



Investing in rural people

## Republic of the Philippines

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### **Rural Agro-Enterprise Partnership and Inclusive Development Project (RAPID)**

#### **Design completion report**

Main report and appendices

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## Currency equivalents

Currency Unit	=	Philippines Peso (PHP_
US\$	=	49 PHP

## Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

## Abbreviations and acronyms

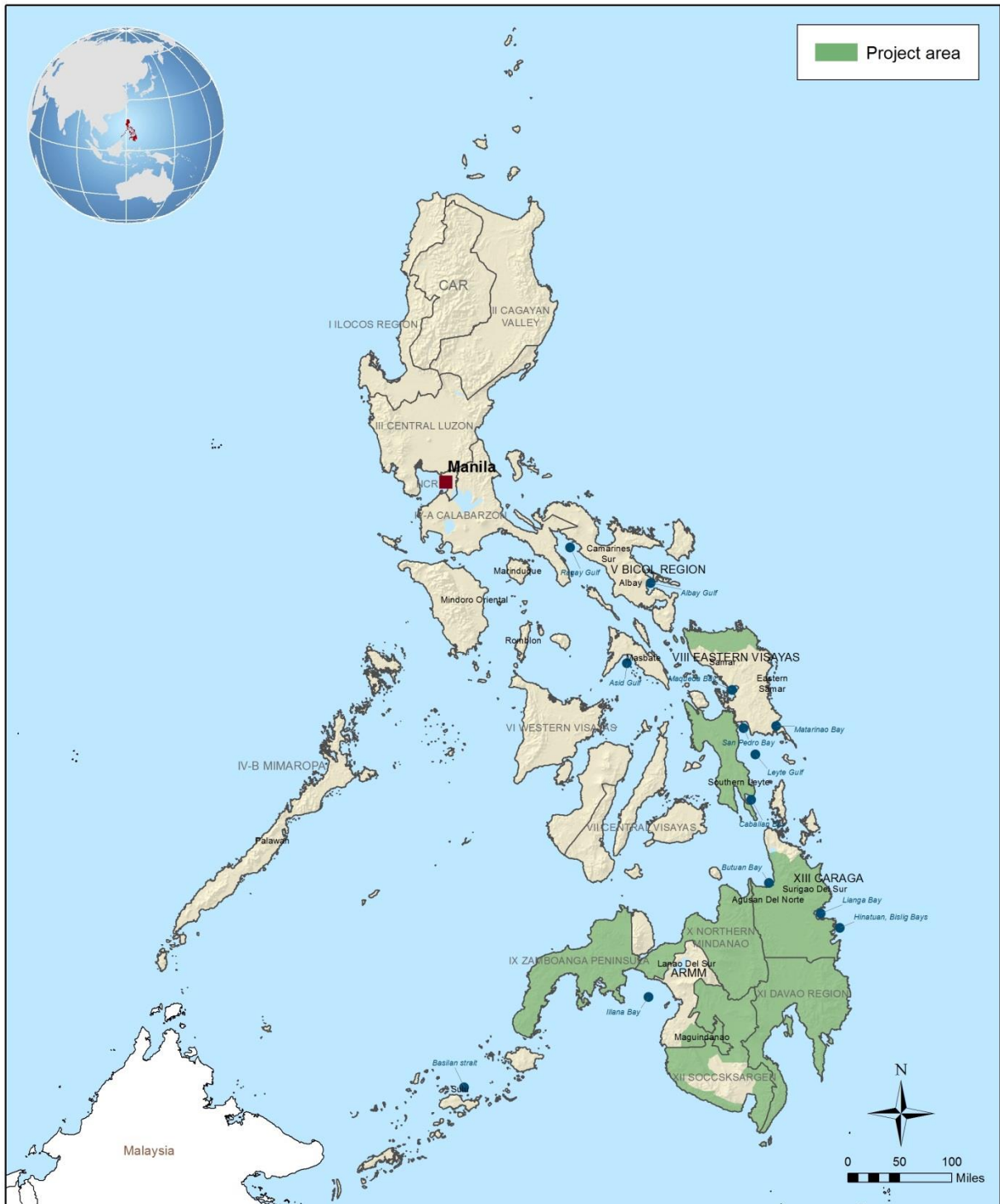
ADP	Annual Development Plan
APP	Annual Procurement Plan
APRACA	Asia and Pacific Rural and Agricultural Credit Association
ARB	Agrarian Reform Beneficiary
ARMM	Autonomous Region in Muslim Mindanao
AWPB	Annual Work Plan and Budget
BDS	Business Development Services
BSP	Bangko Sentral ng Pilipinas
CARP	Comprehensive Agrarian Reform Program
CDSP	Capacity Development Service Provider
CFO	Commission on Filipinos Overseas
COA	Commission on Audit
CONVERGE	Convergence on Value Chain Enhancement for Rural Growth and Empowerment Project
CSPE	Country Strategy and Programme Evaluation
DA	Department of Agriculture
DAR	Department for Agrarian Reform
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DED	Detailed Engineering Design
DENR	Department of Environment and Natural Resources
DILG	Department of the Interior and Local Government
DIP	Detailed Investment Plan
DOF	Department of Finance
DOLE	Department of Labor and Employment
DOST	Department of Science & Technology
DPWH	Department of Public Works and Highways
DTI	Department of Trade and Industry
EOI	Expression of Interest
FA	Financing Agreement
FFR	Financing Facility for Remittances
FSSI	Foundation for a Sustainable Society, Inc.
FSP	Financial Service Provider
GAD	Gender and Development
GDP	Gross Development Product
GESI	Gender and Social Inclusion
GNI	Gross National Income
GoP	Government of the Philippines
GWPB	Global Work Plan and Budget
ICCO	Interkerkelijke Coördinatie Commissie Ontwikkelingshulp, or ICCO Cooperation
IFC	International Finance Corporation
IOE	Independent Office of Evaluation
IPAC	Inclusive Partnerships for Agricultural Competitiveness
KM	Knowledge Management
LBP	Land Bank of the Philippines
LGU	Local Government Unit
MCPI	Microfinance Council of the Philippines
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MIS	Management Information System
MoU	Memorandum of Understanding
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprise
MSMED	Micro, Small and Medium Enterprise Development
MTR	Mid-Term Review
NATCCO	National Confederation of Cooperatives
NC	Negosyo Centre

NCIP	National Commission on Indigenous Peoples
NEDA	National Economic Development Authority
NGAS	New Government Accounting System
NGO	Non-Government Organisation
O&M	Operation and Maintenance
OFW	Overseas Filipino Worker
OSSCO	One Stop Services Center for OFWs
OWWA	Overseas Workers Welfare Administration
PCC	Provincial Project Coordinator
PCO	Project Coordination Office
PCU	Provincial Coordination Unit
PCW	Philippines Women Commission
PEF	Private Equity Firm
PHP	Philippines Peso
PIM	Project Implementation Manual
PRDP	Philippine Rural Development Project
PRNDP	Provincial Roads Network Development Plan
PSC	Project Steering Committee
PY	Project Year
RA	Republic Act
RBAP	Rural Bankers Association of the Philippine
RCU	Regional Coordination Unit
RIMS	Results and Impact Management System
ROG	Regional Operations Group
RTWG	Regional Technical Working Group
RuMEPP	Rural Micro Enterprise Promotion Programme
SALT	Sloping Agricultural Land Technology
SBC	Small Business Corporation
SEC	Securities and Exchange Commission
SIP	Strategic Investment Plan
SME	Small and Medium Enterprise
TOR	Terms of Reference
VC	Value Chain
VCF	Value Chain Facilitator
WHO	World Health Organisation

# Republic of the Philippines

## Rural Agro-industrial Partnership for Inclusive Development and Growth (RAPID)

Design report



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 | 18-01-2017



## Executive Summary

1. With a GNI per capita of \$3,550 in 2015, the Philippines is classified a lower middle-income country. Its economy, GDP US\$ 292 billion in 2015, has been among the fastest growing in Asia in recent years. GDP growth accelerated to 5.9% in 2015 and to a record 6.8% in 2016. However growing economic prosperity is not widely shared. A quarter of the population is poor, and a Gini coefficient of 0.43 in 2014 was amongst the highest in Asia.

2. Poverty is higher among the country's 55 million rural inhabitants (35%) than among the 45 million living in urban areas (13%); and is more pronounced in the southern island of Mindanao. Two thirds of the country's poor rely on agriculture for sustenance. Agriculture employs 29% of the labour force, yet contributes only 10% of GDP; and grew at a rate of only 1.9% per annum over the past decade. As agricultural productivity has remained depressed, economic transformation has been characterised by growth in low-skilled services, which has emerged as the dominant economic sector.

3. Strong overall economic growth has bolstered the Government's investment and poverty reduction agenda. The Government has explicitly signalled its intent to strengthen the country's weak infrastructure, expand social spending and pursue marginalised zones and under-resourced development initiatives in earnest.

4. The proposed project directly addresses policy commitments of the Government of the Philippines that are aligned to two SDGs of high relevance to IFAD: eliminating poverty and reducing inequality. In its ten point socio-economic agenda, the Government emphasised the need for promoting agricultural value chains by increasing productivity and rural enterprise. Within its *Pagbabago* (or *reducing inequality*) pillar, the Philippines Development Plan 2017-2022 specifies two target outcomes: (1) *expanding* economic opportunities, including in agriculture, and (2) *increasing access* to economic opportunities, including increasing access of smallholder farmers and fisherfolk to economic opportunities.

5. Micro, small and medium enterprises (MSMEs) also play an important role in Philippine economy, employing an estimated 60% of the labour force and contributing a third of GDP. The Government has prioritized MSMEs as a key pillar of its economic programme. The PDP emphasises increasing the access of micro, small and medium enterprises (MSME), cooperatives, and overseas Filipinos (OF) to production networks and to finance.

6. **Goal and Objective.** The *project goal* is to sustainably increase the incomes of small farmers and unemployed rural women and men across selected value chains. The *development objective* is to provide strategic enabling conditions for the sustained growth of micro and small enterprises in agricultural commodity chains with comparative advantage, market demand, growth potential, backward linkages to small farmers, and job creation effects.

7. **Project Area.** The project will be initially implemented in six regions (regions 8-13) and twenty target provinces. These have been selected based on their growth potential in selected commodity chains, on poverty incidence, and on operational efficiency considerations. The project area may expanded once an effective operating model has been established.

8. **Value Chains.** The project will initially target four agricultural value chains of the seven prioritised by the Department of Trade and Industry (DTI), namely cocoa, coffee, processed fruits and nuts, and coconut. These commodities present attractive market and social

features, and have potential to provide sustained economic benefits to both small farmers and enterprises. Once operational models for upgrading these value chains are demonstrated to be effective, other value chains may be included, in response to evolving market signals.

9. **Target Groups.** The project will directly target small farmers and micro-entrepreneurs engaged within the selected commodity chains. It will indirectly target unemployed and underemployed rural women and men who can potentially be employed by participating enterprises. Special focus will be placed on women, the youth, and indigenous people.

### **Component 1: Value Chain Development**

10. This component will deliver the following outputs: (i) strengthened Negosyo Centres and networks in 20 target provinces, facilitating micro and small enterprise access to markets and services; (ii) four industry-based MIS, providing information to value chain stakeholders; (iii) qualified business service providers linked to farmers, co-operatives and enterprises; (iv) strategic investment plans and detailed investment plans connecting farmers to SMEs and facilitating farmers' and SMEs' access to markets and services; and (v) 78 000 households benefitting through 1,600 co-operatives linked to markets via 125-250 SMEs.

11. **Sub-component 1.1: Value chain governance.** The project will organise value chain players and create an enabling institutional environment that promotes the growth of MSMEs (including farmer's cooperatives), strengthens their linkages with farmers, and facilitates farmers' access to markets and services. This approach will facilitate collaboration among public agencies in supporting agriculture-based enterprises and synergies among stakeholders. DTI's capacity to broker cross-sectoral synergies and partnerships will be upgraded at national, regional and provincial levels. The project will support: (i) institutional strengthening of DTI at all levels, enabling it to develop and scale successful models; (ii) development of provincial networks of Negosyo Centers as one-stop shops for promoting entrepreneurship; (iii) updating DTI's industry-based value chain MIS, with focus on target commodities; (iv) involvement of Local Government Units (LGUs) in value chain mapping and investment planning; and (v) capacity building of multi-stakeholder Industry Councils at local and national levels.

12. **Sub-component 1.2: Business services.** RAPID shall develop a pre-qualification system for business service providers (BSPs) that will provide services to farmers' organisations and enterprises as well as to specific target groups such as women, youth and indigenous people. Cooperatives and micro-enterprises will be supported to become service hubs for the provision of basic services to farmers, such as linkages with SME consolidators and input suppliers, technical advisory services, climate-smart technologies, compliance with standards and traceability, and access to financial services and insurance products. A package of financial and business education will be delivered to farmers' groups partnering with SMEs or operating their own micro-enterprises, which will include budget planning, cash flow analysis, financial literacy training, and operation of saving and credit groups.

13. **Sub-component 1.3: Enterprise strengthening.** The project will facilitate the development of inclusive and equitable business partnerships between farmers and enterprises targeting profitable domestic and export markets. Partnerships will be based on: (i) gender-sensitive provincial value chain mapping; (ii) provincial strategic investment plans (SIPs) for each value chain, developed through participatory and multi-stakeholder consultations; (iii) detailed investment plans (DIPs) supporting enterprise applications for financing (conditional grants, debt financing, equity capital); and (iv) supply chain managers embedded in enterprises, who manage contracts and provide advisory services to farmers. RAPID's support will be complemented by nutritional awareness programmes for farmer

groups, and particularly women, to ensure that higher incomes are complemented with informed decision-making on food expenditures.

## **Component 2: Productive Investments**

14. **Sub-component 2.1: Strategic finance.** The project will address financing requirements of small farmers and MSMEs with activities below:

15. *Financial services for small farmers and MSMEs.* The project will enter into a partnership with Land Bank of the Philippines (LBP) which already offers an appropriate product for agricultural commodity chains. LBP will provide financing to cooperatives for onlending to their members (farmers and micro-entrepreneurs), while the Development Bank of the Philippines (DBP) will provide financing to SMEs.

16. The interest of additional financial service providers to participate in agricultural value chain finance will be assessed periodically - the project will offer qualifying microfinance institutions, rural banks, and savings and credit cooperatives with technical assistance and capacity building to develop value chain finance products, and remittance related financial instruments.

17. *Risk mitigation* will be pursued through partnerships with the Agricultural Guarantee Fund Pool for lender risk, and the Philippines Crop Insurance Corporation for borrower risks.

18. *Agro-enterprise Investment Facility.* Debt financing alone will not be sufficient to upgrade SMEs to compete with imports and access global value chains. RAPID will support DTI to establish and capitalise an Agroenterprise Investment Facility which will provide incentives for private equity and venture capital firms to engage with SMEs. The Fund will be managed by DTI's financial arm, the Small Business Corporation (SBC) which shall co-finance the equity required by a SME with an interested equity/venture capital firm. SBC will adopt policies that incentivise private equity funds and social impact investors to invest in MSMEs.

19. *Conditional grants for on and off-farm investments.* RAPID will offer matching grants to small farmers and micro-entrepreneurs on the basis of approved DIPs. These grants would cost-share investments by smallholders to adopt improved climate-smart production technologies in terms of quality and quantity, and to establish viable aggregation systems along the targeted value chains. Grants would cover 60% of the investment cost of primary production and 50% of the investment cost of micro-enterprises.

20. *Capacity building of cooperatives.* Given the importance of primary cooperatives in facilitating rural households access to loans and other financial products, the project will support the enhancement of cooperatives' business development and financial management capacities. Cooperatives will be trained and coached in areas of their demand by local service providers, including secondary cooperatives and regional federations.

21. *Diaspora investment in agri-based MSMEs.* On its portal directed at OFWs, DTI will manage a specific site dedicated to RAPID in support of micro and small-scale business investment in targeted value chains. The information provided will include types of business opportunities, and the financial and non-financial services available. This will encourage investment flows to rural areas by overseas and domestic migrants, and create a flow of incomes for returnees and their families. DTI will explore the option of crowdfunding to source remittances, as well as other forms of alternative equity finance in MSMEs across the targeted value chains.

22. **Sub-component 2.2: Farm to market infrastructure.** The project will facilitate market access for farmers' produce by rehabilitating farm to market roads. Sub-project proposals will be identified in strategic investment plans, aligned with the corresponding local development/ investment plans of municipal LGUs. The Project Implementation Manual includes modalities for the selection of roads to be financed by the project; criteria will include volume of production, number of farmers served, expected impact, and minimum cash contribution of 5% by LGUs.

### **Management**

23. RAPID's implementation approach will feature: public-private partnerships; building on Negosyo Centers; embedding project management in DTI; and building the capacities of public and private partners. A Project Coordination Office (PCO) embedded in DTI will coordinate implementation. Through the Negosyo Centers, the PCO will: (i) identify MSMEs, farmers and cooperatives interested in partnering; (ii) facilitate the preparation and monitoring of SIPs and DIPs; (iii) coordinate the participation of service providers; and (v) ensure provincial planning and M&E.

24. Regional Coordination Units (RCUs) will support the PCO; and a Regional Technical Working Group in each region will review and validate proposed DIPs and farm-to-market roads. Provincial Coordination Units (PCUs) will assist networks of Negosyo Centres in service delivery. DILG will be responsible for providing technical support and supervision for farm-to-market roads that will be identified and implemented by LGUs.

### **Monitoring and Evaluation**

25. The project will establish a learning and knowledge sharing system that provides analytical information to DTI, implementing partners, investment financing facilities, Government oversight agencies, and value chain actors. The system will ensure that: (i) the project is timely delivered in accordance with plans; (ii) partners have information needed for adaptive management; (iii) evidence effectively informs industry councils and public policy-making bodies; and (iv) public and private entities can learn from implementation to scale their investments accordingly.

### **Environmental Considerations**

26. A number of improved ecological practices will be promoted, which will reduce water runoff and soil erosion, improve soil fertility and the water quality infiltrating the aquifer, increase soil water holding capacity, reduce soil temperature and the negative effect of wind on soil moisture, increase carbon sequestration, contribute to reduction of greenhouse gasses, and reduce the use of synthetic nitrogen. This includes the introduction of SALT on degraded sloping land; and the use of high quality compost- the recycling of litter fall, pruning residues, cacao and coffee husk, coconut shells and coir dust- which also improves crop yields. Intercropping will increase soil cover as well as the storage of carbon stock above and below ground.

### **Costs and Financing**

The total project cost amounts to US\$ 95.7 million over a six-year period. RAPID will be financed by an IFAD loan of US\$ 66.0 million, an IFAD grant of US\$ 1.5 million, Government contributions of US\$ 10.8 million, FSPs contribution of US\$ 12.4 million, private sector contributions of US\$ 2.8 million and farmers' contribution of US\$ 2.1 million.

## Logical Framework

Results Hierarchy	Indicators <sup>1</sup>				Means of Verification			Assumptions / Risks
	Name	Base line	Interim review	End Target	Source	Frequency	Responsible	
<b>Goal:</b> Increased income of small farmers and unemployed rural women and men across selected agri-based value chains	<ul style="list-style-type: none"> <li>Number of municipalities with poverty rates above 40% in target areas</li> </ul>	349	320	260	PSA small area est. & PIDS	Interim & project end reviews	PCO	
<b>Development Objective</b> Establish enabling conditions for the sustained growth of micro and small enterprises in strategic commodity value chains	<ul style="list-style-type: none"> <li>78 000 project-supported farming HH increase farm incomes by at least 60%</li> <li>31 000 incremental jobs generated on farm and in project-supported MSMEs, 40% for women</li> </ul>	\$2000 0	25 000 10 000	78 000 36 000	Project surveys MSME fin. reports	Interim and project end reviews Biannual	PCO PCU/Negosyo Centres	
<b>Outcome 1:</b> Producers and value chain actors execute collaborative action plans and build commercial partnerships in selected commodity chains	<ul style="list-style-type: none"> <li>100% increase in value of sales of more than 1000 participating MSMEs</li> </ul>	tbd	+30%	+100 %	Project surveys	Interim and project end reviews	PCUO	
<b>Outputs</b> 1.1 Networks of Negosyo Centres in target provinces facilitating MSE access to markets and services	<ul style="list-style-type: none"> <li>20 networks of Negosyo Centres set up servicing MSMEs in 20 provinces</li> </ul>	0	10	20	Progress reports	Biannual	PCC	
1.2 Industry-based MIS providing information to stakeholders in the target value chains	<ul style="list-style-type: none"> <li>At least three industry-based MIS, accessible to value chain stakeholders, running and regularly updated</li> </ul>	0	3	3	"	"	PCU	
1.3 Qualified business providers able to provide business services to MSEs	<ul style="list-style-type: none"> <li>20 pools of qualified service providers set up</li> </ul>	tbd	8	20	"	"	PCC	
1.4 DIPS connecting farmers to SMEs and facilitating access to markets and services	<ul style="list-style-type: none"> <li>78 000 farming households participate in Detailed Investment Plans (DIPs)</li> </ul>	0	25 000	78 000	"	"	"	
<b>Outcome 2</b> SMEs secure the necessary access to producers, markets and suitable investment finance.	<ul style="list-style-type: none"> <li>70 000 Farming HH, 1000 MEs and 50 SMEs participating in SIPs have access to financial services and crop insurance</li> </ul>	0 0 0	15 000 7 000 10 000	71 000 40 000 50 000	MSME reports " Progress reviews	Biannual " Interim and end reviews	PCU " PCU	
<b>Outputs</b> 2.1 Financial institutions (FIs) with improved capacities to serve target value chains players	<ul style="list-style-type: none"> <li>Increased outreach and capacities extend adapted financial products to farming households and OFW families</li> <li>FSPs extend innovative, value-chain based financial services</li> <li>At least 40 enterprises benefit from equity financing</li> </ul>	0 0 0	20 000 hhs 3 FSPs	40 000 hhs 10 FSPs	FIs reports " Negosyo Centres reports	Biannual " "	PCU " PCU	
2.2 Farm-to-market access roads	<ul style="list-style-type: none"> <li>km of farm-to-market road rehabilitated and maintained</li> </ul>	0	80	140	Progress reports	Biannual	PCU	

<sup>1</sup> Individuals/persons are disaggregated by sex (male/female), age (to reflect youth participation), and ethnicity (to reflect indigenous people's participation)



## I. Strategic context and rationale

### A. Country and rural development context

1. **Socio-economic trends and rural poverty.** The population of the Philippines was estimated at 102 million persons in 2015, half of which are living in rural areas. The Philippine economy is among the fastest growing in Southeast Asia- having grown 5.9% in 2015 and a record 6.8% in 2016. In 2015, GDP amounted to US\$292 billion with a GNI per capita of US\$3,500, classifying the Philippines as a lower middle-income country. Yet almost a quarter of the population is considered poor, of which about 9% (or 9 million persons) are estimated to suffer from *extreme* poverty. The country's Gini coefficient stood at 0.43 in 2014, amongst the highest in Asia. The Philippines suffers from 27% dollar-a-day poverty and poor nutrition outcomes: thirty percent of under-fives are stunted; and fifteen percent suffer vitamin A deficiencies. In spite of rapid economic growth and middle-income status, the country exhibits major income inequality challenges.

2. Poverty is significantly higher among the country's 55 million rural inhabitants (34.9%) than among the 45 million living in urban areas (13.2%). About two thirds of the country's poor are rural and depend on agriculture for income and sustenance. For these poor households, low returns are accentuated by the vulnerability of agricultural production to climate variability and extreme events.

3. Strong overall economic performance has bolstered the Government's investment and poverty reduction agenda. Having notched a landslide victory in the 2016 general elections on an anti-establishment campaign that tapped into frustrations related to crime, public services, corruption and poverty, the Duterte administration is now keen to deliver benefits to its constituency. While the Government had signalled it would maintain conservative macroeconomic policies, the economy's continued rapid growth, low inflation, and the Government's a robust fiscal position and low debt-to-GDP ratios (at about 35% and declining) have since encouraged a bolder investment approach.

4. The GOP now has sufficient fiscal leverage to strengthen the country's weak infrastructure, expand social spending and pursue marginalised zones and under-resourced development initiatives in earnest. Government is now pursuing an expansionist fiscal policy, with a 2017 budget of PHP 3.35 trillion (11.6% higher than in 2016). This would allow the new Government to demonstrate results on its key agenda items, articulated in its ten point socio-economic agenda, which includes *promoting rural and value chain development towards increasing agricultural and rural enterprise*.

5. The Government has explicitly signalled its intent<sup>2</sup> to accelerate infrastructure spending, invest heavily in human capital development, and promote regional and rural development. Fiscal policy will focus on accelerating infrastructure investment and higher and well-targeted social spending to promote more inclusive growth. The annual fiscal deficit target has been increased from 2% of GDP in 2016 to 3% for 2017 until 2022, to allow for higher spending on infrastructure, agriculture and rural development, and social services. The proposed budget allocation for infrastructure spending has been increased by close to 14% to fund transport infrastructure construction and rehabilitation of school buildings, and establishment of flood control systems. The proposed budget allocation for social spending has been even more significantly increased, by 20%, to support education and skills development programs, health care, socialized housing and resettlement, as well as the conditional cash transfer program.

6. **Agriculture.** The structural transformation of the economy has accelerated in recent years, but remains tilted towards services. In 2015, agriculture comprised 10.3% of value added while services, the main engine of the country's fast growth, has expanded its share of GDP to 57%. Agriculture remains a relatively important source of employment, at roughly 30% of the total, but absolute levels of employment in the sector are now beginning to fall.

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<sup>2</sup> <http://www.imf.org/external/pubs/cat/longres.aspx?sk=44295.0>

7. Agriculture has been particularly restrained by poorly developed infrastructure, decreasing farm sizes, degradation of natural resources and declining productivity. A weak extension system and high costs of inputs limit access of smallholders to improved agricultural technologies; product standards and quality systems have not been established; while downstream value addition and chain coordination is underdeveloped for many commodities. Diversification to higher value crops is somewhat restrained by rice protection and subsidy programmes: the Philippines is the only country in the region where the share of cereals in harvested land has increased over the last ten years.

8. These sector weaknesses are associated with overall underinvestment in agriculture, while low returns are exacerbated by vulnerabilities to climate variability. The Economic and Social Commission for Asia and the Pacific ranked the Philippines third among a list of countries most exposed to natural disasters over the past 45 years. The Philippines is highly vulnerable to strong typhoons; and the frequency and intensity of monsoon rains is increasing. Droughts arising from the El Nino phenomenon also contribute to the vulnerability of the rural farming sector.

9. **Youth.** As a consequence of low returns to agriculture and the rapid growth in services, rural youth continue to migrate in search of employment. The World Bank notes that “instead of rising agricultural productivity paving the way for the development of a vibrant labor-intensive manufacturing sector, and subsequently a high-skill services sector, agricultural productivity has remained depressed, and low-productivity, low-skilled services have emerged as the dominant economic sector”. The Government estimates that the average age of Philippines 11 million farmers is 57 years. A Youth Enterprise Act aims at actively promoting entrepreneurship and financial education among youth and requires financial institutions to allocate 25% of their micro, small and medium enterprise (MSMEs) programs to young entrepreneurs. But unless *agriculture* and *agro-enterprises* generate higher financial returns, youth out-migration is unlikely to abate.

10. **Migration.** Migration has offered an important coping strategy and is a defining feature of the Philippine’s economic transformation. Over 10 million Overseas Filipino Workers (OFWs), or 10% of the whole population and a quarter of the labour force, were working abroad in 2013, sending remittances worth over USD 28 billion (close to 10% of GDP) to their families. International remittances are a source of income for 25% of households, and 34% of adults received domestic remittances in 2014, making remittance receipts as common as the ownership of an account at financial institutions. Significant portions of migrant remittances are devoted to household consumption and to real estate, while investment in enterprises is low. Leveraging the finances of migrants and their families towards productive investments remains a significant and largely untapped opportunity for the country.

11. **Micro, Small and Medium Enterprises (MSMEs).** MSMEs play a central role in the Philippine economy. According to the Department of Trade and Industry (DTI) 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). These two categories account for 60% of all jobs generated by business establishments and contribute 25% of GDP. Yet, compared to large enterprises, MSMEs are disadvantaged in terms of access to finance and ability to penetrate export and other remunerative markets. The Government has placed significant focus on streamlining MSME processes, and the country has progressed from a rank of 148<sup>th</sup> in the 2011 Doing Business Index to 99<sup>th</sup> in 2017.

12. *Sectoral Distribution* of MSMEs shows domination by the services sector, which accounts for 810,350 (85%) of the 950,000 total MSMEs. There are 131,100 MSMEs (14%) in industry while only 8,550 (1%) enterprises are involved in primary agriculture. However around 35% of industrial sector MSMEs (43,600) base their business on agricultural raw material, forming the majority market for the primary agriculture sector. Another 9% of the manufacturing enterprises are engaged in production of beverages, some of which also rely on agricultural raw material.

13. The overall annual value-added growth is lowest in food manufactures, which underperformed the average by 2.3% in the period between 2011 and 2014. Underperformance is reportedly due to low agricultural productivity and limited organisational capacity of farmers -- resulting in insufficient



supply of raw materials; limited outreach of (GoP and private) business services in rural areas, both for farmers and for SMEs; limited access to technology and financing; and corresponding gaps in fulfilling market requirements and quality standards.

14. **Women's participation.** According to GoP's MSME Development Plan, women owners comprise more than half of the total registered businesses, with major potential for growth and employment if unhindered from accessing MSME services. Overall, gender-related indicators are quite favourable - the 2014 UNDP Gender Development Index gives the country a score of 0.977, indicating high equality between women and men relative to HDI criteria. However, women in the Philippines remain marginalised and disadvantaged in some areas, particularly in the labour force<sup>3</sup>: female participation was 51% in 2014, compared to close to 80% for men<sup>4</sup>.

15. Indeed, positive health and education outcomes for women in the Philippines hide political and labour market inequalities that hinder inclusive growth. The 2012/2013 HDR that is specific to the Philippines notes that there are numerous barriers that prevent the equitable access to and utilization of health and education from translating into proportionately higher earning power and political presence (Human Development Network 2013). Lower tertiary enrolment rates as well as higher perceived barriers to using credit and land point to a "human capital" gap between employed women and men in the Philippines- one that corresponds to lower labour force participation rates, higher rates of vulnerable employment, and disparities in earning power on the parts of women (ADB 2013).

## **B. Policy, Governance and Institutional Framework**

16. **Philippine Development Plan 2017-2022 (PDP).** Following elections in May 2016, a new Government administration was sworn into office in July. Among the key priorities in the Duterte administration's ten-point socio-economic agenda are to promote rural enterprises and value chain development; increase competitiveness and ease of doing business; invest in human capital, and matching skills development to meet the needs of businesses; accelerate infrastructure spending; and promote science and technology to enhance innovation and creative capacity.

17. The Government has released its new Philippine Development Plan (2017-2022), anchored on the long-term vision for the country (AmBisyon Natin 2040) and the 2030 Agenda for Sustainable Action. The PDP is consistent with the 10-point economic agenda of the Duterte administration; and is organised around three pillars: "*Malasakit*", or enhancing the social fabric, "*Pagbabago*", or reducing inequality, and "*Kaunlaran*", or increasing potential growth. National peace and security, strategic and accelerated infrastructure development, resilience and ecological integrity will constitute the Plan's foundations<sup>5</sup>. Meanwhile, as was the case in the 2011-2016 PDP, International Migration and Development (IMD) issues cut across the new Plan, with a view to mainstreaming them into public programmes.

18. **Agriculture sector.** Among the major policies affecting the Philippines' agriculture sector is the country's pursuit of rice self-sufficiency as part of its food security strategy. These policies contribute about 25% of the gross receipts of farmers and fishers, of which border and price support measures represent about 70%. Rice, and sugarcane too, have been prioritized in this context, and this has undermined agricultural diversification. But rice surplus areas, that make up for import restrictions and benefit most from higher domestic prices for rice, are also those (i) with lowest poverty incidence, and (ii) where the share of total farm income is low. Subsistence farmers and rice deficit rural areas largely lose out from the Government's rice self-sufficiency strategies, together with urban consumers. Thus there are also important economic rationales for Government to promote diversification into high value-added crops.

19. Another important policy dimension is the provision of agricultural advisory services and small-scale irrigation. Under the Local Government Code, public services related to rural and

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<sup>3</sup> International Labour Organization, *Gender Equality in the Philippines*, 2014 UNDP, 2014

<sup>4</sup> UNDP, 2014.

<sup>5</sup> <http://www.neda.gov.ph/2016/11/28/next-ph-development-plan-to-focus-on-long-term-aspirations-of-filipinos/>.

agricultural development have been devolved to Local Government Units (LGUs)<sup>6</sup>. Against this background, public extension services are quite fragmented and largely ineffective, with expenditures covered partly by the Department of Agriculture (DA) annual budget, partly by the Department of Agrarian Reform (DAR) annual budget, and partly by LGUs- many of which have weak technical capacity and under-resourced extension service. The absence of robust public advisory services is in part mitigated by commercial companies extending support services (such as for inputs) to farmers, particularly so in some areas under maize, cassava, pineapple, banana, cacao, coffee and abaca production. However, aside for a handful of global/larger companies<sup>7</sup>, such services are generally quite limited in reach. Thus most farmers have quite low access to agricultural advisory services and improved inputs.

20. **MSMEs.** The Republic Act known as “the Magna Carta for Small Enterprises” (1991) is the landmark legislation that has defined national policies for MSME development to this day, and has led to the creation of the Small and Medium Enterprise Development Council. Chaired by the Department for Trade and industry (DTI), the Council is a public-private platform responsible for the promotion, growth and development of MSMEs in partnership with relevant Government agencies..

21. In the agriculture sector, DTI promotes a value chain approach in seven priority ‘industry clusters’ that have the most potential for growth, job generation and poverty reduction. With DA and DAR mandated to support production, DTI has generally focussed on post-harvest operations- such as processing, packaging and marketing. DTI’s priority industry clusters include: (i) cocoa; (ii) coffee; (iii) processed fruits and nuts, (e.g. banana, kalamansi<sup>8</sup>, mango, chili and cashew); (iv) coconut; (v) bamboo; (vi) rubber; and (vii) wearables and home styles (mostly local fibers). For each of these clusters, DTI has facilitated the development of value chain roadmaps, which seek to promote growth, job generation and poverty reduction.

22. **DTI’s Industry Clusters.** During the Philippine Development Plan 2011-2016, industry clusters were identified as a major strategy in achieving a competitive and innovative industry and services sectors that contributes significantly to inclusive growth and employment generation. A total of 19 industrial clusters have been created under the guidance of DTI/SMEDC, with corresponding industrial roadmaps for achieving the objective of each cluster.

23. DTI’s approach begins with the creation of Industry Cluster Teams. DTI cluster coordinators are facilitating both cluster councils and cluster working groups to meet regularly. These regular meetings have resulted in a large numbers of initiatives addressing constraints and opportunities identified under each roadmap, ranging from support to primary production of raw material for the food and feed sector, to introduction of Good Agricultural Practice standards, to increased savings, improved/certified planting material, improved crop husbandry practises, improved post-harvest handling and adoption of standards, improved food safety, export promotion etc.

24. Industry Cluster Teams are multi-stakeholder platforms that gather relevant government agencies and private sector representatives, and are tasked with preparing a roadmap for their industry and establishing Industry Councils. Roadmaps are now available for all priority industry clusters; and Industry Councils have been organized and are operational with various levels of capacities. To date the National Bamboo Industry Council and several of the 16 Cocoa Regional Councils have been the most active.

25. DTI delivers Business Development Services (BDS) for MSMEs through *Negosyo Centers*<sup>9</sup>: one-stop-shops that facilitate business registration and access to BDS. *Negosyo Centers* were effectively adopted by DTI in October 2014; by October 2015 the network consisted of 44 regional and

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<sup>6</sup> Administratively, the country is composed of LGUs and one autonomous region, the Autonomous Region of Muslim Mindanao (ARMM). LGUs are divided into three levels: provinces (81); cities and municipalities; and *barangays*, the smallest political unit.

<sup>7</sup> Such as Nestlé (Robusta coffee), Dole (pineapple) and Kennermer (Philippino company trading cocoa).

<sup>8</sup> Local citrus fruit.

<sup>9</sup> 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.

44 provincial NCs operated directly by DTI. In addition there are 48 NCs supported by DTI, but operated by LGUs, 2 by NGOs and 3 by the Academe. NCs provide a range of pre-established services as well as tailor made services.

26. The most important pre-established services include: (i) facilitate registration of MSMEs (ii) provide information and services in training, financing and marketing; (iii) support private sector activities relating to MSMEs development; (iv) Small and Medium Enterprises (SME) Roving Academy, a continuous learning program that aims to make businesses locally and internationally competitive; (v) build local support networks and establish market linkages for MSME development; (vi) coordinate with schools and organizations on the development of youth entrepreneurship program; (vii) encourage women entrepreneurship by giving women access to information, support, training and credit facilities; and (viii) facilitates access to grants and other forms of financial assistance, shared services facilities and equipment and other support for MSMEs; and (ix) introduction of field standards (GAP, UTZ, Rainforest Alliance, 4C etc.), pre-processing standards (HACCP, GMP, PNS, ISO ect.) and manufacturing standards (GMP, HACCP, ISO, PNS etc. Tailor made services include the mentoring program for prospective and current entrepreneurs and investors, which is tailor made according to the need of the Mses and other services related to business development and innovations will also be supported.

27. From October 2014 to October 2015 the NCs benefited about 48,600 MSME clients throughout the Country. A total of 66% (32,066) of the services rendered, were for business name registration and Barangay Micro Business Enterprises registration, 18% (8,745) were for business information and 16% (7,774) received training or seminars. The quality of training services provided by the NCs to MSMEs appeared to be high based on visits to several MSMEs and from discussions with financial institutions and on products sold in domestic retail outlets as well as products exported.

28. In September 2016, DTI signed a MoU with the Overseas Workers Welfare Administration (OWWA), whereby OWWA will refer prospective OFW-investors to DTI, which shall in turn leverage its Negosyo Centers to provide access to training and technical support in starting an enterprise. While DTI and other public agencies such as DA, DAR, the Department of Science and Technology (DOST) and the Food and Drug Administration (FDA) all have capacity building and technical assistance programs for MSMEs, and are working closely with DTI and NCs. DTI have developed a directory for BSP covering 347 qualified NGOs, Academe and private companies engaged in providing all aspect of business developing services which will meet the need of MSMEs diverse requirements.

29. **Access to financial services.** Data from Bangko Sentral ng Pilipinas (BSP, the Central Bank) estimates that only 4 in 10 Filipinos have bank accounts. Coverage in rural areas, particularly the poorest zones, is sparse; and there is no coverage in hard-to-reach areas. To compensate for this, banks and MFIs have recently started adopting digital and mobile technologies to expand their services by investing in electronic banking (e-banking) technologies. The BSP is also allowing banks to establish micro-banking offices in hard-to-reach places.

30. The banking sector is highly liquid. Total resources of the Philippine financial system stood at P15.8 trillion at the end of 2015; and continue to grow. Nonetheless, penetration of financial services in rural areas remains very low, largely due to lower returns and the perceived risks involved in agro-based activities as well as the larger transaction costs. Two Republic Acts, the Magna Carta for SMEs (10%) and the Agri-Agra Law (respectively 15% for agriculture and 10% for agrarian reform), require banks to set aside a percentage of their loan portfolio for MSMEs and agriculture. However, compliance is low as many banks prefer to pay penalties rather than fulfil the legislation's threshold requirements at high cost and perceived risks. 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.

31. Apart from rural and cooperative banks, non-formal financial institutions are important sources of credit in rural and agricultural areas. Non-formal financial institutions consist of cooperatives and non-government organizations. These institutions are required to register with the Cooperative Development Authority (for cooperatives) and Securities and Exchange Commission (SEC) for non-

stock non-profit NGOs but are not regulated with regard their savings and lending operations. There are almost 25 000 672 registered operating cooperatives in the Philippines, of which about 15 000 are multi-purpose cooperatives and 3000 credit cooperatives (CDA, 2014). Most multi-purpose cooperatives however have likewise savings and lending operations.

**32. Rural finance policy context and innovations.** There are also a number of notable innovations and regional best practices in rural finance in the Philippines, documented in the IFAD-funded APRACA report “Best Practices for Sustainable Models of Pro-Poor Rural Financial Services in the Philippines”. A regional best practice in product innovation is illustrated by the case studies on agricultural loan guarantee (case of GM Bank) and micro-insurance. A best practice in institutional innovation is seen in the use of Micro-banking Offices to develop an extensive client outreach. These approaches are reinforcing important policy decisions by the Central Bank.

**33.** The Government’s support to the development of rural financial services includes the enactment of various laws and regulations, as described below.

- An Agricultural Credit Policy Council (ACPC) was created in 1986 to assist the DA in synchronizing all credit policies and programs of DA’s priority programs. ACPC’s role was expanded when Republic Act No. 7607 (Magna Carta of Small Farmers) assigned it the role of (i) conducting institutional capacity building programs and (ii) developing special projects to promote innovative financing schemes for small farmers.
- The Magna Carta for Micro, Small, and Medium Enterprises is a landmark legislation that defines the current national policies to foster a dynamic MSME sector. Three major provisions contained in the legislation are the creation of the Micro, Small and Medium Enterprise Development (MSMED) Council, creation of the Small Business Guarantee and Finance Corporation, and the mandatory credit allocation by all lending institutions of 8% to micro and small enterprises MSEs and 2% to medium sized enterprises.
- The Agricultural and Fisheries Modernization Act, or AFMA, of 1997 placed emphasis on the provision of credit as one of the critical support mechanisms in achieving its overall goal. It encouraged the active participation of the banking sector, cooperatives and Government financial institutions in the delivery of credit services to the sector.
- The Bangko Sentral ng Pilipinas was mandated by the General Banking Law of 2000 to recognize *microfinance* as a legitimate banking activity; and to set the rules and regulations for its practice within the banking sector. Microfinance services are provided mainly by banks (rural and thrift), NGOs, and cooperatives. The regulatory framework for microfinance institutions (MFIs) was originally crafted by the National Credit Council in 2002. Under Circular No.272, the Bangko Sentral ng Pilipinas defined microfinance loans as small loans given to low-income households to finance micro enterprises and small businesses.
- In 2001, the Small Business Guarantee and Finance Corporation and the Guarantee Fund for Small and Medium Enterprises merged to form the Small Business Corporation, the major provider of loan guarantees for MSMEs. The Corporation was given the authority to offer wide range of financial services, specifically for small and medium enterprises engaged in manufacturing, processing, agribusiness (except crop level production) and services (except trading). Its financial services include guarantee, direct and indirect lending, financial leasing, secondary mortgage, venture capital operations and issuance of debt instruments for compliance with the mandatory allocation provision.
- The Barangay Micro Business Enterprises Act of 2002 is another law that supports micro enterprises through exemption from taxes, fees, and coverage of the minimum wage law.
- The Credit Information System Act signed into law in September 2008 requires all regulated entities to submit positive and negative information to a new credit bureau under the Securities and Exchange Commission (SEC). However, the establishment of the Central Credit Information Corporation (CCIC) has not yet resulted in the operation of a functioning, active credit bureau.
- The Agri-Agra Reform Credit Act of 2009 and the Agri-Agra Law preclude previous provisions

through which non-agriculture related Agri-Agra compliance was eliminated. Alternative compliance include wholesale lending to accredited rural financial institutions for retail lending to small farmers or fisherfolk; opening of special deposit accounts with accredited rural financial institutions; loans for rural infrastructure like farm-to-market roads and postharvest facilities; investments in preferred shares of stock of rural financial institutions, including farmers' cooperatives and mutual benefit associations; and others..

- The Bangko Sentral ng Pilipinas has also instituted regulatory incentives for MSME lending, such as recognized specialized credit guarantee schemes, risk-based lending, lowered risk weighting of MSME loans from 100% to 75%, and increased borrowers' limit for SME receivables.
- The BSP also issued Circular No. 744 in December 28, 2011 allowing Microfinance Plus, a type of loan that may be granted to growing microenterprises and small businesses on the basis of the borrower's cash flow given some requirements such as having demonstrated success in business, good track record of at least 2 loan cycles demonstrating the success of the business, and presence of a savings account. With this, the BSP also instituted standards for the conduct of microfinance operations for bank supervisors to fully understand the risk profile of microfinance.
- In 2016, BSP issued various circulars defining and authorising financial intermediaries under its supervision to engage in value chain finance; expanding the range of activities allowable by micro-banking offices affiliated with microfinance institutions; and allowing the conversion of microfinance-oriented thrift or rural banks into regular thrifts and banks.

34. To address concerns on regulating NGO MFIs and on CDA oversight of cooperative financial services, SEC introduced an Microfinance NGOs Act in 2015 and "Rules and Regulations on Microfinance NGOs.". The main change was the introduction of reporting standards for NGO-MFIs. According to this act, NGO-MFIs are required to submit regular reports to the Microfinance NGO Regulatory Council which, in turn, submits an annual report to the President of the Philippines and the relevant committees of both houses. Implementing Rules and Regulations for the Act were approved in August 2016. The Cooperative Development Authority (CDA) issued revised rules in March 2015, to implement provisions of the Philippine cooperative code of 2008. These require all co-operatives, their federations and unions to submit annual financial statements, which must also be audited by certified public accountants, as well as general information sheets. This gives the CDA more standardisation in applications and financial reporting and, with the clear rules, faster adoption of reporting requirements by cooperatives.

35. In view of the above, the EIU ranked the Philippines no. 3 out of 55 countries in the 2016 Global Microscope on Financial Inclusion. Initiatives are being undertaken to further strengthen the key players in microfinance, and the existing policy on rural finance and its regulatory framework continues to provide stability in the industry. Through the years, BSP noted that microfinance technology and methodology can be appropriately utilized to deliver other types of financial services in a sound, prudent and sustainable manner, including credit for small farming activities.

36. Nonetheless, according to the BSP, many large banks opt to pay a fine rather than set aside funds for lending to risky borrowers such as MSEs. The BSP imposes a P500,000 a year fine for zero compliance with the MSME lending quota, while the penalty fees for undercompliance are commensurate with the percentage of undercompliance; 90% of the penalties collected will be remitted to the MSME Development Council Fund, while the remaining 10% is retained by the Bangko Sentral ng Pilipinas for administrative expenses.

37. **Loan risk management.** It is essential for lending institutions to mitigate against risks of natural disaster and catastrophic events since farmers are exposed to systemic or covariant risks. Producers face myriad of risks arising from pests and diseases and vagaries of nature that affect production yields and farm incomes. There is possibility of large scale loan defaults within the geographic area coverage of a financial institution which may put at risk the solvency of the bank. Indeed, a number of small rural banks were forced to close down due to large scale loan losses from agricultural borrowers affected by successive disaster events (typhoons, floods). As crops were not insured nor the banks sought credit guarantee, the banks were forced to absorb loan losses that



eroded their capital. Unable to raise the capital required by the Central Bank, the banks were put under receivership. Prior to the disaster events, these banks had Capital to Risk Asset Ratio (CAR) above the Central Bank requirement.

38. While farmers can manage small recurrent risks through the use of appropriate farm management practices such as pest management and improved technologies, they are not in a position to manage the less frequent but more severe losses arising from adverse events. In a country like the Philippines with high risk exposure to natural calamities, agricultural insurance is particularly important as this provides protection to farmers in incurring heavy financial losses. Agricultural insurance also serves as incentive to lenders to extend more credit to farmers as insurance reduces credit risk. Thus, an agricultural insurance system accessible to producers is deemed important in ensuring farmers' welfare and in promoting sustainable rural finance.

39. Current risk mitigation instruments include crop insurance extended by GoP-owned Philippines Crop Insurance Corporation or PCIC) and the Agricultural Guarantee Fund Pool (AGFP). However both have low service coverage and most are slow to process and pay out claims. A recent study by the Asia and Pacific Rural and Agricultural Credit Association (APRACA) found: (a) markedly improved performance of the insurance program in recent years and (b) PCIC's improved prospects for attaining continued growth and sustainability. The bulk of PCIC insurance is subsidized multi-peril rice and corn insurance. Profitability was attained beginning 2012 due to markedly improved administrative cost efficiency while maintaining manageable loss ratio, exhibiting prospects of financial viability. The APRACA recommended (a) for the government to provide larger and adequate funding to PCIC; (b) conduct an updated actuarial review of current premium rates for multi-peril rice and corn insurance to determine if downward adjustments are possible, and (c) for PCIC to forge public-private partnerships on risk sharing among micro-insurance organizations and private insurers. The Government has indeed expanded its funding to PCIC to cover crop insurance claims of small farmers and fishers, providing an average of Php1 billion annually since 2013, which has expanded to Php 1.6 billion in 2016 and Php 2.5 billion in 2017.

40. Credit guarantee programs for MSMEs are mainly provided by the Small Business Corporation and the Credit Surety Fund Program of the Bangko Sentral ng Pilipinas. The Small Business Corporation offers a credit guarantee program which aims to help financial institutions consider the granting of loans to MSMEs through credit sharing, with the corporation taking on the bulk of the risk for a fee. Credit evaluation is based on the borrower's risk rating to assess the enterprise itself and to determine the pricing of the guarantee. Guarantee cover is 70% of the loan for a clean loan facility and 70% of the unsecured portion for a collateralized loan facility. During 2002–2012, the total amount guaranteed by the Small Business Corporation was P1.4 billion.

41. Meanwhile, the Bangko Sentral ng Pilipinas Credit Surety Fund was created by pooling the contributions of cooperatives, nongovernment organizations (NGOs), local government units, and partner institutions. It provides 80% surety cover of the principal amount of the loan, which increases in accordance with the percentage of payment made by the borrower.

42. **Environmental Governance.** Philippines was a pioneer in introducing the Environment Impact Assessment (EIA) in 1977, with the creation of one of the first National Environmental Protection Councils (NEPC) in the world. The NEPC has since evolved into the the Environmental Management Bureau (EMB), under the Department of Environment and Natural Resources (DENR). Presently there are 5 major environmental laws implemented by the Bureau: (i) Environmental Impact Statement System (PD 1586) - 1978 (ii) Toxic Substances and Hazardous Waste Control Act (RA 6969) – 1990; (iii) Clean Air Act of 1999 (RA 8749) – 1999; (iv) Ecological Solid Waste Management Act (RA 9003) – 2000; and (v) Clean Water Act (RA 9275) – 2004. Both agriculture and SMEs are required to comply with these laws.

43. **DILG.** The mandate of the Department of Interior and Local Government (DILG) includes the supervision of LGUs. The agency has offices from national to provincial and municipal levels, which provide capacity building to LGUs in the planning, designing, procuring and implementing of rural infrastructure projects, including road rehabilitation and maintenance.

### C. Rationale

44. With over half the population living in rural areas, agriculture employing around 30% of the population, and poverty incidence almost thrice as high in rural as in urban areas, the promotion of rural MSMEs and agricultural value chains is a key thrust for the Government's poverty reduction strategy. Among its 10-point economic agenda is a commitment to "promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism."

45. Agricultural growth of an average of only 1.9% per annum over the past decade implies continuing poverty in rural areas. Moreover, low sector growth threatens the economy's long-term structural reform agenda and inflation control. Instead of rising agricultural productivity paving the way for a vibrant labour-intensive manufacturing sector and a highly skilled services sector, agricultural productivity has remained depressed; and low-productivity, low-skilled services have emerged as the dominant economic sector. The Philippines thus finds itself at a critical juncture of its rural transformation, wavering at the edge of middle-income country trap,

46. Weak performance of the agriculture sector is a result of 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; and diversification to high value added crops has received limited support as compared to national programmes on rice, sugar and corn. Yet growth is visible in agro-based enterprises that have access to investment capital, efficiently source sufficient volume of good quality raw materials, apply modern technologies, and comply with recognised product standards in response to market requirements. Growing markets for speciality high value crops offer a new outlook for diversification and value-added in the farming sector. To capitalise on these opportunities at scale, effective approaches are needed for working with smallholders- who currently have only limited access to productive capital, knowledge and technology, and, consequently, to remunerative markets.

47. The recently issued Philippines Development Plan underlines the need for reducing inequality including by expanding support to agriculture. Within the PDP's second pillar, *Pagbabago*, the two target outcomes of expanding opportunities in agriculture and increasing access to economic opportunities by smallholder farmers and fisherfolk (chapter 8 of the PDP) are underpinned by six outcomes: (i) agricultural, forestry and fisheries (AFF) productivity improved within ecological limit; (ii) AFF enterprises increased; (iii) access to value chains increased; (iv) access to innovative financing increased; (v) access to technology increased; and (vi) access of small farmers and fisherfolks to land and water resources increased and protected.

48. Further, because of their important role in the economy (employing an estimated 60% of the national labour force, and contributing almost one third of GDP), promotion of MSMEs is a key pillar of the new administration. The PDP emphasises increasing the access of micro, small and medium enterprises (MSME), cooperatives, and overseas Filipinos (OF) to production networks and finance.

49. To capitalise on this window of opportunity, DTI is seeking the support of IFAD in expanding its support to selected agricultural value chains (prioritised by market growth prospects, potential for job creation and participation of poor households) through a focussed programme of support that aims at promoting business partnerships among farmers and rural micro, small and medium agro-entrepreneurs who source raw material from smallholders and can create jobs for rural youth. Through these partnerships, farmers will gain improved access to technical assistance, markets and support services; while MSMEs will source sufficient quality and quantity from farmers to supply remunerative markets with higher, quality value-added. RAPID will provide the strategic public goods and services needed for the development of collaborative frameworks and financial instruments that mitigate risks, reduce transaction costs and encourage entrepreneurial partnerships.

50. Leveraging DTI's organisational framework, RAPID shall develop the capacity of the Negosyo Centres to broker and facilitate collaborative arrangements; enhance MSMEs access to business services, and promote a market for private Business Development Service providers; support value chain investment plans at the provincial level; and develop industry councils and private sector associations. Project investments are expected to mainly benefit micro-enterprises (including

cooperatives and farmers associations) and small and medium enterprises, which, together, form 99% of registered establishments in the country.

51. This strategy addresses those SDGs that fall within IFAD's comparative advantage. In particular, the proposed RAPID programme supports IFAD's achievements towards SDG1 (no poverty), SDG8 (decent work and economic growth) and SDG10 (reduced inequalities). In terms of implementation strategy, the programme includes improved access to innovative finance, job creation for youth and women, and supports improved decent employment opportunities in rural areas. By spurring rural economic growth in poor areas of the country, RAPID also contributes towards SDGs 2 and 5, zero hunger and gender equality.

52. **Target value chains.** RAPID adopts an iterative and demonstrative approach, promoting successful business models associating farmers and micro, small and medium agribusiness in four of the seven priority value chains selected by DTI, i.e. cocoa, coffee, coconut and processed fruits and nuts. These value chains were identified for RAPID interventions because they present stronger marketing potential, both domestically and internationally; have significant potential for increased agricultural productivity through better planting material and agronomic practices; and can strengthen the productive resource base in climate-smart and resilient manner using agroforestry and sloping agricultural land technologies. In addition, they involve large numbers of women and men smallholders; and hold prospects for gradually increasing the share of value added accruing to farmers through improved quality standards and local primary processing. Intercropping cocoa and coffee with coconut (a crop predominantly grown by poor households) or fruit trees will be encouraged in order to optimise coffee and cocoa production, increase climate resilience and diversify farmers' sources of income. Support to multi-stakeholder value chain mapping at project start-up will allow for collective diagnosis and articulation of shared objectives between farmers and enterprises, while Industry Councils and private sector associations will support coordination, knowledge management and policy dialogue associated with specific commodity chains.

53. To unlock investment finance for rural organisations and SMEs, RAPID shall de-risk investments through guarantees, underwriting loans, and providing complementary investments in rural infrastructure and services. It shall also support the establishment of joint and several liability groups, as well as the development of tri-party finance arrangement between farmers, processors/traders and financial institutions, and extend matching grant financing for selected investments. RAPID shall also seek to strengthen the capacities of a diverse range of service providers to meet the financial requirements of value chain actors, expand existing instruments for mitigating risks, and promote innovative, non-loan mechanisms such as value chain financing and equity investment. Efforts will be made to leverage the untapped potential offered by OFWs, so that use of remittances may be optimised towards investment in productive assets and private businesses.

54. RAPID shall also invest in the rehabilitation of farm to market roads to facilitate market access for farmers' produce. To reduce risks and improve market access, it is necessary to moderate the relatively high transaction costs currently facing MSMEs in aggregating adequate quantities of material, and engaging service providers that can improve farmer productivity. Bigger projects, notably the World-Bank financed Philippine Rural Development Programme (PRDP), invest in similar infrastructure at a much larger size and scale. RAPID shall seek to leverage PRDP investments, but will also provide for carefully targeted investments that benefit isolated areas not reached by PRDP and other projects. The involvement of DILG, which is also responsible for providing technical assistance to LGUs for business-friendly economic development, is expected to improve Government's planning frameworks for road infrastructure in support of local, private-sector driven economic development.

## II. Project description

### A. Project area and target group

55. **Target area.** RAPID will initially be implemented in six regions and twenty target provinces. These have been selected based on (i) growth potential in selected priority agriculture chains, i.e. cocoa, coffee, coconut and processed fruits and nuts; poverty incidence; and operational efficiency



considerations. Under its scaling up strategy, the project may be expanded to additional regions and provinces once an effective operating model is in place and measurable benefits are well-demonstrated on the ground.

Table 1 presents the twenty provinces and main features applied in the selection process.

**Table 1 - RAPID Target Regions and Provinces**

Region	Province	Population	Number of MSEs in the agri-sector	Production area <sup>10</sup> (ha)	Number of poor people	Poverty incidence (%)
8	Leyte	1,724,679	11,272	96,121	652,690	31.0
	Southern Leyte	421,750	2,130	37,209	146,726	38.0
	Northern Samar	632,379	2,803	88,357	337,064	56.2
9	Zamboanga del Norte	1,011,393	5,990	214,134	588,451	51.6
	Zamboanga del Sur	1,010,674	13,759	129,430	476,765	24.8
	Zamboanga Sibugay	633,129	6,098	62,786	164,230	31.7
10	Bukidnon	1,415,226	7,395	20,382	732,027	53.6
	Lanao del Norte	676,395	3,819	83,666	415,967	44.3
	Misamis Oriental	888,509	12,779	108,950	338,972	19.3
11	Compostela Valley	736,107	1,109	56,136	178,922	28.1
	Davao Oriental	558,958	6,911	151,769	163,594	29.9
	Davao del Sur	632,588	20,787	129,430	450,012	15.6
	Davao del Norte	1,016,332	7,709	48,104	299,673	33.2
12 / ARMM	North Cotabato	1,379,747	26,137	56,382	615,923	41.4
	Saranggani	544,261	2,877	91,078	233,164	55.2
	Sultan Kudarat	812,095	7,257	48,433	393,833	48.0
	Maguindanao	1,173,933	6,836	122,599	551,681	57.2
13	Agusan del Norte	354,503	3,916	36,739	270,149	34.9
	Agusan del Sur	700,653	3,279	21,408	318,638	47.3
	Surigao del Sur	592,250	3,340	81,129	248,345	40.1
<b>TOTAL</b>		<b>16,915,561</b>	<b>156,203</b>	<b>1,684,242</b>	<b>7,576,826</b>	
<b>PHILIPPINES</b>		100,981,437	944,987	3,847,385	21,927,009	21.6

Source: PSA, 2015

56. Eighteen of the target provinces have poverty incidence rates above the national average, and twelve are among the twenty provinces with highest poverty incidence in the country.

57. **Target value chains.** The project will initially target four agricultural value chains of the seven prioritised by DTI's industrial road maps. Once operational models for upgrading these value chains are demonstrated to be effective, other value chains may be included, in response to evolving market signals. The four commodities selected- cocoa, coffee, processed fruits and nuts, and coconut-present attractive market and social features, and have potential to provide sustained economic benefits to both small farmers and enterprises. Specifically, they present: (i) strong marketing potential, both domestically and internationally; (ii) significant potential for increased productivity through better agronomic practices and the development of agroforestry and sustainable upland agriculture practices such as Sloping Agricultural Land Technology (SALT); (iii) involvement of large numbers of women and men smallholders, and joint participation of women and men (coffee and cocoa); (iv) potential for increasing the share of the final value added accruing to farmers, by raising quality standards and promoting primary processing; (v) engagement of a majority of micro-enterprises (including farmer groups or associations) in primary processing, with high participation of women. In addition, Arabica coffee is particularly interesting for benefiting indigenous people given that it is predominantly grown in highlands. Intercropping cocoa and coffee with coconut (a crop predominantly grown by poor households) or fruit trees will be encouraged to optimise coffee and cocoa production, enhance climate resilience and diversify farmers' sources of income.

<sup>10</sup> For five crops – banana, cacao, calamansi, coffee, coconut.

58. **Target groups.** The project will directly target commercialised small farmers and micro entrepreneurs engaged within selected commodity value chains. It will indirectly target unemployed and underemployed rural women and men who can potentially be employed by participating enterprises. Within these groups, special focus will be placed on (i) women, either farmers or women entrepreneurs; (ii) youth (men and women); and (iii) indigenous people. In view of the high migration rates from rural areas, the project design shall assess the extent to which skills and financial assets of remittance-receiving households can be leveraged to improve development and entrepreneurship outcomes. The project shall monitor the participation and outcomes for these special target groups and seek to improve their access to project services adapted to their specific characteristics.

59. Although not a direct target group, it is envisaged that medium and large enterprises will also benefit. RAPID envisages an expanded engagement by medium enterprises in sourcing produce, extending services, and generating significant employment opportunities for smallholders, their cooperatives and value-adding micro-entrepreneurs, whether directly or through multiplier effects.

60. **GESI Strategy.** A Gender Equality and Social Inclusion (GESI) Strategy will be developed at project outset with a view to ensure that women and other special groups access project benefits. The strategy will be drafted by a GESI consultant, in collaboration with DTI and the technical experts in the PCO. An Implementation Plan will also be prepared, which will be updated annually, in conjunction with the preparation of the Annual Work Plan and Budget (AWPB). Key features to be developed in the GESI Strategy include:

- *Gender mainstreaming:* the GESI Strategy and Implementation Plans will detail specific measures designed to promote gender equality and mainstreaming, support women-owned MSEs, secure women's participation in business partnerships, and help them gain equal access to financial and non-financial services as well as play an active role in producers' organisations. The strategy will build on NEDA/Philippines Women Commission (PCW) Harmonised Gender Guidelines, RuMEPP's Gender Audit<sup>11</sup> and on the tools developed by DTI in partnership with PWC through the GREAT Women Project Supporting Women's Economic Empowerment in the MSE Sector. Measures will include: women quotas (for women accessing support services (40%) and women-owned enterprises); capacity building of Negosyo Centres to service women enterprises; and capacity building of service providers to deliver gender-sensitive and inclusive services;
- *Youth mainstreaming:* in line with the Youth Enterprise Act (Republic Act 10679), RAPID will ensure that 25% of project services to SMEs are extended to young entrepreneurs; and shall support networks of Negosyo Centres to partner with the Technical Education and Skills Development Authority (TESDA) and learning organisations in developing skills of young entrepreneurs engaged in the target chains;
- *Provincial Value Chain Mapping:* these shall be carried out at project onset and will identify opportunities for business development and partnerships particularly suited to women and other target groups- wherever possible these shall build on existing VC studies, e.g. those prepared by the DA's PRDP;
- *Business linkages:* Project support provided to facilitate the implementation of business linkages will include measures geared towards facilitating the participation of poorer households and communities.
- *BDS providers:* the qualification and training system that will be developed by RAPID so that Negosyo Centres have access to a pool of skilled BDS providers shall ensure that these are conversant with participatory methods, and with the specific needs and features of women farmers and entrepreneurs and other special RAPID target groups;
- *New planting:* as the project will make available conditional grants for planting high-yield varieties in the target value chains, criteria will be developed to ensure that poorer farmers can benefit. It is expected that coconut growers, many of whom are poor, shall be recipients of cocoa and coffee

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<sup>11</sup> The Rural Micro Enterprise Promotion Programme was an IFAD-financed project (2007-2013) implemented by DTI (see more details in Section II D and Annex 3). The Gender Audit was done in 2010.

seedlings to grow under coconut trees, which are traditional shade trees in cocoa and coffee plantations in the Philippines;

- *Financial services:* a key investment planned under Component 2.1 – Strategic Finance is to build the capacities of Financial Service Providers so that they can make available a package of basic financial services to smallholders, OFW households and other special groups, with a view to progressively develop their capacities to build assets, become credit-worthy clients and expand their activities. Financial and business education, as well as budget planning for households are also included in Component 1;
- *Indigenous people:* IP groups present in the target provinces will be identified as part of the Provincial Value Chain Mapping and the specific location and number of IPs in target production areas will be detailed as part of the preparation process of business partnerships. This will also include the verification that project activities would not impinge on IP ancestral domains. Where this would be the case, the project would support the organisation of Free Prior and Informed Consent (FPIC) and the release of the related Certificate of Precondition (CP). The National Commission on Indigenous People (NCIP) shall be a member of the Regional Technical Working Group that will validate strategic and detailed investment plans (see Component 1) and of the Project Steering Committee, so that IP interests and needs are adequately addressed in accordance with national regulations, and that FPIC and CP can be obtained smoothly. Project and DTI staff, including Negosyo Centres, will be trained and provided with IP-sensitive tools that will strengthen the various tools of the project, such as value chain analysis, strategic investment plan, and detailed investment plans.
- *Implementation arrangements and capacity building.* The Project Coordinator will bear overall responsibility for the implementation of the GESI Strategy and Implementation Plans. PCO staff will be responsible for ensuring that GESI is mainstreamed throughout project activities in their field of activities and specific related implementation responsibilities shall be reflected in detailed job descriptions. The recruitment process will secure gender balance to the largest extent possible. Terms of reference for service providers will require gender-balanced teams with prior experience of gender mainstreaming. Where appropriate, ethnic-balanced approaches and contract deliverables will reflect gender and inclusion targets and indicators. Project implementation structures, Negosyo Centres and service providers will receive capacity building in effective implementation of GESI;
- *M&E and KM:* PCO M&E and KM Officers will ensure that the M&E/KM system allows the monitoring of inclusion and gender aspects. They will provide guidance to the Negosyo Centres and Value Chain Facilitators to measure progress and will make sure that achievements and lessons learnt are made available to the networks of Negosyo Centres, DTI offices at provincial, regional and national level and Industry Councils, and to the IFAD Philippines Gender Network<sup>12</sup>.

## **B. Development objective and impact indicators**

61. The *project goal* is to sustainably increased incomes of small farmers and unemployed rural women and men across selected value chains. The *development 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, growth potential, backward linkages to small farmers and job creation effects. Main indicators are: (i) 1,500 project-supported MSMEs generating benefit/cost ratio of over 1.3; (ii) 78,000 project-supported farming HHs increase income from marketing target crops by at least 60%; (iv) 30,000 jobs (full-time equivalents) created on farms; and (v) 700 jobs generated in project-supported MSMEs.

## **C. Outcomes/Components**

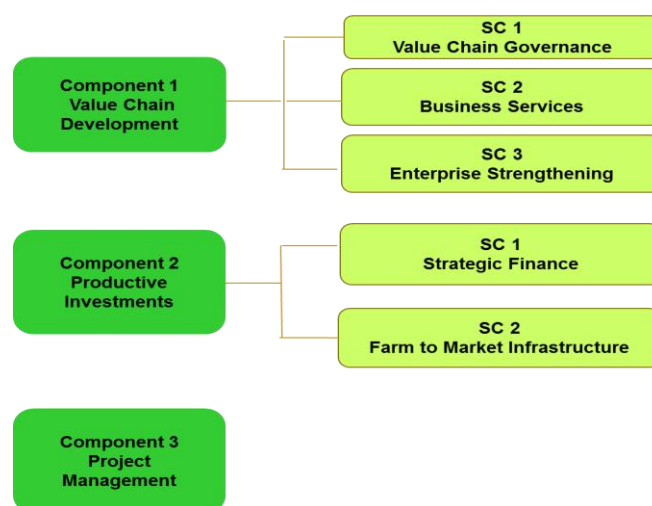
62. RAPID comprises three components, which are summarised in Figure 1 below:

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<sup>12</sup> The IFAD Philippines Gender Network is a learning platform composed of IFAD-financed projects, their national implementing agencies, NEDA, PCW and the IFAD Country Office.

- *Component 1 - Value Chain Development* supports all the activities required to promote business partnerships between MSMEs and farmers in the target value chains;
- *Component 2 – Productive Investments* complements partnership investments with interventions that: (i) facilitate the access of farming households and other players in the value chain to diversified financial services; and (ii) improve access to production areas through rehabilitation of roads and bridges;
- *Component 3 – Project Management* supports DTI and project implementers in delivering project services.

**Figure 1 – Project components**



### Component 1 - Value Chain Development

63. **Outcome targets.** Component 1 aims to ensure that producers and value chain actors execute collaborative action plans and build commercial partnerships in selected commodity value chains. To do so, the component delivers on three tracks. First, it will promote a favourable governance and institutional framework to support the development of enterprises with strong linkages to smallholder farmers. Second, it will provide MSMEs and farmers with access to customised business services<sup>13</sup>, so that they can commercialise their operations and expand their access to remunerative markets. Third, it will promote business partnerships between enterprises and farmers, whereby enterprises will source produce from farmers and provide them with support services, so that farmers in turn can timely deliver expected volumes and quality. In total the component seeks to benefit 78 000 households through 1665 cooperatives linked to 150 to 250 enterprises.

64. The **main outputs** from Component 1 will be: (i) strengthened Negosyo Centres in 20 target provinces, facilitating micro and small enterprise access to markets and services; (ii) four industry-based MIS, providing information to value chain stakeholders; (iii) qualified business providers linked to farmers, cooperatives and enterprise; (iv) Strategic Investment Plans and Detailed Investment Plans connecting farmers to SMEs and facilitating farmers' and SMEs' access to markets and services.

65. **Sub-component 1.1 - Value chain governance.** This sub-component will organise value chain players and create an enabling institutional environment that promotes the growth of micro, small and medium enterprises (including farmer cooperatives), strengthens their linkages with farmers, and facilitates farmers' access to markets and services. It facilitates collaboration between government agencies in support of agriculture-based enterprises and of synergies among different stakeholders. Financing will be extended towards:

<sup>13</sup> Or Business Development Services (BDS), which include training, technical assistance, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkages promotion.

- *DTI institutional strengthening*: DTI's capacity to broker cross-sectoral partnerships and synergies will be upgraded at national, regional and provincial levels so that DTI can scale up successful models throughout the country. Strengthening of DTI staff capacities will take a three-pronged approach: (i) formal capacity building with specialised technical assistance at project start-up; (ii) hands-on participation in the development and implementation of project activities; and (iii) study tours and specialised training identified in the course of project implementation;
- *Negosyo Centres (NC)*: in every target province, RAPID will promote the development of provincial networks of Negosyo Centers (NC), under the leadership of DTI-managed NCs<sup>14</sup>. The latter will take the lead in ensuring that NCs in the network act as one-stop shops facilitating the access of farmers, cooperatives and MSMEs to a range of business and financial services, such as mentoring programmes, business linkages, supply chain management, product development, market development, food safety and traceability, environmental standard, human resource development, land and water conservation, and training in the use of new technologies. In every province, DTI will appoint qualified staff to take up the position of Value Chain Facilitators (VCFs, one for two target value chains per province). Together with DTI and Negosyo Center staff, VCFs shall be trained to develop competencies in: (i) value chain inventory mapping and the preparation of provincial Strategic Investment Plans (SIPs) in the target value chains; (ii) brokering business partnerships between farmers' MEs (cooperatives, associations and farmer-owned companies) and small and medium agribusiness, and the preparation of related Detailed Investment Plans (DIPs); (iv) facilitating women and special groups access to services; (v) applying value chain Management and Information Systems (VC-MIS) and value chain-based Information Communication Technologies (VC-ICT); (vi) understanding value chain financing; and (viii) collection of data for the MIS, VC-ICT and RAPID M&E/KM system;
- *Industry-based knowledge and communication*: RAPID will update DTI's existing industry-based Management Information Systems (MIS), with focus on the four target commodities. Information to be made available on the MIS could cover areas such as: options for farmers to link with buyers and input suppliers; technical advice and technical production protocols; climate resilient production technologies; real-time marketing information; food safety standards; new packaging systems; information on access to finance and insurance products in rural areas. IFC SME-toolkit or similar could also be part of the MIS. To ensure easy access to the MIS data, a web-based information communication system will be developed, using a mobile application. RAPID will support DTI partnership with a private company to deliver a mobile phone-based value chain MIS. It is anticipated that the application operation will be 100% commercial and paid for by the mobile service provider sharing the income from traffic generated from use of the application. Private sector actors, active in the mobile communications business and in agricultural trading have expressed an interest, and will be invited to express interest in an open and competitive call for partnership.
- *LGUs*: LGUs will participate in the preparation of VC mapping and Strategic Investment Plans (SIPs) and will receive prior awareness training from VCFs.
- *Value chain organisation*: the project will strengthen the organisation of the target value chains by supporting the creation and capacity building of Regional and Provincial Industry Councils, with to promote chain-wide coordination and public-private dialogue on strategic value chain issues. Building on available industry roadmaps, Industry Councils will be assisted to develop policies that respond to the needs of private sector players and that can guide public and private investment. Industry-based private sector associations will also be supported. Project support will be programmed annually based on demand and will cover the following areas: (i) organisation and mission; (ii) legal registration; (iii) policy studies and policy formulation. Other activities will include workshops to support policy dialogue (organised by DTI), Research and Development (R&D) in support of value chain growth, and knowledge management workshops;

66. **Sub-component 1.2 - Business services.** The project will develop and implement a pre-qualification system for business service providers (BSPs) that will provide business services to farmers' organisations and enterprises as well as specific target groups such as women, youth and

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<sup>14</sup> There are three categories of NC, offering a varying range of services, from basic to full service. Most of full service NCs are managed and financed by DTI, while most of basic and advance NCs are financed and managed by LGUs.

indigenous people. The PCO shall issue calls for interest for BSPs to pre-qualify, based on service quality standards, and on their capacity to address the specific requirements of women entrepreneurs and other specific target groups of the project. Training will be offered to BSPs as required.

67. NCs will draw on the pool of pre-qualified BSPs to meet value chain actors' requests for services. Cooperatives and micro-enterprises will be supported to become service hubs for the provision of basic services to farmers, such as linkages with SME consolidators and input suppliers, technical advisory services, technologies including SALT, compliance with standards and traceability, and access to financial services and insurance products. BSP performance will be assessed annually prior to renewing the pre-qualification.

68. Business services envisaged under the project will include: Detailed Investment Plan preparation; assistance to farmers' groups to evolve into cooperatives, and for cooperatives to strengthen their performance; market linkage; product development; quality standards; technical assistance and trainings for production, pre-processing, packaging and delivery to buyer; and access to finance. MEs and SMEs not directly linked to the targeted VCs but providing services to the value chains would also be eligible to receive BDS if identified in the Strategic Investment Plan.

69. RAPID will support cooperatives and membership-based farmers' organisations to become service hubs for the provision of a basic set of services to farmers, including for linking them to consolidators and input suppliers, providing technical advisory services, introducing new technologies including SALT, ensuring compliance with standards and traceability, facilitating the access to financial services and insurance products among others.

70. A package of financial and business education will be systematically delivered to farmers' groups partnering with SMEs or operating their own microenterprises, which will also include budget planning, cash flow analysis, financial literacy training, OFW savings and investment options, and operation of cooperative savings and credit.

71. **Sub-component 1.3: Enterprise strengthening.** The project will facilitate the development of inclusive and equitable business partnerships between farmers and enterprises targeting profitable domestic and export markets. Partnerships will be based on: (i) gender-sensitive provincial value chain mapping; (ii) provincial Strategic Investment Plans (SIPs) for each value chain; and (iii) Detailed Investment Plans (DIPs) supporting farmers' organisations and MSMEs applications for financing (conditional grants for cooperatives/MEs and debt financing for the same as well as for SMEs); and (iv) business services. IFAD's Brokering Partnerships checklist will be used as a guide and integration in the Project Implementation Manual. Activities will be as follows:

- *Provincial Value Chain Mapping:* for each of target commodities, VCFs will carry out a gender-sensitive mapping of value chain resources, including: (i) productive resources, location and level of productivity; (ii) state of environmental sustainability of the productive area and climate risk assessment; (iii) road infrastructure connecting productive areas with the main road network; (iv) buyers and market opportunities; (v) number of primary cooperatives and farmer-owned M SMEs; (vi) gender-sensitive assessment of cooperatives, farmers producers organisations, xME and SMEs; (vii) service providers; (viii) migrant organisations; (ix) input suppliers; (x) value chain councils and value chain organisations; (xi) overall provincial infrastructure; and (xii) relevant support institutions<sup>15</sup>. The VC map will build on existing sources of information and will associate value chain players. Information will be captured into DTI MIS, shared through the VC-ICT system and regularly updated by the network of NCs;
- *Strategic Investment Plans:* a provincial SIP will be prepared for each of the target value chains. It will contain a concise analysis of the opportunities and constraints<sup>16</sup> for developing the value chain and will identify options for business partnerships between farmers on the one hand and farmers' cooperatives/MEs, and agri-SMEs on the other. RAPID will assist interested SMEs to

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<sup>15</sup> i.e. DA, BPI, ATI, DAR, DENR, NCIP, PhilMECH, DOST, DOLE

<sup>16</sup> Whenever applicable or of the same commodity and location, RAPID will utilize and use as reference the existing Provincial Commodity Investment Plans (PCIP) of the DA's Philippines Rural Development Project (PRDP).

establish a formal commercial link with cooperatives/farmers (farmer-owned organisations), as well as the other way around. For each of them, a preliminary investment plan outlining investments will be defined, based on an analysis of the end market and on opportunities and constraints to expand in line with market requirements, including with regard to farm-to-market roads;

- *Detailed Investment Plans:* based on preliminary investment plans, a Detailed Investment Plan will specify the type of investment required to ensure that farmers can deliver the required volume and quality of produce, and the agri-SME can meet market requirements. Investments could include the following: (i) technical advisory services, through a full-time supply chain manager embedded in a cooperative/ME/SME or short term technical assistance, which the project would finance on a decreasing cost-shared basis; (ii) the promotion of sustainable upland agriculture practices such as Sloping Agricultural Land Technology (SALT), including through the provision of high-yield planting material through conditional grants; (iii) upgrading and related investment cost and debt financing; (iv) market assistance; (v) introduction of standards/traceability. Every investment plan will be matched by a contract signed between the parties. DIPs will also list the financing modalities for the services offered under the project, whether decreasing cost sharing and conditional matching grants (see Component 2.1) or a combination.
- *Approval:* the SIPs and DIPs will be approved by a Regional Technical Working Group (RTWG), which will be co-chaired by DTI and DILG. RTWG composition will include financial services providers (LBP, DBP and PCIC), regional reps of NEDA, DA, DAR, DENR and provincial planning officers. NCIP and other stakeholders may be invited to attend for specific agenda items. RCU will ensure the secretariat of the RTWG.
- Qualifying (viable) DIPs will be ranked according to the number of smallholders and a number of criteria. The DIPs will be ranked according to level of farm size, number of farmers, poverty, and income class<sup>17</sup> to determine the most vulnerable farmers. Parties will be notified accordingly and will be invited to request the services and support outlined in the DIP towards execution of the mutually agreed plans.
- Enterprises will qualify for project support based on performance pre-requisites, including: (i) existing operations (e.g. trading, processing, marketing) in the target value chains; (ii) strong market potential for domestic or export markets; (iii) willingness to enter into supply contracts with smallholder farmers; and (iv) confirmed intent to enter into a performance-based MoU with RAPID for supplying smallholders with the services required to improve their productivity and incomes. Informal farmers' groups engaged in primary processing with intent to formalize would be supported to register; and could then become eligible for project support.
- *Implementation.* Sequencing of project implementation is determined by availability of high quality planting and grafting material (bud wood and/or scions). The lead time for ordering the grafting material for rejuvenation (bud wood and scions) is two months before the rainy season. The lead time for ordering planting material (young trees) for establishing new plantation is the best age of the tree at time of transplanting plus one month. The best age of a coffee tree at transplanting is 9-10 months old, cacao 7-8 months old, calamansi 12-13 months and for coconut 9-12 months old. The best time of transplanting is during the early part of the rainy season. This limits support for implementation of primary production to once a year which requires forward and accurate planning to achieve the project target of 80,000 Ha of rehabilitation/ rejuvenation and 42,700 Ha of establishing new plantation.

The lead time for ordering grafting and planting material will be used to implement matching grant for planting material and pre-processing facilities for cooperatives (or similar) and for support VC MSMEs like nurseries, compost making, mechanised tree planting operation et. The time will also be used for providing matching grants for business development services for eligible actors along the value chain including farmers, cooperatives (or similar), SME lead firms, support MSMEs like nurseries, compost making, mechanised tree planting operation, transport etc.

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<sup>17</sup> Based on provincial and LGU statistic.



72. *Environmental Impact.* The project will promote use of high quality compost and the recycling of litter fall, pruning residues, cacao, coffee husk, calamansi branches and coconut branches and coir dust in order to obtain maximum yields. In addition to the fertilizer effect, the use of compost will reduce water runoff, reduce soil erosion, improve water quality infiltrating the aquifer, increase soil water holding capacity, reduce soil temperature, reduce the negative effect of wind on soil moisture, improve soil fertility, increase carbon sequestration and contribute to reduction of greenhouse gasses, and reduce the use of synthetic nitrogen.

73. Introduction of sustainable upland agriculture practices such as sloping land agricultural technologies (SALT) on degraded sloping will have similar effects and will fix soil nitrogen. The intercropping of coffee and cacao with coconut plantations will increase soil cover and the storage of carbon stock above and below ground. Sub-projects supported by RAPID will comply with the Philippines Environmental Impact Assessment System as per Presidential Decree 1152 and 1586, and other regulations. This will ensure resilience against climate change and maintain high yields, improving incomes and purchasing power of high nutritional food.

74. *Nutrition training for membership-based farmer organisations.* Upgrading value chains and increasing farmer productivity and sales can have important effects on nutrition through the income pathway. Cognizant that improved incomes do not automatically lead to better nutrition outcomes, DTI shall pursue improved nutrition outcomes through awareness/education and nutrition-sensitive investments. To promote healthy diets that leverage higher incomes towards better nutrition outcomes, RAPID will establish partnerships with agencies active in nutrition awareness campaigns, including WFP and the Department of Social Welfare and Development. RAPID shall support direct access of targeted farmer groups, particularly women, to nutritional training and awareness programmes; thereby enabling poor rural women and men to make better informed decisions, with regards to household economics and their expenditure on food.

## Component 2 – Productive Investment<sup>18</sup>

75. **Outcome Target.**, Component 2 aims at (i) improving the access of value chain stakeholders to adapted and affordable financial services extended by a range of viable financial institutions; and (ii) securing farmers' and SME's access to each other and to markets, through the rehabilitation of farm to market roads. Specific targets include that credit is extended to 78 000 farming households, 1 250 MEs and 190 SMEs participating in SIPs have access to credit and that farm-to-market all-weather roads identified in SIPs, are maintained. The **main outputs** will be: (i) at least 20 Financial Service Providers (FSPs) with increased outreach and capacities to extend adapted financial products to farming households and OFW families; and (ii) 140 km of existing all weather road connecting farming areas to the main road network will be rehabilitated or concreted, and maintenance systems ensuring sustainability will be promoted.

76. **Sub-component 2.1 – Strategic finance.** This sub-component will improve access to affordable and diversified financial services for farming households and micro and small enterprises. In particular it will: (i) improve the service and outreach of cooperatives and Financial Service Providers (FSPs) in the target areas; (ii) reduce the risk for farming households and lending financing institutions through simple risk-sharing mechanisms; and (iii) develop innovative financial products and services meeting the needs of farming households and other relevant value chain stakeholders.

77. **Improving the capacity of cooperatives and outreach of FSPs.** RAPID shall initially enter into a partnership with the Landbank of the Philippines (LBP), which already offers financial products for agricultural production, processing and trade. LBP shall extend credit to cooperatives for onlending to their members (farmers and micro-entrepreneurs) using its standard interest rates for cooperatives, discounted due to the inclusion of crop insurance from PCIC, loan guarantee by AGFP in the financing package and potentially also underwritten by the Credit Surety Fund in case cooperatives subscribe for enterprises that are not crop-based and therefore uninsured by PCIC. Under current

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<sup>18</sup> For more details please refer to Appendix 4 – Detailed Description of Activities and to Working Papers 4 - Financial Inclusion and 5 - Migration and Remittances.



conditions, cooperative members would pay 6% interest plus a margin for the cooperative, 2.5% crop insurance premium and 1%-2% annual loan guarantee. Similar arrangements will be entered into with the Development Bank of the Philippines, for the purposes of debt finance to MSMEs seeking to raise investment funds for their participation in expanded value chains as per their detailed investment plan proposals.

78. Given the importance of primary cooperatives in facilitating their members' access to loans and other financial products, the project will support the enhancement of cooperatives' business development and financial management capacities. It is envisaged that some 1,600 cooperatives will be assessed by local audit firms. Those rated as eligible will be trained and coached in areas of their demand by local service providers, including secondary cooperatives and regional federations.

79. The interest of other financial institutions to participate in the project will be periodically assessed; partnerships could be developed with microfinance institutions, rural banks, savings and credit cooperatives and finance companies. The project will offer interested FSPs technical assistance and capacity building to develop agricultural value chain financing products. It will also assist AGFP to expand its current guarantee from only food crops to long-gestating crops, including those prioritised by RAPID, and to develop a MIS which allows for real-time reporting by FSPs to AGFP. Support will be provided to PCIC and interested private insurance companies to develop innovative insurance products for long-gestating and high value crops. RAPID will support the adoption and testing of new drone technology for area yield and other index-based insurance products for highly efficient damage assessment and quick claim disbursement by PCIC.

80. Cooperatives and other financial service providers will be selected for FSP capacity development on a competitive basis among recognised institutions specialising in support services to FSPs<sup>19</sup>. Tailor-made capacity development programmes, whose costs will be shared with FSPs, will be delivered over three years. Key issues to be covered include: savings; insurance; finance of agriculture activities; project and risk assessment; remittance payment; management, monitoring and control. CDPs will annually measure FSP progress against milestones defined in an MoU and adjust capacity development programme accordingly. Qualifying FSPs interested in expanding their rural outreach in the target areas will be supported in: (i) developing micro-banking offices or satellite offices with a lesser range of services than branch offices; or (ii) setting-up networks of agents or points of services; or (iii) promoting the use of mobile money applications for transfers and payments, loan application and interconnectivity with agents and points of services.

81. **Agro-enterprise Innovation Facility.** Debt financing alone will not be sufficient to upgrade SMEs to compete with imports and access global value chains. RAPID will support DTI to establish and capitalise an Innovation Facility which will provide incentives for private equity and venture capital firms to engage with SMEs. The Fund will be managed by DTI's financial arm, the SBC. It will co-finance the equity required by a SME with an interested equity/venture capital firm. The basis for equity placement will be a rigorous evaluation by the equity/venture capital firm of the SME's financial position, management, product lines, market, and audited bankable detailed investment plan. The equity/venture capital firm will be responsible for selecting the SME, placing and managing the equity, and monitoring its performance. The profit threshold of the Innovation Facility will be capped, thus increasing the relative share of surplus accruing to the equity/venture capital firm as an incentive. The equity/venture capital firm may be invited to participate in early buy-out options of the SME investment by redeeming the Innovation Facility's shares, providing an additional incentive for the firm. SBC will assist interested equity/venture capital firms to sell equity shares back to the SMEs themselves, to farmers' organisations, or to investors. It would advertise ordinary shares for sale, either on its website and/or to financial institutions interested to offer the shares to their clients.

82. The facility will build on the encouraging experience developed by local FSPs with experience and expertise on equity financing (e.g., notable are the experiences of the Foundation for a Sustainable Society, Inc. or FSSI; ICCO; Peace and Equity Foundation; and others.). RAPID will cover: technical assistance to develop investment conditions and processes for application,

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<sup>19</sup> Such as the National Confederation of Cooperatives (NATCCO), Rural Bankers Association of the Philippines (RBAP), Microfinance Council of the Philippines, Philippine Federation of Credit Cooperatives.

disbursement and monitoring; and brokerage services to facilitate the development of tailor-made investment packages matching equity and debt financing.

