locked out of using formal credit lines due to past indebtedness, lack of collateral, lack of technical capacity to develop project proposals • Extension services remain understaffed and inefficiently implemented 	<ul style="list-style-type: none"> • Construction of infrastructure to link more remote producers to regional and international markets • Strengthening of cooperatives and producers' organizations • Capacity building for smallholders and fisherfolk on value adding activities • Development of nonfarm livelihood options for seasonal AFF workers
Access to productive natural	Poor farmers, IP's, traditional	<ul style="list-style-type: none"> • The agrarian reform program has yet to be fully implemented, with the Land Acquisition and 	<ul style="list-style-type: none"> • Strengthen the land tenure security of ARB's by completing Land Acquisition and Distribution (LAD) via land inventory and ARB

resources	land users in ARMM, youth, women	<p>Distribution (LAD) process still incomplete The subdivision of collective Certificate of Land Ownership Awards (CLOA's) has faced significant delays</p> <ul style="list-style-type: none"> • Tenurial conflict remains common among ARB's, former landowners, and leaseholders • Duplicate titling remains an issue across DA, DENR, and the Land Registration Authority (Ministry of Justice) • World Bank and Asia-Pacific Policy Center studies suggest that Comprehensive Agrarian Reform Program (CARP) has had only a modest impact on poverty reduction 	<p>profiling, further delivery of support services in agrarian reform communities and clusters</p> <ul style="list-style-type: none"> • Fast-track the resolution of agrarian-related cases for ARB's • Develop capacity-building programmes for LGU's on watershed management and the provision of upstream and downstream environmental services
Access to financial services	Poor farmers, youth, women	<ul style="list-style-type: none"> • Incomplete coverage of formal credit and financial services: in 2015, 39% of smallholders and fisherfolk did not access formal credit • Banks have low compliance rates for loan quotas towards agriculture under the Agri-Agra Law: in 2015, agricultural loans were 14% of total (against a quota of 15%), and agrarian loans were only 1.1% of total (against a quota of 10%) • The Philippines is one of the top ten remittance inflow recipients in the world, with a total per capita remittance inflow of almost US\$300 in 2015 (World Bank, 2016), but a very small portion of this inflow goes towards productive investments in rural areas 	<ul style="list-style-type: none"> • Expansion of agricultural insurance programs to smallholders and fisherfolk via awareness building, index-based and yield-based services • Expansion of affordable formal credit services to smallholders and fisherfolk, coupled with training and assistance to borrowers • Development of new financial products and services that lower barriers to productive investments on the parts of OFW's who originate from or who are returning to rural areas
Access to new technology	Poor farmers	<ul style="list-style-type: none"> • The share of R&D in total budget remains low in the Department of Agriculture, or at only 028% of AFF GVA in current prices in comparison to the recommended 1% for developing countries • The low R&D budget has led to a very limited number of permanent staff positions for agricultural researchers, and an over-reliance on contractual positions 	<ul style="list-style-type: none"> • Increased investment in R&D activities for production and post-harvest technology, including cold-storage, genomics, bioinformatics, and ICT • Creation of a better system of engagement between universities and extension service providers
Integration with international markets	Rural HVC producers, rural nonfarm workers	<ul style="list-style-type: none"> • Protectionist policies favor rice at the expense of high-value crops in which the Philippines has a comparative advantage • The competitiveness of AFF products on international markets is limited by a lack of transit infrastructure (eg farm-to-market roads) and poor compliance with quality standards across the supply chain • The average ratio of agro-food exports to agricultural 	<ul style="list-style-type: none"> • Use of SME Development Plan (2017-2022) to understand domestic and international demand for HVC's, to harmonize domestic quality standards with international ones, to provide capacity building to SME's in quality upgrading and compliance with quality standards • Development of a geographic indication system for certain agricultural products as means of entering international markets, establishing price premiums