83. **Risk mitigation.** Banks and FSPs are reluctant to lend to the farming sector because of the high risks involved. To increase the volume of financing extended to RAPID target groups, the project shall support specific interventions to mitigate banks' and FSPs' perceived risks of lending to smallholders and micro-entrepreneurs. These will include:

- *Risk-based lending:* partner FSPs will be trained in developing risk assessment and profiling as an alternative to hard collaterals, through an MoU with the Small Business Corporation to train FSPs in the use of its "*Borrower Risk Rating*" tool;
- *Crop insurance:* the project will support the Philippine Crop Insurance Corporation and interested private insurance companies, so they can expand the current available coverage to long-gestating and high value crops, as well as ensure faster disbursement of indemnities to farmers, including by exploring options such as weather index to replace the current system of direct inspection of damaged crops;
- *Agricultural Guarantee Fund Pool:* RAPID will help AGFP in improving its capacity to deliver effective services to smallholders in RAPID target value chains, by expanding the current guarantee to long-gestating crops, developing a Guaranteed Loan Database software allowing real-time reporting from FSPs and promoting regular consultations between AGFP and FSPs;
- *Credit information:* to decrease loan default risks, RAPID will assist partner FSPs to join GoP's credit reference bureau, the Credit Information Corporation, and to submit complete credit information to the CIC and effectively use its services.

84. **Financial instruments for value chain development.** Farmers and MSEs in the target value chains will only be able to expand their capacity to deliver and market larger volumes of good quality products if they can have access to investment financing on suitable terms and conditions. RAPID shall promote new financial instruments responding to the specificities of the target value chains and building on value chain actors. This will include:

- *Value chain finance:* based on a prior demand assessment, RAPID will promote innovative financial instruments as an alternative to simple loan products, including tri-partite arrangements between a bank, agribusiness and producers, allowing banks to deliver loans to farmers based on forward contracts; and recovering repayments from agribusiness when the latter purchase produce; or receivable financing, whereby a company uses its receivables as collateral in a financing agreement; or supplier or inventory credit;
- *Crop and agro-processing loans:* BSP does not yet allow rural banks to extend loans for long gestating crops. The project will prepare proposals to lift this bottleneck and will promote a generic 'long-gestating crop loan' to be adapted by partner FSPs according to needs. A similar approach will be followed for the design of agro-processing loans for MSEs in the target value chains.

85. *Conditional Grants for on and off-farm investments.* To further support the implementation of SIPs and promote technical innovation, RAPID will finance performance-based grants to supplement and provide incentives for investment finance that benefit rural agribusiness. Conditional matching grants will be made available for two types of investments: (i) high-yield cocoa, coffee, coconut or fruit tree seedlings for farmers that are members of cooperatives and wanting to expand their existing plantations; and (ii) processing equipment for micro-enterprises (cooperatives) to carry out primary processing (fermenting, drying, de-pulping etc.) or to extend services supporting farmers' production (nurseries, tractor hire services, transport etc.). Conditional grants of up to 50% of the total investment cost (with ceilings established for each type of investment) will be identified in the Detailed Investment Plans (see Component 1). The remaining 50% will be financed by the owner's equity and debt financing. Grants will be conditional in that tranches will only be made available if the recipient meets a series of milestone performance triggers, spelled out in the financing agreement.

86. *OFW investment in agri-based MSMEs.* On its portal directed at OFWs (<http://www.balinkbayan.gov.ph>), DTI will manage a specific site dedicated to RAPID in support of

micro and small-scale business investment in targeted value chains. The information provided will include types of business opportunities, and the financial and non-financial services available. This will encourage investment flows to rural areas by overseas and domestic migrants, and create a flow of incomes for returnees and their families. DTI will explore the option of crowdfunding to source remittances, as well as other forms of alternative equity finance in MSMEs across the targeted value chains.

87. RAPID shall also undertake a study to assess feasible options for OFW investment into agri-based MSMEs, in line with GoP priorities to support OFWs engagement in their country and localities of origin, and with OFWs interest to reap both financial and developmental returns. In assessing options to channel diaspora investment into rural MSMEs, the feasibility study shall assess the policy and regulatory environment for migrant investments in MSEs (including cooperatives), and shall include an analysis of OFW demand and of existing investment vehicles. The complete study will be undertaken by end of year 2 of the project, so that its conclusions and recommendations can be considered during annual planning and policy-making and also reviewed and integrated at project mid-term.

88. **Sub-component 2.2 – Farm to market infrastructure.** RAPID will facilitate market access for farmers' produce by rehabilitating farm to market roads. In particular, it shall finance the rehabilitation of small-scale access roads to facilitate the transport of basic commodities and services, farm inputs and produce to and from rural communities involved in SIP implementation.

89. Sub-project proposals will be identified in strategic investment plans, aligned with the corresponding local development/ investment plans of MLGU. Criteria will include volume of production, number of farmers served, expected impact, and minimum cash contribution of 5% by LGUs. In line with national standards, roads will be concreted, which will contribute to lower maintenance costs and enhanced sustainability even under difficult weather conditions.

90. This sub-component shall be managed and implemented by the Office for Project Development Services (OPDS) of the Department of the Interior and Local Government (DILG), in line with DILG's mandate to supervise and build the capacities of LGUs in the planning, design, procurement, construction and supervision of local road projects. DTI and DILG will enter into a Memorandum of Agreement (MoA) outlining roles, responsibilities, accountability and reporting obligations of both parties.

91. For each sub-project, OPDS/DILG will enter into a specific MoA with the relevant LGU defining roles and responsibilities as well as technical assistance inputs. LGUs will be responsible for engineering design and for procurement and contracting of private sector contractors who would execute civil works. OPDS/DILG regional offices will undertake quality control of design and will oversee procurement processes. Supervision of construction will be multi-tiered, involving both LGUs and OPDS/DILG. Procurement of contractors for civil works would be through a competitive and transparent process, in compliance with RA 9184.

92. The sequence for selecting, designing and implementing the road programme will be as follows:

- *Selection.* The PCO, in collaboration with DILG, will determine the criteria to be used during SIP preparation to identify eligible farm-to-market roads and bridges that could undergo rehabilitation with RAPID funds. The primary criterion will be that roads and bridges are identified by value chain stakeholders participating in the SIP preparation (under Component 1). The identification and prioritisation of market access infrastructure by economic actors in partnership with LGUs should ultimately enable the development of a model for supporting connectivity improvement to promote local development. A prioritised list of subprojects will be submitted by DILG to DTI for approval by the Project Steering Committee. DILG shall sign a Subproject Agreement (SPA) with each participating LGU implementing an approved subproject- stipulating their respective responsibilities and standards in the implementation, financing, and operations and maintenance of subprojects;

- *Feasibility study and design.* A feasibility study will be prepared by the relevant LGU for every subproject approved by the PSC. Engineering designs will emphasize low-cost and easily implementable measures that will increase the resilience and reduce the vulnerability of rural infrastructures to extreme climate events, in accordance with DPWH design standards;
- *Works.* Rehabilitation works will be tendered out to private sector contractors by the relevant LGU and will be supervised by the LGU;
- *Maintenance.* LGUs will be required to submit an operation and maintenance plan (O&M) together with proof of yearly budget allocation for O&M activities as part of the feasibility study. O&M will include preventive maintenance and repairs for sustaining the proper working condition of the rehabilitated infrastructure. Technical assistance will support LGU in ensuring they have an adequate system for ensuring the maintenance of farm to market roads, with commensurate resources.

93. The project implementation manual will further detail the roles, responsibilities, technical support, oversight, supervision, accounting and reporting arrangements, and will be based on the OPDS CMGP programme implementation manual. It will include a template covering the minimum technical, financial, social and environmental requirements for feasibility studies. Where applicable at sub-project level, OPDS-DILG will enter into a tripartite MoA with the National Commission for Indigenous People (NCIP) and DTI to organise free, prior and informed consent and obtain the related certificate of precondition.

94. RAPID will finance the cost of project management and technical assistance, which will include: (i) project management by DILG at national and at provincial level; and (ii) technical assistance to LGUs for road/bridges design and supervision of works.

### **Component 3 – Project Management**

95. Activities related to project management are described in Section III.

### **D. Lessons learned and adherence to IFAD policies**

96. **Lessons learnt.** Key lessons derived from the 2016 Country Strategy and Programme Evaluation, from IFAD-financed projects promoting rural livelihoods and from the Rural Micro Enterprise Promotion Programme (RuMEPP) point to the following issues, which have been considered in RAPID design:

- *Better targeting approaches.* The targeting strategy should include a good quality diagnosis of different groups within the potential target population, a differentiated approach to reach them, and a good monitoring system on the outreach, beneficiary profiles and the targeting performance. A more strategic approach to increase intensity of investment in targeted locations should be pursued, to enhance the likelihoods of palpable impact. This might involve an agreement on some geographic focus in confined areas, rather than a project thinly covering several regions and provinces;
- *Mainstream gender equality throughout project implementation:* as recommended by RuMEPP's gender audit<sup>20</sup>, and notwithstanding high women participation in the MSE sector, a pro-active strategy is required for ensuring women access to project services and benefits. This should include: (i) a gender-sensitive value chain/sector, i.e. one that incorporates gender analysis, to guide work planning, programming and budgeting; (ii) gender capacity development of project implementation structures as well as of partner organisations, and in particular financial institutions and BDS providers; and (iii) ensuring that the Planning and M&E system plans for and tracks progress in gender equality, through sex-disaggregated data, clear gender indicators and regular monitoring;

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<sup>20</sup> DTI, 2010.

- *Adapt Business Development Services (BDS) to different types of MSEs:* BDS should be adapted to the needs of MSEs of different types and maturity and should be consistently available, rather than limited to one-off trainings and follow-up support. Ways to charge at least part of BDS costs (set at realistic level depending on the level of enterprise development) should be considered for confirming interest and commitments and enhancing sustainability. Furthermore, attention to the environment and natural resource management should be systematically incorporated in non-financial services to microenterprises;
- *Build MFI capacities to meet MSE financing requirements.* RuMEPP's implicit design assumption that the main constraint of MFIs was liquidity shortage was not entirely valid. MFIs should be encouraged to innovate with a view to improve the availability and accessibility of financial services that are responsive to the needs of different types of microenterprises. Important aspects include, the quality of services and their cost, the capacity to appraise loan applications for business purposes, and the ability and willingness to significantly reduce operating costs;
- *Address disaster preparedness and climate change adaptation.* Enduring climate change and high vulnerability to extreme climatic events must be addressed in project designs, with a view to reduce the risk of adverse impact on livelihoods and investment;
- *Decentralise project management for faster delivery.* Decentralised project management, including procurement and financial management, reduces implementation delays, increases the responsiveness of project operations to local conditions and ensures timely delivery of project services and investments;
- *Ensure LGU participation.* LGU involvement in project implementation has contributed to greater efficiency and effectiveness of project interventions. LGUs provide counterpart funds for infrastructure investment and can deliver technical support at the local level and ensure monitoring and evaluation. They can also pass local ordinances or regulations that provide an enabling environment for the growth of rural enterprises. They also are a key player in ensuring the sustainability of project interventions;
- *Invest in M&E, analytical studies and documentation.* Capacity development, and research and development geared at practical issues are indispensable elements of a successful MSE support strategy. These should go beyond the number of beneficiaries or volume of borrowing, but should cover other various aspects such as enterprise profitability under different economic/social and organizational parameters. There should be sufficient allocation of financial and human resources accordingly, to enable essential studies and surveys to be conducted, the need for which emerges as a result of proper data capturing and analysis of field practice, and to use M&E data and such survey results as a basis for project implementation and policy development.

97. RuMEPP had an extensive outreach to MEs, which was monitored through an enterprise-level monitoring system that maintained detailed profiles of entrepreneurs, allowed the programme to track the progress of beneficiaries and generated information used for reporting on outputs and outcomes. However, the completion review report assessed that the project had lacked tools and processes to carry out policy dialogue effectively. Further, the IOE assessment of RuMEPP PCR recommended that clarity is needed on the target group to whom project support will be directed, on the intended beneficiaries and on how they will be reached. It is important to have a critical reflection on possible impact pathways to promote inclusive rural transformation and on the role of micro and small enterprise sector therein.

98. **Social Environmental and Climate Assessment Procedures (SECAP).** Table 1 summarises preliminary findings of a SECAP study conducted at country level that are of relevance to RAPID and potential project's social and environmental impacts identified, as well as mitigation measures reflected in project design.

**Table 2 - Potential Project Impacts and Mitigation Measures**

Potential impacts		Mitigation measures
<b>Land degradation</b>	Accelerated soil erosion and soil loss in agricultural production areas, aggravated by more extreme weather events, including intense rainfall resulting to floods and severe droughts	<ul style="list-style-type: none"> <li>. Technical advisory services built into DIPs, based on value chain analysis focusing on opportunities and constraints, carried out as part of the preparation of provincial SIPs</li> <li>. Promotion of sustainable upland agriculture practices such as Sloping Land Agricultural Technology (SALT) through conditional grants and technical advice</li> <li>. Allocation for Research &amp; Development funds that can focus on other innovative approaches as needed</li> </ul>
<b>Unsustainable production systems in agricultural areas</b>	. Unsustainable production systems in agricultural areas resulting in depletion of soil fertility	. Promotion of sustainable agroforestry production systems, including SALT.
<b>Climate change</b>	<ul style="list-style-type: none"> <li>. Increasing temperature reducing crop productivity</li> <li>. Erratic rainfall distribution</li> <li>. More intense extreme events</li> </ul>	<ul style="list-style-type: none"> <li>. Assessment of vulnerability to climate change included in value chain analysis carried out as part of the preparation of provincial SIPs</li> <li>Climate risk management through introduction of crop insurance and faster disbursement systems, including weather index-based</li> <li>. Promotion of SALT to mitigate drought and retain humidity</li> <li>. Promotion of high-yield and climate adapted plant varieties.</li> </ul>

99. Project design is also in compliance with main IFAD policies and strategies, including with regard to targeting and gender mainstreaming, public-private-producer partnerships (PPPPs), inclusive rural finance, private sector and indigenous people.

### III. Project implementation

#### A. Approach

100. RAPID is designed to leverage DTI institutional set-up towards leveraging public and private partnerships in securing MSMEs access to financial and non-financial services. The project therefore aims to facilitate pro-poor partnerships among stakeholders and demonstrate home-grown and market-oriented plans for MSME expansion leading to larger produce uptake and higher producer incomes. The approach therefore aims to strengthen the overall system of delivery and to identify and support drivers of change within the market system. Main features of this approach are as follows:

- *Public-private partnerships:* RAPID implementation set-up is based on public-private partnerships, whereby the government retains overall implementation responsibility for project implementation but supports the participation of private sector players in two ways. On the one hand, DTI will facilitate business partnerships between MSMEs and farmers, whereby MSMEs will purchase larger volumes of better quality raw produce from farmers and will provide them with the services enabling them to deliver the volume and quality meeting market requirements in the target value chains. On the other hand, DTI will build the capacities of business development and financial service providers so that they can deliver cost-effective services responding to the needs of MSMEs and farmers. This approach breaks away from public-sector driven and subsidised approaches that have been largely used so far to support farmers and value chain development (see Appendix 5);
- *Building on Negosyo Centres:* Negosyo Centres are one-stop-shops aiming at achieving improved ease of doing business and at facilitating MSMEs access to services, which are planned to be set up in all the cities and municipalities of the country, with DTI leadership. Negosyo Centres will be the entry point for delivering RAPID services, which will enable project implementation to rely on a tight grid of LGU-based structures daily in contact with private sector players and leverage the current range of services offered. In turn the project will build Negosyo Centres capacities so that they can better respond to their clients' needs in accordance with their

mandate, and will support the development of provincial networks of Negosyo Centres that can share knowledge and experience;

- *Embedding the project management structure into DTI:* the project management structure is not configured as a self-standing organisation but is embedded into DTI and geared to work hand in hand with DTI divisions, building on DTI processes and experience. Final design will assess current systems to align project planning, budgeting, contracting, financial management, monitoring and evaluation and knowledge management with existing procedures and identify improvements to be brought to the system as a whole;
- *Building the capacities of public and private partners:* as RAPID will introduce a range of innovative approaches, investing in the capacity building of project stakeholders will be key to facilitate adoption and to create a knowledge basis to sustain achievements. Capacity building will be provided to ensure that stakeholders have the right mix of technical and management competences to carry on activities beyond project completion. This will be achieved through a set of activities, including: (i) the identification of capacity building needs of MSMEs and farmers and the integration of capacity building services as part of the Detailed Investment Plans; (ii) the promotion of strong farmers' cooperatives and associations that can provide a set of key support services to their members; (iii) tailor-made capacity building programmes to improve the performance, outreach and sustainability of financial institutions in the target provinces; (iv) capacity building programmes for DTI departments from national to provincial levels, so that they stand ready to take full ownership in RAPID implementation; (v) capacity building for LGUs, who will participate in the implementation Component 1 (especially, in the majority of cases) where they own the Negosyo Centres and who will get support to implement farm to market roads; and (v) the documentation of innovative business models and implementation tools, to sustain operation and scaling up once the project is over. All capacity building programmes will be designed based on prior capacity assessments and their impact will be evaluated jointly with recipients.

101. **Phasing.** The project will be implemented over six years. Phasing will be as follows:

- *PY1:* the first project year will be devoted to: (i) setting up the organisational structure, including MoUs with Financial Service Providers and with DILG; (ii) developing the targeting and gender strategy and setting up the M&E/KM system; (iii) setting up Regional Coordinating Units in 3 regions and Provincial Coordination Units (PCOs) in 10 provinces, which will be determined based on greater potential for developing the target value chains and on logistics concerns; (iv) starting operations in the first batch of 10 provinces; and (iv) initiating other activities in Component 2;
- *PY2:* project implementation will be rolled out to the second batch of 10 provinces, building on learnings from PY1;
- *PY3:* an Interim Review will be carried at the end of year three to review achievements and to explore the possibility of further expanding the project (also see Section III D).

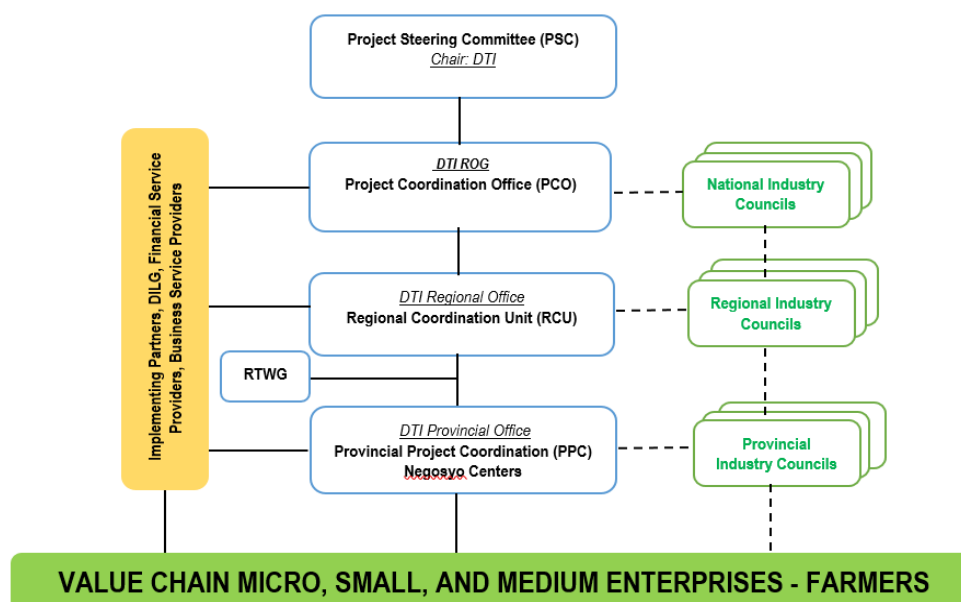
## **B. Organizational framework**

102. Figure 2 illustrates the project institutional set-up. The main features of RAPID implementation set-up are currently as follows:

- *DTI* is the project executing agency with responsibility for project implementation and coordination;
- *A Project Steering Committee* chaired by DTI with the participation of relevant stakeholders involved in RAPID implementation will provide overall guidance and oversight; the PSC may include among others the DILG, DA, OWWA, DAR, DOST, TESDA, NCIP;
- *A Regional Technical Working Group (RTWG)* in each region will review and validate subproject proposals as well as proposals for farm-to-market infrastructure;
- *A Project Coordination Office (PCO)* will assist in carrying out project implementation responsibilities at the national level. It will be embedded in DTI organisational structure, under the direction of DTI Regional Operations Group (ROG);

- *Regional Coordination Units (RCUs)* will support DTI in implementing the project in the target regions, under the authority of DTI SME Development Service Division/Industry Development Services at the regional level;
- *Provincial Coordination Units (PCUs)* will provide assistance to DTI-led provincial networks of Negosyo Centres in implementing the project in the target provinces;
- *DILG* will be responsible for providing technical and supervision support for Farm-to-market infrastructure that will be identified, designed, procurement and implemented by LGUs, as described under Section II C. DTI will set up an imprest account for the rural infrastructure funds that will be downloaded to the LGUs upon approval by the RCU.

**Figure 2 – RAPID implementation set-up**



103. **Project Steering Committee.** A Project Steering Committee (PSC) will be set up at the national level to provide overall guidance and oversight and to ensure that RAPID programming is aligned on national sector priorities. The PSC will also approve global and annual AWPBs, as well as annual progress and financial reports. It will be chaired by DTI Secretary and will include representatives from major public and private stakeholders (see Appendix 5).

104. **National level.** DTI will establish a project coordination office (PCO) to manage and coordinate overall implementation. The PCO will be fully accountable for the performance of project implementation and the use of funds. It will be responsible for: (i) providing strategic guidance and coordination to ensure that all project implementation partners develop activities along a common, coherent approach in line with the Project Design Report; (ii) ensuring the financial and administrative management of project resources in line with the Loan Agreement and IFAD rules; (iii) facilitating the planning of project activities in consultation with project stakeholders; (iv) procuring project-related services and supplies at the national level; (iv) coordinating project activities with the various project partners; (v) securing M&E and KM in relation to all activities; and (vi) promoting inclusive approaches and the mainstreaming of targeting and gender requirements in all of the project activities. The PCO will be headed by a Project Director DTI central office management, who will be assisted by a Project Coordinator and a team of technical experts, including a Value Chain Specialist, a Business Services Specialist, a Financial Services Specialist, a Finance and Administration Officer, a Procurement Officer, a Planning and M&E Officer and Knowledge Management and Communication Specialist. The PCO will liaise with DTI offices and will work closely with the national Micro, Small and Medium Enterprise Development (MSMED) council, with national industry councils and private associations in



the target value chains, as well as with national partners in project implementation, particularly national FSPs, OWWA and DILG.

105. **Regional level.** DTI will establish a Regional Coordination Unit (RCU) in every target region, which will be headed by DTI Regional Director. RCUs will be responsible for: (i) preparing the regional AWPB and support the preparation of participatory provincial AWPB; (ii) provide implementation support for the execution of activities in the target provinces, particularly with regard to the management and monitoring of subprojects; (iii) organise M&E and KM activities within the region and provide guidance to the PCOs; and (iv) liaise with regional MSMED, regional industry councils and private sector associations, and regional implementing agents (such as FSPs). The RCU will be composed of one Regional Coordinator, one Contract Manager, one M&E and KM Officer, and one Finance and Administration Assistant. RCUs will also be responsible for establishing a Regional Technical Working Group (RTWG), which will be composed of representatives of relevant public agencies and of private players in the target value chains along harmonised guidelines to be provided by the PCO. RTWGs will include two sub-committees: one, chaired by DTI, will approve Detailed Investment Plans, while the other will be chaired by DILG and will approve farm-to-market infrastructure subprojects.

106. **Provincial level.** In every target province, a Provincial Coordination Unit (PCU) will be established within DTI provincial Business Development Division, under the authority of DTI Provincial Director. The PCU will provide support to the network of Negosyo Centres, which will be the entry point for the delivery of project services in the province. On average each PCU team will be composed of two value chain facilitators (VCFs), one of whom will serve as provincial coordinator. The precise number of VCFs per province can be adjusted to reflect the expected workload. The PCU will be responsible, in partnership with Negosyo Centres, for: (i) identifying MSMEs interested in partnering with farmers; (ii) facilitating the preparation and monitoring of SIPs; (iii) facilitating and coordinating the participation of service providers; (v) ensuring the M&E of all project activities in the province, including the preparation of provincial AWPBs; and (v) liaising with value chain players and their councils and associations.

107. **Implementation modalities for Component 1.** Activities related to Sub-component 1.1 – Value Chain Governance will be the responsibility of the PCO Value Chain Specialist, in collaboration with DTI, RAPID Regional Coordination Units (RCUs) and Provincial Coordination Units (PCUs) and commissioned technical assistance, in particular for setting up the MIS. Activities related to Sub-component 1.2 – Business services will be led by the Business Services Specialist in the PCO, together with Negosyo Centres and PCUs, especially VCFs. The implementation of Sub-component 1.3 will be led by the Value Chain Specialist with support for the Business Services Specialists, in collaboration with Negosyo Centres, PCUs and RCUs. Technical assistance will be hired from the prequalified pool of BSP to prepare SIPs and DIPs under the oversight of the PCO VC-specialist.

108. **Implementation modalities for Component 2.** Sub-component 2.1 will be managed by a Financial Services Specialist (FSS), who will be part of the PCO. A Financial Services Consultant will provide technical assistance, at project start-up, mid-term and one year before closure. Activities under sub-component 2.2 will be implemented by service providers contracted by the PCO based on competitive bidding. Sub-component 2.3 will be implemented by DILG, based on an MoU signed with DTI, which will specify implementation responsibilities and deliverables and the costs that will be supported by RAPID to facilitate implementation.

109. **Capacity building.** The PCO, with assistance from a specialised consultant, will conduct an in-depth capacity assessment of DTI staff that will be involved in project implementation at the various levels, based on which a capacity building programme will be designed and delivered in the first project year. The same consultant will evaluate progress in the second year and further capacity strengthening will be delivered as needed.

110. **Project start-up.** One of the major causes for delayed project implementation is the slow achievement of start-up requirements. To facilitate this process, the PCU will hire a short-term consultant immediately after loan signing, to assist in setting up all the project management procedures and tools. Terms of reference of the Project Expeditor are in Appendix 5.

### C. Planning, M&E, learning and knowledge management

111. **Result-based approach.** RAPID's planning, M&E, learning and knowledge management system will be driven by a result-based approach, which will have three main objectives:

- *Focus on results to steer project implementation:* it should provide project stakeholders with information and analysis required to: measure project outcomes; assess project effects on the livelihoods of target groups, and in particular women, indigenous peoples and youth; assess the relevance of the project strategy, methodologies and implementation processes; detect difficulties and successes; and support decision-making to improve project performance;
- *Support cost-effective decisions and enabling policies:* it should provide project stakeholders with the information and analysis they need to assess the return brought by innovation, to develop profitable and sustainable activities and to adapt their strategies accordingly. It should also provide DTI, MSMED Councils and other relevant government agencies with the information needed to support policy development;
- *Share knowledge and scale up good practices:* it should develop lessons learnt, identify successful business models and innovation, as well as share knowledge, with a view to support project performance, facilitate the upscaling of good practices and support policy dialogue.

112. The M&E/KM system will provide information to three main stakeholders and users of results: (i) players in the target value chains, including farmers, enterprises and service providers; (ii) GoP enablers, and especially DTI; and (iii) IFAD and other development partners. The system will be: (i) *participatory*, i.e. it will involve project stakeholders in the definition of indicators, data collection, analysis and dissemination of results; (ii) *inclusive*, i.e. it will feature the participation of women, IP and other marginalised groups; (iii) *open and easily accessible*, i.e. information and knowledge will be available to all stakeholders and not restricted to project staff; (iv) *focused on analysis*, i.e. learning and sharing in support of decision-making and policy dialogue, and not merely on data production; and (v) *harmonised* with existing M&E/Management Information Systems (MIS) such as DTI One Regional Operation Group Database, GoP's harmonised result-based M&E system and IFAD Result and Impact Management System (RIMS).

113. The PCO will recruit technical assistance to design the result-based M&E and knowledge management (KM) system. The consultant(s) will produce a detailed M&E/KM manual, together with an implementation plan, including capacity development arrangements. They will also provide orientations for the baseline survey, mid-term and completion surveys (see below), to be carried out by a specialised service provider. The PCO will update the implementation plan every year and will translate the manual into an easy-to-grasp version specifically targeting NCs, partnering enterprises and partnering FSPs, as well as LGUs. A baseline study measuring the status of main indicators will be carried out at project onset, with assistance from an outsourced qualified consulting firm.

114. In alignment with the approach agreed with Government during the preparation of the COSP, evaluation will be undertaken by the Philippines Institute of Development Studies on behalf of DTI, including baseline, periodic surveys and evidence capture and end-line survey to assess effectiveness and impact and the efficacy of the project strategy and theory of change. Evaluation shall include utilisation of small area estimates by the Philippines Statistics Authority.

115. **Planning.** At project start-up, with support from the consultant(s), project management and staff will agree on a theory of change, i.e. the desired changes RAPID intends to achieve and how they will be monitored. This will support the preparation of: (i) *the expanded M&E logframe*, which will detail indicators and annual targets per outcome/component and activities/outputs, also incorporating IFAD Results and Impact Management System (RIMS) indicators; and (ii) *the Global Work Plan and Budget (GWPB)*, or a multi-year plan consolidating global and annual output targets and budgets that is required by GoP.

116. The PCO will be responsible for preparing Annual Work Plans and Budgets (AWPBs), matched by Annual Procurement Plans (APPs). In Year 1, the AWPB and APP will be prepared by the PCO based on the Project Design Report and the GWPB. In Year 2, the preparation of the AWPB will be participatory, starting at the provincial level and involving key stakeholders through the network of Negosyo Centers. RCUs will consolidate the provincial AWPBs into regional AWPBs, which in turn will be collated into a Project AWPB that will be submitted to the PSC for approval and then to IFAD for no objection. The timeframe for AWPB preparation will follow the government's budget preparation process to secure annual budget appropriations as required by GoP.

117. **Data collection and MIS.** Data will be collected at three different levels: (i) *Negosyo Centers (NCs)*, will collect data from MSMEs on project-supported activities at enterprise and farm level, with support from the VCFs; (ii) *Provincial Project Coordination and Regional Coordination Units* will consolidate data provided by NCs and track information on service provided by BDS providers and FSPs, SIP implementation, value chain development and AWPB progress; and (iii) *the Project Coordination Office* will consolidate data from regional levels, and collect data related to the national level as well as from DILG. All MoUs and contracts signed with project stakeholders (MSMEs, service providers, DILG...) will spell out data collection and reporting obligations. Capacity building will be provided to MSMEs and BDS providers (by VCFs) as well as FSPs (technical assistance) so they can provide regular and accurate data. The consultant(s) responsible for designing the M&E system will assist in setting up a Management Information System (MIS), which will be compatible DTI One ROG Database. Building on RuMEPP's successful experience, the MIS will maintain individual profiles of MSMEs receiving project support and will include geotagging of participating MSMEs and of RAPID-financed infrastructure.

118. **Reporting.** The PCO will prepare semi-annual progress reports presenting the project physical and financial performance, assessment and recommendations for improvement. The reporting format will be designed by the M&E consultants and will be included in the M&E/KM manual. Progress reports will be channelled to the Project Steering Committee and to IFAD for discussion and review, and the approved report will be shared with all project units and with Negosyo Centres.

119. **Knowledge Management.** In consultation with project stakeholders, the PCO-based Planning/M&E Officer and KM/Communication Officer will prepare a KM and Communication Plan, with assistance from the consultants hired to design the M&E system. The strategy will include objectives, responsibilities, methodology and platforms for sharing and learning, and it will outline most appropriate channels for disseminating information, learning and knowledge. The Plan will be updated annually alongside with the preparation of the AWPB.

120. The objective of the KM and Communication Strategy and Plan is to ensure that knowledge generated within the project is systematically identified, analysed, documented and shared, with a view to: (i) improve project performance and delivery; (ii) allow flexibility to adapt to changing circumstances; (iii) document and share innovations, best practices and stories of successes and failures to improve project intervention; (iv) and provide information to support decisions e.g. scaling up of project interventions.

121. With a view to informing scaling up, knowledge products will include performance assessments on the provision of business and technical services through the Negosyo centres, to be conducted before the mid-term review. The study shall seek to discern lessons, determine ingredients for success, and examine which delivery strategies are most effective and promising for a coherent, financially sustainable and unified national NC service delivery strategy for the Philippines. The KM plan will also invest efforts and attention to documenting: (i) business models for ensuring farmers' access to services and markets and developing the MSME sector; (ii) innovative instruments for improving farmers and enterprises access to financing; (iii) approaches for inclusive value chain development from local to national level; (iv) harnessing remittances for investing in rural MSMEs. Information will be shared with and discussed by industry councils at various levels, with a view to discuss measures to improve performance; and (v) private-sector led programming of market access infrastructure in support of local development.

122. The identification and prioritisation of market access infrastructure by economic actors, in partnership with LGUs should enable the development of a model for supporting connectivity improvement that responds to markets and private sector contributing to higher local economic growth. Knowledge management will help in documenting relevant approaches used throughout the project target provinces and in generating policy guidelines, in close collaboration with DILG.

#### **D. Financial management, procurement and governance**

123. Project FM arrangements will be mainstreamed through Government systems, to the extent feasible. Project financial management arrangements will ensure that: (i) funds are used only for the purpose intended under the Financing Agreement, in an efficient and economical way and in accordance with the activities described in the Project Design Report and in the Annual Work Plans and Budgets (AWPBs); (ii) the disbursement of project funds facilitates the rapid implementation of activities; (iii) funds are properly managed and flow rapidly, adequately, regularly and predictably; (iv) accurate financial reports are issued on a timely basis; (v) a robust flow of reliable information on project activities facilitates accountability, transparency and disclosure; and (vi) project resources and assets are safeguarded.

124. The Financial and Management Service (FMS) of the DTI central office will be primarily responsible for the implementation of an adequate and sound financial management system for the project, assisted by the administrative, financial and management divisions at the regional offices. Contractual FM personnel at the PCU and RCUs will provide functional support to organic FM personnel at national, regional, and provincial levels. The FMS of DILG central office will handle FM functions on the loan's infrastructure component, under an MoA with DTI. Contractual finance personnel will also be hired by DILG to assist counterparts at the DILG central and regional offices, and to coordinate with the LGUs.

125. The DTI central office will maintain two Designated Accounts in USD for receiving respectively the loan and grant proceeds, as well as two corresponding Project Accounts in PHP for day-to-day operations. The DILG central office will likewise maintain a Designated Account in USD to receive funds from IFAD for infrastructure activities, and a Project Account in PHP for daily operations. Regional offices of the DTI and the DILG, as well as participating LGUs and other implementing partners, will also maintain separate Project Accounts in PHP exclusively for project activities. The Government is however also exploring the option of transferring funds directly from treasury to LGUs for subcomponent 2.2, in line with regulations normally used for similar programmes. In such case financial management and oversight would nonetheless be under the purview of DILG, together with responsibility for consolidated reporting. IFAD is amenable to reviewing and approving this option considering the streamlined financial transactions.

126. The e-NGAS will be utilized for financial reporting of project expenditures. Funds will be allocated for activities necessary for the rollout and/or enhancement of e-NGAS to meet IFAD's reporting requirements.

127. Consolidation of project annual budgets and financial reporting, including annual financial statements, will be done by the DTI central office, which will also be in charge of coordinating audit processes. The project will be subjected to annual audit in compliance with IFAD Guidelines. The Commission on Audit (COA) will conduct the financial and compliance audit on the project. DTI and DILG's respective Internal Audit Services (IAS) will include the project in their yearly work-plans.

128. Main features of the financial management system will be as follows: (i) establishment of the PCO with delegated authority to plan, manage, disburse and control project resources (including counterpart financing); (ii) hiring of key financial management staff from the market with relevant experience and qualifications; (iii) preparation of a financial management manual as part of the PIM, integrating controls closely linked to the project operational dimensions; (iv) establishment of a control framework integrating periodic internal audits and annual external audits, and social safeguards to be adopted based on IFAD policies; (v) adoption of a good governance framework to strengthen accountability and transparency in line with international best practices (see below); and (vi)

establishing fiduciary responsibilities in MoAs or contracts with implementing agencies, entities, and partners.

129. **Procurement.** The procurement of goods, works and services financed from resources provided or administered by IFAD will follow the Implementing Rules and Regulations of the Philippine Procurement Law (RA 9184) to the extent that they are consistent with IFAD's Procurement Guidelines. AWPBs will include an Annual Procurement Plan (APP), which will identify all the procurement activities and methods of procurement. It will be validated by the Project Steering Committee and then submitted to IFAD for no objection, along with the AWPB. The first APP will be prepared with support from the Project Start-up Consultant ~~Expediter~~ and will be submitted to IFAD immediately after the project enters into force. Goods and services (non-consulting) procured using International or National Competitive Bidding, National Shopping and Direct Contracting will follow the procedures and processes outlined in Appendix 8, which will be further developed in the Project Implementation Manual (PIM) and approved by the Project Steering Committee and IFAD. The selection of individual consultants and individual service providers will also be defined in the PIM, and will adopt competitive and transparent selection processes, based on qualifications and capacities, in accordance with the provision of RA 9184 and its Implementing Rules and Regulations.

130. **Governance.** The Philippines is ranked 95<sup>th</sup> out of 168 countries, with a score of 35/100, in the Corruption Perceptions Index (CPI) published by Transparency International in 2015. The election of a new President in May 2016 offers an opportunity for greater accountability and transparency, which may lead to a period of sustained economic stability in the Philippines and a stronger public financial management (PFM) system. Recent measures include the adoption of an Executive Order on Freedom of Information applying to all government departments. IFAD supports these efforts towards transparency by applying a zero-tolerance policy on corruption in its programmes.

131. With assistance from the Finance and Administration Manager, the PCO will prepare an Integrated Framework for Good Governance. This framework will include provisions to ensure that the procurement and selection of enterprises for RAPID support are carried out in accordance with IFAD rules (including IFAD's Policy on Preventing Fraud and Corruption in Its Activities and Operations). The framework will be included in the PIM and published on the RAPID website. Measures will include the following: (i) all procurement, calls for proposals, contract awarding and business partnership details will be published/posted on local newspapers, in participating Negosyo Centres and on RAPID website, including assessment criteria; (ii) bidders will receive prompt communication of bid evaluation outcomes; (iii) contracts will include a provision requiring suppliers, contractors and consultants to ensure compliance with IFAD zero tolerance anticorruption policy and to permit IFAD to inspect their accounts, records and other documents relating to bid submission and contract performance, and have them audited by IFAD-appointed auditors; and (iv) project beneficiaries and other stakeholders will be allowed to channel and address any complaints they may have on RAPID implementation. This framework will also include an internal code of conduct to be signed by all PCO staff, and a code of business ethics, to be signed by all partners and beneficiaries of RAPID activities and business partnerships. The draft framework and codes will be prepared with support from the Project Start-up Consultant ~~Expediter~~ and subsequently discussed and agreed upon at the project start-up workshop.

132. Other measures reflected in project design to ensure transparency are: (i) direct supervision processes that specifically address fiduciary compliance and the implementation of the project framework for transparency and publicity, as detailed in Appendix 7; (ii) project stakeholders will be directly involved in programming, implementation and M&E of RAPID activities, as detailed in Appendixes 4 and 6; (iii) industry councils at the various levels supported by the project will provide a forum for raising issues affecting value chain development, including transparency and good governance.

## **E. Supervision**

133. **Start-up workshop.** The PCO will organise a start-up workshop with project stakeholders and implementing partners to: (i) ensure that all partners understand and agree on the scope and implementing modalities of the project; (ii) introduce key processes, tools, strategies for M&E and KM; and (iii) build relationships for future coordination and knowledge sharing.

134. **Supervision and implementation support.** IFAD and the GoP (through NEDA<sup>21</sup>) will organise annual Supervision and Implementation Support missions to assess project performance, identify bottlenecks, generate learnings and agree on actions needed to improve the delivery of project results. As a regular practice, missions will be carried out by a core team of resource persons returning regularly, joined by specialists to address specific needs of a given year. Shorter implementation support missions, aiming to address specific technical needs of project implementation, shall take place between annual supervision missions.

135. **Mid-term review.** A Mid-Term Review (MTR) will be conducted at the end of project year 3 to: (i) assess achievements and efficiency, effectiveness of RAPID management, and continued validity of RAPID design; (ii) identify key lessons learnt and good practices; and (iii) provide recommendations for improved performance. The MTR will also make recommendations on measures needed to secure the sustainability of partnerships and of farmers' access to services and markets. Other specific issues to be assessed in the MTR include:

- farmers' improved production and income, with special attention to women farmers and entrepreneurs, young entrepreneurs, and IPs;
- performance of supported enterprises in terms of profitability, growth of balance sheets, job creation, access to financial and non-financial services;
- performance of Negosyo Centres in facilitating enterprises' access to services and markets;
- identification of best performing business models and opportunities for scaling up;
- performance of financial institutions in delivering project-supported financial instruments, and in expanding access to financial services in the target areas;
- linkages between road infrastructure planning and implementation to private-sector led local development;
- performance of project management and of key partners, including DTI, DILG and LGUs;
- role and impact of industry councils and private sector associations at the various levels.

136. **Impact surveys.** A mid-term outcome survey and a final outcome/impact survey will be commissioned in preparation for the MTR and for project completion, respectively, to measure changes at farmer and enterprise level, compared to the baseline study and a control group. The surveys shall construct a panel in order to use time series data.

## F. Risk identification and mitigation

137. The project strategy leverages high value commodities with growing market demand; and draws on private sector investor involvement Table 3 identifies main risks and mitigation measures built into project design.

**Table 3: Risks and mitigation measures**

Type	Description	Probability	Mitigation measures
Partnership risks	Limited interest on behalf of SMEs to partner with smallholders because of the risks and high transaction costs involved; weak technical and management capacities of farmers' organisations	Medium	<ol style="list-style-type: none"> <li>1. Provision of incentives to support private sector engagement</li> <li>2. Technical support services to improve farmers' productivity</li> <li>3. Project playing role of a fair broker to support equitable and remunerative partnerships</li> <li>4. Support to developing sustainable management of farmers' organisations</li> </ol>
Environmental risks	Climate change and extreme climatic events	High	<ol style="list-style-type: none"> <li>1. Promotion of climate-resilient varieties, SALT and water, crop and soil management practices</li> <li>2. Engagement of crop &amp; weather-based index insurance actors</li> </ol>
Lending risks	Low credit-worthiness/investment capacity of MSEs	Medium low	<ol style="list-style-type: none"> <li>1. Support to MSEs to prepare business plans and access to services contingent on profitability</li> <li>2. Risk-sharing mechanism decreasing the risk of FSPs and lifting main constraint to MSEs getting access to credit</li> <li>3. Performance-based conditional grants lower FSPs risk as well cash flow problems for MSEs in first years of</li> </ol>

<sup>21</sup> IFAD and NEDA signed a Memorandum of Agreement in 2008 for the joint supervision of IFAD-financed projects in the country.

Type	Description	Probability	Mitigation measures
			investment

## IV. Project costs, financing, benefits and sustainability

### A. Project costs

138. The total project costs, including physical and price contingencies, duties and taxes, are estimated at US\$ 95.7 million over a six-year implementation period. The project investments are organised into three components: (i) Value Chain Development (27% of the base costs); (ii) Productive Investments (64% of the base costs); and (iii) Project Management (9% of the base costs). A summary breakdown of the project costs by the components is presented in Table 4.

**Table 4. Project costs by component**

	(Peso '000)			(US\$ '000)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
A. Component 1 - Value Chain Development	1,044,166	119,931	1,164,097	20,883	2,399	23,282	10	27
<b>B. Component 2 - Productive Investments</b>								
1. Sub.comp. 2.1 - Strategic Finance	1,888,769	1,079	1,889,848	37,775	22	37,797	-	44
2. Sub.comp. 2.2 - Farm to market infrastructure	163,051	695,112	858,163	3,261	13,902	17,163	81	20
<b>Subtotal</b>	<b>2,051,820</b>	<b>696,191</b>	<b>2,748,011</b>	<b>41,036</b>	<b>13,924</b>	<b>54,960</b>	<b>25</b>	<b>64</b>
C. Component 3 - Program Management	356,996	48,998	405,994	7,140	980	8,120	12	9
<b>Total BASELINE COSTS</b>	<b>3,452,982</b>	<b>865,120</b>	<b>4,318,102</b>	<b>69,060</b>	<b>17,302</b>	<b>86,362</b>	<b>20</b>	<b>100</b>
Physical Contingencies	29,346	69,343	98,689	587	1,387	1,974	70	2
Price Contingencies	307,134	59,220	366,355	6,143	1,184	7,327	16	8
<b>Total PROJECT COSTS</b>	<b>3,789,463</b>	<b>993,683</b>	<b>4,783,146</b>	<b>75,789</b>	<b>19,874</b>	<b>95,663</b>	<b>21</b>	<b>111</b>

### B. Project financing

139. The Project would be financed by the following financiers: (i) IFAD loan; (ii) IFAD Grant; (iii) Government of the Philippines; (iv) Local Government Units (LGUs); (v) Financial Service Providers (FSP); (vi) the beneficiary farmers; and (vii) the beneficiary MEs and SMEs. The IFAD loan will be US\$ 66.0 million, and the IFAD Grant will be US\$ 1.5 million. Both together will meet 70.6% of the total project cost. The GoP will contribute US\$ 9.1 million equivalent, which is 9.5% of the total project cost. The contribution of the LGUs would be US\$ 1.71 (1.8%); of the FSP would be US\$ 12.44 (13%); of the beneficiary farmers would be US\$ 2.1 equivalent (2.2%); and of the beneficiary MEs and SMEs would be US\$ 2.84 equivalent (3%). Table 5 provides the breakdown of the cost by the components and the financiers.

**Table 5: Project Financing Plan by component (USD)**

	(US\$ '000)															
	IFAD Loan		IFAD Grant		Government		Local Government Units (LGUs)		Financing Service Providers (FSPs)		Beneficiaries - Farmers		Beneficiaries - Small and Medium Enterprise		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Component 1 - Value Chain Development	20,517	78.5	285	1.1	2,510	9.6	-	-	-	-	-	-	2,838	10.9	26,150	27.3
<b>B. Component 2 - Productive Investments</b>																
1. Sub.comp. 2.1 - Strategic Finance	24,918	61.6	972	2.4	51	0.1	-	-	12,437	30.8	2,066	5.1	-	-	40,444	42.3
2. Sub.comp. 2.2 - Farm to market infrastructure	14,560	72.7	-	-	3,766	18.8	1,712	8.5	-	-	-	-	-	-	20,037	20.9
<b>Subtotal</b>	<b>39,478</b>	<b>65.3</b>	<b>972</b>	<b>1.6</b>	<b>3,817</b>	<b>6.3</b>	<b>1,712</b>	<b>2.8</b>	<b>12,437</b>	<b>20.6</b>	<b>2,066</b>	<b>3.4</b>	<b>-</b>	<b>-</b>	<b>60,482</b>	<b>63.2</b>
C. Component 3 - Program Management	6,005	66.5	242	2.7	2,784	30.8	-	-	-	-	-	-	-	-	9,031	9.4
<b>Total PROJECT COSTS</b>	<b>66,000</b>	<b>69.0</b>	<b>1,499</b>	<b>1.6</b>	<b>9,111</b>	<b>9.5</b>	<b>1,712</b>	<b>1.8</b>	<b>12,437</b>	<b>13.0</b>	<b>2,066</b>	<b>2.2</b>	<b>2,838</b>	<b>3.0</b>	<b>95,663</b>	<b>100.0</b>

140. The GoP contribution will consist of the regular salaries of the organic staff that would be allocated for the project, and of financing taxes and duties applicable on all project inputs. The estimate of taxes and duties was based on the rates in effect prevailing at the time of the design.

### C. Project Costs by Expenditure Accounts

141. Total investment costs are estimated at US\$ 87.4 million and these accounts for about 91% of the total project costs and the balance, US\$ 8.3 million are recurrent costs. The grants and subsidies account for about 23.3%, followed by civil work, 20.7%, consultancy services (10.7%), and other investment cost are very minor. The recurrent costs are incremental salary and allowances accounting for 8.7% and office operating costs account for 2.5% which is a part of the recurrent cost. Table 6 presents the cost by the expenditure accounts and the financiers.

**Table 6: Financing Plan by Expenditure Categories**

	(US\$ '000)																
	IFAD Loan		IFAD Grant		Government		Local Government Units (LGUs)		Financing Service Providers (FSPs)		Beneficiaries - Small and Medium				Total		Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
<b>I. Investment Costs</b>																	
A. Training	5,102	85.5	545	9.1	91	1.5	-	-	231	3.9	-	-	-	-	5,969	6.2	91
B. Consulting Services	5,134	50.3	824	8.1	1,379	13.5	-	-	27	0.3	-	-	2,838	27.8	10,203	10.7	1,379
C. Technical Assistance	5,249	85.1	-	-	919	14.9	-	-	-	-	-	-	-	-	6,168	6.4	919
D. Goods and Inputs	4,121	98.8	-	-	50	1.2	-	-	-	-	-	-	-	-	4,171	4.4	50
E. Studies & Workshops	1,756	88.0	129	6.5	111	5.6	-	-	-	-	-	-	-	-	1,997	2.1	111
F. Vehicle	782	88.0	-	-	107	12.0	-	-	-	-	-	-	-	-	889	0.9	107
G. Works	14,343	72.4	-	-	3,766	19.0	1,712	8.6	-	-	-	-	-	-	19,821	20.7	3,766
H. Grants & Subsidies	13,234	59.3	-	-	-	-	-	-	7,035	31.5	2,066	9.3	-	-	22,335	23.3	-
I. Investment Capital	10,664	67.5	-	-	-	-	-	-	5,144	32.5	-	-	-	-	15,808	16.5	-
<b>Total Investment Costs</b>	<b>60,385</b>	<b>69.1</b>	<b>1,499</b>	<b>1.7</b>	<b>6,422</b>	<b>7.4</b>	<b>1,712</b>	<b>2.0</b>	<b>12,437</b>	<b>14.2</b>	<b>2,066</b>	<b>2.4</b>	<b>2,838</b>	<b>3.2</b>	<b>87,359</b>	<b>91.3</b>	<b>6,422</b>
<b>II. Recurrent Costs</b>																	
A. Operating Cost	1,582	65.3	-	-	839	34.7	-	-	-	-	-	-	-	-	2,421	2.5	291
B. Salaries and Allowances	4,033	68.6	-	-	1,850	31.4	-	-	-	-	-	-	-	-	5,883	6.1	-
<b>Total Recurrent Costs</b>	<b>5,615</b>	<b>67.6</b>	<b>-</b>	<b>-</b>	<b>2,689</b>	<b>32.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,304</b>	<b>8.7</b>	<b>291</b>
<b>Total PROJECT COSTS</b>	<b>66,000</b>	<b>69.0</b>	<b>1,499</b>	<b>1.6</b>	<b>9,111</b>	<b>9.5</b>	<b>1,712</b>	<b>1.8</b>	<b>12,437</b>	<b>13.0</b>	<b>2,066</b>	<b>2.2</b>	<b>2,838</b>	<b>3.0</b>	<b>95,663</b>	<b>100.0</b>	<b>6,713</b>

142. Detailed information of the project cost by the components showing the unit cost, total cost, financiers and expenditure account of each item is presented in Appendix 9. The Appendix also explains how costs were estimated and provides a complete set of cost tables.

### D. Project benefits, financial and economic analysis

143. The Financial and Economic Analysis (FEA) is based on the VC approach that the project is adopting to achieve the Project Development Objective. Four main players operate the selected VCs namely the input suppliers, producers, MEs, and SMEs. Four typical VCs, which would represent the type of VC that the project will support, are selected for the analysis. A key commodity of each of the four VC is focused in FEA.

144. RAPID will derive its benefits from: (i) improving small farmers' access to markets, technologies and services in the target commodity chains; (ii) developing MEs and SMEs as well as enhancing the existing MEs and SMEs and business partnerships involving small farmers and agribusiness; (iii) improving value chain governance and inclusion to facilitate smallholder farmers' participation; and (iv) supporting policies and institutional capacities required to ensure sustainability through the Department of Trade and Industry (DTI).

145. The target value chains, for the purpose of FEA are cocoa, coffee, calamansi (representing the group of processed fruits and nuts) and coconut. The project supports the production, semi-processing (sorting, grading and packaging etc) and final processing (drying, juice and oil production etc) of the commodities in the selected VCs. As such the models that were analysed include (i) one-hectare production model and farm models of Arabica and Robusta coffee under new planting and rehabilitation of existing crops, cocoa new planting and rehabilitation, calamansi new planting and rehabilitation, and coconut new planting; (ii) MEs of dried coffee bean processing, fermented and dried cocoa bean processing, and cleaning and grading of calamansi fruits; and (iii) SMEs of processing and packaging Green Robusta coffee, processing and packaging chocolate with fermented and dried cocoa beans, processing of calamansi juice with cleaned calamansi fruits, and processing of virgin coconut oil. The value additions to the products were estimated at the gate of each model, i.e farm-gate, ME-gate and SME-gate, and by aggregating them the full benefits of the



entire value chain were estimated for each VC. In addition, a nursery model that produces cocoa planting material was analysed. This represents the MEs which supply inputs to the production segment of the VC. An infrastructure model was also analysed to assess the financial and economic viability of the farm roads that would be assisted by the project.

146. The project is targeting to support 128,700 ha of crops with 78,200 producer families, 1265 MEs and 190 SMEs. The potential for rehabilitating existing crops, availability of lands for new crops, and willingness of the target groups were basis to set these targets. The availability of IFAD funds for the grant facilities and also the financial viability of crop models and the ME and SME models were used to fix the identified targets. The project would facilitate cooperatives of the same producers to function as MEs. The total number of beneficiaries therefore would be 469,200 people assuming the average family size as six.

147. The analysis of each VC model includes (i) total incremental productivity and production of the VC commodities, and value-added products, (ii) farm model analysis indicating the producer level incremental net incomes per year; (iii) grant and debt financing requirements; and (iv) employment generation. The NPV of the production and value addition benefits per unit of production over a period of 20-years with a 13% discount rate is also presented. This allows to compare benefits of each VC.

### Crop production models

148. The financial viability of the crop production models were based on the assumptions presented in Table 7 namely expected productivity increase, the producers' adoption rate of technology and the farm-gate price of all primary commodities that are ready to sell at the farm-gate. The respective ME of the VC pays the farm-gate price when the primary commodities enter for processing.

**Table 7: Production level of primary commodities and the adoption rate of the producers**

Commodity representing the VCs	Units	Productivity – wet products		% Increase	Farm-gate price of dried products (USD/mt)	Adoption rate of improved practices (% farmers / land areas)
		WOP <sup>[1]</sup>	WP (full development)			
Robusta Coffee - NP	mt/ha/yr	1,000	3,000	200%	965	90%
Robusta Coffee - RH	mt/ha/yr	1,000	2,400	140%	965	95%
Arabica Coffee - NP	mt/ha/yr	1,005	2,000	99%	2040	95%
Arabica Coffee - RH	mt/ha/yr	1,005	1,400	39%	2040	95%
Cocoa - NP	mt/ha/yr	1,172	3,195	173%	880	80%
Cocoa - RH	mt/ha/yr	1,172	2,450	109%	880	80%
Calamanci - NP	mt/ha/yr	5,556	11,700	111%	260	80%
Calamanci - RH	mt/ha/yr	5,556	7,778	40%	260	80%
Coconut - NP	mt/ha/yr	4	9	130%	350	85%

Source: Data collection of the detailed design mission

[1] Productivity level of the existing crops are used for the new planting to compare the productivity increase of with project (WP).

NP = New planting; RH = rehabilitation of existing crops.

149. The financial viability of all the crop models was analysed for both the cases: before and after providing the project financing package. Table 8 [Table 9](#) summarises the results and Appendix 10 provides details. The net present value (NPV) was estimated with 13% discount rate for a 20-year period and incremental cash flows were used. The grant financing is required to meet the financing of the establishment cost of the crops since the target group of producers will have up-front cash shortages. The analysis also shows that both the long-term and short-term credit with interest could be fully paid with the incremental cash flows of each crop model. The switching value analysis indicated that either the farm-gate price or the yield could go down upto 35% in Robusta coffee, 45% in Arabica coffee, 29% in cocoa, 50% in calamanci and 48% in coconut before these crop models yield a benefit-cost ratio of less than unity.

**Table 8: Financial viability of crop models and value of grant and debt financing of the models**

Commodity representing the VCs	Before Project Financing		Grant Financing for plants (USD/ha)	Debt Financing (USD/ha)		After providing financing package	
	NPV (USD/ha)	IRR		Capital expenditure	Working capital	NPV (USD/ha)	IRR
Robusta Coffee - NP	3,035	22%	768	1,229	1,038	3,905	31%
Robusta Coffee - RH	1,316	21%		275	1,075	1,374	23%
Arabica Coffee - NP	4,266	22%	1,200	1,585	1,485	5,569	30%
Arabica Coffee - RH	1,036	30%		300	740	1,083	45%
Cocoa - NP	4,350	27%	480	1,385	1,556	4,996	43%
Cocoa - RH	2,062	25%		375	1,125	6,912	28%
Calamanci - NP	5,207	31%	168	1,009	1,128	5,517	42%
Calamanci - RH	1,220	39%		305	1,040	1,281	>50%
Coconut - NP	2,544	18%	180	1,008	774	2,858	19%

NP = New Planting; RH = Rehabilitation

### Farm Models

150. A farm model to represent each of the crop model was developed on the basis of a typical farming system of the producers that exist in the project provinces. Results of the farm model analyses presented in Appendix 10 indicate that all the models have financial gains after the project interventions. The return to labour and the annual income that were computed at full development indicate notable improvements in the annual income to the producers. The average net daily income of these farm models is estimated to be USD 11.3 per producer family per day, with a variation of USD 19.7 to USD 3.1. On average this is an increase of USD 5.5 per day per family just from crop production with the project interventions.

151. The estimated demand for the Grant financing for all crops is about USD 20.6 million and this amount is provided in the project cost estimates. There will also be USD 180.6 million demand for debt financing for crop production. In addition, the producers will invest USD 3.44 million, which is 10% of the total crop establishment cost.

### Micro-Enterprise Models

152. The micro-enterprises (MEs) are the next level of the VCs. For the analytical purposes the ME models include processing of dried, cleaned and graded coffee beans; dried, cleaned and fermented cocoa beans; and cleaned and graded calamanci fruits. The project will provide financial grants to cover 50% of the capital expenditure of the processing facilities, and initiate linkages for debt financing through FSP to finance the balance. The NPV and the financial IRR confirm that all three MEs are financially viable to receive the project support (Appendix 10 for details). The analysis also shows that the long-term credit could be fully repaid including the 8.5% interest with the incremental cash flows of each ME model. All the MEs will demand USD 19.4 million grant funds and USD 157.1 million loan funds.

153. **Cocoa planting material nursery** represents the farm input providing MEs of the VC analysis. The planting material capacity is 100,000 plants per year per one nursery. The financial analysis yields 25% FIRR, NPV of USD 14.9 million at 13% DR for 10-year period, and provide USD140,750 annual income at full development.

### Small and Medium Enterprise Models

154. The SMEs are at the final end of the VCs as far as the project is concerned. For the analytical purposes the SME models include processing of (i) dried and graded green coffee beans of Robusta

coffee; (ii) wrapped and packed chocolate and cocoa bean shells as a by-product; (iii) calamanci juice; and (iv) virgin coconut oil. The SMEs will receive long term credits to finance about 20% of their capital expenditure at a 6% interest rate with a 5-year repayment period. All SME models are financial viable and merit project assistance (Appendix 10 for details).

### Infrastructure model

155. The project supports renovation and construction of farm roads in strategic places mainly to facilitate transporting of farm produces and ME and SME products. A total of 140 km will be developed which will help to reduce the hauling cost all type of vehicles, save public transport cost and also reduce the cost of farm input and output transportation. The financial assessment yield 39% IRR and USD 16.3 million NPV at 13% DR for 20-year period. The benefits estimations should come down upto 47%, as the switching value estimates, before the benefit-cost ration become less than one (Appendix 10 for details).

### Aggregated financial analysis and employment generation

156. Each farm model, the ME model and SME model were scaled up at their full target level to get the project level aggregated results of the financial viability analysis. The undiscounted annual incremental net financial benefits at full project development are estimated at US\$ 373.4 million or PhP 7.5 billion. The FIRR of the project is 25% with a NPV of USD 562 million. The total cash flows are presented in Appendix 10.

157. The total incremental employment generation was estimated at 29,936 person-years. All farm models generate 29,028 persons-years, about 40% of them are women, and all MEs generate 908 person-years. It is assumed that there are 220 working days per year and the total person-days needed for VC activities were divided by 220 to obtain the person-years of employment indicating that this number of people who were otherwise not fully employed got employment through out the year. This includes un-employed or partly employed family labour as well.

### Economic analysis

158. The economic analysis was carried out after making appropriate adjustments to financial benefits and costs. The key adjustments include the standard conversion factor (SCF) of 0.90; the shadow wage rate of the un-skilled labour is 60% of the market rate of USD 6.25 per day; the economic or social discount rate is 10%; economic value of all internationally traded goods and farm products, except coffee and cocoa, is 1.2% of their market value; and Import Parity Price (IPP) for coffee and cocoa has been estimated and applied to value coffee and cocoa at the farm-gate, ME-gate and the SME gate.

159. **Results:** The economic analysis yields in the base case an EIRR of 51% and an economic net present value of US\$ 2,431 million over 20 years under a discount rate of 10%. The benefit-cost ratio with same discount rate is 1.26. The analytical framework and results are detailed in Appendix 10.

160. **Sensitivity analyses:** Seven possible scenarios are analysed. The project cost escalating by 10% and 20%; project benefits decrease by 10% and 20%; benefits delay by one year and 2 years; and 10% increase in the input prices. The results of the sensitivity analyses are summarized in Table 9. The sensitivity analyses show that the project economic benefits are resilient to cost escalations, benefits reductions, and delay in realizing benefits with EIRR remaining above 15% and Economic NPV above USD 1000 million. The worst-case scenario is the 2-year delays in getting benefits once the investment is committed. The 2-year delay in particular generates a negative NPV indicating the project is unviable.

**Table 1: Results of the sensitivity analyses of economic analysis**

Sensitivity Scenario	EIRR	NPV (USD mn)	NPV (PhP mn)	BC Ratio
Base case (DR: 10%)	51%	2,431,268	121,563	1.26
10% cost escalation	32%	1,243,351	62,168	1.13
20% cost escalation	11%	55,433	2,772	1.01
10% benefit decrease	34%	1,486,478	74,324	1.14

20% benefit decrease	19%	541,687	27,084	1.05
1 year delay in implementation	18%	1,026,170	51,308	1.11
2 years delay in implementation	8%	-251,193	-12,560	0.97
10% increase in input prices	38%	1,769,915	88,496	1.18

#### Other benefits

161. The farm productions are direct outputs from the respective farm models. In addition, the project investment creates several indirect benefits due to improved agricultural extension stations, better facilities for conducting training sessions, value chain facilitation, increased staff training, improvement of farmer cooperatives, and market support etc. The linkages of financial institutions with the project target groups will also have long lasting benefits. Other community infrastructure facilities such as village roads will benefit the non-target groups with better access to agricultural markets and purchase of quality inputs.

162. The project's training and capacity building interventions will also create certain benefits which have not been valued. These include the following: (i) At the end of the project, all participating households, about 78,200 households would have received training on the improved production practices, soil management, commercial agricultural productions, and business management; (ii) provincial extension staff and DTI staff at the provinces would also have received training and their capacity strengthened to provide better services to the farmers with a business and VC perspective; (iii) cooperatives have been strengthen and their general management system, financing management and bookkeeping etc and business outlook would have been improved; (iv) women from the poor and vulnerable households will be targeted for training and their capacity building and they would also participate in production and value chain activities, have better access to markets and inputs and credit; and (v) IP communities would be exposed to commercial agriculture and value chain focused business activities which will have a expanding benefit with time.

#### E. Sustainability

163. RAPID strategy and activities are driven by the primary concern that, by the end of project implementation, sustainable mechanisms will ensure continued farmers and MSE access to financial and non-financial services. Main features of the project approach that will contribute to such a goal, detailed in Section III A, are as follows:

- *Public-private partnership*: while the government will retain an overall implementation and facilitation responsibility, private sectors players will provide business development and financial services to target groups securing bigger volumes and better quality of produce and therefore increased returns, which will create strong incentives for continued service provision beyond project completion;
- *Partnership with DTI*: project implementation structures will be embedded into DTI organisation and will rely on DTI procedures wherever possible, in line with IFAD requirements. This will further ensure DTI full ownership of the project and will be matched by capacity building programmes based on capacity assessment to ensure performance and highest performance;
- *Local resources*: the use of local resources to develop entrepreneurship, expand the range of BDS service providers and generate jobs will increase local empowerment as well as the adequacy of RAPID-supported mechanisms with local potential and capacities;
- *Capacity building*: capacity building will be provided to ensure that stakeholders have the right mix of technical and management competences to carry on activities beyond project completion;
- *Innovative business models and knowledge management*: project implementation will lead to the development of a set of innovative business models, which will be documented and disseminated through Industry Councils and MSMED councils at the district, regional and national level. This is expected to generate a knowledge basis for sustaining project achievements, as well as to promote further public and private sector engagement in up-scaling most promising and commercially viable mechanisms.

164. The second Interim Review planned for the end of the fifth year will make recommendations with regard to key measures required to secure the sustainability of project achievements, based on which the PCO will prepare a detailed exit strategy.



## V. Next Steps

165. The following actions have been agreed with DTI for completing the approval and start-up of the RAPID project. The Project Implementation Manual will be prepared in a parallel process to be completed by end of 2016.

<b>ACTION</b>	<b>WHAT</b>	<b>RESPONSIBLE</b>	<b>DATE</b>
<b><i>Design</i></b>			
Completed:	Project Design Document	IFAD	16 June
<b><i>NEDA Review</i></b>			
Documentation:	Project Evaluation Report	NEDA	15 July
Technical Endorsement:	Investment Coordination Committee - Technical Board	NEDA	30 July
Ministerial Approval:	Investment Coordination Committee - Cabinet Committee	NEDA	15 August
Policy Confirmation:	NEDA Board	NEDA	30 August
Budget:	DBM's Forward Obligation Authority	DBM	15 September
Treasury:	Central Bank - Monetary Board	BSP	30 September
Delegation:	Special Presidential Authority	DOF & OP	30 October
<b><i>Negotiations</i></b>			
Negotiate:	Financing agreement	DOF	15 November
Sign	Financing agreement	DOF	17 December
Endorse:	Monetary Board	BSP	15 January 2018
Endorse:	Legal opinion	DOJ	30 January 2018

## Appendix 1: Country and rural context background

### Appendix 1: Country, Sector and Rural Development Background

#### Rural Development Sector Policy Environment

1. **Ten-point agenda.** The Duterte Administration that took over the reins of government after the elections of May 2016 has set for itself a 10-point agenda that guides its socio-economic plan for the country. The 10-point agenda serves as the policy direction of the new administration. Four of the 10-point agenda are directly relevant to the RAPID project: (i) Increase competitiveness and the ease of doing business. This effort will draw upon successful models used to attract business to local cities (e.g., Davao) and attract foreign direct investment by relaxing the Constitutional restrictions on foreign ownership, except as regards land ownership; (ii) Accelerate annual infrastructure spending to account for 5% of GDP, with Public-Private Partnerships playing a key role; (iii) Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism; and, (iv) Invest in human capital development, including health and education systems, and match skills and training to meet the demand of businesses and the private sector.
2. **Ambisyon<sup>22</sup> Natin 2040.** In addition, the government has also issued Executive Order (EO) no. 5 on 11 October 2016 that sets a 24-year planning framework consisting of 6 medium term plans of the current and the succeeding administrations<sup>23</sup>. The EO is meant to ensure consistency and sustainability of policies, strategies, programs and projects across political administrations. It sets an overall goal of tripling the per capita income of Filipinos by 2040.
3. **Agriculture and Fisheries Modernization Act (AFMA).** The Agriculture and Fisheries Modernization Act of 1997 (Republic Act 8435) aims to modernize the agricultural and fishery sectors by promoting a technology-based industry to enhance profitability by ensuring equitable access to assets, resources and services, and promoting higher-value crops, value-added processing, agribusiness activities, and agri-industrialization. It also seeks to empower people's organizations, cooperatives and NGOs. AFMA provides trade and fiscal incentives to qualified enterprises engaged in agriculture and fisheries (including cooperatives, associations and consolidators) by granting exemption from payment of tariff duties on all types of imported agricultural and fishery inputs, equipment and machinery until December 2015 (RA 9281).
4. **Comprehensive Agrarian Reform Program (CARP).** The Government has long recognized that asset reform is a key to improving agricultural productivity and reducing rural poverty. As a response, the Comprehensive Agrarian Reform Programme (CARP) was adopted in June 1988 to address asset inequities by redistributing private and government owned agricultural lands to tenants, farm workers and the landless. Provision of CARP support services has been primarily through Agrarian Reform Community (ARC) development, a strategy adopted first in 1993, which aims to increase productivity and incomes through a comprehensive, integrated, area-based approach to building rural communities. ARC development aims to provide a package of services to empower people's organizations, improve basic infrastructure and social facilities, improve the agricultural technology used, and promote agribusiness development and rural enterprises. This area focused approach involved support services delivery in priority areas to improve farm productivity and develop the capability of farmers to become efficient agricultural producers and entrepreneurs as well as land distribution.
5. **Local Government Code (LGC).** In 1990, the government enacted Republic Act no. 7160 that decentralized many of the national / central government powers. As the governing law on local governments it established the powers of provincial, city, municipal and barangay (village) governments in the country. It also empowers local governments to enact local tax measures, including real property taxes. It further assures the local governments a share in the national internal revenue. The law decentralized the responsibility from the national government offices to local government units (LGUs) to develop and enact local laws, policies and programs for their own territories in the areas of agricultural extension, community based forestry, field

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<sup>22</sup> Ambisyon Natin literally means "our ambition".

<sup>23</sup> The Philippine constitution allows a single term of six years for a President.

health and hospital services, public works (municipal and barangay roads), school building program, social welfare services tourism, telecommunications, and housing.

6. **Autonomous Region in Muslim Mindanao (ARMM).** In 1986 upon the takeover of President Corazon Aquino she presided the crafting and ratification of the 1987 Philippine Constitution which mandated the creation of an autonomous region in Muslim Mindanao which was passed into law as Republic Act no. 6734 known as the Organic Act of the Autonomous Region in Muslim Mindanao. ARMM covers the provinces of Lanao del Sur and Maguindanao in mainland Mindanao and the island provinces of Basilan (except Isabela City), Sulu and Tawitawi. While these areas are declared autonomous they rely to a large extent from national government infusion of funds that is downloaded annually through the internal revenue allotment (IRA)<sup>24</sup>. The key devolved powers in ARMM are reclassification of agricultural lands, enforcement of environmental laws, inspection of food products and quarantine, enforcement of national building code, processing and approval of housing subdivision plans. ARMM has its own respective regional agencies such as Trade and Industry, Agrarian Reform, Agriculture and Fisheries, Social Welfare and Development, Science and Technology, Labor and Employment, Environment and Natural Resources, Technical Education and Skills Development, Public Works and Highways, among others.

### **Business and Regulatory Framework**

7. **Competition Law.** In July 2015 the Philippine government passed into law Republic Act 10667 titled 'The Philippine Competition Act'. The law describes anti-competitive agreements and acts such as restricting competition as to price or components thereof in terms of trade; fixing price at auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation. Other anti-competitive acts whose effects will substantially prevent or restrict or lessen competition are: setting, limiting, controlling production, markets, technical development and or investment; dividing or sharing the market, whether by volume of sales or purchases, territory, type of goods or services, buyers or sellers or by any other means. Mergers and acquisitions that substantially prevent, restrict or lessen competition are also prohibited including abuse of dominant position. The law provided for the creation of the Philippine Competition Commission that is an independent quasi-judicial body to regulate anti-competitive act and protect the well-being and efficiency of competition in the market for the benefit of consumers and businesses.
8. The Special Economic Zone Act of 1995 which established the Philippine Economic Zone Authority was established in order to provide incentives to local and foreign firms on the following: (a) Export Manufacturing; (b) IT (Information Technology) Service Export; (c) Tourism; Medical Tourism; (d) Agro-industrial Export Manufacturing; (e) Agro-industrial Bio-Fuel Manufacturing; (f) Logistics and Warehousing Services; (g) Economic Zone Development and Operation; (h) Facilities Provider; and, Utilities. Among the incentives for firms qualified under the law are: income tax holiday (ITH) consisting of 100% exemption from corporate income tax; four years ITH for Non-pioneer Project; six years ITH for Pioneer Projects; three years ITH for Expansion project (ITH applies to incremental sales); five percent special tax on Gross Income and exemption from all national and local taxes (upon expiry of the income tax holiday); tax and duty free importation of raw materials, capital equipment, machineries and spare parts; exemption from wharf dues and export tax, impost or fees; VAT zero-rating of local purchases subject to compliance with BIR and PEZA requirements. Patterned after the PEZA, the ARMM regional legislative assembly has established its own Regional Economic Zone Authority (REZA) in 2003 which is managed by the ARMM Regional Board of Investments. The REZA law has enabled the ARMM Regional Government (ARG) to register a number of agribusiness companies in ARMM with the appropriate tax incentives covered by its authority.
9. **Standards and Export Certification.** The Bureau of Product Standards (BPS) under the Department of Trade and Industry is the Philippine National Standards Body. BPS is mandated to develop, implement, and coordinate standardization activities in the Philippines. Aside from standards development, BPS also ensures the implementation and promotion of these

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<sup>24</sup> In 2015 and 2016, ARMM witnessed for the first time substantial national government financial support from the outgoing Aquino Administration in the amount of Php25 billion annually which the current Duterte Administration has retained in its 2017 budget.



standards to raise the quality and global competitiveness of Philippine products and to protect the interests of consumers and businesses. Working closely with BPS, there are two other government agencies that are mandated for the development of standards for consumer products: the Food and Drug Administration (FDA) of the Department of Health and the Bureau of Agriculture and Fisheries Product Standards (BAFPS) of the Department of Agriculture. FDA establishes standards for processed food while DA-BAFPS develops standards for agriculture and agriculture-related products including fruits, vegetables, and grains. BPS is responsible for other related food standards not covered by the FDA and BAFPS. Additionally, the country has developed standards for organic agriculture<sup>25</sup>, good agricultural practices (GAP)<sup>26</sup> and Halal<sup>27</sup>, among others.

10. **MSMEs.** The categories of enterprises in the country are: micro – 1 to 9 workers; small – 10 to 99 workers; medium – 100 to 199 workers; and large – 200 or more workers. In 2015, enterprises in the country is almost a million at 944,897 comprising of 89.3% micro enterprises, 9.7% small, .5% medium and .5% large. Employment in MSMEs consisting of 7.580 million is high with large enterprises at 2.658 million followed by micro enterprises at 2.316 million, small enterprises at 2.061 million and lastly by medium enterprises at .553 million. This shows the polarity of the employment situation in MSMEs that indicates the "missing middle" in the small and medium enterprises, sub-sectors that could bring about wealth creation, productive employment and income improvement especially in the rural areas. MSMEs that are agriculture based and/or agribusiness related is about 450,688 or about 47.9% of the total MSMEs in the country.
11. According to the MSME Development Plan 2011 – 2016, MSMEs face greater disadvantages compared to large enterprises, in terms of access to finance, ability to penetrate export markets, and productivity levels. The Plan targets a 40% contribution of the MSME sector to total value added and creation of two million jobs by 2016.
12. Much lower shares are observed for agriculture, forestry, and fishing, as well as in manufacturing, as indicated in Figure 1. For the former, employment is concentrated in family farms and small-scale fishery, which are not captured in the establishment data. For the latter, large enterprises continue to dominate investments in manufacturing establishments.

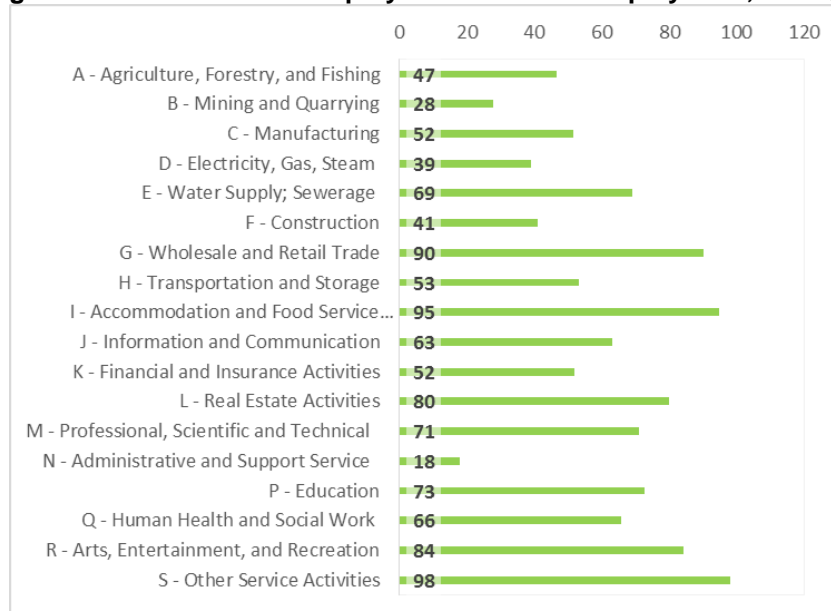
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<sup>25</sup> Republic Act 10068 titled the Organic Agriculture Act of 2010 mandates the promotion and development of organic agriculture products in the country. Aside from the developmental nature of the law that provides direct funding for smallholders and organic industry stakeholders, the law provides for 3 types of certification system based on international standards set by the International Federation of Organic Agriculture Movements (IFOAM).

<sup>26</sup> The Philippines adopted the Good Agriculture Practices (PhilGAP) standards in 2005 through the issuance of the Department of Agriculture (DA) Administrative Order (DAO) no. 25 series of 2005

<sup>27</sup> In 2015, a law was passed as Republic Act 10817 titled An Act Instituting the Philippine Halal Export Development and Promotion Program, Creating for the Purpose the Philippine Halal Export Development Board and for Other Purposes. This law strengthens the draft guidelines for the Philippine National Standard on Halal Food (Philippine National Standards 2067:2008) which was earlier developed prior to the adoption of RA 10817.

**Figure 1: Share of MSME employment in sector employment, 2012 (%)**



Source: Philippine Statistics Authority (PSA)

13. **Negosyo Centres.** RA No. 10644 was enacted in 2014 to strengthen MSMEs and enable them to create more job opportunities in the country. Known as “Go Negosyo Act”, the RA No. 10644 mandated the establishment of the “Negosyo Centers” in all provinces, cities and municipalities so as to promote ease of doing business, to speed up registration processes and to provide vital business advisory. The Negosyo Centers are organized to provide three major services, to wit: (a) Business Registration Assistance; (b) Business Advisory Services; and, (c) Business Information and Advocacy. They are designed to facilitate the access of MSMEs to the necessary business development services, financing, technologies and markets. Across the country, Negosyo<sup>28</sup> Centers (NCs) are hosted by DTI, LGU or private institutions. The services of NCs hosted by the government (i.e., DTI or LGU) can be sustainably maintained and made accessible to MSMEs as government resources can be tapped for the regular operating costs incurred. However, NCs hosted by private institutions would have to secure the continuity of their operations by generating revenues from the conduct of their services. In their case, client-MSMEs would be charged specific fees and operating costs have to be effectively managed with both the delivery of assistance to clients and the continuity of the operations of the center as the goals. As of October 2016, a total of 355 Negosyo Centers have been launched across the country – 198 in Luzon, 86 in Visayas and 71 in Mindanao. As classified by DTI, there are three types of NCs, namely:

- *Full service NC:* occupies an office and provides all business development services plus the availability of a training room. The center is manned by at least four (4) technical staff;
- *Advance NC:* occupies an office and provides all business development services but without a training room. The center is manned by at least two (2) technical staff; and,
- *Basic NC:* occupies no office but, instead, has a desk in the office of a host organization and is manned by one (1) technical staff.

### Rural Development Agencies

14. **Department of Agriculture (DA).** DA is the government agency responsible for the promotion of agricultural development by providing the policy framework, public investments, and support services needed for domestic and export-oriented business enterprises. In the fulfilment of this mandate, its primary concern is to improve farm income and generate work opportunities for farmers, fishermen and other rural workers. Under the Local Government Code of 1990, DA is one of the national government agencies whose functions were devolved to the LGUs. DA

<sup>28</sup> Literally means enterprise or business.

offices are only found at national and regional levels and the LGUs have their own agriculture offices at provincial or city/municipal levels, respectively.

15. The Duterte Administration's current agriculture development approach is called Special Area for Agriculture Development (SAAD) which is a strategy to look at the weaknesses of an area in terms of potentials for food production and livelihood programs. Its thrust is to increase food production and alleviate poverty. It intends to alleviate poverty through increased food production and productivity in the target areas by providing appropriate technology, financing, marketing and other support services in order to make the farmers and fisherfolk productive and profitable. The Project seeks to benefit individuals, families and organized farmers and fisherfolk, in the target areas.
16. **Department of Agrarian Reform (DAR).** DAR is the government agency mandated to implement CARP, with 3 key functions, land tenure improvement, support services and agrarian justice delivery. DAR is not a devolved agency: it has offices down to provincial and municipal levels.
17. **Department of Environment and Natural Resources (DENR).** The Department is the primary agency responsible for the conservation, management, development, and proper use of the country's environment and natural resources, specifically forest and grazing lands, mineral resources, including those in reservation and watershed areas, and lands of the public domain, as well as the licensing and regulation of all natural resources. While DENR devolved some of its functions to the LGUs, it maintains offices up to the provincial and district (inter-municipalities) levels.
18. **Department of Interior and Local Government (DILG).** DILG has two main mandates, supervision of LGUs and the Philippine National Police (PNP). The agency has offices from national to provincial and municipal levels. DILG is considered one of the rural development agencies by virtue of the National Convergence Initiative for Sustainable Rural Development issued through a joint memorandum circular agreed upon by the Secretaries of DA, DAR, DENR and DILG.

## Financial Services

19. **Overall financial system.** The Philippine banking system is structured by type of bank including universal, commercial, thrift, rural banks and cooperative banks. Universal and commercial banks make up less than 5 percent of the total banking institutions but they account for approximately 90 percent of the industry's total assets.<sup>29</sup> Universal and commercial banks differ from other banking institutions by offering a wider variety of financial services, but these big banks have little appetite for lending to agri-based cooperatives, micro-enterprises and smallholder farmers. There are two banks owned by government that provide agriculture and MSME lending, the Land Bank of the Philippines (LBP) the 4<sup>th</sup> largest bank in the country, which has a mandate for countryside banking, and the Development Bank of the Philippines (DBP)<sup>30</sup>. The Small Business Corporation (SBC) is a government-owned financial institution mandated to provide financing and credit guarantees to SMEs.
20. Rural banks and cooperative banks, and a few thrift banks, provide credit to poor households, microenterprises, farmers and agricultural-related businesses<sup>31</sup>. Besides them, there are non-bank players comprising of NGO MFIs, savings and credit cooperatives, private financing

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<sup>29</sup> Despite the existence of 648 different banks at the end of last year, it is the country's 36 universal and commercial banks that make up the overwhelming majority of the sector in terms of assets. The 5 biggest banks — Bank of the Philippine Islands, BDO Unibank, Metrobank, Land Bank of the Philippines (LBP) and PNB — represent more than 53 percent of total assets. In terms of deposit share and capital accounts, these 5 banks account for 57 percent. As a result, it is expected that many of the smaller lenders will be squeezed out of the industry altogether. A high number of mergers and acquisitions are expected, and will be expedited by the BSP's stated intention of giving tax incentives to large banks that buy small rural lenders.

<sup>30</sup> Land Bank had total assets of 1.2 trillion pesos as at December 31, 2015.

<sup>31</sup> The BSP classifies these banks into two categories: microfinance banks and microfinance-oriented banks. Microfinance banks are those whose total loan portfolios are 100 percent microfinance while microfinance-oriented banks are those that have at least 50 percent of microfinance loans in their gross loan portfolio.

companies, pawnshops and lending investors<sup>32</sup>. Credit cooperatives, while not licensed as banks, are legally permitted to offer loans and take deposits from its members. Microfinance NGOs provide credit services to their client members, but they are not allowed to take deposits from the public nor from their members. While these institutions are not regulated and supervised by the central bank which is called as the “Bangko Sentral ng Pilipinas” (BSP), they are also subject to regulation.<sup>33</sup>

21. Informal lending such as “5–6 credit” or loan sharks and *paluwagan* (modified sinking fund) are also competing with banks and MFIs in providing financial access to micro entrepreneurs. In a 5–6 credit, a person borrows P5 and repays P6, implying a nominal interest rate of 20% over an agreed period of time. This type of lending is popular among low-income sectors and areas where access to financial products and services is limited or lacking. In *paluwagan*, a group of people pool money daily, weekly, or monthly, depending on the agreement. The members take turns to bring home the accumulated amount. This system is based on mutual trust.

### Regulatory Environment

22. The Bangko Sentral ng Pilipinas is the sole regulator and supervisor of the Philippine banking sector. It also exercises regulatory powers over non-bank financial institutions (NBFIs) with quasibanking functions, pawnshops, nonstock savings and loan associations, and NBFIs without quasi-banking functions that are subsidiaries of banks.
23. While cooperatives are under the regulation and supervision of the Cooperative Development Authority, financial service cooperatives are also subject to Bangko Sentral ng Pilipinas regulation as provided under the Cooperative Code of 2008. These are cooperatives that wish to perform functions beyond deposit taking that are subject to Bangko Sentral ng Pilipinas supervision.
24. The SEC is the sole regulator of the securities market in the country. The commission regulates non-bank financial institutions such as investment houses, financing companies, investment companies, and securities dealers and brokers registered under the Securities Regulation Code, Investment Houses Law, and the Financing Company Act.
25. The Government’s support to the development of rural financial services is reflected in a conducive policy framework for enhanced provision of rural financial services. Legislative support is provided through the enactment of laws, as described below.

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<sup>32</sup> According to the BSP, thrift and rural banks’ microfinance services have an outstanding loan base of P11.4 billion as of end-2014, serving over 1.2 million microfinance clients, with average loan of PHP 9,500 per borrower. Meanwhile, the microfinance NGOs have P11.6 billion in outstanding microfinance loans, which is bigger than what the banks lend. The microfinance NGOs has a client base of 2.5 million borrowers, with average loan size PHP 4,640.

<sup>33</sup> The credit cooperatives are registered and legally under the regulation and supervision of the Cooperative Development Authority (CDA) while the microfinance NGOs are registered with the Securities and Exchange (SEC). Source: MCPI Microfinance Industry Report of 2010.