		<p>GDP was 19%, while the ratio of agro-food imports to agricultural GDP was 25% - both indicate a weak degree of openness on the part of the Philippine agricultural sector</p>	<ul style="list-style-type: none"> • Use of rural industrial clusters (DTI) as focal points in quality upgrading and the piloting of geographic indication system • Encouragement of infrastructural investments in transit and post-processing facilities for HVC's
Demographic shifts in the agricultural workforce	Rural producers, rural youth	<ul style="list-style-type: none"> • The average ages of farm operators of palay, corn, bangus, and tilapia are between 48 and 55 – the farming population continues to grow older 	<ul style="list-style-type: none"> • Development of new relationships (eg apprenticeship programs, TVET) between agricultural colleges and agricultural cooperatives, rural agro-enterprises, SME's • Training and employment of youth in the provision of agricultural extension services
The land rights of indigenous peoples and ethnic/religious minorities	IP's, traditional land users in ARMM	<ul style="list-style-type: none"> • Parallel registration of land in DA and DENR has led to tenurial conflicts across IP communities • Government has adopted a "one size fits all" approach to defining and establishing IP rights, regardless of variation in local customs • Certificates of Ancestral Domain Titles (CADT's) and Certificates of Ancestral Land Titles (CALT's) are mutually exclusive, often leading to tenurial conflict when CADT's are issued in a community that would prefer CALT's 	<ul style="list-style-type: none"> • Creation of an Indigenous Peoples' Ethnography Project that constructs a database of IP communities, their locations, customs, and land use patterns Designed and carried out by anthropologists under the guidance of IP community leaders • Expansion of National Indigenous Protected Areas (NIPA's) through a Provincial Area Management Board (PAMB) that serves as a convergence point for the activities of DAR, DENR, and NCIP • Development of agribusiness venture models that allow downstream buyers to interact with indigenous or minority communities in accordance with their customary land use arrangements
The Bangsamoro Peace Process	Traditional land users in ARMM, poor farmers in Western Mindanao	<ul style="list-style-type: none"> • Multiple non-state armed actors with different political aims and relationships with the government • High poverty rates and low access to public goods and services both emerge as a result of conflict and in turn make it more likely to occur • Low agricultural productivity due to lack of education, infrastructure (eg irrigation and roads), inadequate financial services, and fragility of peace • The Bangsamoro Basic Law (BBL) has not yet been endorsed by MILF and MNLF, leading to uncertainty over the outcome of the peace process 	<ul style="list-style-type: none"> • Consolidation of development initiatives through the "Mindanao 2020" Peace and Development Plan, managed by the Mindanao Development Authority (MinDA) • Coordinate relief delivery and institution building among rural communities through the Bangsamoro Development Agency, under guidance from the MILF Central Committee • Expansion of infrastructure and access to productive assets through a participatory, community-level approach and project planning process

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats analysis)

Organization	Strengths	Weaknesses	Opportunities	Threats
Department of Agriculture	<ul style="list-style-type: none"> Has an ongoing (4 years more) large rural development project all over the country with \$750M financing from the WB; project has developed tools on vulnerability and suitability assessments of production areas and geotagging of infrastructure projects Has a policy and planning office headed by a highly capable Undersecretary (Deputy Minister) 	<ul style="list-style-type: none"> Centralised system and commodity-based budgeting allocation Organizational presence is up to regional offices only. Provincial and municipal agricultural offices/personnel are in the hands of the LGUs which are generally weak in local agriculture development Programs are production oriented Very large and complex bureaucracy Delays in WB PRDP due to weak LGU capacity in infrastructure procurement and enterprise development, Local agriculture development is within the responsibility and mandate of LGUs, restricting national/ regional/provincial approach for strategic planning and development of commodity roadmaps National and local agriculture development planning do not take into account land / resource tenure issues and dynamic s (in both land and fisheries/coastal resources) Agriculture Policy Credit Council rural finance policy and programmes are insufficiently forward looking; lacks clear approach on private sector participation Weak national government capacity in managing projects DA budget has slowly decreased from a high of Php 89 B in 2015, to Php 49B in 2016 and Php 45B in 2017 due to low budget utilization 	<ul style="list-style-type: none"> Has began a climate mapping project with CIAT and has initiated a project on color coded mapping of agricultural areas with FAO, i.e., 10 out of the 80 provinces have full mapping data Room for development & execution of market-oriented commodity road maps in collaboration with DTI Development of communal irrigation projects is a key government priority Overall budget for 2017 on communal irrigation projects is increasing substantially at Php 3.28B in 2017 (Php 3.19B in 2016, up from only Php 124M only in 2015). This is expected to increase in the next 5 years Focusing on youth in agriculture and young farmers; academic and technical / vocational training programs for agriculture / fisheries can be developed with the Commission on Higher Education and the Technical Skills Education and Development Authority 	<ul style="list-style-type: none"> Frequent changes in the bureaucracy at national and regional DA offices Negative impact of 3-year cycle of elections and changes of leadership for provincial governments and city/municipal mayors on continuity of national and local agriculture projects PH farmers are getting old averaging 55 year old and up
Philippine Crop Insurance Corporation (PCIC)	<ul style="list-style-type: none"> A dedicated government owned controlled corporation on crop insurance. Has began pilot initiatives on weather index-based 	<ul style="list-style-type: none"> There is no comprehensive and strategic framework in PCIC and in government in general for a public-private approach / partnership in promoting derisking products for the agriculture and fisheries 	<ul style="list-style-type: none"> Development of market-based derisking products through a public-private risk sharing arrangement (utilizing government subsidy more 	<ul style="list-style-type: none"> Without sound and viable/sustainable risk mitigation products, development projects and ODA investments

Organization	Strengths	Weaknesses	Opportunities	Threats
	insurance project with UNDP and GIZ	sector; current framework is still full government subsidy <ul style="list-style-type: none"> Limited insurance products due to limitation in its charter Inefficiency of services in damage assessment and payment to beneficiary/client farmers 	strategically and sustainably) <ul style="list-style-type: none"> Improvement in the efficiency of crop insurance services PCIC has received significant funding to cover crop insurance claims of small farmers and fishers (averaging Php1 billion annually since 2013 to Php 1.6 billion in 2016 and Php 2.5 billion in 2017) 	are facing high and huge risk from climate change and disaster events in agriculture and rural development programs
DA – Bureau of Fisheries and Aquatic Resources (BFAR)	<ul style="list-style-type: none"> Despite having some 2,000 personnel only nationwide, the agency has regional and provincial offices that can be harnessed to take on development projects in most/all coastal areas of the country 	<ul style="list-style-type: none"> Weak implementation capacity on livelihood and enterprise development for small fishers Private sector participation in its programs is not sufficiently attended 	<ul style="list-style-type: none"> A bill proposing the transformation of the bureau as a full department is in congress for deliberation Supporting BFAR on private sector/SME-driven fisheries development project in both existing FishCORAL and non-FishCORAL sites or bays. 	<ul style="list-style-type: none"> Climate change and disaster risk
Department of Agrarian Reform	<ul style="list-style-type: none"> Organizational and personnel presence to municipal levels In the 1990s and 2000s staff/personnel has better capacities in community / farmers organizing, planning, project development, enterprise planning Has a system and database for tracking the development of smallholder organizations (ag reform beneficiaries) Developed an area-based and sectoral planning, project development, enterprise planning and project development and implementation tools for agrarian reform beneficiaries 	<ul style="list-style-type: none"> Reduced number of personnel due to government's rationalization plan In recent years, bureaucratic delays and weak project management capacity of its ODA projects Support services budget of agrarian reform beneficiaries (ARBs) is limited and lodged in the Department of Agriculture 	<ul style="list-style-type: none"> Using the agrarian reform community (ARC) framework as a base for commodity-based agribusiness development; the ARC concept has the basic economies of scale that can integrate non-agrarian reform beneficiary smallholders 	<ul style="list-style-type: none"> Inaction on 2nd generation issues of agrarian reform may lead to further weakening of land markets and a fragmented land administration system Congress has largely been critical of the mandate and the work of DAR on land distribution which is against the interest of the ruling economic class
Department of Environment and Natural	<ul style="list-style-type: none"> A big national bureaucracy that has offices and personnel from national to 	<ul style="list-style-type: none"> Support services capacity for smallholders in the uplands is weak 	<ul style="list-style-type: none"> Being the national agency mandated to protect, conserve and develop the 	<ul style="list-style-type: none"> Frequent changes in the senior management of the

Organization	Strengths	Weaknesses	Opportunities	Threats
Resources	<p>regional to provincial and district / municipal levels.</p> <ul style="list-style-type: none"> • Mandate is on natural resource management protection and conservation and land distribution to smallholders using both free patent and a stewardship tenure instruments 	<ul style="list-style-type: none"> • Weak capacity in ODA project management 	<p>country's upland river basins / URBs (18 major ones throughout the country) and has already mapped out and prepared development plans for these URBs, support from development partners is needed</p>	<p>agency</p> <ul style="list-style-type: none"> • Mining interests that goes against the natural resource management protection mandate of the agency
Department of Interior and Local Government	<ul style="list-style-type: none"> • A large bureaucracy that has presence all over the country from national, regional, provincials, cities and municipalities • Supervises all provincial, city/municipal/barangay local government units (LGUs) of the country • Has a local government academy (LGA) that has developed capacity building / training modules for local chief executives such as local economic development, disaster risk management, etc. • Has established good systems for measuring up and monitoring LGU performance including LGU housekeeping tools 	<ul style="list-style-type: none"> • Despite being a large bureaucracy its personnel are saddled with numerous supervision functions on various national initiated development projects involving LGUs 	<ul style="list-style-type: none"> • By virtue of the country's decentralization law/policy, local agriculture development and rural development projects can be best managed at the LGU level • Assisting the LGA to develop capacity building products on local agriculture development for LGU executives and staff • Technical study in partnership with DILG and PIDS (and potentially AsDB) will provide a clearer picture how to directly engage LGUs on agriculture, fisheries and rural development programs. Areas for assessment include: impact of the current political set-up (3 year election cycle); revenue sharing and revenue generating policies; effect of the political economy on private sector participation and investments in agriculture and rural development; local government capacities and expertise on agriculture and rural development; capacity of LGUs to take up sovereign financing / loans; etc. 	
Department of	<ul style="list-style-type: none"> • A bureaucracy up to the 	<ul style="list-style-type: none"> • Limited outreach as no staff at municipal 	<ul style="list-style-type: none"> • Development of other 	<ul style="list-style-type: none"> • Disaster risk programs