- The Agricultural Credit Policy Council (ACPC) was created in 1986 to assist the DA in synchronizing all credit policies and programs of DA's priority programs. It was mandated to review and evaluate the economic soundness of all on-going and proposed agricultural credit programs. In 1987, ACPC became an attached agency of the DA, mandated to administer the Comprehensive Agriculture Loan Fund (CALF). ACPC's role was expanded when Republic Act No. 7607 (Magna Carta of Small Farmers) assigned it the role of (i) conducting institutional capacity building programs and (ii) developing special projects to promote innovative financing schemes for small farmers. Advocacy of rural and agricultural finance policies and programs was also done by ACPC.
- The Magna Carta for Micro, Small, and Medium Enterprises is landmark legislation that defines the current national policies to foster a dynamic MSME sector Passed in 1991 as Republic Act (RA) No. 6977, it was amended by RA 8289 in 1997 and by RA 9501 in 2008. Three major provisions contained in the legislation are the creation of the Micro, Small and Medium Enterprise Development (MSMED) Council, creation of the Small Business Guarantee and Finance Corporation, and the mandatory credit allocation of 8% to MSEs and 2% to medium sized enterprises by all lending institutions.
- Republic Act 8425 or the Social Reform and Poverty Alleviation Act provides that the government "shall expand microfinance services and capacity-building" in support of sector-specific flagship programs. The law provides that "the programs and implementing mechanisms of the social reform agenda's flagship program on credit shall be integrated, adopted and further enhanced to effectively support the objectives of this Act.
- Chapter 3 of Republic Act 8435 (Agricultural and Fisheries Modernization Act, or AFMA) of 1997 placed emphasis on the provision of credit as one of the critical support mechanisms in achieving its overall goal. It encouraged the active participation of the banking sector, cooperatives and Government financial institutions in the delivery of credit services to the sector. With AFMA, ACPC was tasked to facilitate the phase-out of all agricultural directed credit programs (DCP), consolidating these in an Agro-Industry Modernization Credit and Financing Program (AMCFP) to rationalize the administrative costs incurred as well as loan pricing policies with respect to credit delivery.
- The Bangko Sentral ng Pilipinas was mandated by the General Banking Law of 2000 to recognize microfinance as a legitimate banking activity and to set the rules and regulations for its practice within the banking sector. In the same year, the Bangko Sentral ng Pilipinas declared microfinance as its flagship program for poverty alleviation. Microfinance services are provided mainly by banks (rural and thrift), NGOs, and cooperatives. The regulatory framework for microfinance institutions (MFIs) was crafted by the National Credit Council in 2002. Under Circular No.272, the Bangko Sentral ng Pilipinas defined microfinance loans as small loans given to low-income households to finance micro enterprises and small businesses.
- In 2001, the Small Business Guarantee and Finance Corporation and the Guarantee Fund for Small and Medium Enterprises merged to form the Small Business Corporation, the major provider of loan guarantees for MSMEs. The Corporation was given the authority to offer wide range of financial services, specifically for small and medium enterprises engaged in manufacturing, processing, agribusiness (except crop level production) and services (except trading). Its financial services include guarantee, direct and indirect lending, financial leasing, secondary mortgage, venture capital operations and issuance of debt instruments for compliance with the mandatory allocation provision.
- The Barangay Micro Business Enterprises Act of 2002 is another law that supports micro enterprises through exemption from taxes, fees, and coverage of the minimum wage law, setting up of special credit windows by government finance institutions, and technical support of government institutions.
- The Credit Information System Act signed into law in September 2008 requires all regulated entities to submit positive and negative information to a new credit bureau under the Securities and Exchange Commission (SEC). The act required all types of banks, insurance companies, credit card issuers, cooperatives, MFIs, and other institutions that extend credit to share their credit data with the Credit Information Corporation. However, the establishment of the Central

Credit Information Corporation (CCIC) has not yet resulted in the operation of a functioning, active credit bureau. Implementing rules and regulations (IRR) were approved in May 2009 and the CCIC was established in 2011, but compliance with credit reporting is incomplete.

- Republic Act 10 000, or the Agri-Agra Reform Credit Act of 2009 (superseded PD 717 or the Agri-Agra Law) precludes previous provisions through which non-agriculture related Agri-Agra compliance was eliminated. Alternative compliance include wholesale lending to accredited rural financial institutions for retail lending to small farmers or fisher folk; opening of special deposit accounts with accredited rural financial institutions; loans to set rural infrastructure like farm-to-market roads and postharvest facilities; investments in preferred shares of stock of rural financial institutions, including farmers' cooperatives and mutual benefit associations; loans for, or investments in, activities identified under the AMCFP; and investments in LBP or DBP bonds and shares of stock of QUEDANCOR, or rediscounting of guaranteed loans of QUEDANCOR and Philippine Crop Insurance Corporation (PCIC).
  - The Bangko Sentral ng Pilipinas has also instituted regulatory incentives for MSME lending, such as recognized specialized credit guarantee schemes, risk-based lending, lowered risk weighting of MSME loans from 100% to 75%, and increased borrowers' limit for SME receivables.
  - The BSP regulates NBFIs including savings and loan associations and pawnshops. The Securities and Exchange Commission also regulates NBFIs such as finance companies. The pawn business has been gradually growing in the Philippines. In 2010, BSP issued rules on the extension of housing microfinance and eased requirements for micro-lending in agriculture.
  - The BSP also issued Circular No. 744, Series of 2011 dated December 28, 2011 Re: Amendments to Annex A of Circular No. 694 to include Microfinance Plus in the Types of Microfinance Loans. Microfinance Plus is a type of loan that may be granted to growing microenterprises and small businesses on the basis of the borrower's cash flow given some requirements such as having demonstrated success in business, good track record of at least 2 loan cycles demonstrating the success of the business, and presence of a savings account. While the maximum principal amount of microfinance loan is P150,000, Circular No.744 allows banks to offer the option of "microfinance plus" loans up to P300,000. With this, the BSP also instituted standards for the conduct of microfinance operations for bank supervisors to fully understand the risk profile of microfinance, and not lead the banks to simply avoid exposure to this market.
26. The Bangko Sentral ng Pilipinas (BSP) has taken additional steps to ensure that services for micro-deposits, microinsurance, micro-agri, housing microfinance, and microfinance plus for growing enterprises can be developed. Thus, BSP set in place the following regulations:
- a. Recognized and accepted practices such as the use of group support or liability arrangements, cash flow based lending, and high frequency amortizations;
  - b. Encourages microfinance NGOs who wanted to transform into formal financial institutions;
  - c. Liberalized the branching regulations to allow the establishment of micro-banking offices and paved the way for innovations. (BSP Circular No. 759, Series of 2012)
27. A report by the Congressional Planning, Budgeting and Research Department (CPBRD, Policy Brief No. 2013-03), noted that a "closer look into the industry would show that regulation of non-bank MFIs could be further strengthened to enable the industry to truly promote inclusive growth." Even the MF Transparency noted that NGO MFIs, pawnshops, credit unions are not included in the formal regulatory oversight. "It is expected that the diverse nature of the Philippine microfinance providers may pose a challenge in the tackling and enforcement of activities related to consumer protection and responsible practices". Further, some observations (Gigantone, 2013) were noted on the CDAs lack of the capacity to fully regulate cooperatives. The aforementioned CPBRD Brief mentioned that the "regulatory power of the CDA needs to be strengthened to make it more competent in supervising cooperatives to ensure the viability and growth of the sector." It further stated that Congress proposed bills to amend the charter of the CDA which should include specific provisions to empower CDA to regulate the microfinance activities of cooperatives.
28. The CPBRD Policy Brief suggested several actions to be considered to promote the development of the microfinance industry: (1) Review of the National Strategy for Microfinance

- (NSM); (2) Harmonize and integrate microfinance data; and (3) Accelerate the operation of the credit bureau created through RA 9510. The credit bureau is to act as a central registry of credit information, and provide access to reliable, standardized information on credit history and financial condition of borrowers.
29. To address these concerns on regulating NGO MFIs and on CDA oversight of cooperative financial services, SEC has introduced a Microfinance NGOs Act in 2015 and “Rules and Regulations on Microfinance NGOs.”
- The main change was the introduction of reporting standards for NGO-MFIs. The Microfinance NGOs Act, introduced on November 3rd 2015, strengthened NGOs engaged in microfinance operations for the poor. According to this act, NGO-MFIs are required to submit regular reports to the Microfinance NGO Regulatory Council which, in turn, submits an annual report to the President of the Philippines and the relevant committees of both houses. Implementing Rules and Regulations for the Act were approved in August 2016.
  - The Cooperative Development Authority (CDA) issued revised rules in March 2015, to implement provisions of the Philippine cooperative code of 2008. These require all co-operatives, their federations and unions to submit annual financial statements, which must also be audited by certified public accountants, as well as general information sheets. This gives the CDA more standardisation in applications and financial reporting and, with the clear rules, faster adoption of reporting requirements by cooperatives.
  - Then-President Benigno Aquino III signed Republic Act No. 10846, amending the Charter of the Philippine Deposit Insurance Corporation (PDIC)—a government agency that insures the deposits of all banks—which further strengthened PDIC’s institutional and governance framework to align it with international best practices. PDIC was eventually merged with Landbank.
  - In 2016, BSP issued various circulars defining and authorising financial intermediaries under its supervision to engage in value chain finance; expanding the range of activities allowable by micro-banking offices affiliated with microfinance institutions; and allowing the conversion of microfinance-oriented thrift or rural banks into regular thrifts and banks.
30. In view of the above, the EIU ranked the Philippines no. 3 out of 55 countries in the 2016 Global Microscope on Financial Inclusion. Initiatives are being undertaken to further strengthen the key players in microfinance, and the existing policy on rural finance and its regulatory framework continues to provide stability in the industry. Through the years, BSP noted that microfinance technology and methodology can be appropriately utilized to deliver other types of financial services in a sound, prudent and sustainable manner, including credit for small farming activities.
31. **Access to financial services.** BSP data estimates that only 4 in 10 Filipinos have bank accounts, which remains a major concern<sup>34</sup>. Bank coverage remains predominant in Metro Manila, big major cities and other highly urbanized towns or 1<sup>st</sup> class municipalities. Their presence in other municipalities is sparse.<sup>35</sup> Coverage for rural areas, particularly the poorest ones, is sparse and there is no coverage in hard-to-reach areas. To compensate for this, banks and MFIs are now adopting digital and mobile technologies to improve or expand their services by investing in electronic banking (e-banking) technologies such as electronic wallets, mobile banking, automated teller machines (ATMs), cash remittance cards, etc.<sup>36</sup> The BSP has

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<sup>34</sup> Nevertheless, some progress has been made in this area. Since 2012, the number of banks that offer accounts with low or no minimum deposits and no service charges, known as “micro-deposit accounts”, has tripled.

<sup>35</sup> Coverage is 100% in Metro Manila and 95% in CALABAZON; these regions are heavily populated and mostly urbanized, making them viable hubs for business and other industries, while it is 8% in central Mindanao, 2% in Cordillera region, Easter Visayas at 30%. The outreach and presence of banks and microfinance institutions (MFIs) in poorer areas of the country has remain low due to the generally low population density, geographic inaccessibility, and prevailing geo-political and socioeconomic situations in these localities.

<sup>36</sup> E-banking platforms such as electronic wallet (G-Cash/Smart Money) are being offered by 58 banks, hybrid mobile/internet by 52 banks, internet banking by 42 banks, cash/remittance cards by 29 banks and mobile banking by 27 banks. The use of



allowed banks to establish micro-banking offices (MBOs) in hard-to-reach places. There is a need to accelerate this trend so that more smallholder farmers can be reached by FSPs.

32. The banking sector is highly liquid. Total resources of the Philippine financial system stood at P15.8 trillion, and growing at 10% to 14% per year. There is a need to create strong linkages between the big commercial banks and the smaller FSPs because the latter need wholesale loans from the big commercial banks which control the bulk of the financial resources in the system. The current agricultural lending of big banks is mainly to large agri-business corporations. The BSP is encouraging big banks to lend indirectly to by recognizing wholesale loans to agri-focused FSPs (those that extend loans to smallholder farmers, farm-based enterprises and cooperatives) as alternative form compliance with the Agri-Agra Law. Microfinance loans to farmers are limited to short-term crops, and one barrier is that the BSP currently does not recognize loans for long-gestating crops as a part of the bank's microfinance loan portfolio; hence, the need to encourage the BSP to allow and promote loans for long-gestating crops.

166. Apart from rural and cooperative banks, non-formal financial institutions are important sources of credit in rural and agricultural areas. Non-formal financial institutions consist of cooperatives and non-government organizations. These institutions are required to register with the Cooperative Development Authority (for cooperatives) and Securities and Exchange Commission (SEC) for non-stock non-profit NGOs but are not regulated with regard their savings and lending operations. There are almost 25 000 672 registered operating cooperatives in the Philippines, of which about 15 000 are multi-purpose cooperatives and 3000 credit cooperatives (CDA, 2014). Most multi-purpose cooperatives however have likewise savings and lending operations.

167. It is essential for lending institutions to mitigate against risks of natural disaster and catastrophic events since farmers are exposed to systemic or covariant risks. Producers face myriad of risks arising from pests and diseases and vagaries of nature that affect production yields and farm incomes. There is possibility of large scale loan defaults within the geographic area coverage of a financial institution which may put at risk the solvency of the bank. Indeed, a number of small rural banks were forced to close down due to large scale loan losses from agricultural borrowers affected by successive disaster events (typhoons, floods). As crops were not insured nor the banks sought credit guarantee, the banks were forced to absorb loan losses that eroded their capital. Unable to raise the capital required by the Central Bank, the banks were put under receivership. Prior to the disaster events, these banks had Capital to Risk Asset Ratio (CAR) above the Central Bank requirement.

168. While farmers can manage small recurrent risks through the use of appropriate farm management practices such as pest management and improved technologies, they are not in a position to manage the less frequent but more severe losses arising from adverse events. In a country like the Philippines with high risk exposure to natural calamities, agricultural insurance is particularly important as this provides protection to farmers in incurring heavy financial losses. Agricultural insurance also serves as incentive to lenders to extend more credit to farmers as insurance reduces credit risk. Thus, an agricultural insurance system accessible to producers is deemed important in ensuring farmers' welfare and in promoting sustainable rural finance.

169. Current risk mitigation instruments include crop insurance extended by GoP-owned Philippines Crop Insurance Corporation or PCIC) and the Agricultural Guarantee Fund Pool (AGFP). However both have low service coverage and most are slow to process and pay out claims. A recent study by the Asia and Pacific Rural and Agricultural Credit Association (APRACA) found: (a) markedly improved performance of the insurance program in recent years and (b) PCIC's improved prospects for attaining continued growth and sustainability. The bulk of PCIC insurance is subsidized multi-peril rice and corn insurance. Profitability was attained beginning 2012 due to markedly improved administrative cost efficiency while maintaining manageable loss ratio, exhibiting prospects of financial viability. The APRACA recommended (a) for the government to provide larger and adequate funding to PCIC; (b) conduct an updated actuarial review of current premium rates for multi-peril rice

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automated teller machines (ATMs) also remained a key platform in the efficient delivery of financial products and services. The system's ATM network increased to 17,317 units, as of 2015.



and corn insurance to determine if downward adjustments are possible, and (c) for PCIC to forge public-private partnerships on risk sharing among micro-insurance organizations and private insurers. The Government has indeed expanded its funding to PCIC to cover crop insurance claims of small farmers and fishers, providing an average of Php1 billion annually since 2013, which has expanded to Php 1.6 billion in 2016 and Php 2.5 billion in 2017.

170. A pilot operation is being rolled out by Micro-ensure (Philippines), a licensed insurance broker affiliated with the Micro-ensure global network founded by Opportunity International in 2002. It started operations in the Philippines in 2007. It provides micro-insurance services by working with Microfinance Institutions covering 1.5 million clients in 50 provinces through a wide range of products that cover losses related to personal accident, natural death, calamity and weather. Micro-ensure developed a unique Weather Index Based Insurance (WIBI) product where it partners with an input supplier. A sack of fertilizer is equivalent to one unit of WIBI insurance at premium cost of Php 35 (\$ 0.80) per unit insurance. The term of coverage is 120 days. The bulk of its income comes from life insurance while less than 1% came from WIBI crop insurance.

33. Republic Act 6977, requires a bank to set aside 10% of its loan portfolio for micro, small and medium enterprises (MSMEs), 8 percent for SMEs and 2 percent for micro-enterprises (MEs). Compliance is at 9.8% overall. Similarly, there is weak compliance with the R.A. No. 10000, the Agri-Agra Reform Credit Act of 2009, that requires banks to set aside 15% of their loan portfolio for agriculture and 10% for agrarian reform projects. Overall, compliance to the law is only 14% for agriculture and 1% for agrarian reform. Many banks prefer to pay penalties rather than comply with the Agri-Agra law because of (1) the high risks involved in agriculture and (2) the lack of opportunities and knowhow to lend to these sectors (Source: BSP Status Report of 2015).
34. According to the BSP, some large banks opt to pay a fine rather than set aside funds for lending to risky borrowers such as MSEs. The BSP imposes a P500,000 a year fine for zero compliance with the MSME lending quota, while the penalty fees for undercompliance are commensurate with the percentage of undercompliance; 90% of the penalties collected will be remitted to the MSME Development Council Fund, while the remaining 10% is retained by the Bangko Sentral ng Pilipinas for administrative expenses.
35. **MSME Credit Guarantee Schemes** Credit guarantee programs for MSMEs in the Philippines are mainly provided by the Small Business Corporation and the Credit Surety Fund Program of the Bangko Sentral ng Pilipinas. The Small Business Corporation offers a credit guarantee program which aims to help financial institutions consider the granting of loans to MSMEs through credit sharing, with the corporation taking on the bulk of the risk for a fee. Credit evaluation is based on the borrower's risk rating to assess the enterprise itself and to determine the pricing of the guarantee. Guarantee cover is 70% of the loan for a clean loan facility and 70% of the unsecured portion for a collateralized loan facility. During 2002–2012, the total amount guaranteed by the Small Business Corporation was P1.4 billion.
36. Meanwhile, the Bangko Sentral ng Pilipinas Credit Surety Fund is created by pooling the contributions of cooperatives, nongovernment organizations (NGOs), local government units, and partner institutions. It provides 80% surety cover of the principal amount of the loan, which increases in accordance with the percentage of payment made by the borrower. Over 300 cooperatives are currently participating in the Credit Surety Fund.

### Migration and remittances

37. **Migrants.** There were almost 10.23 million Overseas Filipino Workers (OFWs) in 2013, representing 10% of the whole population and a quarter of the labour force. The main areas of migration are located in Luzon around Manila, and in most populated provinces (cf. Annex 2: Map of origin of OFWs by province). International migration is also prevalent, with most of the

provinces registering more than 2,000 new hires<sup>37</sup> yearly. Around 60% of OFWs are women and 80% are deployed in low-skill sectors such as domestic workers and oil and construction sectors<sup>38</sup>.

38. **Remittances.** With USD billion 28,5 (2015), remittances received from abroad amounted to 9,6% of the GDP<sup>39</sup>. International remittances are a source of income for 25% of households<sup>40</sup>, and 34% of adults received domestic remittances in 2014<sup>41</sup>, making the reception of remittances as common as the ownership of an account at a financial institution<sup>42</sup>. Remittance recipients tend to earn more from their investment and save more than their non-receiving counterparts<sup>43</sup>. A Consumers' Expectation Survey led by the BSP shows that 47% of remittance recipients save on their remittances<sup>44</sup>. But real estate and household consumption absorb significant amounts of personal remittances: investment in enterprises is low. Supporting migrants and their families in leveraging their finances - savings and remittances- towards productive capital investment remains a significant and yet untapped opportunity for the country.
39. **National policies.** Engaging OFWs in investing in rural MSMEs is a high priority for GoP. International Migration and Development (IMD) is integrated in the 2011-2016 Philippine Development Plan (PDP) with 60 provisions on IMD included in 7 out of the 9 chapters of the PDP. The entrepreneurial use of remittances is encouraged through the development of financial products and investment opportunities suiting OFWs financial needs and capacities and the improvement of their financial literacy and entrepreneurial skills<sup>45</sup>. In coordination with other government departments, DTI is invited to better leverage OFWs human and financial capital in its programmes and to improve OFW overall information and investment options<sup>46</sup>.
40. IMD issues also cut across the 2017-2022 PDP chapters with a view to mainstreaming them in existing public programmes. DTI is a member of the Planning Committee on IMD, which is chaired by the Department of Labor and Employment (DOLE). One of the three pillars for IMD interventions (Reintegration of repatriated and/or returning OFs) addresses the questions of OFWs financial investment and entrepreneurship with a particular attention given to: investment and retirement plan for returning OFWs; channelling remittances to investments; lack of entrepreneurship and investment promotion among OFWs; absence of a national policy encouraging OFWs to invest back in the country, i.e. fiscal and non-fiscal incentives.
41. The 2011-2016 MSME Development Plan mentions migration as an important factor in the economic development of the Philippines, which potential has not yet been fully tapped. Migration creates opportunities for MSME development in several ways: (i) it raises potential OFWs investment capital in MSMEs in the countryside, considering that two-thirds of OFWs are coming from or residing in rural areas; (ii) the remittances received by OFWs relatives can be channelled towards entrepreneurial endeavours like agribusiness and help in the further development of the MSME sector; and (iii) they can also improve the demand for MSME products and services in the Philippines and even in the host country; and (iv) the increased

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<sup>37</sup> Worker contracted for overseas employment for the first time by a foreign employer through a duly licensed placement agency.

<sup>38</sup> IOM country migration report 2013.

<sup>39</sup> World Bank Annual Remittances Data (updated as of Oct. 2016) and World Bank Indicators 2016. Forecast for remittance inflows in 2016 is as of USD billion 29,1.

<sup>40</sup> Labour force survey, 2013.

<sup>41</sup> Demircuc-Kunt, Asli, Leora Klapper, Dorothee Singer, and Peter Van Oudheusden. 2015. "The Global Findex Database 2014: Measuring Financial Inclusion around the World." Policy Research Working Paper 7255, World Bank, Washington, DC.

<sup>42</sup> 28,1% of adults owned an account in 2014 according to Findex survey.

<sup>43</sup> Alvin P. Ang, Guntur Sugiyarto, and Shikha Jha, 2009, "Remittances and Household Behavior in the Philippines", ADB Economics Working Paper Series No. 188 | December 2009, Metro Manila, Philippines.

<sup>44</sup> As compared to 41% of the country's population. [http://www.bsp.gov.ph/downloads/Publications/2016/CES\\_4qtr2016.pdf](http://www.bsp.gov.ph/downloads/Publications/2016/CES_4qtr2016.pdf)

<sup>45</sup> PDP, Chapter 2 - Macro-Economic Policy: Policymakers will need to focus on leveraging remittances as a tool for economic development. While remittances are private transfers, the government can ensure that the policy environment is conducive to the use of remittances for investment in well-considered financial products, in productive activities such as entrepreneurial undertaking as well as in better housing, education, and healthcare for remitters and their beneficiaries.'

<sup>46</sup> PDP, Chapter 3 - Competitive Industry and Service Sector: 'A more aggressive campaign to tap OFs sources of capital shall be pursued...DTI and DOLE shall review and strengthen existing programs and consider ways to maximize the brain gain derived by OFWs from foreign deployment'.

know-how of the OFWs could lead to new forms of businesses, knowledge transfer, and raise the productivity and efficiency of MSMEs.

42. **DTI.** At the national level, in tight collaboration with other departments and under the leadership of the Commission on Filipinos Overseas (CFO), DTI contributes to [BaLinkBayan](#), a one-stop online portal dedicated to the OFW engagement toward local development. The gateway provides online tools to initiate and register a business, an interactive map of agricultural products by province and municipality, investment briefs on various agricultural products and profitability analysis of agri-based MSMEs. At a more decentralized level, DTI-Regional Operations Group (ROG) signed in September 2016 a MoU with the Overseas Workers Welfare Administration (OWWA)<sup>47</sup> for the Enterprise Development and Loan Program (EDLP), which will assist OFWs reintegration by supporting them in expanding or starting-up an MSME. Launched in 2011, EDLP predecessor financed 854 loans amounting to PHP million 633 in two years, generating close to 4,000 jobs. 41% of applications were dedicated to agri-based and related enterprises. To be eligible to the EDLP, OFWs must: be members of OWWA; be back in the Philippines for less than 3 years; bring equity amounting to 20% of the total project costs; and have completed the Enhanced Entrepreneurial Development Training (EEDT) provided by OWWA in partnership with DTI. OFW applicants can access loans extended by the Land Bank, ranging from PHP 100,000 to PHP 2,000,000 for single proprietorship and to PHP 5,000,000 for group loan borrowers, with an annual interest rate of 7.5% and the possibility to raise a guarantee to over pass collateralized loan amount limits. OWWA will refer prospective OFW-investors to DTI, which will provide access to training and technical support in starting an enterprise. Negosyo Centers will organise training and link OFWs with resource persons, entrepreneurs and markets.
43. **Options for long-term investment.** To improve the leverage of OFWs financial resources for productive use, there is a need to promote savings for long term planning of low income families, as well as to diversify long term investment options. In particular, there is a lack of investments options to finance rural MSMEs, although they would match OFWs' expectations to build long term assets and support the development of their localities of origin. The Land Bank-Trust Banking Group has designed an investment fund targeting OFWs, the Green Fund, which aims at investing in rural MSMEs/cooperatives. Land Bank is still in the process of streamlining the Green Fund marketing strategy and the selection of rural SMEs/cooperatives to make the fund attractive to investors. IFAD/FFR-financed project aiming to Scale Up Initiatives in Mobilizing Migrants Resources Towards Agriculture Development in the Philippines, implemented by Atikha, illustrates the relevance of providing investment options in existing, high performing, agri-based cooperatives. It has facilitated the collection and investment of USD million 1.5 from OFWs. Another, more recent FFR-supported project, implemented by Access Advisory, develops savings plans for OFWs and their families linked to financial products and welfare services (insurance, school, etc.) offered by cooperatives. The project also explores the feasibility for OFWs to acquire shares from wealthier cooperatives through the National Confederation of Cooperatives (NATCCO), for long-term investments.

## Rural Roads

44. **Local roads.** The responsibility for health, local roads, social welfare services, provincial infrastructure facilities, low cost housing, provincial environmental enforcement and a number of other research and investment related services was devolved by the National Government to the LGUs through the Local Government Code (LGC). Figure 1 shows government agencies' responsibilities in the development and maintenance of the Philippines' roads network. The Department of Public Works and Highways (DPWH) is responsible for developing and maintaining national roads. It can also provide assistance to LGUs that do not have sufficient capacity to design and implement local roads projects, including for farm-to-market roads (FMR). Maintenance however remains with the LGUs. The Department of the Interior and

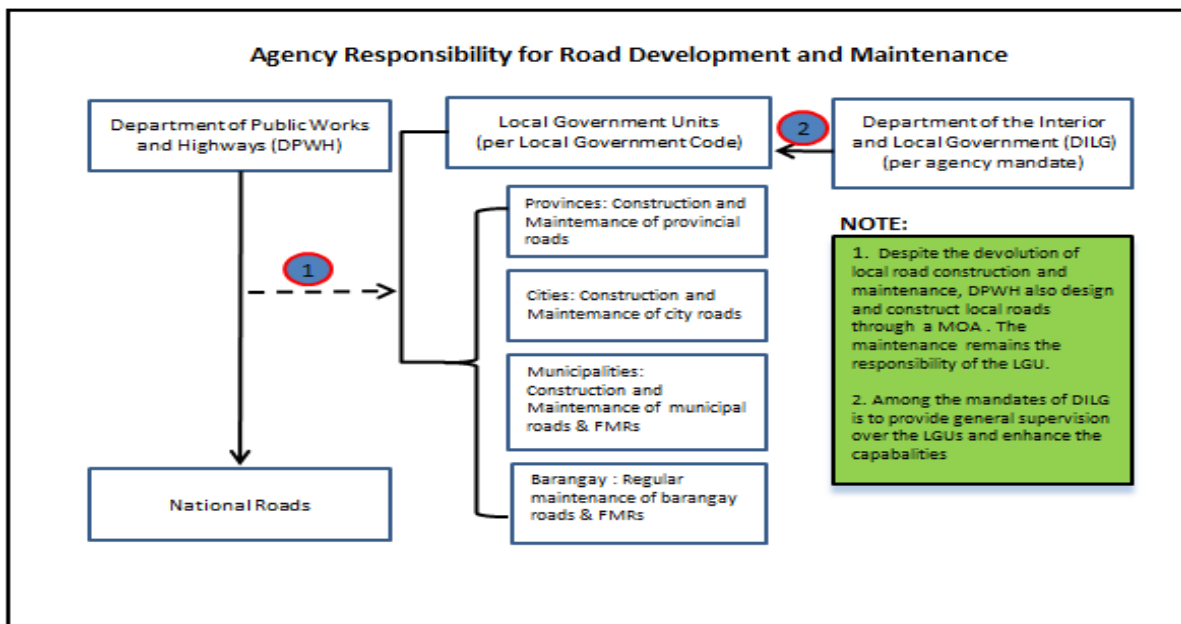
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<sup>47</sup> Attached to DOLE, OWWA is the lead government agency for promoting the welfare and well-being of OFWs and dependents.

Local Government (DILG) is mandated to supervise and build the capacities of LGUs in planning, designing, procuring and implementing rural infrastructure projects.

**Figure 1. Agency Responsibilities for Road Development and Maintenance**

45. DILG takes charge of capacity building for provincial LGUs across the country through the Provincial Engineers Office (PEO) in computer-based preparation of Detailed Engineering Design (DED) of local roads, as well as in quality assurance and quality control in project implementation. The Provincial Planning Development Office (PPDO) engineers are also being trained and required to prepare Provincial Roads Network Development Plan (PRNDP) that contains: (i) Road Network Development strategies and investments linked to the overall development directions of the province; (ii) Road maintenance strategies and plans that ensures the core road network will be maintained and funded; (iii) Road service delivery strategies and plans that outline how road services will be delivered to the community in the most efficient way; (iv) Capacity development and human resource management strategies and plans to ensure government staff can deliver services efficiently and effectively; (v) Road Safety Strategies and Plans that show how road safety will be taken into account and funded to help avoid accidents; and (vi) a financing and expenditure plan. DILG is also monitoring LGU road programmes and maintenance on local roads.



## **Annex 1: Rural Micro- and Small Enterprise (RMSE) Sector**

### **Policy and Legislative Framework**

1. The value chain approach has been duly recognized by the Philippine government under President Rodrigo Duterte as a potent tool for poverty reduction and inclusive growth. Indeed, the 10-point socio-economic agenda that the new administration presented in June 2016 included the commitment to “promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.” Furthermore, the same agenda also included priority measures to support the growth of MSMEs across the value chains, such as (i) “invest in human capital development and match skills and training to meet the demand of businesses and the private sector” and (ii) “promote science, technology and the creative arts to enhance innovation and creative capacity towards self-sustaining, inclusive development” for the country. The agenda will be translated into strategies, policies and programs aimed at achieving inclusive growth and a globally competitive knowledge economy, and it will be incorporated in the upcoming Philippine Public Investment Program 2017-2020.

2. The development of micro-, small and medium enterprises (MSMEs) has been part of the Philippine government’s thrusts as early as over 25 years ago. In 1991, the Republic Act (RA) No. 6977 known as “the Magna Carta for Small Enterprises” was enacted as the landmark legislation that has defined the national policy for the MSME development to this day. This original RA has been amended twice with the end goal of establishing more effective measures for MSME development. The first amendment was enacted in 1997 via the RA No. 8289 dubbed as “An Act to Strengthen the Promotion and Development of, and Assistance to, Small and Medium Scale Enterprises” and the second came in 2008 when the RA No. 9501 known as “the Magna Carta for Micro, Small and Medium Enterprises (MSMEs)” was enacted. In 2014, RA No. 10644 known as “the Go Negosyo Act” was enacted to promote job generation and inclusive growth through the development of MSMEs.

3. Among others, these laws have led to evolving programs for MSME development and classification. The Magna Carta for Small Enterprises (RA No. 6977) of 1991 pushed for the organization of the Small and Medium Enterprise Development (SMED) Council and the rationalization of assistance programs implemented by concerned agencies. The classification of enterprises in terms of value of assets and number of employees has, likewise, been modified a number of times. Based on the amendments brought in by the RA No. 9501 of 2008, Philippine enterprises today are classified as follows: (i) micro-enterprises (with total assets worth P3,000,000 or less and with one to nine employees); (ii) small enterprises (with total assets worth P3,000,001 to P15,000,000 and with 10 to 99 employees); (iii) medium enterprises (with total assets worth P15,000,001 to P100,000,000 and with 100 to 199 employees); and, large enterprises (with assets worth over P100,000,000 and with 200 or more employees).

4. The RA No. 10644, on the other hand, was enacted in 2014 to strengthen MSMEs and enable them to create more job opportunities in the country. Known as “Go Negosyo Act”, the RA No. 10644 mandated the establishment of the “Negosyo Centers” in all provinces, cities and municipalities so as to promote ease of doing business, to speed up registration processes and to provide vital business advisory. The Negosyo Centers are organized to provide three major services, to wit: (a) Business Registration Assistance; (b) Business Advisory Services; and, (c) Business Information and Advocacy. They are designed to facilitate the access of MSMEs to the necessary business development services, financing, technologies and markets.

5. Across the country, Negosyo Centers (NCs) are hosted by DTI, LGU or private institutions. The services of NCs hosted by the government (i.e., DTI or LGU) can be sustainably maintained and made accessible to MSMEs as government resources can be tapped for the regular operating costs incurred. However, NCs hosted by private institutions would have to secure the continuity of their operations by generating revenues from the conduct of their services. In their case, client-MSMEs would be charged specific fees and operating costs have to be effectively managed with both the delivery of assistance to clients and the continuity of the operations of the center as the goals. As of October 2016, a total of 355 Negosyo Centers have been launched across the country – 198 in Luzon, 86 in Visayas and 71 in Mindanao. As classified by DTI, there are three types of NCs, namely:

- **Full service NC** – occupies an office and provides all business development services plus the availability of a training room. The center is manned by at least four (4) technical staff;
- **Advance NC** - occupies an office and provides all business development services but without a training room. The center is manned by at least two (2) technical staff; and,
- **Basic NC** - occupies no office but, instead, has a desk in the office of a host organization and is manned by one (1) technical staff.

6. At present, farmers and MSMEs have little or no interest in tapping private providers of business development services (BDS) as they mostly view these as unnecessary costs to further narrow their margins. But this can change with proper training and continuing mentoring for the MSMEs. In anticipation of this eventual increased interest of MSMEs on BDS, BDS-providers will need capacity enhancement in order to successfully nurture the MSEs and the workers in the value chain.

### MSME Development in the Philippines

7. The role of the MSMEs in achieving inclusive growth cannot be overemphasized. The MSMEs make up a total of almost 100 percent of the country's 946,988 registered establishments (i.e., 851,756 or 90 percent are micro, 87,283 or 9 percent are small and 3,886 or less than one percent are medium) The MSMEs also provide 63 percent of the 7,789,257 registered jobs in the country. While 2,897,421 jobs or 37 percent of the total is generated by large enterprises, the micro-enterprises come as the second biggest employer-group with a total of 2,372,678 jobs of 30 percent; the small enterprises provide 1,986,823 or 26 percent of the jobs and the medium enterprises serve as the smallest employer-group with 532,335 workers or 7 percent of the country's total. In addition, the MSMEs represent 60 per cent of the country's exporters as well as account for 37 percent of its value adding activities.

**Table 1. The Number of Establishments (Micro Small, Medium and Large) per Region, 2014**

No.	Region	Number of Establishments					
		Total	%	Micro	Small	Medium	Large
NCR	National Capital Region	211,854	22.4	176,275	32,065	1,699	1,815
CAR	Cordillera Administrative Region	18,267	2.0	16,991	1,196	38	42
I	Ilocos Region	48,955	5.2	45,888	2,946	84	43
II	Cagayan Valley	28,581	3.0	26,835	1,664	48	34
III	Central Luzon	105,754	11.2	96,745	8,423	308	278
IVA	CALABARZON	145,579	15.4	133,389	10,960	560	670
IVB	MIMAROPA	27,653	3.0	26,241	1,362	28	22
V	Bicol Region	34,602	3.6	32,042	2,445	68	47
VI	Western Visayas	54,268	5.7	49,181	4,744	169	174
VII	Central Visayas	66,603	7.0	58,702	7,146	342	413
VIII	Eastern Visayas	27,597	3.0	25,727	1,790	46	34
IX	Zamboanga Peninsula	31,401	3.3	29,575	1,720	64	42
X	Northern Mindanao	36,309	3.8	32,915	3,160	117	117
XI	Davao Region	45,542	4.8	41,088	4,066	193	195
XII	SOCCSKSARGEN	37,947	4.0	35,676	2,122	71	78
XIII	Caraga	16,642	1.8	15,399	1,156	44	43
ARMM	Autonomous Region in Muslim Mindanao	9,434	1.0	9,093	318	7	16
	<b>Philippines</b>	<b>946,988</b>	<b>100.0</b>	<b>851,756</b>	<b>87,283</b>	<b>3,886</b>	<b>4,063</b>

Source: PSA 2015

8. **Establishments.** The country's 946,988 registered enterprises are well-scattered across its urban and rural centers, with the bulk of them in the National Capital Region (22 percent), the CALABARZON Region (15 percent) and the Central Luzon Region (11 percent). This maybe attributed to the well developed infrastructure, e.g., Industrial Estates, Business Parks, etc., and logistical facilities. The rest of the regions have smaller numbers of registered enterprises: 34,602 or 4 percent are in Region V (Bicol), 27,597 or 3 percent are in Region VIII (Eastern Visayas), 31,401 or

3 percent are in Region IX (Zamboanga Peninsula), 36,309 or 4 percent are in Region X (Northern Mindanao), 45,542 or 5 percent are in Region XI (Davao), 37,947 or 4 percent are in Region XII (SOCCSKSARGEN) and 16,642 or 2 percent are in Region XIII (CARAGA) (see Table 1).

9. The country's MSMEs are engaged in various industries. Forty-six percent of them is into wholesale and retail trading; 14 percent provides accommodation and food services; 13 percent is into manufacturing; 4 percent is in the information and communication technology (ICT) sector; 4 percent offers financial services and insurance packages; and those that make up 20 percent of the total are engaged in other industries including agriculture, forestry and fisheries (AFF), mining and quarrying, electricity, water and other utilities, construction, transportation, storage, etc.

10. The total number of establishments in Agriculture, Forestry and Fishing (AFF) is reported at 8,472 in 2014; these establishments have a total of 219,066 workers. This means that about 1 percent of the total of 946,988 establishments of the country are in the AFF sector. On the other hand, the AAF sector provides 219,066 jobs of 3 percent of the total of 7,789,257 jobs (see Table 2) provided by micro, small, medium and large enterprises across all sectors. In the AFF sector, the MSMEs employed 105,356 workers in 2014 while the large enterprises employed 113,710. This leads to a ratio of almost 1:1, a deviation from the general average of 2:1 in the other sectors.

**Table 2. The Number of Employment (Micro Small, Medium and Large) per Region, 2014**

No.	Region	Total Employment					
		Total	%	Micro	Small	Medium	Large
NCR	National Capital Region	2,953,102	38.0	543,476	779,902	230,085	1,399,639
CAR	Cordillera Administrative Region	102,469	1.3	43,255	24,899	5,267	29,048
I	Ilocos Region	208,296	2.6	120,582	61,082	11,226	15,406
II	Cagayan Valley	122,648	1.6	71,822	32,098	6,673	12,055
III	Central Luzon	686,165	8.8	259,690	183,540	42,518	200,417
IVA	CALABARZON	1,221,315	15.7	371,908	253,461	77,636	518,310
IVB	MIMAROPA	104,883	1.3	63,500	26,808	3,820	10,355
V	Bicol Region	177,570	2.3	90,988	51,441	9,466	25,675
VI	Western Visayas	350,646	4.5	139,952	104,074	22,681	83,939
VII	Central Visayas	670,308	8.6	166,681	163,431	47,622	292,574
VIII	Eastern Visayas	127,560	1.6	75,020	34,124	6,087	12,329
IX	Zamboanga Peninsula	139,138	1.8	74,559	36,143	9,017	19,419
X	Northern Mindanao	237,934	3.1	89,475	69,402	16,374	62,683
XI	Davao Region	335,391	4.3	112,455	90,034	27,072	105,830
XII	SOCCSKSARGEN	218,948	2.8	83,417	46,902	10,293	78,336
XIII	Caraga	94,134	1.2	40,992	23,238	5,630	24,274
ARMM	Autonomous Region in Muslim Mindanao	38,750	0.5	24,506	6,244	868	7,132
	<b>Philippines</b>	<b>7,789,257</b>	<b>100.0</b>	<b>2,372,678</b>	<b>1,986,843</b>	<b>532,335</b>	<b>2,875,571</b>

Source: PSA 2015

11. Given the impact of a growing MSME sector on the country's inclusive growth, it is important for MSMEs to be provided with the necessary capacity building and business development services (BDS) to enable them to grow and thrive instead of eventually discontinuing their operations due to overwhelming competition and difficult market requirements. As a case in point, the MSME Development Plan 2011-2016 implementation from July 2011 to June 2016 has actually generated 2.784 million jobs, P69,439 billion domestic sales, US\$ 108.953 billion export sales and P108.305 billion investments. The Plan implementation also led banks to lend a total of P204.71 billion to micro- and small enterprises (MSEs) and P291.07 billion to medium enterprises.

12. And yet, only the government-provided assistance is available for most MSEs given their limited capacity to pay for the necessary services and their limited understanding of the importance of the same. Likewise, the government's resources are limited. While it has stepped up its efforts towards MSME development, its programs cannot reach out to and provide for all the MSMEs in need of assistance, particularly in accessing financing, technologies, markets and in increasing their productivity and operational efficiency.

## Priority Industry Clusters

13. The Department of Trade & Industry (DTI) has identified seven priority industry clusters that have the most potential for growth and job generation and that also can contribute the most to the government's programs for poverty reduction. These clusters are (i) bamboo, (ii) cacao, (iii) coffee, (iv) coconut, (v) rubber, (vi) Processed Fruits and Nuts, (e.g., banana, mango, pili, cashew and kalamansi), and (vii) Wearables and Homestyles (e.g., abaca, tikog and bamboo). All the country's regions have at least five of these clusters as indicated in Table 1. Across these clusters, majority of the stakeholders are the micro- and small enterprises as well as smallholder farmers.

Table I: National Industry Clusters vs Regions Matrix

No.	Industry Cluster	Region																
		CAR	1	2	3	4A	4B	NCR	5	6	7	8	9	10	11	12	13	ARMM
1	Coffee	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
2	Cacao	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
3	Coconut				*	*	*		*	*	*	*	*	*	*	*	*	*
4	Process Fruits & Nuts	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
5	Bamboo	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
6	Rubber				*	*	*				*	*	*	*	*	*	*	*
7	Wearables & Homestyles	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
		<b>5</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>

14. While specific constraints direly affect the competitiveness of the value chains, there are common ones that beset all clusters such as the lack of financing and technology, stringent market requirements (i.e., quality and standards, scale/volume imposed by the market). The inability of most MSMEs to comply with them, the lack of the necessary quantities of raw materials for generating the needed production scales based on existing market demand, and the lack of capacity building on Good Manufacturing Practice (GMP) and Good Agriculture Practice (GAP) all put a dent on the development of the country's value chains.

15. Smallholder farmers, as suppliers of the needed volumes of raw materials of agro-industries, would have to be given ample assistance in generating higher volumes of production and in delivering better quality. They should be organized as groups so they can benefit from the increased purchasing power of a solid group as they buy their needed seedlings, equipment and supplies. Similarly, being organized will enable them to accumulate bigger production volumes that call for better pricing in the market. Some companies have embarked on capacity building programs for their smallholder-suppliers. Examples of these companies are Nestle Philippines and Dole Philippines, which both have been regularly providing trainings for farmers to enable the latter to produce their required quantities of raw materials that are, as well, compliant with the standards consistently adhered to across their production chains (e.g., traceability).

16. Product development is a common issue amongst the industries. Filipino micro- and small enterprises tend to produce the same mainstream products thereby wasting the opportunities to tap niche markets for specialized products. Capacity building on innovation and business development (e.g., the blue ocean strategy), together with adequate access to the needed financing and technologies, can lead to the creation of new globally competitive products.

17. Industrial governance promotes cooperation between small and large companies for the purpose of organizing production internally and among themselves. In the Philippines, industrial governance for specific clusters requires the formalization of an institutional structure (e.g., a national industry cluster team) as well as the establishment of an industry council. To-date, there has been only one industry council in the Philippines - the Philippine Bamboo Industry Development Council (PBIDC), which was created by Executive Order (EO) 879 on 14 May 2010. What followed was the organization of the Regional PBIDCs in some regions of the country that adopt bamboo as a priority. The councils tackle the industry concerns and serve as avenues for confronting industry problems.



18. Other priority industry clusters such as those for cacao, coffee, coconut, processed fruits and nuts have Industry Cluster Teams at the national level with a designated DTI Regional Director Coordinator. Industrial governance also take in as members the other national agencies (e.g., DA, DAR, DENR and DOST) and the private sector. In pursuit of industrial governance, organized Industry Cluster Teams are presently functional with designated coordinators and a secretariat provided by DTI.

19. At present, there are seven existing Industry Cluster Teams formally organized through an Executive Order. The industries represented by these teams are as follows: (i) cacao, (ii) coffee, (iii) coconut, (iv) bamboo, (v) rubber, (vi) processed fruits and nuts, (vii) wearables and homestyles. Of these seven, only the bamboo industry already has an official Industry Council, which can only be established via a signed Executive Order (EO). In particular, the Philippine Bamboo Industry Development Council (PBIDC) was created in May 2010 via EO No. 879.

171. On the other hand, the cacao industry currently has organized 16 Cacao Regional Councils for the countries regions, excepting the Autonomous Region of Muslim Mindanao (ARMM). These regional councils have been legally established via resolutions of the Regional Development Councils (RDCs), which has long been organized per region as a public-private undertaking for the economic advancement of the covered cities, municipalities and towns of each region. The Cacao Industry Cluster Team is chaired by the Cacao Industry Development Association of Mindanao, Inc. (CIDAMI), which is currently drafting a proposed Executive Order for submission to the Office of the President. Once signed, this EO will legally transform the national cacao organization into a council for the same industry thereby empowering it with a mandate and government-provided resources for its use. The proposed leadership structure of the council is as follows:

- Chairman: Private Sector (particularly, a CIDAMI representative)
- Co-Chairman: Department of Agriculture
- Vice-Chairman (Government): Department of Trade & Industry
- Vice-Chairman (Private Sector): a representative of the 16 existing Cacao Regional Councils of the country
- Members: the 16 Cacao Regional Councils, 2 national organizations (CIDAMI and Cocoa Phil), 2 centers of excellence (the University of the Philippines-Los Banos and the University of Southern Mindanao), the Department of Agrarian Reform, the Department of Environment and Natural Resources, the Department of Science and Technology, the Mindanao Development Authority, the Land Bank of the Philippines and the Small Business Corporation

20. All other clusters have regional councils; some industry clusters have councils in more regions compared to the others and some are more active in optimizing their organizations for the good of the value chain stakeholders.

### **Business Development Services**

21. Business development services would also be crucial, especially for start-ups among the MSMEs. These services have been provided in part by duly accredited BDS providers tapped by various national government agencies such as the Department of Trade & Industry (DTI), the Department of Agriculture (DA), the Department of Science & Technology (DOST), the Department of Agrarian Reform (DAR), and the Food and Drug Administration (FDA), which all have their respective capacity building and technical assistance programs for MSMEs.

22. The need to develop and nurture BDS-providers that will help MSMEs innovate their products and services to achieve increased competitiveness in the market, both local and global, has become more and more apparent as growing numbers of medium- and large-scale enterprises have come to realize the merits they bring. The same growing demand for BDS is seen to happen in the MSE sector when it is provided a proper orientation on BDS and when actual developments in their operations arise as a result of the government programs that they took part in.

23. Through it all, there will have to be sufficient numbers of BDS-providers to meet the demand for the services from MSMEs as well as large enterprises. The government agencies providing assistance to MSMEs cannot provide all the BDS that prove to be crucial to MSMEs. Also, the capacities required to grow businesses and entrepreneurship, such as SCALE, QUALITY, DELIVERY and TRACEABILITY are better exhibited by BDS-providers from the private sector. The government, as the ENABLER, has to provide the enabling environment and a vital element of it is the availability of BDS-providers from both the government and the private sectors.

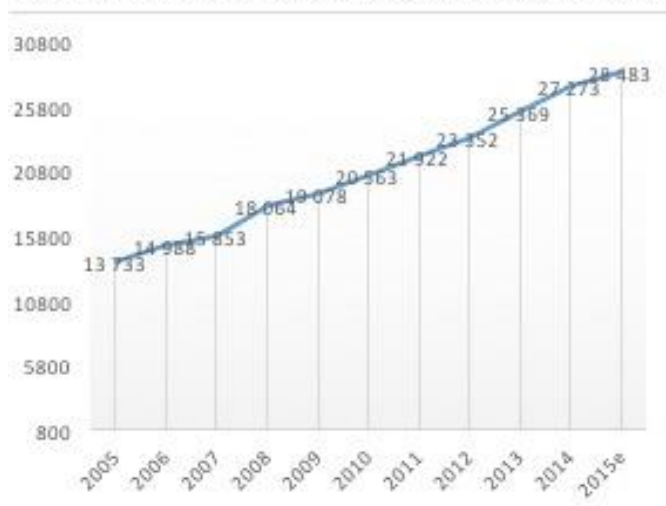
## Annex 2 – Basic data on OFWs and remittances in the Philippines

### Philippines

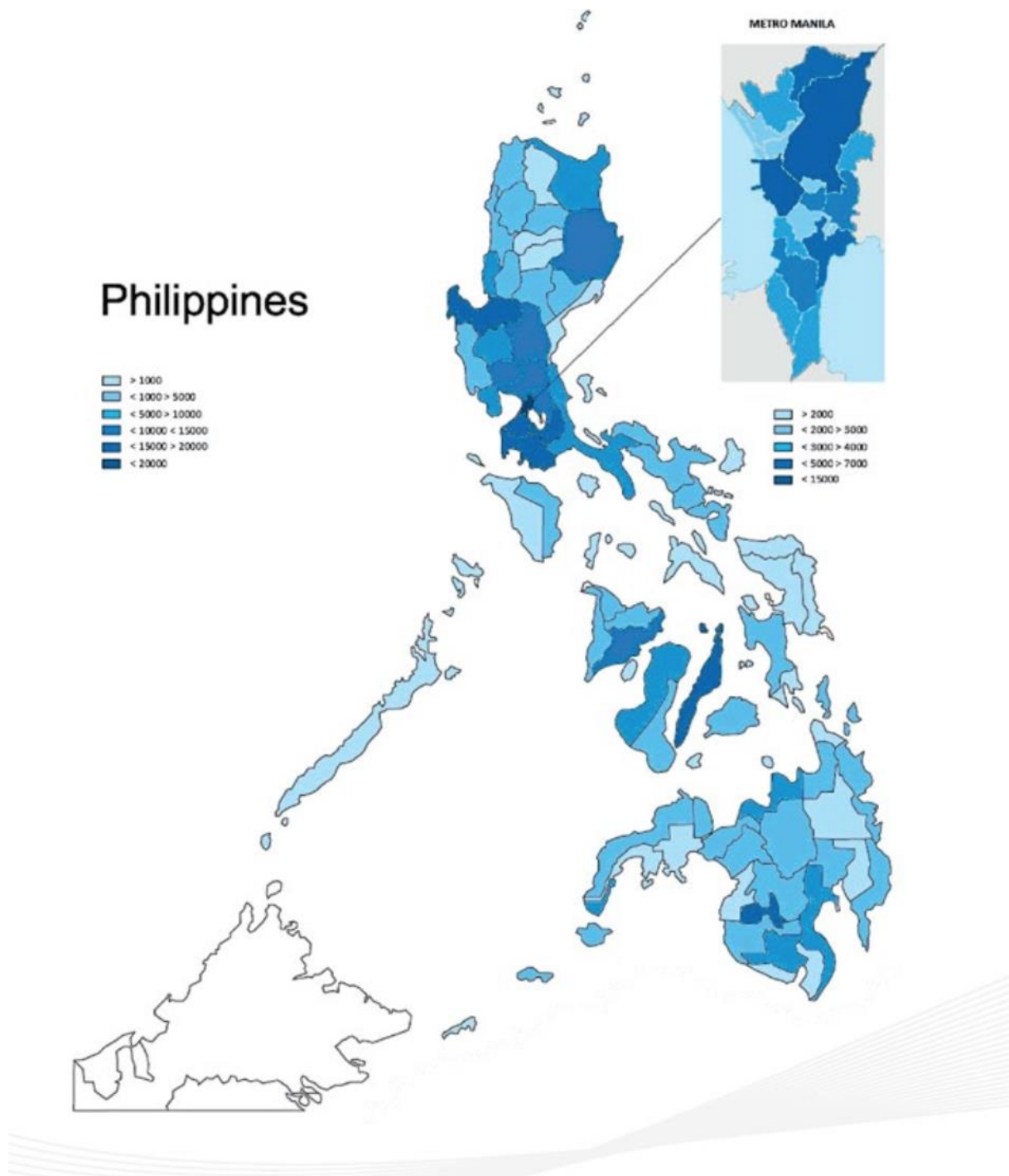
Population and migration	
Total population 2015	100 699 395
Total migrant population 2013*	10 238 614
Migrants / Total population (%)	10%
Rural population 2015 (%)	56%
Reliance on remittances	
Remittances Inflows (USD millions) in 2015 (est.)	28 483
<b>Remittances as a share of GDP in 2014 (%)</b>	<b>9,6%</b>
Population remittance reliant 2015	18 429 504
<b>Population remittance reliant 2015 (%)</b>	<b>18%</b>
Rural population remittance reliant 2015	10 320 522
Financial inclusion	
Account ownership	
Account ownership in 2014 (%)	31,3
Regional benchmark (%)	69,0
Gap to regional benchmark (%)	-37,7
Mobile account ownership 2014 (%)	4,2
Savings	
Saved any money in the past year 2014 (%)	67,3
Saved money at a financial institution 2014 (% adults)	14,8

\*Commission on Filipinos Overseas  
Stock estimates of Overseas Filipino Workers Dec. 2013

Evolution of inbound remittances 2005-2015 (USD million)

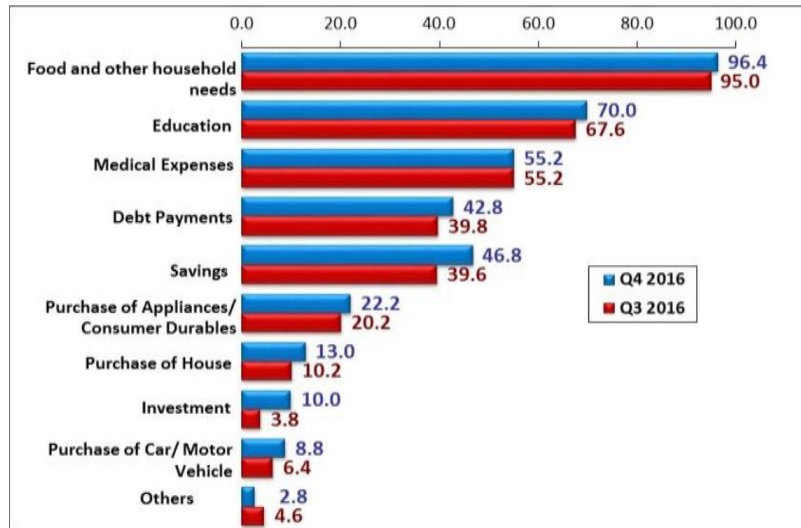


### Origin of OFWs by province, 2012



Source: 2012, OFW new hires registered by the Philippine Overseas Employment Administration (POEA)

### Expenditures of OFWs, Consumers Expectations Survey Q4 2016, BSP



## Appendix 2: Poverty, targeting, gender and indigenous people

### Background

1. While economic growth rates registered an average of 6.2% GDP per annum from 2011-2015<sup>48</sup>, the 2015 national poverty rate is still at 21.6%. Over the same period, poverty only decreased by about 3.6. With a population growth rate of 1.72% per annum<sup>49</sup> and a meager poverty reduction rate of approximately 0.6% annually over a nine-year period (from 26.6% in 2006 to 21.6% in 2015), the Philippines is faced with a huge challenge of eradicating poverty.

2. **Rural poverty.** Poverty incidence is significantly higher among the country's rural population of 55 million (34.9%) than among the 45 million urban population (13.2%). Among the poorest in the rural sector are indigenous peoples and upland dwellers, small fisherfolk, and small farmers, particularly farmers growing coconut. Numbering approximately about 2 million, small farmers in the coconut sector are spread through the coconut producing provinces in the country, normally provinces with high poverty rates at 56%. The other subsectors with high poverty rates are sugarcane growing (53%), and growing of coffee and cacao (54%)<sup>50</sup>.

3. Smallholder who benefitted from the agrarian reform are also affected by poverty, with farming income estimated at PHP 89,712 per annum<sup>51</sup>, well below the national poverty threshold per family of PHP 130,518 per annum in 2015<sup>52</sup>. The Comprehensive Agrarian Reform Program (CARP) is a government initiative that aimed to grant landless farmers and farmworkers ownership of agricultural lands, and expired in 2014. Of the estimated 7.8 million hectares of agricultural lands covered under the program, about 6.9 million hectares or 88% had been distributed to some 5 million smallholders by 2013<sup>53</sup>. Productivity on distributed land is low and only ARBs that are organised into associations or cooperatives manage to access financial or technical advisory services.

4. **Food insecurity.** In 2015 and 2016, the Philippines Global Hunger Index (GHI) score is considered moderate at 19.9%, but it increased from 13.1% in 2014<sup>54</sup>. In fact, the 2016 Philippines Social Weather Station Survey found that 15.2% or an estimated 3.4 million families experienced involuntary hunger at least once in the past three months<sup>55</sup>. Women and children are amongst the most affected population of food insecurity in the country. The prevalence of anemia among adult women is approximately 25%, which is beyond the 20% threshold considered as alarming by WHO. Prevalence of vitamin A deficiency among pre-school children is about 14%, which is also beyond the 10% WHO alarming threshold<sup>56</sup>.

5. **Employment.** In April 2016, the country's labor force is at 68.2 million. While employment rate is high at 93.9, overall underemployment rate reaches 18.3%. The agriculture sector employs about a quarter of the working population, but has an underemployment rate of 36.5% as compared to 18.8% in the industrial sector. In fact, 72.9% of those visibly underemployed<sup>57</sup> estimated at 7.2 million, are in the agriculture sector<sup>58</sup>. Daily wages in the agriculture sector are half of the wages in the services and industry sectors. The share of employment in manufacturing has risen by a percentage point, reversing earlier trends of declining employment share. However, the share of employment in services continues its long-term trend, reaching 55% in 2015 (compared to just 43–45% in the late 1990s). The sector that has witnessed a declining share of employment is agriculture, which is now down to 29% in 2015 (from 39–40% in the late 1990s).

6. **Causes of rural poverty.** While the causes of poverty in the rural areas vary from island to island, common drivers include a steady decline in agricultural productivity. Total factor productivity

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<sup>48</sup> NEDA Socio-Economic Report, 2015.

<sup>49</sup> <https://www.psa.gov.ph/content/highlights-philippine-population-2015-census-population>.

<sup>50</sup> Philippine Institute for Development Studies (PIDS), Discussion Paper 2012-09, Poverty and Agriculture in the Philippines: Trends in Income Poverty and Distribution.

<sup>51</sup> Author calculation, based on DAR, ARBs Level of Development Assistance Data, 2012.

<sup>52</sup> Philippine Statistics Authority, 2015, <https://psa.gov.ph/poverty-press-releases/data>.

<sup>53</sup> <http://www.dar.gov.ph/q-and-a-on-carp/english>

<sup>54</sup> <http://ghi.ifpri.org/countries/PHL/>. GHI ranks countries on a 100-point index, with 0 the best score and 100 the worse.

<sup>55</sup> <http://www.sws.org.ph/swsmain/artcldisppage/?artcsyscode=ART-20160907130846>,

<sup>56</sup> IFAD, Presentation to ILC Asia Forum in Manila, September 2016.

<sup>57</sup> Visibly underemployed persons are those persons who had been working for less than 40 hours a week.

<sup>58</sup> <https://psa.gov.ph/content/employment-situation-april-2016-final-results>.

growth in agriculture has remained at low level at 0.2% per year over the past two decades<sup>59</sup> and in 2013 agriculture growth declined to 1.1%, contributing a measly 0.1% to total GDP growth. This is partly due to the smallholders having little access to productive capital, knowledge and technology, and to having limited market access. The rural poor also have few off-farm income-generating activities and lack access to affordable financial services. Unsustainable practices have led to deforestation and depleted fishing waters.

7. Climate change and natural disasters exacerbate rural poverty, particularly in the eastern seaboard regions, which experience an average of 20 typhoons or cyclones annually. The country is highly vulnerable to strong typhoons<sup>60</sup> and monsoon seasons are becoming increasingly frequent. Droughts arising from the El Nino phenomenon also contribute to the vulnerability of the rural farming sector.

8. **Gender equality.** The Philippines ranks 1<sup>st</sup> in Asia and among the lower middle income group of countries, and 7<sup>th</sup> among 144 countries in the 2016 World Economic Forum report on gender gaps in providing equal opportunities and resources for women. The country has a strong legal and policy framework for the protection and promotion of women's rights. Among these is the 2009 Magna Carta of Women, which is based on the Convention on the Elimination of All Forms of Discrimination Against Women framework that defines gender discrimination and the state's obligations. Other important legislation for gender equality that has been passed includes Women in Development and Nation Building, 1992; Migrant Workers and Overseas Filipino Act, 1995; Anti Sexual Harassment Act, 1995; Anti Rape Law, 1997; Anti-Trafficking in Persons Act, 2003; and Anti Violence Against Women and Children Act, 2004. In 1992, the government passed the landmark Gender and Development Budget Policy, which provides for the allocation of at least 5% of the budget of national and local agencies or LGUs for use in gender and development programs<sup>61</sup>.

9. While the country has made significant progress in promoting gender equality, overall the Philippines faces a number of gender issues: (a) lower employment rate at 39% for women and 61% for men<sup>62</sup>; (b) high percentage of female migrant workers employed mostly in low-skilled, low-paid, and unprotected jobs; (c) declining girl enrolment and completion rates in elementary and secondary education; and (d) high maternal mortality ratio and insufficient access of women and men to reproductive and basic health services<sup>63</sup>.

10. Women in the agriculture and rural sector are additionally faced with unequal land rights treatment, because of both their lack of awareness and weak administrative practices, and a lack of access to support services<sup>64</sup>. In the MSME sector, women-owned firms have a lesser access to the use of technology than men-owned SMEs, a lower participation in business networks, and a more limited ability to expand for export due to social and cultural expectations<sup>65</sup>. They are also affected by the complexity of loan applications, as well as tedious business application, licensing and tax registration and payment procedures that lead to corruption. Social and cultural expectations for women's role in the households also limit their ability.

11. The Philippine Commission on Women is the oversight agency for coordinating, implementing, and reviewing gender mainstreaming efforts in government. The Philippine National Plan for Gender Responsive Development (1995–2025) provides a reference for all gender mainstreaming issues. The National Economic and Development Authority (NEDA) and the Philippine Commission on Women have developed harmonized Gender and Development (GAD) guidelines for project development, implementation, monitoring, and evaluation, in collaboration with the Official Development Assistance

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<sup>59</sup> As compared to 1% in Thailand, 1.5% in Indonesia and 4.7% in China. See Agricultural Productivity, The Right Path to Philippine Development, ADR Institute, 2015, [www.stratbase.com.ph](http://www.stratbase.com.ph) and <https://adrinstitute.org/>.

<sup>60</sup> In 2013, Typhoon Haiyan, considered to be the strongest typhoon that hit the planet, wreak havoc to the Philippines with almost 7,000 officially recorded deaths and damage estimated at almost Php40 billion.

<sup>61</sup> ADB Country Partnership Strategy for Philippines (2011-2016), Gender Analysis.

<sup>62</sup> Labor Force Participation Survey, 2015, Philippine Statistics Authority.

<sup>63</sup> ADB Country Partnership Strategy for Philippines (2011-2016), Gender Analysis.

<sup>64</sup> According to PAKISAMA research, only 36% of women farmers have access to irrigation, 29% have access to seeds, 26% to training, 23% to extension services, 21% to fertilizers and seeds subsidy, 20% to pest control management, 20% to calamity assistance and 14% to financial assistance. PAKISAMA is a national federation of farmers supported by IFAD MTPCP-2 ([www.pakisama.com](http://www.pakisama.com)).

<sup>65</sup> Asia-Pacific Economic Cooperation Secretariat and The Asia Foundation, Access to Trade and Growth of Women's SMEs in APEC Developing Economies: Evaluating Business Environments in Malaysia, Philippines and Thailand, 2013.



(ODA) GAD Network. NEDA collects information from development partner agencies to determine the gender-responsiveness of ODA programs and projects.

12. **Youth.** With a high annual population growth rate of 1.72% and an increasing young population, youth in the Philippines comprises 45% of the country's workforce aged 15 and above. Of this, 34% are thriving in agriculture<sup>66</sup>. On the other hand, of the 36.3 million population aged 6 - 24, about 24.8 million are attending school and 11.5 million are not attending school. The primary reason of those not attending school was employment or looking for work. Out of school youth are most prevalent in regions of Mindanao where the proportion of out of school youth to population exceed the national average of 10.6% with the highest figures in ARMM at 14.4%, Region 11 at 12% and Region 12 at 12.3%<sup>67</sup>.

13. **OFWs.** OFWs contribute widely to the country's economic growth and to a significant amount of households based in rural areas. In 2015 total remittances sent by the 10.23 million Overseas Filipinos<sup>68</sup> reached USD 25.6 billion and as at October 2016 they had already reached USD 22 billion<sup>69</sup>. The most tangible impacts of remittances on receiving households are the reduction of poverty and food insecurity<sup>70</sup>, a better resilience to climate shocks<sup>71</sup> and education of children which can tend to off-set the negative impact of migration for rural households in terms of loss of labour force and income. Receiving households have a higher propensity to save<sup>72</sup> and tend to invest more in agriculture businesses and to hire agricultural employees than non-migrant households<sup>73</sup>.

### Target value chains and target areas

14. **Target value chains.** Building on DTI seven priority industry clusters, four target value chains were identified to promote smallholders' inclusion, namely cocoa, coffee, and processed fruits and nuts. For the sake of programming project investments, banana and calamansi (a local citrus) were considered as target sample commodities for the processed fruit value chain. In the course of the project, it is envisaged that other fruits and nuts with potential for smallholder production growth and market opportunities for MSEs will also be considered. The selection of four target value chains is based on the following considerations: (i) small farmer involvement; (ii) good comparative advantage for domestic and regional markets; (iii) significant unmet local demand and potential for export; (iv) substantial crop production area with potential for expansion. In addition, intercropping cocoa and coffee with coconut or fruit trees will be encouraged, in order to optimise cocoa and coffee production, increase climate resilience and diversify farmers' sources of income. Annex 1 illustrates the production of the top 20 provinces in the target value chains<sup>74</sup>.

15. **Cacao.** Grown in the Philippines since the late 1600s and with commercial plantations established in mid-1950s, it is mainly used as a source material for local chocolate drink called "Tablea", for cocoa powder and for chocolate. A by-product of this multi-billion dollar industry is the cocoa butter which is heavily used in the cosmetic and pharmaceutical industries. Planted in almost 14,000 hectares in the country as at 2015, the total production volume in 2010 was at 5,000 metric tons. The Philippine import of about 35,000 metric tons of dried cacao beans annually supplies the needs of giant manufacturers (e.g. Universal Robina Corporation, Commonwealth Foods, Goya Inc., Delfi Foods) with combined capacity ranging from 20,000 to 36,000 metric tons annually. This is aside from the raw material needs of small chocolate processors and local distributors<sup>75</sup>. In 2014, Philippine

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<sup>66</sup> <http://www.philrice.gov.ph/fresh-forces-farming/>.

<sup>67</sup> Functional Literacy, Education and Mass Media Survey, 2013, Philippine Statistics Authority.

<sup>68</sup> Commission on Overseas Filipinos, 2013.

<sup>69</sup> Bangko Sentral ng Pilipinas, 2015.

<sup>70</sup> IFAD Occasional Paper #15 Knowledge for development effectiveness - *Remittances, growth and poverty. New evidences from Asian countries*, 2012;

<sup>71</sup> Bohra-Mishra, P., Oppenheimer, M., Cai, R. et al. *Climate variability and migration in the Philippines*, Popul Environ (2016).

Dean Yang and HwaJung Choi, *Are Remittances Insurance? Evidence from Rainfall Shocks in the Philippines*, 2014.

<sup>72</sup> Consumers' Expectation Survey led by the BSP (Q4 2016) shows that 47% of remittance recipients save on their remittances as compared to 41% of the country's population. [http://www.bsp.gov.ph/downloads/Publications/2016/CES\\_4qtr2016.pdf](http://www.bsp.gov.ph/downloads/Publications/2016/CES_4qtr2016.pdf) On that topic, also refer to Alvin P. Ang, Guntur Sugiyarto, and Shikha Jha, 2009, *Remittances and Household Behavior in the Philippines*, ADB Economics Working Paper Series No. 188 | December 2009, Metro Manila, Philippines.

<sup>73</sup> OECD, "Interrelations between Public Policies, Migration and Development", 2016

<sup>74</sup> With banana and calamansi representing the processed fruits value chain.

<sup>75</sup> DTI Cacao Roadmap, 2014.



imports amounted to \$102.3 million while exports consisted only of \$24.3 million, making the country a net cacao importer<sup>76</sup>.

16. **Coffee.** The Philippines is one of the few countries in the world that produces four (4) commercial coffee varieties namely Arabica, Robusta, Liberica and Excelsa. Grown in 113,738 hectares of the country, its total production volume in 2010 was at 93,702 metric tons and declined in 2014 at 75,500 metric tons. Of the 2014 production, 76.78% is produced from Mindanao shared by the top 4 producing regions of the country, Region 12 at 37.11%, Region 11 at 15.63%, ARMM at 13.72% and Region 10 at 7.18%. Multinational coffee processors in the Philippines import coffee beans from other countries such as Vietnam and Indonesia. Quality coffee green beans that are dried and processed in both dry and wet techniques offer opportunity for substantial income improvement to smallholders.

17. **Banana.** The total banana production area of the country is 443,369.91 hectares, that includes three major varieties, Lakatan, a table banana for domestic markets, Cavendish, a table banana mostly for export markets and Cardava, a tropical plant originated in the Philippines, that is commonly known as Saba Banana. Due to its versatility in food preparation, it is considered one of the most important banana varieties in Philippine cuisine. The most popular preparation is the use of unripe banana Cardava to manufacture banana chips. Saba fruits can also be eaten raw or cooked into various traditional Filipino desserts and dishes. Banana chips and microwaveable banana are exported to different countries worldwide such as Asia, Europe, North and South America<sup>77</sup>. Saba production area consist of 182,000 hectares or 41% of the total banana production of the country as of 2015. Total production volume is at 2.053 million metric tons in 2010. Banana Saba is the variety that is covered by the project.

18. **Calamansi.** A lemon variety that is only found in the Philippines, the calamansi fruit is rich in Vitamin C and is processed into purees, juices, concentrates and syrups. The juice of the fruit is extracted as a juice drink, juice concentrate, marmalade, condiment or dip sauce, meat and fish tenderizer, which makes it basically a part of everyday cooking. Calamansi has many medicinal uses and has both antiangiogenic and antioxidant properties that builds a strong immune system and help prevent cancer<sup>78</sup>. It is planted in about 20,000 hectares with a total production volume of 56,000<sup>79</sup> metric tons in 2016.

19. **Coconut.** Planted in about 3.517 million hectares all throughout the country and mostly in provinces with high poverty incidence, the country's coconut production was at 14 million metric tons in 2014. Coconut is a versatile tree that produces a number of products with high market demand such as coconut fiber or coir, virgin coconut oil, desiccated coconut, coconut cooking oil, coconut water, in addition to copra which has been the country's main coconut by-product for export for decades. The coconut sector is critical in the development of coffee and cacao, as these crops thrive well under the shade of tall coconut trees. As well, the coconut production of smallholders will provide income for the small farmers while waiting for the full production of cacao and coffee beginning at 18 months from planting period<sup>80</sup>.

20. **Target areas.** RAPID will operate in 20 provinces over 6 regions. Table 1 presents the 20 target provinces and their main features.

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<sup>76</sup> DTI Cacao Roadmap (2015 updated).

<sup>77</sup> Source: DTI, Banana Saba Roadmap, 2014.

<sup>78</sup> World Bank – Department of Agriculture Philippine Rural Development Project (PRDP) Calamansi Value Chain Study, 2014.

<sup>79</sup> In 2015, total production was at 97,720 metric tons or 42.7% higher than 2106. The decrease is due to lesser fruits harvested due to Typhoon Nona in 2015 and the effect of drought in North Cotabato in the first semester of 2016. Source: <https://psa.gov.ph/fruits-crops-bulletin/calamansi>.

<sup>80</sup> Kennemer Foods Inc., one of the biggest cacao consolidator in the country and agri-extension provider for cacao farmers has been promoting a package of seedling and technical extension support and serves as market for the wet / dried beans of the farmers. Land Bank of the Philippines, for farmers' production credit, has partnered with Kennemer, DAR and agrarian reform beneficiary cooperatives in operating cacao production estates in several parts in Mindanao. Source: Mr. Simon Bakker, President.

**Table 1 - RAPID Target Regions and Provinces**

Region	Province	Population	Number of MSEs <sup>81</sup>	Total production area <sup>82</sup> (ha)	Number of poor people	Poverty incidence (%)
8	Leyte	1,724,679	11,272	96,121	652,690	31.0
	Southern Leyte	421,750	2,130	37,209	146,726	38.0
	Northern Samar	632,379	2,803	88,357	337,064	56.2
9	Zamboanga del Norte	1,011,393	5,990	214,134	588,451	51.6
	Zamboanga del Sur	1,010,674	13,759	129,430	476,765	24.8
	Zamboanga Sibugay	633,129	6,098	62,786	164,230	31.7
10	Bukidnon	1,415,226	7,395	20,382	732,027	53.6
	Lanao del Norte	676,395	3,819	83,666	415,967	44.3
	Misamis Oriental	888,509	12,779	108,950	338,972	19.3
11	Compostela Valley	736,107	1,109	56,136	178,922	28.1
	Davao Oriental	558,958	6,911	151,769	163,594	29.9
	Davao del Sur	632,588	20,787	129,430	450,012	15.6
12 / ARMM	Davao del Norte	1,016,332	7,709	48,104	299,673	33.2
	North Cotabato	1,379,747	26,137	56,382	615,923	41.4
	Saranggani	544,261	2,877	91,078	233,164	55.2
13	Sultan Kudarat	812,095	7,257	48,433	393,833	48.0
	Maguindanao	1,173,933	6,836	122,599	551,681	57.2
	Agusan del Norte	354,503	3,916	36,739	270,149	34.9
13	Agusan del Sur	700,653	3,279	21,408	318,638	47.3
	Surigao del Sur	592,250	3,340	81,129	248,345	40.1
<b>TOTAL</b>		<b>16,915,561</b>	<b>156,203</b>	<b>1,684,242</b>	<b>7,576,826</b>	
<b>PHILIPPINES</b>		100,981,437	944,987	3,847,385	21,927,009	21.6

Source: PSA, 2015

21. The selection of the target provinces is based on two main criteria: growth potential for agribusiness and MSE development and poverty incidence<sup>83</sup>. Additionally, the following criteria were used to refine the selection: (i) potential for expanding the production area for the target crops; (ii) operational viability (mainly security considerations); (iii) cost effectiveness of project management (number of provinces and proximity). Eighteen target provinces have poverty incidence rates above national average, and twelve are among the 20 provinces with highest poverty incidence in the country.

22. Table 3 shows the number of migrants in the target regions according to a survey carried out by the Philippine Statistics Authority.

**Table 3. Overseas Filipino Workers Population in Project Sites<sup>84</sup>**

Region	Total	Male	Female
8	63,622	37,107	26,250
9	56,281	25,137	31,250
10	68,516	33,516	35,000
11	75,857	23,940	51,250
12	107,668	29,925	77,500
13	41,599	20,349	22,500
ARMM	36,705	10,773	26,250
<b>Total</b>	<b>450,248</b>	<b>180,747</b>	<b>270,000</b>
<b>Philippines Total</b>	<b>2,447,000</b>	<b>1,197,000</b>	<b>1,250,000</b>

Source: Source: Philippine Statistics Authority, 2015 Survey on Overseas Filipinos

<sup>81</sup> Agriculture and agribusiness related MSME subsectors included are: (a) Agriculture, Forestry and Fishing; (b) Manufacturing (that includes agri-processing/manufacturing); (c) Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles; (d) Transportation and Storage; and, (e) Accommodation and Food Service Activities.

<sup>82</sup> Production area of the 5 crops – banana, cacao, calamansi, coffee, coconut.

<sup>83</sup> Poverty incidence is the most commonly used poverty measurement indicator by the Philippine government.

<sup>84</sup> Details may not add up due to rounding. The estimates cover overseas Filipinos whose departure occurred within the last five years and who are working or had worked abroad during the survey period (April-September).

## Target groups

23. RAPID targets agricultural MSMEs and rural farming households engaged in the target value chains. RAPID aims to assist smallholder households active in the selected value chains, as well as unemployed or underemployed rural women and men that can potentially be employed by participating enterprises. Within these target groups, and in view of the high migration rates from rural areas, the project will also target remittance receiving households, so that they can leverage their remittance to improve their livelihoods and contribute to rural employment.

24. The smallholder producers, women and men, who will receive support through MSMEs that the project will provide support through cooperating MSEs and medium enterprises are those that: (i) produce the crops required by the partner MSMEs namely cacao, coffee, coconut, banana, calamansi and such other crops that may be identified in the fruits and nuts cluster; (ii) smallholder farmers with landholdings of not more than 3 - 5 hectares<sup>85</sup>; (iii) willing to provide counterpart and/or obtain credit that will be required for their crop production and enterprise development support from the project; (iv) willing to receive agri-extension services, financial literacy and enterprise development support offered by the project through the cooperating MSMEs and BDS providers; (v) willing to enter into a supply contract arrangement with the buyer or the enterprise cooperating partner of the project; and (vi) leaseholder farmers<sup>86</sup> in coconut areas should obtain agreement and consent from the landowner for the planting of new crops (e.g. cacao, coffee, fruit trees) that includes a mutually agreed sharing scheme of investments and profit.

25. The project will also support smallholder women farmers, wives and women household members, involved in family farming operations. Women entrepreneurs as partnering MSMEs in contract with smallholders shall also be part of the project target groups. Young farmers and entrepreneurs involved in the commodities supported by the project shall also be included. Migrants and migrant families in the project sites who will qualify either as smallholder farm owners or MSE owners-operators will also be included in the project.

26. For better identification and validation procedures of the potential smallholder farmers organized as cooperatives and associations, DTI shall work closely with and utilize the data bases of the rural development agencies that work directly with their respective constituencies, the Department for Agrarian Reform (DAR) for Agrarian Reform Beneficiary organisations, Department of Environment and Natural Resources (DENR) for peoples organizations in the uplands, Department of Agriculture (DA) – National Irrigation Administration for irrigators' associations, DA – Philippine Coconut Authority for small coconut farmers, Cooperative Development Authority for agriculture-based cooperatives and DOLE for rural workers associations.

27. Workers of smallholder cooperatives and partnering MSMEs will also be included as indirect target beneficiaries of the project. As part of the enterprise development program for the smallholder cooperatives and MSMEs, capacity building for workers' skills improvement in food safety, HACCP and GMP will be provided by the project as appropriate.

## Gender strategy

28. Gender mainstreaming in the project will build on a gender analysis based on IFAD's gender policy and the Philippine Government's Harmonized Guidelines for Gender and Development. Some of the key issues and questions that the analysis should focus in agriculture are: (i) the current roles and responsibilities of women and men in agriculture, in on-farm and off-farm activities; (ii) the array of women's agricultural activities, including subsistence and cash-crop activities; (iii) technologies that

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<sup>85</sup> Smallholder farmers are those that have received lands from the agrarian reform program as landowners or leaseholders, and those that have acquired lands on their own with a size of not more than 3 hectares. Landowners covered by CARP that have retained a maximum of 5 hectares are also considered smallholders.

<sup>86</sup> Under the agrarian reform program, landowners whose lands were acquired by government for distribution to landless farmers retains up to 5 hectares of land. Normally the remaining landholding would have existing tenant farmers that the law requires a leasehold contract, approved by DAR, between the landowner and the previous tenant now called as leaseholder. Sharing arrangement on the coconut produce as mandated by law is 70% - 30% in favor of the leaseholder. For new crops, appropriate investment cost-sharing and profit /returns sharing may be mutually agreed upon.

will be introduced to assist women in agriculture or affect women's (men's) workloads; (iv) fit and/or competition of women and men's agricultural activities with their other productive, reproductive, and community tasks; (v) time spent by women or men on agriculture-related activities; (vi) women's access to or control over sufficient land areas to participate in the project; (vii) access to credit, extension services and information provided by the project; (viii) capacity of executing agency and partners in ensuring gender responsiveness in the project including gender disaggregated monitoring and reporting<sup>87</sup>.

29. With regard to MSME and private sector development, the following will be looked into in preparing the gender analysis: (i) promotion of the safety and security in the workplace, including control of sexual harassment and other forms of gender biases; (ii) women's multiple work burden in the enterprise and the household; (iii) enabling strategies to make women more efficient in their enterprise or venture into new enterprises; (iv) women's access to project resources and benefits (credit, training, trade missions, technology, or information); (v) social and cultural acceptability of the project activities to women meant to improve their enterprise operations; (vi) gender sensitive business contracts between suppliers / producers and buyers.

30. Building on DTI's experience in partnering with the Philippine Commission on Women under the Global Affairs Canada-funded GREAT WOMEN Project, phases 1 & 2, appropriate tools and technical expertise shall be deployed and supported by project funds for the conduct of gender analysis and gender mainstreaming strategies and tools, including a gender-compliant M&E system. The IFAD checklist and detailed procedures in the NEDA PCW Harmonized Gender Guidelines will guide the preparation of the analysis and development or upgrading and customization of existing gender mainstreaming tools. The GREAT WOMEN Project knowledge products and tools such as the Women Entrepreneurs Competency Development Model, Gender and Financial Literacy Training Manual, Communication Guide on Women's Economic Empowerment, Environment and Social Management Guidelines: Ensuring Environmentally-Sound and Gender Sensitive Enterprises are relevant knowledge products that may be utilized and/or customized for RAPID. For rural women in agriculture, DAR has developed a tool for agrarian reform beneficiaries that is also applicable to other smallholders in agriculture called G-BEST or Gender-Based Effectivity Skills Training.

31. RAPID will hire a gender consultant who will be responsible for carrying out the gender analysis and developing RAPID gender strategy and tools, in partnership with DTI.

32. In DTI's previous IFAD funded programme titled RuMEPP, despite the absence in the design of specific targets and guidelines on gender inclusiveness, the evaluation showed a number of positive findings: (i) the proportion of women beneficiaries in all types of support from the project (BDS and credit) remained high throughout the programme; (ii) women micro-entrepreneurs indicated that their husbands were very supportive of their business activities with some actively participating through labor counterpart; (iii) the programme enhanced women's access to information, knowledge, experience and finance; (iv) facilitated the generation of incremental income for the households and ownership of new businesses; (v) women did not express concern on workload balance as women were pleased to spend their time in a more productive manner and that the husbands and children had been very supportive thereby reducing their burden and time spent on the business. RAPID's gender inclusion strategy will build on these positive findings.

33. Organized mainly for the IFAD programme in the Philippines as a support network to share knowledge products, tools and technical expertise among members, the IFAD Philippines Gender Network (IPGN) composed of IFAD, implementing national government agencies of IFAD supported projects (i.e. DAR, DENR, DA/BFAR, DTI), NEDA and PCW, will be tapped to provide support to RAPID.

### **Indigenous Peoples (IP)**

34. Indigenous peoples in the Philippines are officially recognized by the Philippine Constitution and the Indigenous Peoples Rights Act (IPRA). There are no accurate figures on the population of indigenous peoples because of the lack of any formal census. The most recent figures based on an

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<sup>87</sup> NEDA PCW Harmonised Gender Guidelines, 2<sup>nd</sup> Edition.

unofficial survey conducted by the National Commission on Indigenous Peoples (NCIP) estimates the population of indigenous peoples in the Philippines to be between 12–15 million, but the actual population may be higher. The estimated total number of distinct indigenous ethnic groups ranges from 70 to 140. IPs are present in 65 of the 82 provinces and in the project sites. Table 3 indicates the regions where IPs are present and their respective population.

**Table 3 - Indigenous Peoples in RAPID Target Regions**

<b>Ethnographic Areas</b>	<b>Name of IP Groups</b>	<b>RAPID Regions</b>	<b>IP Population</b>
Sierra Madre Mountains <sup>88</sup>	Aeta, Atta, Abelling, Aburlin, Sambal, Dumagat, Remontado, Cimaron, Itom, Kabihug, Tanbangnon, Abiya, Isarog	5	Region 5: 185,488
Northern & Western Mindanao	Subanen, Manobo, Higaonon, Matigsalug, Kamigin, Tigwahanon, Badjao, Kailibugan, Badjao; Muslim IPs – Tausog, Sama, Yakan, Jama Mapun	9 10	Region 9: 993,232 Region 10: 1,509,436
Southern & Eastern Mindanao	Mamanwa, Manobo, Mandaya, Mansaka, Bagobo, Dibabawon, Banwaon, Talaingod, Haigaonon, Tagabanwa, Mangguangan, Tigwahanon, Isamal	11 13	Region 11: 1,882,622 Region 13: 874,456
Central Mindanao	B'laan, Manobo, Aromanon, T'boli, Teduray, Bagobo, Ubo, Lambangian, Sangil; Muslim IPs: Maguindanaon, Maranao, Iranon	12 / ARMM	Region 12: 1,447,972

Source: Ms. Jennifer Corpuz of TEBTEBBA; and, FPE - <http://fpe.ph/indigenous-communities.html/view/where-are-indigenous-peoples-distributed-in-the-philippines/all/0>

35. Using the Ancestral Domain Information System of the National Commission on Indigenous Peoples (NCIP), the project will identify the IPs present in the 20 provinces in order to locate specifically the IPs that will benefit from the project and to assess the project activities that will impinge on IPs ancestral domains that will require a Free Prior and Informed Consent (FPIC) and the issuance of the Certificate of Precondition (CP) (as provided for in the NCIP Administrative Order No. 3, series of 2012, titled "Revised Guidelines on FPIC and Related Processes of 2012").

36. The IP assessment activities of the project will include determining the presence of IPs in the target project sites and information on the status of the ancestral domain claims of the respective IP groups manifested in the Certificate of Ancestral Domain Claim (CADC) and the Certificate of Ancestral Domain Title (CADT). These documents are critical in determining the scope of the ancestral domain in terms of land area and IP communities and households residing therein. The Ancestral Domain Sustainable Development Protection Plan (ADSDPP) will also be reviewed if it has included the crops / commodities supported by the project as part of the ancestral domain development plans and activities. If the crops and activities supported by the project are not included, the project may support the amendment of the ADSDPP for the inclusion of project activities. The minimum document that will be required in the absence of the ADSDPP is the FPIC, the preparation of which, will also be supported by project funds and technical resources. Qualified NGOs will be tapped to provide technical assistance.

37. PCO staff will be trained and provided with IP-sensitive knowledge products that will strengthen the various documents and tools of the project such as value chain analysis, strategic investment plan, and detailed investment plans. These activities shall be supported with project funds.

38. At national, regional and provincial levels of project management, RAPID will work closely with the NCIP and LGUs in the conduct of FPIC and issuance of CP. Utilizing project funds, RAPID will deploy qualified NGOs and other service providers in facilitating the FPIC and CP processes. The usual process in obtaining FPIC and CP is tedious and long as illustrated in Annex 3. To manage and mitigate the risks of a long and protracted process for issuing these documents, the project will enter into a memorandum of agreement with NCIP at national level, with a view to obtain an omnibus CP at

<sup>88</sup> Technically Region 5 provinces are not part of the Sierra Madre Mountains but since IPs are nomadic by nature and there is no accurate census of IPs, it is possible that the Sierra Madre IP Groups are found in Region 5.

national level. NCIP will be a member of the RAPID Regional Technical Working Group to ensure closer partnership and efficient issuance of the required FPICs and CPs.

39. **IPs and the Moro People<sup>89</sup> in ARMM.** As indicated by Table 5, the Autonomous Region in Muslim Mindanao (ARMM) has a total population of 2.41 million (2000 census), which includes 59,762 IPs or about 5.2% of the region's inhabitants.

**Table 5. Mindanao Population in 2000**

Region	Christians	% Share	Muslims	% Share	Lumads (IPs)	% Share
Region 9	2,264,031	73.4	557,511	18.1	263,780	8.5
Region 10	2,524,811	92.0	19,430	0.7	199,653	7.3
Region 11	4,318,369	83.3	141,681	2.7	721,249	13.9
Region 12	1,755,702	67.7	727,039	28.1	108,731	4.2
Region 13	1,957,662	93.6	8,638	0.4	125,205	6.0
ARMM	204,116	8.5	2,146,957	89.1	59,762	2.5
Mindanao	13,024,691	71.9	3,601,266	19.9	1,478,380	8.2

Source: *Mindanao 2020 Plan*, Mindanao Development Authority, <http://www.minda.gov.ph/>.

40. The province of Maguindanao, the only ARMM province included in the project, is home to the Maguindanaoan people that were converted to Islam in the 14<sup>th</sup> century. Project operations in the province and in other Mindanao project sites where there is a presence of Muslim population, will be sensitive to the social, cultural and religious context of the Muslim people. Respect for Sharia Law that is recognized by the Philippine Government under Presidential Decree no. 1083 of 1977 titled "Code of Muslim Personal Laws in the Philippines" shall be upheld. As well, the project will support activities on Halal Certification for the RAPID-supported commodities in order to tap the huge potential of the Halal Industry in the Philippines and worldwide estimated to be some USD2.3 trillion<sup>90</sup>. In 2015, a law was passed as Republic Act 10817 titled "Act Instituting the Philippine Halal Export Development and Promotion Program, Creating for the Purpose the Philippine Halal Export Development Board and for Other Purposes".