Organization	Strengths	Weaknesses	Opportunities	Threats
Trade and Industry	<p>provincial level with generally a very professional and proactive personnel and staff</p> <ul style="list-style-type: none"> • Market oriented programs for micro, small, medium enterprises • Has initiated and continues to development national road maps for agribusiness commodities in partnership with the DA 	<p>level</p> <ul style="list-style-type: none"> • Limited budget for development projects • A more encompassing development framework on industry development not only focused on MSME development, especially the linkages from agriculture to agribusiness to structural transformation of the rural areas and the economy 	<p>commodity road maps in the upland and fisheries sectors</p> <ul style="list-style-type: none"> • Technical support for DTI Intellectual Property Office together with the DA to develop a policy framework and certification system on geographic indication (GI) for indigenous and upland communities and heritage agriculture products 	<p>are not established to mitigate climate change and disasters affecting MSMEs</p>
Office of the Presidential Assistant for the Peace Process (OPAPP)	<ul style="list-style-type: none"> • A dedicated office under the President that leads the peace process of the government with all non-state armed actors, i.e., the MILF, the MNLF and the Coalition of the Communist Party of the Philippines, the New People's Army and the National Democratic Front (CPP-NPA-NDF) • Proactive in the development of a comprehensive framework on development inputs / projects in conflict affected areas 	<ul style="list-style-type: none"> • Limited personnel, staff and budget • Doesn't have implementation capacity and relies on other national line agencies to deliver the development inputs (e.g., DA, DAR, DTI, DPWH, DENR, DSWD, etc.) 	<ul style="list-style-type: none"> • Work within the existing and recently initiated Mindanao Peace and Development Framework and the Multi-Donor Trust Fund that is open for contribution from development partners 	<ul style="list-style-type: none"> • The office is not created via a charter or a law, only by presidential fiat through an executive order so it can be revoked by any president
Mindanao Development Authority (MinDA)	<ul style="list-style-type: none"> • An area-based development agency created by law to supervise and plan for the development of Mindanao; accentuates the work of NEDA on development planning • A platform with a convening power to shape development policies and program design that includes national line agencies, LGUs, private sector and CSOs in Mindanao 	<ul style="list-style-type: none"> • Agency mandate is limited to coordination and planning and approval of ODA projects is still with the NEDA • While the MinDA head with a secretary position (minister) sits as full time cabinet member, as well as in the NEDA Board, the position doesn't have much power and clout to influence other line agencies who operate mostly on a sectoral framework and are measured up from the perspective of national level programs 	<ul style="list-style-type: none"> • Supporting its Mindanao 2020 framework plan and projects on "Nurturing Our Waters" and other peace and development initiatives 	<ul style="list-style-type: none"> • A president with no interest or bias for Mindanao development may not give importance to MinDA's work • Peace agreement in Mindanao is not concluded within the next couple of years

Organization	Strengths	Weaknesses	Opportunities	Threats
	<ul style="list-style-type: none"> Has stable and strong partnership with the OPAPP especially under the Duterte Administration 			
National Commission on Indigenous Peoples (NCIP)	<ul style="list-style-type: none"> Agency created by law under the Indigenous Peoples Rights Act (IPRA) Has presence up to regional level with a few staff at provincial level 	<ul style="list-style-type: none"> Very weak bureaucracy Focus is on regulations and not developmental Do not have sufficient budgetary support from national government 	<ul style="list-style-type: none"> Strengthening the institutional capacity of the agency to deliver on its mandate Development of new and simplified and localized frameworks in obtaining the FPIC process Developing a policy on individual titling and not only collective titling, depending on the socio-cultural and economic conditions of the region 	<ul style="list-style-type: none"> If not given support by national government in both financial and technical resources, it will not be able to perform effectively and efficiently its role in protecting the IPs and developing the IP areas, which will negatively impact on development projects especially ODA
Philippine Institute for Development Studies	<ul style="list-style-type: none"> A government owned and controlled (GOCC) corporation supervised by NEDA with a specific mandate on development studies, assessments and evaluations Has a capable and highly qualified set of professionals and fellows 	<ul style="list-style-type: none"> Limited resources and largely depend on government annual budgets 	<ul style="list-style-type: none"> Utilizing its expertise in setting up survey methodologies for baseline, mid-term and post-project assessments and evaluations Carrying out evidenced-based studies for ODA projects that will help shape government policies and programs 	<ul style="list-style-type: none"> Depending on the priorities of national oversight agencies like DBM, DOF and NEDA, its annual budgetary support may not be sustained
DA – LBP Agriculture Guarantee Fund Pool	<ul style="list-style-type: none"> A government funded guarantee mechanism for private and government sector lending programs for food crops with a capitalization of Php 5 billion; managed by the LBP that effectively shields it from political influence/capture 	<ul style="list-style-type: none"> Its creation is through an executive order that can be replaced or rescinded by any President Guarantee program has not included non-food crops 	<ul style="list-style-type: none"> Technical support in the preparation of the legislative proposal to institutionalize the fund; technical assistance in expanding its coverage and improving its systems and procedures 	<ul style="list-style-type: none"> Presidential priorities not attuned to the mandate of the fund may affect its existence and continuity If not institutionalized its services will be limited
Government Financial Institutions - LBP, DBP, SBC	<ul style="list-style-type: none"> Both DBP and LBP are viable and profitable financing institutions that contribute to annual government coffers A non-bank financial 	<ul style="list-style-type: none"> LBP has agriculture and non-agriculture, SME and industrial lending while DBP has only SME and industrial lending; this disconnect / fragmentation is not conducive to rural finance and MSME 	<ul style="list-style-type: none"> ODA support that focuses on risk mitigation programs and derisking products for these GFIs to offer better financial products in the agriculture 	<ul style="list-style-type: none"> Profitability of LBP in commercial lending will continue to distract its attention to its primary mandate on

Organization	Strengths	Weaknesses	Opportunities	Threats
	<p>institution, SBC has specialized mandate on guarantee financing and equity financing</p>	<p>lending, prevents government from having a comprehensive offer of financial products</p> <ul style="list-style-type: none"> • LBP has a specific mandate on agriculture and agrarian reform but has moved into commercial lending that is more profitable and delivers revenues for government; this has been a distraction on LBP to deepen its investments for the sagging agriculture sector of the country • SBC is uncaptialized based on the requirements of the law that prevents the corporation to perform its mandate and offer guarantee financing and equity financing instruments to SMEs 	<p>and MSME sector that are accessible and affordable by the smallholders and micro/small entrepreneurs</p>	<p>agriculture/fisheries and agrarian lending</p> <ul style="list-style-type: none"> • SBC will remain to be decapitalized that will prevent from performing its mandate
<p>The Private sector</p>	<ul style="list-style-type: none"> • Most medium to large private sector companies have corporate social responsibility programs linked with community development and agriculture / rural development; some private sector have an integrated approach for communities using the "inclusive business" approach • A large and competent national NGO (Philippine Business for Social Progress) has a membership base of private sector SMEs, and large agribusiness companies 	<ul style="list-style-type: none"> • With lack of rural infrastructure and lack of technical support to communities and rural organizations for them to scale up production and farm operations, most private sector do not find rural organizations and in general rural areas attractive for private sector investments • The agriculture (15%), agrarian (10%) and SME (10%) lending quota of 35% of the banking sector's portfolio has not been an effective instrument in designing and delivering rural finance products; banks would rather pay penalties than lend to the sector in the absence of risk mitigation (e.g., public goods for rural infrastructure) and incentives for derisking programs • Government's policy framework on agribusiness venture arrangements between smallholders and private sector agribusiness companies is limited to agrarian reform beneficiaries and non for non-ARB smallholders; the framework is also more of regulatory rather than developmental and facilitative in nature – this restricts the 	<ul style="list-style-type: none"> • Technical support for government agencies and programs to derisk private sector investments including private sector led rural finance programs • Supporting the rural development agencies, e.g., DAR, DA, DTI, DILG including the Department of Labor and Employment (DOLE) to develop a more comprehensive policy on agribusiness venture arrangements that includes all agriculture lands of ARBs and non-ARB smallholders 	<ul style="list-style-type: none"> • The Philippine land market is artificial and property rights regime in disarray which is a disincentive to private sector investments • Fragmented land administration institutional set-up, overlapping institutional jurisdiction and overlapping tenure instruments affect private sector investments

Organization	Strengths	Weaknesses	Opportunities	Threats
		private sector from investing in the sector		
National NGOs (e.g., PEF, FPE CODE NGO, PBSP, PhilDHRRA, AsiaDHRRA, NATCCO, Micro-Finance Council, etc)	<ul style="list-style-type: none"> • These networks are well organized and competent in their fields of expertise • Phil NGOs have a certification system on good housekeeping and a dedicated national NGO for certification (Phil. Council for NGO Certification) • Covers the coop sector, MFI sector, advocacy NGOs, environment, agriculture and rural development regional/provincial NGOs • Value chain framework is adopted by most NGOs 	<ul style="list-style-type: none"> • Regional / provincial NGOs are small and would need technical support on professional and financial management • The change and refocusing of international development community in funding micro-finance, rural finance, micro-enterprise/SMEs rather than building capacities of rural organizations in organizational management, community enterprise organizing is a missing middle in the context of Phil. rural development • Value chain networks are mostly dominated by government institutions but less private sector / NGO and CSO participation 	<ul style="list-style-type: none"> • Institutional strengthening, developing competencies and creating networks of capable and qualified business development service (BDS) providers from within the CSO community • Establishing an accreditation system for qualified BDS providers 	<ul style="list-style-type: none"> • Public funds (international development partners and national government) are not directed towards capacitating and strengthening community level smallholder organizations
Micro, Small, Medium Enterprises	<ul style="list-style-type: none"> • Almost 95% of the sector are micro enterprises and mostly rural based • A focused / target sector of the various programs and services of DTI 	<ul style="list-style-type: none"> • Government doesn't have substantial resources for a purposive, systematic, integrated and ladderized approach and programs of linking micro enterprises to small and medium enterprises in the context of industrial / manufacturing sector development 	<ul style="list-style-type: none"> • Climate and disaster resilient financial products with corresponding technical support to MSMEs and institutions (e.g., NGOs, buyer / processor firms) that services the sector 	<ul style="list-style-type: none"> • Without accessible and affordable rural finance products and derisking instruments, supporting micro-enterprises growth will be difficult
Medium, small NGOs and Farmers Organizations/ Indigenous Peoples Organizations, cooperatives	<ul style="list-style-type: none"> • There are about 3,000 plus SEC registered NGOs nationwide and several thousands of cooperatives and rural workers organizations and peoples organizations in the country • Government has a largely open system for marginal sectors to organize, register and acquire a legal / juridical entity for rural organizations 	<ul style="list-style-type: none"> • Most of these NGOs and rural associations and cooperatives are technically and financially weak • Rural organizations playing supplier roles in agribusiness value chains are few and spotty • Government accreditation system has recently added layers in registration and accreditation for organizations availing of public sector funds • IP organizations are the most weak organizations, they need extensive management and development support 	<ul style="list-style-type: none"> • Supporting government, private sector and NGOs build commodity networks among rural organizations at provincial, regional and national levels that can engage in agribusiness development and policy development • Technical support on value chain development that is driven by private sector and rural producers 	<ul style="list-style-type: none"> • Climate change and disasters affect mostly the rural sectors, agriculture, fisheries / coastal communities