<sup>89</sup> Moro is the culturally and politically sensitive term for Filipino Muslims that is used in the country.

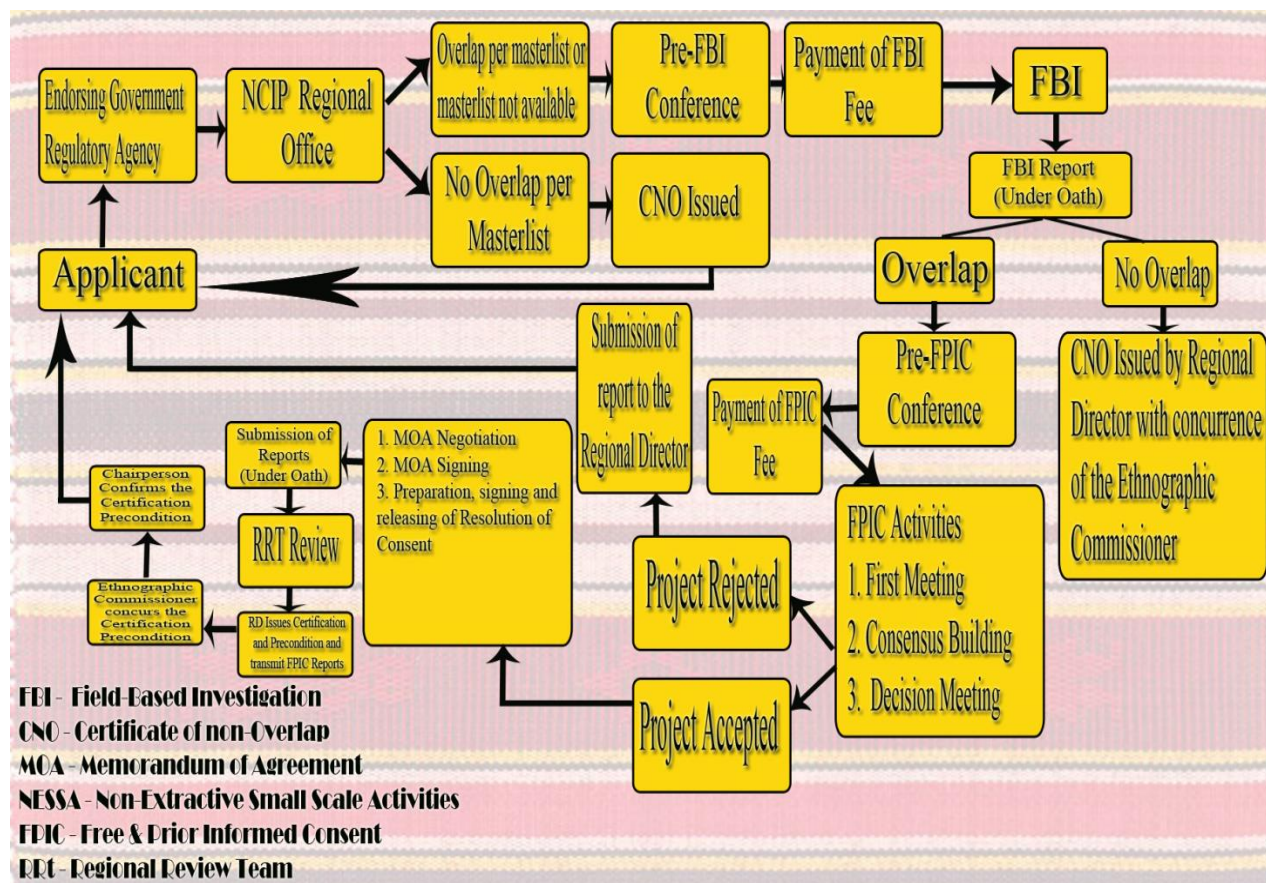
<sup>90</sup> <http://www.ncmf.gov.ph/policies-and-strategies-in-the-development-of-halal-industry-in-the-philippines-the-ncmf-partnership.html>.

**Annex 1: Top 20 Provinces in Production Area for 5 Commodities (Source: PSA, 2015)**

Banana			Calamansi			Cacao			Coffee			Coconut		
Province	Hectares	Region	Province	Hectares	Region	Province	Hectares	Region	Province	Hectares	Region	Province	Hectares	Region
Isabela	8722	2	Oriental Mindoro	5903	4B	Davao City	2596	11	Sultan Kudarat	19929	12	Quezon	338723	4A
Maguindanao	8500	ARMM	Agusan del Sur	1277	13	Compostela Valley	1956	11	Bukidnon	9034	10	Zamboanga del Norte	208870	9
Iloilo	7310	6	Davao del Norte	1272	11	Davao del Norte	1936	11	Cavite	8250	4A	Davao Oriental	144084	11
Oriental Mindoro	7119	4B	Zamboanga Sibugay	734	9	Davao del Sur	1500	11	Iloilo	5730	6	Zamboanga del Sur	127273	9
Davao del Sur	6691	11	Pangasinan	629	1	Davao Oriental	950	11	Davao City	4977	11	Camarines Sur	119045	5
North Cotabato	6350	12	North Cotabato	618	12	Agusan del Sur	545	13	Davao del Sur	4951	11	Maguindanao	109752	ARMM
Cebu	5942	7	Isabela	570	2	Zamboanga del Norte	400	9	Compostela Valley	4731	11	Misamis Oriental	103244	10
Quezon	5850	4A	Palawan	558	4B	Cagayan Valley	388	2	Maguindanao	4268	ARMM	Misamis Occidental	97631	10
Davao Oriental	5176	11	Cagayan Valley	508	2	Lanao del Norte	350	10	Batangas	3897	4A	Sorsogon	97153	5
Southern Leyte	4944	8	Lanao del Norte	500	10	Lanao del Sur	250	ARMM	Sulu	3564	ARMM	Davao del Sur	97007	11
Camarines Sur	4715	5	Nueva Ecija	452	3	Quezon	190	4A	Kalinga	3429	CAR	Masbate	95629	5
Davao del Norte	4682	11	Quezon	450	4A	Sultan Kudarat	170	12	Basilan	3296	ARMM	Leyte	94700	8
Quirino	4475	2	Laguna	421	4A	Bukidnon	158	10	North Cotabato	3069	12	Sarangani	88752	12
Negros Oriental	4472	7	Compostela Valley	321	11	Sorsogon	132	5	Lanao del Sur	2691	ARMM	Northern Samar	85661	8
Misamis Oriental	4425	10	Iloilo	269	6	Cavite	125	4A	South Cotabato	2513	12	Camarines Norte	85405	5
Compostela Valley	4196	11	Aurora	255	3	North Cotabato	125	12	Ifugao	2511	CAR	Palawan	81500	4B
Zamboanga del Norte	4050	9	Sorsogon	200	5	Sarangani	125	12	Surigao del Sur	2400	13	Lanao del Norte	77571	10
Negros Occidental	3992	6	Zamboanga del Norte	182	9	Sulu	120	ARMM	Nueva Vizcaya	2133	2	Surigao del Sur	77410	13
Lanao del Norte	3860	10	South Cotabato	182	12	South Cotabato	105	12	Negros Occidental	1967	6	Sulu	67750	ARMM
Batangas	3825	4A	Pampanga	175	3	Zamboanga Sibugay	100.5	9	Capiz	1933	6	Basilan	64700	ARMM
<b>Total</b>	<b>109296</b>			<b>15476</b>			<b>12221.5</b>			<b>95273</b>			<b>2261860</b>	



**Annex 2 - NCIP Process Flow for the Issuance of FPIC and CP<sup>91</sup>**



<sup>91</sup> NCIP website. <https://ncip12.wordpress.com/2013/03/20/ncip-flowcharts/> .



## Appendix 3: Country performance and lessons learned

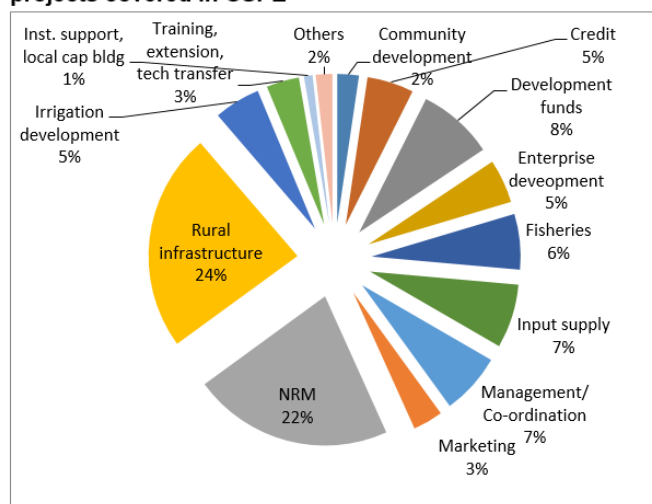
### Lending Programme

1. Since 1978, IFAD invested USD 243.7 million into 15 loan-financed projects in the Philippines, totalling USD 771.15 million and benefitting around 1.5 million households. In the early years, IFAD portfolio was heavily co-funded by other international financing institutions, like the Asian Development Bank (ADB) and the World Bank. Since 1998, with the approval of an IFAD loan of USD 15.54 million of the Western Mindanao Community Initiatives Project (WMCIP), IFAD financing in the Philippines increased significantly. Over the years, IFAD's performance-based allocation for the country has also grown. The 2016-2018 allocation for the country is USD 79 million.

2. There are four ongoing loan projects in the country with an investment of USD 101 million: (i) the Second Cordillera Highland Agricultural Resource Management Project or CHARMP II (USD 26.56 million); (ii) the Integrated Natural Resources and Environmental Management Programme or INREMP (USD 20.00 million); (iii) Convergence on Value-Chain Enhancement for Rural Growth and Empowerment or ConVERGE (USD 25.00 million); and (iv) Fisheries, Coastal Resources and Livelihood Project or FishCORAL (USD 29.42 million). Lead implementing government agencies of IFAD loan projects have been the Department of Agriculture (DA), the Department of Agrarian Reform (DAR), the Department of Trade and Industry (DTI), the Department of Environment and Natural Resources (DENR), the National Irrigation Administration (NIA), and the Bureau of Fisheries and Aquatic Resources (BFAR).

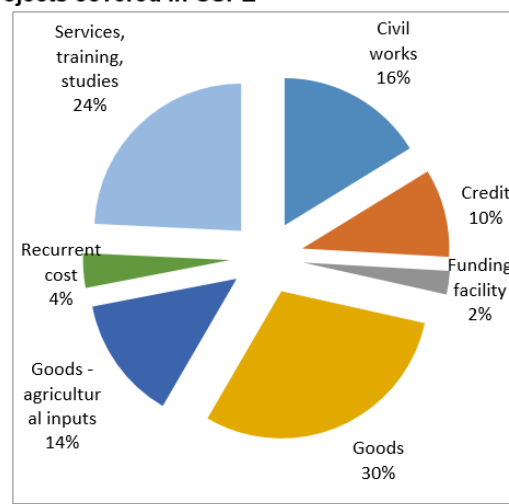
3. In 2016, the first Country Strategy and Programme Evaluation (CSPE) carried out by the IFAD Independent Office of Evaluation (IOE) focused on a portfolio of seven loan projects since 2003. As shown in Figures 1 and 2, focus sectors were very diversified and included community development, agriculture, natural resource management, micro/rural finance and enterprise, irrigation development, rural infrastructure, marketing and value chain development.

Figure 1  
**Total project financing by sub-component types for seven projects covered in CSPE**



Source: IFAD database, IOE CSPE Report

Figure 2  
**IFAD financing by category types for seven projects covered in CSPE**



Source: Financing agreements and amendments, IOE CSPE Report

4. The disbursement of the four recently closed IFAD projects reached more than 90%. Out of the currently implemented projects, the lowest disbursement is with the INREMP, a project co-financed with ADB. INREMP suffered implementation delays due to procurement issues, project management capacity, securing certificate of pre-condition from the National Commission of Indigenous Peoples (NCIP) and delayed resolution of issues in partnering with LGUs. Table 1 shows the disbursement rate of the seven most recent projects.

**Table 1: Disbursement rate as of 30 June 2016**

Project names [lending terms]	Duration	Disbursement rate
Northern Mindanao Community Initiatives and Resource Management Project (NMCIREMP) [HC]	2003-2009	94%
Rural Microenterprise Promotion Programme (RuMEPP) [HC]	2006-2013	99%
Second Cordillera Highland Agricultural Resource Management Project (CHARMP2) [HC]	2008-2016	88%
Rapid Food Production Enhancement Programme (RaFPEP) with two subprojects [I]	2009-2016	98%
Integrated Natural Resources and Environmental Management Project (INREMP) [I]	2013-2020	6%
Convergence on Value Chain Enhancement for Rural Growth and Empowerment Project (CONVERGE) [O]	2015-2021	15%
Fisheries, Coastal Resources and Livelihood Project (FishCORAL) [O]	2015-2020	14%

Lending terms: HC – highly concessional; I – intermediate; O - ordinary

### Non-Lending Programme

5. Philippines is a recipient of regional and country specific grants. Of the ongoing IFAD loan-financed projects, CHARMP II and FishCORAL benefit from IFAD grants of, respectively, USD 0.6 million and USD 0.69 million. Furthermore, in 2014, IFAD granted USD 4 million to the Philippines government in response to Typhoon Haiyan. Other country-specific grants include those to government agencies as well as non-governmental organisations and academic institutions. The regional grants benefitting the country are with international agricultural research institutions (IRRI, ICRISAT, ICRAF, CIP), and with non-government and farmer organisations. IFAD Financial Facility for Remittances is financing two grants aiming at promoting remittance investment into rural MSMEs.

6. The CSPE recognised that knowledge management has been well integrated in the Philippines country programme with the following innovative platforms: (i) Annual Country Programme Reviews (ACPoR) of active loans and selected grants, with government and IFAD staff sharing lessons and practical solutions to improve country programme and project performance; (ii) Knowledge and Learning Market (KLM), a two-day public event that brings together stakeholders of the IFAD country programme and the general public and showcases the activities and achievements of IFAD-supported projects and communities; and (iii) IFAD Philippines Gender Network (IPGN), a regular forum of gender focal points from IFAD-funded projects, civil society organizations, and implementing agencies that discuss and analyse gender issues and formulate recommendations. However, the CSPE noted that no supporting resources were provided for wider policy dialogue or analytical studies.

7. On partnership, the IFAD country office jointly supervises IFAD projects with the National Economic and Development Authority (NEDA), and closely interacts with non-government and farmer organizations, mainly through the KLM and Policy Engagement events and consultation meetings. On the other hand, co-financing partnerships with other development partners has declined and there is a limited participation of IFAD country office in the Working Group on Sustainable Development of the Philippines Development Forum (PDF) and in the UN Country Team.

### Country Strategic Opportunities Programme (COSOP)

8. The current COSOP originally covered the period 2010-2014, but was extended to align with the Philippines Development Plan (2011-2017). It targets upland dwellers and indigenous peoples, agrarian reform beneficiaries, small holder farmers and fisherfolk and has three strategic objectives: (i) improved access to, and control over, the land and water resources in the uplands; (ii) improved access to markets and rural financial services; and (iii) sustainable access to fisheries and other productive resources in coastal areas. A new COSOP covering the period 2017-2022 will be presented to and approved by the IFAD Executive Board in September 2017. The new COSOP will support the Philippines' medium-term development plan prepared by the current administration.

### Country Office

9. In July 2007, an IFAD Philippines Country Presence Office was created with the appointment of a Country Programme Management Facilitator and Knowledge Management Officer. In September

2010, the IFAD Executive Board approved the establishment of a Country Office in the Philippines. Since 2011, the IFAD Country Office has been managed by a country team of a Country Programme Manager and a Senior Programme Officer based at IFAD Headquarters, and a Country Programme Officer and a Country Programme Assistant based in the Philippines. Aside from managing lending and non-lending activities, the Country Office directly supervises IFAD loan-financed projects. The IFAD Country Office plays a catalytic role in the learning, collaboration and problem-solving in the country programme and project operations.

### **Comparative advantage**

10. IFAD comparative advantages in the country have been recognized by the government, donor agencies, NGOs, beneficiary communities and farmers, and other stakeholders. The following are the advantages identified during the 2015 portfolio review: (i) participatory rural community empowerment; (ii) empowerment of the poorest segments of rural people to overcome poverty; (iii) promotion of the indigenous knowledge; (iv) assisting GoP and poor rural people in piloting innovative approaches to rural poverty reduction; (v) sustainable agriculture development and economic livelihoods; (vi) increased productivity and income; (vii) partnership building with government agencies; (viii) sustainable and inclusive rural financial services; and (ix) sustainable and community-based natural resource management.

### **Key lessons learned**

11. Lessons learned that are most relevant to RAPID design were generated by IFAD-financed projects that have livelihood or value chain components, namely NMCIREMP, RaFPEP, CHARMP2 and RuMEPP.

12. **Need for better targeting approaches.** IFAD projects focus on the poor and vulnerable sectors of society. While in general IFAD projects target the rural poor, there were some misses in identifying the very poor and vulnerable sectors. The CSPE noted that beneficiary selection under RuMEPP was mainly driven by the geographical targeting of the "20 poorest provinces", which was in fact not practical since the list changed from year to year and the poverty assessment had a high degree of statistical error. Other projects also used similar geographical targeting.

13. **Reaching out to the vulnerable and poor.** Overall, community institutions and groups (e.g. farmers' associations, irrigation associations, cooperatives, self-help groups and livelihood interest groups) have effectively reached a majority of very poor households. IFAD comparative advantage in the country lies in mobilising the poor and marginalised sectors through an inclusive approach.

14. **Avoiding target areas spreading country wide.** The Philippines is an archipelagic country. Projects with overstretched target areas face difficulties in supervising and monitoring project implementation progress. This was the case of RaFPEP, a project supporting the distribution of certified seeds that covered 13 regions throughout the country.

15. **Empowering smallholders and micro entrepreneurs.** Participatory approaches and the capacity building of target groups strengthen project ownership and enable target groups to access public and private goods and services. Active participation by the beneficiaries and their continuous interaction with implementing agencies (national line agencies and Local Government Units) are key to project success. In communities where a strong sense of ownership is built, technologies are replicated and expanded and infrastructure subprojects are properly maintained. This has been the case for the operation and maintenance of communal irrigation systems managed by irrigation associations (RaFPEP-IRPEP) as well as for access and productive infrastructure managed by people's organisations or groups (NMCIREMP, CHARMP2).

16. **Nurturing women empowerment and gender equality in projects through a network of gender focal points and champions.** It has been noted that projects' performance in terms of gender equality and women empowerment has consistently improved with ratings from satisfactory and to some extent highly satisfactory in supervision missions after the creation of the IFAD-Philippines Gender Network (IPGN). The IOE Philippines' CSPE evaluation also noted a satisfactory performance in terms of gender equality where women in NMCIREMP, RuMEPP, CHARMP2 and

RaFPEP made up 68% of the beneficiaries, improved opportunities for productive activities for women, increased influence of women in decision making through participation in non-traditional forums and in livelihoods opportunities and increased leadership role in self-help groups, livelihood interest groups and irrigators' associations. The IPGN brought together IFAD projects and partners annually to share experiences, discuss issues and concerns, and come up with strategic and practical solutions and actions for gender equality and women empowerment.

**17. Convergence of resources and approaches in delivering services to target beneficiaries.**

Rural development interventions are effective if the agencies involved adopt a convergence strategy of implementation. Convergence can elicit greater community participation, ownership, effectiveness and efficiency in achieving project outputs and outcomes. In IFAD projects, it has taken two forms: (i) *collaboration of different line agencies in delivering services to common target groups*, as implemented by RaFPEP-IRPEP, which demonstrated that collaboration between several agencies (Department of Agriculture, National Irrigation Administration, Agricultural Training Institute, National Food Authority) facilitated resource complementation and maximised the resources of each agency; and (ii) *combination of mutually reinforcing and synergistic components to deliver results*, as demonstrated by RuMEPP, which combined the provision of credit and BDS to support micro-enterprises in product development, market linkages and access to financing.

**18. Including disaster preparedness and climate change mitigation/adaptation in project set-ups.**

With climate change deemed the new normal and the Philippines being highly vulnerable to extreme climatic events, this aspect should be given attention in upcoming project designs. IFAD projects must increasingly include design features which reduce the risks of the poor to climate change. Buffer stocking under RaFPEP-IRPEP proved effective in making available quality seeds to paddy farmers during times of disaster and situations of seed shortage. There were also some thoughts on modernizing the rehabilitation of communal irrigation systems to withstand effects of natural calamities. When Typhoon Haiyan hit RuMEPP areas in 2013, DTI and the Small Business Corporation (SBC) developed new microfinance products adapted to the new situation. RAPID includes risk mitigation measures, such as climate-based insurance and the development of agroforestry, to assist enterprises in coping with the effects of climate change.

**19. Decentralising project management for increased responsiveness and faster service delivery.**

While some projects (such as CHARMP2 and RuMEPP) started with centralised project management, decentralization of project implementation, including procurement and financial management, was introduced at mid-term. Decentralization resolved implementation delays, increased the responsiveness of project operations to local conditions and ensured timely delivery of project services and investments.

**20. LGU participation.**

The participation of local government units (LGUs) is a crucial part of the participatory development approach. LGUs play a role in: (i) providing counterpart funds for infrastructure investments; (ii) providing technical support at the local level; (iii) monitoring and evaluation; (iv) passing local ordinances or regulations that provide an enabling environment for the growth of rural enterprises; and (iv) ensuring the sustainability of project interventions. LGU involvement in project implementation has contributed to greater efficiency and effectiveness of project interventions.

21. Annex 1 provides details about lessons learnt from RuMEPP.

### **Annex 1: The Rural Micro Enterprise Promotion Programme (RuMEPP)**

RuMEPP was a seven-year (2007-2013) programme aiming at promoting economic development and job generation, by increasing the numbers of new and existing rural micro-enterprises operating profitably and sustainably. It was implemented by the Department of Trade and Industry (DTI) and the Small Business Corporation (SBC), in partnership with microfinance institutions (MFIs) in 19 poorest provinces located in five regions.

Fund disbursement reached US\$ 25 million, including IFAD loan of US\$ 18.85 million (98.5% disbursement), IFAD grant of US\$ 0.5 million and domestic counterpart amounting to US\$ 5.87 million (disbursement rate of 136%). SBC experienced an expansion of its microfinance portfolio from PHP 621 million, net of IFAD funds, in 2008, to PHP 1.4 billion (May 2014).

At programme completion, RuMEPP had assisted 32,318 micro-entrepreneurs (MEs), against the post-MTR target of 15,000 target MEs, and provided credit to 57,330 MEs against the target of 35,000 MEs. Availability of qualified MFIs in the priority target provinces remained a challenge though RuMEPP ultimately exceeded the target for beneficiary MFIs. Micro-credit was implemented nationwide, with SBC lending PHP 232 million or over one third of the allocated resources to 21 MFIs in provinces other than the 19 target provinces. Both credit and business development services reached 14,965 out of the target of 15,000 MEs.

RuMEPP had an extensive outreach to MEs, which was monitored through an enterprise-level monitoring system that maintained detailed profiles of entrepreneurs, allowed the programme to track the progress of beneficiaries and generated information used for reporting on outputs and outcomes. However, the completion review report assessed that the project had lacked tools and processes to carry out policy dialogue effectively.

The IFAD Independent Office of Evaluation (IOE) conducted a post programme evaluation of RuMEPP in the first quarter of 2016. IOE reported that RuMEPP's most visible contributions were "human and social capital and empowerment" and "institutions and policies". RuMEPP made important contribution to microenterprise development in scale and content, fostering partnerships and linkages with various actors and opportunities. For future investments in the field of micro and small-scale enterprises, IOE recommended the following<sup>92</sup>:

- **Be clear on the target groups, their needs and how they will be reached and benefit.** Clarity is needed on the target group to whom project support will be directed, on the intended beneficiaries and on how they will be reached. Critical reflection on possible impact pathways to promote inclusive rural transformation, and on the role of micro and small enterprise sector therein, is necessary.
- **Develop diversified and structured approaches to improve financial services.** The focus should shift from unspecific credit lines towards critical reflection and learning on how to finance micro and small enterprises and how to enhance the utilization of liquidity in the system for financing development. Structured dialogue with the financial sector is an essential entry point. Capacity building of financial institutions with potential to expand the outreach should be carefully considered.
- **Devise measures to enhance the relevance and quality of non-financial services.** Business development services should be designed according to needs of different types/maturity levels of micro and small enterprises. Ways to secure some cost recovery, depending on enterprise maturity, should be considered for confirming interest and commitments and enhancing sustainability.
- **Ensure sufficient investment and support for M&E, analytical studies and documentation.** Capacity development, and research and development geared at practical issues are indispensable elements of a strategy to support micro and small enterprises. These should cover various aspects such as enterprise profitability under different economic, social and organisational parameters. There should be sufficient allocation of financial and human resources accordingly to enable the conduct of essential studies and surveys, so that M&E data and survey results can be used as a basis for project implementation and policy development.

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<sup>92</sup> IFAD IOE, RuMEPP Project Performance Evaluation Report, September 2016.



## Appendix 4: Detailed project description

### COMPONENT 1: VALUE CHAIN DEVELOPMENT

1. Component 1 includes three sub-components: (i) Value Chain Governance; (ii) Business services; and (iii) Enterprise strengthening.

2. **Target value chains.** Seven value chains were identified by the IFAD/DTI scoping mission in September 2016 – coffee, cocoa, coconut, bamboo, rubber, processed fruits and nuts, and wearables and homestyles – all of which feature high participation of poor households. Feasibility studies of anchor enterprises in each value chain were subsequently conducted by DTI, with IFAD support. These studies, as well as other value chain information and field visits, allowed the mission to analyse and rank value chains by order of priority.

3. The project will initially focus on the four value chains that offer greater potential in terms of market growth, small farmer involvement and share of value added accruing to farmers, namely cocoa, coffee, coconut and processed fruits/nuts. Intercropping cocoa and coffee with coconut or fruit trees will be encouraged, in order to optimise cocoa and coffee production, increase climate resilience and diversify farmers' sources of income. At Mid Term Review of RAPID, performance of DTI's institutional capacity and the speed of implementation will be used to decide if additional value chains will be included under the project.

4. **Sub-component 1.1: Value chain governance.** This sub-component aims to organise value chain players and create an enabling institutional environment that promotes growth of micro and small enterprises, strengthens their linkages with farmers, and facilitates farmers' access to markets and services. RAPID value-chain based approach also aims at facilitating the collaboration between government agencies in supporting the development of agriculture-based enterprises and synergies among different stakeholders. The project will finance the following activities.

5. *Negosyo Centres:* The project will build on the successful experience of DTI's initiated NCs<sup>93</sup>. Within each of the 20 project provinces, DTI will select its own operated NCs representing areas dominated by the project's 4 targeted Value Chains. These NCs will take the lead in coordinating the remaining NCs within each province to act as one-stop shops facilitating the access of farmers, cooperatives and MSMEs to a range of business and financial services. DTI will appoint 2 qualified staff members to take up the positions as Value Chain Facilitators for the 4 targeted value chains within the respective province. The selected VCF will have a relevant educational background with solid understanding of the respective VC they have been hired/appointed to facilitate. One VCF will be appointed as the Value Chain Facilitators/ Provincial Coordinator and be overall in charge of provincial activities.

6. The DTI will provide all required office facilities for the VCFs and the project will provide DTI financing to furnish the VCFs with motorcycles. The project will provide capacity building to the VCFs, selected staff of the NCs, also those not housing a VCFs, DTI staff from provincial and regional level will also participate in the capacity building. The capacity training will include: (i) value chain inventory mapping; (ii) value chain analysis; (iii) preparing a Strategic Investment Plan for each of the four targeted value chain; (iv) preparing Detailed Investment Plan for farmers cooperatives and for Small and Medium Enterprises (SME); (v) knowledge on required food safety standards and traceability for domestic and export markets; (vi) value chain management and information system (VC-MIS); (vii) use of value chain Information Communication System (VC-ICT); (viii) value chain financing; (ix) and data collection for the MIS, VC-ICT and RAPID M&E/KM.

7. The training of DTI (VCF, NC and other DTI staff) staff will strengthen the NC's one-stop shop capability to facilitating the access of micro and small enterprises to a range of business and financial services including: mentoring programmes; detailed investment plan (DIP), supply chain management, product development, market development, food safety and tractability, environmental standard, human resource development, land and water conservation, training in use of new equipment.

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<sup>93</sup> DTI's monthly performance rating of *Negosyo Centres*

8. The training of DTI regional staff, provincial DTI staff, NC-VCF and staff of non-DTI operated NCs as well as staff of LGUs will be undertaken by the PCU-Specialist with support from VC-TA specialist inputs as required. During the start-up of the project, training of related personnel for 10 provinces will be conducted and related personnel for the remaining 10 provinces will commence soonest practical after project start-up and initial roll-out. The PCU-Specialist will organise refresher courses for VCFs as required.

9. **Value chain organisation.** The project will strengthen the organisation of the target value chains by supporting the creation, and building the capacities, of regional and provincial industry councils, with a view to promoting public-private dialogue on strategic value chain issues. Based on available industry roadmaps, industry councils will be assisted to develop policies that respond to the needs of private sector players and can guide public and private investment. Industry-based private sector associations will also be supported. More specifically the project will provide the following support to strengthening VC organisations: (i) formalised operations and organizational vision, mission and values and specific objectives for VC-organisations; (ii) assist with legal documentation and registration; (iii) policy studies and policy formulation; (iii) workshops presenting policies/policy dialogue, organised by DTI; (vi) R&D related to growth/upgrading of the VC,; and (v) workshops for presenting RAPID's results and get inputs for further implementation improvements.

10. Existing public and private sector value chain organisations within the project provinces will be identified during the VC inventory mapping. Their need for support will also be identified and included in the SIP for support under the project. Identified support to the VC-organisations will be provided directly by the PCU-VC specialist with assistance from VC-TA as required. Regional and national VC-organisations will also be supported if benefiting the provincial VC development.

11. **Industry-based knowledge and communication.** RAPID will assist DTI update its industry-based Management Information Systems (MIS) with focus on the four targeted value chains. Examples of information made available by the MIS will include: options for farmers to link with buyers and input suppliers; timely access to extension services, such as advice on agricultural production, technology, food security, and nutrition; technical production protocols/modules, and linkage options for farmers, buyers, and input suppliers; soil and water conservation and climate resilient production technologies; real-time marketing information, and strengthen market links; access to finance and insurance products in rural areas; new packaging systems; global consumer trends; standards; change in legalisations; weather forecast; and IMB/IFC SME-toolkit or similar could also be part of the MIS etc. To ensure easy access to the MIS data, a web-based information communication system for knowledge management and sharing will be created, using a mobile app. This will ensure that DTI provides the latest information to value chain stakeholders, the project will partner with a private company to deliver the mobile phone-based value chain MIS information. This will allow DTI/NCs to provide the variety of information mentioned above, among others.

12. The PCU KM/Communication Specialist together with DTI will take the lead in supporting the updating of DTI's MIS and negotiate with potential private companies to deliver and manage the mobile phone-based app. Priority will be given to a company that already has an app reaching the rural area which only requires upgrading to host the DTI MIS. When the app and its content has been developed, it is anticipated that the operation will be 100% commercial and paid for by the mobile service provider sharing the income from the traffic the app creates. The project will finance the necessary TA to develop the app to facilitate the use of DTIs MIS. The TA will also provide training to the DTI-IT Manager ensuring that the MIS information is *aligned* with the format of the mobile app.

13. **DTI institutional strengthening.** DTI capacities will be strengthened at national, regional and provincial levels, within and beyond the target project areas, to enable DTI to implement the project, and scale up successful models throughout the country. Strengthening of DTI staff will take a three prong approach:

14. Hands-on participation of DTI staff members in preparation of methodologies, analytical tools and standard presentation of: (i) provincial mapping of VC inventory; (ii) Strategic Investment Plans which will use the VC to identify end markets, opportunities to upgrade, constraints to upgrade and recommend strategic investment action plan; (iii) Detailed Investment Plans as the basis for loan applications by Cooperatives and SMEs; (iv) DTI's MIS to specifically address the four targeted VC; (v)



PPP for partnering with private company to deliver mobile phone-based VC-MIS information to VC stakeholders; (vi) M&E and K&M for use in the VC-MIS and for complying with IFAD RIMS;(vi) climate change, gender and nutrition will be cross crossing all targeted VCs and activities.

15. Practical capacity building of VCFs using the tools developed above will be conducted, and also including selected DTI staffs from all provincial NCs, regional and national level. Key DTI staffs will also attend study tours and special training identified during the cause of implementing the project.

16. The PCU Value VC Specialists, Business Development Specialist, M&E Specialist, K&M Specialist will take the lead in organising the capacity building for DTI staffs and recruit the required TA to provide the necessary support when required. If the required TA cannot be sourced domestically it is possible to hire ITA, financed by IFAD grant. The PCU specialists, in collaboration with DTI management will identify relevant DTI staffs in need of study tours and specialised training.

17. **Sub-component 1.2: Business services.** DTI will call for expression of interest (EI) from Business Service Providers (BSP) to participate in prequalification for provision of BDS to the target group under RAPID. DTI will create a qualification system for BDS required standards, which will include training of service providers and subsequently prequalification of those meeting the required standards. When VC actors request for support has been approved, the NCs will request the pool of prequalified BSPs to submit proposals and cost estimates for providing the required services. The performance of service providers will be assessed annually prior to renewal of prequalification.

18. The type of BDS envisaged under the project will include (but not necessarily be limited to): (i) support the preparation of SIP; (ii) assist farmers to form into membership-based farmer organisations; (iii) provide financial literacy and business education training to Cooperative members and assist them to prepare cash flow analysis for their respective HHs, to examine their ability to take credit without undermining the adequacy of their cash flow for regular living costs; (iv) prepare Detailed Investment Plans for farmer Cooperatives and SMEs; (v) provide market linkage support for farmer Cooperatives and SMEs; (vi) product development for Cooperatives and SMEs; (vii) introduction of standards at the level of farmers, farmer Cooperatives and SMEs; (viii) technical training to operate and maintenance new type of machinery; (ix) technical support for establishing nurseries for production of top quality planting material; (x) preparation of production protocols for the value chain crops and crops intercropped with these; (xi) technical support to farmers from planting till harvest; (xii) pre-processing, packaging and delivery of produce to SMEs; (xiii) provide financial linkage service to farmer cooperatives and SMEs. MEs and SMEs not directly linked with the targeted VCs, but providing services to the to the VCs e.g. packaging, transport, hire service, land preparation mechanical planting, compost-making, nurseries, etc. are also entitled to receive BDS from the project if identified in the SIP.

19. The farmer's cooperatives can be considered the focal point for: (i) linking farmers with SME/consolidators; (ii) linking farmers to input suppliers and buying in bulk; (iii) linking farmers advisory service; (iv) linking farmers to new technologies; (v) introduction of sustainable upland agriculture practices such as SALT; (vi) introducing required standards/traceability; (vii) introducing financial services and insurance products among others.

20. It is also anticipated that most, if not all, of the farmer cooperatives will receive the necessary training to managing loan funds from FSP to their members. At time of harvest the members will deliver their produce to the farmer or coop-owned pre-processing value added facility (VAF), which will in turn process pack and deliver the produce to the SME. It is envisaged that the SME will pay for the produce at the market price for the respective quality at the date of delivery, plus a top up at a predetermined date based on a pricing mechanism providing an equitable price to the members. The pricing mechanism will be developed during preparation of the PIM. Members loans will be deducted by the Cooperatives and paid to the respective FSP and the balance will be credited the bank account of the respective member.

21. **Sub-component 1.3: Enterprise strengthening.** The project will facilitate the development of inclusive and equitable business partnerships between farmers and enterprises targeting profitable domestic and export markets. Partnerships will be based on: (i) gender-sensitive provincial value chain mapping; (ii) provincial strategic investment plans (SIPs) for each value chain; (iii) detailed investment

plans (DIPs) supporting enterprise applications for financing (conditional grants, debt financing, equity capital); and (iv) supply chain managers embedded in enterprises who manage contracts and provide advisory services to farmers.

22. **Provincial Value chain inventory mapping** for the four targeted VCs will identify: (i) relevant agricultural productive resources, their location and level of productivity; (ii) state of environmental sustainability of the productive area; (iii) state of infrastructure connecting the productive areas with main roads; (iv) market opportunities; (v) number of existing cooperatives, farmers producers organisations, MEs and SMEs; (vi) gender-sensitive assessment of cooperatives, farmers producers organisations, MEs and SMEs; (vii) service providers; (viii) migrant organisations; (ix) input suppliers; (x) value chain councils and value chain organisations; (xi) overall provincial infrastructure; (xii) relevant support institutions; (xiii) input suppliers etc. The VCFs, with support from the PCU VC-Specialist and TA when deem necessary, will be responsible for preparing the VC-inventory maps. The VC inventory maps will build on existing sources of information, such as DTI value chain studies, industry roadmaps and studies produced by the WB-financed PRDP. Information/statistic from LGUs and provincial offices will also be used for preparing the inventory map. The information will be captured in DTI MIS database and shared through the VC-ICT system and regularly updated by the network of NCs.

23. During and after the inventory mapping DTI will work closely with the Cooperative Development Authority (CDA) to identify the most suitable primary cooperative to work with and upgrade weak primary cooperatives. Identifying healthy cooperatives, as well as weak cooperatives with potential for upgrading, is essential for the linkage arrangement in the DIPs, and for channeling reasonable priced credit, insurance and other services to participating farmers.

24. A provincial **Strategic Investment Plan** (SIP) will be prepared for each of the targeted VCs. The SIP will contain a precise and concise analysis of the opportunities and constraints for developing short value chains, and identify options for business partnerships among farmers, micro-enterprises, cooperatives and SMEs. Each SIP will define an investment plan outlining priority investments along the value chain (production, pre-processing, processing, transport/logistics) and will identify needs for farm to market roads and technical support.

25. TAs may be hired from the prequalified pool of BSP to prepare the SIPs under the oversight of the PCU VC-specialist. The VCFs will participate in all meeting held between the farmer Cooperatives and SMEs enabling follow up on agreements reached. After completion, the review of the SIP will be undertaken by a regional technical working group (TWG)<sup>94</sup>.

26. *Detailed investment plans.* Based on the SIP, the DIP will specify the types of investment required for each actor along the value chain, ensuring that the required volume and quality of produce can be delivered in a competitive manner. The DIP will include all technical, managerial, human resource and investment requirements for upgrading the value chain. Each DIP will be matched by a contract signed among the parties (cooperatives, SMEs, financial institutions) and will outline the blend of grants, credit and equity required. The DIP will contain all the information required for evaluating a business proposal including: (i) Executive summary; (ii) company overview; (iii), marketing plan; (iv) operation plan (including capacity building received under RAPID); (v) financing plan (promoters equity, debt equity and third party equity); (vi) financial analysis; and (vii) development impact. The respective SIP and MoAs will form an integral part of each DIP, underpinning the holistic investment approach strengthen the likelihood of attracting financing, for both debts and equity. The DIP will also list the specific matching grant capacity building support to be received under RAPID which could include: (i) technical advisory services, through a full-time supply chain manager embedded with the SME, or short term technical assistance, which the project would finance on a decreasing cost-shared basis; (ii) the promotion of Sloping Agricultural Land Technology (SALT), including through the provision of high-yield planting material through conditional grants; (iii) upgrading and related investment cost and debt financing; (iv) market assistance; (v) introduction of standards/traceability.

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<sup>94</sup> Membership of the TWG will include DA, DILG, DPWH, DAR, DENR, DOST, MSMED Council representative, and industry/VC association representative

27. The DIP and related MoA and accompanying documents will form the investment package which will be forwarded to the the Negosyo centre and the collaborating financial institutions for consideration. Each DIP will detaile a special training course for young people to enable them to be engaged in the on and off farm jobs generated. Particularly young women will be prioritised.

28. DIPs will also outline potential upgrading together with an investment schedule/sequence and estimated cost. The agro-enterprise does not necessarily have to be located in the same Component Cities, Municipalities and/or province as the farmers group. Each DIP will be authenticated by a letter of intent of collaboration between the respective farmer Cooperatives and SMEs. If not already a formal entity, the farmers group will sign a letter of intent to organise into a Cooperative. The DIP will identify the need for both the farmer Cooperatives and SMEs requirements for: (i) technical advisory service, which could be permanent supply chain manager supported on decreasing cost shared basis, either embedded with farmer's Cooperatives or SMEs, or short term technical assistance; (ii) introduction of sustainable upland agriculture practices such as SALT if degradation of natural recourses require; (iii) upgrading and related investment cost and debt financing; (iv) market assistance; (v) introduction of food security standards/traceability; (vi) upgrading infrastructure through rehabilitation roads, bridges, retention walls and other civil works related to roads; (vii) the list is not exhaustive.

### **Selection of DIPs**

29. The DIPs will be ranked according to level of farm size, number of farmers, poverty, and income class<sup>95</sup> to determine the most vulnerable farmers. The arrangement producing the highest vulnerability score will be served first by the project and so forth until the budget for the respective year has been exhausted. Those who are not supported within a given year will be served first the consequent year.

**Table 1: Vulnerability Score for Prioritising Implementation Schedules for DIPs**

Weight	Farm size (ha)	Number of Farmers	Poverty	Income Class	Vulnerability Score (BxCxD)/A
	(A)	(B)	(C)	(D)	
	Denominator	Numerator			
Assigned Weight	30%	30%	20%	20%	100%
Actual Collected Average of Farmers Group	3	110	40	3	-
Calculated Weight	1,2	33	8	0,6	176

30. When the DIP is approved the parties listed are prequalified to apply for services identified, and will be notified accordingly, and invited to request for the support outlined. Each SIP will also list the financing modalities for the services offered under the project, whether free, based on conditional matching grants or a combination of the above.

### **Eligibility Criteria for SMEs to Obtain Services**

31. SMEs identified under each DIP, and having signed a market collaboration agreement with farmer Cooperatives are entitled to receive the services listed below, if complying with the eligibility criteria. The Detailed Investment Plan for the SMEs is a prerequisite in support of applying for debt financing from FSPs. However a DIP is not necessary if the SMEs is not in need of investing in upgrading/expansion, or if the SMEs has its own sources of financing. Prior to and during project implementation the TWG will harmonise the project's contributions to finance the services with similar services delivered by the NCs.

<sup>95</sup> Based on provincial and LGU statistic.

**Table 2: Eligibility Criteria for SMEs to Obtain Services Under the Project**

Services for SMEs	Eligibility criteria	Grant <sup>96</sup>	Own Contribution
BDS for preparation of DIP, product development, market development, technical training, mentoring	<ul style="list-style-type: none"> <li>Valid business license</li> <li>Tax payment certificate</li> <li>Documenting availability of own matching fund</li> <li>Signed market agreement with farmer cooperative</li> <li>Minimum 350 farmers benefits from the market agreement</li> </ul>	95%	5%
Introduction of food safety standards and traceability	Same as above	40	60
Embedded Supply Chain Manager	Same as above but benefiting a minimum of 500 farmers with production advisory service	Y1 90%, Y2 70%, Y3 50%, Y4 30%	Y1 10%, Y2 30%, Y3 50%, Y4 70% and Y5 100%

**Eligibility Criteria for Cooperatives to Obtain Project Services**

32. Identified existing farmer Cooperative and/or ME/farmer Cooperatives to be established under each DIP, are entitled to receive services under the project, if complying with the eligibility criteria mentioned in below table. A farmer Cooperative's application for project grant investment support, for establishing an added value facility will need to be accompanied by a DIP. The DIP will provide the necessary background, to verify if the proposed investment is viable, include: company overview; marketing plan; operation plan; plant and equipment; financing plan; financial analysis; and development impact for members.

**Table 3: Eligibility Criteria for Cooperatives to Obtain BDS and Investment Support for Value Added**

Services for ME/Farmer Cooperatives	Eligibility criteria	Grant <sup>97</sup>	Own Contribution
Support to establish farmer Cooperatives, training members in financial literacy, establish economic situation for each member HH, training of Cooperatives in managing credit to its members for FSP.	<ul style="list-style-type: none"> <li>Farmer group organising themselves into a cooperative and existing cooperatives</li> <li>Valid cooperative certification of registration</li> <li>Certified list of cooperative members</li> <li>Certificate of Tax Exemption</li> </ul>	100%	Free
BDS for preparation of DIP, product development, market development, technical training, mentoring	<ul style="list-style-type: none"> <li>Valid business license</li> <li>Tax payment certificate</li> <li>Documenting availability of own matching fund and/or debt financing</li> <li>Cooperative signed market agreement with SMEs</li> <li>Minimum 350 members benefits from the market agreement with SMEs</li> </ul>	95%	5%
BDS for introduction of standards	Same as above. Own contribution can be equity or debt financing	60	40
Investment in value addition benefiting all members	Same as above. Own contribution can be equity or debt financing.	60	40
Embedded Supply Chain Manager	Same as above but benefiting a minimum of 500 farmers with production advisory service (several cooperatives can share)	Y1 90%, Y2 70%, Y3 50%, Y4 30%	Y1 10%, Y2 30 Y3 50%, Y4 70% and Y4 100%

**Matching Grant Eligibility Criteria for Planting Material**

33. Members of Cooperatives under a DIP, within areas having high potential for cultivating the targeted crops will be encouraged to expand the area. The area having the necessary potential will specifically be mentioned in the DIP. Interested farmers will be able to obtain matching grant for the planting material for max 1 ha per member. Members meeting the criteria listed in below table will be eligible. The planting material has to be of highest quality with strong developed roots and a straight

<sup>96</sup> Will be harmonised with service delivered by the NC

<sup>97</sup> Will be harmonised with service delivered by the NC

taproot purchased from a certified nursery. Request for support has to be prepared by the respective farmer Cooperative listing the total members applying together with the area of each member. The cooperative will also ensure that each member meets the eligibility requirements. The VCF will verify the list and members eligibility before releasing financing into the banks account of the respective Cooperatives. A hired TA or Supply Chain Manager supported by the project financing will oversee the proper planting of the crops. The VCF will also verify the new plantings.

**Table 4: Matching Grant Eligibility Criteria for Planting Material**

eligibility criteria	Grant <sup>98</sup>	Own Contribution
Member of a cooperative or other legal farmers organisation part of a LA-VCIP	60	40
Undergone financial literacy training		
HH cash flow analysis show possibility for investing		
Has a savings account (either an individual account or a coop collective account		
Agreement by financial institution to finance the remaining investment (total-MG) and/or		
Farmer account show that the matching investment amount is available		
Willing and able to provide family labour to undertake the investment		
Undergone basic training in planting & husbandry practises of the respective crop		

**Matching Grant Eligibility Criteria for Introducing sustainable upland agriculture practices**

34. Members of Cooperatives under a DIP, within areas with slopping degraded land having high potential for cultivating the targeted crops will be encouraged to adopt sustainable upland agriculture practices such as SALT. The areas in need of SALT and having the necessary potential for the targeted crops will specifically be mentioned in the DIP. The most suitable SALT system and mix of planting material will also be listed. Interested farmers will be able to obtain matching grant for the planting material for max 1 ha of SALT per member. Members meeting the criteria listed in below table will be eligible. The planting material has to be of highest quality with strong developed roots and a straight taproot purchased from a certified nursery. Request for support has to be prepared by the respective farmer cooperative listing the requirement for each member. The cooperative will also ensure that each member meets the eligibility requirement. A hired TA or Supply Chain Manager supported by the project financing will oversee the proper planting of the crops and correct establishment of the contour bands. The VCF will verify the members list, eligibility and the area of SALT installed.

**Table 5: Matching Grant Eligibility Criteria for SALT Planting Material**

eligibility criteria	Grant <sup>99</sup>	Own Contribution
Member of a cooperative or other legal farmers organisation part of a LA-VCIP	Cost of planting material 100%	Labour for planting and establish the contour bands
Undergone financial literacy training		
HH cash flow analysis show possibility for investing		
Has a savings account (individual account or a coop collective account)		
Agreement by financial institution to finance the remaining investment (total-MG) and/or		
Farmer account show that the matching investment amount is available		
Willing and able to provide family labour to undertake the investment		
Undergone basic training in planting & husbandry for respective crop		

35. *Implementation.* Planning of project implementation will centre on availability of high quality planting and grafting material (bud wood and/or sicons). The lead time for ordering the grafting material for rejuvenation (bud wood and sicons) is two months before the rainy season. The lead time

<sup>98</sup> Will be aligned with service delivered by the NC

<sup>99</sup> Will be aligned with service delivered by the NC

for ordering planting material (young trees) for establishing new plantation is the best age of the tree at time of transplanting plus one month. The best age of a coffee tree at transplanting is 9-10 months old, cacao 7-8 months old, calamansi 12-13 months and for coconut 9-12 months old. The best time of transplanting is during the early part of the rainy season. This limits support for implementation of primary production to once a year which requires forward and accurate planning to achieve the project target of 80,000 Ha of rehabilitation/ rejuvenation and 42,700 Ha of establishing new plantation.

36. The lead time for ordering grafting and planting material will be used to implement matching grant for planting material and pre-processing facilities for cooperatives (or similar) and for support VC MSMEs like nurseries, compost making, mechanised tree planting operation et. The time will also be used for providing matching grants for business development services for eligible actors along the value chain including farmers, cooperatives (or similar), SME lead firms, support MSMEs like nurseries, compost making, mechanised tree planting operation, transport etc.

37. **Environmental Impact.** The project will promote use of high quality compost and the recycling of litter fall, pruning residues, cacao, coffee husk, calamansi branches and coconut branches and coir dust in order to obtain maximum yields. In addition to the fertilizer effect, the use of compost will reduce water runoff, reduce soil erosion, improve water quality infiltrating the aquifer, increase soil water holding capacity, reduce soil temperature, reduce the negative effect of wind on soil moisture, improve soil fertility, increase carbon sequestration and contribute to reduction of greenhouse gasses, and reduce the use of synthetic nitrogen.

38. Introduction of sustainable upland agriculture practices such as sloping land agricultural technologies (SALT) on degraded sloping will have similar effects and will fix soil nitrogen. The intercropping of coffee and cacao with coconut plantations will increase soil cover and the storage of carbon stock above and below ground. Sub-projects supported by RAPID will comply with the Philippines Environmental Impact Assessment System as per Presidential Decree 1152 and 1586, and other regulations. This will ensure resilience against climate change and maintain high yields, improving incomes and purchasing power of high nutritional food.

39. *Nutrition training for membership-based farmer organisations.* Upgrading value chains and increasing farmer productivity and sales can have important effects on nutrition through the income pathway. Cognizant that improved incomes do not automatically lead to better nutrition outcomes, RAPID shall pursue improved nutrition outcomes through awareness/education and nutrition-sensitive investments. To promote healthy diets that leverage higher incomes towards better nutrition outcomes, RAPID will establish partnerships with agencies active in nutrition awareness campaigns, including WFP and the Department of Social Welfare and Development. RAPID shall support direct access of targeted farmer groups, particularly women, to nutritional training and awareness programmes; thereby enabling poor rural women and men to make better informed decisions, with regards to household economics and their expenditure on food.

## **COMPONENT 2: PRODUCTIVE INVESTMENTS**

40. Component 2 includes two sub-components: (i) Strategic Finance and (ii) Farm to market infrastructure.

### **Sub-component 2.1 – Strategic Finance**

#### **Improving the capacity and outreach of Financial Service Providers**

41. This sub-component will improve access to affordable and diversified financial services for farming households and micro and small enterprises. In particular it will: (i) improve the service and outreach of Financial Service Providers (FSPs) in the target areas; (ii) reduce the risk for farming households and lending financing institutions through simple risk-sharing mechanisms; and (iii) develop innovative financial products and services meeting the needs of farming households and other relevant value chain stakeholders.

42. **Improving the capacity and outreach of FSPs.** RAPID shall initially enter into a partnership with the Landbank of the Philippines (LBP), which already offers financial products for agricultural production, processing and trade. LBP shall extend credit to cooperatives for onlending to their members (farmers and micro-entrepreneurs) using its standard interest rates for cooperatives, discounted due to the inclusion of crop insurance from PCIC, loan guarantee by AGFP in the financing package and potentially also underwritten by the Credit Surety Fund in case cooperatives subscribe for enterprises that are not crop-based and therefore uninsured by PCIC. Under current conditions, cooperative members would pay 6% interest plus a margin for the cooperative, 2.5% crop insurance premium and 1%-2% annual loan guarantee. Similar arrangements will be entered into with the Development Bank of the Philippines, for the purposes of debt finance to MSMEs seeking to raise investment funds for their participation in expanded value chains as per their detailed investment plan proposals.

43. The interest of other financial institutions to participate in the project will be periodically assessed; partnerships could be developed with microfinance institutions, rural banks, savings and credit cooperatives and finance companies. The project will offer interested FSPs technical assistance and capacity building to develop agricultural value chain financing products. It will also assist AGFP to expand its current guarantee from only food crops to long-gestating crops, including those prioritised by RAPID, and to develop a MIS which allows for real-time reporting by FSPs to AGFP. Support will be provided to PCIC and interested private insurance companies to develop innovative insurance products for long-gestating and high value crops. RAPID will support the adoption and testing of new drone technology for area yield and other index-based insurance products for highly efficient damage assessment and quick claim disbursement has been identified.

44. Service Providers for FSP capacity development will be selected on a competitive basis among recognised institutions specialising in support services to FSPs<sup>100</sup>. Tailor-made capacity development programmes, whose costs will be shared with FSPs, will be delivered over three years. Key issues to be covered include: savings; insurance; finance of agriculture activities; project and risk assessment; remittance payment; management, monitoring and control. CDPs will annually measure FSP progress against milestones defined in an MoU and adjust capacity development programme accordingly. Qualifying FSPs interested in expanding their rural outreach in the target areas will be supported in: (i) developing micro-banking offices or satellite offices with a lesser range of services than branch offices; or (ii) setting-up networks of agents or points of services; or (iii) promoting the use of mobile money applications for transfers and payments, loan application and interconnectivity with agents and points of services.

45. **Services for OFW households.** Given the significant presence of OFW households receiving remittances in RAPID target areas<sup>101</sup>, specific capacity building will be offered to partner farmer cooperatives that operate savings and credit functions, to develop remittances services and to strengthen marketing strategies for cross-selling basics services to remittance recipients and utilizing remittances towards building client credit worthiness. Remittances can help FSPs attract a new client base and increase their revenue through remittance payment and other financial services extended to OFW families. The package of support will entail the following: developing savings or deposit products for OFW families, identifying Money Transfer Organisations (MTOs) and other remittance (domestic and international) services providers; facilitating negotiation and MoU drafting between FSP and MTOs; supporting FSP in obtaining the remittance provider license; preparing systems, product pricing, marketing approach, and compliance and operating procedures; pilot testing products; and developing a roll-out strategy.

46. Training sessions will target OFW family members<sup>102</sup> participating in RAPID-supported farmers groups. The possibility of associating prospective OFW-investors identified by OWWA or by migration one-stop-shop centres<sup>103</sup> will also be considered. The specificities of financial education modules for

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<sup>100</sup> Such as the National Confederation of Cooperatives (NATCCO), Rural Bankers Association of the Philippines (RBAP), Microfinance Council of the Philippines, Philippine Federation of Credit Cooperatives.

<sup>101</sup> Conservatively estimated at one household out of ten.

<sup>102</sup> And possibly OFWs present between two contracts or on vacation.

<sup>103</sup> A President Duterte Directive sets out for all regions to establish a One-Stop Service Center for OFWs (OSSCO) to streamline government services, grouping together the services of 14 agencies catering to the needs of OFWs and their dependents. Along with DOLE and OWWA, these include: Department of Foreign Affairs (DFA), Philippine Overseas Employment Administration (POEA), Technical Education and Skills Development (TESDA), Professional Regulation

OFWs before their next departure are related to migration goals (prepare short-term investments, cover life-event expenses and prepare long-term savings/investment for return), transnational family money management and savings on remittances. A specialised consultant may be hired to develop these modules in collaboration with OWWA, building on material dedicated to financial education for OFWs households developed by organizations such as Atikha. The consultant will train local trainers identified by DTI/NCs on delivering the modules, who will in turn deliver financial education sessions according to a schedule established by NCs.

### Risk mitigation

47. Banks and FSPs are reluctant to lend to the farming sector because of the high risks involved. To address this major obstacle, RAPID will support specific interventions with a view to mitigate banks and FSPs perceived risk of lending to smallholders and micro-entrepreneurs, and to increase the volume of financing extended to RAPID target groups.

48. **Risk-based lending.** FSPs, especially rural/thrift banks, require MSEs to provide collateral to secure loans, which a majority are unable to do. With support from KFW, the Small Business Corporation (SBC) has developed a risk-based lending method that relies on a risk assessment tool called "*Borrower Risk Rating*" (BRR) tool, which assesses the risk profile of a borrower and derives a risk rating. There are several key aspects of MSE's operations that are examined but debt-servicing capacity, strictly based on actual earning capacity, is given the highest weight. If the BRR rating shows a moderate acceptable risk, then a lender will not anymore require hard collateral. RAPID will establish an MoU with SBC for: (i) extending training (including peer-to-peer exchanges/workshops to share experience) on the BRR to partner FSPs (as per above call for proposals); and (ii) in PY3, for refining the BRR based on experience developed with RAPID in lending to agri-based enterprises. Training will be made available to FSPs based on the current cost-sharing scheme used by SBC (15% contribution to costs from FSP).

49. **Crop insurance.** RAPID will provide support to the Philippine Crop Insurance Corporation (PCIC – a public programme) and interested private insurance companies, with a view to expand current available coverage to long-gestating crops (also see below) and high value crops, and to facilitate fast disbursement of indemnities to farmers. This will be achieved through: (i) technical assistance to develop crop insurance for long-gestating/high-value crops; (ii) feasibility studies to explore the weather index insurance or other innovative crop insurance schemes allowing quick and easy damage assessment and faster payment of claims, in replacement of the current system of direct inspection of damaged crops; (iii) preparation of training modules and training of farmer organisations involved in building FSP capacities so that they can include effective crop insurance training and coaching in the capacity building programmes; (iv) training of Negosyo Centres, BDS providers, federations of cooperatives and industry associations on how to introduce smallholder farmers groups to crop insurance and remove current negative bias; and (v) promote FSP-PCIC exchanges at regional and national level to thresh out bottlenecks, problems and issues experienced by the FSPs with PCIC.

50. It is expected that the cost of IEC material to advertise the new types of crop insurance will be borne by PCIC and participating insurance companies, respectively. CDSPs involved in developing FSP capacities (above) will organise annual dialogue sessions at regional and national level with PCIC/relevant insurance companies, to thresh out bottlenecks and problems experienced by FSPs.

51. Further, RAPID will support the adoption and testing of new drone technology for area yield and other index-based insurance products for highly efficient damage assessment and quick claim disbursement by PCIC.

52. **Agricultural Guarantee Fund Pool.** RAPID will support AGFP in improving its relevance to smallholders and its capacity to deliver effective services. This would involve: (i) expanding the current guarantee from only short gestation crops to long-gestating crops; (ii) developing a

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Commission (PRC), Maritime Industry Authority (MARINA), Home Development Mutual Fund (HDMF), Philippine Health Insurance Corporation (PHIC), Social Security System (SSS), Philippine Statistics Authority (PSA), Bureau of Immigration (BI), National Bureau of Investigation (NBI), Commission on Higher Education (CHED) and Tourism Infrastructure and Enterprise Zone Authority (TIEZA).



Guaranteed Loan Database software, with interface connecting FSPs to AGFPs and allowing real-time reporting, installing it at all partner FSPs and building the capacities of partner FSPs on how to best use AGFP services; (iii) promote FSP-AGFP exchanges at regional level to thresh out bottlenecks, problems and issues experienced by the FSPs with the guarantee system. RAPID will establish an MoU with AGFP for the provision of: (i) technical assistance to design the new guarantee product(s); and (ii) technical assistance (programmer) to develop and pilot test the new software, install it at the partner FSPs, and provide upgrading/maintenance for one year; and (iii) annual workshops. Costs will be shared with AGFP. The project will also finance capacity building for FSPs, either through the CDSP programme or through AGFP, in collaboration with the latter.

53. **Credit information.** One major risk faced by FSPs is the risk of loan defaults due to the over-indebtedness of the borrowers or 'credit pollution'. To mitigate risks on loan defaults, RAPID will assist partner FSPs to join the Credit Information Corporation (CIC), which is the credit reference bureau created by GoP. FSPs will be encouraged to submit complete credit information to the CIC and effectively use CIC services. This will be achieved as part of the CDSP programme above. Rapid will also finance the installation of CIC Account Reporting System at the head office of partnering FSPs, through a cost-sharing agreement (RAPID 85%, FSP 15%).

### **Value chain and venture capital finance**

54. Based on a thorough study of the demand for financial services, the project will support partner FSPs to extend new financial products, including by building on value chain players, to meet the needs of farming households and MSMEs in the target value chains. To further support the implementation of SIPs and promote innovation, RAPID will finance performance-based grants that will decrease the cost of selected investment for farmers and MEs, and will promote equity financing for agro-enterprises, in particular farmer-owned micro-businesses. Finally, it will facilitate OFW investment into MSMEs in the target value chains.

55. **Value chain financing.** Based on prior demand assessment, RAPID will promote innovative financial instruments as an alternative to simple loan products. Technical assistance will be hired to develop non-loan products and services responding to the specificities, which could include the following:

- *Tri-partite financing agreement:* mechanism involving a bank, farmers and a processor, whereby the banks extends loans to farmers that are delivered in kind (inputs) by the processor, or are recovered by the processor, on behalf of the bank, when the farmer delivers its produce;
- *Receivable financing:* type of asset-financing arrangement in which a company uses its receivables (outstanding invoices or money owed by customers) as collateral in a financing agreement;
- *Supplier credit:* goods or services received from a supplier (such as an input dealer) on deferred payment terms.

56. **Crop and agro-processing loans.** The Bangko Sentral ng Pilipinas (BSP) does not yet recognise loans for long gestating crops as an acceptable loan by rural banks. The PCO will hire a consultant/consultancy firm to lead a process bringing together the BSP, the Rural Bankers Association, selected MFIs, and leading rural banks, with a view to make detailed proposals to allow rural banks to lend to farmers and cooperatives for long-gestating crops. The consultant will also assess the need to design a generic 'long-gestating crop loan', and if needed, will design a product template, that could then be adapted to fit FSPs specific needs and internal policies. A similar approach will be followed for the design of an agro-processing loan for SMEs engaged in the processing of target commodities. Training module, IEC material and reporting templates will also be developed and made available to CDSPs for integration into capacity development programmes.

57. **Conditional grants.** Conditional matching grants will be made available to farmers/MEs involved in DIPs to support innovation, particularly in an environment where GoP (for example through Share Service Facilities financed by DTI) and donor-financed projects (PRDP in particular) are offering inputs, as well as productive equipment for free. Conditional grants will be made available for

two types of investment: (i) high-yield cocoa, coffee or fruit tree seedlings for farmers that are members of cooperatives and wanting to expand their existing plantations; and (ii) processing equipment for micro-enterprises (cooperatives) to carry out primary processing (fermenting, drying, de-pulping etc.) or to extend services supporting farmers' production (nurseries, tractor hire services, transport etc.). and will amount to 50% of the total investment cost, with ceilings established for each type of investment. Conditional grants will be available only once and will be identified in the Detailed Investment Plans (see Component 1).

58. Conditional grants will be managed by a financial institution selected through a call for proposals. An MoU will be signed between the PCO and the Fund Manager, which will detail respective responsibilities. The selected institution will work in close collaboration with RAPID Provincial Coordination Units (who will provide information on SIPs, DIPs and participants, and will monitor the achievement of grant conditions), and with partnering FSPs who are expected to extend the loan that will be matching the conditional grant.

59. The grant is conditional in the sense that it will only be available if the recipient meets a series of conditions, which will be spelled out in the loan contract. The main condition is that the recipient has fully and timely paid the loan back. Specifications provided in submission and scoring of the DIPs would also be included, for example in terms of outreach for processing MEs (buying products from a minimum, specified number of farmers). The overall set-up will therefore be as follows: (i) the recipient will provide owner equity, in line with FSP requirement; (ii) s/he will take a loan for the remaining investment amount, which will be composed of a loan portion and a conditional grant portion; (iii) upon full repayment of the loan portion and achievement of other conditions (to be verified by the VCFs under Component 1), the remaining balance will be written off. In case of lack of timely repayment or lack of compliance with the other conditions, on the other hand, the grant will be cancelled and the financing will have to be paid back.

60. **Agro-enterprise Innovation Facility.** Debt financing alone will not be sufficient to upgrade SMEs to compete with imports and access global value chains. RAPID will promote equity financing for MSMEs, and particularly for farmer-owned businesses (such as spin-offs from multi-purpose cooperatives). It will support DTI to establish and capitalise an Innovation Facility which will provide incentives for private equity and venture capital firms to engage with SMEs. The Fund will be managed by DTI's financial arm, the SBC. It will co-finance the equity required by a SME with an interested equity/venture capital firm. The basis for equity placement will be a rigorous evaluation by the equity/venture capital firm of the SME's financial position, management, product lines, market, and audited bankable detailed investment plan. The equity/venture capital firm will be responsible for selecting the SME, placing and managing the equity, and monitoring its performance. The profit threshold of the Innovation Facility will be capped, thus increasing the relative share of surplus accruing to the equity/venture capital firm as an incentive. The equity/venture capital firm may be invited to participate in early buy-out options of the SME investment by redeeming the Innovation Facility's shares, providing an additional incentive for the firm. SBC will assist interested equity/venture capital firms to sell equity shares back to the SMEs themselves, to farmers' organisations, or to investors. It would advertise ordinary shares for sale, either on its website and/or to financial institutions interested to offer the shares to their clients.

61. As part of preparing the DIP for SME lead firms and SMEs supporting the value chain through i.e. nurseries, mechanical planting services, compost producers etc. will be assessed if they meet the minimum requirement for equity participation. The SME's meeting the minimum requirement and interested in obtaining third party equity investment will share their package of investment documentation with SCB. SBC will in turn share the potential investment opportunity with Participating Equity Firms (PEF). If any of the PEFs show interest, then SBC will initiate negotiations with the interested PEF, SME and FSP (potentially providing the debt financing) to enter into a financing agreement. In addition to the above direct marketing of equity investment SBC will also develop prospectus which will be made available through the NCs and also on SBC's webpage.

62. The equity term and conditions will be stipulated in an equity contract between the SME and the Participating Equity Firm (PEF). The main items of the contract will include: (i) duration of the equity participation, minimum two years and maximum five years; (ii) exist strategy if venture is generating positive return; and (iii) exit strategy if the investment is not generating the required cash flow.

63. For equity participation in ordinary shares, the exit strategy will consist of three options including: (i) put and call options; (ii) repurchase of the private equity investors' shares by the SME and/or SME's management. The base for establishing the repurchase price can be the SME business valuation, using a combination of the income approach using discounted cash flow method and the asset approach which will provide a sound way of establishing the value of the SME's business. Each of the business valuation approaches will have to be given a weight e.g. income approach 40% and the asset approach 60%; (iii) Trade sale is sale of share (equity stake) to a third party. The sale can be facilitated by the SBC through their webpage and their close contract with private financial institutions who might have customers interested to buy shares. The prices setting can use similar approach as for repurchasing; and (iv) the equity contract shall also include a clause listing the exit strategy if cash flow draws down to a point where business operations are no longer sustainable and an external capital infusion is no longer feasible to maintain operations, planned termination of operations and a liquidation of all assets in order to limit any further losses.

64. The exit strategy for preference shares is straight forward and part of the contractual agreement. Redemption of shares shall be executed according to the agreement with a fixed interest for the duration of the agreement.

65. The SBC and the respective PEF will also enter into a contract for each investment SCB is involved in. The profit threshold of the SBC Equity Fund will be capped, thus increasing the relative share of surplus accruing to the Participating Equity Firm as an incentive. The Participating Equity Firm may be invited to participate in early buy-out options of the SME investment by redeeming the SBC Equity Fund shares, providing an additional incentive for the firm. SBC will assist interested Participating Equity Firm to sell equity shares back to the SMEs themselves, or to farmers' organisations. It would advertise ordinary shares for sale, either on its website and/or to financial institutions interested to offer the shares to their clients.

66. **OFW investment in agri-based MSMEs.** DTI will develop and regularly update specific web pages dedicated to RAPID activities supporting MSME investment in the target value chains on its portal directed at OFWs (<http://www.balinkbayan.gov.ph>). This will include information on: crops and types of MSMEs targeted, financial and non-financial services available to MSMEs and smallholder producers, farming and non-farming MSMEs profitability analysis, options for financial investment in MSMEs and NC contact to access information and support. The development of those web pages by a company specialised in web content will require an initial upfront investment and regular updates (on a declining basis).

67. Furthermore, in every region, DTI will assign a regional focal point for OFWs, who will 'give the institution a face'. S/he will promote services provided by RAPID and be available to respond to OFW queries, orient requests for support towards relevant NCs and provide follow-up. RAPID will also finance, on a decreasing basis, the participation of focal points in events organized by public agencies (such as OWWA) and FSPs (such as the Land Bank) with Philippine embassies abroad to inform OFWs about DTI initiatives and services (such as RAPID or EDLP) in support of OFW investment in their localities of origin.

68. Finally, RAPID will undertake a study to assess feasible options for OFW investment into agri-based MSMEs, in line with GoP priorities to support OFWs engagement in their country and localities of origin, and with OFWs interest to reap both financial and developmental returns. Reliable options to invest back home in the agri-business sector are currently limited, because of a lack of proven MSME investment funds opened to individual investors, as well as a lack of options for diaspora members to invest in financial products remotely. The feasibility study to be carried out by RAPID will be organised in three steps:

- *Mapping supply:* first, the different types of investment vehicles able to finance MSMEs supported by RAPID either in equity or debt and opened to retail investors will be identified and assessed. The survey will focus on existing investment vehicles operating in the Philippines or innovative schemes with strong potential for growth and compliant with Filipinos regulations. This would include: investment funds registered by the Security and Exchange Commission (SEC); mutual funds issuers targeting MSMEs; innovative online platforms enabling the acquisition of shares or

operations similar to those operated by debt and equity crowdfunding platforms in other countries where related regulations exist. Among others, the Green Fund being designed by the Land Bank will be assessed, including options for developing a pre-qualification system for RAPID-supported MSMEs. The constraints faced by investment vehicles in identifying, performing due diligence on, financing and monitoring investment for rural MSMEs as well in attracting individuals to invest through their institution will also be assessed;

- *Demand assessment:* the second step of the survey will address the demand side aspects with regard to both OFWs preferences and regulatory constraints that may hamper investment funds to tap the diaspora market. It will include: a thorough assessment of the OFW market in terms of countries, segmentation by levels of income and financial investment preferences; a description of cost-effective and differentiated marketing approaches to target better-off (white collars) and lower income segments (blue collars); an analysis of regulatory issues such as those related to the promotion of financial products abroad, legal provisions and mitigation strategy to prevent case of failures, etc.; and OFWs requirements with regard to financial and social performances information required to support their decision and monitor their investment. This part of the study will use secondary data, focus groups with key informants from the diaspora and individual interviews of representatives of the financial sector in main destination countries; and an online survey;
- *Options:* the third and last step will be a feasibility study that will build on the analysis of supply and demand and will describe options to channel diaspora investment to rural MSMEs, including: conditions for sustainability; regulatory compliance; different target types of MSMEs and categories of OFWs; and a support package that could be taken up by RAPID to facilitate OFW investment. The complete study will be made available prior to the project Mid-Term Review so that its conclusions can be considered in the review.

## Implementation arrangements

69. The sub-component will be managed by a Financial Services Specialist (FSS), who will be part of the PCO. S/he will be responsible for the selection of the service providers involved in the implementing the various activities, and for monitoring the implementation of MOUs and contracts, as well the progress of activities. Furthermore, RAPID will engage a Financial Services Consultant who will be involved in the initial six months of the project to assist or do quality control in the development of FSP selection guidelines, capacity building methods and processes, and processes for the conditional grant and equity financing the selection and establishment of the institutions responsible, in collaboration with the FSS and relevant players. On the third year, s/he will provide services in evaluating the performance of all FSPs and ascertain areas of weakness or mismatch in financing farmers, cooperatives and SMEs and recommend changes to project activities or approaches. On the 5<sup>th</sup> year, s/he will evaluate overall performance of the project and examine outstanding weaknesses throughout the programme of activities under the sub-component, and propose remedial actions.

### Sub-Component 2.2 – Farm to market infrastructure

#### Sub-Component 2.2 – Farm to market infrastructure

70. **Farm to market roads.** RAPID will finance the rehabilitation of small-scale access roads (less than 50 vehicles per day) intended for motorcycles, four wheeled vehicles and trucks to facilitate the transport of basic commodities and services, farm inputs and produce to and from rural communities involved in SIP implementation. Concreting of existing gravel or earth roads targeted for rehabilitation by RAPID is recommended, in accordance with DPWH Department Order No. 11 of 3 February 2014 on Design Standards for Tourism and Farm to Market Roads. This will lower maintenance costs and enhance sustainability, even under difficult weather conditions. Rehabilitation works could include the following: cross drainage; reinforced concrete pipe culverts with wing walls and head walls; line ditches (using locally available materials such as concrete, rubble/grouted masonry or earth canals); Portland Cement Concrete Pavement (PCPP) with 200 mm thickness, based on DILG's enhanced DPWH design standards for farmer to market roads; slope protection or retaining walls, with a preference for GeoNet with vetiver grass where applicable.

71. **Selection process.** The PCO, in collaboration with DILG, will define the criteria to be used during SIP preparation to identify eligible farm-to-market roads that could undergo rehabilitation with RAPID funds. The primary criterion will be that *roads and bridges are identified by value chain stakeholders participating in the SIP preparation as a priority requirement to reduce farmers' constraints in delivering produce to buyers*. The identification and prioritisation of market access infrastructure by economic actors in partnership with LGUs should ultimately enable the development of a model for supporting connectivity improvement to promote local development.

72. Other important criteria will include the following:

- *Economic benefits:* the subproject must generate economic benefits, as demonstrated in particular by the number of farming households targeted, the volume of production involved and the existence of an identified market;
- *LGU ownership:* the relevant LGU will have to confirm that the proposed infrastructure is a priority within the municipality and that: (i) it is a recipient of the Seal of Good Housekeeping or Seal of Good Local Governance (SGLG); (ii) if it has participated in DA/DAR/DENR projects financing rural roads, it has had satisfactory physical and financial performance (to be confirmed by the relevant agencies) and is undertaking regular maintenance of completed subprojects; (iii) it commits to undertake regular road maintenance. Furthermore, DILG will have to confirm: (i) that the proponent LGU has the technical capacity to plan and implement the proposed subproject; and (ii) that it has not violated any rules in relation to any DA/DAR/DENR/DILG projects (such as fund diversion; un-liquidated funds for a period of two years from its due; non-payment of obligations; negligence leading to subprojects being abandoned/not completed). Finally, the LGU should not have any O&M 'severe' rating at any given assessment period nor any two consecutive O&M 'bad' rating;
- *Provincial and Municipal Planning:* the subproject must be in line with the Provincial Commodity Investment Plan and the Provincial Road Network Development Plan of the relevant provincial government. At the municipal level, the sub-project must take into account the Local Development Investment Program, local disaster risk reduction management plan, and other municipal area and sectoral development plans and programs.
- *Exclusivity:* the subproject is not being financed by other funding sources. Prior to selecting the subproject for financing by RAPID, the possibility of it being financed by other sources of financing, particularly the World-Bank financed PRDP, IFAD-financed CONVERGE, ADB/IFAD-financed INREMP and the locally funded DILG Conditional Matching Grant to Provinces (CMGP), formerly KALSADA project, will have to be ascertained;
- *Social and environment safeguards:* the subproject must not involve significant issues related to social and environmental safeguards. In particular, it should not: encroach on protected areas or have adverse impacts on the environment; involve any resettlement or affect private properties; involve any cutting of big trees. If rehabilitation works would need a minor extension to meet the standard width of road that would encroach on lands with ancestral domain claims, the free and prior informed consultation and free and prior informed consent (FPIC) of relevant IPs is required from the National Commission for Indigenous People (NCIP).

73. As part of the preparation of the SIP, the RAPID PCUs will inform relevant LGUs about conditions for benefitting from farm to market infrastructure. LGUs will prepare documentation showing their meeting the list of RAPID selection criteria for submission to DILG.

74. **Prioritisation and approval.** After the first screening against the above criteria, it is safe to assume that there will still be more subprojects than funds available. Qualifying subprojects will then be ranked by order of priority, based on the following scoring criteria<sup>104</sup>:

- Number of beneficiaries;
- EIRR (at least 15%) and Benefit-Cost Ratio (at least 1.0);

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<sup>104</sup> As per Provincial Road Management Facility and Philippines Rural Development Programme.

- Per capita subproject cost (the lower the cost per beneficiary, the higher the priority);
- Subproject location – higher priority shall be given to subprojects located in LGUs that had no or limited government assistance similar to the type of subprojects being proposed.
- Level of poverty – based on available and reliable statistics, the higher the poverty level, the higher the priority.

75. A prioritised list of subprojects will be submitted by DILG to DTI for approval by the Project Steering Committee. DILG shall sign a Subproject Agreement (SPA) with each participating LGU implementing an approved subproject- stipulating their respective responsibilities and standards in the implementation, financing, and operations and maintenance of subprojects;

76. **Feasibility study.** A feasibility study will be prepared by the relevant LGU for every subproject approved by the PSC or RTWG, whichever is appropriate, which will include the following:

- Geographic location and features of the LGU (land area, geology and soils, topography/slope and climate);
- Socio-economic profile of involved community/barangay, production areas and farming activities, poverty incidence, infrastructure development, sources of water and power supply;
- Existing profile and proposed preliminary design/layout or profile;
- Details and conditions of existing roads;
- Preliminary Technical Assessment Report (proposed scope of work, list of proposed major structures, sources of materials) and estimated cost;
- Proof of ownership of the whole subproject site;
- Written endorsement of the community or minutes of meeting with the community supporting the subproject;
- Certification that no serious issues on social and environmental concerns;
- Plan for operation and maintenance and evidence of availability of financial resources;
- Sanguniang Panlalawigan/Bayan Resolution supporting and allowing the LGU Chief Local Executive to finance and implement the subproject.

77. **Design.** Engineering designs will emphasize low-cost and easily implementable measures that will increase the resilience and reduce the vulnerability of rural infrastructures to extreme climate events, in accordance with DPWH design standards. The latest DPWH geometric design standards will be followed.

78. **Implementation arrangements.** DTI will delegate responsibilities for implementing Sub-Component 2.2 to DILG. DILG has a mandate to supervise and build the capacities of LGUs in the planning, design, procurement, construction and supervision of local road projects. Other potential agencies, such as DA or DPWH, are already burdened with bigger road development projects. DILG will implement the sub-component through its Office for Project Development Services (OPDS), which is under the direct supervision of the Undersecretary for Local Government.

79. At the provincial level, the DILG provincial office concerned staff and the corresponding municipal level DILG staff will be responsible for cooperating with the RAPID PCU in the development of the SIP which may include FMR requirements as identified by the smallholders, partner MSMEs and municipal LGUs. The participating LGU will be responsible for the preparation of the feasibility studies, detailed engineering design (DED), procurement of works and supervision of contract implementation.

80. An MoU will be signed between DTI/RAPID and DILG, which will specify implementation responsibilities and deliverables and the costs that will be supported by RAPID to facilitate

implementation. Based on the provisions of the MoU, DILG will sign a Subproject Agreement (SPA) with each participating LGU, stipulating their respective responsibilities and standards in the implementation, financing, and operations and maintenance of subprojects. Furthermore the SPA will spell out provisions related to the preparation of feasibility studies and Detailed Engineering Designs, procurement of works, quality assurance and quality control, M&E, financial management, and operation and maintenance.

81. The project implementation manual will further detail the roles, responsibilities, technical support, oversight, supervision, accounting and reporting arrangements, and will be based on the OPDS CMGP programme implementation manual. It will include a template covering the minimum technical, financial, social and environmental requirements for feasibility studies. Where applicable at sub-project level, OPDS-DILG will enter into a tripartite MoA with the National Commission for Indigenous People (NCIP) and DTI to organise free, prior and informed consent and obtain the related certificate of precondition.

82. RAPID will finance the cost of project management and technical assistance, which will include: (i) project management by DILG at national and at provincial level; and (ii) technical assistance to LGUs for road/bridges design and supervision of works. While some LGUs do have their own resources for carrying out design and supervision, it is expected that some of them will not. In this case, an envelope is allocated to allow LGUs to hire either contractual staff or a firm. Technical assistance and financial support will be provided based on an assessment to be carried out by OPDS for each participating LGU, so that the feasibility study, detailed engineering design, procurement and contract implementation are consistent with the existing laws of the Philippines, IFAD Procurement Rules and the Project Implementation Manual.

83. **O&M.** LGUs will be required to submit an operation and maintenance plan (O&M) together with proof of yearly budget allocation for O&M activities as part of the feasibility study. O&M will include preventive maintenance and repairs for sustaining the proper working condition of the rehabilitated infrastructure. Technical assistance will support LGUs in ensuring they have an adequate system for ensuring the maintenance of farm to market roads, with commensurate resources.





## **Appendix 5: Institutional aspects and implementation arrangements**

1. **Implementing agency.** The Department of Trade and Industry (DTI) will be the project lead executing agency and will bear overall responsibility for RAPID coordination and oversight. RAPID governance and management structure will be embedded into DTI's organisational structure.
2. DTI, which has its beginnings in 1898 and been established in 1974 under its current name, is responsible for realizing the country's goal of a globally competitive and innovative industry and services sector that contributes to inclusive growth and employment generation. Over the years, DTI has sought to transform the country's industries into dynamic vehicles for poverty reduction, inclusive growth and employment generation. Its programmes and projects are geared towards global competitiveness and sustainability of the country's Micro, Small and Medium Enterprises (MSMEs) as well as larger enterprises. With over 99% of the country's business sector composed of MSMEs, DTI gives utmost priority and directs the necessary resources to MSMEs development, including through value chain approaches.

### **Project Oversight, Advice and Coordination**

3. **Project Steering Committee.** RAPID will be guided by a Project Steering Committee (PSC), which will be chaired by DTI's Secretary. It will be composed of: (i) representatives from the oversight and line departments involved in rural and agri-industrial development, such as the Department of National and Economic Development Authority (NEDA), the Mindanao Development Authority (MinDA), the Department of Budget and Management (DBM), the Department of Agriculture (DA), the Department of Agrarian Reform (DAR) and the Department of Interior and Local Government (DILG), the National Commission on Indigenous People (NCIP); (ii) representatives from the target value chains (at least two representatives, including farmers, and where feasible, from the respective industry councils); and (iii) representatives from the financial sector involved in project implementation such as the Rural Bankers' Association, the Small Business Corporation, the Land Bank of the Philippines, the National Confederation of Cooperatives (NATCCO) and the Foundation for a Sustainable Society (FSSI) involved in the project. To have a manageable PSC, it is recommended that membership should not go beyond 20 participants. The PSC will provide overall guidance and oversight, to ensure that RAPID programming is aligned on national sector priorities, to offer a venue for sharing RAPID good practices and for channelling policy issues to the appropriate policy making bodies. The PSC will also approve annual AWPBs, Annual Procurement Plans (APP) and annual progress and financial reports.
4. **MSME Development Councils.** To ensure an efficient coordination at field level, RAPID, through DTI, will regularly inform the national, regional and provincial MSME Development Councils<sup>105</sup> on project progress and advocate for policy changes and programmes for the development of the MSME sector, based on project learnings. MSME Development Councils are headed by DTI and are composed of representatives from relevant government agencies and from the MSME sector. RAPID will encourage industry councils and private sector associations in the target value chains (which the project will support under Component 1.1) to become members of the regional and provincial MSME Development Councils.
5. Furthermore, considering that RAPID will address value chain development needs from production to marketing, it is important that coordination and synergies are developed with other government agencies supporting agriculture production (such as DA, DAR, DENR, Philippine Coconut Authority) and technological and skills development (DOST and the Technical Skills Development Authority).

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<sup>105</sup> RA 9501 (Magna Carta for MSMEs) outlines the national policy for the promotion and strengthening of MSME development. It also created the MSME Development Councils from national to provincial levels. At its 4<sup>th</sup> Meeting in August 2016, the National MSME Development Council passed Resolution No. 04 S 2016 "approving the organisation and institutionalisation of the Regional MSME Development Councils". Under RA 10644 (Go Negosyo Act), the MSME Development Councils will supervise the Negosyo Centers that will be established in all provinces, cities and municipalities throughout the country.

## Project Management

6. **National level.** DTI will establish a Project Coordination Office (PCO) to manage and coordinate overall project implementation. It will be headed by a Project Director from DTI central office senior management (at least a Director level). The Project Director will be assisted by a team composed of:

- One Project Coordinator;
- One Value Chain Specialist;
- One Business Services Specialist;
- One Financial Services Specialist;
- One Finance and Administration Officer;
- One Procurement Officer;
- One Planning and M&E Officer;
- One KM/Communication Specialist.

7. All of the PCO staff will be financed by RAPID. Key responsibilities of the PCO staff are in Annex 1.

8. Project management will be embedded into DTI's organizational structure, under the direction and supervision of the DTI's Regional Operations Group (ROG). The PCO will assist DTI in carrying out RAPID implementation responsibilities and will be fully accountable for the performance of project implementation and the use of funds. It will relate with IFAD and government's oversight agencies, will act as the secretariat of the Project Steering Committee and will work closely with the national MSMED Council, with national industry councils and private sector associations in the target value chains, as well as national partners in project implementation. Procurement at the national level will be assisted by DTI's Bids and Awards Committee.

9. **Regional level.** Management will be decentralised to RAPID target regions. In every target region, DTI will establish a Regional Coordination Unit (RCU), which will be embedded into DTI SME Development Services Division/Industry Development Services Division, and will be headed by DTI Regional Director. RCUs will be responsible for project implementation at the regional level and will report to the PCO. The Regional Director will be assisted by a team composed of:

- One Regional Coordinator;
- One Contract Manager;
- One M&E/KM Officer;
- One KM/Communication Specialist;
- One Accountant and Administrative Assistant.

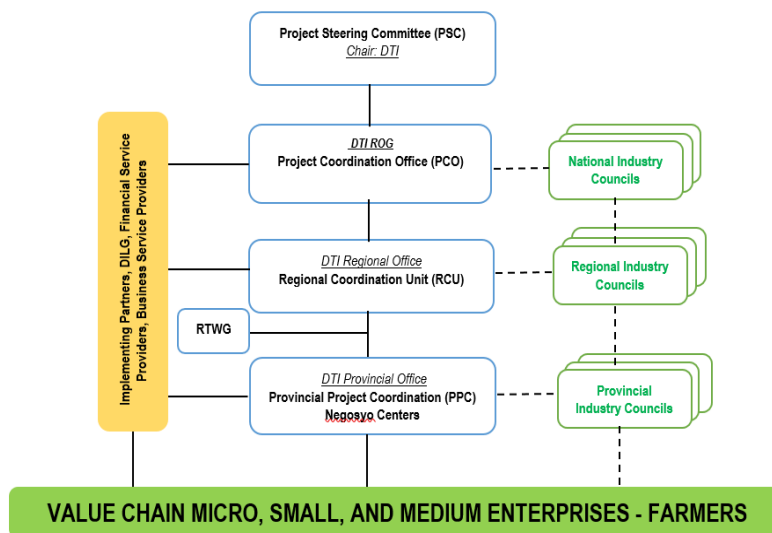
10. All of the RCU staff will be financed by RAPID. Key responsibilities of the RCU staff are in Annex 1.

11. RCUs will be responsible for the preparation of regional AWPBs and regional progress reports, and will provide support to Provincial Coordination Units, particularly with regard to contracting with value chain players as well as M&E and KM. They will also coordinate and facilitate synergies with regional MSMED councils and relevant regional stakeholders, such as government agencies, regional industry councils and private sector associations, as well as academic and research institutions.

12. Furthermore, the DTI regional office, with assistance from the RCU, will facilitate the creation of a Regional Technical Working Group (RTWG) to review and approve Strategic Investment Plans/Detailed Investment Plans and Farm to Market Roads Subprojects. The RTWG will be co-chaired by DTI/DILG and RCUs will ensure the secretariat of the RTWG. RTWG composition will also include financial services providers (LBP and DBP), regional reps of NEDA, DA, DAR, DENR and provincial planning officers. NCIP may be invited to attend for specific agenda items. RTWG operating procedures, and in particular assessment modalities and criteria for validation, will be defined in the Project Implementation Manual. The RCU will hire technical expertise as required for the review and approval of proposals.