Key file 3: Complementary donor initiatives/partnership potential

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
World Bank	<ul style="list-style-type: none"> • Transparent and accountable governance, public financial management, and fiscal activities • Empowerment of the poor and vulnerable through improved health and education, social protection, and measurements of wellbeing • Rapid, inclusive, sustained economic growth through promoting economy policy reform, boosting private sector development, improving the investment climate • Climate change, environment, and disaster risk management through increasing resilience to natural disasters, improving NRM and sustainable development • Peace, institution building, social and economic opportunity through supporting social and economic initiatives in Mindanao/ARMM 	Country Partnership Strategy (CPS 2015-2018)	<ul style="list-style-type: none"> • Relevant initiatives: <ul style="list-style-type: none"> ○ Philippine Rural Development Project (PRDP): value chain approach to local investments, capacity building for LGU's, emphasis on coastal and marine resources management ○ Philippines Social Welfare Development and Reform Project II: expansion of 4Ps program through DWSD, including targeting of rural poor and marginalized peoples. Offers opportunities to use new forms of social protection and targeting in rural areas ○ Multi Donor Facility – PH Mindanao Reconstruction & Development: uses a village-led approach to conduct confidence and income-building activities in conflict-affected areas in Mindanao. High potential to organize agricultural activities • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ The peace process in Mindanao ○ Infrastructure development in rural areas
AsDB	<ul style="list-style-type: none"> • Transport: improved accessibility, sustainability, climate resiliency of infrastructure and services • Education: improved access to and quality of basic education, school-to-work transitional programmes • Agriculture, NRM and rural development: rural enterprise development, local institutional capacity building, land productivity • Urban infrastructure: water supply and sanitation, policy reforms and institutional capacity building, flood control systems • Public sector management: investment climate, decentralization and local governance, policies to support youth employment, social protection • Finance: deeper, more diversified, resilient nonbank financial sector • Energy: improved access to secure energy supplies 	Country Operations Business Plan (COBP 2017-2019)	<ul style="list-style-type: none"> • Relevant initiatives: <ul style="list-style-type: none"> ○ Enhancing Rural Enterprise and Rural Employment Project (proposed) ○ Facilitating Youth School-to-Work Transition Program (approved) • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ Rural infrastructure development ○ Education and TVET programmes ○ Institutional capacity building
JICA (Japan)	<ul style="list-style-type: none"> • Infrastructure development: transit, NCR connectivity and trade infrastructure • Investment climate improvement: Development 	Country Assistance Policy/Rolling	<ul style="list-style-type: none"> • Relevant initiatives: <ul style="list-style-type: none"> ○ National Irrigation Sector Rehabilitation and Improvement Project

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
	<p>Policy Support Program, support for fiscal and regulatory transparency and reform</p> <ul style="list-style-type: none"> • Disaster risk mitigation and management: resilient infrastructure, capacity building, knowledge sharing on preparedness and detection, watershed management • Food security: modernization of post-harvest and processing facilities, support for irrigation facilities and irrigation rehabilitation, improvement of agricultural credit and insurance programs • Social safety net: development of community health and education facilities and programs • Peace and development in Mindanao: infrastructure development, industrial promotion, and community development 	Plan (2012)	<ul style="list-style-type: none"> • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ Transit and post-harvest infrastructure development ○ Expansion of agricultural credit and insurance, particularly in relation to environmental risk ○ Disaster resilience in rural areas
USAID (United States)	<ul style="list-style-type: none"> • General economic development: public revenue generation, expenditure management, judicial reform, business regulation improvement. • Health • Education • Peace and stability in Mindanao: social service delivery, water and natural resource management, LGU capacity building • Environmental resilience: improved natural resource management, emissions reduction, risk reduction. 	US-Philippine Partnership for Growth (2013)	<ul style="list-style-type: none"> • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ Mindanao peace process: LGU service provision, community development ○ Programs on environmental resilience ○ Business regulation reform for rural agro-industries
GIZ (Germany)	<ul style="list-style-type: none"> • Peace and Security: NRM and Civil Peace Service in conflict-prone areas • Climate change and biodiversity: support for the Philippine Climate Change Commission, REDD+, protected area management, ASEAN Centre for Biodiversity • Economic and human development: Cities Development Initiative for Asia, Fit for School Program, insurance coverage for the poor 		<ul style="list-style-type: none"> • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ Forest protection and protected areas management in conflict-prone areas ○ School and health service delivery programmes in rural areas ○ Integrating biodiversity initiatives with others across ASEAN
Catholic Relief Services	<ul style="list-style-type: none"> • Emergency response and recovery • Shelter and settlements • Disaster risk reduction and resilience • Agriculture • Peacebuilding 		<ul style="list-style-type: none"> • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ Development of savings and lending groups ○ Knowledge sharing via a “farmer-to-farmer” program ○ Agri-business development planning ○ Disaster preparedness: community risk mapping, early warning