13. **Provincial level.** In every target province, a Provincial Coordination Unit (PCO) will be established within DTI provincial Business Development Division, under the authority of DTI Provincial Director. The PCO will provide support to the network of Negosyo Centres, which will be the entry point for the delivery of project services in the province. The PCO team will be composed of a Provincial Project Coordinator (PPC) and of value chain facilitators (VCFs), who will be selected by DTI among qualified staff serving in Negosyo Centres. While the PPC will be fully paid by RAPID, VCFs will retain their DTI salary and will receive an additional allowance. The PCO will be responsible, in partnership with Negosyo Centres, for: (i) identifying MSMEs interested in partnering with farmers; (ii) facilitating the preparation and monitoring of SIPs; (iii) facilitating and coordinating the participation of service providers; (v) ensuring the M&E of all project activities in the province, including the preparation of provincial AWPBs; and (v) liaising with value chain players and their councils and associations.

**Figure 1: RAPID Implementation Set-Up**



### Implementation Arrangements and Responsibilities

14. DTI will implement Components 1 – Value Chain Development, 2.1 – Strategic Finance and 3 – Project Management as described in Appendix 4. Sub-Component 2.2 – Farm-to-market infrastructure will be implemented by DILG. Table 1 indicates the main roles and responsibilities of implementing units and project partners, except for Sub-Component 2.2, for which implementation responsibilities are spelled out in Appendix 4.

**Table 1 - Main Responsibilities of Implementing Units and Key Partners**

Implementing units/Partners	Main responsibilities
<b>Project Steering Committee (PSC)</b>	<ul style="list-style-type: none"> <li>• Provide policy guidance</li> <li>• Approve project implementation guidelines, global and annual work plans and budgets and APPs</li> <li>• Review and approve proposals regarding adjustments to plans, budgets, etc.</li> <li>• Approve annual progress reports</li> <li>• Resolve implementation issues that cannot be settled by implementing agencies/partners</li> </ul>
<b>Project Coordination Office (PCO)</b>	<ul style="list-style-type: none"> <li>• Provide overall guidance on project implementation (e.g. preparation of implementation guidelines, financial guidelines, procurement guidelines, etc.) to ensure that all project implementation partners develop activities along a common, coherent approach in line with the Project Design Report</li> <li>• Oversee operations, linkage with other implementing partners (BDSs, FSPs, etc.), finance and procurement at the national level, secretariat to PSC, and provide implementation support to RCUs including for supporting the organization of industry councils and private-sector associations</li> <li>• Liaise with DTI offices, IFAD, MSMED Council, industry councils and private-sector associations, government agencies</li> <li>• Provide financial and administrative management of project resources in line with the Loan Agreement and IFAD rules. This will also include: (i) the management of project accounts and their timely replenishment; (ii) withdrawal applications, and (iii) the organisation of annual and final independent audits of all project accounts as per IFAD Loan Agreement</li> <li>• Facilitate planning of project activities and the preparation of consolidated AWPBs, building on a participatory process involving RCUs and PCOs, as well as value chain stakeholders benefitting from project support</li> <li>• Contract and procure project-related services and supplies not undertaken by RCUs in accordance with IFAD Loan Agreement and IFAD rules. This will also include: (i) the preparation/consolidation of APPs, and (ii) the monitoring of the implementation of service providers' contracts</li> <li>• Provide overall M&amp;E and KM function including supervision and review missions, documentation of business models, and reporting of project's physical and financial progress (outputs, outcomes,</li> <li>• Promote inclusive approaches and mainstreaming of targeting and gender requirements in all of the project activities</li> </ul>
<b>Regional Coordination Unit (RCU)</b>	<ul style="list-style-type: none"> <li>• Oversee operations, linkage with other implementing partners (public, private), finance and procurement at the regional level, secretariat to RTWG, and provide implementation support to PCOs and NCs including supporting the organization of industry councils and private-sector associations</li> <li>• Review and recommend SIPs and DIPs and farm to market infrastructure subprojects for approval by RTWG</li> <li>• Liaise with DTI offices, regional MSMED Councils, industry councils and private-sector associations, government agencies</li> <li>• Review and consolidate provincial AWPBs and APPs into regional AWPBs and APPs</li> <li>• Enter into contracts with implementing partners (BDS providers, FSPs, etc.), monitor and review their performance</li> <li>• Oversee and supervise M&amp;E/KM function including supervision and review missions and documentation of business models in the provinces of operation</li> <li>• Report to the PCO</li> </ul>
<b>Provincial Coordination Units (PCOs) with Negosyo Centers (NCs)</b>	<ul style="list-style-type: none"> <li>• Oversee operations, linkage with other implementing partners (BDSs, FSPs, etc.) at the provincial level and provide implementation support to NCs, including for supporting the organization of industry councils and private-sector associations</li> <li>• Organize NCs operating in the province into a network to perform functions under component 1</li> <li>• Undertake the mapping of industry/VC and key stakeholders, development of strategic investment plans (SIPs), linking farmers with enterprises and both with BDS providers and FSPs</li> <li>• Liaise with DTI offices, provincial MSMED Council, industry/VC associations, government agencies, and LGUs</li> <li>• Prepare provincial annual work plans and budgets and procurement plans</li> <li>• Report to the RCU</li> </ul>
<b>Regional Technical Working Group (RTWG)</b>	<ul style="list-style-type: none"> <li>• Review, approve and ensure quality (feasibility) of SIPs and DIPs and farm to market infrastructure subprojects</li> <li>• Advise RCUs in terms of coordination with other line agencies, specifically for complementing and building synergies with similar programmes and projects</li> </ul>
<b>Implementing Partners: BDS providers, FSPs, etc.</b>	<ul style="list-style-type: none"> <li>• Execute the intended outputs and outcomes as specified in the contract/ memorandum of agreement/ work plan and budget and procurement plans</li> <li>• Submit reports as specified in the contract/ memorandum of agreement on a timely manner</li> <li>• Subject itself to review and audit based on the contract/ memorandum of agreement</li> </ul>

15. **Phased Approach.** RAPID will be phased as follows. In Year 1, activities will start in the first 10 provinces where the target value chains have greater potential for development. Project approaches and instruments such as SIPs and DIPs and guidelines for preparation, approval and implementation will be developed, tested and adjusted. In Year 2, project investments will be rolled out to the remaining provinces. The PIM will be reviewed and adjusted based on learnings from Year 1.

16. **Start-Up Activities.** One of the major causes for delayed project implementation is the timely completion of start-up requirements. To facilitate this process, the project will hire a short-term consultant immediately after loan signing, to assist the DTI and later the PCO in securing an effective and smooth project start-up and in setting up project management procedures and tools. Terms of reference of the Project Expeditor are in Annex 2.

17. **Capacity of Implementing Agencies.** While DTI is the lead implementing agency, DILG will be implementing agency for the rural infra. The rationale for selecting DILG with a corresponding assessment of its capacity to implement rural infrastructure with the LGUs is contained in Appendix 4. The assessment in this section is mainly on DTI.

18. Table 2 shows DTI programmes/projects relevant to RAPID, showing that aside from its mandate, the agency has had extensive experience in the development of the MSME sector in the country. Details are presented in Annex 4.

**Table 2 - Matrix of DTI programs and projects relevant to RAPID**

Programmes and projects	Location	Timeline	Target Groups	Budget/Cost	Development Partner
NICCEP	All 17 regions	2012-2015	MSMEs	USD 10.0M	JICA
RuMEPP	CAR, Regions V, VIII, XII, Caraga	2006-2013	Micro-enterprises	USD 27.5M	IFAD
ProGED	Regions III, IVA, IVB, V, VI, VII, VIII, Caraga	2013-2016	MSMEs	no available data	GIZ
SMERA	16 regions except ARMM	Continuing	MSMEs	GOP Appropriation	GoP
SSF	16 regions except ARMM	2012-2015	MSMEs & Associations	PhP 700M annually	Academic institutions and NGOs
Negosyo Center	16 regions except ARMM	Continuing	Start-ups & MSMEs	GOP Appropriation	LGUs/CCIs
K-MM	16 regions except ARMM	2016-2022	Micro Entrepreneurs	GOP Appropriation	PCE-Go Negosyo
GREAT Women	All 17 regions	2006 -2012 2015-2021	Women Entrepreneurs	USD 6.0M (Phase1) USD 6.0M (Phase2)	CIDA-PCW-DTI

NICCEP National Industry Cluster Capacity Enhancement Project  
ProGED Promotion of Green Economic Development  
SSF Shared Service Facility  
GREAT Women Gender-Responsive Economic Actions for the Transformation of Women  
RuMEPP Rural Micro-Enterprise Promotion Programme  
SMERA SME Roving Academy  
K-MM Kapatid Mentor Micro Entrepreneurs

19. **Capacity Assessment.** Based on the initial result of the quick assessment of DTI's capacity (see Annex 3), the project will conduct an in-depth capacity assessment of DTI staff (regular and contractual) who will be involved in project implementation. Capacity building curriculum and learning methodologies will be developed combining on-the-job training, mentoring/coaching and peer-to-peer learning during the first year of implementation. In the second year, an evaluation will be conducted with the consequential adjustment in the curriculum and methodologies. An outside consultant will conduct the capacity assessment and the corresponding training.

20. **Linkages with Complementary Projects.** DTI/RAPID will seek to create effective partnerships and synergies with relevant public institutions and private entities involved with agricultural value chain development and enterprise growth. Collaborative arrangements (e.g. mapping the location of

subprojects) will be pursued with other development projects and financiers involved in the sector, to ensure complementarity and synergies, including through the initial value chain mapping planned under Component 1. Ongoing projects, funded either by the GoP or development partners, that RAPID will collaborate with or complement are the following<sup>106</sup>:

- *Philippine Rural Development Project (PRDP)*: funded by the World Bank (WB) and implemented by DA, through LGUs (as opposed to RAPID, which is implemented through the private sector), PRDP is a six-year national project that aims to establish modern, value chain-oriented and climate-resilient agriculture and fisheries sectors. To ensure complementation and avoid duplication, DA is a member of the PSC and RTWG;
- *Convergence on Value Chain Enhancement for Rural Growth and Empowerment (ConVERGE)*: funded by IFAD, ConVERGE is implemented by DAR in 11 Agrarian Reform Communities (ARC) clusters in Regions 9, 10, and 13. RAPID will operate in non-ARC clusters. DAR is a member of the PSC and RTWG;
- *Inclusive Partnerships for Agricultural Competitiveness (msm)*: funded by the World Bank and implemented by DAR, IPAC was recently approved by the NEDA Board. It aims to enhance access to markets and competitiveness of smallholder farmers and landless farmers in ARCs that are not covered by ConVERGE. DAR is a member of the PSC and RTWG;
- *Small Enterprise Technology Upgrading Program (Set-Up)*: funded by GoP and implemented by DOST, Set-Up enables SMEs to address their technical problems through technology transfer and technology interventions. DOST is a member of PSC and RTWG.

21. Annex 5 shows target provinces that RAPID has in common with PRDP, CONVERGE and IPAC and the target crops supported by these two projects.

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<sup>106</sup> The mentioned projects and agencies participated in a series of consultations during the project scoping and design missions.

**Annex 1: Main Responsibilities of RAPID Project Key Staff**

Level	Key Staff	Status	General responsibilities
<b>PCO (1)</b>	Project Director	Regular	Full signing authority and other responsibilities delegated by the DTI Central office for decisions beyond the authority of the Regional Directors in the RCUs. He/she will be responsible for the overall direction, management and coordination of the project.
	Project Coordinator	Contractual	Responsible for the day-to-day administration, coordination, and supervision of the project. He/she will assist the Project Director oversee that the project will achieve its targeted outputs as planned and its development objectives and goal within the project life cycle.
	Value Chain Specialist	Contractual	Assist RCUs in coordinating the planning, implementation and evaluation of the value chain related strategies, processes and investment. He/she will be responsible in linking the value chain enterprises with the national industry associations/councils.
	Business Services Specialist	Contractual	Organize training and shortlisting/accreditation of BDSs, provide quality control of work done by BDS, develop financial products for farmers, ME, SMEs, coordinate activities with the MSME Council, and provide relevant information to the Value Chain ICT/MIS. Assist in developing financial analytical standard programmes acceptable to financial institutions to be used by BDSs. Develop training programmes for NC for RAPID clients.
	Financial Services Specialist	Contractual	Oversee the selection of FSPs and of consultants or service providers required for the implementation of Component 2.1. He/she shall monitor the progress of partner FSPs and oversee their evaluation at the end of the project, to determine and document the degree of development achieved by each FSP
	Procurement Specialist	Contractual	Responsible for ensuring that procurement of goods, works and services follow RA 9184 and IFAD's procurement guidelines and is carried out in a timely manner.
	Finance/Administrative Officer	Contractual	Responsible for the overall FM arrangements of the project. Will coordinate with DTI FMS on the budgets, disbursement and financial reporting of the project. He/he will be also responsible in office admin matters
	Planning/M&E Officer	Contractual	Responsible for the designing of the planning process and instruments, M&E plan and reporting systems and the execution of the planning/M&E at all levels. He/she will assist the regional M&E/KM officers.
	KM/Communication Specialist	Contractual	Responsible for the project's knowledge management strategy and action plan and its implementation. He/she will develop communication platforms for different project users. He/she will assist the regional M&E/KM officers
	Accountant/Admin Assistant	Contractual	Responsible in the preparation of disbursement vouchers and supporting documents. Will assist the Finance/Admin Officer.
<b>RCU (6)</b>	Regional Director	Regular	Full signing authority and other responsibilities delegated by the DTI Central Office. He/she will be responsible for the overall direction, management and coordination of the project at the region.
	Project Coordinator	Contractual	Responsible for the day-to-day administration, coordination, and supervision of the project at the region. He/she will assist the Regional Director oversee that the project will achieve its targeted outputs as planned and its development objectives and goal within the project life cycle.
	Contract Manager	Contractual	Responsible for contract preparation and execution. He/she will monitor that contracts (including DIPs) out carried out in accordance with specifications and the approved program of work.
	Planning/M&E Officer	Contractual	Responsible for the preparation of regional AWPBs, APPs and progress reports. He/she will be responsible for monitoring and evaluating provincial SIPs and DIPs and the reporting of the results.
	Accountant/Admin Assistant	Contractual	Responsible in preparing disbursement vouchers and supporting documents. Will provide assistance in the preparation of financial reports. Will assist in the admin matters.
<b>PPC (20)</b>	Provincial Director	Regular	He/she will be responsible for the overall direction, management and coordination of the project at the province.
	Provincial Coordinator	Contractual	Responsible for the organization of networks of Negosyo Centers, facilitating project activities at the provincial level, preparing provincial AWPBs and APPs, M&E of provincial plans and activities and reporting the results.
	Value Chain Facilitator	Regular	Coordinate and implement project activities at provincial level. The VCF will provide awareness training to the LGU staff; undertake the initial VC inventory/mapping together with LGU staff, participate and monitor the preparation of SIPs and oversee their implementation. He/she will oversee work of contracted BDSs, monitor the performance of MEs and SMEs, collect performance indicators for the KM, assess requests for services provided under RAPID, organize provincial awareness workshops and assist the PPC in the preparation of AWPB.

## **Annex 2: Project Expeditor Terms of Reference**

**Qualifications & Experience:** Preferably a higher degree in economics, agricultural economics, management or business administration; practical experience of at least 10 years in project financial management, planning, accounting procedures, procurement and monitoring and evaluation procedures in internationally financed projects; a good knowledge of computer applications (especially of accounting software) in the above related matters. Excellent senses of relationship and negotiations skills. Fluent in English (reading, writing and speaking).

**Special Qualifications:** Knowledge of IFAD/GoP financial, procurement and accounting procedures.

**Duration:** Assignment of up to a maximum of 6 months.

**Reporting:** RAPID Project Director

**General Objective:** To assist DTI ROG/PCO in securing an effective and smooth project start-up and in setting up all of the project management procedures and tools.

**Detailed Tasks:** The Project Expeditor will be responsible for undertaking the following tasks, in close cooperation with the PCO Team and DTI ROG:

- Prepare draft advertisements for the recruitment of PCO staff for review and approval by DTI ROG and IFAD; prepare interview guidelines to be used by the interview panel, including evaluation and selection criteria for each post, and propose the composition of the interview panel, for approval by DTI ROG and subsequent no objection by IFAD; and prepare PCO recruitment to be submitted to DTI and to IFAD for no objection;
- Organise the selection process for RCU and PCO staff;
- Assist the DTI ROG/PCO in setting up the RCUs and PCOs and in devising procedures for communication and supervision;
- In collaboration with relevant PCO staff, prepare all contracts and MoUs with main implementation project partners and service providers (egg. DILG, SBC, LBP)
- Launch the procurement of office equipment and vehicles for the PCO, RCUs, PCOs covered in the first year of implementation;
- Train the PCO/RCU staff and other interested DTI staff dealing with contract management on: various methods of procurement and selection of service providers; technical and financial evaluation of bids; performance-based contract models to be used; and monitoring of contract execution;
- Assist the PCO/RCU in preparing the first AWPB and the revised Annual Procurement Plan, and train relevant PCO/RCU staff in the preparation of these documents;
- Set up the account management and financial reporting system together with Finance and Administration Officer, using appropriate accounting software and in accordance with established international practices and IFAD and GoP requirements;
- Train relevant PCO/RCU staff in project accounting, disbursement and financial reporting;
- Assist the Finance and Administrative Officer in setting up project accounts and in preparing withdrawal applications and Statements of Expenditures;
- Provide advice for the finalisation of the Project Implementation Manual;
- Assist the PCO in preparing and organising the project start-up workshop;
- Prepare the Framework for Good Governance, including an Internal Code of Conduct to be signed by all RAPID staff, and a Code of Business Ethics to be signed by all partners and beneficiaries of RAPID investment and activities.



### Annex 3: Quick assessment of DTI Implementing Capacity

Level	Strengths	Weaknesses	Capacity Building Needs
National	<ul style="list-style-type: none"> <li>Supportive management headed by the Secretary</li> <li>Committed, professional, trustworthy and proactive officials and personnel to deliver its commitments who are willing and interested to learn and unlearn new concepts &amp; principles</li> <li>Wide range of networks both from the public and private sectors including development partners</li> <li>In place is Performance Governance System (PGS) which assures goals and outcome driven performance of mandate and functions</li> </ul>	<ul style="list-style-type: none"> <li>Very lean personnel complementation</li> <li>Limited budget, thus constrained to scale up programs and initiate new ones</li> <li>Mostly generalist staff with limited knowledge on specialized fields</li> <li>Limited analytical instruments/ tools in line with mandate and functions (e.g. trade policy formulation and negotiation, export and investment promotion, industry and MSME development, consumer advocacy, value chain development)</li> </ul>	<ul style="list-style-type: none"> <li>Need to capacitate personnel (in-house capacity) on specialized field to equip personnel to respond adequately to work demand and provide specific, substantial and appropriate inputs to tasks required</li> <li>Benchmarking with other economies to learn and apply learning and exposure to other cross-cutting and inclusive themes for integration in the project, in-depth and actual learning of new concepts and principles, exposure to new ideas</li> <li>Analytical tools/instruments and equipment</li> <li>Technical and business related trainings</li> </ul>
Regional	<ul style="list-style-type: none"> <li>Majority of its regular staff are familiar with or involved in value chain/industry cluster development</li> <li>Extensive partnership experience with other government agencies, financing institutions, NGOs, private/business sector</li> <li>Have experience working with foreign assisted development projects (usually grant projects)</li> </ul>	<ul style="list-style-type: none"> <li>Procurement experience is within the range of PhP 1-2 million. Only Region IV-A had a procurement worth more than PhP 5million.</li> <li>Insufficient understanding and capacity for VC/industry cluster development</li> <li>Lack capacity to network/ link with critical partners in VC/industry development</li> </ul>	<ul style="list-style-type: none"> <li>Capacity building on VC development (e.g. immersion and exposure to business models of IC and VC, attendance to global conferences on market-driven VC/industry)</li> <li>Capacity in handling VC/Industry leadership groups</li> </ul>
Provincial	<ul style="list-style-type: none"> <li>Staff assigned in industry cluster/Negosyo Center have skills in business planning, VC analysis</li> <li>Highly motivated staff</li> <li>Staff have basic understanding on value chain and network building</li> </ul>	<ul style="list-style-type: none"> <li>Insufficient skills on specific VC/industry (e.g. industry-based technologies), stakeholders' analysis and engagement, resource mobilization</li> <li>Staff are limited in number, multi-tasked</li> <li>Limited info re: data banking / complexity of each activity in the value chain</li> <li>Procurement experience is less than PhP half million</li> </ul>	<ul style="list-style-type: none"> <li>VC Capacity development, actual work on industry development</li> <li>New techniques on analysis &amp; traceability and strengthen data banking for VC profiling</li> <li>Skills in network building/ linking</li> </ul>
Negosyo Center	<ul style="list-style-type: none"> <li>Created under RA 10644, has annual budget allocation</li> <li>Targeted to be established in all provinces, cities and municipalities in the country</li> <li>Facilitate ease of doing business and access to services for MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>Just newly created which needs to improve on the following areas: client targeting, database, facilities and services to clients, knowledge materials, M&amp;E</li> <li>Low capacity and readiness of NC personnel to serve complex needs of clients</li> <li>Weak linkage with private/business sector and other government programmes and projects serving the MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>Orientation and training on VC (specific VC/industry prioritized in the province)</li> <li>Skills on networking, organizing, facilitating, etc.</li> <li>Knowledge bank (e.g. directory of service providers, markets)</li> </ul>

## Annex 4 - DTI Programmes offering potential for scaling up within RAPID

### Profiles of Recent and Current DTI Programs

**DICCEP and NICCEP.** In partnership with the Japan International Cooperation Agency (JICA), the DTI has successfully implemented the Davao Industry Cluster Capacity Enhancement Project (DICCEP) for the eight (8) priority industry clusters in the Davao Region, namely: Banana, Mango, Coconut, Seaweed, Mining, Wood, Tourism, and Information and Communications Technology (ICT). DICCEP successfully ended in 2010; in the same year, the project garnered the *Official Development Assistance (ODA) Good Practice Award under the Strategies for Achieving Outcomes* category set up by the National Economic & Development Authority (NEDA). The recognition and milestones achieved by the DICCEP led to interests from both DTI and JICA in the possible replication of the project in a national scale. The National Industry Cluster Capacity Enhancement Project (NICCEP), which was implemented from 2011 to 2014, was, thus, conceived. The NICCEP covered 19 industry clusters, which include the same eight clusters that benefited from DICCEP plus eleven more, namely: Bamboo, Coffee, Dairy, Milkfish, Palm Oil, Poultry, Rubber, Tuna, Wearables and Homestyle, Gifts/Decors and Housewares, and Health and Wellness. The Coconut cluster, under NICCEP, came to also include the Coco Coir sub-cluster, which thrives in the same regions with land areas planted to coconut trees.

Collectively, DTI's ongoing programs and projects are designed to focus on capacity building, enterprise development, product development, market promotion, export development and promotion, industry and investments promotion, and industry regulation. All these programs consistently use the value chain-based approach of developing industry clusters. The approach was, in fact, specifically identified as a major strategy under the Philippine Development Plan 2011-2016 in helping achieve its vision of a globally competitive and innovative industry and services sector that all contribute significantly to inclusive growth and employment generation. It is also incorporated in the 10-point Agenda of the current administration; in particular, the agenda includes the *promotion of rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism*.

DTI has progressed to refocus its national priorities to include the seven (7) key industry clusters (i.e., Bamboo, Coffee, Cacao, Coconut, Rubber, Processed Fruits & Nuts and Wearables & Homestyle).

The table below shows the recently implemented and on-going DTI programs.

Spatial mapping of projects that complement RAPID has been undertaken and is provided in the Project Implementation Manual for purposes of coordination with partner agencies.

**Table 1. Matrix on Programs and Projects of DTI relevant to the proposed RAPID Growth**

Program & Project	Location	Timeline	Target Group	Budget	Partner
<b>NICCEP</b>	All 17 regions	2012-2015	MSMEs	USD 10 million	JICA
<b>RuMEPP</b>	CAR, Regions V, VIII, XII, Caraga (19 provinces)	2006-2013	Micro-enterprises	USD	IFAD
<b>ProGED</b>	Priority 17 provinces Regions III, IVA, IVB, V, VI, VII, VIII, Caraga	2013-2016	MSMEs	(N/A)	GIZ
<b>SME Roving Academy</b>	All 16 regions	Continuing	MSMEs	GOP	Local
<b>SSF</b>	All 16 regions	2012-2015	MSMEs & Associations	PhP 700M annually	Local (academe, NGOs)
<b>Negosyo Center</b>	All 16 regions	Continuing	Start-ups & MSMEs	GOP	LGUs/CCIs
<b>Kapatid Mentor ME</b>	All 16 regions	2016-2022	Micro Entrepreneurs	GOP	PCE-Go Negosyo
<b>GREAT Women</b>	8 provinces only All regions	2006 -2012 2015-2021	Enterprising women Women Entrepreneurs	USD 6 + 6 million	CIDA-PCW-DTI

National Industry Cluster Capacity Enhancement Project (NICCEP)  
Rural Micro-Enterprises Promotion Project (RuMEPP)  
Promotion of Green Economic Development (ProGED)  
SME Roving Academy (SMERA)  
Shared Service Facility (SSF)  
Negosyo Centers (NC)  
Kapatid Mentor Micro Entrepreneurs (K-MM)  
Gender-Responsive Economic Actions for the Transformation of Women (GREAT Women)  
<sup>b</sup> Project is under review by DTI

**National Industry Cluster Capacity Enhancement Project (NICCEP)**

Objectives	To enhance the capacity of selected industry clusters to plan, implement, facilitate service delivery, evaluate projects, and improve industry competitiveness and business environment To provide capacity building training and related activities that help boost industry stakeholders' participation in the value chain, thereby enabling them to maximize available entrepreneurial opportunities beyond farming for those in agri-based clusters
Main Activities	Conduct of trainings, management advisory, consultations and benchmarking in successful related projects, local and international.
Implementation Set-up/ Business Model	Scaling-up of Davao Industry Cluster Capacity Enhancement Project (DICCEP) piloted in Davao Region by DTI-XI (2007-2010). Nineteen (19) priority industry clusters across the country were identified as beneficiaries; namely: bamboo, coffee, dairy products, milkfish, tourism, banana, coconut, mango, mining, palm oil, poultry, rubber, seaweeds, tuna, wood, wearable and home style, gifts, decors and housewares (GDH), health and wellness, information and communication technology (ICT). Project components include product development and market promotion, equitable financing and credit assistance, shared service facilities and micro-enterprise development. Value chain based convergence of key players and organizing the industry development cluster team. Institutionalizing the Industry Dev Cluster into a Council through an Executive Order, e.g., EO 879 creating the Phil Bamboo Industry Development Council to boost the 1 million ha forest Phil commitment to ASEAN by 2020. The initial target is 500,000 ha .
Main Outcomes and Challenges	Enhanced global competitiveness of Philippine products Establishment of 3,561 new MSMEs, technical and marketing assistance to 12,711 existing MSMEs nationwide, which on the whole generated a total of P9.295 billion-investments, USD10.540 billion-export receipts and P22.428 billion-domestic sales. The project has supported the creation of 174,072 jobs.
Lessons learnt	The convergence of government agencies can yield to better results when it is effectively

	<p>managed  The private sector's active involvement is necessary for concrete and positive developments to be achieved by programs such as NICCEP.</p>
Recommendations to the Design Team (particularly possible linkages with RAPID)	<p>Anchor RAPID Growth priorities on the industry clusters developed by the NICCEP and scale up the enterprises through customized financing packages.  Replication of successful business models in newly developed areas/regions, e.g., organic certified VCO, GAP certified nurseries/seedling production, etc.  Promotion of investment opportunities that would address the identified constraints in value chains</p>
Contact and links to resources	<p>NOTE: JICA is now winding up the ARMM Industry Cluster Capacity Enhancement Project (AICCEP).</p>

### Rural Microenterprise Promotion Programme (RuMEPP)

Objective	<p>To increase the numbers of new and existing rural micro-enterprises expanding and operating profitably and sustainably</p>
Main Activities	<p>Microfinance credit – wholesale lending to MFIs  Support Component- enterprise development using the value chain approach</p>
Implementation Set-up/ Business Model	<p>The project design recognizes three stages, namely:  Enterprise-formation level, ranging from emerging enterprises with minimal (up to PhP 50,000 assets);  Enterprise-expansion level covers those that have developed into relatively stable businesses and want to expand (PhP 50,000 and 300,000 asset size);  Enterprise-transformation level includes more mature microenterprises (assets of up to PhP 3 million, 9 employees).  Business Models:  Microfinance credit and support (MSC). Aimed at increasing the volume of finance available for microenterprises with three sub-components: (a) microenterprise credit facility for wholesale lending to MFIs (for on lending to microenterprises in rural areas) through the Small Business Corporation; (b) institutional strengthening of MFIs through access to loans and grants for capacity building; and (c) strengthening SBC's microfinance capacity for the establishment of a unit within SBC. About 80% of total programme cost and 81% of the IFAD loan (SDR 10 million of total SDR 12.5 million) was allocated for the credit lines.  Microenterprise promotion and development (MEPD). Aimed at "providing efficient, cost effective and demand-responsive business development services to rural micro-enterprises".  Programme and policy coordination (PMPC). To support programme coordination, monitoring and evaluation (M&amp;E), and policy issues /policy dialogue. A programme management unit (PMU) was established in BSMED.</p>
Main Outcomes and Challenges	<p>Small Business Corporation (SBC) and microfinance institutions (MFIs) are better able to provide financial services to micro-enterprises;  Micro-enterprises receive effective and responsive business development services; and  Micro-enterprises benefitted from the programme-promoted - improved policy environment such as (a) improved negotiating terms for small and independent banana growers with exporters which used to be NOT favoring farmers, and (b) thru NICCEP, the Regional Development Council (RDC) has encouraged more National Government Agencies support for industry development, e.g., budget, support program.  Unsynchronized start of Microfinance credit microenterprise promotion when PMU was transferred to DTI-Regional Operations Group who had to institute corrective strategies to deliver the targets.</p>
Lessons learnt	<p>Project design to be vetted by and aligned with existing programs, i.e., the 19 Industry Clusters prioritized under NICCEP were considered platforms for convergence in the regions. Projects on industry promotion as well as MSME development are encouraged to complement and address the gaps/constraints across its value chains.  Access to credit is one major constraint in the scaling up of micro and small enterprises. RuMEPP was the project to effectively address their financing requirement but the initial implementation of RuMEPP was not geared towards this objective.</p>
Possible linkages with RAPID	<p>Scaling up of the RuMEPP assisted microenterprises under RAPID.  Consider the RuMEPP assisted regions for RAPID coverage.</p>

### Promotion of Green Economic Development (ProGED)

Objective	To enhance the competitiveness of MSMEs by helping them adopt climate-smart and environmentally friendly strategies using the value chain approach
Main Activities	Conduct of trainings and stakeholder consultations
Implementation Set-up/ Business Model	The trainings conducted focused on practices leading towards the greening of industries as the key to achieving sustainable and profitable operations. Trainings were implemented thru the RuMEPP satellite units in the regions in cooperation with either the LGUs or outsourcing to BDS providers
Main Outcomes and Challenges	As of June 2016, a total of 337 participants from DTI and other government agencies as well as MSMEs were capacitated on Green Economic Development (115 females and 49 males). Participating MSMEs reported benefits from the capacity building program, which include (i) decreased production costs due to more efficient use of materials, fuel, water and power, (ii) increased sales, (iii) developed green or innovative products, and (iv) developed green markets. The beneficiaries of the program are not limited to the participants of the trainings conducted. Seventy-one participating enterprises, in fact, introduced greening practices to 156 MSME-suppliers of theirs thereby increasing the outreach of the program.
Lessons learnt	With efficient implementation, targeted achievements can actually be exceeded. For the year 2015, the ProGED Project targeted 14 LGUs outside the pilot areas to apply the GED approach and ended up with 17; a total of 25 green MSMEs that would be publicly recognized as such were targeted and 66 green MSMEs instead turned up; a target of 200 MSMEs that have greened their processes and products was set and 458 MSMEs actually made it; a total of 10 MSME councils passing green resolutions was targeted and the actual number of councils that actually did so reached 29. Based on mid-year monitoring, targets for 2016 will similarly be exceeded. Linking environment, climate impact to competitiveness, innovation and MSME development is a powerful argument. It effectively conveys the call for climate change adaptation and disaster risk mitigation. More and more MSMEs in the Philippines are ready to integrate greening strategies into their business operations both due to economic and environmental reasons. Greening of industries is not such a hard sell anymore as an increasing number of MSMEs witness the devastation wrought by natural disasters and link the same with the need to protect the environment. It is important to identify champions and to work with them. It is effective to use MSME Champions and bigger enterprises to lead the rest to recognize and accept the importance of GED. The current Philippine MSMEs development strategy has to advance towards a green economic development for the Philippines. The same applies to the upcoming Philippine Development Plan 2017-2022. The green way is the key to creating profitable and sustainable MSMEs that will produce green products and will cater to the global green market.
Possible linkages with RAPID	Adopt/encourage the green growth mindset among the MSME-beneficiaries of RAPID Growth. Integrate the green growth strategy in the priority value chains consciousness
Contact and links to resources	16 provinces across the Philippines as of 2015 and was successful in bringing the issue of green growth to the fore across a variety of sectors

### SME Roving Academy (SMERA)

Objective	To enhance the competitiveness of MSMEs and to increase their contribution to the country's Gross Domestic Product and employment generation
Main Activities	Conduct of trainings in all regions
Implementation Set-up/ Business Model	The SME Roving Academy (SMERA) is a continuing learning program for the development of MSMEs as globally competitive producers of goods and services. The project established its training program as a ladderized set of stages that offered training based on the levels of the participating MSMEs in terms of business development. The SMERA stages are as follows: (i) Start-up & Capability Building, (ii) Market Awareness, (iii) Market Readiness, (iv) Export Readiness, (v) Export Market Entry, and (vi-vii) Export Sustainability & Expansion. The project has a corresponding menu of trainings for each of these stages.
Main Outcomes and Challenges	From July 2013 to September 2016, a total of 7,293 training sessions have been conducted, which have benefited 301,737 MSMEs.
Lessons learnt	Need to "Laymanize" the training modules. (Based on experience, the micro entrepreneurs have better grasp of the learnings with the "laymanized" approach. Customize the programs for MSMEs to the type of industry
Possible linkages with RAPID	Capacity building programs to be designed for RAPID Growth should build upon existing training courses (content) offered by SMERA.
Contact and links to resources	DTI regular program with budget year on year.

### Shared Service Facility (SSF)

Objective	To provide machinery, equipment, tools, systems, accessories and other auxiliary items, skills and knowledge under a shared system to achieve higher productivity, improved innovation and creativity and expanded market access. NOTE: The project makes available the facility for a group of processors using a mechanism where the 3rd party will host and manage the set of equipment/machineries for tolling (to a group of MSEs in the area). To improve the quality and productivity of MSMEs by addressing the gaps and bottlenecks in the value chain of priority industry clusters through the provision of processing equipment for the common use of the MSMEs within the clusters
Main Activities	Identification and screening of beneficiaries and their needed equipment and the actual purchase of the equipment
Implementation Set-up/ Business Model	The SSF Project is a public-private initiative that is being implemented through private sector partners who can provide sustainable facilities to house the machinery and equipment that the government provides for the common use of its beneficiaries.
Main Outcomes and Challenges	As of October 2016, 2,099 Shared Service Facilities have been established at a total cost of P1.081 billion. These facilities have benefited 91,116 existing and potential MSMEs and have created 52,820 jobs
Lessons learnt	The provision of equipment to a group of MSMEs will not achieve much without ensuring the capability of the beneficiaries to maintain the equipment and to see to its necessary maintenance and repairs .
Possible linkages with RAPID	Alignment of the needs for processing facilities using the inventory of existing Shared Service Facilities available in the regions, which may be useful for the RAPID Growth beneficiaries
Contact and links to resources	NOTE: DTI regular program which can funded regularly. Can be complementary with RAPID

### Negosyo Centers (NC)

Objective	To provide capacity building, mentoring and other advisory services for MSMEs so as to achieve improved ease of doing business and to contribute to the creation of jobs and livelihood opportunities, especially in the countryside
Main Activities	As mandated by law, the specific functions of the Negosyo Centers are as follows: (a) Promote ease of doing business and access to services for MSMEs within its jurisdiction;

	<ul style="list-style-type: none"> <li>(b) Coordinate and facilitate processes of government related to the set-up and management of MSMEs;</li> <li>(c) Accept and facilitate all registration application of MSMEs;</li> <li>(d) Coordinate with the respective local government units (LGUs) and liaise with concerned government agencies to process the duly accomplished forms submitted by the MSMEs;</li> <li>(e) Integrate a unified business process system for MSMEs;</li> <li>(f) Monitor and recommend business-process improvement for MSMEs;</li> <li>(g) Encourage government institutions that are related to the business application process to help promulgate information regarding the Negosyo Center;</li> <li>(h) Provide information and services in training, financing and marketing;</li> <li>(i) Support private sector activities relating to MSMEs development;</li> <li>(j) Co-organize with the local chambers of commerce and other business organizations a mentoring program for prospective and current entrepreneurs and investors;</li> <li>(k) Build local support networks and establish market linkages for MSME development;</li> <li>(l) Coordinate with schools and organizations on the development of youth entrepreneurship program;</li> <li>(m) Encourage women entrepreneurship by giving women access to information, support, training and credit facilities;</li> <li>(n) Facilitate access to grants and other forms of financial assistance, shared service facilities and equipment, and other support for MSMEs;</li> <li>(o) Ensure management guidance, assistance and improvement of the working conditions of MSMEs;</li> <li>(p) Establish a databank which shall be a source of all information necessary for project monitoring, research and policy studies and informal dissemination campaigns;</li> <li>(q) Map out all information and services essential to prospective entrepreneurs and prospective investors especially in key value chains and economic subsectors within its jurisdiction;</li> <li>(r) Establish a feedback mechanism among the MSMEs in the respective jurisdiction of Negosyo Centers: and,</li> <li>(s) Conduct other programs or projects for entrepreneurial development in the country aligned with the MSMEs development plan.</li> </ul>
Implementation Set-up/ Business Model	<p>Based on Republic Act 10644, also called the "Go Negosyo" Act, the Department of Trade &amp; Industry spearheads the establishment and management of Negosyo Centers in all provinces, cities and municipalities of the country.</p> <p>These Negosyo Centers operate as one-stop shops for business assistance that make DTI's services more accessible to MSMEs, especially in the regions. These centers represent an integrated delivery of various assistance and services offered by DTI's bureaus and attached institutions, which include business registration assistance, business advisory, business information and advocacy.</p>
Main Outcomes and Challenges	Establishment of 355 Negosyo Centers as of 28 October 2016 (198 in Luzon, 86 in Visayas and 71 in Mindanao)
Lessons learnt	NCs should be manned by well trained Business Counsellors who should be permanent employees and capacitated to coach/mentor client-entrepreneurs/start-ups.
Possible linkages with RAPID	NCs can be a resource/structure which will complement the delivery of RAPID Growth services/interventions.
Contact and links to resources	Annual budget is substantial covered by GAA annually

### **Kapatid Mentor Micro-Entrepreneur (K-Mentor ME)**

Objective	<p>To help micro- and small enterprises scale up their operations.</p> <p>Assisted by the private sector via PCE-Go Negosyo, to spur economic activity and, incidentally, create employment and livelihood opportunities in the same localities where the Negosyo Centers are put up.</p> <p>To mainstream the OTOPreneurs who are ready for business expansion. (Note: The term "OTOPreneur" is derived from the program One-Town-One-Project and the word entrepreneur.)</p>
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Main Activities	Capacity building, business advisory through coaching and mentoring, and market matching with Big Brother companies using the value chain approach. This is the inclusive business model where the Big Brothers can be markets to micro and small enterprises (as suppliers) or retailers/outlets for their products. Can be discussed during our team meeting.
Implementation Set-up/ Business Model	Adopting industry clustering as the platform for its thrusts on entrepreneurship and MSMEs development, the Philippine Center for Entrepreneurship (GO NEGOSYO) has established the "KAPATID Project" that is envisioned to bring in an entrepreneurial culture geared towards a more prosperous Filipino nation. The project specifically aims to empower MSEs as competent suppliers and distributors of anchor firms thereby enabling them to actively contribute to as well as benefit from economic and business activities of medium and large enterprises that, without industry clustering in place, would mostly leave them out. Using 11 Modules, a group of 20 mentees are mentored by successful entrepreneurs in 4-hour session per module and once a week.
Main Outcomes and Challenges	The roll-out of 11 batches in the 4th quarter of 2016 using the learnings from the 2 pilot runs in NCR and Region IVA will create at least 260 graduates/mentees by yearend. As of October 2016, a total of 4,124 participants have benefited from a day seminar for mindset, motivation and marketing. This marked the launch of the 11 batches in the regions attended by the following: 2,716 MSMEs, 254 National Government Agency personnel, 185 Local Government Unit personnel, 124 local mentors, 609 staff of DTI and the Philippine Center of Entrepreneurship, and 236 from other sectors. Target for 2017: 5,400 mentees screened by 50-60 Negosyo Centers and at least 10 qualified mentors per region.
Lessons learnt	Better appreciation of the micro-entrepreneurs of the coaching/mentoring approach using successful entrepreneurs as mentors.
Possible linkages with RAPID)	The interested RAPID Growth beneficiaries can access the Mentor ME Course, where applicable.
Contact and links to resources	NOTE: Relatively new program to scale up MSEs using the Negosyo Centers as suppliers of mentees. Mentees here are the micro entrepreneurs who are interested to be mentored and be assisted in order to scale up.

### **Gender-Responsive Economic Actions for the Transformation of Women (GREAT Women)**

Objective	To promote and support a gender-responsive enabling environment for women's economic empowerment, particularly those in microenterprises.
Main Activities	Governance Capacity development project.
Implementation Set-up/ Business Model	The Philippine Commission on Women (PCW), the national machinery for the advancement of women in the Philippines, is the lead executing agency for the Project. The Commission partnered with key national government agencies involved in micro-, small- and medium-scale enterprise (MSME) development and select local government units to support the project. National Commission on the Role of Filipino Women (NCRFW) partnered with 12 national government agencies, 8 pilot provincial governments and 35 municipal local government units. DTI ROG implements the project component on Enterprise Development and Promotion as an integral part of the MSME Development. It is led by a Director who supervises the implementation and manages the budget share. Aligned with the MSME development initiative, the program is delivered to women entrepreneurs in the priority value chains. Started in 2006-2012, the GREAT Women resumed the Phase 2 of the project in 2015-2021.



Main Outcomes and Challenges	Capacity Development for women empowerment in collaboration with the Local Government Units in the 8 provinces. NOTE: This is more of capacity building (trainings) for women in the community who have interest in entrepreneurial undertakings as a source of livelihood or to be able to augment the family income, etc. Target of 12,000 empowered women and 1,800 ably assisted women entrepreneurs.
Lessons learnt	Use of shared strategies in the MSME Development Plan, e.g. Export Pathways framework. The Export Pathways Framework was designed for scaling up MSEs and initiating them into the export market. The said framework was an effective tool of DTI Regional Operations in tracking down the output/outcomes of interventions for MSMEs. The GREAT Women adopted the same tool.
Recommendations to the Design Team (particularly possible linkages with RAPID)	Should be a complementary project to RAPID Growth in assisting women entrepreneurs.
Contact and links to resources	Phil Commission for Women (PCW) as lead agency and DTI ARD Marcy Alcantara

### Profiles of Recent and Current Programs of Other Agencies

Other government agencies, in partnership with development partners, have been similarly implementing programs and projects geared to develop capacities and provide MSMEs in their respective targeted sectors with the necessary technical assistance to enable them to run competitive operations, as follows:

#### **Convergence on Value Chain Enhancement for Rural Growth and Development (CONVERGE)**

Objectives	To reduce poverty incidence and the vulnerability of farmers through crop diversification and processing of raw materials, either as semi-finished or finished products to increase farm income, productivity and competitiveness of farmers To promote sustainable livelihood activities based on key commodities of the Mindanao regions, such as rice, rubber, coffee and cassava, among others
Main Activities	Conduct of trainings, management advisory and consultations on product development and market linkages for the small-holder farmers
Implementation Set-up/ Business Model	Value chain-based business development plans for selected crops were prepared and the Participatory Value Chain Analysis and Planning Component of the project sees to the further validation and implementation of the plans. The two other components of the project are the Integrated Smallholders Agricultural and Rural Enterprise Development and the Project Management, Monitoring and Evaluation (M&E) and Knowledge Management (KM). The project tapped the expertise of another IFAD-funded program operating in the Philippines, the CIP-FoodSTART, to provide significant knowledge on value chain development. Other than value chain development, the other objectives of CIP-FoodSTART include providing support to local and national policy and programming processes in the country and improving poor people's access to knowledge and support services. The project also tapped related programs of other government agencies to improve the delivery of its assistance. These other programs include the construction of farm-to-market roads by the Department of Agriculture (DA) and the provision of processing facilities undertaken by the Department of Trade & Industry (DTI) and the Department of Science & Technology (DOST).
Main Outcomes and Challenges	Enhanced value chain competitiveness of the targeted agrarian reform communities
Lessons learnt	(Note: The project is yet ongoing.)
Possible linkages with RAPID	Provide further technical assistance to agrarian reform communities located in the poorest provinces of the country to bolster the technical support to be provided by the RAPID Project. Leverage on the developments that have been, thus far, achieved by the ConVERGE Project, which is assisting some of the industry clusters to be covered by the RAPID Project (e.g., coffee)

	and rubber).
Contact and links to resources	Director Celerina Afable, Project Management Service, Department of Agrarian Reform (DAR)

### **Inclusive Partnership for Agricultural Competitiveness (IPAC)**

Objectives	To enhance market linkages and competitiveness of agrarian reform beneficiaries (ARBs) To organize and enhance the capacity of farmers and farmers' organizations to engage in market-oriented production and agri-business To increase access of ARBs, smallholder farmers and farmers' organizations to appropriate and sustainable production, post-harvest and processing technology and agri-extension activities
Main Activities	Conduct of trainings, seminars and workshops Construction of the necessary infrastructure (e.g., farm-to-market roads) Business matching and similar marketing and promotional activities for the ARBs
Implementation Set-up/ Business Model	IPAC is implemented in three inter-related components, namely: support services for enhanced market linkages, enhanced land tenure services and investments in productive partnership. Among others, the activities of the project include trainings and seminars for improving the technical know-how of smallholder farmers and organizations. DAR leads the implementation of the project in cooperation with other relevant government agencies such as the Department of Trade & Industry (DTI), the Department of Public Works and Highways (DPWH), the National Irrigation Administration (NIA), Local Government Units (LGUs) and state colleges and universities. DAR also engages the private sector as well as non-government organizations (NGOs), networks and federation of farmers' organizations in providing extension and business development services, conducting feasibility studies, and mobilizing consultants in the conduct of policy studies as part of the project implementation.
Main Outcomes and Challenges	(Targeted) Increased production of okra, organic and low-chemical rice, cacao, cassava, coffee, oil palm, Muscovado sugar, abaca and rubber (Targeted) Increased real net farm incomes (by 15%) and 30,000 jobs generated by the assisted ARCs
Lessons learnt	(Note: The project is yet ongoing.)
Possible linkages with RAPID	Synergies between the RAPID Project and the IPAC Project must be identified and optimized. Some of the targeted sectors of the IPAC Project have similarly benefited from other projects of DTI and other agencies and are also to be covered by the RAPID Project.
Contact and links to resources	Director Celerina Afable, Project Management Service, Department of Agrarian Reform (DAR)

### Philippine Rural Development Project (PRDP)

Objectives	To establish the Philippine government platform for a modern, climate-smart and market-oriented agri-fishery sector
Main Activities	Provide key infrastructure, facilities, technology and information that will raise incomes, productivity and competitiveness of the agri-fishery sector, especially in the countryside
Implementation Set-up/ Business Model	PRDP has four components, namely: (i) Infrastructure development, which aims to improve the farm-to-market roads so as to enhance the efficiency of transporting agricultural products and to improve productivity through increased cropping intensity and yields; (ii) Enterprise development, which aims to boost the production of marketable commodities through investments in strategic parts of the value chains and strengthened collaboration between the Department of Agriculture and the LGUs; (iii) Local planning, which aims to enhance the Agricultural and Fisheries Modernization Plan through the use of science-based tools and to harmonize the regional and provincial Agriculture and Fisheries Modernization Plan by formulating the Provincial Commodity Investment Plan using the value chain approach; and, (iv) Project support, which aims to achieve effective project management and implementation among the collaborating implementing agencies and other project stakeholders. The project activities are undertaken in partnership with LGUs and the private sector.
Main Outcomes and Challenges	Increased annual real farm incomes Increased value of annual marketed output of agri-fishery sector
Lessons learnt	(Note: The project is yet ongoing.)
Possible linkages with RAPID)	Again, similarities in activities and goals, including the use of the value chain approach, should lead to a good number of synergistic ways to successfully implement the RAPID Project.
Contact and links to resources	Engr. Arnel de Mesa, Executive Director, PRDP, Department of Agriculture, Quezon City

### Small Enterprise Technology Upgrading Program (SETUP)

Objectives	To provide assistance to micro, small and medium enterprises (MSMEs) through technological innovations To encourage MSMEs to adopt technological innovations to improve existing products, services and operations, increase productivity and competitiveness, and develop new products
Main Activities	Provide technologies (i.e., machinery, equipment and gadgets) geared to upgrade production capabilities of MSMEs Provide technical assistance (e.g., manpower trainings) for enabling MSMEs to increase productivity and competitiveness through the use of technologies
Implementation Set-up/ Business Model	The priority sectors for the SETUP are (i) food processing, (ii) furniture, (iii) gifts, decors and handicrafts, (iv) agriculture/marine/aquaculture, (v) metals and engineering. SETUP supports already operating MSMEs by providing: (1) seed fund for technology acquisition, (2) needed equipment, (3) technical trainings and consultancy services, (4) packaging and label design, (5) database information system, and (6) support in the establishment of product standards, including testing and calibration of equipment.
12.4 Main Outcomes and Challenges	Assessments of selected beneficiaries reveal that within the short term (i.e., a year after assistance is provided), more than half of beneficiary-enterprises in the food/beverage and furniture, gifts and housewares sectors achieve their targets.
12.5 Lessons learnt	(Note: The project is yet ongoing.)
Possible linkages with RAPID	The SETUP provides assistance basically in the area of technology, leaving other aspects of business management wanting for an equivalent support. Thus, it is wise to bolster the aid provided by SETUP with capacity building in equally important aspects of the business such as the financial, marketing and human resources aspects.
Contact and links to resources	All DOST Regional Directors Reportedly with PhP 1 billion in 2017

**Annex 5. RAPID, PRDP, CONVERGE, IPAC Target Provinces and Target Commodities**

Island	Region	Province	Target Commodities			
			DTI RAPID	DA PRDP	DAR CONVERGE	DAR IPAC
Luzon	5	Camarines Norte	Coconut	Coconut Geonet, Pineapple		Commodity to be identified
		Camarines Sur	Banana, Coconut	Coconut Sugar, Cassava		Commodity to be identified
		Sorsogon	Calamansi, Cacao, Coconut	Pili nut, Seaweeds		Commodity to be identified
Visayas	8	Leyte	Coconut	Vegetable, Swine, Ginger		Commodity to be identified
		Southern Leyte	Banana	Swine, Coconut, Rootcrop, Native Chicken		
		Northern Samar	Coconut	Coco geonet, Swine, Banana		Commodity to be identified
Mindanao	9	Zamboanga del Norte	Banana, Calamansi, Cacao, Coconut	Rubber, Cacao, Coconut Fiber, Mango, Swine, Abaca	Rubber	
		Zamboanga del Sur	Coconut	Cassava, Rubber, Cardava Banana, Seaweeds, Coconut, Mango, Abaca, Organic Rice, Cacao	Rice	
		Zamboanga Sibugay	Calamansi, Cacao	Rubber, Seaweeds, Coconut Fibre	Rubber	
	10	Bukidnon	Cacao, Coffee	Rubber, Banana, Cacao, Cassava, Abaca, Oil Palm, Coco Fiber, Coffee	Cassava, Muscovado sugar	
		Lanao del Norte	Banana, Calamansi, Cacao, Coconut	Cardava, Banana, Coconut Fiber, Seaweeds, Mango		
		Misamis Oriental	Banana, Coconut	Banana, Cassava, Abaca, Cacao, Coco Fiber, Coffee, Fresh Mango	Coconut Sugar	Commodity to be identified
	11	Davao del Norte	Banana, Calamansi, Cacao	Abaca, Banana, Cacao, Cassava, Oil Palm, Rubber, Seaweeds, Mango, Coffee and Coconut (Fiber)		Commodity to be identified
		Davao del Sur	Banana, Cacao, Coffee, Coconut	Rubber, Banana, Cacao, Cassava, Abaca, Seaweeds		
		Davao Oriental	Banana, Cacao, Coconut	Banana, Cacao, Abaca		Commodity to be identified
		Compostela Valley	Banana, Calamansi, Cacao, Coffee	Rubber, Banana, Cacao, Cassava, Abaca, Oil Palm, Seaweeds, Coffee, Coconut		
	12 / ARMM	North Cotabato	Banana, Calamansi, Cacao, Coffee	Rubber, coco fiber, organic rice, banana, coffee, cacao, oil palm		
		Sultan Kudarat	Cacao, Coffee	Coffee, sugarcane, rubber, coconut, oil palm		
		Sarangani	Cacao, Coconut	Coconut (VCO), Abaca, Cacao, Coffee, banana Lakatan		Commodity to be identified
		Maguindanao	Banana, Coffee, Coconut	Oil Palm, Coconut, Coffee, rubber, cattle, goat		Commodity to be identified
	13	Agusan del Norte	Coconut, Banana, Coffee	Abaca, Cardava Banana, Coco Fiber, Cacao, Mango, Coffee, Rubber, Oil Palm, Cassava	Abaca	
Agusan del Sur		Calamansi, Cacao	Rubber, Cacao, Cassava, Abaca, Oil Palm, Banana, Coco Fiber	Rice		
Surigao del Sur		Coffee, Coconut	Coconut, Abaca	Coffee		

**Note: detailed mapping is provided in PIM. File formatting prevented inclusion in this document.**

## **Annex 6: FMRs Prioritization Criteria**

### ***General Conditions:***

1. the MLGU, Barangay Officials and community, especially the smallholder beneficiaries and MSME beneficiaries should be actively involved in the selection process, concur with the planned proposals, with the MLGU willing to put up the required equity contribution and maintain the completed facilities;
2. sub-component sites must be free from social and environmental problems and issues, or else feasible mitigating measures will have to be provided;
3. proposed sub-components must not be currently covered under any local or foreign funding sources; and,
4. prioritization shall always be guided by the "demand driven" policy of RAPID GROWTH.

### ***Specific Eligibility Criteria and Prioritization Guidelines for Rural Infrastructure / FMRs:***

- only rehabilitation or improvement of existing roads (upgrading to all weather condition-gravel surfaced) will be supported by the Project;
- rehabilitation of barangay or farm to market roads will only be allowed if highly justified satisfying any of the following factors:
  - If there is an existing influence production area that will supply the MSME buyer;
  - If the road provides access to community centers with significant population of smallholder suppliers;
- only road gradients of 12% and above will be provided with concrete tire tracks;
- proposed existing roads for rehabilitation or improvement must be linked to an existing all weather road network;
- identified priority sub-projects shall be within the limited available resources of the Project under the FMR component, confirmed by the value chain stakeholders and included in the Strategic Investment Plan (SIP);
- critical main access links shall be given highest priority over internal access infrastructure;
- the commitment of the LGU to work out the required clearances and permits from concerned government regulatory agencies;
- the commitment and readiness of the LGU to provide the necessary funding support for O and M of the completed facilities;
- proposed sub-projects shall generate a Cost Benefit Ratio (CBR) of at least one (1) or EIRR of at least 15%



## Appendix 6: Planning, M&E, learning and knowledge management

### A. Result-based approach

1. A result-based approach will drive RAPID's planning, M&E, learning and Knowledge Management (KM), which will have the following objectives:

- *Focus on results towards impact:* it should provide project stakeholders with information and analysis required to: measure project outcomes; assess project effects on the livelihoods of target groups, and in particular women, indigenous peoples and youth; assess the relevance of the project strategy, methodologies and implementation processes; detect difficulties and successes; and support decision-making to improve project performance;
- *Support cost-effective decisions and enabling policies:* it should provide project stakeholders, in particular farmers and enterprise partners, service providers, DTI, industry councils and associations and project management units with the information and analysis they need to assess the return brought by innovation, to develop profitable and sustainable activities and to adapt their strategies accordingly. It should also provide DTI, MSMED Councils and other relevant government agencies (e.g. NEDA, LBP, SBC) with the information needed to make policy decisions;
- *Share knowledge and upscale good practices:* it should develop lessons learnt, capture good practices and successful business models and innovation, as well as share knowledge, with a view to support project performance and policy dialogue.

2. RAPID should provide information on project results to three main actors and users of results: (i) players in the target value chains (VC), including farmers; (ii) GoP enablers, and especially DTI; and (iii) IFAD and other development partners.

3. Along the result-based approach, the M&E/KM system should respond to the following key principles: (i) *be participatory*, i.e. planning, monitoring and evaluation should involve project stakeholders (including smallholder farmers, Business Development Service (BDS) providers, Finance Service Providers (FSPs), DTI, other implementing partners (DILG and LGUs), other line agencies such as DA, DAR), and project staff; (ii) *inclusive*, i.e. it should have an inclusive approach so that women, IP or other marginalised groups participate in the system; (iii) *open and easily accessible*, i.e. information and knowledge should be available to all stakeholders and not restricted to project staff (e.g. web-based system similar to the Philippine Rural Development Project<sup>107</sup>); (iv) *focused on analysis*, i.e. learning and sharing in support of decision-making and policy dialogue, and not merely on data production; and (v) *harmonised* i.e. with existing M&E/Management Information Systems (MIS) such as DTI One ROG Database, GoP's harmonised result-based M&E system and IFAD's RIMS.

### B. Project logical framework

4. RAPID will use its logical framework, or logframe, as the basic tool for planning, monitoring and evaluating (M&E). The project logframe summarises what the project should achieve from the development goal down to the output level. It shows three level of results -- output, outcome and impact --, as well the indicators and targets that will be used to monitor progress and overall achievements, and sources of information. It also provides the assumptions against which expected results have been defined.

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<sup>107</sup> The Philippine Rural Development Project (PRDP) is a six-year national project under the Department of Agriculture (DA) that aims at establishing a modern, value chain-oriented, and climate-resilient agriculture and fisheries sector. PRDP is funded by the World Bank. PRDP publishes project updates related to infrastructure development, enterprise development, procurement notices and monitoring and geotagging dashboard on its website <http://www.daprdp.net>.

5. At project start-up, project management and staff will review the logical framework included in the PDR. The aim of the review is for the project staff to agree on the RAPID “theory of change” --- the desired changes RAPID intends to achieve and how they will be monitored. This will guide the project staff to focus on results and not just on a mere undertaking of activities and delivering of outputs as outlined in their terms of reference. This exercise will help the staff have a better grasp of the link between activities and the achievement of RAPID development objectives.

6. There are two expected outputs to the review of the project logframe:

- *the Global Work Plan and Budget (GWPB)*: the GWPB is a multi-year plan for achieving project objectives and targets, which consolidates global and annual output targets and budgets (see template in Annex 1);
- *the expanded M&E logframe*: the expanded logframe will detail indicators and annual targets per outcome/component and activities/outputs, also incorporating IFAD Results and Impact Management System (RIMS) indicators (see template in Annex 2).

### C. Planning

7. In Year 1, the preparation of the AWPB and, subsequently, of an annual procurement plan (APP)<sup>108</sup> will be initiated by the PCO based on the approved Project Design Report and the revised logframe. In Year 2, the preparation of the AWPB will be participatory. It will start at the provincial level and will involve all key stakeholders through the Negosyo Centers (NC), with the facilitation of the Provincial Project Coordinator (PPC) and of the Value Chain Facilitators (VCFs). The RCUs will consolidate the provincial AWPBs into a regional AWPB. Subsequently, the PCO will consolidate the Regional AWPBs into a Project AWPB. The consolidated AWPB will be submitted to the PSC for approval and subsequently to IFAD for no objection. Adjustments may be proposed by the PCO through the Project Steering Committee (PSC) during the project year following a similar procedure. The starting point for the AWPBs will rest on the GPWB, provincial strategic investment plans (SIP), and annual assessments of achievements, also building on project’s progress reports as well as reports from the Supervision and Implementation Support Missions (see below). Table 1 describes the planning process and expected results.

**Table 1: AWPB process and expected outputs**

Level of Planning	Activity	Outputs	Participants
Negosyo Centers	Consultations with VC/industry stakeholders	Locally-based VC/industry needs and priorities	Farmers, VC MSMEs, BDS providers, FSPs, LGUs involved in the VC/industry
Province	Consolidation/Prioritization of NC consultation results towards a provincial AWPB/APP	Provincial AWPB	PCC, VCFs, representatives from farmers’ organisations, VC MSMEs, BDS providers, FSPs, LGUs
Region	Consolidation of provincial AWPBs/APPs, and review endorsement of regional AWPB/APP	Regional AWPB	RCU
Central	Consolidation of regional AWPBs/APPs, and approval of Project AWPB/APP	Project AWPB	PCO and PSC

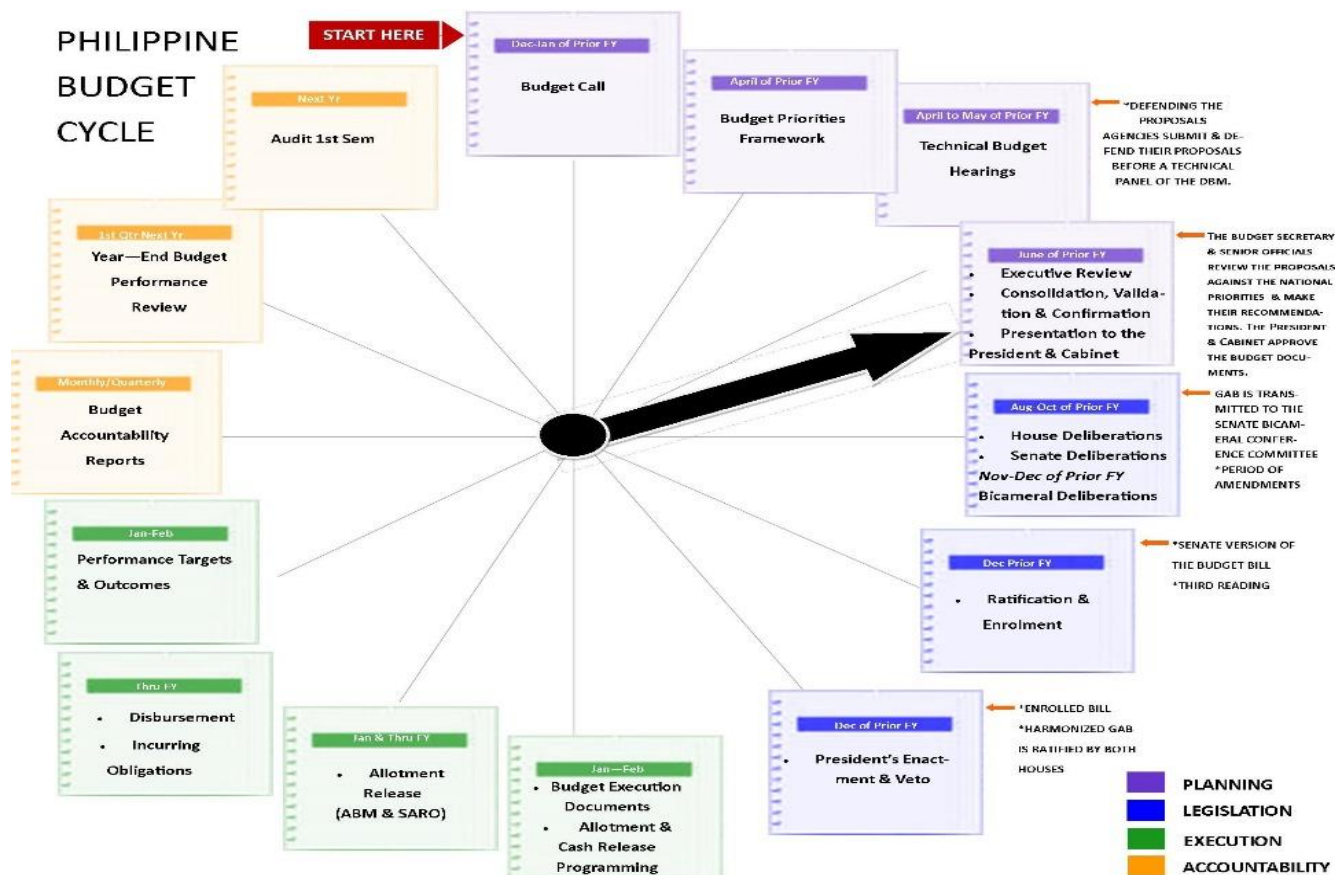
8. The project will use IFAD’s AWPB template (see Annex 3), which is aligned with planning and budgeting formats of the GoP.

9. The timeframe for the preparation of the AWPBs and Annual Procurement Plans (APPs) will follow the government’s budget preparation process, which starts in the second quarter of the preceding calendar year and is represented in Figure 1.

<sup>108</sup> A template for the APP will be provided during the Loan Administration Workshop which will be undertaken at project start-up.



**Figure1: GoP Budget Cycle**



Source: [http://www.pfmp.org.ph/index.php?option=com\\_content&view=article&id=134:philippine-budget-clock&catid=7:events&Itemid=24](http://www.pfmp.org.ph/index.php?option=com_content&view=article&id=134:philippine-budget-clock&catid=7:events&Itemid=24)

10. This is necessary to ensure project's annual budget appropriations as required by GoP. The AWPB will be submitted to the PSC in the last quarter and subsequently sent to IFAD for review and no objection. The project can make adjustments in the AWPB and APP during project implementation, but this will require prior IFAD no objection.

#### D. Monitoring and Evaluation

11. The project will adopt a result-based M&E system, which will report on the status of project implementation and progress in terms of outputs and outcomes. Project indicators will align as much as possible with DTI major output and outcome indicators, the Department of Budget and Management (DBM) Organisational Performance Indicator Framework, the National Economic Development Authority (NEDA) Results-based M&E Framework, and will include IFAD's RIMS.

12. At start up, the project will recruit technical assistance to design the result-based M&E system as well as processes for data collection, data analysis and reporting. The consultant(s) will produce a detailed M&E/KM manual, together with an implementation plan, including capacity development arrangements. They will also provide orientations for the baseline survey, mid-term and completion surveys (see below), to be carried out by a specialised service provider. The PCO will update the implementation plan every year and will translate the manual into an easy-to-grasp version specifically targeting NCs, partnering enterprises and partnering FSPs, as well as LGUs. The main features of the M&E/KM system are developed below.

13. **Data collection and MIS.** Data will be collected against both qualitative and quantitative indicators and disaggregated by gender. There will be capture and consolidation forms prepared at the start-up phase with the assistance of consultant(s). The computerised Management Information System (MIS), which will gather the project's M&E and financial databases, will be installed at the PCO, RCUs and PPCs. The system will build on DTI's One ROG Database. Taking into consideration that the One ROG Database is currently Excel-based, the consultant(s) responsible for designing the M&E system will identify the most appropriate software (user- friendly and that can be sustained by DTI when the project terminates) for the MIS.

14. Similar to RuMEPP, the project's MIS will maintain individual profiles of each MSME receiving project support (BDS, financial services and conditional grants). MSME profiles will contain vital information about the entrepreneur, i.e., name, gender, address and contact details, and include records of asset size, production volume, outreach to farmers, sales, number of workers employed and credit history, among others. This will generate information on: (i) number of beneficiaries per year and per category of enterprise; (ii) sex-disaggregation; (iii) geographic spread of the beneficiaries in each province and region, down to the municipal level; (iv) number of registered and non-registered enterprises; (v) number of incremental employment generated by MSMEs; etc.

15. The MIS will also include geotagging<sup>109</sup> of enterprises participating in the project, farm-to-market infrastructure and other relevant geographically-based data.

16. Data collection will be carried out by the following players:

- *Negosyo Center:* data collection from MSMEs will be facilitated by the VC Facilitators (VCFs). Contracts established with MSMEs will include obligations in terms of data collection and data reporting, which will be defined by the consultant(s) designing the M&E system. The VCFs will provide training to MSMEs so they can provide regular and accurate data;
- *Implementing Partners:* the data to be collected by implementing partners (e.g. DILG, BDS providers, FSPs) and timing of submission to the project will be spelled out in the memorandum of agreement/ contracts that will be signed between them and project management;
- *Provincial Project Coordination and Regional Coordination Units:* PCC and RCUs will track information related to AWPB progress, SIP implementation, services provided by the Implementing Partners and VC development. In addition, they will consolidate data received from on submissions from the Negosyo Centres and Implementing Partners. This will be the responsibility of the provincial project coordinator and of the regional M&E/KM officer;
- *Project Coordination Office:* information will encompass overall project performance and will be the responsibility of the Planning/M&E Officer in the PCO.

17. **Data analysis.** Data will be consolidated and analysed so as to provide information on whether results have been achieved, based on the logical framework and subsequent plans. At the operational level, analysis will also focus on the performance of the various project components, detect problems, identify possible solutions and track good practices to share through the project's knowledge management system.

The analysis will also assess what changes have occurred at the level of farmers, households, and enterprises.

18. **Reporting and communication.** The results of the analysis will be communicated to the three main users as earlier identified in paragraph 5: (i) players in the target value chains (VC), including

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<sup>109</sup> Geotagging was used by the RaFPEP/IRPEP, an IFAD-financed project, in identifying the location of the communal irrigation systems and the subsequent rehabilitation activities. The project may tap the expertise of the RaFPEP/IRPEP or the PRDP in the conduct of geotagging. Geotagging is required by GoP for infrastructure subprojects.

farmers; (ii) GoP enablers, and especially DTI; and (iii) IFAD and other development partners. There will be regular progress monitoring and reporting<sup>110</sup> by PCO, RCUs, PPCs and other project implementing partners (i.e. DILG, NCs and FSPs). Findings may be presented in various ways: written reports, audio-visual techniques, workshops, brochures, or through the project's website and or social media (Facebook, twitter, etc.). Communicating results should be user-friendly and support decision-making by project management, implementing partners and project beneficiaries (farmers and enterprises).

19. In communicating results, the project may adopt the good practice of the Philippine Rural Development Project (PRDP), which provides project updates on its website ([www.daprdp.net](http://www.daprdp.net)) or the use of weekly dashboard by the Coastal Community Development Project (CCDP) in Indonesia (<https://asia.ifad.org/web/ccdp>).

20. The PCO will prepare semi-annual progress reports presenting the project physical and financial performance, assessment and recommendations for improvement. The reporting format will be designed by the M&E consultants and will be included in the M&E/KM manual. Progress reports will be channelled to the Project Steering Committee and to IFAD for discussion and review, and the approved report will be shared with all project units and with Negosyo Centres.

21. **Capacity development.** As part of the project's capacity building, an M&E training will be provided to RCUs, PPCs, NCs, and relevant DTI staff. The Planning/M&E Officer and KM/Communication Officer will design a capacity building plan, based on prior capacity assessment for DTI and project-based staff involved in the project, with the assistance of a specialised consultant who will also assist in conducting M&E training as needed.

## E. Baseline study, mid-term and impact surveys

22. **Baseline study.** The PCO will carry out a baseline study measuring the status of main indicators at project onset, with assistance from an outsourced qualified consulting firm. Considering that implementation on the ground will be in two phases (starting with 10 provinces in year 1 and the balance in year 2), the baseline study may be done in two phases as well. The scope of the survey and implementation modalities will be defined by the Planning/M&E Officer and KM/Communication Officer, with the assistance of M&E/KM consultant(s) hired at the beginning of the project.

23. **Mid-term survey.** This survey will be conducted at the end of project year 3 to assess project performance and progress, achievements, constraints and initial project impact against project objectives. The scope of the survey and implementation modalities will be defined by the Planning/M&E Officer and KM/Communication Officer, with support from a service provider. The timing of the mid-term survey will be organised so that the survey final report is available for the Project Mid-Term Review (see below). It will be undertaken by a service provider.

24. **Final outcome/impact survey.** This survey will be conducted six months before project completion to determine if project objectives have been achieved and to measure changes at farmers and enterprise level, compared to the baseline study. The scope of the survey and implementation modalities will be defined by the Planning/M&E Officer and KM/Communication Officer. The survey will be undertaken by a service provider. Based on the survey's results, the PCO will prepare a Project Completion Report to be submitted to GoP and IFAD within three months after project completion of activities.

## F. Start-up and Reviews

25. **Start-up.** The PCO will organise a start-up workshop with project stakeholders and implementing partners to: (i) ensure that all partners understand and agree on the scope and implementing modalities

<sup>110</sup> As the National Economic and Development Authority (NEDA) requires regular reporting from ODA projects, the Project should at the onset coordinate with NEDA the reporting requirements (timing and format).

of the project; (ii) introduce key processes, tools, strategies for M&E and KM; and (iii) build relationships for future knowledge sharing.

**26. Supervision and Implementation Support.** IFAD and the GoP through the National Economic and Development Authority (NEDA<sup>111</sup>) will organise annual Supervision and Implementation Support (SIS) missions to assess project performance, identify bottlenecks, generate learnings and agree on actions needed to improve the delivery of project results. As a regular practice, SIS missions will be carried out by a core team of resource persons returning regularly, joined by specialists to address specific needs of a given year. There will also be an annual, shorter implementation support mission to address specific technical needs of project implementation in between the annual SIS missions.

**27. Mid-term Review.** This will be conducted at the end of project year 3 to: (i) assess achievements and interim impact, efficiency, effectiveness of RAPID management, continued validity of RAPID design; (ii) identify key lessons learnt and good practices; and (iii) provide recommendations for improved performance. Should there be major changes in the design (scope, strategies, costing), the recommendations will be reviewed by the GoP and IFAD, and will be reflected in a corresponding amendment to the Financing Agreement. The mid-term review will also make recommendations with regard to key measures required to secure the sustainability of partnerships and of farmers' access to services and markets.

**28. Project completion review.** It will be conducted prior to project closure, in line with IFAD Project Completion Review guidelines and under the leadership of the Planning/M&E Officer and of the KM/Communication Officer. A Project Completion Review (PCR) report will be prepared by the PCO utilising the results of the PCR process and the findings of the final impact survey. IFAD will organise a PCR mission to validate and finalise the PCR report for submission to GoP and IFAD.

## **G. Learning and Knowledge Management**

**29. KM framework and implementation plan.** The objective of KM is to ensure that knowledge generated within the project is systematically identified, analysed, documented and shared, to: (i) improve project performance and delivery; (ii) allow flexibility to adapt to changing circumstances; (iii) document and share innovations, best practices and stories of successes and failures to improve project intervention; (iv) provide information to support decisions e.g. upscaling of project or project interventions; and (v) identify important issues to convey to policy makers. In this respect, all project stakeholders should be involved in intend detecting good practice at all levels of implementation.

**30.** At project start-up, in consultation with project stakeholders, the Planning/M&E Officer and the KM/Communication Officer will prepare a project KM and Communication strategy, with assistance from the consultants hired to design the M&E system. The strategy will include objectives, responsibilities, methodology and platforms for sharing and learning. It will also include a communication strategy, which will outline how information, learning and knowledge will be disseminated, identifying most appropriate communication channels to reach out to project stakeholders (see paragraphs 5 and 16) and beyond. The project will prepare a KM/Communication Action Plan on Year 1, which will be updated annually alongside with the preparation of the AWPB.

**31.** In capturing and sharing good practices and innovations, attention will be given to: (i) business models for ensuring farmers' access to services and markets and developing the MSME sector; (ii) innovative instruments for improving farmers and enterprises access to financing; (iii) approaches for inclusive value chain development from local to national level; and (iv) harnessing remittances for investing in rural MSMEs. Information will be shared with and discussed by industry councils at various levels, with a view to discuss measures to improve performance.

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<sup>111</sup> IFAD and NEDA signed a Memorandum of Agreement in 2008 for a joint supervision of IFAD financed projects in the country.

32. **Sharing and Learning Platforms.** As a rule, all stakeholders especially the farmers and the micro and small enterprises should benefit from the KM strategy, thus, the Project must endeavour to use existing and other sharing and learning platforms. The following are the recommended platforms:

- *Project level:* the project should maximize all avenues for sharing lessons learnt and knowledge through face to face interactions (meetings and consultations, annual reviews and planning, forums and conferences, farmer-to-farmer exchange) and virtual (newsletters, video productions, project website, Facebook, twitter and other social media). A RAPID page will be accessible from DTI website and industry councils' websites when available, and will be linked to other project partners;
- *Country Programme level:* RAPID will participate in the IFAD-PH country programme institutionalised learning and KM platforms where IFAD financed projects (loans and grants) and partners are involved, namely: (i) annual country portfolio/programme reviews, associating project teams, and government implementing and oversight agencies, (ii) annual Knowledge Learning Market and Policy Engagement, which focuses on the sharing of good practices, innovations and policy issues related to agricultural and rural development, and involves other development partners (government agencies, civil society organizations, farmers organizations, academic institutions); (iii) annual IFAD-PH Gender Network (IPGN, which is an assembly of gender focal points of IFAD partners who advocate mainstreaming gender issues in government and non-government programmes and projects; and (iv) e-based: Knowledge Learning Market Facebook<sup>112</sup>;
- *Regional level:* annually, APR conducts regional conferences where IFAD projects are invited. RAPID should take this opportunity to share lessons and innovations. In addition, the PH-IFAD Country Office (ICO) will orient PCO on its participation in the IFADAsia portal. As the PH-ICO will be located in ADB premises by 2017, it is envisaged that it will participate in knowledge sharing sessions in the ASEAN region. RAPID will be invited to share and learn lessons from other countries. Further, RAPID farmer stakeholders will be encouraged to participate in learning routes” or farmer-to-farmer exchanges sponsored by IFAD-financed Medium Term Cooperation Programme with Farmer Organisations in Asia and the Pacific Phase II (MTCP2), of which the Philippines is one of the recipient countries;
- *Project partners level.* The project will also participate in learning sessions/exchanges led by industry cluster associations or other development organisations.

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<sup>112</sup> The Knowledge Learning Market Facebook is a virtual community of IFAD assisted projects, implementing agencies and development partners where project updates/announcements and other public information are shared.

**Annex 1: Sample Global Work Plan and Budget (GWPB)**

Component/ Activity	Performance indicators	Unit of measurement	Targets							Budget (PhP)													
			Y1	Y2	Y3	Y4	Y5	Y6	Total	Y1			Y2			Continue Y2 to Y6			Total			Overall Total	
										IFAD	GoP	Total	IFAD	GoP	Total	IFAD	GoP	Total	IFAD	GoP	Total		
Goal																							
Project objective																							
Component 1 outcome																							
Component 2 outcome																							
Component 3 outcome																							
Component 1 outputs																							
Component 2 outputs																							
Note: Continue with the other components outputs and activities																							

**Annex 2: Template for expanded logical framework<sup>113</sup>**

Narrative summary	Performance indicators	Targets							Means of verification	Assumptions/Risks
		Y1	Y2	Y3	Y4	Y5	Y6	Total		
<b>Goal</b>										
<b>Development objective</b>										
<b>A. Component 1 outcome</b>										
<b>A.1. Output 1</b>										
A.1.1. Major activity <sup>114</sup> 1										
A.1.2. Major activity 2										
<b>A.2. Output 2</b>										
A.2.1. Major activity 1										
A.2.2. Major activity 2										
<b>A.3. Output 3</b>										
A.3.1. Major activity 1										
A.3.2. Major activity 2										
<b>B. Component 2 outcome</b>										
<b>B.1. Output 1</b>										
B.1.1. Major activity 1										
B.1.2. Major activity 2										
<b>B.2. Output 2</b>										
B.2.1. Major activity 1										
B.2.2. Major activity 2										
<b>C. Component 3 Outcome</b>										
<b>C.1. Output 1</b>										
C.1.1. Major activity 1										
C.1.2. Major activity 2										
<b>C.2. Output 2</b>										
C.2.1. Major activity 1										
C.2.2. Major activity 2										
Note: Continue with the other component outputs and activities										

<sup>113</sup> In expanding the logical framework, use the approved logical framework contained in the final design report. Performance indicators and global targets at the impact, outcome and output levels are already included in the LF of the final design report. Should there be inconsistency in the performance indicators and targets between the final design report and the financing agreement, the latter should prevail. However, discrepancies can be corrected during the start-up and supervision missions [when results of baseline survey and resource and social assessments are available] and during the MTR.

<sup>114</sup> There will more than one key activity to achieve an output. Activities or inputs may vary year to year; however, there are key activities which the Project will be able to identify. It will help if the Project can identify also the performance indicators for activities/inputs.





## **Appendix 7: Financial management and disbursement arrangements**

### **Financial Management Assessment and Objective**

33. A financial management (FM) assessment of RAPID was carried out in accordance with IFAD's "Guidance Note on Undertaking Financial Management Assessment at Design" issued in November 2012. The objective of the FM assessment is to determine whether the Department of Trade and Industry (DTI), as the lead implementing agency of the project, has acceptable FM systems to provide IFAD reasonable assurance that funds will be used for the intended purpose and enable project development objectives to be met. The borrower and the project implementing agency are required to maintain acceptable financial management systems including accounting, financial reporting, and auditing systems.

34. The assessment covered the Central Office and the following Regional Offices: DTI-Eastern Visayas (Region 8); DTI-Zamboanga Peninsula (Region 9); DTI-Northern Mindanao (Region 10); DTI-Davao (Region 11); DTI-12; and DTI-CARAGA.

### **Implementing Agencies**

35. The Department of Trade and Industry (DTI) is the primary coordinative, promotive, facilitative, and regulatory arm of the Philippine Government with the country's trade, industry and investment activities. DTI will be the lead project agency for RAPID.

36. Project FM arrangements will be mainstreamed through government systems, to the extent feasible. DTI had previous experience in the implementation of donor-funded projects. With IFAD, DTI implemented the Rural Micro Enterprise Promotion Program (RuMEPP) that covered Regions 8, 12, and CARAGA out of the six (6) target regions for the RAPID.

37. The Department of Interior and Local Government (DILG) will manage the sub-component on rural infrastructure (i.e., farm-to-market roads), which is to be implemented by Local Government Units (LGUs) in 20 target provinces from the 6 target regions.

38. In addition, the RAPID will forge partnerships with government financial institutions such as the LANDBANK, DBP, SBC, PCIC, including the AGFP in relation to the strategic finance sub-component.

39. Fiduciary responsibilities will be clearly specified in Memorandum of Agreements (MoAs) or contracts to be entered into by the RAPID Project with other implementing agencies or partners.

### **PFM Environment and Country Risks**

40. The Philippines is one of the emerging markets in the East Asia region and is ranked as 36th largest in the world according to the 2016 International Monetary Fund statistics. However, corruption remains an issue. country. In 2015, the country ranked 95th out of 167, registering a score of 35, in Transparency International's Corruption Perception Index, which is seen to be a decline from the previous years.

41. The election of a new President in May 2016 offered an opportunity for greater accountability and transparency, which may lead to a period of sustained economic stability in the Philippines and a stronger public financial management (PFM) system. The President emphasized in his first State of the Nation Address in July 2016 that under his watch it will be a clean Government. Furthermore, an Executive Order on Freedom of Information (FOI) was issued to cover the Executive Branch with an eFOI, an FOI web portal, which has been launched recently. This is perceived to be a bold move from the President considering that the FOI Bill remains pending in Congress.

42. The 2016 Public Expenditure and Financial Accountability (PEFA) assessment issued in June 2016 by the Republic of the Philippines in collaboration with the World Bank and other donor agencies noted significant developments in the PFM system, compared to a prior assessment made in 2007 (based on the data from 2004 to 2006) and published with some delay in 2010. It is creditable that

there are more areas which are rated good or satisfactory; although these are mainly concentrated on the three of the seven PFM pillars (transparency, policy-based budgeting, and asset and liability management) emerging to be strong compared to the 2010 assessment. On the other hand, one pillar (predictability and control in budget execution) is evenly balanced whereas the remaining three (budget reliability, accounting and reporting, and external scrutiny) are weak. This only suggests that there should be greater focus now on the downstream accounting and external scrutiny element of the budget cycle and the special provision in the 2017 GAA is a step towards achieving this if it can be institutionalized, its roles defined and coverage expanded.

43. The PEFA results indicate that the reform program is successful in strengthening the capacity of central agencies such as the Department of Budget and Management (DBM) in budget development and transparency. However, the line agencies (including DTI) fall short on this reform improvement since accurate and timely reporting remains to be a challenge. It is clear from the results of the PEFA assessment that the reforms associated with technology need substantial increases in scope to enable line agencies to manage financial transactions in accord with regulations and budget intentions and to obtain real-time financial reporting to maintain budget execution in line with service delivery requirements.

44. In the aim of addressing downstream processes, the Government Integrated Financial Management Information System (GIFMIS) is planned to be implemented and is seen to be central to PFM reforms. The improved accounting systems must enable agencies to produce annual accounts that are timely and free from audit qualifications. However, full implementation of GIFMIS was considered ambitious and costly by the previous administration, and was replaced by the scaled-down Budget and Treasury Management System (BTMS), which is targeted to be operational in January 2017.

45. To introduce further reforms, the PFM Framework Bill, crafted in 2014 and was initially filed in both Senate and House of Representatives in 2015, is intended to be refiled in this Congressional term. This bill is meant to institutionalize the reforms, strengthen the oversight function and clarify the budget and fiscal administration rules and processes. The proposed law includes the establishment of the Office of the Comptroller General in DBM and the position of Comptroller in each national government agencies. The Comptroller General will oversee compliance with existing PFM rules and regulations, including Commission on Audit (COA)-prescribed financial reporting requirements. Using the BTMS and its accounting functionalities, the office will also consolidate Government-wide financial statements to assist the Executive in managing financial operations.

46. There is also an inclusion in the 2017 General Appropriations Act (GAA) of the special provision mandating Congress to conduct a comprehensive audit of the country's debt. It will put to task the Congressional Oversight Committee on Overseas Development Assistance to conduct a debt audit to ascertain the legitimacy of a list of loan agreements. This is an improvement in the current Public Financial Management (PFM) system since it is noted in the 2016 PEFA assessment the lack of Congressional audit and scrutiny of financial reports.

### Risk Assessment and Mitigation

47. The summary risk analysis is based on the assessment of financial management arrangements proposed for this project. Table 1 identifies the key risks related to the Project's financial management and suggests how such can be mitigated. The assessed FM risk of the project is considered high but could be reduced to medium after the proposed mitigating measures and FM arrangements as summarized in Table 1.