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
FAO	<ul style="list-style-type: none"> • Governance • Food and nutritional security: improvement of food safety policies, capacity building on incorporating nutrition, gender and social equity into food and education programmes • Agricultural productivity: streamlining of agricultural supply chains, strengthening of rural advisory services • Sustainable NRM: land planning and degradation assessment, use of sustainable fishing practices, participatory forest management approaches • Climate change adaptation and mitigation: adoption of appropriate technologies, integrated approach to addressing land, water and forest degradation issues 		<p>systems, evacuation plans</p> <ul style="list-style-type: none"> • Relevant initiatives: <ul style="list-style-type: none"> ○ Building Capacities for Climate Resilient Tilapia Farming ○ Mainstreaming Voluntary Guidelines on Governance of Tenure ○ Assessment of Farmer Field School Interventions ○ Emergency Assistance for Drought-affected Areas in ARMM and Region XII ○ Development of Production and Risk Management System ○ Emergence Assistance to Restore Agricultural Production in Typhoon Affected Region III • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ Technical support in land mapping, integrated land management, and land tenure governance ○ Technical support in supply chain management
WFP	<ul style="list-style-type: none"> • Natural disaster risk management and preparedness, emergency response • School meals and feeding • Post-disaster livelihood development/community rebuilding 		<ul style="list-style-type: none"> • Relevant initiatives: <ul style="list-style-type: none"> ○ National Response Capacity Building for Natural Disasters ○ Immediate Response for People Affected by Typhoon Hagupit ○ Enhancing the Resilience of Communities and Government Systems in Regions Affected by Conflict and Disaster ○ Support for Returnees and Other Conflict-Affected Households in Central Mindanao • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ Integrating programmes on child nutrition school meals into rural development programmes ○ Matching climate-resilient infrastructure and production techniques with disaster preparedness training/capacity building
GEF	<ul style="list-style-type: none"> • Climate change • Biodiversity • Land degradation 		<ul style="list-style-type: none"> • Relevant areas for collaboration: <ul style="list-style-type: none"> ○ Land and watershed rehabilitation programmes ○ Sustainable forest management ○ Coastal resources management

Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level And Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Smallholder farmers and rural agricultural laborers	<ul style="list-style-type: none"> Moderate to severe - poverty rate of 38.3% across the Philippines in 2012 – above 50% in Region IX (Zamboanga), Region X (Northern Mindanao), and ARMM¹⁷ Lack of negotiating power in pricing and sale in local agricultural markets Lack of connectivity to markets due to underdeveloped infrastructure, information services Land tenure insecurity: incomplete implementation of CARP, conflicting land titles, weak bargaining position in land markets Lack of access to credit and formal financial services Inefficient implementation of extension services, provision of inputs (e.g. irrigation and machinery) that are inefficient for use on small farms Aging farming population 	<ul style="list-style-type: none"> Migration Use of land as collateral in informal credit markets – corresponding loss in land, cycle of over-indebtedness Reliance on subsistence production, immediate sale of surplus Underinvestment in quality- and yield-upgrading activities Use of unsustainable farming techniques 	<ul style="list-style-type: none"> Improvement of rural productive infrastructure at the communal level, complementary to small-scale farming Organization and consolidation of extension services Organization and consolidation of producers' organizations that can better negotiate in local and national markets Extension of formal credit services, training on financial products Development of new linkages with larger agricultural buyers 	<ul style="list-style-type: none"> Comprehensive Agrarian Reform Program (CARP) Agrarian Reform Community Clusters (DAR) Philippine Rural Development Project (PRDP – DA/World Bank) Provincial commodity roadmaps (DA) Agribusiness cluster roadmaps (DTI) Forthcoming geographic indication system (IPO) 	<ul style="list-style-type: none"> Integration of smallholders into an LGU-led watershed management system with incentives for environmental services Development of linkages between producers' organizations and downstream buyers Expansion of small-scale, communal infrastructure and appropriate mechanization systems for small farms Extension of formal credit and financial services
Fisher folk	<ul style="list-style-type: none"> Moderate to severe - poverty rate of 39.2% across the Philippines in 2012¹⁸ Lack of infrastructure on land for storing and processing of fish Declining fish stocks close to shore Lack of equipment necessary to access more abundant fishing grounds Gender dynamic: women do not partake in fishing activities 	<ul style="list-style-type: none"> Unsustainable fishing methods (eg dynamite) Non-compliance with fishing regulations/respect of protected areas Sale through local markets with minimal value added or additional 	<ul style="list-style-type: none"> Infrastructure for processing and value addition (eg cold storage, market roads) Improvement of fishing cooperatives Capacity building in sustainable fishing methods and the enforcement of protected areas 	<ul style="list-style-type: none"> Ridge to Reef Program (SEARCA, WorldFish, ICRISAT, USAID) National Integrated Coastal Management Program (NICMP – DENR) Agri-Pinoy (DA, BFAR) Reconstruction Assistance on Yolanda Plan 	<ul style="list-style-type: none"> Capacity building in institutions responsible for coastal resources management (with emphasis on LGU's), including integration with watershed management institutions Rehabilitation of productive resources,