**Table 1: Key Financial Management Risks and Mitigation Measures**

Type of risk	Risk rating	Risk mitigating measures	Residual risk rating
<i>Inherent Risks</i>	<i>Medium</i>		<i>Medium</i>
<i>Project Control Risks</i>			
<b>Organization and Staffing</b> DTI and DILG have limited manpower that will be available to extend FM functions for the Project.	Medium	Hiring of competent FM personnel in the DTI and DILG Central and Regional offices to augment manpower constraint and to assist organic staff in the execution of FM tasks and responsibilities.	Low

Type of risk	Risk rating	Risk mitigating measures	Residual risk rating
<p><b>Budgeting</b>  Availability of adequate GoP counterpart.</p> <p>Deficient budget proposal in the AWPB.</p> <p>Weak synchronization of GoP and RAPID budget preparation processes</p>	Medium	<p>DTI, DILG and LGUs to ensure inclusion of adequate GoP counterpart in its budget.</p> <p>Project to implement proper AWPB procedures and processes involving all levels and partners.</p>	Low
<p><b>Accounting</b>  Inaccurate and delayed accounting information due to the manual accounting system and lack of FM staff in the various levels.</p> <p>Implementing entities may have varying capacity and as such, capacity building in terms of FM and establishment of clear FM guidelines is critical in ensuring the smooth implementation of the project.</p>	High	<p>An assessment of the implementation of e-NGAS will be undertaken at targeted DTI ROs, and Project support to be provided for the rollout or enhancement of the eNGAS functionality.</p> <p>Separate books of account will be maintained for the project</p> <p>The Project will prepare a Project Implementation Manual (PIM) that will clearly define the roles and responsibilities of FM personnel in the Central and Regional Offices including partner agencies, farmers organizations and business enterprises. The FM section in the PIM will also document the specific reporting requirements, funds flow instructions and audit requirements necessary to show accountability of transactions.</p>	Medium
<p><b>Internal Control</b>  Implementation complexities, given the significant number of implementing partners and beneficiaries.</p> <p>Audit findings pertaining to control weaknesses reported by COA in the annual audit reports of DTI and DILG.</p>	High	<p>Fiduciary responsibilities will be clearly specified in Memorandum of Agreements (MoAs) or contracts to be entered into by the RAPID Project with other implementing agencies or partners.</p> <p>Specific guidelines and controls will be prescribed in the PIM.</p> <p>PCO to ensure that any audit findings noted by COA are resolved within six months from submission of the audit report.</p>	Medium
<p><b>Funds Flow/ Disbursement</b>  Loan proceeds may take a long time to reach intended offices and beneficiaries.</p> <p>Non-mobilization of counterpart funds.</p>	High	<p>DILG to maintain its own Designated Account for loan allocation to rural infrastructure sub-component.</p> <p>Consider report-based disbursements from IFAD once the Project is found to be able to consistently submit reliable IFRs by the mid-term review</p> <p>Ensure counterpart arrangements are specifically and clearly defined in the MOAs with FOs, business enterprises and LGUs. A selection and eligibility criteria must be outlined in the PIM, which should include financial indicators such as capability to raise counterpart funds.</p>	Medium
<p><b>Financial Reporting</b>  There is a risk that up to date financial information on the Project may not be available.</p> <p>Consolidated financial reporting is not reliable due to weak coordination between DTI and DILG</p>	High	<p>Functionality of the e-NGAS at DTI ROs will be enhanced.</p> <p>Close cooperation and information sharing to be ensured between PCO and DILG.</p> <p>Quarterly Interim Financial Reports (IFRs) will be prepared by the Project to be submitted to IFAD within 60 days after the end of each calendar quarter. Format should be included in the PIM.</p>	Medium
<p><b>Internal Audit</b>  Internal audit activities may not be performed on the Project due to constraints such as lack of adequate manpower in IAS.</p>	High	<p>DTI and DILG to commit to closely coordinate with their respective IAS for the inclusion of RAPID in their annual work plans for operational audit.</p> <p>Explore capacity building options for IAS.</p>	Medium
<p><b>Auditing</b>  Project Audit may not be done effectively, efficiently and on a timely basis. Audit reports may not be received within the due date as specified in the</p>	Medium	<p>The Commission on Audit (COA) shall review the Project Accounts.</p>	Low

Type of risk	Risk rating	Risk mitigating measures	Residual risk rating
Financial Covenant of the Financing Agreement.		DTI and DILG to closely coordinate and agree TOR with their respective COA Resident Auditors, allowing time for audit report consolidation by PCO, and ensure external audit arrangements (timeliness, completeness) to be in accordance with IFAD's requirements	
<b>Control risk</b>	<b>High</b>		<b>Medium</b>
<b>Overall risk</b>	<b>High</b>		<b>Medium</b>

### Organization and Staffing

48. The Financial and Management Service (FMS) of the DTI Central Office will be primarily responsible for the implementation of an adequate and sound financial management system for the Project, assisted by the Administrative, Financial and Management Divisions (AFMD) at the Regional Offices.

49. DTI has a well-defined organisational structure and is headed by a Secretary with a Cabinet rank. The Secretary is assisted by an undersecretary for each of the following major functional areas: (a) Industry Promotions Group (IPG); (b) Industry Development Group (IDG); (c) Consumer Protection Group (CPG); (d) Regional Operations Group (ROG) and (e) Management Services Group (MSG).

50. An Undersecretary for MSG is responsible for Corporate Planning Service, Financial and Management Service, Human Resource and Administrative Service, Information Systems Management Service, Knowledge Management and Information Service, and Legal Service.

51. The Financial and Management Service manages the financial program and a financial monitoring system to ensure fund availability and proper utilisation. Under which are the Budget Division, Accounting Division, and Management Division.

52. The Chief Administrative Officer plans, directs, supervises and coordinates all activities of the AFMD or Finance and Administrative Division (FAD). Supporting the FAD and AFMD are the Chief Accountant, Accountant, Accounting Clerk, Bookkeeper, Budget Officer, and Cashier. In the provincial level, an Administrative Officer assists in supervising and providing administrative services.

53. FM units at DTI Co and ROs have qualified officers and staff. The current staff consists of employees that has considerable length of service in the Agency.

54. Field offices have varying capacity and as such, capacity building in terms of FM and establishment of clear FM guidelines in the Project Implementation Manual (PIM) is critical in ensuring the smooth implementation of the Project. Workshops will be held periodically with finance staff involved in RAPID implementation, together with concerned OAG officials.

55. To augment the current manpower complement, contractual FM staff should be hired in the PCO and RCUs to perform project FM responsibilities and provide functional support to organic FM personnel in DTI at all project levels. A training/workshop will be organized during start-up and subsequently on need-basis in order to ensure adequate capacity of the FM personnel assigned in different implementing units including the partner organizations to execute their responsibilities and functions and to familiarize them with IFAD requirements..

56. The FMS of DILG Central Office will handle FM functions on the loan's infrastructure sub-component, to be implemented under an MoA with DTI. Contractual finance personnel will also be hired by DILG to assist counterparts at the DILG Central and Regional Offices, and to coordinate with participating LGUs. The FMS of DILG CO will liaise closely with AFMD to ensure accurate consolidated financial reporting.

## Budgeting

57. The Project Coordinating Office (PCO) will prepare the annual budget/AWPB for the project. It will be prepared in sufficient detail to include costing information by component, expenditure category and source of donor funds. It will then be forwarded to the Budget Division for inclusion in the Agency budget.

58. DTI has a Budget Division responsible for the preparation and monitoring of the Agency Budget. The Central Office consolidates the regional budgets submitted by the Regional Offices, which then prepares the Agency budget. The Division has sufficient manpower and procedures necessary to ensure that the budget is realistic and based on the projected needs of the Agency.

59. Budget proposals are prepared annually by DTI and submitted to the Department of Budget and Management (DBM) for review. The annual budget of the Agency is included in the annual GAA, which has to be deliberated by Congress and approved by the President. Historically, approval of budget was delayed and would happen towards the middle of the budget year. However, the GAAs for 2011 onwards were approved before the start of the fiscal year giving adequate time for budget implementation.

## Funds Flow and Disbursements

60. The funds will flow from IFAD to the Bureau of Treasury's account at the Bangko Sentral ng Pilipinas (Central Bank of the Philippines). After approval by the DBM, through the issuance of a Notice of Cash Allotment (NCA), funds will flow to the DTI's and DILG's Designated Accounts (DA) respectively, which will be maintained in an acceptable depository government financial institution. A project Peso account shall also be opened at DTI-CO to pay for Peso-based expenditures, and a similar arrangement will be put in place for DILG. For DTI implemented activities, the designated Project Finance Officer will prepare the disbursement vouchers and supporting documents and will submit them to the DTI-Central Office Accounting Division for proper approval and correspondingly request for the release of funds. A similar arrangement will be in place for DILG.

61. Based on the budget of the Regional Coordinating Units (RCUs), a sub-allotment will be issued by the Central Office and correspondingly download funds through funding checks to the respective operating accounts for RAPID opened by each RCUs in acceptable government financial institution. The RCUs will pay their project-related obligations through these operating accounts. The RCUs will then submit monthly liquidation in Statement of Expenditures (SOEs), stamped received by the COA Regional Auditor, **15 days after the close of each month** to the PCO for consolidation. The PCO will then prepare the withdrawal application.

62. Transfers to other implementing entities will be considered as advances, with monthly reporting on the use of funds, and these accounts will appear as reconciling items on the DA reconciliation statement to the extent they have not been accounted for.

63. The Statement of Expenditure (SOE)-based disbursement is to be used for reimbursement of eligible expenditures and liquidation of advances to the designated account. The SOE ceiling is USD50,000 equivalent and the threshold applies to the value of the contract. SOE records including the full set of documentation, will be filed to facilitate ready review by supervision and audit missions.

64. Available disbursement methods will be imprests, direct payments and reimbursements. Supporting documentation required for documenting eligible expenditure paid from the DAs are summary sheets with records and SOEs. Direct payments are documented by records. The frequency of reporting expenditure paid from the DAs shall be based on approximately 30% of the DA advance or on a basis not exceeding a quarter. The DAs will have Authorised Allocations based on approximately six month of expenditure. The Authorised Allocations will be indicated in the Letter to the Borrower.

65. The direct payment disbursement methodology may be used for payments exceeding USD 100,000.

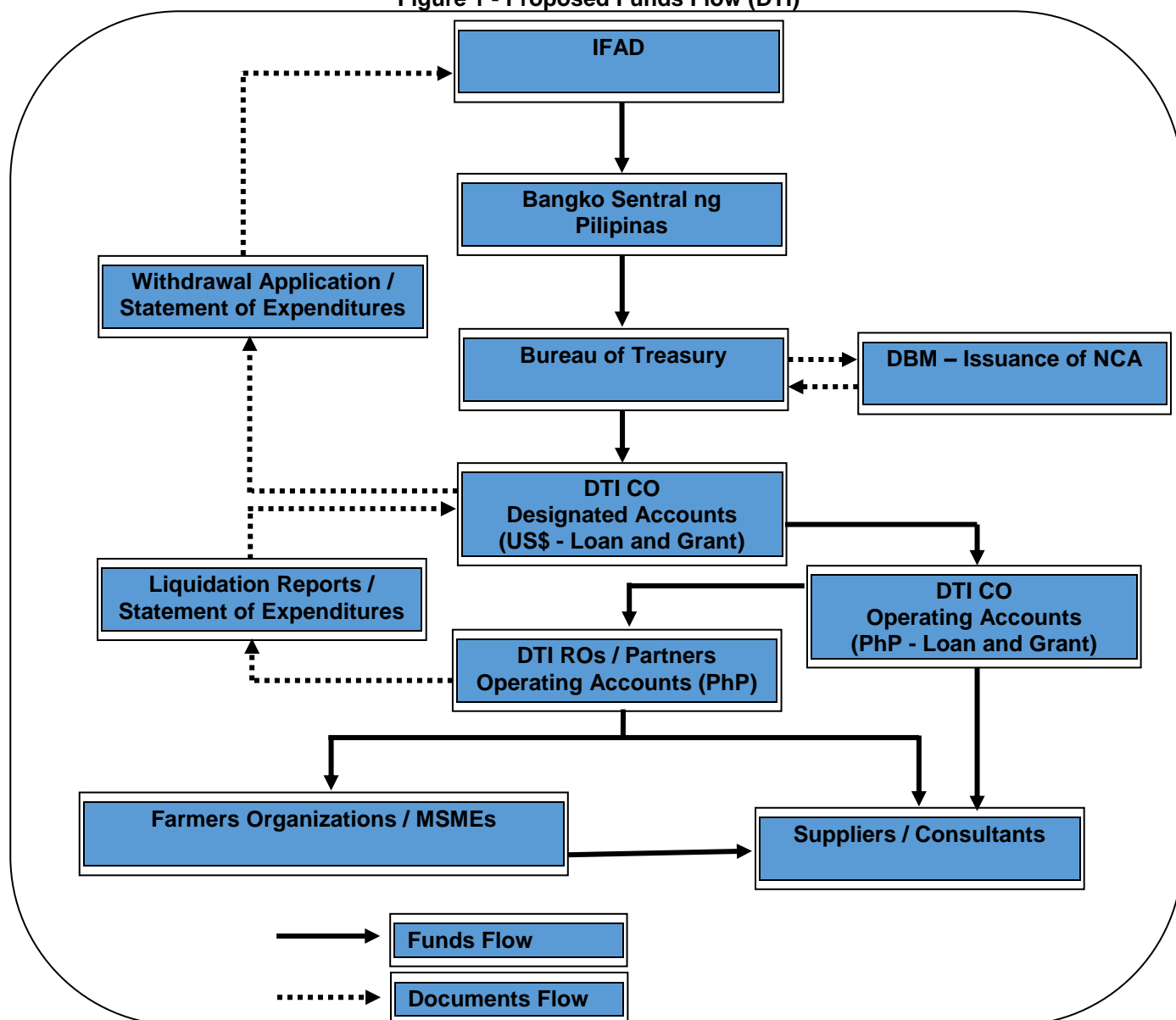
66. A start-up advance may be provided once the Financing Agreement has become effective, to facilitate implementation readiness activity, pending satisfaction of the disbursement conditions specified in the Financing Agreement. The ceiling of the start-up advance will not normally exceed USD 300,000 and will be agreed at negotiations.

67. Details governing the conditional grants component will be indicated in the PIM. DTI will disburse to participating partner organizations through the managing financial institution, based on an approved amount of subproject proposals. This can be on a lump-sum basis or in tranches where documentation of milestones/outputs achieved is necessary to be eligible for succeeding tranches.

68. Business enterprises and/or farmer organisations will be entitled to receive these conditional grants. DTI will establish clear guidelines in the Project Implementation Manual on the selection and eligibility of these beneficiaries, which must include financial indicators such as capability to raise counterpart funds as well as capacity of its FM personnel to adhere to IFAD requirements.

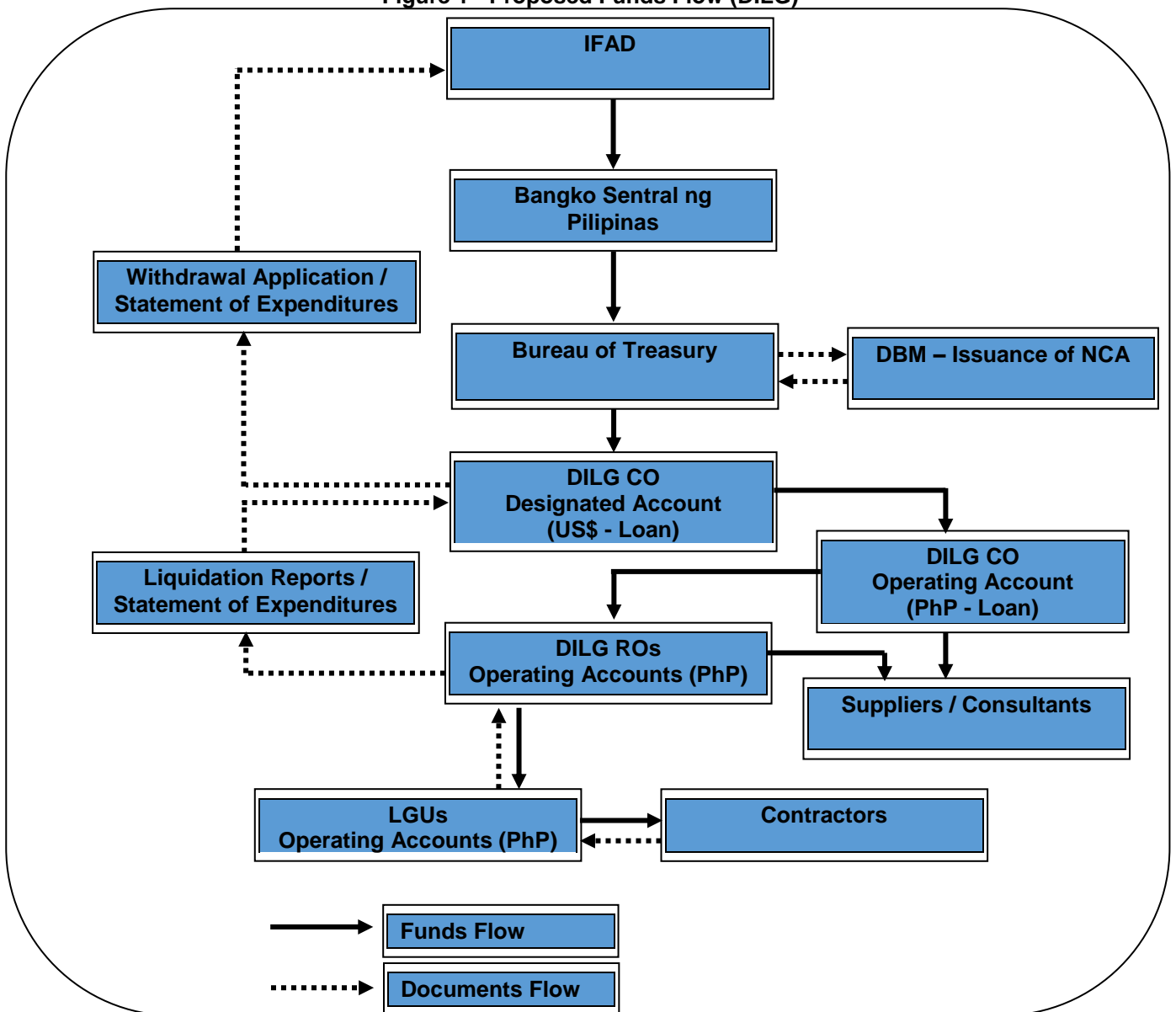
69. Disbursement procedures and other instructions will be detailed in the Letter to the Borrower which will be issued when the financing becomes effective.

**Figure 1 - Proposed Funds Flow (DTI)**



70. It is currently envisaged that the DILG-CO will maintain its own Designated Account for loan allocation to the rural infrastructure sub-component. Funds flow would be in the same manner as DTI. The DILG CO will release funds to accounts for RAPID opened at DILG-RO level, according to budgeted or forecasted disbursements. The DILG ROs will then release contract payments based on progress billings from contractors to the operating accounts for RAPID to be maintained by the participating Local Government Units (LGUs) exclusively for the Project's loan proceeds and its own counterpart. The LGUs will pay the contractors accordingly. The Government is however also exploring the option of transferring funds directly from treasury to LGUs with financial management and oversight undertaken by DILG, together with consolidated reporting. IFAD is also amenable to reviewing and approving this option considering the streamlined financial transactions.

**Figure 1 - Proposed Funds Flow (DILG)**



## Accounting

71. With the adoption of the Philippine Public Sector Accounting Standards (PPSAS) effective January 1, 2014, COA revised the New Government Accounting System (NGAS) Manual and prescribed the Government Accounting Manual (GAM) for National Government Agencies (NGAs) to be used effective January 1, 2016 through COA Circular No. 2015-007. The GAM presents the basic accounting policies and principles in accordance with the PPSAS and other pertinent laws, rules and regulations. It includes the Revised Chart of Accounts (RCA), as amended; the accounting procedures, books, registries, records, forms, reports, and financial statements; and illustrative accounting entries. The COA annually issues a number of circulars that provide further guidance on specific accounting aspects. This includes Circular No. 2013-1 on the Unified Accounts Code Structure (UACS), which was issued jointly with the DBM and the Department of Finance (DOF). DTI conforms to the recently rolled out UACS and PPSAS.

72. DTI and DILG record its financial transactions and operations in conformity with generally accepted accounting principles and in accordance with pertinent laws and regulations as provided by the COA and DBM. The accounts of the DTI are being kept in such detail as is necessary to meet the needs of the Agency and at the same time be adequate to furnish the information needed by fiscal control agencies of the government. Financial information, to the fullest extent, is made useful to the various levels of internal management for purposes of planning, evaluation and control and decision making within the organization, and assuring the appropriate use and accountability for its resources.

73. The bookkeeping segment of government accounting is computerized and is referred to as electronic NGAS (e-NGAS). The e-NGAS facilitates recording of transactions and generation of financial reports. DTI-CO implements the e-NGAS, while the ROs are not able to fully utilize the e-NGAS. The assessed DTI ROs raised issues on the functionality of the e-NGAS such as being prone to errors, system glitches, incompatible software, and out-dated system versions. The ROs also raised the need for consistent technical support to implement e-NGAS. Costs to rollout and/or enhance e-NGAS to meet IFAD's reporting requirements at targeted DTI ROs (e.g. hardware, trainings) will be identified and appropriately considered in the Project's budget.

74. Accounting treatment, recognition, measurement, de-recognition, and disclosure requirements in reporting Property, Plant and Equipment (PPE) are detailed in the GAM, including transfers and annual physical count of PPE. The GAM provides for adequate controls and procedures in safeguarding project fixed assets.

## Internal Controls

75. Due to the qualified or adverse audit findings in the agency financial reports, separate books of account will be maintained for the project. The PCO and/or DILG will be responsible for ensuring that any audit findings noted by COA are resolved within six months after receipt of the audit report.

76. The Philippines has a strong regulatory framework for internal controls. The Philippines Constitution, Article XI, provides a strong imperative through its provisions on the accountability of public officers, supported by comprehensive Government instructions in the Administrative Code, National Guidelines on Internal Control Systems (NGICS), and Government Internal Audit Manual.

77. The NGICS sets out the internal control components, including segregation of duties. Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This includes separating the assignment of responsibilities for processing, reviewing, recording, custody, and approval/authorization of certain transactions. NGICS further provides controls over access to resources and records, verifications, reconciliations, reviews of operating performance, reviews of operations, processes and activities and supervision.



78. However, the previous Audit Reports, where COA rendered either a qualified or adverse opinion, revealed a number of observations resulting from the Financial and Compliance Audit, which are indicative of an inadequate and ineffective internal control system.

79. Specific additional guidelines and controls will be prescribed in the Project Implementation Manual (PIM).

### **Financial Reporting**

80. The financial reporting system of the Philippine government consists of accounting system on accrual basis and budgeting reporting system on budget basis under the statutory responsibility of NGAs, Bureau of Treasury (BTr), Department of Budget and Management (DBM), and the Commission on Audit (COA) as per the GAM for NGAs.

81. The COA has adopted the International Public Sector Accounting Standards (IPSAS) beginning 2014, to be referred as the Philippine Public Sector Accounting Standards (PPSAS). Both DTI and DILG prepare and present financial statements in accordance with the PPSAS. Training will be provided to ensure that accounting adheres to cash basis IPSAS standards.

82. DTI and DILG record its financial transactions and operations in conformity with generally accepted accounting principles and in accordance with pertinent laws and regulations as provided by the COA and DBM. The accounts of the DTI are kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal control agencies of the government. Financial information, to the fullest extent, is made useful to the various levels of internal management for purposes of planning, evaluation and control and decision making within the organization, and assuring the appropriate use and accountability for its resources.

83. The Regional Offices of both DTI and DILG will maintain separate project books and generate accurate and timely reports to be forwarded to their respective Central Offices for consolidation. The DTI-CO will be responsible for all consolidated project financial reports.

84. Minimum project financial reporting will include the following, suggested formats of which are to be presented in the PIM:

- Yearly and cumulative statements of sources and uses of funds, disclosing separately IFAD and government counterparts;
- Yearly and cumulative SOEs by withdrawal application and category of expenditures;
- Reconciliation between the amounts shown as received by the project and those shown as being disbursed by IFAD should be attached as annex to the project financial statements. As part of that reconciliation, the auditor will indicate the procedure used for disbursement (Designated Account funds, letters of credit, special commitments, reimbursements, or direct payments) and indicate whether the expenditure is fully documented or uses summary of expenditure format;
- Cumulative status of funds by category;
- Reconciliation of Designated Account statement;
- A statement of comparison between the actual expenditures and budget estimates;
- Notes accompanying the project financial statements; fixed assets;
- Full disclosure of cash balances;
- Other disclosures relevant to the project (e.g., financial monitoring reports, credit lines, etc.)

85. Financial statements and reports should be submitted to COA within two months after the close of the calendar year to give COA sufficient time to conduct its audit.

## **Internal Audit**

86. The institutionalization of the internal audit function is based on Philippine laws and statutes, the most recent of which is the DBM Circular Letter No. 2008-05 dated April 14, 2008, which provides guidelines in the organization of the Internal Audit Service or Internal Audit Unit, clarifying its functions and specifying the rank and salary grade of the head of the Internal Audit Service and Units. The head of the Internal Audit Service or Internal Audit Unit reports directly to the head of the agency or the secretary.

87. DBM issued the Philippine Government Internal Audit Manual (PGIAM), which contains guidelines that outline basic concepts and principles of internal audit; policies and standards that will guide government agencies in organizing, managing, and conducting an effective internal audit; and practices that provide user-friendly tools, techniques, and approaches in appraising the internal control systems against strategic objectives and in conducting management and operations audits.

88. In DTI, the Internal Audit Service (IAS) was established in 2012 with 17 authorized positions. As mandated, DTI IAS performs three types of audit: compliance, management, and operations. Similar to other agencies, it is organized to have two divisions - management audit and operations audit. Audit plans and programs are usually prepared and executed; although, with certain delays considering the constraint in human resources.

89. DTI-CO will coordinate with its IAS for the inclusion of RAPID in the latter's annual work plans for operational audit. DILG-CO will also agree with its IAS adequate arrangements for yearly audit of its implementation of the Project's sub-component on rural infrastructure. DTI-CO will consolidate internal audit reports for submission to IFAD.

## **External Audit**

90. The Commission on Audit (COA), being the Supreme Audit Institution (SAI) of the country, is performing the external audit of DTI's financial reports. This SAI is an independent office which was given the mandate under the Philippine Constitution to audit all accounts pertaining to government revenues and expenditures, uses of government resources and to prescribe accounting and auditing rules.

91. The COA has adopted in 2013 the International Standards on Auditing (ISA) and International Standards of Supreme Audit Institutions (ISSAI) in its conduct of audit, which is referred to as Philippine Public Sector Standards on Auditing (PPSSAs)

92. The COA Resident Auditor at DTI-CO will conduct the audit of the Project accounts, which shall include a financial statements audit and a compliance audit. The scope of the audit will include review of Annual Financial Statements, Statement of Expenditures (SOEs) and Designated Accounts (DA). The audit report should contain a clear expression of the auditor's opinion regarding the financial statements, covering the three elements, and is to be submitted to IFAD six months after the end of each calendar year.

93. A Management Letter (ML) should accompany the audit report. The COA Regional Offices are responsible for the conduct of annual audit of DTI ROs, and will issue separate ML on the results of the audit of an RO including its Provincial Offices. The COA Resident Auditor of DTI CO will consolidate all MLs coming from the regions.

94. The same external audit arrangements will apply to DILG-managed sub-component to be conducted by COA Resident Auditors at DILG-CO and DILG ROs.

95. DTI-CO will be in charge of preparing the annual consolidated financial statements, coordinating audit processes, and ensuring that audits are carried out in accordance with IFAD Guidelines on Project Audits. Periodic workshops will be held for RAPID finance staff, with COA involvement.

## **FM Arrangements**

96. Under this project, DTI shall submit the following reports to IFAD throughout the life of the project:

- Quarterly Interim Financial Reports (IFRs) within 60 days after the end of each calendar quarter. Formats of the IFRs will be included in the PIM;
- Annual Audited Project Financial Statements consolidating DTI and DILG accounts for RAPID, together with a copy of the management letters reflecting the auditor's findings and recommendations, submitted no later than 6 months after the end of each fiscal year. The auditor for this project is COA. DTI will also monitor issues noted by COA and prepare a time bound action plan to resolve issues at all implementation levels within 6 months after the receipt of the audited financial statements;
- Internal Audit Reports of DTI and DILG;
- Depending on the amount of conditional grants received, the business enterprises will be requested to submit their entity audited financial statements with specific note disclosure on the receipt and utilization of grants received and counterparty provided, with the auditor being acceptable to IFAD, no later than 6 months after the end of each fiscal year. DTI will monitor submission as well as any issues that are raised.

## **Supervision Mission**

97. FM implementation review shall be undertaken at least annually, with additional support missions as necessary, during project implementation to ensure that the loan proceeds are used for the purpose it was granted, which may take at the most two weeks. The scope of the supervision is left to the professional judgment of the FM specialist. It may cover any of the following: (1) review of the continuous maintenance of adequate FM system by DTI; (2) review of IFRs; (3) follow up of timeliness of FM reporting and actions taken on issues raised by external auditors; (4) review of the project's financial reports; (5) follow up of the status of the any agreed action; and (6) review of compliance with the financial covenants. In addition, the FM implementation review should include desk review of the quarterly IFRs and audited financial statements and management letter submitted to the IFAD.

**FMAQ Attachment**

	<b>Topic</b>	<b>Response</b>
<b>1.</b>	<b>Organization and staffing</b>	
1.1	Which entity is the LPA? What is the entity's legal status?	98. The Department of Trade and Industry which is the primary coordinative, promotive, facilitative, and regulatory arm of the Philippine Government with the country's trade, industry and investment activities.
1.2	Will financial management of the project be the responsibility of a the LPA or be undertaken within the-PIU?	The financial management of the project is the responsibility of the Financial Management Services of DTI in closed coordination with the PCO.
1.3	Has the entity implemented a donor financed project in the past- if so, please provide details?	Yes. DTI implemented several projects by funded ADB and JICA. With IFAD, DTI implemented RuMEPP which was already completed.
	<b>Staffing</b>	
1.4	What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	99. In DTI Central Office, The Financial and Management Service manages the financial program and a financial monitoring system to ensure fund availability and proper utilization. Under which are the Budget Division, Accounting Division, and Management Division. On the other hand, in the Regional Offices, the financial management matters are handled by the Chief Finance and Administrative Officer. Directly under the office is one Budget Officer and an Accountant.
1.5	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	To augment the manpower complement and to carry out the financial management functions, a Finance Officer will be hired in the Central Office and Finance Assistants at the Regional Offices.
1.6	Are written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Job descriptions are available as a requirement by the Civil Service Commission.
1.7	Is the finance and accounts staff adequately qualified and experienced?	The Accountants are CPAs with considerable number of years in government service. Those supporting them are also qualified to handle FM tasks.
1.8	Are the project accounts and finance staff trained in IFAD procedures?	The Chief Accountant designated at the DTI-CO has handled RuMEPP; hence, familiar with IFAD procedures. However, depending on the target areas, Regional Accountants as well as other Finance staff may not be familiar with IFAD procedures; hence, they have to undergo trainings and workshops.
1.9	Are any Finance Staff appointed on contract What is the duration of the contracts Indicate key positions not contracted yet, and the estimated date of appointment	With limited plantilla positions available, DTI Central Office hires contractual staff to augment its manpower complement.
1.10	What is training policy for the finance and accounting staff?	Trainings and workshops are provided to personnel; although constrained by limited budget. The Government Association of CPAs also provide trainings to its members.
1.11	Is there evidence that finance staff are	Not applicable.

	regularly transferred to other Government departments At what frequency are personnel transferred?	
1.12	Is the project finance and accounting function staffed adequately?	In DTI Central Office, total manpower complement is 30, of which 14 are organic staff. On the other hand, in the Regional Office, there is one Accountant with two or three support staff.
<b>2</b>	<b>Budgeting</b>	
2.1	Who is responsible for preparation and approval of project budgets?	The Budget Division prepares the budget for the Agency which is forwarded to the DBM for review. DBM submits to Congress the proposed budget for approval and enactment as GAA.
2.2	Are project budgets prepared for all significant project activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Budgets are prepared in sufficient details to include costing information by component, expenditure category and source of donor funds.
2.3	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Appropriate project monitoring and evaluation should be put in place to be able to carry out this task.
<b>3</b>	<b>Funds Flow / Disbursement Arrangements</b>	
3.1	Does the Implementing Entity have previous experience of using imprest fund and donor funding SOE procedures? Were there any problems or issues encountered by project staff in the operation of the imprest fund or SoE procedures in the past?	DTI used the imprest system in the past and there were no major issues noted. DTI is comfortable to apply the same procedure in this project.
3.2	Does the Implementing Entity have experience in the management of disbursements from IFAD or other donors? Have there been the major problems in the past in receipt of funds by the entity?	DTI implemented RuMEPP which is an IFAD-funded project. As noted in the previous mission reports, DA replenishment takes significant number of days (one to two months) to process; however, this is not seen to be a major problem.
3.3	Does the entity have/need to develop capacity to manage foreign exchange risks?	DTI, in closed coordination with the government depository bank, can monitor the fluctuations in foreign exchange.
3.4	Are the beneficiaries required to contribute to project costs? How are payments made for the counterpart funds? If counterpart funds are to be contributed in kind (in the form of labour), are proper guidelines formulated to record and value the labour contribution?	Based on project design, farmer organizations and business enterprises will be contributing their share in the project cost. The PIM should indicate the acceptable form of contribution and should also provide proper guidelines in accounting for in-kind contributions.
3.5	Is part of the project implemented by communities or NGOs? Does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	Based on project design, matching grants will be provided to business enterprises and farmers organizations. DTI should put in place appropriate measures for reporting and monitoring and these should be clearly outlined in the PIM for immediate reference and guidance.
3.6	Describe (proposed) project funds flow arrangements; (attach flow chart and explanation of the flow of funds from IFAD, government and other financiers.	Refer to Appendix 7 of the Project Design.
3.7	In which bank will the Imprest Account be opened?	DTI will open and maintain the Designated Account with the acceptable government depository bank, i.e., Land Bank of the Philippines.

3.8	Are the (proposed) arrangements to transfer the proceeds of the financing (from the government / Finance Ministry) to the Implementing Entity satisfactory?	The arrangement is deemed appropriate and satisfactory.
<b>4</b>	<b>Internal Control</b>	
4.1	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes, as prescribed in the National Guidelines on Internal Control System (NGICS) and Government Accounting Manual (GAM).
4.2	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	
4.3	Are bank reconciliations prepared by someone other than those who make or approve payments?	
<b>5</b>	<b>Accounting Systems, Policies and Procedures</b>	
5.1	Does the entity have an integrated accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	DTI is using eNGAS, a COA-crafted bookkeeping system, in the Central Office. However, not all Regional Offices are using eNGAS; thus, this may be included for possible funding to be able to cover the costs to implement.  Financial reports can be generated with proper identification of the source of funds since this will be set up as a separate book. Allocation of expenditures by components is also possible, according to the Chief Accountant, with the use of "Responsibility" code.
5.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes, as prescribed by GAM.
5.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes, DTI is using the Revised Chart of Accounts as prescribed by COA and this is deemed adequate to account for project transactions.
5.4	Can cost allocations to the various funding sources be made accurately?	As accounting processes are largely manual, proper monitoring should be put in place to ensure accurate reporting.
5.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	COA noted discrepancies in the previous audit reports leading to a qualified or adverse opinion.
5.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	COA maintains the supporting documents in accordance with the archiving procedures.
5.7	What is the basis of accounting (e.g., cash, accrual)?	With the adoption of PPSAS, the basis of accounting is accrual.
5.8	What accounting standards are followed?	
5.9	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	The Government issued NGICS and GAM. However, a PIM should be adopted to properly document policies and procedures applicable to the project. Any existing policy or procedure outlined in NGICS or GAM can be referenced.
5.10	Do procedures exist to ensure that only authorized persons can alter or establish a	COA promulgates the accounting standards to be used.

	new accounting principle, policy or procedure to be used by the entity?	
5.11	Is there a written policies and procedures manual covering all routine project financial management activities? Are manuals distributed to appropriate personnel?	Project-specific manuals should be prepared to address the needs of the project; hence, a PIM is necessary to be issued.
	<b>Payments</b>	
5.12	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes, as prescribed in the NGICS and GAM.
	<b>Cash and Bank</b>	
5.13	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	COA noted discrepancies in the cash balance leading to qualified or adverse opinion in the previous years.
5.14	Are bank and cash reconciled on a monthly basis?	Yes. However, there were delays in the preparation.
5.15	Indicate names and positions of authorized signatories of project bank accounts.	Authorized signatories for projects vary depending on which unit is implementing. DTI maintains an authorization matrix for proper guidance.
	<b>Safeguard over Assets</b>	
5.16	Is there a Fixed Asset accounting system, with a Fixed Asset Register, fully implemented - as part of an integrated accounting system? Is the system maintained up to date?	Yes, as prescribed in GAM.
5.17	Are there periodic physical reconciliation of fixed assets and stocks?	Periodic physical reconciliation is carried out as prescribed by GAM. However, COA noted discrepancies.
	<b>Other</b>	
5.18	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Yes.
5.19	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.
5.20	Do controls exist for the preparation of the project payroll and are changes to the payroll properly authorized?	Yes. Controls are in place and in accordance with GAM.
<b>6</b>	<b>Reporting and Monitoring</b>	
6.1	Does the reporting system need to be adapted to report on the project components?	
6.2	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and the frequency of production?	Budget and Financial Accountability Reports are required to be submitted in defined frequency as required by DBM. For the project, any specific reports that are to be prepared should be outlined in the PIM with clear indication of the nature, content and frequency of preparation.
6.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	Financial statements are prepared annually. Financial accountability and budget reports are prepared and submitted to DBM with delays.
6.4	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	The Agency prepares Statement of Appropriation, Allocation, Obligation and Disbursements which is submitted to COA and DBM. The same format can



		be employed for project use.
6.5	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Financial reports are generated through eNGAS.
6.6	(In case of need of consolidated financial statements) Is the accounting system sufficiently equipped to ensure proper consolidation of entities' financial data?	Consolidation is done manually. Regional Offices will submit their reports to the Central Office who will in turn consolidate with the use of spreadsheet.
<b>Information Systems</b>		
6.7	Is the financial management system computerized?	DTI Central Office and some Regional Offices are using eNGAS while some Regional Offices are applying spreadsheets.  eNGAS is the computerized bookkeeping system crafted by COA. The latest version follows the UACS and Revised Chart of Accounts.
6.8	Can the system produce the necessary project financial reports?	eNGAS can produce the basic financial statements. Any other IFAD-specific financial report has to be checked if eNGAS will be capable to produce. If not, this will be prepared manually.
6.9	Is the staff adequately trained to maintain the system?	COA provided trainings during the roll-out of eNGAS. In addition, a help desk is maintained in COA to respond to queries with regard the use of the system.
6.10	Are adequate systems in place to "back up" financial records	Yes. Back-up server is maintained.
<b>7 Internal Audit</b>		
7.1	Is there an internal audit department in the LPA?	Yes. An Internal Audit Service is established.
7.2	What are the qualifications and experience of internal audit department staff?	Internal audit staff possess the minimum qualification and basic skills; although, as noted in PEFA, the internal audit function still needs support to strengthen its capacity to deliver quality reports and to execute its function in accordance with acceptable standards.
7.3	To whom does the internal auditor report?	The Internal Audit Service reports to the Secretary.
7.4	Will the internal audit department include the project in its work program?	DTI has signified its intention to involve the Internal Audit Service as it is focused on operational as well as compliance audit which may add value in project implementation.
7.5	Are actions taken on the internal audit findings?	Internal Audit submits its report to the audited unit and actions taken are being monitored.
<b>8 External Audit</b>		
8.1	Who is the external auditor of the entity?	The Commission on Audit (COA) is the Supreme Audit Institution in the country which is in charge of the audit of all national government agencies and its instrumentalities.
8.2	Are there any delays in audit of the entity? When are the audit reports issued?	Audited reports of the Agency are prepared with delay. The 2014 audited financial statements were only issued on August 28, 2015.
8.3	Is the audit of the entity conducted according to the International Standards on Auditing?	Yes. COA adopts the PPSSA .
8.4	Were there any major accountability issues brought out in the audit report of the past three years? Were there any issues noted in prior audit	COA, in its audit observation memoranda, highlighted several issues leading to a qualified or adverse opinion in the past.



	reports related to the operation of project imprest accounts or use of SOE procedures?	
8.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	COA will audit the project financial statements.
8.6	Has the project prepared acceptable terms of reference for an annual project audit?	No. DTI will prepare the Terms of Reference as soon as the projects starts its implementation.



## **Appendix 8: Procurement**

1. The Government Procurement Reformed Act enacted by the Senate and House of Representative on 10<sup>th</sup> January 2003 (Philippine Government Republic Act 9184 – RA 9184) provides for the modernisation, standardisation and regulation of the government's procurement activities.

2. Article 1, Section 3 provides that: All procurement of the national government, its departments, bureaus, offices and agencies, including state universities and colleges, government owned and/or-controlled corporations, government financial institutions and local government units, shall, in all cases, be governed by these principles:

- Transparency in the procurement process and in the implementation of procurement contracts;
- Competitiveness by extending equal opportunity to enable private contracting parties who are eligible and qualified to participate in public bidding;
- Streamlined procurement process that will uniformly apply to all government procurement. The procurement process shall be simple and made adaptable to advances in modern technology to ensure an effective and efficient method;
- Accountability, whereby public officials directly or indirectly involved in the procurement process or in the implementation of procurement contracts, as well as private parties that deal with government can be investigated and held liable for their actions relative thereto, when warranted by circumstances;
- Public monitoring of the procurement process and the implementation of awarded contracts, in view of guaranteeing that these contracts are awarded pursuant to the provisions of the Act and its implementing rules and regulations, and that all these contracts are performed strictly according to specifications.

3. In line with Section 75 of RA 9184, the Government Procurement Policy Board formulated rules and regulations (known as the Implementing Rules and Regulations) for the proper implementation of the provisions of the Act. The Implementing Rules and Regulations govern the procurement of: (i) infrastructure projects; (ii) goods; and (iii) consulting services, by any branch, agency, department, bureau, office, or instrumentality of the Government, including government-owned and/or controlled corporations, government financial institutions, state, universities and colleges, and Local Government Units (LGUs).

4. Competitive public bidding will be used as the standard method of procurement. However, for procurement of PHP 500,000 (USD 12,000) or less, National Government Agencies can procure goods and services through shopping or small value procurement, under certain circumstances and conditions. Such procurement may be through alternative methods, which include the following: (i) limited source bidding; (ii) direct contracting; (iii) repeat order; (iv) shopping; or (v) negotiated procurement.

5. RA 9184 and its Implementing Rules and Regulations have been harmonised with the procurement procedures of foreign funding institutions such as the World Bank and the Asian Development Bank..

6. RAPID will follow RA 9184 and its Implementing Rules and Regulations to the extent that they are consistent with IFAD's Procurement Guidelines and Handbook dated September 2010, or as amended from time to time as an exception to the provisions of the General Conditions.

### **Procurement under RAPID**

7. As provided in Section 7.05 of IFAD General Conditions, procurement of goods, works and services shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent that they are consistent with the IFAD Project Procurement Guidelines. Every

Annual Work Plan and Budget (AWPB) must contain an Annual Procurement Plan (APP) in the format prescribed by IFAD, which shall identify procedures which must be implemented by the Borrower/Recipient in order to ensure consistency with IFAD Project Procurement Guidelines.

8. IFAD shall review and provide its no-objection to the Procurement Plan, which shall include as a minimum:

- A brief description of each procurement activity to be undertaken during the period by each and every Project Party;
- The estimated value of each procurement activity;
- The method of procurement or selection to be adopted for each activity; and
- An indication as to whether IFAD shall carry out prior or post review in respect of each and every procurement activity.

9. Any amendments to the Annual Procurement Plan shall be subject to IFAD 'no objection'.

10. **Procurement methods and thresholds.** The procurement thresholds for each method of procurement for goods including services (non-consulting), works and consultancy service will be in accordance with the threshold established by the applicable national rules or as established based on the approved Procurement Plan.

11. The selection of individual consultants will be detailed in the Project Implementation Manual (PIM) and will adopt competitive and transparent selection processes, based on the qualifications and capacity in carrying out the assignment. These will include, but not be limited to, the consultants academic background, experience, knowledge of the local conditions such as local language, culture, administrative system, and government organisation, in accordance with the provision of RA 9184 and its Implementing Rules and Regulations.

12. **Conditional Grant Scheme.** Conditional grant will be made available along the lines described under Component 2.1. They will have to be identified in a DIP, which will have to be approved by the Regional Technical Working Group. Further details are to be detailed in the Project Implementation Manual.

13. **Review of Procurement Decision by IFAD.** In accordance with paragraph 80 of the IFAD Procurement Guidelines, IFAD will undertake to review the provisions for the procurement of goods, works and services to ensure that the procurement process is carried out in conformity with the IFAD Project Procurement Guidelines and the following procurement decisions shall be subject to prior review by IFAD for the award of any contract for goods, equipment, materials, works, consultancy and services.

- a. Procurement of goods, materials and works
  - i. Bid Documents for goods, materials and works;
  - ii. Evaluation Report and Recommendation for Award; and
  - iii. Draft Contract/Purchase Order and subsequent amendments.
- b. Procurement of works
  - i. Design Report and estimated detailed bills of quantities.
  - ii. Bid Documents for goods, materials and works;
  - iii. Evaluation Report and Recommendation for Award; and
  - iv. Draft Contract and subsequent amendments.
- c. Procurement of consultancy services (firm)
  - i. Prequalification documents and shortlist when prequalification is undertaken;
  - ii. Request for Proposal;
  - iii. Technical evaluation report;
  - iv. Combined (technical and financial) evaluation report and the recommendation for award; and

- v. Draft Contract and subsequent amendments.
- d. Procurement of long individuals consultant and project staff
  - i. Term of Reference;
  - ii. Detailed Evaluation Report and;
  - iii. Contract and amendments.
- b. Competitive Grants
  - i. Evaluation of the EOI's received
  - ii. Business Proposals and its Evaluation
  - iii. Draft Contract

14. The frequency of review of procurement and non-procurement awards subject to IFAD prior re and post review is established as per Table 1.

**Table 1 – Procurement methods and IFAD review**

<b>Procurement Method</b>	<b>Prior or Post Review</b>	<b>Comments</b>
<b>Procurement of Goods, Civil Works and Services (non-consulting)</b>		
International Competitive Bidding (ICB)	Prior	All Contracts
National Competitive Bidding (NCB)	Post	Except the first <sup>115</sup> procurement contract of goods, civil works and services for each district, regional and national offices in accordance with the approved Procurement Plan each year and thereafter any procurement valued above USD 200,000
Shopping	Post	All Contracts
Direct Goods	Post	Except any contract valued above USD 15,000
<b>Recruitment of Consulting Firms</b>		
Quality and Cost-Based Selection (QCBS), Fixed Budget Selection (FBS), Least Cost Selection (LCS) and Consultants Qualification Selection (CQS)	Prior	Except procurement valued below USD 50,000
Sole Source Selection (SSS)	Post	Except any contract valued above USD 20,000
<b>Recruitment of Individual Consultants</b>		
Individual Consultants	Post	Except exceptions to the competitive selection processes.
<b>Grants</b>		
Competitive Grants	Prior	Except grants valued below USD 50,000

15. The aforementioned thresholds may be modified by IFAD during the course of project implementation. IFAD may establish its prior review requirement for procurement below the above thresholds during its review and approval of the Procurement Plan.

<sup>115</sup> One procurement contract of goods, one procurement contract of civil works and procurement contract of services (non – consulting) under NCB for each district, regional or national offices based on the APP shall be subject to IFAD prior review.

16. All contracts must be listed in the Register of Contracts, which should be updated and submitted to the IFAD Country Programme Manager on a monthly basis. The sample form to be used and instructions are detailed in Annex 6 to IFAD Loan Disbursement Handbook.

## Appendix 9: Project cost and financing

This annex covers the project costs and financing plan, and discusses the assumptions underlying them and sets out the basis and details of the estimated project costs for RAPID.

### A. MAIN ASSUMPTIONS

1. **Physical and Price Contingencies.** All project interventions are on a project mode and no specific physical contingencies have been applied. Price contingencies at 5% have been applied on all items except for credit and grant funds, staff salaries and allowances. As the current domestic inflation rate is 3%, price contingencies have been assumed at constant rate of 3%. Foreign inflation rate has been assumed at 2%. All unit costs are estimated in Philippines peso (PhP).

**Exchange Rates.** The exchange rate for the analysis has been set at PhP 50 to one USD, the rate prevailing at the time of data collection (April - May 2017). Exchange rates during implementation phase and the foreign exchange rate forecasts for the Project costs estimates, and conversions from current PhP values into USD are calculated using current exchange rate (PhP/USD). Both foreign and local inflation rates are compounded at mid-year (see

2. [Table 2](#) below).

3. **Taxes and Duties.** Taxes and duties have been estimated using the prevailing prices. All items, which contained implicit duties and taxes, have accordingly been accounted for. Consulting services and technical assistance are contracted or sourced out and contracted entities are responsible for their national tax liabilities and a flat rate of 12% is assumed. A tax rate of 10.5% has been assumed for goods and equipment, office operations costs, service providers' contracts, training, etc. Road construction work has 19% tax to reflect the taxes paid by the contractors. No taxes will be paid by IFAD loan.

4. Starting from the baseline-cost, annual amounts are calculated for contingencies, which may occur during project implementation. Such contingencies include both physical events, specific to each type of activity, and price contingencies deriving from domestic inflation. The resulting price contingencies calculated have been added to all expenditure categories, except the categories mentioned above.

5. **Project Life and Fiscal Year .** The Project life is six year starting in January 2018 and expected to be completed in June 2024. Cost estimates for the project period have accordingly been calculated. Fiscal year for the Philippines is from January to December.

6. **Unit costs.** Unit costs together with physical units have been identified for most items and these are input in domestic currency unit (PhP). In certain instances, lump sum allocations have been computed so as to give flexibility in procurement or for the implementation of such activity/task. Office equipment such as laptops, printers, desk-tops and furniture and materials are categorized under the equipment category, and vehicles are in the vehicle category. Grants provided to cover the establishment cost of crops and MEs have been categorised as Grants and Subsidies. Expenditure categories of other cost items such as training and consultancy recruitment etc are self-explanatory. All credit funds would be provided by the Financial Service Providers and therefore not identified as a cost category for the IFAD Loan resources. It is noted that *"all unit costs are indicative and are used for the purposes of estimating the overall project costs. These are, therefore, subject to changes and revision during project implementation and also at the time of preparing Annual Work Plans and Budgets"*.

7. **Financiers** The Project would be financed by the following financiers: (i) IFAD loan; (ii) IFAD Grant; (iii) Government of the Philippines; (iv) Financial Service Providers; and (v) the beneficiaries.

**Table 2: Inflation and Exchange Rates**

	Up to	Up to	2018	2019	2020	2021	2022	2023
	Negotiation	Project Start						
<b>Inflation (in %'s) /a</b>								
<b>All</b>								
<b>Annual rates</b>								
Local	0	3	3	3	3	3	3	3
Foreign	0	2	2	2	2	2	2	2
<b>Compounded rates</b>								
Local	0	3	4	7	10	13	16	19
Foreign	0	2	3	5	6	8	10	12
<b>None</b>								
<b>Annual rates</b>								
Local	0	0	0	0	0	0	0	0
Foreign	0	0	0	0	0	0	0	0
<b>Compounded rates</b>								
Local	0	0	0	0	0	0	0	0
Foreign	0	0	0	0	0	0	0	0
<b>Exchange rates (Local/Foreign) /b</b>								
<b>All</b>								
Rates actually used	50	50	50	50	50	50	50	50
Constant purchasing parity rates	50	50	51	51	52	52	52	53
% deviation	0	0	-1	-2	-3	-4	-5	-5
<b>None</b>								
Rates actually used	50	50	50	50	50	50	50	50
Constant purchasing parity rates	50	50	50	50	50	50	50	50
% deviation	0	0	0	0	0	0	0	0

## B. PROJECT COSTS

8. **Total Project Costs.** Total project costs are estimated at US\$ 95.663 million over a 6 year period, out of which US\$ 67.5 million is IFAD financing. The cost is inclusive of all contingencies amounting to US\$ 9.4 million. [Table 3](#) summarises the financiers and the corresponding financing. Government will finance the salaries of the DTI seconded staff and their incremental costs and waiver of taxes and duties. Local Governments Units will meet the cost of taxes related to infrastructure development. FSP will provide loans to the producers, MEs and SMEs with their own funds. The beneficiary contribution of US\$ 2.1 million equivalent is primarily in the form of labour and materials, and the SME private sector contribution of USD 2.2 million equivalents is for establishing and operating the SMEs.

**Table 3: Financing Plan**

	(US\$ '000)				(Peso '000)			
	Foreign	Local	Total	Percent	Foreign	Local	Total	Percent
IFAD Loan	17,414	48,586	66,000	69.0	870,680	2,429,316	3,299,996	69.0
IFAD Grant	42	1,457	1,499	1.6	2,097	72,853	74,950	1.6
Government	60	9,051	9,111	9.5	3,015	452,535	455,550	9.5
Local Government Units (LGUs)	1,712	-	1,712	1.8	85,589	-	85,589	1.8
Financing Service Providers (FSPs)	-	12,437	12,437	13.0	-	621,851	621,851	13.0
Beneficiaries - Farmers	-	2,066	2,066	2.2	-	103,310	103,310	2.2
Beneficiaries - Small and Medium Enterprise	646	2,192	2,838	3.0	32,303	109,598	141,900	3.0
<b>Total</b>	<b>19,874</b>	<b>75,789</b>	<b>95,663</b>	<b>100.0</b>	<b>993,683</b>	<b>3,789,463</b>	<b>4,783,146</b>	<b>100.0</b>

**Project Costs by Project Component.** Project costs are organized into: (i) value chain development (27% of total base costs); (ii) productive investment (24% of total base costs); and (iii) programme management (9% of the base cost). Project baseline costs together with contingencies are summarised in



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9. [Table 4](#) (a). Table 2(b) summaries the project component cost by financiers.

**Table 4(a): Components project cost summary**

	(Peso '000)			(US\$ '000)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Base Costs
	A. Component 1 - Value Chain Development	1,044,166	119,931	1,164,097	20,883	2,399	23,282	10
<b>B. Component 2 - Productive Investments</b>								
1. Sub.comp. 2.1 - Strategic Finance	1,888,769	1,079	1,889,848	37,775	22	37,797	-	44
2. Sub.comp. 2.2 - Farm to market infrastructure	163,051	695,112	858,163	3,261	13,902	17,163	81	20
<b>Subtotal</b>	<b>2,051,820</b>	<b>696,191</b>	<b>2,748,011</b>	<b>41,036</b>	<b>13,924</b>	<b>54,960</b>	<b>25</b>	<b>64</b>
C. Component 3 - Program Management	356,996	48,998	405,994	7,140	980	8,120	12	9
<b>Total BASELINE COSTS</b>	<b>3,452,982</b>	<b>865,120</b>	<b>4,318,102</b>	<b>69,060</b>	<b>17,302</b>	<b>86,362</b>	<b>20</b>	<b>100</b>
Physical Contingencies	29,346	69,343	98,689	587	1,387	1,974	70	2
Price Contingencies	307,134	59,220	366,355	6,143	1,184	7,327	16	8
<b>Total PROJECT COSTS</b>	<b>3,789,463</b>	<b>993,683</b>	<b>4,783,146</b>	<b>75,789</b>	<b>19,874</b>	<b>95,663</b>	<b>21</b>	<b>111</b>

**3 (b) Cost by financiers (Php 1000 and USD 1000)**

	(Peso '000)																		
	IFAD Loan		IFAD Grant		Government		Local Government Units (LGUs)		Financing Service Providers (FSPs)		Beneficiaries - Farmers		Beneficiaries - Small and Medium Enterprise		Total	Duties & Taxes			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Component 1 - Value Chain Development	1,025,842	78.5	14,244	1.1	125,519	9.6	-	-	-	-	-	-	-	141,900	10.9	1,307,505	27.3	125,519	
<b>B. Component 2 - Productive Investments</b>																			
1. Sub.comp. 2.1 - Strategic Finance	1,245,909	61.6	48,603	2.4	2,549	0.1	-	-	621,851	30.8	103,310	5.1	-	-	2,022,222	42.3	2,549		
2. Sub.comp. 2.2 - Farm to market infrastructure	727,975	72.7	-	-	188,299	18.8	85,589	8.5	-	-	-	-	-	-	1,001,863	20.9	188,299		
<b>Subtotal</b>	<b>1,973,885</b>	<b>65.3</b>	<b>48,603</b>	<b>1.6</b>	<b>190,848</b>	<b>6.3</b>	<b>85,589</b>	<b>2.8</b>	<b>621,851</b>	<b>20.6</b>	<b>103,310</b>	<b>3.4</b>	<b>-</b>	<b>-</b>	<b>3,024,085</b>	<b>63.2</b>	<b>190,848</b>		
C. Component 3 - Program Management	300,269	66.5	12,103	2.7	139,184	30.8	-	-	-	-	-	-	-	-	451,556	9.4	19,276		
<b>Total PROJECT COSTS</b>	<b>3,299,996</b>	<b>69.0</b>	<b>74,950</b>	<b>1.6</b>	<b>455,550</b>	<b>9.5</b>	<b>85,589</b>	<b>1.8</b>	<b>621,851</b>	<b>13.0</b>	<b>103,310</b>	<b>2.2</b>	<b>141,900</b>	<b>3.0</b>	<b>4,783,146</b>	<b>100.0</b>	<b>335,642</b>		
	(US\$ '000)																		
	IFAD Loan		IFAD Grant		Government		Local Government Units (LGUs)		Financing Service Providers (FSPs)		Beneficiaries - Farmers		Beneficiaries - Small and Medium Enterprise		Total	Duties & Taxes			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. Component 1 - Value Chain Development	20,517	78.5	285	1.1	2,510	9.6	-	-	-	-	-	-	-	2,838	10.9	26,150	27.3		
<b>B. Component 2 - Productive Investments</b>																			
1. Sub.comp. 2.1 - Strategic Finance	24,918	61.6	972	2.4	51	0.1	-	-	12,437	30.8	2,066	5.1	-	-	40,444	42.3			
2. Sub.comp. 2.2 - Farm to market infrastructure	14,560	72.7	-	-	3,766	18.8	1,712	8.5	-	-	-	-	-	-	20,037	20.9			
<b>Subtotal</b>	<b>39,478</b>	<b>65.3</b>	<b>972</b>	<b>1.6</b>	<b>3,817</b>	<b>6.3</b>	<b>1,712</b>	<b>2.8</b>	<b>12,437</b>	<b>20.6</b>	<b>2,066</b>	<b>3.4</b>	<b>-</b>	<b>-</b>	<b>60,482</b>	<b>63.2</b>			
C. Component 3 - Program Management	6,005	66.5	242	2.7	2,784	30.8	-	-	-	-	-	-	-	-	9,031	9.4			
<b>Total PROJECT COSTS</b>	<b>66,000</b>	<b>69.0</b>	<b>1,499</b>	<b>1.6</b>	<b>9,111</b>	<b>9.5</b>	<b>1,712</b>	<b>1.8</b>	<b>12,437</b>	<b>13.0</b>	<b>2,066</b>	<b>2.2</b>	<b>2,838</b>	<b>3.0</b>	<b>95,663</b>	<b>100.0</b>			

**F. Project Costs by Expenditure Accounts**

10. Total investment costs are estimated at USD 87.4 million and these accounts for about 91% of the total project costs and the balance, USD 8.3 million are recurrent costs. Grants and subsidies account for about 23.3%, followed by civil work 20.7% and consultancy services (10.7%), and other investment cost are very minor. The recurrent costs are incremental salary and allowances accounting for 8.7% and office operating costs account for 2.5% which is a part of the recurrent cost ([Table 5](#)).

**Table 5: Project expenditure accounts by financiers**

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(Peso '000)																	
	IFAD Loan		IFAD Grant		Government		Local Government Units (LGUs)		Financing Service Providers (FSPs)		Beneficiaries - Farmers		Beneficiaries - Small and Medium Enterprise		Total		Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
<b>I. Investment Costs</b>																	
A. Training	255,099	85.5	27,269	9.1	4,543	1.5	-	-	11,535	3.9	-	-	-	-	298,446	6.2	4,543
B. Consulting Services	256,695	50.3	41,220	8.1	68,937	13.5	-	-	1,374	0.3	-	-	141,900	27.8	510,127	10.7	68,937
C. Technical Assistance	262,449	85.1	-	-	45,942	14.9	-	-	-	-	-	-	-	-	308,392	6.4	45,942
D. Goods and Inputs	206,047	98.8	-	-	2,508	1.2	-	-	-	-	-	-	-	-	208,555	4.4	2,508
E. Studies & Workshops	87,813	88.0	6,460	6.5	5,556	5.6	-	-	-	-	-	-	-	-	99,829	2.1	5,556
F. Vehicle	39,101	88.0	-	-	5,331	12.0	-	-	-	-	-	-	-	-	44,432	0.9	5,331
G. Works	717,159	72.4	-	-	188,299	19.0	85,589	8.6	-	-	-	-	-	-	991,046	20.7	188,299
H. Grants & Subsidies	661,677	59.3	-	-	0	-	-	-	351,747	31.5	103,310	9.3	-	-	1,116,734	23.3	-
I. Investment Capital	533,202	67.5	-	-	-	-	-	-	257,194	32.5	-	-	-	-	790,396	16.5	-
<b>Total Investment Costs</b>	<b>3,019,241</b>	<b>69.1</b>	<b>74,950</b>	<b>1.7</b>	<b>321,116</b>	<b>7.4</b>	<b>85,589</b>	<b>2.0</b>	<b>621,851</b>	<b>14.2</b>	<b>103,310</b>	<b>2.4</b>	<b>141,900</b>	<b>3.2</b>	<b>4,367,957</b>	<b>91.3</b>	<b>321,116</b>
<b>II. Recurrent Costs</b>																	
A. Operating Cost	79,108	65.3	-	-	41,946	34.7	-	-	-	-	-	-	-	-	121,054	2.5	14,527
B. Salaries and Allowances	201,647	68.6	-	-	92,488	31.4	-	-	-	-	-	-	-	-	294,135	6.1	-
<b>Total Recurrent Costs</b>	<b>280,755</b>	<b>67.6</b>	<b>-</b>	<b>-</b>	<b>134,435</b>	<b>32.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>415,189</b>	<b>8.7</b>	<b>14,527</b>
<b>Total PROJECT COSTS</b>	<b>3,299,996</b>	<b>69.0</b>	<b>74,950</b>	<b>1.6</b>	<b>455,550</b>	<b>9.5</b>	<b>85,589</b>	<b>1.8</b>	<b>621,851</b>	<b>13.0</b>	<b>103,310</b>	<b>2.2</b>	<b>141,900</b>	<b>3.0</b>	<b>4,783,146</b>	<b>100.0</b>	<b>335,642</b>

(US\$ '000)																	
	IFAD Loan		IFAD Grant		Government		Local Government Units (LGUs)		Financing Service Providers (FSPs)		Beneficiaries - Farmers		Beneficiaries - Small and Medium Enterprise		Total		Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
<b>I. Investment Costs</b>																	
A. Training	5,102	85.5	545	9.1	91	1.5	-	-	231	3.9	-	-	-	-	5,969	6.2	91
B. Consulting Services	5,134	50.3	824	8.1	1,379	13.5	-	-	27	0.3	-	-	2,838	27.8	10,203	10.7	1,379
C. Technical Assistance	5,249	85.1	-	-	919	14.9	-	-	-	-	-	-	-	-	6,168	6.4	919
D. Goods and Inputs	4,121	98.8	-	-	50	1.2	-	-	-	-	-	-	-	-	4,171	4.4	50
E. Studies & Workshops	1,756	88.0	129	6.5	111	5.6	-	-	-	-	-	-	-	-	1,997	2.1	111
F. Vehicle	782	88.0	-	-	107	12.0	-	-	-	-	-	-	-	-	889	0.9	107
G. Works	14,343	72.4	-	-	3,766	19.0	1,712	8.6	-	-	-	-	-	-	19,821	20.7	3,766
H. Grants & Subsidies	13,234	59.3	-	-	-	-	-	-	7,035	31.5	2,066	9.3	-	-	22,335	23.3	-
I. Investment Capital	10,664	67.5	-	-	-	-	-	-	5,144	32.5	-	-	-	-	15,808	16.5	-
<b>Total Investment Costs</b>	<b>60,385</b>	<b>69.1</b>	<b>1,499</b>	<b>1.7</b>	<b>6,422</b>	<b>7.4</b>	<b>1,712</b>	<b>2.0</b>	<b>12,437</b>	<b>14.2</b>	<b>2,066</b>	<b>2.4</b>	<b>2,838</b>	<b>3.2</b>	<b>87,359</b>	<b>91.3</b>	<b>6,422</b>
<b>II. Recurrent Costs</b>																	
A. Operating Cost	1,582	65.3	-	-	839	34.7	-	-	-	-	-	-	-	-	2,421	2.5	291
B. Salaries and Allowances	4,033	68.6	-	-	1,850	31.4	-	-	-	-	-	-	-	-	5,883	6.1	-
<b>Total Recurrent Costs</b>	<b>5,615</b>	<b>67.6</b>	<b>-</b>	<b>-</b>	<b>2,689</b>	<b>32.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,304</b>	<b>8.7</b>	<b>291</b>
<b>Total PROJECT COSTS</b>	<b>66,000</b>	<b>69.0</b>	<b>1,499</b>	<b>1.6</b>	<b>9,111</b>	<b>9.5</b>	<b>1,712</b>	<b>1.8</b>	<b>12,437</b>	<b>13.0</b>	<b>2,066</b>	<b>2.2</b>	<b>2,838</b>	<b>3.0</b>	<b>95,663</b>	<b>100.0</b>	<b>6,713</b>

### C. Detailed Project Costs

11. The detailed cost tables will provide the targets, unit costs, total cost, financing rule, and the expenditure categories of each activity of the project. Detailed costs are presented in a series of tables below.

**Detailed Table 1: Value chain development (a) – in PhP**

Table 1. Value Chain Development																
Detailed Costs																
(Peso)																
	Unit	Quantities						Total	Unit Cost	Totals Including Contingencies ('000)						Total
		2018	2019	2020	2021	2022	2023			2018	2019	2020	2021	2022	2023	
<b>I. Investment Costs</b>																
<b>A. Value chain governance</b>																
<b>1. Training/Capacity Building of Value Chain Facilitators /a</b>																
TA/Capacity Building of Value Chain Facilitators /b	Person-month	3	10	-	-	-	-	13	960,000	2,998	10,262	-	-	-	-	13,260
Logistics for Training of VCF /c	Lumpsum									749	770	-	-	-	-	1,519
Training of VCF in Value Chain ITC /d	Training	1	1	-	-	-	-	2	960,000	999	1,026	-	-	-	-	2,025
<b>Subtotal</b>										4,746	12,058	-	-	-	-	16,804
<b>2. Awareness Training of LGU Staff /e</b>																
Training and Orientation on RAPID, VC in rural development, and LGU roles in RAPID.	Province	-	6	-	-	-	-	6	400,000	-	2,566	-	-	-	-	2,566
<b>3. DTI institutional strengthening</b>																
Capacity building	Lumpsum									312	321	329	338	-	-	1,301
Learning Visits /f	Lumpsum	-	5	5	-	-	-	10	350,000	-	1,871	1,921	-	-	-	3,792
<b>Subtotal</b>										312	2,191	2,251	338	-	-	5,092
<b>4. Value Chain Governance, Councils and Associations /g</b>																
Policy Study and formulation, based on application	Study	-	1	1	1	1	-	4	1,000,000	-	1,069	1,098	1,127	1,158	-	4,452
Workshops on policies / policy dialogue /h	Lumpsum									-	214	220	225	-	-	659
Workshops for presenting RAPID implementation progress and findings	Workshop	1	1	1	1	1	1	6	1,000,000	1,041	1,069	1,098	1,127	1,158	1,189	6,682
<b>Subtotal</b>										1,041	2,352	2,415	2,480	2,316	1,189	11,793
<b>5. Product research and development /i</b>																
Conduct of research based on application and DTI's suggestions /j	Lumpsum									224	766	1,726	1,769	-	-	4,485
<b>6. Value Chain Information System (ICT) and VC-MIS /k</b>																
Support to private sector app to deliver VC ICT and upgrading of DTI web-based MIS	Lumpsum									6,227	6,381	-	-	-	-	12,607
<b>Subtotal</b>										12,550	26,313	6,392	4,588	2,316	1,189	53,348
<b>B. Business services</b>																
<b>1. Training, Qualification and Pre-selection of Business Service Providers (BSP) /l</b>																
Training of BSPs	Region	3	3	-	-	-	-	6	960,000	2,998	3,079	-	-	-	-	6,076
Logistics for Training of BSPs /m	Lumpsum									1,499	1,539	-	-	-	-	3,038
Yearly Qualification of BSP	Lumpsum									5,204	5,345	5,489	5,637	5,790	-	27,465
<b>Subtotal</b>										9,701	9,963	5,489	5,637	5,790	-	36,580

<sup>a</sup> Covers VC mapping, strategic investment plan, VC financing and financial analysis. 10 VCF & staff from DTI and NC will undergo training.

<sup>b</sup> 2 to 3 specialists will undertake training of VCF, NC and DTI staff.

<sup>c</sup> Logistic costs related to training of VCF during hands-on activities.

<sup>d</sup> Training of VCF on ICT, VCM and information system.

<sup>e</sup> The VCF and DTI will provide the training to the provinces; Y1=10 Provinces and Y2=10 Provinces.

<sup>f</sup> DTI staff will be financed

<sup>g</sup> RAPID will support Value Chain governance, through support for the formation of VC councils and associations, studies and policy formulations, workshops for presenting policies and policy dialogue. Institutionalize VC-ICT and MIS

<sup>h</sup> Workshops and meetings for presenting policies and for policy dialogue, organized by DTI

<sup>i</sup> R&D i.e. research for new utilization of coconut coir and test models for introduction of Sustem of Rubber Intensification using mechanized plantation.

<sup>j</sup> E.g. new utilization of coconut coir.

<sup>k</sup> Introduction of Value Chain Information System (ICT) and VC-MIS using one of these three options: a) IDT builds own mobile app and manages it; b) Support a private company to develop/upgrade existing app and; c) the private company manage it through

<sup>l</sup> Eligible BSPs should have minimum 5 years of experience in providing services for VC analysis, financing, strategic value chain investment planning, SME & ME business planning within the 3 VC commodities supported by RAPID and coconut. Pre-selected BSP will support.

<sup>m</sup> Including training material

## Value chain development (b)

Detailed Costs (Peso)	Unit	Quantities						Total	Unit Cost	Totals Including Contingencies ('000)						Total
		2018	2019	2020	2021	2022	2023			2018	2019	2020	2021	2022	2023	
<b>I. Investment Costs</b>																
<b>C. Enterprise strengthening</b>																
<b>1. Value Chain Inventory and Mapping /n</b>																
Seminar, workshops and meetings at LGU levels	Province	10	10	-	-	-	-	20	360,000	3,747	3,848	-	-	-	-	7,595
Printing and Distribution of VC mapping	Province	10	10	-	-	-	-	20	120,000	1,249	1,283	-	-	-	-	2,532
<b>Subtotal</b>										4,996	5,131	-	-	-	-	10,127
<b>2. Develop Strategic Investment Plans /o</b>																
BDS provider to assist in preparing an average of 3 SIPs per province	SIP	30	30	-	-	-	-	60	240,000	7,494	7,697	-	-	-	-	15,191
Workshops, seminars and meetings	Event	60	140	-	-	-	-	200	24,000	1,499	3,592	-	-	-	-	5,091
<b>Subtotal</b>										8,993	11,288	-	-	-	-	20,281
<b>3. Detailed Investment Plans for Individual SMEs /p</b>																
BDS provider to prepare DIPs for SMEs	DIP	5	17	25	25	50	-	122	168,000	872	3,037	4,577	4,692	9,619	-	22,797
Logistics support to DIP preparation	DIP	5	17	25	25	50	-	122	23,400	128	444	670	686	1,407	-	3,335
Regional Technical Working Group	Wk Shops	6	12	12	12	12	12	66	48,000	299	614	630	647	664	681	3,536
<b>Subtotal</b>										1,299	4,096	5,877	6,025	11,690	681	29,668
<b>4. Assistance for Farmers Groups /q</b>																
Organizational development, management and social preparation	Group	42	164	365	365	730	-	1,666	14,400	630	2,524	5,770	5,926	12,172	-	27,022
Training of members on financial literacy	Group	42	164	365	365	730	-	1,666	19,200	839	3,366	7,694	7,901	16,229	-	36,030
<b>Subtotal</b>										1,469	5,890	13,464	13,827	28,401	-	63,052

<sup>n</sup> The VCM of the province will be done by the VCF in close collaboration with LGU staff.

<sup>o</sup> The SIP includes the constraints within the VC between SME and farmers and provide practical suggestions for upgrading. Constraints may include rehabilitation of roads/bridges, potential for installing boreholes for drip irrigation, investment requirement

<sup>p</sup> The SIP identifies SME which are eligible for support in the short VC and the BSP will be invited on this basis.

<sup>q</sup> The SIP will identify farmers having interest to form groups and enter contract to supply raw materials with SME. Followed by training of farms on organizational development and management, social preparation. All members will undergo financial literacy t

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Detailed Costs (Peso)	Unit	Quantities						Total	Unit Cost	Totals Including Contingencies ('000)						Total
		2018	2019	2020	2021	2022	2023			2018	2019	2020	2021	2022	2023	
<b>I. Investment Costs</b>																
<b>5. Preparation of Detailed Investment Plans for MEs /r</b>																
BDS Provider to prepare Plans for MEs	ME	42	164	365	365	730	-	1,666	36,000	1,574	6,311	14,425	14,815	30,430	-	67,555
Workshops, seminars and meetings	ME	42	164	365	365	730	-	1,666	14,000	612	2,454	5,610	5,761	11,834	-	26,272
<b>Subtotal</b>										2,186	8,766	20,035	20,576	42,264	-	93,827
<b>6. Drafting of Crop Protocols /s</b>																
Draft best practices protocols for crops /t	Piece	10	20	-	-	-	-	30	240,000	2,491	5,105	-	-	-	-	7,595
<b>7. Supply Chain Management /u</b>																
Provision of supply chain management /v	Lump sum									2,525	8,627	19,448	19,935	39,945	-	90,480
Provision of supply chain management by SME	Lump sum									-	5,392	24,310	37,378	99,862	-	166,942
Training of producers and entrepreneurs	Lump sum									3,800	13,007	29,388	30,182	60,585	-	136,962
<b>Subtotal</b>										6,325	27,026	73,146	87,495	200,391	-	394,384
<b>8. Mentoring of SMEs and MEs by NC, based on applications /w</b>																
Customized Business Management mentoring	Course	-	2	5	5	5	5	22	158,400	-	337	863	885	907	930	3,921
Technical capacity building - processing machineries for SMEs and MEs	Course	3	9	13	13	25	-	63	36,000	112	345	510	523	1,031	-	2,520
<b>Subtotal</b>										112	681	1,373	1,407	1,938	930	6,441
<b>9. Product Development for SMEs /x</b>																
BDS for SMEs for product development (from pool of pre-selected BSP)	Lumpsum									448	1,531	3,452	3,539	7,091	-	16,062
<b>10. Market Support for MEs/SMEs based on applications</b>																
<b>a. Introduction of SALT, as identified by SIPs /y</b>																
Starter package for SALT	Hectare	-	600	600	600	600	600	3,000	52,800	-	35,558	36,518	37,504	38,517	39,557	187,654
Training in installation of SALT	Training	50	50	50	50	50	50	300	12,000	625	641	659	676	695	714	4,009
<b>Subtotal</b>										625	36,200	37,177	38,181	39,212	40,270	191,664
<b>b. National TA</b>																
BDS support to fairs, market entry studies, labelling, etc.	Lumpsum									448	1,531	3,452	3,539	7,091	-	16,062
PCO Value Chain Specialist	Person-month	12	12	12	12	12	6	66	100,000	1,245	1,276	1,308	1,340	1,374	704	7,248
PCO Business Service Specialist	Person-month	12	12	12	12	12	6	66	100,000	1,245	1,276	1,308	1,340	1,374	704	7,248
Value Chain Facilitators / Provincial Coordinator /z	Person-month	120	240	240	240	240	240	1,320	112,500	14,010	28,714	29,423	30,160	30,919	31,698	164,923
Value Chain Facilitators /aa	Person-month	120	240	240	240	240	-	1,080	100,000	12,453	25,523	26,154	26,809	27,484	-	118,423
<b>Subtotal</b>										29,402	58,321	61,644	63,188	68,242	33,107	313,904
<b>Subtotal</b>										30,026	94,521	98,821	101,369	107,454	73,377	505,567
<b>Subtotal</b>										58,345	164,036	216,168	234,239	399,229	74,988	1,147,005
<b>Total Investment Costs</b>										80,596	200,312	228,050	244,464	407,334	76,177	1,236,933
<b>II. Recurrent Costs</b>																
<b>A. Salaries and Allowances</b>																
Allowance for the VC Facilitators	Person-month	240	480	480	480	480	-	2,160	12,000	2,998	6,157	6,324	6,494	6,670	-	28,642
Cost of Travel - VC Facilitators	persons	40	40	40	40	40	40	240	150,000	6,548	6,718	6,892	7,071	7,256	7,446	41,930
<b>Total Recurrent Costs</b>										9,546	12,875	13,215	13,566	13,926	7,446	70,573
<b>Total</b>										90,142	213,187	241,265	258,030	421,260	83,623	1,307,505

v The farmers that formed legal organization (or having an existing one) will be eligible for preparing a DIP for establishing/expanding an ME in support of their farming and adding value to their produce.  
s Prepare best practices for protocols System of VC Crop Intensification already practiced in large number of crops in the Philippines) and field books for reference and recording. The protocols will be in line with relevant food security/traceability sta  
t Draft best practices protocols for crops in VC and field books for food security/traceability  
u VCM includes all activities in the supply side like selection of planting materials, production and harvesting, postharvest handling/pre-processing and supply of raw materials to SME. The VCM will also include support to ME linkage to financial institutio  
v Supply chain management include credit, planting material sourcing and product delivery  
w Tailor-made mentoring of SMEs, MEs to be offered by NC  
x Product development for SMEs for specific identified market demand.  
y The SIP will identify the areas and farmers eligible for support to introduce SALT using HVC demanded by SMEs in potential production areas with degraded land. The final decision for supporting the introduction is when there is a market arrangement betwe  
z In addition to VC facilitation, they would coordinate the provincial activities  
aa In addition to VC facilitation, they would coordinate the provincial activities

Value chain development (d) - USD '000

Detailed Costs	Totals Including Contingencies (US\$ '000)						Summary Divisions			
	2018	2019	2020	2021	2022	2023	Total	Component	Expenditure Account	Fin. Rule
	<b>I. Investment Costs</b>									
<b>A. Value chain governance</b>										
<b>1. Training/Capacity Building of Value Chain Facilitators /a</b>										
TA/Capacity Building of Value Chain Facilitators /b	60	205	-	-	-	-	265	COMP1	TRAINING	LOAN ( 100% )
Logistics for Training of VCF /c	15	15	-	-	-	-	30	COMP1	TRAINING	LOAN ( 100% )
Training of VCF in Value Chain ITC /d	20	21	-	-	-	-	41	COMP1	TRAINING	LOAN ( 100% )
<b>Subtotal</b>	<b>95</b>	<b>241</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336</b>			
<b>2. Awareness Training of LGU Staff /e</b>										
Training and Orientation on RAPID, VC in rural development, and LGU roles in RAPID.	-	51	-	-	-	-	51	COMP1	TRAINING	GRANT ( 100% )
<b>3. DTI institutional strengthening</b>										
Capacity building	6	6	7	7	-	-	26	COMP1	TRAINING	GRANT ( 100% )
Learning Visits /f	-	37	38	-	-	-	76	COMP1	TRAINING	LOAN ( 100% )
<b>Subtotal</b>	<b>6</b>	<b>44</b>	<b>45</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>102</b>			
<b>4. Value Chain Governance, Councils and Associations /g</b>										
Policy Study and formulation, based on application	-	21	22	23	23	-	89	COMP1	CONSULT	GRANT ( 100% )
Workshops on policies / policy dialogue /h	-	4	4	5	-	-	13	COMP1	STUDIES&WRKSHP	GRANT ( 100% )
Workshops for presenting RAPID implementation progress and findings	21	21	22	23	23	24	134	COMP1	STUDIES&WRKSHP	GRANT ( 100% )
<b>Subtotal</b>	<b>21</b>	<b>47</b>	<b>48</b>	<b>50</b>	<b>46</b>	<b>24</b>	<b>236</b>			
<b>5. Product research and development /i</b>										
Conduct of research based on application and DTIs suggestions /j	4	15	35	35	-	-	90	COMP1	CONSULT	LOAN ( 100% )
<b>6. Value Chain Information System (ICT) and VC-MIS /k</b>										
Support to private sector app to deliver VC ICT and upgrading of DTI web-based MIS	125	128	-	-	-	-	252	COMP1	CONSULT	LOAN ( 100% )
<b>Subtotal</b>	<b>251</b>	<b>526</b>	<b>128</b>	<b>92</b>	<b>46</b>	<b>24</b>	<b>1,067</b>			
<b>B. Business services</b>										
<b>1. Training, Qualification and Pre-selection of Business Service Providers (BSP) /l</b>										
Training of BSPs	60	62	-	-	-	-	122	COMP1	TRAINING	LOAN ( 100% )
Logistics for Training of BSPs /m	30	31	-	-	-	-	61	COMP1	TRAINING	LOAN ( 100% )
Yearly Qualification of BSP	104	107	110	113	116	-	549	COMP1	TRAINING	LOAN ( 100% )
<b>Subtotal</b>	<b>194</b>	<b>199</b>	<b>110</b>	<b>113</b>	<b>116</b>	<b>-</b>	<b>732</b>			

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	Totals Including Contingencies (US\$ '000)						Summary Divisions			
	2018	2019	2020	2021	2022	2023	Total	Component	Expenditure Account	Fin. Rule
<b>I. Investment Costs</b>										
<b>C. Enterprise strengthening</b>										
<b>1. Value Chain Inventory and Mapping /n</b>										
Seminar, workshops and meetings at LGU levels	75	77	-	-	-	-	152	COMP1	STUDIES&WRKSHP	LOAN ( 100% )
Printing and Distribution of VC mapping	25	26	-	-	-	-	51	COMP1	GOOD&INPUTS	LOAN ( 100% )
<b>Subtotal</b>	100	103	-	-	-	-	203			
<b>2. Develop Strategic Investment Plans /o</b>										
BDS provider to assist in preparing an average of 3 SIPs per province	150	154	-	-	-	-	304	COMP1	CONSULT	LOAN ( 100% )
Workshops, seminars and meetings	30	72	-	-	-	-	102	COMP1	STUDIES&WRKSHP	LOAN ( 100% )
<b>Subtotal</b>	180	226	-	-	-	-	406			
<b>3. Detailed Investment Plans for Individual SMEs /p</b>										
BDS provider to prepare DIPs for SMEs	17	61	92	94	192	-	456	COMP1	CONSULT	LOAN ( 100% )
Logistics support to DIP preparation	3	9	13	14	28	-	67	COMP1	GOOD&INPUTS	LOAN ( 100% )
Regional Technical Working Group	6	12	13	13	13	14	71	COMP1	STUDIES&WRKSHP	LOAN ( 100% )
<b>Subtotal</b>	26	82	118	120	234	14	593			
<b>4. Assistance for Farmers Groups /q</b>										
Organizational development, management and social preparation	13	50	115	119	243	-	540	COMP1	CONSULT	LOAN ( 100% )
Training of members on financial literacy	17	67	154	158	325	-	721	COMP1	TRAINING	LOAN ( 100% )
<b>Subtotal</b>	29	118	269	277	568	-	1,261			
<b>5. Preparation of Detailed Investment Plans for MEs /r</b>										
BDS Provider to prepare Plans for MEs	31	126	289	296	609	-	1,351	COMP1	CONSULT	LOAN ( 100% )
Workshops, seminars and meetings	12	49	112	115	237	-	525	COMP1	STUDIES&WRKSHP	LOAN ( 100% )
<b>Subtotal</b>	44	175	401	412	845	-	1,877			
<b>6. Drafting of Crop Protocols /s</b>										
Draft best practices protocols for crops /t	50	102	-	-	-	-	152	COMP1	CONSULT	LOAN ( 100% )
<b>7. Supply Chain Management /u</b>										
Provision of supply chain management /v	51	173	389	399	799	-	1,810	COMP1	CONSULT	LOAN ( 100% )
Provision of supply chain management by SME	-	108	486	748	1,997	-	3,339	COMP1	CONSULT	SME ( 100% )
Training of producers and entrepreneurs	76	260	588	604	1,212	-	2,739	COMP1	TRAINING	LOAN ( 100% )
<b>Subtotal</b>	127	541	1,463	1,750	4,008	-	7,888			
<b>8. Mentoring of SMEs and MEs by NC, based on applications /w</b>										
Customized Business Management mentoring	-	7	17	18	18	19	78	COMP1	CONSULT	LOAN ( 100% )
Technical capacity building - processing machineries for SMEs and MEs	2	7	10	10	21	-	50	COMP1	CONSULT	LOAN ( 100% )
<b>Subtotal</b>	2	14	27	28	39	19	129			
<b>9. Product Development for SMEs /x</b>										
BDS for SMEs for product development (from pool of pre-selected BSP)	9	31	69	71	142	-	321	COMP1	CONSULT	LOAN ( 100% )
<b>10. Market Support for MEs/SMEs based on applications</b>										
<b>a. Introduction of SALT, as identified by SIPs /y</b>										
Starter package for SALT	-	711	730	750	770	791	3,753	COMP1	GOOD&INPUTS	LOAN ( 100% )
Training in installation of SALT	12	13	13	14	14	14	80	COMP1	TRAINING	LOAN ( 100% )
<b>Subtotal</b>	12	724	744	764	784	805	3,833			
<b>b. National TA</b>										
BDS support to fairs, market entry studies, labelling, etc.	9	31	69	71	142	-	321	COMP1	CONSULT	LOAN ( 100% )
PCO Value Chain Specialist	25	26	26	27	27	14	145	COMP1	TECHNICAL_ASSIT	LOAN ( 100% )
PCO Business Service Specialist	25	26	26	27	27	14	145	COMP1	TECHNICAL_ASSIT	LOAN ( 100% )
Value Chain Facilitators / Provincial Coordinator /z	280	574	588	603	618	634	3,298	COMP1	TECHNICAL_ASSIT	LOAN ( 100% )
Value Chain Facilitators /aa	249	510	523	536	550	-	2,368	COMP1	TECHNICAL_ASSIT	LOAN ( 100% )
<b>Subtotal</b>	588	1,166	1,233	1,264	1,365	662	6,278			
<b>Subtotal</b>	601	1,890	1,976	2,027	2,149	1,468	10,111			
<b>Subtotal</b>	1,167	3,281	4,323	4,685	7,985	1,500	22,940			
<b>Total Investment Costs</b>	1,612	4,006	4,561	4,889	8,147	1,524	24,739			
<b>II. Recurrent Costs</b>										
<b>A. Salaries and Allowances</b>										
Allowance for the VC Facilitators	60	123	126	130	133	-	573	COMP1	SAL&ALLOW	LOAN ( 100% )
Cost of Travel - VC Facilitators	131	134	138	141	145	149	839	COMP1	OPCOST	LOAN ( 100% )
<b>Total Recurrent Costs</b>	191	258	264	271	279	149	1,411			
<b>Total</b>	1,803	4,264	4,825	5,161	8,425	1,672	26,150			

Detailed Table 2.1: Productive Investments - Strategic Finance – in PhP 1000

Table 2.1. Productive Investments - Strategic Finance																
Detailed Costs																
Unit	Quantities							Unit Cost (Peso)	Totals Including Contingencies (Peso '000)							
	2018	2019	2020	2021	2022	2023	Total		2018	2019	2020	2021	2022	2023	Total	
<b>I. Investment Costs</b>																
<b>A. Strategic Finance</b>																
<b>1. Technical assistance</b>																
Financial Service Consultant	Person-month	9	9	9	-	-	-	27	150,000	1,401	1,436	1,471	-	-	-	4,308
<b>2. Strengthening of FSPs</b>																
Due Diligence	lump-sum								-	0	0	0	-	-	-	0
Developing capacity development tools	Person-month	1	-	-	-	-	-	1	480,000	498	-	-	-	-	-	498
Training and Capacity Building for FSPs	Lumpsum								4,372	4,490	4,611	4,735	4,863	-	23,071	
National seminar-workshop on best practices	Number	-	-	1	1	1	1	4	432,000	-	-	473	485	498	511	1,967
<b>Subtotal</b>										4,870	4,490	5,084	5,221	5,361	511	25,536
<b>3. Support to AGFP and Crop Insurance Support</b>																
AGFP - Car	Lumpsum								1,561	-	-	-	-	-	-	1,561
AGFP - Feasibility Study through consultancy	Lumpsum								3,123	-	-	-	-	-	-	3,123
Innovative ICT application for crop insurance	Lumpsum								5,204	5,345	-	-	-	-	-	10,549
<b>Subtotal</b>										9,888	5,345	-	-	-	-	15,233
<b>4. Production Investments /a</b>																
Planting material cost /b	lump-sum									426,678	509,042	97,378	-	-	-	1,033,098
<b>5. Pre-processing Investments</b>																
Financial Support for Pre-processing Enterprises /c	MEs									11,216	58,587	107,368	110,267	226,951	-	514,389
Other Micro Enterprises /d	ME									1,249	11,545	17,126	17,589	36,127	-	83,635
<b>Subtotal</b>										12,465	70,132	124,494	127,855	263,078	-	598,024
<b>6. Innovation Fund</b>																
Equity financing / SBC /e	# SME	-	6	16	16	12	-	50	5,280,000	-	31,680	84,480	84,480	63,360	-	264,000
Due diligence of private equity investment companies	lump sum									2	2	2	-	-	-	7
Private Equity Firms cost of having representatives on the boards of SMEs	lump sum	-	6	16	16	12	-	50	240,000	-	1,440	3,840	3,840	2,880	-	12,000
Training / Study Tours for SBC Personnel	trainings	2	2	2	-	-	-	6	2,160,000	4,320	4,320	4,320	-	-	-	12,960
Promotion material for equity participation in SME investments /f	lump sum									250	-	250	-	250	-	750
Testing different method to trade SME stock	lump sum									-	24	24	24	24	24	120
Seminars and workshops	Wk shops	-	1	-	1	-	1	3	720,000	-	720	-	720	-	720	2,160
<b>Subtotal</b>										4,572	38,186	92,916	89,064	66,514	744	291,997
<b>7. Capacity Building of Cooperatives</b>																
Assessment of the participating cooperatives	Assessments	210	485	485	485	-	-	1,665	10,000	2,186	5,184	5,324	5,468	-	-	18,163
Preparation of required training curricular and material	Lump-sum									4,163	4,276	-	-	-	-	8,439
General & Financial Management Training /g	Trainings	210	485	485	485	-	-	1,665	12,000	2,623	6,221	6,389	6,562	-	-	21,796
<b>Subtotal</b>										8,972	15,682	11,714	12,030	-	-	48,398
<b>Total Investment Costs</b>										468,847	644,313	333,057	234,170	334,953	1,255	2,016,594
<b>II. Recurrent Costs</b>																
<b>A. Salaries and allowances</b>																
Financial Service Specialist	Person-month	12	12	12	12	12	12	72	70,176	877	900	924	949	975	1,001	5,627
<b>Total Recurrent Costs</b>										877	900	924	949	975	1,001	5,627
<b>Total</b>										469,724	645,213	333,981	235,119	335,928	2,256	2,022,222

/a Mainly planting material cost

/b This includes coca, coffee, calamansi and coconut

/c Pre-processing enterprises include cocoa, coffee, calamansi etc

/d These include nurseries, tractor hire service, transport, etc.