¹⁷ Philippine Statistics Authority, 2012

¹⁸ Philippine Statistics Authority, 2012

Typology	Poverty Level And Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
	<ul style="list-style-type: none"> Inability to access formal credit lines and financial services, due to lack of collateral Climate change and the increased risk of natural disasters (e.g. typhoons) Competition with larger and more organized fishing operations, including infringement on customary fishing areas 	<ul style="list-style-type: none"> processing Migration 	<ul style="list-style-type: none"> Extension of credit and financial services Enforcement and expansion of protected fishing areas towards foreign or long range fishing operations 		<ul style="list-style-type: none"> including mangroves, sea-grasses, coral reefs, etc. Development of productive infrastructure Capacity building in post-harvest management, creation of downstream enterprises
Indigenous peoples	<ul style="list-style-type: none"> Moderate to severe (no official poverty estimates) Conflicting or overlapping land titles; uneven implementation of CALT/CADT's Ambiguous division of land within CADT's Geographic remoteness; lack of connecting and productive infrastructure, including roads and markets Lack of productive assets Low levels of education and access to other important public services "Elite capture" in public investment projects and the decision to sell or lease land to speculators Systemic political marginalization at the provincial or regional levels 	<ul style="list-style-type: none"> Subsistence production with no marketable surplus Unsustainable agricultural practices Sale or leasing of ancestral domains, regardless of legality Participation in irregular armed forces and militia activities Migration Assimilation, loss of cultural identity, adoption of non-traditional production methods that contribute to environmental degradation 	<ul style="list-style-type: none"> Extension of productive infrastructure into remote areas in a way that is sustainable and harmonized with IP livelihoods Participatory planning approaches to livelihood development and the use of productive assets Review of the issuance of CADT's /CALT" s and potential conflicts in issuing one over the other Strengthening of the enforcement of IP land rights in regards to speculators and developers 	<ul style="list-style-type: none"> Indigenous Peoples' Ethnography Project (NCIP) Expansion of National Indigenous Protected Areas (NIPA's) under Provincial Area Management Boards (PAMB's) Completion of CALT/CADT issuance process 	<ul style="list-style-type: none"> Integration into watershed management programs Paid environmental services Institutional strengthening of LGU's in resource management, asset distribution, and provision of key services (including education and financial services/literacy training) Geographic indication systems for IP products Agribusiness venture arrangements (AVA's) that adapt themselves to traditional land use patterns
Rural agro-SME operators and entrepreneurs	<ul style="list-style-type: none"> Low to moderate (no official poverty estimates) Viewed as "too risky" by conventional sources of financing and investment – including public ones (eg Land Bank) Difficulty in complying with national or international product quality 	<ul style="list-style-type: none"> Reliance on inefficient local input markets Use of informal credit and financial services Migration to urban areas 	<ul style="list-style-type: none"> Specifically tailored financial products and services Capacity building in product quality upgrading and standards compliance Investments in 	<ul style="list-style-type: none"> Commodity councils (DTI) 2017-2022 SME Development Plan (DTI) Agribusiness Cluster Roadmaps (DTI) Negosyos Centers (DTI) Philippine Rural 	<ul style="list-style-type: none"> Accreditation of new smallholder-based AVA models that include fiscal incentives and matching grants Leveraging remittances to increase smallholder investments in agro-

Typology	Poverty Level And Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
	<p>standards</p> <ul style="list-style-type: none"> • Difficulty in establishing effectively scaled relationships with smallholders in the absence of a well-functioning cooperative or producers' organization • Lack of an enabling policy/financial environment for Rural SME development 	<ul style="list-style-type: none"> • Reliance on agricultural inputs and products of substandard quality 	<p>connective infrastructure</p>	<p>Development Project (PRDP – DA/World Bank)</p>	<p>enterprises</p> <ul style="list-style-type: none"> • Development of geographic indication systems • LGU-driven convergence of public service and extension provision • Integration of SME operations into watershed management program
Rural youth	<ul style="list-style-type: none"> • Poverty rate of 22.3% across the Philippines in 2012¹⁹ • Unequal access to agricultural education and key public services • Lack of productive assets • Unequal access to key financial services and formal credit lines 	<ul style="list-style-type: none"> • Migration to urban areas and abroad as OFW's • Borrowing and over-indebtedness • Subsistence agricultural wage work • In post-conflict or conflict-prone areas: participation in irregular armed forces and subversive activities 	<ul style="list-style-type: none"> • Education and TVET programs that link college and university programs with agricultural enterprises • Better facilitation of the transfer of land titles across generations • 	<ul style="list-style-type: none"> • National Youth Alliance for Agrarian Reform • Agricultural colleges 	<ul style="list-style-type: none"> • Emphasis on training and employing youth (e.g. through mentorship) in agro-SME development programs • Including youth as "2nd generation participants" in development projects • Entrepreneurship programs for youth in downstream (non-agricultural) SME's • Employment of youth in extension programs

¹⁹ Philippine Statistics Authority, 2012