/e Includes capital investment, and all of support costs, including TA and management costs.

/f To prepare the material and print them by the same contract

/g General management training, financial management training in retailing loans from Land Bank and other FSP, credit guarantee and insurance



### Productive Investments - Strategic Finance – in USD 1000

Detailed Costs	Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)						Total	Summary Divisions	
		2018	2019	2020	2021	2022	2023		Component	Expenditure Account
<b>I. Investment Costs</b>										
<b>A. Strategic Finance</b>										
<b>1. Technical assistance</b>										
Financial Service Consultant	3,000	28	29	29	-	-	-	86	SUB.COMP.2.1	CONSULT
<b>2. Strengthening of FSPs</b>										
Due Diligence		-	0	0	0	-	-	0	SUB.COMP.2.1	CONSULT
Developing capacity development tools	9,600	10	-	-	-	-	-	10	SUB.COMP.2.1	CONSULT
Training and Capacity Building for FSPs		87	90	92	95	97	-	461	SUB.COMP.2.1	TRAINING
National seminar-workshop on best practices	8,640	-	-	9	10	10	10	39	SUB.COMP.2.1	STUDIES&WRKSH
<b>Subtotal</b>		97	90	102	104	107	10	511		
<b>3. Support to AGFP and Crop Insurance Support</b>										
AGFP - Car		31	-	-	-	-	-	31	SUB.COMP.2.1	VEHICLE
AGFP - Feasibility Study through consultancy		62	-	-	-	-	-	62	SUB.COMP.2.1	CONSULT
Innovative ICT application for crop insurance		104	107	-	-	-	-	211	SUB.COMP.2.1	TECHNICAL_ASSIT
<b>Subtotal</b>		198	107	-	-	-	-	305		
<b>4. Production Investments /a</b>										
Planting material cost /b		8,534	10,181	1,948	-	-	-	20,662	SUB.COMP.2.1	GRANT_EF
<b>5. Pre-processing Investments</b>										
Financial Support for Pre-processing Enterprises /c		224	1,172	2,147	2,205	4,539	-	10,288	SUB.COMP.2.1	INVESTMENT_CAPITAL_EA
Other Micro Enterprises /d		25	231	343	352	723	-	1,673	SUB.COMP.2.1	GRANT_EF
<b>Subtotal</b>		249	1,403	2,490	2,557	5,262	-	11,960		
<b>6. Innovation Fund</b>										
Equity financing / SBC /e	105,600	-	634	1,690	1,690	1,267	-	5,280	SUB.COMP.2.1	INVESTMENT_CAPITAL_EA
Due diligence of private equity investment companies		0	0	0	-	-	-	0	SUB.COMP.2.1	INVESTMENT_CAPITAL_EA
Private Equity Firms cost of having representatives on the boards of SMEs	4,800	-	29	77	77	58	-	240	SUB.COMP.2.1	INVESTMENT_CAPITAL_EA
Training / Study Tours for SBC Personnel	43,200	86	86	86	-	-	-	259	SUB.COMP.2.1	TRAINING
Promotion material for equity participation in SME investments /f		5	-	5	-	5	-	15	SUB.COMP.2.1	TRAINING
Testing different method to trade SME stock		-	0	0	0	0	0	2	SUB.COMP.2.1	CONSULT
Seminars and workshops	14,400	-	14	-	14	-	14	43	SUB.COMP.2.1	STUDIES&WRKSH
<b>Subtotal</b>		91	764	1,858	1,781	1,330	15	5,840		
<b>7. Capacity Building of Cooperatives</b>										
Assessment of the participating cooperatives	200	44	104	106	109	-	-	363	SUB.COMP.2.1	CONSULT
Preparation of required training curricular and material		83	86	-	-	-	-	169	SUB.COMP.2.1	CONSULT
General & Financial Management Training /g	240	52	124	128	131	-	-	436	SUB.COMP.2.1	TRAINING
<b>Subtotal</b>		179	314	234	241	-	-	968		
<b>Total Investment Costs</b>		9,377	12,886	6,661	4,683	6,699	25	40,332		
<b>II. Recurrent Costs</b>										
<b>A. Salaries and allowances</b>										
Financial Service Specialist	1,404	18	18	18	19	20	20	113	SUB.COMP.2.1	SAL&ALLOW
<b>Total Recurrent Costs</b>		18	18	18	19	20	20	113		
<b>Total</b>		9,394	12,904	6,680	4,702	6,719	45	40,444		

Detailed Table 2.2: Productive Investments - Farm to market infrastructure

Table 2.2. Productive Investments - Farm to market infrastructure																	
Detailed Costs																	
(Peso)																	
	Unit	Quantities						Total	Unit Cost	Totals Including Contingencies ('000)						Total	Duties & Taxes
		2018	2019	2020	2021	2022	2023			2018	2019	2020	2021	2022	2023		
<b>I. Investment Costs</b>																	
<b>A. Farm to market infrastructure</b>																	
Seeking CP and FPIC certification	lump-sum								10,817	-	-	-	-	-	-	10,817	-
Rehabilitation/Concreting of Existing FMR /a	Kilometer	-	40	60	40	-	-	140	5,190,000	-	238,783	364,266	247,337	-	-	850,386	161,573
Designing of Civil Work	Lump sum								9,274	17,858	29,092	-	-	-	56,224	10,683	
Supervision of Civil Work by LGUs	Lump sum								3,844	7,815	8,750	-	-	-	20,409	3,878	
DILG Civil Work Management /b	Lump sum								2,499	20,250	24,628	12,984	3,666	-	64,028	12,165	
<b>Total</b>										26,434	284,706	426,736	260,321	3,666	1,001,863	188,299	

<sup>a</sup> 5% LGU contribution covers the tax  
<sup>b</sup> Covers cost of consultants and related costs.

Table 2.2. Productive Investments - Farm to market infrastructure											
Detailed Costs											
	Totals Including Contingencies (US\$ '000)							Summary Divisions			
	2018	2019	2020	2021	2022	2023	Total	Component	Expenditure Account	Fin. Rule	
<b>I. Investment Costs</b>											
<b>A. Farm to market infrastructure</b>											
Seeking CP and FPIC certification	216	-	-	-	-	-	216	SUB.COMP.2.2	STUDIES&WRKSH	LOAN ( 100% )	
Rehabilitation/Concreting of Existing FMR /a	-	4,776	7,285	4,947	-	-	17,008	SUB.COMP.2.2	WORKS	LOAN ( 95% ), LGUS ( 5% )	
Designing of Civil Work	185	357	582	-	-	-	1,124	SUB.COMP.2.2	WORKS	LGUS ( 100% )	
Supervision of Civil Work by LGUs	77	156	175	-	-	-	408	SUB.COMP.2.2	WORKS	LOAN ( 100% )	
DILG Civil Work Management /b	50	405	493	260	73	-	1,281	SUB.COMP.2.2	WORKS	LOAN ( 100% )	
<b>Total</b>	529	5,694	8,535	5,206	73	-	20,037				

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Appendix 10: Economic and financial analysis

Unit	Quantities						Total	Unit Cost	Totals Including Contingencies ('000)						Total
	2018	2019	2020	2021	2022	2023			2018	2019	2020	2021	2022	2023	
<b>I. Investment Costs</b>															
<b>A. Training and Capacity Building</b>															
Capacity and Training Needs Assessment	Assessment	1	-	1	-	-	2	485,000	505	-	532	-	-	-	1,037
Capacity building activities for Staff	Lumpsum								52	107	110	-	-	-	269
Capacity building for procurement - Regional Officers	Lumpsum								2	-	2	-	-	-	4
Gender Analysis & Inclusion Strategy Preparation /a	Study	1.5	-	-	-	-	1.5	480,000	749	-	-	-	-	-	749
IP Culture Sensitivity Training for Project Staff /b	Training	1	-	-	-	-	1	480,000	500	-	-	-	-	-	500
Upgrading Training /c	Training	-	-	2	-	-	2	480,000	-	-	1,054	-	-	-	1,054
<b>Subtotal</b>									1,808	107	1,698	-	-	-	3,613
<b>B. Technical Assistance</b>															
Expediting start-up requirements /d	Person-month	6	-	-	-	-	6	240,000	1,494	-	-	-	-	-	1,494
Firming project approaches and strategies	Contract	1	-	-	-	-	1	7,200,000	7,472	-	-	-	-	-	7,472
<b>Subtotal</b>									8,966	-	-	-	-	-	8,966
<b>C. Vehicle and Office Equipment</b>															
Vehicles (PCO/RCUs) /e	Vehicle	7	-	-	-	-	7	1,454,400	10,475	-	-	-	-	-	10,475
Vehicles (PPCs) /f	Vehicle	20	-	-	-	-	20	1,574,400	32,397	-	-	-	-	-	32,397
Desktop Computers /g	Computer	27	-	-	-	-	27	50,000	1,471	-	-	-	-	-	1,471
Laptops /h	Laptop	50	-	-	-	-	50	58,000	3,160	-	-	-	-	-	3,160
Other office equipment (LCD, camera, GPS, tables, chairs, etc.) /i	Set	27	-	-	-	-	27	240,000	7,062	-	-	-	-	-	7,062
<b>Subtotal</b>									54,564	-	-	-	-	-	54,564
<b>D. M &amp; E/ MIS /KM</b>															
Design of MIS systems /j	Contract	1	-	-	-	-	1	1,000,000	1,038	-	-	-	-	-	1,038
Technical Support for the operation and maintenance of MIS	Person-month	-	2	2	2	2	10	70,000	-	149	153	156	160	164	783
Baseline survey	Survey	1	-	-	-	-	1	7,400,000	7,693	-	-	-	-	-	7,693
Annual Outcome Survey	Surveys	-	1	1	1	1	4	700,000	-	747	766	786	807	-	3,106
Final outcome/End of project survey	Survey	-	-	-	-	-	1	7,200,000	-	-	-	-	-	8,516	8,516
Website development	Contract	1	-	-	-	-	1	480,000	498	-	-	-	-	-	498
Publication and IEC Materials	Contract	1	1	1	1	1	6	480,000	523	536	549	563	577	592	3,341
Preparation of KM Products /k	Contract	1	1	1	-	-	3	480,000	498	510	523	-	-	-	1,532
External assessment of outputs & outcomes /l	Contract	1	1	1	1	1	6	480,000	498	510	523	536	550	564	3,181
<b>Subtotal</b>									10,748	2,453	2,514	2,042	2,094	9,835	29,686
<b>E. Oversight and Supervision</b>															
Project Steering Committee	Meeting	2	2	2	2	2	12	120,000	249	256	263	270	277	284	1,598
Bids and Awards Committee	Meeting	2	4	4	4	4	22	24,000	50	102	105	108	111	114	589
Preparation/Supervision of Review Missions	Meeting	0.5	1	1	1	1	5.5	480,000	249	512	525	539	553	568	2,947
Attendance to IFAD initiated activities	Meeting	1	2	2	2	2	11	144,000	150	307	315	323	332	341	1,768
Regional Annual Reviews and Planning /m	Meeting	6	6	6	6	6	36	144,000	898	922	946	970	996	1,022	5,753
Provincial annual reviews and planning /n	Meeting	10	21	21	21	21	115	24,000	249	538	552	566	581	596	3,082
<b>Subtotal</b>									1,846	2,637	2,705	2,776	2,849	2,924	15,737
<b>Total Investment Costs</b>									77,933	5,196	6,918	4,818	4,943	12,759	112,567

<sup>a</sup> Consultants/trainers input and travel cost. Cost of FGDs, meetings, conferences are in project management cost.  
<sup>b</sup> Consultants/trainers input and travel cost. Cost of FGDs, meetings, conferences are in project management cost.  
<sup>c</sup> Consultants/trainers input and travel cost. Cost of FGDs, meetings, conferences, are in project management cost.  
<sup>d</sup> Activities of last qr of 2017 can be financed  
<sup>e</sup> 1 vehicle for PCO, 3 vehicles for 3 RCUs in Year 1 and 3 vehicles for 3 RCUs in Year 2.  
<sup>f</sup> 10 vehicles for 10 PPCs in year 1, 10 vehicles for 10 PPCs in year 2.  
<sup>g</sup> Year 1 - 1 desktop for PCO and 3 units for 3 RCUs and 10 units for 10 PPCs. Year 2 - 3 units for 3 RCUs and 10 units for 10 PPCs.  
<sup>h</sup> Year 1 - 5 laptops for PCO, 3 laptops for 3 RCUs and 10 laptops for 10 PPCs. Year 2 - 12 laptops for 3 RCUs, and 10 laptops for 10 PPCs.  
<sup>i</sup> Provision of these items depends on the need of each office.  
<sup>j</sup> MIS will be for project data/information. A separate industry-based MIS will be established in Component 1.  
<sup>k</sup> Includes consultant's input and cost of publication. No travel cost. Eg of KM products include gender and youth farming, and youth entrepreneurship  
<sup>l</sup> The output of this is an input to annual planning, MTR and project completion report preparation. Consultant will act as coach to comply with targeting requirements at certain times of the year when needed. This only includes consultants input. Cost of  
<sup>m</sup> Regional assessments and planning will be participated by stakeholders from covered provinces.  
<sup>n</sup> Provincial assessment and planning will be a one day event participated by different stakeholders.

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Appendix 9: Project costs and financing

Table 3. Program Management

Detailed Costs (Peso)	Unit	Quantities						Total	Unit Cost	Totals Including Contingencies ('000)						Total
		2018	2019	2020	2021	2022	2023			2018	2019	2020	2021	2022	2023	
<b>II. Recurrent Costs</b>																
A. Office Rental - Central, Regional and Provincial Officers /o	lump-sum									760	779	799	820	842	864	4,864
B. Office Utilities - Central, Regional and Provincial Officers /p	lump-sum									726	745	764	784	804	825	4,647
<b>C. Salaries and Wages</b>																
<b>1. Project Coordination Office (PCO)</b>																
Project Coordinator	Person-month	12	12	12	12	12	12	72	150,000	1,874	1,924	1,976	2,029	2,084	2,141	12,028
Procurement Specialist	Person-month	12	12	12	12	12	12	72	100,000	1,249	1,283	1,317	1,353	1,389	1,427	8,019
Finance/Administrative Officer	Person-month	12	12	12	12	12	12	72	100,000	1,249	1,283	1,317	1,353	1,389	1,427	8,019
Planning/M&E Officer	Person-month	12	12	12	12	12	12	72	100,000	1,249	1,283	1,317	1,353	1,389	1,427	8,019
KM/Communication Specialist	Person-month	12	12	12	12	12	12	72	100,000	1,249	1,283	1,317	1,353	1,389	1,427	8,019
Finance / Administrative Assistant	Person-month	12	12	12	12	12	12	72	50,000	625	641	659	676	695	714	4,009
Driver	Person-month	12	12	12	12	12	12	72	25,000	312	321	329	338	347	357	2,005
<b>Subtotal</b>										7,806	8,017	8,234	8,456	8,684	8,919	50,117
<b>2. Regional Project Coordination Office (RCU)</b>																
6 Regional Project Coordinators	Person-month	72	72	72	72	72	72	432	100,000	7,494	7,697	7,904	8,118	8,337	8,562	48,112
6 Contract, and Planning and M&E Managers	Person-month	72	72	72	72	72	72	432	75,000	5,621	5,772	5,928	6,088	6,253	6,422	36,084
6 Finance / Admin Assistants	Person-months	72	72	72	72	72	72	432	50,000	3,747	3,848	3,952	4,059	4,168	4,281	24,056
6 Drivers	Person-month	72	72	72	72	72	72	432	18,724	1,403	1,441	1,480	1,520	1,561	1,603	9,008
<b>Subtotal</b>										18,265	18,758	19,265	19,785	20,319	20,868	117,261
<b>Subtotal</b>										26,072	26,776	27,499	28,241	29,004	29,787	167,377
<b>D. Travel, Transportation, Communication</b>																
<b>1. Project Coordination Office (PCO)</b>																
Travel Expenses /q	Year	0.5	1	1	1	1	1	5.5	720,000	393	806	827	849	871	893	4,639
Communications and internet connections /r	Year	0.5	1	1	1	1	1	5.5	230,400	126	258	265	272	279	286	1,484
Fuel and vehicle maintenance /s	Year	0.5	1	1	1	1	1	5.5	240,000	131	269	276	283	290	298	1,546
Other Operating costs /t	Year	0.5	1	1	1	1	1	5.5	240,000	131	269	276	283	290	298	1,546
<b>Subtotal</b>										781	1,602	1,643	1,686	1,730	1,775	9,216
<b>2. Regional Project Coordination Units (RCU)</b>																
Travel Expenses /u	RCU per year	3	6	6	6	6	6	33	10,000	33	67	69	71	73	74	387
Communications and internet connections /v	RCU per year	3	6	6	6	6	6	33	3,600	12	24	25	25	26	27	139
Fuel and vehicle maintenance /w	RCU per year	3	6	6	6	6	6	33	240,000	786	1,612	1,654	1,697	1,741	1,787	9,278
Other Operating costs /x	RCU per year	3	6	6	6	6	6	33	240,000	786	1,612	1,654	1,697	1,741	1,787	9,278
<b>Subtotal</b>										1,616	3,316	3,402	3,490	3,582	3,675	19,081
<b>3. Provincial Project Coordination (PPC)</b>																
Travel Expenses	PPC per year	10	20	20	20	20	20	110	72,000	786	1,612	1,654	1,697	1,741	1,787	9,278
Communications and internet connections	PPC per year	10	20	20	20	20	20	110	80,640	880	1,806	1,852	1,901	1,950	2,001	10,391
Fuel and vehicle maintenance	PPC per year	10	20	20	20	20	20	110	72,000	786	1,612	1,654	1,697	1,741	1,787	9,278
Other Operating costs	PPC per year	10	20	20	20	20	20	110	96,000	1,048	2,150	2,205	2,263	2,322	2,383	12,370
<b>Subtotal</b>										3,499	7,180	7,366	7,558	7,755	7,958	41,316
<b>Subtotal</b>										5,896	12,097	12,411	12,734	13,067	13,408	69,613

o Rental for 1 central, 6 Regional and 20 Provincial Officers

p Rental for 1 central, 6 Regional and 20 Provincial Officers

q 6 staff at US\$2500 per annum for travel.

r Communication estimated at US\$40 per staff @ 4 staff for 12 months; Internet at US\$100 x12 months.

s Fuel and vehicle maintenance are for the vehicles assigned at PCO, similar costings at RCUs and PPCs.

t Includes supplies and non-allocated costs.

u 4 staff at US\$2000 per annum for travel per office. Year 1 starts in July.

v Communication estimated at US\$40 per staff @ 4 staff for 12 months per office; Internet at US\$100 x12 months per office.

w Fuel and vehicle maintenance are for the vehicles assigned at RCUs, similar costings at PCO and PPCs.

x Includes supplies and non-allocated costs.

Programme management (c) in PhP 000'

	Unit	Quantities						Total	Unit Cost	Totals Including Contingencies ('000)						Total
		2018	2019	2020	2021	2022	2023			2018	2019	2020	2021	2022	2023	
<b>II. Recurrent Costs</b>																
<b>E. Government Support Staff /y</b>																
<b>1. DTI Central Office</b>																
Project Director	Person-month	12	12	12	12	12	12	72	33,108	414	425	436	448	460	472	2,655
Chief Accountant	Person-month	12	12	12	12	12	12	72	19,600	245	251	258	265	272	280	1,572
Accounting Staff	Person-month	12	12	12	12	12	12	72	16,400	205	210	216	222	228	234	1,315
Budget Staff	Person-month	12	12	12	12	12	12	72	16,400	205	210	216	222	228	234	1,315
Procurement Staff	Person-month	12	12	12	12	12	12	72	19,600	245	251	258	265	272	280	1,572
M&E Staff	Person-month	12	12	12	12	12	12	72	19,600	245	251	258	265	272	280	1,572
<b>Subtotal</b>										1,558	1,600	1,643	1,687	1,733	1,780	10,000
<b>2. Regional Office (6 Regions)</b>																
6 Regional Directors	Person-month	72	72	72	72	72	72	432	31,600	2,368	2,432	2,498	2,565	2,634	2,706	15,203
6 Finance/Admin Chiefs	Person-month	72	72	72	72	72	72	432	12,600	944	970	996	1,023	1,050	1,079	6,062
6 Accountants	Person-month	72	72	72	72	72	72	432	8,300	622	639	656	674	692	711	3,993
6 SME Office	Person-month	72	72	72	72	72	72	432	12,600	944	970	996	1,023	1,050	1,079	6,062
<b>Subtotal</b>										4,879	5,010	5,146	5,285	5,427	5,574	31,321
<b>3. Provincial Office (20 Provinces)</b>																
20 Provincial Director (Signatory)	Person-month	120	240	240	240	240	240	1,320	24,000	2,998	6,157	6,324	6,494	6,670	6,850	35,492
20 Admin Officers	Person-month	120	240	240	240	240	240	1,320	6,600	824	1,693	1,739	1,786	1,834	1,884	9,760
20 Drivers	Person-month	120	240	240	240	240	240	1,320	4,000	500	1,026	1,054	1,082	1,112	1,142	5,915
<b>Subtotal</b>										4,322	8,877	9,116	9,363	9,615	9,875	51,168
<b>Subtotal</b>										10,758	15,487	15,905	16,334	16,775	17,228	92,488
<b>Total Recurrent Costs</b>										44,211	55,884	57,377	58,914	60,492	62,112	338,989
<b>Total</b>										122,143	61,080	64,295	63,732	65,435	74,871	451,556

ly Top up of the salary for those regular staff assigned to RAPID

Programme management (d) in USD '000

Detailed Costs	Totals Including Contingencies (US\$ '000)						Summary Divisions			
	2018	2019	2020	2021	2022	2023	Total	Component	Expenditure Account	Fin. Rule
	<b>I. Investment Costs</b>									
<b>A. Training and Capacity Building</b>										
Capacity and Training Needs Assessment	10	-	11	-	-	-	21	COMP3	CONSULT	GRANT ( 100% )
Capacity building activities for Staff	1	2	2	-	-	-	5	COMP3	TRAINING	GRANT ( 100% )
Capacity building for procurement - Regional Officers	0	-	0	-	-	-	0	COMP3	TRAINING	GRANT ( 100% )
Gender Analysis & Inclusion Strategy Preparation /a	15	-	-	-	-	-	15	COMP3	CONSULT	GRANT ( 100% )
IP Culture Sensitivity Training for Project Staff /b	10	-	-	-	-	-	10	COMP3	TRAINING	GRANT ( 100% )
Upgrading Training /c	-	-	21	-	-	-	21	COMP3	TRAINING	GRANT ( 100% )
<b>Subtotal</b>	<b>36</b>	<b>2</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72</b>			
<b>B. Technical Assistance</b>										
Expediting start-up requirements /d	30	-	-	-	-	-	30	COMP3	CONSULT	GRANT ( 100% )
Firming project approaches and strategies	149	-	-	-	-	-	149	COMP3	CONSULT	GRANT ( 100% )
<b>Subtotal</b>	<b>179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179</b>			
<b>C. Vehicle and Office Equipment</b>										
Vehicles (PCO/RCUs) /e	209	-	-	-	-	-	209	COMP3	VEHICLE	LOAN ( 100% )
Vehicles (PPCs) /f	648	-	-	-	-	-	648	COMP3	VEHICLE	LOAN ( 100% )
Desktop Computers /g	29	-	-	-	-	-	29	COMP3	GOOD&INPUTS	LOAN ( 100% )
Laptops /h	63	-	-	-	-	-	63	COMP3	GOOD&INPUTS	LOAN ( 100% )
Other office equipment (LCD, camera, GPS, tables, chairs, etc.) /i	141	-	-	-	-	-	141	COMP3	GOOD&INPUTS	LOAN ( 100% )
<b>Subtotal</b>	<b>1,091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,091</b>			
<b>D. M &amp; E/ MIS /KM</b>										
Design of MIS systems /j	21	-	-	-	-	-	21	COMP3	CONSULT	LOAN ( 100% )
Technical Support for the operation and maintenance of MIS	-	3	3	3	3	3	16	COMP3	CONSULT	LOAN ( 100% )
Baseline survey	154	-	-	-	-	-	154	COMP3	STUDIES&WRKSH	LOAN ( 100% )
Annual Outcome Survey	-	15	15	16	16	-	62	COMP3	STUDIES&WRKSH	LOAN ( 100% )
Final outcome/End of project survey	-	-	-	-	-	170	170	COMP3	STUDIES&WRKSH	LOAN ( 100% )
Website development	10	-	-	-	-	-	10	COMP3	CONSULT	LOAN ( 100% )
Publication and IEC Materials	10	11	11	11	12	12	67	COMP3	GOOD&INPUTS	LOAN ( 100% )
Preparation of KM Products /k	10	10	10	-	-	-	31	COMP3	CONSULT	GRANT ( 100% )
External assessment of outputs & outcomes /l	10	10	10	11	11	11	64	COMP3	CONSULT	LOAN ( 100% )
<b>Subtotal</b>	<b>215</b>	<b>49</b>	<b>50</b>	<b>41</b>	<b>42</b>	<b>197</b>	<b>594</b>			
<b>E. Oversight and Supervision</b>										
Project Steering Committee	5	5	5	5	6	6	32	COMP3	STUDIES&WRKSH	LOAN ( 100% )
Bids and Awards Committee	1	2	2	2	2	2	12	COMP3	STUDIES&WRKSH	LOAN ( 100% )
Preparation/Supervision of Review Missions	5	10	11	11	11	11	59	COMP3	STUDIES&WRKSH	LOAN ( 100% )
Attendance to IFAD initiated activities	3	6	6	6	7	7	35	COMP3	STUDIES&WRKSH	LOAN ( 100% )
Regional Annual Reviews and Planning /m	18	18	19	19	20	20	115	COMP3	STUDIES&WRKSH	LOAN ( 100% )
Provincial annual reviews and planning /n	5	11	11	11	12	12	62	COMP3	STUDIES&WRKSH	LOAN ( 100% )
<b>Subtotal</b>	<b>37</b>	<b>53</b>	<b>54</b>	<b>56</b>	<b>57</b>	<b>58</b>	<b>315</b>			
<b>Total Investment Costs</b>	<b>1,559</b>	<b>104</b>	<b>138</b>	<b>96</b>	<b>99</b>	<b>255</b>	<b>2,251</b>			

Programme management (e) in USD ' 000

Detailed Costs	Totals Including Contingencies (US\$ '000)						Summary Divisions			
	2018	2019	2020	2021	2022	2023	Total	Component	Expenditure Account	Fin. Rule
	<b>II. Recurrent Costs</b>									
A. Office Rental - Central, Regional and Provincial Officers /o	15	16	16	16	17	17	97	COMP3	OPCOST	GOVT
B. Office Utilities - Central, Regional and Provincial Officers /p	15	15	15	16	16	17	93	COMP3	OPCOST	GOVT
<b>C. Salaries and Wages</b>										
<b>1. Project Coordination Office (PCO)</b>										
Project Coordinator	37	38	40	41	42	43	241	COMP3	SAL&ALLOW	LOAN ( 100% )
Procurement Specialist	25	26	26	27	28	29	160	COMP3	SAL&ALLOW	LOAN ( 100% )
Finance/Administrative Officer	25	26	26	27	28	29	160	COMP3	SAL&ALLOW	LOAN ( 100% )
Planning/M&E Officer	25	26	26	27	28	29	160	COMP3	SAL&ALLOW	LOAN ( 100% )
KM/Communication Specialist	25	26	26	27	28	29	160	COMP3	SAL&ALLOW	LOAN ( 100% )
Finance / Administrative Assistant	12	13	13	14	14	14	80	COMP3	SAL&ALLOW	LOAN ( 100% )
Driver	6	6	7	7	7	7	40	COMP3	SAL&ALLOW	LOAN ( 100% )
<b>Subtotal</b>	<b>156</b>	<b>160</b>	<b>165</b>	<b>169</b>	<b>174</b>	<b>178</b>	<b>1,002</b>			
<b>2. Regional Project Coordination Office (RCU)</b>										
6 Regional Project Coordinators	150	154	158	162	167	171	962	COMP3	SAL&ALLOW	LOAN ( 100% )
6 Contract, and Planning and M&E Managers	112	115	119	122	125	128	722	COMP3	SAL&ALLOW	LOAN ( 100% )
6 Finance / Admin Assistants	75	77	79	81	83	86	481	COMP3	SAL&ALLOW	LOAN ( 100% )
6 Drivers	28	29	30	30	31	32	180	COMP3	SAL&ALLOW	LOAN ( 100% )
<b>Subtotal</b>	<b>365</b>	<b>375</b>	<b>385</b>	<b>396</b>	<b>406</b>	<b>417</b>	<b>2,345</b>			
<b>Subtotal</b>	<b>521</b>	<b>536</b>	<b>550</b>	<b>565</b>	<b>580</b>	<b>596</b>	<b>3,348</b>			
<b>D. Travel, Transportation, Communication</b>										
<b>1. Project Coordination Office (PCO)</b>										
Travel Expenses /q	8	16	17	17	17	18	93	COMP3	OPCOST	LOAN ( 100% )
Communications and internet connections /r	3	5	5	5	6	6	30	COMP3	OPCOST	LOAN ( 100% )
Fuel and vehicle maintenance /s	3	5	6	6	6	6	31	COMP3	OPCOST	LOAN ( 100% )
Other Operating costs /t	3	5	6	6	6	6	31	COMP3	OPCOST	LOAN ( 100% )
<b>Subtotal</b>	<b>16</b>	<b>32</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>36</b>	<b>184</b>			
<b>2. Regional Project Coordination Units (RCU)</b>										
Travel Expenses /u	1	1	1	1	1	1	8	COMP3	OPCOST	LOAN ( 100% )
Communications and internet connections /v	0	0	0	1	1	1	3	COMP3	OPCOST	LOAN ( 100% )
Fuel and vehicle maintenance /w	16	32	33	34	35	36	186	COMP3	OPCOST	LOAN ( 100% )
Other Operating costs /x	16	32	33	34	35	36	186	COMP3	OPCOST	GOVT
<b>Subtotal</b>	<b>32</b>	<b>66</b>	<b>68</b>	<b>70</b>	<b>72</b>	<b>74</b>	<b>382</b>			
<b>3. Provincial Project Coordination (PPC)</b>										
Travel Expenses	16	32	33	34	35	36	186	COMP3	OPCOST	LOAN ( 100% )
Communications and internet connections	18	36	37	38	39	40	208	COMP3	OPCOST	LOAN ( 100% )
Fuel and vehicle maintenance	16	32	33	34	35	36	186	COMP3	OPCOST	LOAN ( 100% )
Other Operating costs	21	43	44	45	46	48	247	COMP3	OPCOST	GOVT
<b>Subtotal</b>	<b>70</b>	<b>144</b>	<b>147</b>	<b>151</b>	<b>155</b>	<b>159</b>	<b>826</b>			
<b>Subtotal</b>	<b>118</b>	<b>242</b>	<b>248</b>	<b>255</b>	<b>261</b>	<b>268</b>	<b>1,392</b>			
<b>E. Government Support Staff /y</b>										
<b>1. DTI Central Office</b>										
Project Director	8	8	9	9	9	9	53	COMP3	SAL&ALLOW	GOVT
Chief Accountant	5	5	5	5	5	6	31	COMP3	SAL&ALLOW	GOVT
Accounting Staff	4	4	4	4	5	5	26	COMP3	SAL&ALLOW	GOVT
Budget Staff	4	4	4	4	5	5	26	COMP3	SAL&ALLOW	GOVT
Procurement Staff	5	5	5	5	5	6	31	COMP3	SAL&ALLOW	GOVT
M&E Staff	5	5	5	5	5	6	31	COMP3	SAL&ALLOW	GOVT
<b>Subtotal</b>	<b>31</b>	<b>32</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>36</b>	<b>200</b>			
<b>2. Regional Office (6 Regions)</b>										
6 Regional Directors	47	49	50	51	53	54	304	COMP3	SAL&ALLOW	GOVT
6 Finance/Admin Chiefs	19	19	20	20	21	22	121	COMP3	SAL&ALLOW	GOVT
6 Accountants	12	13	13	13	14	14	80	COMP3	SAL&ALLOW	GOVT
6 SME Office	19	19	20	20	21	22	121	COMP3	SAL&ALLOW	GOVT
<b>Subtotal</b>	<b>98</b>	<b>100</b>	<b>103</b>	<b>106</b>	<b>109</b>	<b>111</b>	<b>626</b>			
<b>3. Provincial Office (20 Provinces)</b>										
20 Provincial Director (Signatory)	60	123	126	130	133	137	710	COMP3	SAL&ALLOW	GOVT
20 Admin Officers	16	34	35	36	37	38	195	COMP3	SAL&ALLOW	GOVT
20 Drivers	10	21	21	22	22	23	118	COMP3	SAL&ALLOW	GOVT
<b>Subtotal</b>	<b>86</b>	<b>178</b>	<b>182</b>	<b>187</b>	<b>192</b>	<b>197</b>	<b>1,023</b>			
<b>Subtotal</b>	<b>215</b>	<b>310</b>	<b>318</b>	<b>327</b>	<b>336</b>	<b>345</b>	<b>1,850</b>			
<b>Total Recurrent Costs</b>	<b>884</b>	<b>1,118</b>	<b>1,148</b>	<b>1,178</b>	<b>1,210</b>	<b>1,242</b>	<b>6,780</b>			
<b>Total</b>	<b>2,443</b>	<b>1,222</b>	<b>1,286</b>	<b>1,275</b>	<b>1,309</b>	<b>1,497</b>	<b>9,031</b>			

## Appendix 10: Economic and financial Analysis

### Republic of the Philippines: Rural Agro-Enterprise Partnership and Inclusive Development Project (RAPID)

#### A. Introduction

1. The financial and economic analysis was undertaken to assess the financial and economic impacts of the **Rural Agro-Enterprise Partnership and Inclusive Development Project (RAPID)** at farmers' level, cooperatives and farmers' associations, agri-based Micro-enterprises (ME) and Small and Medium Enterprises (SME), and on the society as a whole. RAPID is aimed at promoting productive rural enterprises and value chain development; increasing competitiveness and ease of doing business; investing in human capital and innovative technologies; and matching skills development to meet the needs of businesses. This project also envisions to create the strategic enabling conditions for the sustained growth of micro, small and medium agro-enterprises that develop strong backwards linkages with small farmers and generate multiplied employment opportunities.

2. In line with the VC approach that the project is adopting to achieve the Project Development Objective, the Financial and Economic Analysis (FEA) is based on the same approach. Four main players operate the selected VCs namely the input suppliers, producers, micro enterprises (MEs) managed by the cooperatives that would process and improve quality of targeted products, and small and medium enterprises (SME) that would process end-products of the VC. Four typical VCs, which would represent the type of VC that the project will support, are selected for the analysis. A key commodity of each of the four VC is focused in the financial and economic analysis of the VCs and the project. [Table 6](#) summarizes the project interventions and potential benefits of such interventions to the VC players. It is assumed that these interventions are required to achieve the financial and economic benefits of the project that are evaluated in the financial and economic analyses.

**Table 6: Project components, interventions and potential benefits to the VC players**

Project components	Project activities	Benefits to target group
Comp 1: Value chain development		
VC Governance	Organize value chain players into organizations, create an enabling institutional environment that promotes the growth of MSMEs, strengthens their linkages with farmers, and organize access to markets and services; DTI institutional strengthening; Negosyo Centers (NC) capacity improvement; Business Plans preparation	Encourages VC development  Linkages or producers and SME & markets are developed;  SMEs source products from the farmers;
1.2 Business services	Business Service Providers selection and capacity building	Understanding VC through BP planning; forming cooperatives with commercial strength; market linkage with required quality standards; knowing about access to VC financing
1.3 Enterprise strengthening	Undertake VC mapping to understand facilities and competitiveness; institutional strength; and based such information, preparation of strategic and detailed investment plans to organize VC	Basic plans for the producers; getting trained on business work; organized groups to undertake business; SMEs and ME to get the business organized; and market support
Comp 2: Productive Investments		
2.1: Strategic Financing	Provide grant facilities for crop production and ME establishment; Facilitate debt financing; and Capacity building VC actors	Meet the capital expenditure; Provide credit to bridge the investment financing gap; Initiating the business culture
2.2: Infrastructure development	140 km of road will be developed	Transaction cost of the VC business activities will be reduced



## B. Database used for the Financial and Economic Analysis

3. The main types of data that are used for the FEA include (i) crop budgets farm models; (ii) market prices; (iii) capital and working capital expenditure of processing facilities; and (iv) marketing and development cost. The field visits of the detailed design mission collected these information from direct observations, DTI data sources, NEDA and the private sector. Data gaps that existed in these studies were filled by the design completion mission team from the same institutions. Details of the data and the analyses are presented in a set of nested excel files.

## C. Project targets

4. The project is targeting to support 128,700 ha of crops with 78,200 producer families, 1265 MEs and 190 SMEs. The potential for rehabilitating existing crops, availability of lands for new crops, and willingness of the target groups were basis to set these targets. The availability of IFAD funds for the grant facilities and also the financial viability of crop models and the ME and SME models were used to fix the identified targets. Their distribution by commodities and by the project years is presented in [Table 7](#).

**Table 7: Project targets**

Targets	Units	Y1	Y2	Y3	Y4	Y5	Y6	Total	Total Producers
Cocoa NP Targets	ha		3,000	2,000	2,000			7,000	7,000
Cocoa RH Targets	ha	630	1,750	3,750	4,370	3,500		14,000	7,000
Coffee NP Targets			5,000	7,000				12,000	
Robusta Coffee	ha	0	2,500	3,500				6,000	3,000
Arabica Coffee	ha	0	2,500	3,500				6,000	3,000
Coffee RH Targets									
Robusta Coffee	ha	1,650	6,350	10,500	10,500	10,500	10,500	50,000	25,000
Arabica Coffee	ha	1,000	3,000	4,000	2,000			10,000	5,000
New Calamansi	ha		5,000	5,000	5,000			15,000	7,500
Rehab Calamansi	ha	540	2,160	7,650	1,650			12,000	12,000
Coconut new planting	ha	700	2,000	3,000	3,000			8,700	8,700
<b>Total Crop Extent</b>		<b>4,520</b>	<b>28,260</b>	<b>42,900</b>	<b>28,520</b>	<b>14,000</b>	<b>10,500</b>	<b>128,700</b>	<b>78,200</b>
<b>Micro Enterprise Targets</b>									
Cacao Enterprises	Nb	50	50	100	100	100	100	500	
Coffee Enterprises	Nb	10	50	50	50	50	0	210	
Calamansi Enterprises	Nb	5	50	100	100	200	100	555	
<b>Total</b>	Nb	<b>65</b>	<b>150</b>	<b>250</b>	<b>250</b>	<b>350</b>	<b>200</b>	<b>1,265</b>	
<b>Total SME Targets</b>								<b>Total</b>	
Coconut Enterprises		2	2	8	8	8	8	36	
Cacao Enterprises		1	5	5	5	5	5	26	
Coffee Enterprises		1	5	5	5	5	5	26	
Calamansi Enterprises		7	14	15	30	18	18	102	
<b>Total</b>		<b>11</b>	<b>26</b>	<b>33</b>	<b>48</b>	<b>36</b>	<b>36</b>	<b>190</b>	

5. **Purpose** of the financial economic analysis of the project is to: (i) evaluate the financial viability of the improved farm production models, ME and SME models, and also to demonstrate that these models are viable livelihood and business options for the targeted households, MEs and SMEs of the selected value chains; and (ii) demonstrate the financial and economic viability of the proposed project activities and the whole project.

6. **Approach and the methodology:** The project approach is to strengthen business activities of value chain actors of the selected value chains and enhance the overall productivity and the commercial viability of the whole value chain. The selected VCs represent coffee, cocoa, fruits and nuts. The primary producers of these crops would be assisted and connected with the MEs, and then with the SMEs. The EFA was structured to capture the incremental benefits at these three segments of the VC. The financial and economic viability of the crop production models, ME models and SME models was analysed with the cost-benefit analysis method. The three segments of the VC are connected to each other through the pricing structure: the farm-gate price being the input price to the ME, and the ME-gate price being the input price to the SME. The EFA maintained that linkage. All crops being perennial, the net present values (NPV) discounted at appropriate rates and the internal rate of return (IRR) are used as the financial and economic parameters to assess the viability. In addition to these three models, producers' incremental benefits were analysed using a farm model structure. In addition to the NPV and IRR, return to labour also measures the viability of the farm models.

#### **D. Assumptions of Financial Analysis**

7. The financial analysis of the Project is based on prices and costs collected by the detailed Design mission in December 2016. The main assumptions of the analyses are the following.

- a. Robusta and Arabica coffee, cocoa, calamansi and coconut were used to represent the all potential VCs that would be supported by the project.
- b. For all activities which used labour, a financial rural daily wage rate of PhP 313 (USD 6.25) per person-day was assumed. There is no difference in the wager for men and women. The same wage rate was used to value household family labour too because of the availability of wage labour opportunities in almost all the provinces. In the transformation process of financial value to economic value, the opportunity cost of labour is computed using the conversion ratio of 60% taking into account the imperfections in the rural labour market. The rate was confirmed by NEDA.
- c. The foreign exchange rate used in the analysis was PhP 50 per 1 USD.
- d. Total labour demand for farm operations has been included into the farm budget analyses. Having allocated labour in establishing and maintaining on-farm operations, the usual practice is to utilise the additional family labour units in wage labour employment. Such labour units were estimated and included in the household sustainability analyses and potential income sources for the family. A part of that wage income was assumed to be used to repay the loans that would be provided for crop cultivations.
- e. With training, technology support, input services, credit and grant financing, improved roads in the production areas and in other common areas, and market linkages through value chain linkages, the target beneficiaries are capable of undertaking improved production practices and achieving the production levels that are assumed in this analysis. However, on average 86% of the production areas have been assumed to adopt technical packages and reach the optimal productivity levels.
- f. Average size of the farm is two hectares (ha), except new cocoa and coconut which are one ha and all production units are referred to in ha.
- g. Maize cultivation was assumed to be replaced with new crops. The cost and benefit flows of maize were used to represent the "without project" (WOP) situation in all new crop models. The prevailing costs and benefits of rehabilitated crops were used to represent the WOP situation.
- h. For the MEs and SMEs, the WOP situation was represented by 80% of the cost of labour and salaries of the staff respectively. The basis of this assumption is that the labour of MEs and the salaried staff of SMEs will be otherwise employed if not used for MEs and SMEs. As such it is the opportunity cost of labour and the salaried staff. All MEs and SMEs are new business ventures. Therefore, the WOP scenario would be well represented by taking the opportunity cost of labour that is used for ME and SME production.

- i. The strategic infrastructure, mainly roads, that is supported by the project will facilitate the efficient transaction of VC products. The prices that are used in the VC analyses would be realised thanks to the road facilities supported by the project in many places. The benefits of roads were assumed as savings of vehicle operating cost in transporting of all type of goods, public transport and transporting farm products.
- j. There is a strong willingness from the private sector to take part in the value chains; and
- k. Average size of a targeted household has been assumed at six members and out of them two members contribute to the family labour force.

## E. Value Chain Models

8. The financial and economic analyses used three types of VC models: crop production models, ME models and SME models. The value additions to the products were estimated at the gate of each model, i.e farm-gate, ME-gate and SME-gate. By aggregating them, the full benefits of the entire value chain were estimated for each VC. Typical examples of these models were analysed and presented below.

9. The analysis of each VC model includes (i) total incremental productivity and production of the VC commodities, and value added products, (ii) farm model analysis indicating the producer level incremental net incomes per year; (iii) grant and debt financing requirements; and (iv) employment generation. The NPV of the production and value addition benefits per unit of production over a period of 20-years with a 13% discount rate is also presented. This is an indicator to compare the benefits of each VC. The details of the analyses are presented in the Appendices and also in the excel sheets of the FEA.

## F. Crop production models

10. For the analytical purposes, the crop production models include Arabica and Robusta coffee, cocoa, calamansi and coconut. Both new planting and rehabilitation of existing crops would be supported by the project and thus analysed. The project will provide financial grants to cover the establishment cost of the crops, including high quality planting material and facilitate debt financing through Financial Service Providers to meet capital expenditure and working capital of these crops. [Table 8](#) summarizes the expected productivity increase, the producers' adoption rate of technology and the farm-gate price of all primary commodities that are ready to sell at the farm-gate. The respective ME of the VC pays the farm-gate price when the primary commodities enter for processing.

**Table 8: Production level of primary commodities and the adoption rate of the producers**

Commodity representing the VCs	Units	Productivity – wet products		% Increase	Farm-gate price of dried products (USD/mt)	Adoption rate of improved practices (% farmers / land areas)
		WOP <sup>[1]</sup>	WP (full development)			
Robusta Coffee - NP	mt/ha/yr	1,000	3,000	200%	965	90%
Robusta Coffee - RH	mt/ha/yr	1,000	2,400	140%	965	95%
Arabica Coffee - NP	mt/ha/yr	1,005	2,000	99%	2040	95%
Arabica Coffee - RH	mt/ha/yr	1,005	1,400	39%	2040	95%
Cocoa - NP	mt/ha/yr	1,172	3,195	173%	880	80%
Cocoa - RH	mt/ha/yr	1,172	2,450	109%	880	80%
Calamansi - NP	mt/ha/yr	5,556	11,700	111%	260	80%
Calamansi - RH	mt/ha/yr	5,556	7,778	40%	260	80%
Coconut - NP	mt/ha/yr	4	9	130%	350	85%

Source: Data collection of the detailed design mission

[1] Productivity level of the existing crops are used for the new planting to compare the productivity increase of with project (WP). NP = New planting; RH = rehabilitation of existing crops.

11. The project will provide a financing package to establish and operate each of these crop models. The package includes grants covering 60% of the cost of planting material and long term credit financing of 30% of the balance cost. In addition, a second long-term credit will finance 80% of the

rest of the capital expenditure of crop establishment. Both these loans will have a two years' grace period and a 5-year repayment period. A short-term loan, covering 80% of the operational cost of the first 2-3 years of all the crop models, will also be provided. This will have one year repayment time. All these loans will have a 11% annual interest rate. The producers will finance the balances after grants and debt financing.

The financial viability of all the crop models was analysed for both the cases: before and after providing the project financing package. While [Table 9](#) summarising the results,

12. [Appendix Table 1](#) provides details for all the crop models. The net present value (NPV) was estimated with 13% discount rate for a 20-year period and incremental cash flows were used. The Appendix shows that the grant financing is required to meet the financing of the establishment cost of the crops since the target group of producers will have up-front cash shortages. The analysis also shows that both the long-term and short term credit could be fully paid including the 11% interest with the incremental cash flows of each crop model. Credit repayment schedules and the cash flows enabling the repayment in each model are presented in detail in [Appendix Table 1](#). The switching value analysis indicated that either the farm-gate price or the yield could go down upto 35% in Robusta coffee, 45% in Arabica coffee, 29% in cocoa, 50% in calamanci and 48% in coconut before these crop models yield a benefit-cost ratio of less than unity (see [Appendix Table 1](#)).

**Table 9: Financial viability of crop models and value of grant and debt financing of the models**

Commodity representing the VCs	Before Project Financing		Grant Financing for plants (USD/ha)	Debt Financing (USD/ha)		After providing financing package	
	NPV (USD/ha)	IRR		Capital expenditure	Working capital	NPV (USD/ha)	IRR
Robusta Coffee - NP	3,035	22%	768	1,229	1,038	3,905	31%
Robusta Coffee - RH	1,316	21%		275	1,075	1,374	23%
Arabica Coffee - NP	4,266	22%	1,200	1,585	1,485	5,569	30%
Arabica Coffee - RH	1,036	30%		300	740	1,083	45%
Cocoa - NP	4,350	27%	480	1,385	1,556	4,996	43%
Cocoa - RH	2,062	25%		375	1,125	6,912	28%
Calamanci - NP	5,207	31%	168	1,009	1,128	5,517	42%
Calamanci - RH	1,220	39%		305	1,040	1,281	>50%
Coconut - NP	2,544	18%	180	1,008	774	2,858	19%

NP = New Planting; RH = Rehabilitation

## G. Farm Models

13. A farm model to represent each of the crop model was developed on the basis of a typical farming system of the producers that exist in the project provinces. The farm models presented in [Table 10](#) demonstrate the increase in the financial values for the producers.

**Table 10: Farm model structure and incremental financial values**

Crop	Farm model structure	Avg Size (ha)	NPV (USD)		Return to labour (USD/person-day)		Net income (USD/Yr)	
			WOP	WP	WOP	WP: at full deve.	WOP	WP: at full deve.
			Rob. CF- NP	CF with CN & CF replaced maize	2	32,328	43,848	25
Rob. CF- RH	Rehabilitated CF under CN	2	25,064	32,617	16	14	1,083	1,401

Ara. CF- NP	CF with CN & CF replaced maize	2	32,328	52,023	19	20	1,935	6,955
Ara. CF- RH	Rehabilitated CF under CN	2	40,311	48,733	25	25	3,253	5,350
Cocoa – NP	CO with CN & CF replaced maize	1	36,647	57,506	18	29	1,935	5,585
Cocoa – RH	Rehabilitated CO under CN	2	25,908	40,234	16	13	1,491	2,267
Calamanci- NP	Calamanci replaced maize	2	32,328	50,427	19	21	1,935	4,919
Calamanci- RH	Rehabilitated CL under CN	1	19,736	23,042	13	14	809	1,130
Coconut- NP	Old CN removed & replanted	1	9,589	14,889	70	81	1,089	2,501

CF = Coffee; CO = Cocoa; CN = Coconut; CL = Calamanci. Full development is reached at 4<sup>th</sup> year of all except coconut which is 7.

14. Results of the farm model analyses presented in [Table 10](#) above indicate that all the models have financial gains after the project interventions. Since all are long terms crops, net present values computed with 13% discount rate indicate the increase in the long-term profitability for the producers. The return to labour and the annual income that were computed at full development indicate notable improvements in the annual income to the producers. The average net daily income of these farm models is estimated to be USD 11.3 per producer family per day, with a variation of USD 19.7 to USD 3.1. On average this is an increase of USD 5.5 per day per family just from crop production with the project interventions. The processing, as presented below, will further enhance this income. The crops that are involved in the VC yield once or twice a year. However, the producers will have contractual agreements with other VC partners and such arrangements would facilitate a continuous flow of income for the producers.

15. [Table 11](#) presents the farm level annual total production of all VC commodities at full development from newly planted and rehabilitated farms, and total grants and credit requirement to support the production. The increase in the production from the base (WOP situation) is substantial. The total NPV in [Table 11](#) shows that the crop production benefits outweigh the projects grants by more than 10 times over a period of 20 years.

**Table 11: Total producers, annual total production, total grants and loans provided**

Farm-gate products	Total producer families	Total production (mt/yr)	Incremental production (mt/yr)	% increase	Total Grant (USD mn)	Total Credit (USD mn)	Incremental NPV (USD million)
Coffee	36,000	190,971	130,921	69%	13.20	86.82	77.0
Cocoa	14,000	63,492	47,089	74%	3.36	33.59	59.3
Calamanci	19,500	189,600	122,933	65%	2.52	45.62	68.0
Coconut	8,700	51,840	17,910	35%	1.57	14.67	14.3
Totals	78,200				20.64	180.69	218.6

NPV is estimated with 13% DR for a 20-year period

16. The incremental production is the net of WOP production level of the four commodities. The annual increment at the full development and thereafter is substantial. However, it is unlikely that there will be a price depression in the market for these commodities because a volume much larger than the project supported production of coffee and cocoa in particular is imported annually. In producing the volume of products shown above, all farms have generated 29,028 person-years of additional employment at full development at the farm level. This implies that the project is able to generate year-round full time farm work for about 29,000 people and approximately about 40% of them are women.

17. The estimated demand for the Grant financing for all crops is about USD 20.6 million and this amount is provided in the project cost estimates. There will also be USD 180.6 million demand for debt financing for crop production. In addition, the producers will invest USD 3.44 million, which is 10% of the total crop establishment cost (Excel sheets of FA have the details of annual demands).

## H. Micro-Enterprise Models

The micro-enterprises (MEs) are the next level of the VCs. For the analytical purposes the ME models include processing of dried, cleaned and graded coffee beans; dried, cleaned and fermented cocoa beans; and cleaned and graded calamanci fruits. The producers are grouped to form cooperatives and such coops process these products. The primary products exit from the farm gates and enter into coops in the VC for primary processing. The project will provide financial grants to cover 50% of the capital expenditure of the processing facilities, and initiate linkages for debt financing through Financial Service Providers (FSP) to finance the balance.

**Table 12** presents the amount of grants provided for one ME facility and the amount of credit would be the same. The FSP will provide long term credit financing at 8.5% annual interest rate with a 5-year repayment period. The Coops, which are the producer managed entities, will internally finance the working capital requirements. The project will support a total of 1,265 MEs in the project areas by providing a total of USD 6.6 million as grant funds (

18. **Table 12**). As presented in the table below, the SMEs will process the semi-processed products of coffee beans, cocoa beans and calamanci fresh fruits for final processing. All MEs are managed as peoples' cooperatives and therefore the net revenues are not taxed.

**Table 12: Micro-Enterprises, their production levels at full development and IFAD Grants provided**

Micro-Enterprises in the VC and the product	Number of MEs	Total production at full development (mt/yr)	Capacity utilization with the members' products	Grants provided per ME (USD)
Dried, Cleaned and Graded coffee beans	500	117,600	65%	2,250
Dried, Cleaned and fermented cocoa beans	210	72,000	58%	8,300
Cleaned and graded calamanci fruits	555	75,600	96%	3,575

19. The financial viability of the three ME models is summarised in **Table 13**. **Appendix Table 2** provides details for the models. The production capacity and the annual net return (**Table 13**) indicate the scale of the MEs. The WOP scenario for MEs is assumed as the opportunity cost of 80% of the labour units that are used for MEs. The NPV and the financial IRR confirm that all three MEs are financially viable to receive the project support. The Appendix shows that the grant financing is required to meet the financing of establishment cost of all three ME models since there is up-front cash shortages in the first year. The analysis also shows that the long-term credit could be fully repaid including the 8.5% interest with the incremental cash flows of each ME model. The credit repayment schedules and the cash flows enabling the repayment in each model are presented in detail in **Appendix Table 2**. The respective SME pays the ME-gate price (**Table 13**) of the semi-processed products when they enter into the SME for final processing of the VC. All 1,265 MEs will generate 1,213 person-years of additional jobs annually at full development.

**Table 13: Financial viabilities of ME models – Results for one processing unit**

Micro-Enterprise	Production Capacity / unit (mt/yr)	Price of products (USD/mt)	Annual net return at full development (USD/ME/yr)	NPV (USD/ME)	FIRR of ME
Dried, Cleaned and Graded coffee beans	560	2,010	2,621	12,074	58%
Dried, Cleaned and fermented cocoa beans	144	1,980	9,486	43,025	55%
Cleaned and graded calamanci fruits	450	310	2,910	11,539	41%

20. [Table 14](#) below compares total grants provided by the project and the NPV of each ME. It indicates that it is worthwhile in providing grants for MEs. All the MEs will demand USD 19.4 million grant funds and USD 157.1 million loan funds.

**Table 14: Total production of MEs and financial support required**

Micro-Enterprise	Total production at full development (mt)	Total Grants (USD mn)	Total Loans (USD mn)	Incremental NPV (USD million)
Coffee beans	235,200	13.2	120.97	11.7
Cocoa beans	72,000	4.2	34.15	17.9
Cleaned calamanci fruits	75,600	1.98	1.98	2.4
Total		19.4	157.10	32

21. **Cocoa planting material nursery** represents the farm input providing MEs of the VC analysis. The planting material capacity is 100,000 plants per year per one nursery, and the project area needs 33, 22 and 22 such nurseries in the first, second and third years of the project. The financial analysis yields 25% FIRR, NPV of USD 14.9 million at 13% DR for 10-year period, and provide USD140,750 annual income at full development (see [Appendix Table 3](#) for details). These MEs are also eligible to receive a grant from the project to cover 50% of the capital expenditure. This would amount to USD 252,995 per nursery. The project would arrange a similar amount of long-term credit at 8.5% interest rate to meet the balance 50% of the capital expenditure. As [Appendix Table 3](#) presents, the cash flow of the nursery is adequate to repay the loan and still earn a notable annual income.

## I. Small and Medium Enterprise Models

22. The small and medium enterprises (SMEs) are at the final end of the VCs as far as the project is concerned. For the analytical purposes the SME models include processing of (i) dried and graded green coffee beans of Robusta coffee; (ii) wrapped and packed chocolate and cocoa bean shells as a by-product; (iii) calamanci juice; and (iv) virgin coconut oil. The SMEs would be managed by private companies and have contractual relationships with the cooperatives that would be supported by the projects. The semi-processed products at the ME-gate will enter into the SMEs for final processing. The project will facilitate through DTI the required market linkages and credit linkages with FSPs. The SMEs will receive long term credits to finance about 20% of their capital expenditure at a 6% interest rate with a 5-year repayment period. It is expected that the balance would be internally financed by the SME. The project will support a total of 190 SMEs in the project areas. [Table 15](#) presents the results of the financial analysis on the scale of total production and the total NPV earned by the SMEs. The calamanci juice SME leads the VC production and also earns the largest NPV for the project.



**Table 15: Production, credit need and profitability of the SMEs**

SME	Nb SME	Total production at full development (mt/year)	Capacity utilization with Coop supply	Credit need USD (USD mn)	NPV (USD million)
Green Coffee (Robusta)	26	36,400	15%	0.64	5.8
Packed Chocolate	26	7,280	10%	1.03	16.4
Calamanci Juice	102	476,280	56%	0.04	266.3
Virgin coconut oil	36	17,910	21%	1.45	96.2

23. Results of the financial viability assessment of each SME is presented in [Table 16](#) and [Appendix Table 4](#) presents details for all the SMEs. With a wide variation, all the SMEs in the VCs are financially viable and merit project support. All the SMEs use semi-skilled and skilled labour for operations (appendix shows operational details for each SME). The opportunity cost of such labour is expected to be high, and is assumed at 90% of the cost of salaries and wages of all types of labour used in the SME. Further, it is assumed that this type of labour has employment even without the project. Therefore, an incremental employment for the SMEs has not been assumed. The SME would pay 30% tax on the new revenue. This was used as a cost in the analysis.

**Table 16: Financial viability of each SME**

SME	Unit capacity (mt/yr)	Unit price (USD/mt)	Annual net return at full development (USD)	NPV (USD)	IRR
Green Coffee (Robusta)	1,400	2,700	142,368	623,887	55%
Packed Chocolate	280	5,100	226,156	940,514	49%
Calamanci Juice	476	2,200	206,006	630,407	30%
Virgin coconut oil	924	3,420	456,118	1,638,711	39%

## J. Infrastructure model

24. The project supports renovation and construction of farm roads in strategic places mainly to facilitate transporting of farm produces and ME and SME products. These roads will facilitate the business activities of the VCs. [Table 17](#) summarises the project financing for road construction and the incremental benefits accruing to the roads. A total of 140 km will be developed which will help to reduce the hauling cost all type of vehicles, save public transport cost and also reduce the cost of farm input and output transportation. Unit benefits value of these three types of savings were estimated using the estimated benefits of the Economic analysis of the CHARM 2 top-up design mission, conducted in 2016. The table below uses them to compute the benefits. It is expected that the volume of primary and processed products that would be transported would be four times that of the volume assumed in CHARM 2 estimates because of the more commercial nature of production and business. The passenger travel is also assumed with a four-fold increase for the similar reason. [Appendix Table 4](#)

presents a table with detail in the financial analysis of the project supported roads. The financial assessment yield 39% IRR and USD 16.3 million NPV at 13% DR for 20-year period. The benefits estimations should come down upto 47%, as the switching value estimates, before the benefit-cost ration become less than one.

**Table 17: Benefit computation assumptions of project supported roads – CHARM 2 Estimations**

Type of benefits	Units	WOP benefits		WP benefits		Increase
<i>Freight Benefits</i>						
Type of Freight:		Percent	VOC/mt/km	Percent	VOC/mt/km	mt/km
Jeepney	PhP	60%	22.51	30%	6.75	
Truck	PhP	40%	12.00	60%	3.60	
Vehicle Operating Cost (VOC) [Weighted Average]	PhP		18.31		4.55	13.76
<i>Passenger Benefits</i>						
Type of Passenger transport		Percent	VOC/passenger/km	Percent	VOC/passenger/km	VOC/passenger/km
Tricycle	PhP	30%	5.62	10%	1.69	
Jeepney	PhP	60%	2.70	60%	0.81	
Truck	PhP	10%	1.44	30%	0.43	
VOC (Weighted Average)	PhP		3.45		0.78	2.67

## K. Aggregated analysis of all Value Chains

25. Among the project assistance that are available for VC operations, the financial analysis indicates the importance of the financial package that would be provided to the producers, MEs and SMEs. The project would have to provide USD 39.2 million worth of grants and to make arrangements to provide USD 306.2 million debt financing. [Table 18](#) shows the details.

**Table 18: Total value of the financial package demanded by producers, MEs and SMEs**

VC Operator	Grants (USD 1000)	Debt (USD 1000)
All Crop Producers	20,646	180,695
All MEs	18,544	122,396
All SMEs		3,166
Total	39,190	306,257

Each farm model, the ME model and SME model were scaled up at their full target level to get the project level aggregated results of the financial viability analysis. The total investment cost of the project, net of grants provided, was estimated at USD 67.02 million and it is added to the total cost flow of the analysis. The annual distribution of the project cost is obtained from the COSTAB. The costs and benefits for a period of 20 years are considered which reflect about one production cycle of most of the perennial crops except coconut which will have about 40-year productive life. The undiscounted annual incremental net financial benefits at full project development are estimated at US\$ 373.4 million or PhP 7.5 billion. The FIRR of the project is 25% with a NPV of USD 562 million. The total cash flows are presented in

26. [Appendix Table 5](#) for 10 years. The details are presented in nested Excel workbook (stored in life files of the project).

27. The total incremental employment generation was estimated at 29,936 person-years. All farm models generate 29,028 persons-years and all MEs generate 908 person-years. It is assumed that there are 220 working days per year and the total person-days needed for VC activities were divided by 220 to obtain the person-years of employment indicating that this number of people who were otherwise not fully employed got employment throughout the year. This includes un-employed or partly employed family labour as well.

## L. Economic Analysis

28. The economic analysis is carried out after making appropriate adjustments to financial benefits and costs. The adjustments include:

- (a) A standard conversion factor (SCF) of 0.90 is applied to both locally traded and non-traded items including the project supported roads for adjusting financial prices to economic prices in order to accommodate any possible market distortions. The opportunity cost or the shadow wage rate of the un-skilled labour is assumed at 60% of the market rate of USD 6.25 per day. There is no difference in the shadow wage rate of male and female labour. Both SCF and the shadow wage rate were recommended by NEDA with IFAD agreement.
- (b) The analysis used the economic project investment costs, which are generated by the COSTAB are net of duties, taxes and price contingencies, and grants but inclusive of physical contingencies.
- (c) The economic or social discount rate of 10%, which reflect the opportunity cost of capital for the national economy as NEDA recommended, was used to discount all cash flows.
- (d) Economic value of all internationally traded goods and farm products, except coffee and cocoa, have been estimated at 1.2% of their market value. Almost all the implements and goods that are used in the MEs and SMEs used this shadow value to reflect the true cost to the economy.
- (e) Grants provided for the primary and the ME producers, which represent subsidies, and the taxes that were applied at 30% for the SMEs have been excluded, since they reflect transfers.
- (f) The analysis includes only direct and attributable benefits from the value chain activities. Benefits from extension services, institutional improvements, producers' cooperatives, and all indirect benefits such as environmental externalities were not included for want of detailed and verified information.

**Over 50% of the locally consumed coffee and cocoa are imported and as such project outputs of these have import substitution impact. Therefore, an Import Parity Price (IPP) for coffee and cocoa has been estimated and applied to value coffee and cocoa at the farm-gate, ME-gate and the SME gate. The table below**

summarises the IPP and compares them with the financial prices. The details of the computation are presented in

c)		MAIN ASSUMPTIONS & SHADOW PRICES			
FINANCIAL	Output	Av. Incremental	Price (in USD/mt)	Input prices	Price (USD)
	New Robusta Coffee	New	965	Fertilizer / kg	0.5
	RH Rob. Coffee	60%	965	Plant material - Coffee /ha	1
	New Arabica Coffee	New	2,040	Plant material - Cocoa/ha	0.8
	RH Arabica Coffee	39%	2,040	Plant material - Calaman./ha	0.7
	New Cocoa	New	875	Plant mate. Coconut /ha	2
	RH Cocoa	109%	875	Rural Wage / person-day	6.25
	New Calamanci	New	260	Electricity - KWH	0.19
	RH Calamanci	40%	260		
	Coconut	228%	350		
	Roasted Coffee	New	2,010		
	Dried Cocoa	New	1,980		
	Graded Calamanci	New	310		
	Packed Green Coffee	New	2,700		
	Chocolate	New	5,100		
	Calamanci Juice	New	2,200		
	Virgin Coconut Oil	New	3,420		
ECONOMIC	Official Exchange rate (OER)	50		Discount rate (opportunity cost of capital)	13%
	Shadow Exchange rate (SER)	50		Social Discount rate	10%
	Standard Conversion Factor	1.20		Output conversion factor: imported	1.2
	Labour Conversion factor	0.6		Input Conversion factor	0.95

<b>Table D</b>	<b>BENEFICIARIES - CUMULATIVES, ADOPTION RATES AND PHASING</b>							<b>Adoption</b>
	<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>PY4</b>	<b>PY5</b>	<b>PY6</b>	<b>Total</b>	<b>rates</b>
								<b>86%</b>
<b>New Robusta Coffee+Coconut</b>	0	1,250	3,000	3,000	3,000	3,000	3,000	
<i>Adjusted (adoption rate)</i>	90%	90%	90%	90%	90%	90%		90%
<b>New Arabica Coffee+Coconut</b>	0	1,250	3,000	3,000	3,000	3,000	3,000	
<i>Adjusted (adoption rate)</i>	95%	95%	95%	95%	95%	95%		95%
<b>RH Robusta Coffee</b>	825	4,000	9,250	14,500	19,750	25,000	25,000	
<i>Adjusted (adoption rate)</i>	90%	90%	90%	90%	90%	90%		90%
<b>RH Arabica Coffee</b>	500	2,000	4,000	5,000	5,000	5,000	5,000	
<i>Adjusted (adoption rate)</i>	95%	95%	95%	95%	95%	95%		95%
<b>New Cocoa</b>	0	3,000	5,000	7,000	7,000	7,000	7,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
<b>RH Cocoa</b>	315	1,190	3,065	5,250	7,000	7,000	7,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
<b>New Calamanci + coconut</b>	0	2,500	5,000	7,500	7,500	7,500	7,500	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
<b>RH Calamanci</b>	540	2,700	10,350	12,000	12,000	12,000	12,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
<b>Coconut</b>	700	2,700	5,700	8,700	8,700	8,700	8,700	
<i>Adjusted (adoption rate)</i>	85%	85%	85%	85%	85%	85%		85%
<b>Total Nb of beneficiaries</b>			<b>48,365</b>				<b>78,200</b>	
			41,648				67,339	



(g) [Appendix Table 6](#) (a).

Description of the Parity Price	Units	Coffee	Cocoa
Import Parity Price of SME product – SM-Enterprise-gate price	USD/mt	2,899	
<i>Financial SME gate price (Grade 1 beans, 75% of the production)</i>	<i>USD/mt</i>	<i>2,700</i>	
Import Parity Price of ME product - Micro Enterprise-gate price	USD/mt	2,253	2,186
<i>Financial ME gate price</i>	<i>USD/mt</i>	<i>2,000</i>	<i>1,980</i>
Import Parity Price of Farm-gate product - Farm-gate price	USD/mt	1,101	999
<i>Financial farm gate price</i>	<i>USD/mt</i>	<i>960</i>	<i>880</i>

The financial and the economic prices of other commodities and all farming, ME and SME inputs are presented in

c) MAIN ASSUMPTIONS & SHADOW PRICES					
FINANCIAL	Output	Av. Incremental	Price (in USD/mt)	Input prices	Price (USD)
		New Robusta Coffee	New	965	Fertilizer / kg
	RH Rob. Coffee	60%	965	Plant material - Coffee /ha	1
	New Arabica Coffee	New	2,040	Plant material - Cocoa/ha	0.8
	RH Arabica Coffee	39%	2,040	Plant material - Calaman./ha	0.7
	New Cocoa	New	875	Plant mate. Coconut /ha	2
	RH Cocoa	109%	875	Rural Wage / person-day	6.25
	New Calamanci	New	260	Electricity - KWH	0.19
	RH Calamanci	40%	260		
	Coconut	228%	350		
	Roasted Coffee	New	2,010		
	Dried Cocoa	New	1,980		
	Graded Calamanci	New	310		
	Packed Green Coffee	New	2,700		
	Chocolate	New	5,100		
	Calamanci Juice	New	2,200		
	Virgin Coconut Oil	New	3,420		
ECONOMIC	Official Exchange rate (OER)	50		Discount rate (opportunity cost of capital)	13%
	Shadow Exchange rate (SER)	50		Social Discount rate	10%
	Standard Conversion Factor	1.20		Output conversion factor: imported	1.2
	Labour Conversion factor	0.6		Input Conversion factor	0.95

<b>Table D</b>	<b>BENEFICIARIES - CUMULATIVES, ADOPTION RATES AND PHASING</b>							<b>Adoption</b>
	<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>PY4</b>	<b>PY5</b>	<b>PY6</b>	<b>Total</b>	<b>rates</b>
								<b>86%</b>
<b>New Robusta Coffee+Coconut</b>	0	1,250	3,000	3,000	3,000	3,000	3,000	
<i>Adjusted (adoption rate)</i>	90%	90%	90%	90%	90%	90%		90%
<b>New Arabica Coffee+Coconut</b>	0	1,250	3,000	3,000	3,000	3,000	3,000	
<i>Adjusted (adoption rate)</i>	95%	95%	95%	95%	95%	95%		95%
<b>RH Robusta Coffee</b>	825	4,000	9,250	14,500	19,750	25,000	25,000	
<i>Adjusted (adoption rate)</i>	90%	90%	90%	90%	90%	90%		90%
<b>RH Arabica Coffee</b>	500	2,000	4,000	5,000	5,000	5,000	5,000	
<i>Adjusted (adoption rate)</i>	95%	95%	95%	95%	95%	95%		95%
<b>New Cocoa</b>	0	3,000	5,000	7,000	7,000	7,000	7,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
<b>RH Cocoa</b>	315	1,190	3,065	5,250	7,000	7,000	7,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
<b>New Calamanci + coconut</b>	0	2,500	5,000	7,500	7,500	7,500	7,500	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
<b>RH Calamanci</b>	540	2,700	10,350	12,000	12,000	12,000	12,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
<b>Coconut</b>	700	2,700	5,700	8,700	8,700	8,700	8,700	
<i>Adjusted (adoption rate)</i>	85%	85%	85%	85%	85%	85%		85%
<b>Total Nb of beneficiaries</b>			<b>48,365</b>				<b>78,200</b>	
			41,648				67,339	



(h) [Appendix Table 6](#) (b).

29. **Results:** The economic analysis yields in the base case an EIRR of 51% and the economic net present value of USD 2,431 million for a period of 20 years under a discount rate of 10%. The benefit-cost ratio with same discount rate is 1.26. These three indicators confirm that the project is worthy of receiving IFAD loan funds. The EFA framework and the results as per IFAD guideline are summarised in [Appendix Table 7](#).

30. **Sensitivity analyses:** Seven possible scenarios are analysed. The project cost escalating by 10% and 20%; project benefits decrease by 10% and 20%; benefits delay by one year and 2 years; and 10% increase in the input prices. The results of the sensitivity analyses are summarized in [Table 19](#). The sensitivity analyses show that the project economic benefits are resilient to cost escalations, benefits reductions, and delay in realizing benefits with EIRR remaining above 15% and Economic NPV above USD 1000 million. The worst-case scenario is the 2-year delays in getting benefits once the investment is committed. The 2-year delay in particular generates a negative NPV indicating the project is unviable.

**Table 19: Results of the sensitivity analyses of economic analysis**

Sensitivity Scenario	EIRR	NPV (USD mn)	NPV (PhP mn)	BC Ratio
Base case (DR: 10%)	51%	2,431,268	121,563	1.26
10% cost escalation	32%	1,243,351	62,168	1.13
20% cost escalation	11%	55,433	2,772	1.01
10% benefit decrease	34%	1,486,478	74,324	1.14
20% benefit decrease	19%	541,687	27,084	1.05
1 year delay in implementation	18%	1,026,170	51,308	1.11
2 years delay in implementation	8%	-251,193	-12,560	0.97
10% increase in input prices	38%	1,769,915	88,496	1.18

## M. Other Benefits

31. The farm productions are direct outputs from the respective farm models. In addition, the project investment creates several indirect benefits due to improved agricultural extension stations, better facilities for conducting training sessions, value chain facilitation, increased staff training, improvement of farmer cooperatives, and market support etc. The linkages of financial institutions with the project target groups will also have long lasting benefits. Other community infrastructure facilities such as village roads will benefit the non-target groups with better access to agricultural markets and purchase of quality inputs.

32. The project's training and capacity building interventions will also create certain benefits which have not been valued. These include the following: (i) At the end of the project, all participating households, about 78,200 households would have received training on the improved production practices, soil management, commercial agricultural productions, and business management; (ii) provincial extension staff and DTI staff at the provinces would also have received training and their capacity strengthened to provide better services to the farmers with a business and VC perspective; (iii) cooperatives have been strengthen and their general management system, financing management and bookkeeping etc and business outlook would have been improved; (iv) women from the poor and vulnerable households will be targeted for training and their capacity building and they would also participate in production and value chain activities, have better access to markets and inputs and credit; and (v) IP communities would be exposed to commercial agriculture and value chain focused business activities which will have a expanding benefit with time.

Appendix Table 1 : Crop budgets and the financing package

Crop Model Analysis: New Cultivation of Robusta Coffee	Unit	Price USD	WOP	With Project									
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20
<b>Yields and inputs [1 ha]</b>													
Sales of dried cherry coffee beans (transfer to COOP)	Kg	0.97		0	0	700	1,500	2,150	2,350	3,000	3,000	3,000	3,000
Processed Graded, Dried Beans (GDB) - 50% of dried cherry	Kg			0	0	350	750	1,075	1,175	1,500	1,500	1,500	1,500
<i>Maize is the WOP Case</i>	Kg	0.24	3,900										
<b>Crop Establishment Cost</b>													
Land Preparation	ha	165		1									
Saplings	Nb Plants	0.8		1600	160								
Planting	pd	6.25											
Manure (5 kg/ planting hole)	mt	35		10									
<b>Total Establishment Cost</b>	USD			1890	128								
<b>Operating costs</b>													
Compost/mulching (2,5 kg per tree 2000)	Mt	35		5	5	5	5	5	5	5	5	5	5
Fertilizer	Kg	0.5		0	50	100	200	250	250	250	250	250	250
Neemcide (or similar)	Lt	10		6	7	7	7	7	7	7	7	7	7
Integrated Pest Management	pd	6.25		15	15	15	15	15	15	15	15	15	15
Pruning and stumping	pd	6.25		10	20	30	30	30	30	30	30	30	30
Weeding	pd	6.25		10	10	10	10	10	10	10	10	10	10
Harvesting, transport and processing	pd	6.25		0	0	5	10	20	20	20	20	20	20
Person days for compost/fertilizer/bio pest agent	pd			10	10	10	10	10	10	10	10	10	10
De hulling (done at the COOP processing)	Kg	0											
<b>Total Labour Use</b>	pd			45	55	70	75	85	85	85	85	85	85
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>
<b>Gross Income</b>													
Sales of Coffee & Maize	USD		936	-	-	676	1,448	2,075	2,268	2,895	2,895	2,895	2,895
<b>Investments</b>	USD												
Input costs	USD		-	2,125	398	295	345	370	370	370	370	370	370
Labour cost	USD		-	281	344	438	469	531	531	531	531	531	531
<b>Total Production Cost</b>	USD		661	2,406	742	733	814	901	901	901	901	901	901
<b>Net Income</b>	USD		275	-2,406	-742	-57	634	1,174	1,367	1,994	1,994	1,994	1,994
<b>Cash flows for farm-gate financial analysis</b>													
Incremental cost	USD			1,745	81	72	153	240	240	240	240	240	240
Incremental benefits	USD			-936	(936.0)	-261	512	1,139	1,332	1,959	1,959	1,959	1,959
Incremental net benefits	USD			-2,681	-1,017	-332	359	898	1,091	1,719	1,719	1,719	1,719
<b>Crop model profitability at the Farm-gate: before project financing:</b>													
Discount rate		13%											
IRR		22%											
Incremental PV-benefit (USD)		5,760											
Incremental NPV-benefits (USD)		3,035											
Incremental PV-cost (USD)		2,725											
B/C ratio		2.11											
Switching Value of Benefits		-53%											
Return to family labour at full development (USD/md)		3.6											

Robusta coffee: Grant and Loan Financing

<b>Debt Financing at the farm-gate for cultivation</b>		WoP	WP	Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7
Current crop extent	ha		1	1						
Incremental Net income	USD			(2,681)	(1,017)	(332)	359	898	1,091	1,719
Surplus family labour income (for all model 100 + addition)	USD		100	1,250	1,250	1,250	1,250	1,250	1,250	1,250
<b>Financing Package:</b>										
<b>Planting material</b>		USD		1,280						
Grant (from IFAD Loan)	60%			768						
FSP (Debt Financing)	30%			384						
Farmers own financing	10%									
<b>Other Capital Cost</b>		USD		845						
FSP (Debt Financing)	80%									
Farmers own financing	20%									
<b>Working Capital Cost</b>					398	295	345			
FSP (Debt Financing)	80%									
Farmers own financing	20%									
<b>Planting material</b>										
<b>Other Capital Cost</b>										
<b>Total Capital Expenditure Loan</b>				1,229						
Years for having the loan for Capital Expenditure + Plants						1	2	3	4	5
Annual interest rate (%)	11%									
Loan repayment period (yrs): 2-years grace period	5									
Interest payment (%) - Capital Expenditure Loan	USD					(135)	(113)	(89)	(63)	(33)
Payment of principal - Capital expenditure loan	USD					(197)	(219)	(243)	(270)	(300)
Total payment for the Capital expenditure loan	USD					(333)	(333)	(333)	(333)	(333)
<b>Total Working Capital Loan</b>					398	295	345			
<b>Years for having the 1st loan:</b>						1	2			
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD					(44)	(23)			
Payment of principal - Capital expenditure loan	USD					(189)	(209)			
Total payment for the Capital expenditure loan	USD					(232)	(232)			
<b>Years for having the 2nd loan:</b>							1	2		
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD						(32)	(17)		
Payment of principal - Capital expenditure loan	USD						(140)	(155)		
Total payment for the Capital expenditure loan	USD						(172)	(172)		
<b>Years for having the 3rd loan:</b>								1	2	
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD							(38)	(20)	
Payment of principal - Capital expenditure loan	USD							(164)	(181)	
Total payment for the Capital expenditure loan	USD							(201)	(201)	
<b>Incremental Cashflows for Financial analysis (after project financing)</b>										
Incremental cost	USD			1,745	81	637	890	947	774	573
Incremental benefits	USD			1,061	-538	35	857	1,139	1,332	1,959
Incremental benefits	USD			(684)	(619)	(602)	(34)	192	557	1,386
Net benefits with Family Labour Income- Sustainability	USD			566	631	648	1,216	1,442	1,807	2,636
<b>Crop model profitability - after project financing:</b>										
Discount rate	13%									
IRR	31%									
Incremental PV-benefit (USD)	8,255									
Incremental NPV-benefits (USD)	3,905									
Incremental PV-cost (USD)	4,350									
B/C ratio	1.90									

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Crop Model Analysis: Rehabilitation of Robusta Coffee [1 ha]	Unit	Price USD	WOP	With Project										
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20	
<b>Yields and inputs</b>														
Sales of dried cherry coffee beans (transfer to COOP)	Kg	0.97	1,000	600	800	1,000	1,200	1,300	1,500	1,600	2,400	2,400	2,400	
Processed Graded, Dried Beans (GDB) - 50% of dried cherry	Kg		500	300	400	500	600	650	750	800	1,200	1,200	1,200	
<b>Operating costs</b>														
Compost/mulching (2,5 kg per tree 2000)	Mt	35	2.85	5	5	5	5	5	5	5	5	5	5	
Fertilizer	Kg	0.5	171	100	200	300	300	300	300	300	300	300	300	
Neemcide (or similar)	Lt	10	2.85	5	5	5	5	5	5	5	5	5	5	
Integrated Pest Management	pd	6.25	8	15	15	15	15	15	15	15	15	15	15	
Pruning and stumping	pd	6.25	30	55	55	55	55	30	30	30	30	30	30	
Weeding	pd	6.25	6	8	8	8	8	8	8	8	8	8	8	
Harvesting, transport and processing	pd	6.25	5	4	5	5	10	15	15	15	18	18	18	
Person days for compost/fertilizer/bio pest agent	pd	6.25	8	10	15	15	15	15	15	15	15	15	15	
De hulling (done at the COOP processing)	Kg	0												
<b>Total Labour Use</b>	pd		57	92	98	98	103	83	83	83	86	86	86	
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>	
<b>Gross Income</b>														
Sales of Coffee	USD		965	579	772	965	1,158	1,255	1,448	1,544	2,316	2,316	2,316	
<b>Investments</b>	USD													
Input costs	USD		214	275	325	375	375	375	375	375	375	375	375	
Labour cost	USD		356	575	613	613	644	519	519	519	538	538	538	
<b>Total Production Cost</b>	USD		570	850	938	988	1,019	894	894	894	913	913	913	
<b>Net Income</b>	USD		395	-271	-166	-23	139	361	554	650	1,404	1,404	1,404	
<b>Cash flows for farm-gate financial analysis</b>														
Incremental cost	USD			280	368	418	449	324	324	324	343	343	343	
Incremental benefits	USD			-386	(193.0)	-	193	290	483	579	1,351	1,351	1,351	
Incremental net benefits	USD			-666	-561	-418	-256	-34	159	255	1,009	1,009	1,009	
<b>Crop model profitability at the Farm-gate: before project financing:</b>														
Discount rate	13%													
IRR	21%													
Incremental PV-benefit (USD)	3,776													
Incremental NPV-benefits (USD)	1,316													
Incremental PV-cost (USD)	2,460													
B/C ratio	1.53													
Switching Value of Benefits	-35%													
Return to family labour at full development (USD/md)	1.3													

Financing package – Robusta Coffee – RH

<b>Debt Financing at the farm-gate for cultivation</b>		WoP	WP					
			Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6
Current crop extent	ha		1					
Incremental Net income	USD		(666)	(561)	(418)	(256)	(34)	159
Surplus family labour income (for all model 100 + addition)	USD		50	938	938	938	938	938
<b>Financing Package:</b>								
<b>Planting material</b>								
Grant (from IFAD Loan)	60%	USD	0					
FSP (Debt Financing)	30%		0					
Farmers own financing	10%							
<b>Other Capital Cost</b>								
FSP (Debt Financing)	80%	USD	275					
Farmers own financing	20%							
<b>Working Capital Cost</b>								
FSP (Debt Financing)	80%			325	375	375		
Farmers own financing	20%							
<b>Planting material</b>								
<b>Other Capital Cost</b>								
<b>Total Capital Expenditure Loan</b>								
			275					
Years for having the loan for Capital Expenditure + Plants					1	2	3	4
Annual interest rate (%)	11%							
Loan repayment period (yrs): 2-years grace period	5							
Interest payment (%) - Capital Expenditure Loan	USD				(30)	(25)	(20)	(14)
Payment of principal - Capital expenditure loan	USD				(44)	(49)	(54)	(60)
Total payment for the Capital expenditure loan	USD				(74)	(74)	(74)	(74)
<b>Total Working Capital Loan</b>								
				325	375	375		
<b>Years for having the 1st loan:</b>								
Annual interest rate (%)	11%				1	2		
Loan repayment period (yrs)	2							
Interest payment (%) - Capital Expenditure Loan	USD				(36)	(19)		
Payment of principal - Capital expenditure loan	USD				(154)	(171)		
Total payment for the Capital expenditure loan	USD				(190)	(190)		
<b>Years for having the 2nd loan:</b>								
Annual interest rate (%)	11%					1	2	
Loan repayment period (yrs)	2							
Interest payment (%) - Capital Expenditure Loan	USD					(41)	(22)	
Payment of principal - Capital expenditure loan	USD					(178)	(197)	
Total payment for the Capital expenditure loan	USD					(219)	(219)	
<b>Years for having the 3rd loan:</b>								
Annual interest rate (%)	11%						1	2
Loan repayment period (yrs)	2							
Interest payment (%) - Capital Expenditure Loan	USD						(41)	(22)
Payment of principal - Capital expenditure loan	USD						(178)	(197)
Total payment for the Capital expenditure loan	USD						(219)	(219)
<b>Incremental Cashflows for Financial analysis (after project financing)</b>								
Incremental cost	USD		280	368	682	932	836	617
Incremental benefits	USD		-111	132	375	568	290	483
Incremental benefits	USD		(391)	(236)	(307)	(364)	(547)	(135)
Net benefits with Family Labour Income- Sustainability	USD		547	702	631	574	391	803
<b>Crop model profitability - after project financing:</b>								
Discount rate	13%							
IRR	23%							
Incremental PV-benefit (USD)	4,764							
Incremental NPV-benefits (USD)	1,374							
Incremental PV-cost (USD)	3,390							
B/C ratio	1.41							

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Crop Model Analysis: New Cultivation of Arabica Coffee [1 ha]	Unit	Price USD	WOP	With Project										
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20	
<b>Yields and inputs</b>														
Sales of dried cherry coffee beans (transfer to COOP)	Kg	2.04		0	0	200	400	1,200	2,000	2,000	2,000	2,000	2,000	2,000
Processed Graded, Dried Beans (GDB) - 50% of dried cherry				0	0	100	200	600	1,000	1,000	1,000	1,000	1,000	1,000
<i>Maize is the WOP Case</i>	Kg	0.24	3,900											
<b>Crop Establishment Cost</b>														
Land Preparation	ha	165		1										
Saplings	Nb Plants	1		2000	200									
Planting	pd	6.25		15.2										
Manure (5 kg/ planting hole)	mt	35		10										
<b>Total Establishment Cost</b>	USD			2610	200									
<b>Operating costs</b>														
Compost/mulching (2,5 kg per tree 2000)	Mt	35		5	5	5	5	5	5	5	5	5	5	5
Fertilizer	Kg	0.5		200	200	200	500	500	500	500	500	500	500	500
Neemcide (or similar)	Lt	10		5	7	12	12	12	12	12	12	12	12	12
Integrated Pest Management	pd	6.25		20	20	20	20	20	20	20	20	20	20	20
Pruning and stumping	pd	6.25		25	30	35	35	35	35	35	35	35	35	35
Weeding	pd	6.25		10	10	10	10	10	10	10	10	10	10	10
Harvesting, transport and processing	pd	6.25		0	0	5	5	10	40	40	40	40	40	40
Person days for compost/fertilizer/bio pest agents	pd			15	15	15	15	15	15	15	15	15	15	15
De hulling (done at the COOP processing)	Kg	0												
<b>Total Labour Use</b>	pd			70	75	85	85	90	120	120	120	120	120	120
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>	
<b>Gross Income</b>														
Sales of Coffee & Maize	USD		936	-	-	408	816	2,448	4,080	4,080	4,080	4,080	4,080	4,080
<b>Investments</b>	USD													
Input costs	USD		-	2,935	545	395	545	545	545	545	545	545	545	545
Labour cost	USD		-	438	469	531	531	563	750	750	750	750	750	750
<b>Total Production Cost</b>	USD		661	3,373	1,014	926	1,076	1,108	1,295	1,295	1,295	1,295	1,295	1,295
<b>Net Income</b>	USD		275	-3,373	-1,014	-518	-260	1,341	2,785	2,785	2,785	2,785	2,785	2,785
<b>Cash flows for farm-gate financial analysis</b>														
Incremental cost	USD			2,712	353	265	415	447	634	634	634	634	634	634
Incremental benefits	USD			-936	(936.0)	-528	-120	1,512	3,144	3,144	3,144	3,144	3,144	3,144
Incremental net benefits	USD			-3,648	-1,289	-793	-535	1,065	2,510	2,510	2,510	2,510	2,510	2,510
<b>Crop model profitability at the Farm-gate: before project financing:</b>														
Discount rate	13%													
IRR	22%													
Incremental PV-benefit (USD)	9,847													
Incremental NPV-benefits (USD)	4,266													
Incremental PV-cost (USD)	5,581													
B/C ratio	1.76													
Switching Value of Benefits	-43%													
Return to family labour at full development (USD/md)	5.8													

Arabica Coffee – NP

Debt Financing at the farm-gate for cultivation		WOP	WP							
		1	Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7	
Current crop extent	ha	1	1							
Incremental Net income	USD		(3,648)	(1,289)	(793)	(535)	1,065	2,510	2,510	
Surplus family labour income (for all model 100 + addition)	USD	100	1,250	1,250	1,250	1,250	1,250	1,250	1,250	
<b>Financing Package:</b>										
<b>Planting material</b>										
Grant (from IFAD Loan)	60%	USD	2,000							
FSP (Debt Financing)	30%		1,200							
Farmers own financing	10%		600							
<b>Other Capital Cost</b>										
FSP (Debt Financing)	80%	USD	935							
Farmers own financing	20%									
<b>Working Capital Cost</b>										
FSP (Debt Financing)	80%			545	395	545				
Farmers own financing	20%									
<b>Planting material</b>										
<b>Other Capital Cost</b>										
<b>Total Capital Expenditure Loan</b>			1,535							
Years for having the loan for Capital Expenditure + Plants					1	2	3	4	5	
Annual interest rate (%)	11%									
Loan repayment period (yrs): 2-years grace period	5									
Interest payment (%) - Capital Expenditure Loan	USD				(169)	(142)	(112)	(78)	(41)	
Payment of principal - Capital expenditure loan	USD				(246)	(274)	(304)	(337)	(374)	
Total payment for the Capital expenditure loan	USD				(415)	(415)	(415)	(415)	(415)	
<b>Total Working Capital Loan</b>				545	395	545				
<b>Years for having the 1st loan:</b>					1	2				
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD				(60)	(32)				
Payment of principal - Capital expenditure loan	USD				(258)	(287)				
Total payment for the Capital expenditure loan	USD				(318)	(318)				
<b>Years for having the 2nd loan:</b>						1	2			
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD					(43)	(23)			
Payment of principal - Capital expenditure loan	USD					(187)	(208)			
Total payment for the Capital expenditure loan	USD					(231)	(231)			
<b>Years for having the 3rd loan:</b>							1	2		
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD						(60)	(32)		
Payment of principal - Capital expenditure loan	USD						(258)	(287)		
Total payment for the Capital expenditure loan	USD						(318)	(318)		
<b>Incremental Cashflows for Financial analysis (after project financing)</b>										
Incremental cost	USD		2,712	353	999	1,380	1,411	1,368	1,049	
Incremental benefits	USD		1,799	-391	-133	425	1,512	3,144	3,144	
Incremental benefits	USD		(913)	(744)	(1,132)	(955)	101	1,776	2,095	
Net benefits with Family Labour Income- Sustainability	USD		337	506	118	295	1,351	3,026	3,345	
<b>Crop model profitability - after project financing:</b>										
Discount rate	13%									
IRR	30%									
Incremental PV-benefit (USD)	13,303									
Incremental NPV-benefits (USD)	5,569									
Incremental PV-cost (USD)	7,733									
B/C ratio	1.72									

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Crop Model Analysis: Rehabilitation of Arabica Coffee [1 ha]	Unit	Price USD	WOP	With Project										
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20	
<b>Yields and inputs</b>														
Sales of dried cherry coffee beans (transfer to COOP)	Kg	2.04	1,005	1,000	1,200	1,200	1,300	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Processed Graded, Dried Beans (GDB) - 50% of dried cherry			500	500	600	600	650	700	700	700	700	700	700	700
<b>Operating costs</b>		price out of ME												
Compost/mulching (2,5 kg per tree 2000)	Mt	35	2.85	5	5	5	5	5	5	5	5	5	5	5
Fertilizer	Kg	0.5	171	100	100	100	300	300	300	300	300	300	300	300
Neemcide (or similar)	Lt	10	2.85	5	5	5	5	5	5	5	5	5	5	5
Integrated Pest Management	pd	6.25	8	15	15	15	15	15	15	15	15	15	15	15
Pruning and stumping	pd	6.25	30	60	60	50	25	25	25	25	25	25	25	25
Weeding	pd	6.25	6	6	10	10	10	10	10	10	10	10	10	10
Harvesting, transport and processing	pd	6.25	5	30	35	35	35	35	35	35	35	35	35	35
Person days for compost/fertilizer/bio pest agent	pd	6.25	8	9	15	15	15	15	15	15	15	15	15	15
De hulling (not added since green bean is sold)	Kg	0												
<b>Total Labour Use</b>	pd		57	120	135	125	100	100	100	100	100	100	100	100
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>	<b>Y10</b>
<b>Gross Income</b>														
Sales of Coffee	USD		2,050	2,040	2,448	2,448	2,652	2,856	2,856	2,856	2,856	2,856	2,856	2,856
<b>Investments</b>	USD													
Input costs	USD		214	275	275	275	375	375	375	375	375	375	375	375
Labour cost	USD		356	750	844	781	625	625	625	625	625	625	625	625
<b>Total Production Cost</b>	USD		570	1,025	1,119	1,056	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>Net Income</b>	USD		1,480	1,015	1,329	1,392	1,652	1,856	1,856	1,856	1,856	1,856	1,856	1,856
<b>Cash flows for farm-gate financial analysis</b>														
Incremental cost	USD			455	549	486	430	430	430	430	430	430	430	430
Incremental benefits	USD			-10	397.8	398	602	806	806	806	806	806	806	806
Incremental net benefits	USD			-465	-151	-88	172	376	376	376	376	376	376	376
<b>Crop model profitability at the Farm-gate: before project financing:</b>														
Discount rate		13%												
IRR		30%												
Incremental PV-benefit (USD)		4,211												
Incremental NPV-benefits (USD)		1,036												
Incremental PV-cost (USD)		3,175												
B/C ratio		1.33												
Switching Value of Benefits		-25%												
Return to family labour at full development (USD/md)		2.1												



Arabica Coffee – RH

<b>Debt Financing at the farm-gate for cultivation</b>		WoP	WP						
			Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7
Current crop extent	ha		1						
Incremental Net income	USD		(465)	(151)	(88)	172	376	376	376
Surplus family labour income (for all model 100 + addition)	USD		0	625	625	625	625	625	625
<b>Financing Package:</b>									
<b>Planting material</b>									
Grant (from IFAD Loan)	60%	USD	0						
FSP (Debt Financing)	30%		0						
Farmers own financing	10%								
<b>Other Capital Cost</b>									
FSP (Debt Financing)	80%	USD	220						
Farmers own financing	20%								
<b>Working Capital Cost</b>									
FSP (Debt Financing)	80%			220	220	300			
Farmers own financing	20%								
<b>Planting material</b>									
<b>Other Capital Cost</b>									
<b>Total Capital Expenditure Loan</b>			220						
Years for having the loan for Capital Expenditure + Plants					1	2	3	4	5
Annual interest rate (%)	11%								
Loan repayment period (yrs): 2-years grace period	5								
Interest payment (%) - Capital Expenditure Loan	USD				(24)	(20)	(16)	(11)	(6)
Payment of principal - Capital expenditure loan	USD				(35)	(39)	(44)	(48)	(54)
Total payment for the Capital expenditure loan	USD				(60)	(60)	(60)	(60)	(60)
<b>Total Working Capital Loan</b>				275	275	375			
<b>Years for having the 1st loan:</b>					1	2			
Annual interest rate (%)	11%								
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD				(30)	(16)			
Payment of principal - Capital expenditure loan	USD				(130)	(145)			
Total payment for the Capital expenditure loan	USD				(161)	(161)			
<b>Years for having the 2nd loan:</b>						1	2		
Annual interest rate (%)	11%								
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD					(30)	(16)		
Payment of principal - Capital expenditure loan	USD					(130)	(145)		
Total payment for the Capital expenditure loan	USD					(161)	(161)		
<b>Years for having the 3rd loan:</b>							1	2	
Annual interest rate (%)	11%								
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD						(41)	(22)	
Payment of principal - Capital expenditure loan	USD						(178)	(197)	
Total payment for the Capital expenditure loan	USD						(219)	(219)	
<b>Incremental Cashflows for Financial analysis (after project financing)</b>									
Incremental cost	USD		455	549	706	811	869	709	490
Incremental benefits	USD		210	673	673	977	806	806	806
Incremental benefits	USD		(245)	124	(34)	166	(63)	97	316
Net benefits with Family Labour Income- Sustainability	USD		380	749	591	791	562	722	941
<b>Crop model profitability - after project financing:</b>									
Discount rate	13%								
IRR	45%								
Incremental PV-benefit (USD)	5,042								
Incremental NPV-benefits (USD)	1,083								
Incremental PV-cost (USD)	3,958								
B/C ratio	1.27								

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Crop Model Analysis: New Cultivation of Cocoa [1 ha]	Unit	Price USD	WOP	With Project									
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20
<b>Yields and inputs</b>													
Wet, non-fermented cocoa beans	Kg	0.88		0	533	1,065	2,130	2,982	3,195	3,834	3,845	3,845	3,845
Fermented and dried cocoa beans (47% conversion)		47%		0	250	500	1,000	1,400	1,500	1,800	1,805	1,805	1,805
<i>Maize is the WOP Case</i>	Kg	0.24	3,900										
<b>Crop Establishment Cost</b>													
Land Preparation	ha	165		1									
Saplings	Nb Plants	0.8		1000	100								
Planting	pd	6.25		15.2									
Manure (5 kg/ planting hole)	mt	35		10									
Fertilizer	Kg	0.5		300									
<b>Total Establishment Cost</b>	USD			1560	80								
<b>Operating costs</b>													
Compost/mulching (2,5 kg per tree 2000)	Mt	35		5	5	5	5	5	5	5	5	5	5
Fertilizer	Kg	0.5		300	300	300	300	300	300	300	300	300	300
Neemcide (or similar)	Lt	10		6	8	8	8	8	8	8	8	8	8
Integrated Pest Management	pd	6.25		10	10	10	10	10	10	10	10	10	10
Pruning and stumping	pd	6.25		5	10	15	20	35	40	40	40	40	40
Weeding	pd	6.25		10	10	10	10	10	10	10	10	10	10
Harvesting, transport and processing	pd	6.25		0	3	5	15	16	17	18	19	20	21
Person days for compost/fertilizer/bio pest agent	pd			15	15	15	15	15	15	15	15	15	15
Fermentation & drying	Kg	0.07											
<b>Total Labor Use</b>	pd			40	48	55	70	86	92	93	94	95	96
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>
<b>Gross Income</b>													
Sales of Cocoa & Maize	USD		936	-	466	932	1,864	2,609	2,796	3,355	3,364	3,364	3,364
<b>Investments</b>	USD												
Input costs	USD		-	1,945	522	480	554	614	629	673	674	674	674
Labor cost	USD		-	250	300	344	438	538	575	581	588	594	600
<b>Total Production Cost</b>	USD		661	2,195	822	823	992	1,151	1,204	1,255	1,262	1,268	1,274
<b>Net Income</b>	USD		275	-2,195	-356	109	872	1,458	1,592	2,100	2,102	2,096	2,090
<b>Cash flows for farm-gate financial analysis</b>													
Incremental cost	USD			1,534	161	162	331	490	543	594	601	607	613
Incremental benefits	USD			-936	(470.1)	-4	928	1,673	1,860	2,419	2,428	2,428	2,428
Incremental net benefits	USD			-2,470	-631	-167	597	1,183	1,317	1,825	1,827	1,821	1,815
<b>Crop model profitability at the Farm-gate: before project financing:</b>													
Discount rate		13%											
IRR		27%											
Incremental PV-benefit (USD)		8,517											
Incremental NPV-benefits (USD)		4,350											
Incremental PV-cost (USD)		4,168											
B/C ratio		2.04											
Switching Value of Benefits		-51%											
Return to family labour at full development (USD/md)		3.0											

Cocoa: NP

Debt Financing at the farm-gate for cultivation		WoP	WP						
			Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7
Current crop extent	ha		1						
Incremental Net income	USD		(2,470)	(631)	(167)	597	1,183	1,317	1,825
Surplus family labour income (for all model 100 + addition)	USD		50	938	938	938	938	938	938
<b>Financing Package:</b>									
<b>Planting material</b>									
	USD		800						
Grant (from IFAD Loan)	60%		480						
FSP (Debt Financing)	30%		240						
Farmers own financing	10%								
<b>Other Capital Cost</b>									
FSP (Debt Financing)	80%	USD	1,145						
Farmers own financing	20%								
<b>Working Capital Cost</b>									
FSP (Debt Financing)	80%			522	480	554			
Farmers own financing	20%								
<b>Planting material</b>									
<b>Other Capital Cost</b>									
<b>Total Capital Expenditure Loan</b>									
			1,385						
Years for having the loan for Capital Expenditure + Plants					1	2	3	4	5
Annual interest rate (%)	11%								
Loan repayment period (yrs): 2-years grace period	5								
Interest payment (%) - Capital Expenditure Loan	USD				(152)	(128)	(101)	(71)	(37)
Payment of principal - Capital expenditure loan	USD				(222)	(247)	(274)	(304)	(338)
Total payment for the Capital expenditure loan	USD				(375)	(375)	(375)	(375)	(375)
<b>Total Working Capital Loan</b>									
				522	480	554			
<b>Years for having the 1st loan:</b>									
Annual interest rate (%)	11%				1	2			
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD				(57)	(30)			
Payment of principal - Capital expenditure loan	USD				(248)	(275)			
Total payment for the Capital expenditure loan	USD				(305)	(305)			
<b>Years for having the 2nd loan:</b>									
Annual interest rate (%)	11%					1	2		
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD					(53)	(28)		
Payment of principal - Capital expenditure loan	USD					(227)	(252)		
Total payment for the Capital expenditure loan	USD					(280)	(280)		
<b>Years for having the 3rd loan:</b>									
Annual interest rate (%)	11%						1	2	
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD						(61)	(32)	
Payment of principal - Capital expenditure loan	USD						(263)	(291)	
Total payment for the Capital expenditure loan	USD						(324)	(324)	
<b>Incremental Cashflows for Financial analysis (after project financing)</b>									
Incremental cost	USD		1,534	161	842	1,290	1,469	1,241	968
Incremental benefits	USD		929	52	475	1,482	1,673	1,860	2,419
Incremental benefits	USD		(605)	(109)	(367)	191	205	619	1,450
Net benefits with Family Labor Income- Sustainability	USD		332	828	571	1,129	1,142	1,556	2,388
<b>Crop model profitability - after project financing:</b>									
Discount rate	13%								
IRR	43%								
Incremental PV-benefit (USD)	11,249								
Incremental NPV-benefits (USD)	4,996								
Incremental PV-cost (USD)	6,253								
B/C ratio	1.80								

## Rehabilitation of Cocoa

Crop Model Analysis: Rehabilitation of Cocoa [1 ha]	Unit	Price USD	WOP	With Project										
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20	
<b>Yields and inputs</b>														
Wet, non-fermented cocoa beans	Kg	0.88	1,172	746	1,278	1,917	2,130	2,343	2,450	3,195	3,195	3,195	3,195	
Fermented and dried cocoa beans (47% conversion)		47%	550	350	600	900	1000	1100	1150	1500	1500	1500	1500	
Compost/mulching (2,5 kg per tree 2000)	Mt	35	0	5	5	5	5	5	5	5	5	5	5	
Fertilizer	Kg	0.5	180	300	300	300	300	300	300	300	300	300	300	
Neemcide (or similar)	Lt	10	3	5	5	5	5	5	5	5	5	5	5	
Integrated Pest Management	pd	6.25	10	15	15	15	15	15	15	15	15	15	15	
Pruning and stumping	pd	6.25	20	80	80	50	35	30	30	30	30	30	30	
Weeding	pd	6.25	7	10	10	10	10	10	10	10	10	10	10	
Harvesting, transport and processing	pd	6.25	4	5	5	10	15	35	35	35	35	35	35	
Person days for compost/fertilizer/bio pest agent	pd	6.25	8	20	20	35	35	35	35	35	35	35	35	
Fermentation and drying (at the COOP level)	Kg	0												
<b>Total Labour Use</b>	pd		49	130	130	120	110	125	125	125	125	125	125	
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>	
<b>Gross Income</b>														
Sales of Cocoa beans	USD		1,025	652	1,118	1,677	1,864	2,050	2,143	2,796	2,796	2,796	2,796	
<b>Investments</b>	USD													
Input costs	USD		120	375	375	375	375	375	375	375	375	375	375	
Labour cost	USD		306	813	813	750	688	781	781	781	781	781	781	
<b>Total Production Cost</b>	USD		426	1,188	1,188	1,125	1,063	1,156	1,156	1,156	1,156	1,156	1,156	
<b>Net Income</b>	USD		599	-535	-69	552	801	894	987	1,639	1,639	1,639	1,639	
<b>Cash flows for farm-gate financial analysis</b>														
Incremental cost	USD			761	761	699	636	730	730	730	730	730	730	
Incremental benefits	USD			-373	93.2	652	839	1,025	1,118	1,771	1,771	1,771	1,771	
Incremental net benefits	USD			-1,134	-668	-46	202	295	388	1,041	1,041	1,041	1,041	
<b>Crop model profitability at the Farm-gate: before project financing:</b>														
Discount rate	13%													
IRR	25%													
Incremental PV-benefit (USD)	7,163													
Incremental NPV-benefits (USD)	2,062													
Incremental PV-cost (USD)	5,101													
B/C ratio	1.40													
Switching Value of Benefits	-29%													
Return to family labour at full development (USD/md)	3.0													

RH – Cocoa

<b>Debt Financing at the farm-gate for cultivation</b>		WoP	WP						
			Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7
Current crop extent	ha		1	1					
Incremental Net income	USD		(1,134)	(668)	(46)	202	295	388	1,041
Surplus family labour income (for all model 100 + addition)	USD		50	938	938	938	938	938	938
<b>Financing Package:</b>									
<b>Planting material</b>									
Grant (from IFAD Loan)	60%	USD	0						
FSP (Debt Financing)	30%		0						
Farmers own financing	10%								
<b>Other Capital Cost</b>									
FSP (Debt Financing)	80%	USD	375						
Farmers own financing	20%								
<b>Working Capital Cost</b>									
FSP (Debt Financing)	80%			375	375	375			
Farmers own financing	20%								
<b>Planting material</b>									
<b>Other Capital Cost</b>									
<b>Total Capital Expenditure Loan</b>									
Years for having the loan for Capital Expenditure + Plants			375						
Annual interest rate (%)	11%				1	2	3	4	5
Loan repayment period (yrs): 2-years grace period	5								
Interest payment (%) - Capital Expenditure Loan	USD				(41)	(35)	(27)	(19)	(10)
Payment of principal - Capital expenditure loan	USD				(60)	(67)	(74)	(82)	(91)
Total payment for the Capital expenditure loan	USD				(101)	(101)	(101)	(101)	(101)
<b>Total Working Capital Loan</b>									
Years for having the 1st loan:				375	375	375			
Annual interest rate (%)	11%				1	2			
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD				(41)	(22)			
Payment of principal - Capital expenditure loan	USD				(178)	(197)			
Total payment for the Capital expenditure loan	USD				(219)	(219)			
Years for having the 2nd loan:						1	2		
Annual interest rate (%)	11%								
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD					(41)	(22)		
Payment of principal - Capital expenditure loan	USD					(178)	(197)		
Total payment for the Capital expenditure loan	USD					(219)	(219)		
Years for having the 3rd loan:							1	2	
Annual interest rate (%)	11%								
Loan repayment period (yrs)	2								
Interest payment (%) - Capital Expenditure Loan	USD						(41)	(22)	
Payment of principal - Capital expenditure loan	USD						(178)	(197)	
Total payment for the Capital expenditure loan	USD						(219)	(219)	
<b>Incremental Cashflows for Financial analysis (after project financing)</b>									
Incremental cost	USD		761	761	1,019	1,176	1,269	1,050	831
Incremental benefits	USD		2	468	1,027	1,214	1,025	1,118	1,771
Incremental benefits	USD		(759)	(293)	8	38	(244)	68	939
Net benefits with Family Labour Income- Sustainability	USD		179	644	946	976	693	1,005	1,877
<b>Crop model profitability - after project financing:</b>									
Discount rate	11%								
IRR	28%								
Incremental NPV-benefit (USD)	9,748								
Incremental NPV-cost (USD)	6,912								
B/C ratio	1.41								

New planting of Calamanci

Crop Model Analysis: New Cultivation of Calamanci [1 ha]	Unit	Price USD	WOP	With Project										
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20	
<b>Yields and inputs</b>														
Sales of un-sorted fresh fruits (transfer to COOP)	Kg	0.26		0	2,250	4,500	6,300	8,100	10,800	11,700	12,600	14,400	14,400	
Un-cleaned fresh fruits (@ 90% conversion)				0	2,500	5,000	7,000	9,000	12,000	13,000	14,000	16,000	16,000	
<i>Maize is the WOP Case</i>	Kg	0.24	3,900											
<b>Crop Establishment Cost</b>														
Land Preparation	ha	165		1										
Saplings	Nb Plants	0.70		400	40									
Planting	pd	6.25		15.2										
Manure (5 kg/ planting hole)	mt	35		10										
<b>Total Establishment Cost</b>	USD			890	28									
<b>Operating costs</b>														
Compost/mulching (2,5 kg per tree 2000)	Mt	35		5	5	5	5	5	5	5	5	5	5	
Fertilizer	Kg	0.5		200	250	250	350	350	350	350	350	350	350	
Neemcide (or similar)	Lt	10		4	5	5	5	5	5	5	5	5	5	
Intergraded Pest Management	pd	6.25		15	15	15	20	30	30	30	30	30	30	
Pruning and stumping	pd	6.25		10	20	30	30	30	30	30	30	30	30	
Weeding	pd	6.25		10	10	10	10	10	10	10	10	10	10	
Harvesting, transport and processing	pd	6.25		0	10	20	30	40	50	50	50	50	50	
Person days for compost/fertilizer/bio pest agent	pd			20	20	20	20	20	20	20	20	20	20	
Sorting/packaging	Kg	0												
<b>Total Labour Use</b>	pd			55	75	95	110	130	140	140	140	140	140	
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>	
<b>Gross Income</b>														
Sales of Calamanci & Maize	USD		936	-	585	1,170	1,638	2,106	2,808	3,042	3,276	3,744	3,744	
<b>Investments</b>	USD													
Input costs	USD		-	1,205	378	350	400	400	400	400	400	400	400	
Labour cost	USD		-	344	469	594	688	813	875	875	875	875	875	
<b>Total Production Cost</b>	USD		661	1,549	847	944	1,088	1,213	1,275	1,275	1,275	1,275	1,275	
<b>Net Income</b>	USD		275	-1,549	-262	226	551	894	1,533	1,767	2,001	2,469	2,469	
<b>Cash flows for farm-gate financial analysis</b>														
Incremental cost	USD			888	186	283	427	552	614	614	614	614	614	
Incremental benefits	USD			-936	(351.0)	234	702	1,170	1,872	2,106	2,340	2,808	2,808	
Incremental net benefits	USD			-1,824	-537	-49	275	618	1,258	1,492	1,726	2,194	2,194	
<b>Crop model profitability at the Farm-gate: before project financing:</b>														
Discount rate	13%													
IRR	31%													
Incremental PV-benefit (USD)	9,050													
Incremental NPV-benefits (USD)	5,207													
Incremental PV-cost (USD)	3,842													
B/C ratio	2.36													
Switching Value of Benefits	-58%													
Return to family labour at full development (USD/md)	4.7													

NP – Calamanci

<b>Debt Financing at the farm-gate for cultivation</b>		WoP	WP							
			1	Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7
Current crop extent	ha		1	1						
Incremental Net income	USD			(1,824)	(537)	(49)	275	618	1,258	1,492
Surplus family labour income (for all model 100 + addition)	USD		50	938	938	938	938	938	938	938
<b>Financing Package:</b>										
<b>Planting material</b>										
	USD			280						
Grant (from IFAD Loan)	60%			168						
FSP (Debt Financing)	30%			84						
Farmers own financing	10%									
<b>Other Capital Cost</b>										
	USD			925						
FSP (Debt Financing)	80%									
Farmers own financing	20%									
<b>Working Capital Cost</b>										
					378	350	400			
FSP (Debt Financing)	80%									
Farmers own financing	20%									
<b>Planting material</b>										
<b>Other Capital Cost</b>										
<b>Total Capital Expenditure Loan</b>										
				1,009						
Years for having the loan for Capital Expenditure + Plants						1	2	3	4	5
Annual interest rate (%)	11%									
Loan repayment period (yrs): 2-years grace period	5									
Interest payment (%) - Capital Expenditure Loan	USD					(111)	(93)	(73)	(51)	(27)
Payment of principal - Capital expenditure loan	USD					(162)	(180)	(200)	(222)	(246)
Total payment for the Capital expenditure loan	USD					(273)	(273)	(273)	(273)	(273)
<b>Total Working Capital Loan</b>										
					378	350	400			
Years for having the 1st loan:						1	2			
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD					(42)	(22)			
Payment of principal - Capital expenditure loan	USD					(179)	(199)			
Total payment for the Capital expenditure loan	USD					(221)	(221)			
Years for having the 2nd loan:							1	2		
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD						(39)	(20)		
Payment of principal - Capital expenditure loan	USD						(166)	(184)		
Total payment for the Capital expenditure loan	USD						(204)	(204)		
Years for having the 3rd loan:								1	2	
Annual interest rate (%)	11%									
Loan repayment period (yrs)	2									
Interest payment (%) - Capital Expenditure Loan	USD							(44)	(23)	
Payment of principal - Capital expenditure loan	USD							(190)	(210)	
Total payment for the Capital expenditure loan	USD							(234)	(234)	
<b>Incremental Cashflows for Financial analysis (after project financing)</b>										
Incremental cost	USD			888	186	777	1,125	1,263	1,121	887
Incremental benefits	USD			241	27	584	1,102	1,170	1,872	2,106
Incremental benefits	USD			(647)	(159)	(193)	(23)	(93)	751	1,219
Net benefits with Family Labour Income- Sustainability	USD			291	779	745	915	845	1,689	2,156
<b>Crop model profitability - after project financing:</b>										
Discount rate	13%									
IRR	42%									
Incremental PV-benefit (USD)	10,875									
Incremental NPV-benefits (USD)	5,517									
Incremental PV-cost (USD)	5,358									
B/C ratio	2.03									

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Crop Model Analysis: Rehabilitation of Calamanci (1 ha)	Unit	Price USD	WOP	With Project									
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20
<b>Yields and inputs</b>													
Sales of un-sorted fresh fruits (transfer to COOP)	Kg	0.26	5,556	5,000	7,222	7,778	7,778	7,778	7,778	7,778	7,778	7,778	7,778
Un-cleaned fresh fruits (@ 90% conversion)	Kg		5,000	4,500	6,500	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
<b>Operating costs</b>													
Compost/mulching (2,5 kg per tree 2000)	Mt	35	5	5	5	5	5	5	5	5	5	5	5
Fertilizer	Kg	0.5	150	200	250	250	250	250	250	250	250	250	250
Neemcide (or similar)	Lt	10	3	3	4	5	5	5	5	5	5	5	5
Integrated Pest Management	pd	6.25	0	15	15	15	15	15	15	15	15	15	15
Pruning and stumping	pd	6.25	20	80	40	30	30	30	30	30	30	30	30
Weeding	pd	6.25	10	10	10	10	10	10	10	10	10	10	10
Harvesting, transport and processing	pd	6.25	20	20	20	20	20	20	20	20	20	20	20
Person days for compost/fertilizer/bio pest agent	pd	6.25	10	15	15	15	15	15	15	15	15	15	15
Sorting/packaging	Kg	0											
<b>Total Labor Use</b>	pd		60	140	100	90	90	90	90	90	90	90	90
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>
<b>Gross Income</b>													
Sales of Fresh Calamanci	USD		1,444	1,300	1,878	2,022	2,022	2,022	2,022	2,022	2,022	2,022	2,022
<b>Investments</b>	USD												
Input costs	USD		280	305	340	350	350	350	350	350	350	350	350
Labor cost	USD		375	875	625	563	563	563	563	563	563	563	563
<b>Total Production Cost</b>	USD		655	1,180	965	913	913	913	913	913	913	913	913
<b>Net Income</b>	USD		789	120	913	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110
<b>Cash flows for farm-gate financial analysis</b>													
Incremental cost	USD			525	310	258	258	258	258	258	258	258	258
Incremental benefits	USD			-144	433	578	578	578	578	578	578	578	578
Incremental net benefits	USD			-669	123	320	320	320	320	320	320	320	320
<b>Crop model profitability at the Farm-gate: before project financing:</b>													
Discount rate	13%												
IRR	39%												
Incremental PV-benefit (USD)	3,306												
Incremental NPV-benefits (USD)	1,220												
Incremental PV-cost (USD)	2,087												
B/C ratio	1.58												
Return to family labour at full development (USD/md)	1.7												



RH Calamanci

<b>Debt Financing at the farm-gate for cultivation - RH Calamanci</b>		WoP	WP									
			Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7	Yr : 8-20		
Current crop extent	ha		1									
Incremental Net income	USD		(669)	123	320	320	320	320	320	320		
Surplus family labour income (for all model 100 + addition)	USD		0	625	625	625	625	625	625	625		
<b>Financing Package:</b>												
<b>Planting material</b>												
Grant (from IFAD Loan)	60%	USD	0									
FSP (Debt Financing)	30%		0									
Farmers own financing	10%											
<b>Other Capital Cost</b>												
FSP (Debt Financing)	80%	USD	305									
Farmers own financing	20%											
<b>Working Capital Cost</b>												
FSP (Debt Financing)	80%			340	350	350						
Farmers own financing	20%											
<b>Planting material</b>												
<b>Other Capital Cost</b>												
<b>Total Capital Expenditure Loan</b>												
			305									
Years for having the loan for Capital Expenditure + Plants												
Annual interest rate (%)	11%				1	2	3	4	5			
Loan repayment period (yrs): 2-years grace period	5											
Interest payment (%) - Capital Expenditure Loan	USD				(34)	(28)	(22)	(16)	(8)			
Payment of principal - Capital expenditure loan	USD				(49)	(54)	(60)	(67)	(74)			
Total payment for the Capital expenditure loan	USD				(83)	(83)	(83)	(83)	(83)			
<b>Total Working Capital Loan</b>												
				340	350	350						
<b>Years for having the 1st loan:</b>												
Annual interest rate (%)	11%				1	2						
Loan repayment period (yrs)	2											
Interest payment (%) - Capital Expenditure Loan	USD				(37)	(20)						
Payment of principal - Capital expenditure loan	USD				(161)	(179)						
Total payment for the Capital expenditure loan	USD				(199)	(199)						
<b>Years for having the 2nd loan:</b>												
Annual interest rate (%)	11%					1	2					
Loan repayment period (yrs)	2											
Interest payment (%) - Capital Expenditure Loan	USD					(39)	(20)					
Payment of principal - Capital expenditure loan	USD					(166)	(184)					
Total payment for the Capital expenditure loan	USD					(204)	(204)					
<b>Years for having the 3rd loan:</b>												
Annual interest rate (%)	11%						1	2				
Loan repayment period (yrs)	2											
Interest payment (%) - Capital Expenditure Loan	USD						(39)	(20)				
Payment of principal - Capital expenditure loan	USD						(166)	(184)				
Total payment for the Capital expenditure loan	USD						(204)	(204)				
<b>Incremental Cashflows for Financial analysis (after project financing)</b>												
Incremental cost	USD		525	310	539	743	749	544	340	258		
Incremental benefits	USD		161	773	928	928	578	578	578	578		
Incremental benefits	USD		(364)	463	389	185	(171)	33	238	320		
Net benefits with Family Labor Income- Sustainability	USD		261	1,088	1,014	810	454	658	863	945		
<b>Crop model profitability - after project financing:</b>												
Discount rate	13%											
IRR	95%											
Incremental PV-benefit (USD)	4,300											
Incremental NPV-benefits (USD)	1,281											
Incremental PV-cost (USD)	3,019											
B/C ratio	1.42											

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Crop Model Analysis: New Cultivation of Coconut (1 ha)	Unit	Price USD	WOP	With Project										
				Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10-20	
<b>Yields and inputs</b>														
Sales of un-sorted fresh nuts	mt	350.00	3.9				2.0	3.2	5.1	9.0	12.8	12.8	12.8	
<i>Old coconut is the WOP case</i>	mt	350.00												
<b>Crop Establishment Cost</b>														
Land Preparation	ha	165		1										
Planting material	Nb Plants	2.00		150	15									
Planting	pd	1.6		15.2										
Manure (5 kg/ planting hole)	mt	35.0		15										
<b>Total Establishment Cost</b>	USD			1014.32	30									
<b>Operating costs</b>														
Compost/mulching (2,5 kg per tree 2000)	Mt	35		2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	
Fertilizer	Kg	0.5	300	150	190	225	300	375	450	450	450	450	450	
Neemcide (or similar)	Lt	10	2	5	5	5	5	5	5	5	5	5	5	
Intergraded Pest Management	pd	6.25	5	10	10	10	10	10	10	10	10	10	10	
Circle Weeding and fertilizer application	pd	6.25	4	10	10	10	10	10	10	10	10	10	10	
Cost of pruning (uprooting)	pd	6.25	0	4	6	6	8	10	10	10	10	10	10	
Harvesting, piling & transporting	pd	6.25	8				2	5	8	15	21	21	21	
<b>Total Labour Use</b>	pd		17	24	26	26	30	35	38	45	51	51	51	
<b>FINANCIAL BUDGET (USD)</b>				<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>Y6</b>	<b>Y7</b>	<b>Y8</b>	<b>Y9</b>	<b>Y10</b>	
<b>Gross Income</b>														
Sales of de-husked coconut	USD		1,365	-	-	-	700	1,120	1,792	3,136	4,480	4,480	4,480	
<b>Investments</b>	USD													
Input costs	USD		170	1,218	254	241	279	316	354	354	354	354	354	
Labour cost	USD		106	150	163	163	188	219	238	281	319	319	319	
<b>Total Production Cost</b>	USD		276	1,368	416	404	466	535	591	635	673	673	673	
<b>Net Income</b>	USD		1,089	-1,368	-416	-404	234	585	1,201	2,501	3,808	3,808	3,808	
<b>Cash flows for farm-gate financial analysis</b>														
Incremental cost	USD			1,092	140	128	190	259	315	359	396	396	396	
Incremental benefits	USD			-1,365	-1,365	-1,365	-665	-245	427	1,771	3,115	3,115	3,115	
Incremental net benefits	USD			-2,457	-1,505	-1,493	-855	-504	112	1,412	2,719	2,719	2,719	
<b>Crop model profitability at the Farm-gate: before project financing:</b>														
Discount rate		13%												
IRR		18%												
Incremental PV-benefit (USD)		5,300												
Incremental NPV-benefits (USD)		2,544												
Incremental PV-cost (USD)		2,756												
B/C ratio		1.92												
Return to family labour at full development (USD/md)		1.2												

NP – Coconut

<b>Debt Financing at the farm-gate for cultivation: NP Coconut</b>		WoP	WP									
			Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7	Yr : 8-20		
Current crop extent	ha		1									
Incremental Net income	USD		(2,457)	(1,505)	(1,493)	(855)	(504)	112	1,412	2,719		
Surplus family labour income (for all model 100 + addition)	USD		200	1,875	1,875	1,875	1,875	1,875	1,875	1,875		
<b>Financing Package:</b>												
<b>Planting material</b>												
	USD		300									
Grant (from IFAD Loan)	60%		180									
FSP (Debt Financing)	30%		90									
Farmers own financing	10%											
<b>Other Capital Cost</b>												
FSP (Debt Financing)	80%	USD	918									
Farmers own financing	20%											
<b>Working Capital Cost</b>												
FSP (Debt Financing)	80%			254	241	279						
Farmers own financing	20%											
<b>Planting material</b>												
<b>Other Capital Cost</b>												
<b>Total Capital Expenditure Loan</b>												
			1,008									
Years for having the loan for Capital Expenditure + Plants												
Annual interest rate (%)	11%				1	2	3	4	5			
Loan repayment period (yrs): 2-years grace period	5											
Interest payment (%) - Capital Expenditure Loan	USD				(111)	(93)	(73)	(51)	(27)			
Payment of principal - Capital expenditure loan	USD				(162)	(180)	(199)	(221)	(246)			
Total payment for the Capital expenditure loan	USD				(273)	(273)	(273)	(273)	(273)			
<b>Total Working Capital Loan</b>												
				254	241	279						
<b>Years for having the 1st loan:</b>												
Annual interest rate (%)	11%				1	2						
Loan repayment period (yrs)	2											
Interest payment (%) - Capital Expenditure Loan	USD				(28)	(15)						
Payment of principal - Capital expenditure loan	USD				(120)	(133)						
Total payment for the Capital expenditure loan	USD				(148)	(148)						
<b>Years for having the 2nd loan:</b>												
Annual interest rate (%)	11%						1	2				
Loan repayment period (yrs)	2											
Interest payment (%) - Capital Expenditure Loan	USD						(27)	(14)				
Payment of principal - Capital expenditure loan	USD						(114)	(127)				
Total payment for the Capital expenditure loan	USD						(141)	(141)				
<b>Years for having the 3rd loan:</b>												
Annual interest rate (%)	11%							1	2			
Loan repayment period (yrs)	2											
Interest payment (%) - Capital Expenditure Loan	USD							(31)	(16)			
Payment of principal - Capital expenditure loan	USD							(132)	(147)			
Total payment for the Capital expenditure loan	USD							(163)	(163)			
<b>Incremental Cashflows for Financial analysis (after project financing)</b>												
Incremental cost	USD		1,092	140	548	752	835	751	632	396		
Incremental benefits	USD		-177	-1,111	-1,124	-386	-245	427	1,771	3,115		
Incremental benefits	USD		(1,269)	(1,251)	(1,672)	(1,138)	(1,080)	(324)	1,139	2,719		
Net benefits with Family Labour Income- Sustainability	USD		606	624	203	737	795	1,551	3,014	4,594		
<b>Crop model profitability - after project financing:</b>												
Discount rate	13%											
IRR	19%											
Incremental PV-benefit (USD)	6,888											
Incremental NPV-benefits (USD)	2,858											
Incremental PV-cost (USD)	4,030											
B/C ratio	1.71											

**Appendix Table 2: Financial viability estimation of ME Models and Debt Financing – Coffee**

Coffee ME - unit analysis; Robusta Coffee	Units	Rates	WOP	With Project						
				Y1	Y2	Y3	Y4	Y5	Y6-20	
<b>Coffee ME Units</b>	1			1						
<b>Capacity Specification of Coffee Processing Units</b>										
Nb Coffee Growers / Unit	nb /unit	150								
Extent (Ha) Coffee Serviced / Unit	ha/unit	150								
Processing capacity of the unit / 8-hour day (dehuller rate)	mt/day	5.6								
Nb of coffee harvesting days	days	100								
Cumulative total Processing capacity / year	mt				560	560	560	560	560	560
<b>Establishing the Processing Unit</b>										
<b>Capital Cost</b>										
Gravity separator	USD	1850		1						
DE huller (0.7MT/hour)	USD	850		1						
Packaging and weighing equipment	USD	350		1						
Simple Shed (25 m2)	USD	1450		1						
Annual maintenance cost (fixed)	USD	40			40	40	40	40	40	40
Sub-total Capital Cost	USD			4500						
Depreciation of capital assets	USD	10%			450	450	450	450	450	450
<b>Total Capital Cost</b>	USD			4540	490	490	490	490	490	490
<b>Operational Parameters:</b>										
Cost of dried cherry beans (exit farm-gate for converting to GDB)	USD/mt	960								
Conversion: dry cherry beans to dry, hulled & graded beans (GDB)	rate	50%								
Unit cost of electricity	USD/KWH	0.19								
Dehuller capacity per hour	mt/hr	0.7								
Energy for Dehulling of coffee	KWH / mt	7.5								
Energy for Cleaning of coffee (Using Gravity Separator)	KWH / mt	4.5								
Cost of Labour	USD/day	6.25								
Cost of transport to and handling at the processing unit	USD/kg	0.022								
Volume processed - dry cherry beans from farm-gate	mt				560	560	560	560	560	560
Cost of the coffee beans (paid to the farmers)	USD				537,600	537,600	537,600	537,600	537,600	537,600
Electricity cost for dehulling	USD				798	798	798	798	798	798
Electricity & water cost for cleaning	USD				479	479	479	479	479	479
Nb of labour days for operation	days				800	800	800	800	800	800
Labour cost for operations	USD				5,000	5,000	5,000	5,000	5,000	5,000
Labour cost of filling and bagging etc	USD				5,000	5,000	5,000	5,000	5,000	5,000
Cost of transport to and handling at the processing unit	USD				12	12	12	12	12	12
<b>WOP: Labour use alternatives - rate</b>		80%								
WOP Labour opportunity cost	USD		8000		8,000	8,000	8,000	8,000	8,000	8,000
<b>Total operational cost</b>	USD				548,889	548,889	548,889	548,889	548,889	548,889
<b>Total operational cost with WOP opportunity cost</b>	USD				556,889	556,889	556,889	556,889	556,889	556,889
<b>Total cost</b>	USD			4540	557,379	557,379	557,379	557,379	557,379	557,379
<b>Revenue</b>										
Processed Beans	mt				280	280	280	280	280	280
Price of Graded, dried, Beans (GDB)	USD/mt	2000								
Gross revenue from GDB	USD				560,000	560,000	560,000	560,000	560,000	560,000
Net revenue	USD				-4,540	2,621	2,621	2,621	2,621	2,621
IRR		58%								
NPV (@ 13% DR)		12,074								
<b>Debt Financing at the ME-gate for processing</b>			WoP	WP						
Processing Units	Nb			Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	
Incremental Net income	USD			1	(4,540)	2,621	2,621	2,621	2,621	2,621
IFAD Equity Grant to meet capital cost	USD	50%		2,250						
Debt financing (30% of the capital cost)	USD	50%		2,250	0					
Years for having the loan					1	2	3	4	5	
Annual interest rate (%)	8.5%									
Loan repayment period (yrs)	5									
Interest payment (%) - 1st loan	USD				(191)	(159)	(124)	(86)	(45)	
Payment of principal - 1st loan	USD				(380)	(412)	(447)	(485)	(526)	
Total payment for the 1st loan	USD				(571)	(571)	(571)	(571)	(571)	
<b>Net cash flow after loan repay</b>	USD				(40)	2,621	2,621	2,621	2,621	2,621

## Cocoa Beans ME

Cocoa ME - Dried and Fermented Cocoa Beans - unit analysis	Units	Rates	WOP	With Project					
				Y1	Y2	Y3	Y4	Y5	Y6
<b>Cocoa ME Units</b>				1					
<b>Capacity Specification of Cocoa Processing Units</b>									
Nb Cocoa Growers / Unit	nb /unit	70							
Extent (Ha) Cocoa Serviced / Unit	ha/unit	70							
Processing capacity of the unit - fermentation capacity	mt/week	3.6							
Nb of cocoa harvesting days	weeks	40							
Cumulative total Processing capacity / year	mt				144	144	144	144	144
<b>Establishing the Processing Unit</b>									
<b>Capital Cost</b>									
Fermentation plant	USD	9000		1					
Solar Dryer	USD	5100		1					
Scale and sewing machine	USD	1050		1					
Simple Shed (25 m2)	USD	1450		1					
Annual maintenance cost (fixed)	USD	450		450	450	450	450	450	450
Sub-total Capital Cost	USD			16600					
Depreciation of capital assets	USD	10%			1660	1660	1660	1660	1660
Total Capital Cost	USD			17050	2110	2110	2110	2110	2110
<b>Operational Parameters:</b>									
Cost of wet, non-fermented beans (exit farm-gate for processing)	USD/mt	875							
Conversion: non-fermented to fermented dry cocoa beans	rate	47%							
Unit cost of electricity	USD/KWH	0.19							
Fermentation capacity per week	mt/week	3.6							
Drying capacity	mt/week	3.6							
Labour for fermentation	Man-hr/mt	0.56							
Labour for Solar drying	Man-hr/mt	0.56							
Energy cost for sewing bags & closing (electricity cost)	KWH/mt	0.19							
Labour (filling and bagging) daily wage	Man-hr/mt	0.19							
Cost of Labour	USD/day	6.25							
Cost of transport to and handling at the processing unit	USD/kg	0.2							
Volume processed - wet, un-fermented beans from farm-gate	mt				307	307	307	307	307
Cost of the wet beans (paid to the farmers)	USD				268,380	268,380	268,380	268,380	268,380
Energy cost for sewing bags & closing (electricity cost)	USD				11	210	210	210	210
Cost of water use	USD/yr				1	21	21	21	21
Nb of labour days for operation	days				401	401	401	401	401
Labour cost for operations	USD				2,506	2,506	2,506	2,506	2,506
Cost of transport to and handling at the processing unit	USD				61.34	61.34	61.34	61.34	61.34
<b>WOP: Labour use alternatives - rate</b>		80%							
WOP Labour opportunity cost	USD		2,005		2,005	2,005	2,005	2,005	2,005
Total operational cost	USD				270,959	271,178	271,178	271,178	271,178
Cost of insurance of capital goods (Coop pays the premium)	USD	2%		341	341	341	341	341	341
Total operational cost with WOP opportunity cost + insurance	USD			341	273,305	273,524	273,524	273,524	273,524
<b>Total cost</b>	USD			17,391	275,415	275,634	275,634	275,634	275,634
<b>Revenue</b>									
Processed Beans	mt				144	144	144	144	144
Price of fermented and dried Beans (FDB)	USD/mt	1980							
Gross revenue from FDB	USD				285,120	285,120	285,120	285,120	285,120
Net revenue	USD			-17,391	9,705	9,486	9,486	9,486	9,486
IRR		55%							
NPV (@ 13% DR)		43,025							
<b>Financing instruments and Cash Flows</b>									
<b>Debt Financing at the farm-gate for cultivation</b>				WoP	WP				
				Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6
Processing Units	Nb		1	1					
Incremental Net income	USD			(17,391)	9,705	9,486	9,486	9,486	9,486
IFAD Equity Grant to meet capital cost	USD	50%		8,300					
Debt financing (30% of the capital cost)	USD	50%		8,300	0				
Years for having the loan					1	2	3	4	5
Annual interest rate (%)	9%								
Loan repayment period (yrs)	5								
Interest payment (%) - 1st loan	USD				(706)	(586)	(457)	(317)	(165)
Payment of principal - 1st loan	USD				(1,401)	(1,520)	(1,649)	(1,789)	(1,941)
Total payment for the 1st loan	USD				(2,106)	(2,106)	(2,106)	(2,106)	(2,106)
Net cash flow after loan repay	USD			(791)	9,705	9,486	9,486	9,486	9,486

### Calamansi Fresh Fruit - ME

Calamanci ME - Cleaned and sorted fruits - unit analysis	Units	Rates	WOP	With Project						
				Y1	Y2	Y3	Y4	Y5	Y6-20	
<b>Calamanci ME Units</b>				1						
<b>Capacity Specification of Calamanci Processing Units</b>										
Nb Calamanci Growers / Unit	nb /unit	90								
Extent (Ha) Serviced / Unit	ha/unit	90								
Processing capacity of the unit - sorting capacity	mt/Yr	450								
Cumulative total Processing capacity / year	mt				450	450	450	450	450	450
<b>Establishing the Processing Unit</b>										
<b>Capital Cost</b>										
Manual sorting platform (S 340)	USD	1700		1						
Plastic fruit boxes 300 at 25 kg @ \$5	USD	1500		1						
Packaging and weighing	USD	900		1						
Charcoal cooler	USD	1000		1						
Pack shed (35 m2)	USD	2050		1						
Annual maintenance cost (fixed)	USD	150			150	150	150	150	150	150
Sub-total Capital Cost	USD			7150						
Depreciation of capital assets	USD	10%			715	715	715	715	715	715
<b>Total Capital Cost</b>	USD			7150	865	865	865	865	865	865
<b>Operational Parameters:</b>										
Cost of fresh, non-sorted Calamanci (exit farm-gate)	USD/mt	260								
Conversion: non-sorted to sorted and cleaned fruits	rate	90%								
Cleaning capacity per year	mt/Yr	450								
labour for sorting and washing	man-day/mt	0.89								
Labour for weighing	man-day/mt	0.11								
Water cost for cleaning etc	USD/mt	0.11								
Cost of detergent for cleaning	USD/mt	0.44								
Cost of Labour	USD/day	6.25								
Cost of transport to and handling at the processing unit	USD/kg	0.2								
Volume processed - un-sorted fresh fruits from farm-gate	mt				500	500	500	500	500	500
Cost of the fresh fruits (paid to the farmers)	USD				130,000	130,000	130,000	130,000	130,000	130,000
Nb of labour days for operation	days				500	500	500	500	500	500
Labour cost for operations	USD				3,125	3,125	3,125	3,125	3,125	3,125
Water and detergent cost	USD				278	278	278	278	278	278
Cost of transport to and handling at the processing unit	USD				100.00	100.00	100.00	100.00	100.00	100.00
<b>WOP: Labour use alternatives - rate</b>		80%								
WOP Labour opportunity cost	USD		2,500		2,500	2,500	2,500	2,500	2,500	2,500
Total operational cost	USD				133,225	133,225	133,225	133,225	133,225	133,225
Total operational cost with WOP opportunity cost	USD				135,725	135,725	135,725	135,725	135,725	135,725
<b>Total cost</b>	USD			7150	136,590	136,590	136,590	136,590	136,590	136,590
<b>Revenue</b>										
Cleaned and sorted Calamanci	mt				450	450	450	450	450	450
Price of cleaned and fresh fruits	USD/mt	310								
Gross revenue from cleaned fruits	USD				139,500	139,500	139,500	139,500	139,500	139,500
Net revenue	USD				-7,150	2,910	2,910	2,910	2,910	2,910
IRR		41%								
NPV (@ 13% DR)		11,539								
<b>Financing Instruments and Cash Flows</b>										
<b>Debt Financing at the farm-gate for cultivation</b>			WoP	WP						
				Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	
Processing Units	Nb		1	1						
Incremental Net income	USD			(7,150)	2,910	2,910	2,910	2,910	2,910	
IFAD Equity Grant to meet capital cost	USD	50%		3,575						
Debt financing (30% of the capital cost)	USD	50%		3,575	0					
Years for having the loan					1	2	3	4	5	
Annual interest rate (%)	9%									
Loan repayment period (yrs)	5									
Interest payment (%) - 1st loan	USD				(304)	(253)	(197)	(137)	(71)	
Payment of principal - 1st loan	USD				(603)	(655)	(710)	(771)	(836)	
Total payment for the 1st loan	USD				(907)	(907)	(907)	(907)	(907)	
Net cash flow after loan repay	USD			0	2,910	2,910	2,910	2,910	2,910	

**Appendix Table 3: Financial analysis of a cocoa nursery – a representative model for input providing ME**

Cocoa Nursery: Example of an input ME to V			Price	Without Project	With Project				
Yields and inputs	Unit	USD		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6-20
Sales of Plants (after 5% mortality)	Pc	31.00	-	0	100,000	100,000	100,000	100,000	100,000
Investments	USD		-	505,990			0	0	0
<b>Operating costs</b>									
Medium	Mt	45,000.0			32	32	32	32	32
Root training bags	Pc	10			100,000	100,000	100,000	100,000	100,000
Water	Pc	0.04			100,000	100,000	100,000	100,000	100,000
Fertilizer 14.14.14 NPK,	Kg	24			70	70	70	70	70
Foliar Fertilizer/Insecticide/Fungicide	Lt	480			4	4	4	4	4
Pruning	pd	300			40	40	40	40	40
Person days for management	Pd	300			1,460	1,460	1,460	1,460	1,460
Loading of plants	Pc	300			45	45	45	45	45
Administration	Pd	500			150	150	150	150	150
Total					1,695	1,695	1,695	1,695	1,695
				Without Project	With Project				
<b>FINANCIAL BUDGET (USD)</b>									
				Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
Sales of Cacao	USD		-	-	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
Total Sale	USD				3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
Investments	USD			505,990			-	-	-
Input costs	USD				2,447,600	2,447,600	2,447,600	2,447,600	2,447,600
Labour cost	USD				508,500	508,500	508,500	508,500	508,500
Subtotal Costs	USD		-	-	2,956,100	2,956,100	2,956,100	2,956,100	2,956,100
Total Costs	USD				2,956,100	2,956,100	2,956,100	2,956,100	2,956,100
Cash Flow	USD								
Cash Flow WoP (maize)	USD		3,150	3,150	143,900	143,900	143,900	143,900	143,900
Incremental Cash flow	USD			-502,840	140,750	140,750	140,750	140,750	140,750
Cash flows for the analysis:									
Incremental cost	USD			509,140	2,959,250	2,959,250	2,959,250	2,959,250	2,959,250
Incremental benefits	USD			0	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
Incremental net benefits	USD			-509,140	140,750	140,750	140,750	140,750	140,750
<b>Nursery model profitability: before project financing:</b>									
Discount rate		13%							
IRR		25%							
Incremental NPV-benefit		14,886,155							
Incremental NPV-cost		14,660,842							
B/C ratio		1.02							
<b>Financing instruments and Cash Flows</b>									
<b>Debt Financing at the ME-gate - Plant Nursery</b>				WoP	WP				
				Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6
Nurseries	Nb			1					
Incremental Net income	USD			(509,140)	140,750	140,750	140,750	140,750	140,750
IFAD Equity Grant to meet capital cost	USD	50%		252,995					
Debt financing (50% of the capital cost)	USD	50%		252,995	0				
Years for having the loan					1	2	3	4	5
Annual interest rate (%)		9%							
Loan repayment period (yrs)		5							
Interest payment (%) - 1st loan	USD				(21,505)	(17,875)	(13,938)	(9,665)	(5,030)
Payment of principal - 1st loan	USD				(42,697)	(46,326)	(50,264)	(54,536)	(59,172)
Total payment for the 1st loan	USD				(64,201)	(64,201)	(64,201)	(64,201)	(64,201)
Net cash flow after loan repay	USD				(3,150)	76,549	76,549	76,549	76,549

**Appendix Table 4: Financial viability of SME – Green Coffee SME**

Micro-Small Enterprise: Green Coffee Processing and Packaging				Index/A1									
<b>Financial Analysis of one unit</b>													
(USD )													
<b>Cost and Revenue</b>	Unit Rate	Unit Price	Unit	<b>WOP</b>	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	
<b>Processing Capacity of the Unit</b>	mt/yr	1470											
<b>Capital Cost</b>													
Description													
Building	250	250	USD		62,500								
Water and electricity	1		USD		5,000								
Design and permissions	1		USD		2,200								
Subtotal building, utilities and permissions			USD		<b>69,700</b>								
Biomass dryer	1	17,800	USD		17,800								
Cleaning (densimetric) and de-stoning machine	1	6,500	USD		6,500								
size sorter	1	1,800	USD		1,800								
colour sorter	1	18,000	USD		18,000								
Vacuum/weighing packaging (25 kg/bag)	1	5,700	USD		5,700								
Moisture meter	1	250	USD		250								
labeling machine	1	4,200	USD		4,200								
Subtotal equipment	1		USD		<b>54,250</b>								
Total			USD		<b>123,950</b>								
<b>Production parameters</b>													
Cleaned, sorted and packed green coffee	mt/day	5											
Grade 1 (mt/yr)	75%	1050			1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050
Grade 2 (mt/yr)	15%	210			210	210	210	210	210	210	210	210	210
Grade 3 (mt/yr)	10%	140			140	140	140	140	140	140	140	140	140
8-hour working days	days/Yr	280											
Annual production of Green Coffee	mt/yr	1400	mt		1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Price of Green Coffee:													
Grade 1	USD/mt	2700	USD	55%									
Grade 2	USD/mt	2100	USD										
Grade 3	USD/mt	1800	USD										
Capacity utilization	rate				50%	100%	100%	100%	100%	100%	100%	100%	100%
Weight loss during processing	rate	5%											
<b>Working Capital</b>													
Dry beans for green coffee production	mt / yr	1470											
Cost of dry beans	USD/mt	2010	USD		1,477,350	2,954,700	2,954,700	2,954,700	2,954,700	2,954,700	2,954,700	2,954,700	2,954,700
Transport cost of beans	USD/mt	100	USD		73,500	147,000	147,000	147,000	147,000	147,000	147,000	147,000	147,000
<b>Other expenses</b>													
Salaries of all workers of the unit (apportioned per mt - details below)	USD/mt	53,592	USD		53,592	53,592	53,592	53,592	53,592	53,592	53,592	53,592	53,592
Opportunity cost of workers (@ 90%)	USD/mt	90%	USD	48,233	48,233	48,233	48,233	48,233	48,233	48,233	48,233	48,233	48,233
Depreciation: Buildings	% (annual)	5%	USD		3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125
Depreciation: Equipment	% (annual)	10%	USD		5,425	5,425	5,425	5,425	5,425	5,425	5,425	5,425	5,425
Electricity cost for operating equipment	USD												
Usage	KWH/day	432	USD		11,491	22,982	22,982	22,982	22,982	22,982	22,982	22,982	22,982
Nb days in operation	days/yr	280											
Cost	USD/KWH	0.19											
Packaging cost of green coffee	USD/mt	45	USD		31,500	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000
Maintenance and moving parts	USD/Yr	1760	USD		1760	1760	1760	1760	1760	1760	1760	1760	1760
Insurance (apportioned to 1 unit)	USD/Yr	7500	USD		7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Cost of water per unit (1344 mt coffee)	USD/Yr	2300	USD		1,150	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
<b>Overhead cost</b>													
Sales & Marketing of Green Coffee	USD/Yr	10000	USD		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Research & Development	USD/Yr	5000	USD		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total operation cost</b>			USD		63,233	1,729,626	3,324,617	3,324,617	3,324,617	3,324,617	3,324,617	3,324,617	3,324,617
<b>Total cost (capital + operation)</b>					187,183	1,729,626	3,324,617	3,324,617	3,324,617	3,324,617	3,324,617	3,324,617	3,324,617
<b>Gross Revenue</b>													
<b>Net Revenue before tax</b>			USD			1,764,000	3,528,000	3,528,000	3,528,000	3,528,000	3,528,000	3,528,000	3,528,000
Rate of tax		30%			(187,183)	203,383	203,383	203,383	203,383	203,383	203,383	203,383	203,383
Cumulative net revenue before tax			USD			(152,809)	237,757	406,766	406,766	406,766	406,766	406,766	406,766
Tax (deductable)			USD			0	(61,015)	(61,015)	(61,015)	(61,015)	(61,015)	(61,015)	(61,015)
<b>Incremental Net Revenue after tax</b>			USD			(187,183)	34,374	142,368	142,368	142,368	142,368	142,368	142,368
<b>IRR</b>				<b>55%</b>									
NPV (13% DR)					623,887								
<b>Financing instruments and Cash Flows</b>													
WoP WP													
<b>Financing of the SME</b>													
Processing Units	Nb		1		Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	Yr : 7	Yr : 8	Yr : 8-20
Capital cost	USD				123,950								
Incremental Net income	USD				(187,183)	34,374	142,368	142,368	142,368	142,368	142,368	142,368	142,368
Investment - from farmers	USD				0								
Debt financing (20% of the capital cost)	USD	20%			(24,790)	0							
Years for having the loan						1	2	3	4	5			
Annual interest rate (%)	6%												
Loan repayment period (yrs)	5												
Interest payment (%) - 1st loan	USD					1,487	1,224	944	647	333			
Payment of principal - 1st loan	USD					4,398	4,662	4,941	5,238	5,552			
Total payment for the 1st loan	USD					5,885	5,885	5,885	5,885	5,885			
<b>Net cash flow after loan repay</b>	USD					(211,973)	40,259	148,253	148,253	148,253	148,253	142,368	142,368



## Cocoa – Chocolate production SME

Micro-Small Enterprise: CHOCOLATE PROCESSING				IndexIA1						
<b>Financial Analysis of one unit (USD )</b>										
<b>Cost and Revenue</b>	Unit Rate	Unit Price	Unit	<b>WOP</b>	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
<b>Processing Capacity of the Unit</b>	mt/yr	280								
<b>Capital Cost</b>										
Description										
Building	250	250	USD		62,500					
Water and electricity	1		USD		5,000					
Design and permissions	1		USD		2,200					
Subtotal building, utilities and permissions			USD		<b>69,700</b>					
Cacao roaster	2	6,500	USD		13,000					
Cracker	1	4,500	USD		4,500					
winnowing machine	1	5,200	USD		5,200					
Cacao grinding machine	1	3,500	USD		3,500					
Sugar grinding machine	1	3,500	USD		3,500					
Cacao melting tank	1	3,000	USD		3,000					
Chocolate pump	1	3,000	USD		3,000					
Chocolate refiner/conche	1	19,000	USD		19,000					
Chocolate storage tank	1	6,200	USD		6,200					
Chocolate temper machine	1	25,300	USD		25,300					
Chocolate moulding machine	1	35,000	USD		35,000					
Moulds sets	1	3000	USD		3000					
Fittings and installation	1	3,300	USD		3,300					
Subtotal equipment	1		USD		<b>127,500</b>					
Total			USD		<b>197,200</b>					
<b>Production parameters</b>										
Chocolate production per day	mt/day	1								
8-hour working days	days/Yr	280								
Annual production of chocolate	mt/yr	280	mt		280	280	280	280	280	280
By-product - bean shells: conversion	shell/kg beans	9%								
Cocoa bean shell	mt/yr	25.2	mt		25.2	25.2	25.2	25.2	25.2	25.2
Price of bean shell	USD/mt	130								
Price of chocolate	USD/mt	5100		49%						
Capacity utilization	rate				50%	100%	100%	100%	100%	100%
<b>Working Capital</b>										
Dry beans used for chocolate production	mt / yr	308								
Cost of fermented dry beans for chocolate	USD/mt	1980	USD		304,615	609,231	609,231	609,231	609,231	609,231
Transport cost of beans	USD/mt	120	USD		18,462	36,923	36,923	36,923	36,923	36,923
<b>Other expenses</b>										
Salaries of all workers of the unit (apportioned per mt - details below)	USD/mt	104,544	USD		104,544	104,544	104,544	104,544	104,544	104,544
Opportunity cost of workers (@ 90%)	USD/mt	90%	USD	94,090	94,090	94,090	94,090	94,090	94,090	94,090
Depreciation: Buildings	% (annual)	5%	USD		3,125	3,125	3,125	3,125	3,125	3,125
Depreciation: Equipment	% (annual)	10%	USD		12,750	12,750	12,750	12,750	12,750	12,750
Electricity cost for operating equipment	USD									
Usage	KWH/day	945	USD		25,137	50,274	50,274	50,274	50,274	50,274
Nb days in operation	days/yr	280								
Cost	USD/KWH	0.19								
Chocolate wrapping cost	USD/mt	500	USD		70,000	140,000	140,000	140,000	140,000	140,000
Maintenance and moving parts	USD/Yr	1500	USD		1500	1500	1500	1500	1500	1500
Insurance (apportioned to 1 unit)	USD/Yr	10250	USD		10,250	10,250	10,250	10,250	10,250	10,250
Packaging bean shell (@ 1.75:1008 bags)	USD/Yr	1764	USD		882	1,764	1,764	1,764	1,764	1,764
Cost of water per unit (280 mt Choco)	USD/Yr	3745	USD		1,873	3,745	3,745	3,745	3,745	3,745
<b>Overhead cost</b>										
Sales & Marketing of chocolate	USD/Yr	25000	USD		25,000	25,000	25,000	25,000	25,000	25,000
Research & Development	USD/Yr	15000			15,000	15,000	15,000	15,000	15,000	15,000
<b>Total operation cost</b>										
				USD	134,090	687,227	1,108,195	1,108,195	1,108,195	1,108,195
<b>Total cost (capital + operation)</b>										
					331,290	687,227	1,108,195	1,108,195	1,108,195	1,108,195
<b>Gross Revenue</b>										
				USD		715,638	1,431,276	1,431,276	1,431,276	1,431,276
<b>Net Revenue before tax</b>										
					(331,290)	28,411	323,081	323,081	323,081	323,081
Rate of tax		30%								
Cumulative net revenue before tax			USD			(302,879)	351,492	646,161	646,161	646,161
Tax (deductable)			USD			0	(96,924)	(96,924)	(96,924)	(96,924)
<b>Incremental Net Revenue after tax</b>										
				USD	(331,290)	28,411	226,156	226,156	226,156	226,156
<b>IRR</b>										
					49%					
<b>NPV (13% DR)</b>										
					940,514					
<b>Financing Instruments and Cash Flows</b>										
<b>Financing of the SME</b>										
				WoP	WP					
					Yr : 1	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6
Processing Units	Nb		1		1					
Capital cost	USD				197,200					
Incremental Net income	USD				(331,290)	28,411	226,156	226,156	226,156	226,156
Investment - from farmers	USD				0					
Debt financing (20% of the capital cost)	USD	20%			(39,440)	0				
Years for having the loan						1	2	3	4	5
Annual interest rate (%)	6%									
Loan repayment period (yrs)	5									
Interest payment (%) - 1st loan	USD					2,366	1,947	1,502	1,030	530
Payment of principal - 1st loan	USD					6,997	7,416	7,861	8,333	8,833
Total payment for the 1st loan	USD					9,363	9,363	9,363	9,363	9,363
<b>Net cash flow after loan repay</b>										
				USD	(370,730)	37,774	235,519	235,519	235,519	235,519

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### Calamanci Juice production – SME

Micro-Small Enterprise: Calamanci Juice Production				Index/A1							
Financial Analysis of one unit (USD)											
Cost and Revenue	Unit Rate	Unit Price	Unit	WOP	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	
<b>Capacity of the Unit (Fresh fruits)</b>	mt/yr	1960									
<b>Capital Cost</b>											
Description											
Building	250	250	USD		62,500						
Water and electricity	1		USD		5,000						
Design and permissions	1		USD		2,200						
Subtotal building, utilities and permissions			USD		69,700						
Fruit sorter	1	4,040	USD		4,040						
Fruit washing	1	700	USD		700						
Spiral Juice Extractor /2	2	1,500	USD		3,000						
Juice production line of combined unit sys	1	115,000	USD		115,000						
Automatic washing-juice filling-capping machine	1	11,400	USD		11,400						
Automatic bottle inverted sterilizer	1	12,335	USD		12,335						
Automatic water spraying sterilizing and cooling tunnel	1	13,000	USD		13,000						
Lamp check	1	770	USD		770						
Bottle drying machine	1	5,330	USD		5,330						
Automatic sleeve labeling machine	1	19,145	USD		19,145						
Automatic label shrinking machine	1	3,950	USD		3,950						
Ink jet printer	1	3500	USD		3500						
Horizontal boiler	1	8,670	USD		8,670						
Steam tank	1	2,000	USD		2,000						
Air compressor	1	2,150	USD		2,150						
Air filter	1	500	USD		500						
Air dryer	1	900	USD		900						
Air storage tank	1	1,540	USD		1,540						
Water treatment	1	4,670	USD		4,670						
Fittings and instalments	1	6,750	USD		6,750						
Subtotal equipment	1		USD		219,350						
<b>Total</b>			USD		<b>289,050</b>						
<b>Production parameters</b>											
Fresh fruits used per day for processing	mt/day	5		30%							
Fresh fruits used per year for processing	mt/yr	1512				1058.4	1512	1512	1512	1512	
Fresh fruits juice processed per day	lit/day	2430									
8-hour working days	days/Yr	280									
Fresh fruits to Juice	rate	45%									
Annual production of Juice (45% of mt)	lit/Yr	680,400	lit			476,280	680,400	680,400	680,400	680,400	
By-product of peel - ratio of fruit: peel	fruit: peel	55%									
Peel available as by-product for oil	mt/yr	831.6									
Oil extraction from peel: 0.2% oil	rate	0.2%	mt			1.2	1.7	1.7	1.7	1.7	
Price of Calamanci Juice	USD/lit	2.2									
Price of Oil	USD/mt	2500									
Price of peel	USD/mt	25	mt			582.12	831.6	831.6	831.6	831.6	
Capacity utilization	rate					70%	100%	100%	100%	100%	
<b>Working Capital</b>											
Fresh fruits used for processing	mt / yr	1512									
Cost of fresh fruits	USD/mt	310	USD			328,104	468,720	468,720	468,720	468,720	
Transport cost of fruits	USD/mt	200	USD			211,680	302,400	302,400	302,400	302,400	
<b>Other expenses</b>											
Replacing depreciated equipment	USD		USD								
Salaries of all workers of the unit (apportioned per mt - details below)	USD/mt	99,924	USD			99,924	95,040	95,040	95,040	95,040	
Opportunity cost of workers (@ 90%)	USD/mt	90%	USD	89,932	89,932	89,932	89,932	89,932	89,932	89,932	
Depreciation: Buildings	% (annual)	5%	USD			3,125	3,125	3,125	3,125	3,125	
Depreciation: Equipment	% (annual)	10%	USD			21,935	21,935	21,935	21,935	21,935	
Electricity cost for operating equipment	Usage	KWH/day	1232	USD		45,880	65,542	65,542	65,542	65,542	
	Nb days in operation	days/yr	280								
	Cost	USD/KWH	0.19								
Bottling cost	USD/lit	0.18	USD			85,730	122,472	122,472	122,472	122,472	
Maintenance and moving parts	USD/Yr	1760	USD			1760	1760	1760	1760	1760	
Insurance (apportioned to 1 unit)	USD/Yr	7500	USD			7,500	7,500	7,500	7,500	7,500	
Cost of shrinking plastic wrap and labels and ink	USD/bottle - 250 lit	0.005	USD			9,526	13,608	13,608	13,608	13,608	
Cost of water per unit (for 88200 lit juice)	USD/Yr	5500	USD			3,850	5,500	5,500	5,500	5,500	
<b>Overhead cost</b>											
Sales & Marketing of Juice and Oil	USD/Yr	20000	USD		20,000	20,000	20,000	20,000	20,000	20,000	
Research & Development	USD/Yr	10000	USD		10,000	10,000	10,000	10,000	10,000	10,000	
<b>Total operation cost</b>			USD		119,932	938,945	1,227,534	1,227,534	1,227,534	1,227,534	
<b>Total cost (capital + operation)</b>					408,982	938,945	1,227,534	1,227,534	1,227,534	1,227,534	
<b>Gross Revenue</b>											
<b>Net Revenue before tax</b>						(408,982)	745,696	1,521,828	1,521,828	1,521,828	1,521,828
Rate of tax		30%									
Cumulative net revenue before tax			USD				(602,231)	101,044	588,588	588,588	588,588
Tax (deductable)			USD				0	(30,313)	(88,288)	(88,288)	(88,288)
<b>Incremental Net Revenue after tax</b>			USD			(408,982)	(193,250)	263,981	206,006	206,006	206,006
<b>IRR</b>											
<b>NPV (13% DR)</b>											
<b>Financing instruments and Cash Flows</b>											
<b>Financing of the SME</b>											
				WoP	WP	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6	
Processing Units	Nb			1	1						
Capital cost	USD				2,150						
Incremental Net income	USD				(408,982)	(193,250)	263,981	206,006	206,006	206,006	
Investment - from farmers	USD				0						
Debt financing (20% of the capital cost)	USD	20%			(430)	0					
Years for having the loan						1	2	3	4	5	
Annual interest rate (%)	6%										
Loan repayment period (yrs)	5										
Interest payment (%) - 1st loan	USD					26	21	16	11	6	
Payment of principal - 1st loan	USD					76	81	86	91	96	
Total payment for the 1st loan	USD					102	102	102	102	102	
<b>Net cash flow after loan repay</b>	USD					(409,412)	(193,147)	264,083	206,108	206,108	206,108

## Virgin Coconut Oil production – SME

Micro-Small Enterprise: Virgin Coconut Oil Production				Index/A1						
<b>Financial Analysis of one unit</b> (USD )										
<b>Cost and Revenue</b>	Unit Rate	Unit Price	Unit	WOP	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
<b>Capacity of the Unit (Fresh fruits)</b>	mt/yr									
<b>Capital Cost</b>										
Description										
Building	250	500	USD		125,000					
Water and electricity	1	5,000	USD		5,000					
Design and permissions	1	2,200	USD		2,200					
Subtotal building, utilities and permissions		7,700	USD		132,200					
Coconut shelling machine	1	4,525	USD		4,525					
Coconut meat skinning machine	1	4,875	USD		4,875					
Rotary drum washer	1	8,355	USD		8,355					
Dehydration conveyor	1	2,785	USD		2,785					
Coconut meat grinder	1	6,075	USD		6,075					
Coconut drying machine	1	13,575	USD		13,575					
Screw oil extractor	2	12,915	USD		25,830					
Filter	1	3,500	USD		3,500					
Automatic filling machine	1	13	USD		13					
Subtotal equipment	1		USD		69,533					
Total			USD		201,733					
<b>Production parameters</b>										
VCO production	mt/day	3.3								
8-hour working days	days/yr	280								
Annual production of VCO	mt/yr	924	mt		462	924	924	924	924	924
By-product of flour (cake)	mt/day	4.4								
Coconut Flour production	mt/yr	1218	mt		1,218	1,218	1,218	1,218	1,218	1,218
Price of VCO	USD/mt	3420		39%						
Price of Oil Flour	USD/mt	1250								
Capacity utilization	rate				50%	100%	100%	100%	100%	100%
<b>Working Capital</b>										
Raw coconut used for oil production	mt / yr	7000								
Cost of de-husked coconut	USD/mt	350	USD		1,225,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000
Transport cost of beans	USD/mt	120	USD		420,000	840,000	840,000	840,000	840,000	840,000
<b>Other expenses</b>										
Salaries of all workers of the unit (apportioned per mt - details below)	USD/mt	189,552	USD		198,792	189,552	189,552	189,552	189,552	189,552
Opportunity cost of workers (@ 90%)	USD/mt	90%	USD	170,597	170,597	170,597	170,597	170,597	170,597	170,597
Depreciation: Buildings	% (annual)	5%	USD		6,250	6,250	6,250	6,250	6,250	6,250
Depreciation: Equipment	% (annual)	10%	USD		6,953	6,953	6,953	6,953	6,953	6,953
Electricity cost for operating equipment	USD									
Usage	KWH/day	2252	USD		59,903	119,806	119,806	119,806	119,806	119,806
Nb days in operation	days/yr	280								
Cost	USD/KWH	0.19								
Packaging cost of VCO	USD/mt	164	USD		75,600	151,200	151,200	151,200	151,200	151,200
Maintenance and moving parts	USD/yr	450	USD		450	450	450	450	450	450
Insurance (apportioned to 1 unit)	USD/yr	10250	USD		10,250	10,250	10,250	10,250	10,250	10,250
Packaging cost of coconut flour	USD/mt	10	USD		6,090	12,180	12,180	12,180	12,180	12,180
Cost of water per unit (280 mt Choco)	USD/yr	3745	USD		1,873	3,745	3,745	3,745	3,745	3,745
<b>Overhead cost</b>										
Sales & Marketing of VCO	USD/yr	45000	USD		45,000	45,000	45,000	45,000	45,000	45,000
Research & Development	USD/yr	25000	USD		25,000	25,000	25,000	25,000	25,000	25,000
<b>Total operation cost</b>			USD		240,597	2,251,758	4,030,983	4,030,983	4,030,983	4,030,983
<b>Total cost (capital + operation)</b>			USD		442,330	2,251,758	4,030,983	4,030,983	4,030,983	4,030,983
<b>Gross Revenue</b>										
<b>Net Revenue before tax</b>			USD		(442,330)	1,551,270	4,682,580	4,682,580	4,682,580	4,682,580
Rate of tax		30%				(700,488)	651,597	651,597	651,597	651,597
Cumulative net revenue before tax			USD			(1,142,818)	(48,891)	1,303,193	1,303,193	1,303,193
Tax (deductible)			USD			0	0	(195,479)	(195,479)	(195,479)
<b>Incremental Net Revenue after tax</b>			USD		(442,330)	(700,488)	651,597	456,118	456,118	456,118
<b>IRR</b>				39%						
NPV (13% DR)				1,638,711						
<b>Financing instruments and Cash Flows</b>										
<b>Financing of the SME</b>										
				WoP	WP	Yr : 2	Yr : 3	Yr : 4	Yr : 5	Yr : 6
Processing Units	Nb		1		Yr : 1					
Capital cost	USD				201,733					
Incremental Net income	USD				(442,330)	(700,488)	651,597	456,118	456,118	456,118
Investment - from farmers	USD				0					
Debt financing (20% of the capital cost)	USD	20%			(40,347)	0				
Years for having the loan						1	2	3	4	5
Annual interest rate (%)	6%									
Loan repayment period (yrs)	5									
Interest payment (%) - 1st loan	USD					2,421	1,991	1,536	1,054	542
Payment of principal - 1st loan	USD					7,157	7,587	8,042	8,525	9,036
Total payment for the 1st loan	USD					9,578	9,578	9,578	9,578	9,578
Net cash flow after loan repay	USD				(482,676)	(690,910)	661,175	465,696	465,696	465,696

## Financial analysis of project assisted roads – Financial Prices

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Cost and Benefits of Road Development (based on the estimated collected during the detailed design mission)			Index!A1					
Financial Prices	Units	Value	Proj Yr 1	Yr 2	Yr 3	Yr 4	Yr 5-20	
<b>COSTS</b>								
<b>Targets</b>	km		-	40	60	40		
<b>Cumulative targets</b>	km			40	100	140	140	
Rehabilitation/Concreting of Existing FMR (COSTAB)	USD 1000		-	4,776	7,285	4,947		
Design and Supervision by LGUs	USD 1000		164	311	497			
Project Management and Technical Assistance	USD 1000		112	488	571	218	60	
Subtotal Investment Costs	USD 1000		276	5,574	8,353	5,165	60	
Operation and Maintenance (5% of Road construction)	USD 1000	5%		239	603	850	850	
Total Investment and OM Costs			276	5,813	8,956	6,015	911	
<b>BENEFITS (Based on CHARM 2, EA, Scale-up mission, 2016 - see below)</b>								
<b>Savings from passenger transport cost</b>								
Incremental Benefits - saving passenger vehicle operating cost (VOC)	USD/km/passenger	0.05						
Passengers travel per km (4xtimes more than CHARM for business)	passengers/km/Yr	739,304						
Passengers travel benefit - unit rate	USD/km/Yr	39,420						
Total passengers travel benefit	USD 1000/Yr			1,577	3,942	5,519	5,519	
<b>Savings of cost of freight - Farm Products</b>								
Incremental Freight Benefits - saving vehicle operating cost (VOC)	USD /mt/km	0.28						
Estimating the average volume of products freighted:								
Cropping extent potentially covered by roads (4 times of Cordilera), <sup>[1]</sup>								
	ha/km	1,032						
Avg weight of crops from areas with project roads (wet weight)	mt/ha/Yr	20						
Average weight of crops transported in areas with project roads	mt/km/Yr	20,640						
Freight benefit - unit rate	USD/km/Yr	5,680						
Total annual freight benefits	USD 1000/Yr			227	568	795	795	
<b>Savings of cost of freight - ME and SME products</b>								
Incremental Freight Benefits - saving vehicle operating cost (VOC)	USD /mt/km	0.28						
Estimating the average volume of processed products freighted:								
Number of ME/SME potentially covered by roads (no estimates in CHARM)								
	nb/km	2						
Avg weight of processed products from areas with project roads	mt/ME,SME/Yr	1,825						
Average weight of processed products transported on project roads	mt/km/Yr	3,650						
Freight benefit - unit rate	USD/km/Yr	1,004						
Total annual freight benefits	USD 1000/Yr		0	40	100	141	141	
<b>Total Benefits</b>			0	1,844	4,610	6,455	6,455	
<b>NET INCREMENTAL BENEFITS</b>			(276)	(3,969)	(4,346)	440	5,544	
<b>FINANCIAL FEASIBILITY INDICATORS</b>								
Discount Rate (SDR)		13%						
NPV @ 0,13 (USD 1000)		16,359						
IRR		39%						
NPVb		34,741						
NPVc		18,382						
B/C ratio		1.89						
Switching values Benefits		-47%						
Switching values Costs		89%						

[1] 4 times more, because of more commercial crops & roads are located in strategic areas and thus more transported to market. Ifugao had 258 ha / km.

Appendix Table 5: Results of the Project level financial analysis

Republic of the Philippines - Rural Agro-Enterprise Partnership and Inclusive Development Project (RAPID)																	
Table A	PRODUCTION - Farm Inputs in the Value Chain (VC)									GROUP PROCESSING & VALUE ADDITION			PRIVATE - PUBLIC BUSINESS MODELS				
F I N A N C I A L  A N A L Y S I S	Farm models' net incremental benefits (in USD)									Micro Enterprises' net incremental benefits (USD)			SME Business models' net incremental benefits (USD)				
	New Coffee: Robusta + Coconut	RH Coffee: Robusta + Coconut	New Coffee: Arabica + Coconut	RH Coffee: Arabica + Coconut	New Cocoa - Mono crop	RH Cocoa + Coconut	New Calamanci + Coconut	RH Calamanci - Mono	Coconut - Mono	Roasted, Graded Coffee Bean	Fermented, Dried Cocoa Beans	Cleaned, sorted Calamanci Fresh Fruits	Green Coffee - Dried, packed beans	Chocolate, wrapped and ready for sale	Calamanci Juice, bottled	Virgin Coconut Oil, bottled	
	2 ha	2 ha	2 ha	2 ha	1 ha	2 ha	2 ha	1 ha	1 ha	560 mt/Yr	144 mt/Yr	450 mt/Yr	1470 mt/Yr	280 mt/Yr	1008 mt/Yr	924 mt/Yr	
	PY1	(3,428)	(249)	(5,360)	2,323	(2,470)	(777)	(1,713)	(669)	(1,368)	(4,540)	(17,391)	-7,150	(187,183)	(331,290)	(408,982)	-442,330
	PY2	1,385	(38)	(643)	4,004	(631)	155	862	123	(416)	2,541	9,705	2,910	34,374	28,411	(193,250)	-700,488
	PY3	2,736	248	349	4,362	(167)	1,398	1,838	320	(404)	2,541	9,486	2,910	142,368	226,156	263,981	651,597
	PY4	4,280	572	865	4,942	597	1,896	2,486	320	234	2,541	9,486	2,910	142,368	226,156	206,006	456,118
	PY5	5,535	1,015	4,066	5,350	1,183	2,081	3,172	320	585	2,541	9,486	2,910	142,368	226,156	206,006	456,118
	PY6	5,921	1,401	6,955	5,350	1,317	2,267	4,451	320	1,201	2,541	9,486	2,910	142,368	226,156	206,006	456,118
	PY7	7,175	1,594	6,955	5,350	1,825	3,572	4,919	320	2,501	2,541	9,486	2,910	142,368	226,156	206,006	456,118
PY8	7,175	3,100	6,955	5,350	1,827	3,572	5,387	320	3,808	2,541	9,486	2,910	142,368	226,156	206,006	456,118	
PY9	7,175	3,100	6,955	5,350	1,821	3,572	5,387	320	3,808	2,541	9,486	2,910	142,368	226,156	206,006	456,118	
PY10	7,175	3,100	6,955	5,350	1,815	3,572	5,387	320	3,808	2,541	9,486	2,910	142,368	226,156	206,006	456,118	
NPV (PhP 1000), 13%	934	264	550	1,218	72	444	666	35	205	376	1,393	344	19,816	28,950	15,055	45,480	
NPV (USD 1000)	18.7	5.3	11.0	24.4	1.4	8.9	13.3	0.7	4.1	7.5	27.9	6.9	396.3	579.0	301.1	909.6	
FIRR	83%	107%	37%	>50%	22%	115%	99%	37%	36%	55%	54%	39%	54%	47%	26%	36%	

<b>Table B) PROJECT COSTS AND INDICATORS FOR LOGFRAME</b>						
<b>TOTAL PROJECT COSTS</b> (in million USD)		<b>96.1</b>	Base costs	87.1	PMU	9.03
<b>Beneficiaries</b>	<b>469,200</b> people	78,200	Households	1,265	Groups (Coops)	1,459 enterprises
<b>Cost per beneficiary (IFAD Loan)</b>	<b>144</b> USD x person	<b>863</b> USD x HH		<b>Adoption rates</b>	<b>85%</b>	
<b>Components and Cost (USD million)</b>		<b>Outcomes and Indicators</b>				
<u>Value Chain Development</u>	26.2					
<u>Sub-Comp 2.1 - Strategic Finance</u>	43.5					
<u>Sub-Comp 2.2 - Farm to market infrastructure</u>	17.4					

<b>C) MAIN ASSUMPTIONS &amp; SHADOW PRICES</b>					
	<b>Output</b>	<b>Av. Incremental</b>	<b>Price (in USD/mt)</b>	<b>Input prices</b>	<b>Price (USD)</b>
<b>FINANCIAL</b>	New Robusta Coffee	New	965	Fertilizer / kg	0.5
	RH Rob. Coffee	60%	965	Plant material - Coffee /ha	1
	New Arabica Coffee	New	2,040	Plant material - Cocoa/ha	0.8
	RH Arabica Coffee	39%	2,040	Plant material - Calaman./ha	0.7
	New Cocoa	New	875	Plant mate. Coconut /ha	2
	RH Cocoa	109%	875	Rural Wage / person-day	6.25
	New Calamanci	New	260	Electricity - KWH	0.19
	RH Calamanci	40%	260		
	Coconut	228%	350		
	Roasted Coffee	New	2,010		
	Dried Cocoa	New	1,980		
	Graded Calamanci	New	310		
	Packed Green Coffee	New	2,700		
	Chocolate	New	5,100		
	Calamanci Juice	New	2,200		
Virgin Coconut Oil	New	3,420			
<b>ECONOMIC</b>	Official Exchange rate (OER)	50		Discount rate (opportunity cost of capital)	13%
	Shadow Exchange rate (SER)	50		Social Discount rate	10%
	Standard Conversion Factor	1.20		Output conversion factor: imported	1.2
	Labour Conversion factor	0.6		Input Conversion factor	0.95

<b>Table D</b>	<b>BENEFICIARIES - CUMULATIVES, ADOPTION RATES AND PHASING</b>							<b>Adoption</b>
	<b>PY1</b>	<b>PY2</b>	<b>PY3</b>	<b>PY4</b>	<b>PY5</b>	<b>PY6</b>	<b>Total</b>	<b>rates</b>
								<b>86%</b>
<b>New Robusta Coffee+Coconut</b>	0	1,250	3,000	3,000	3,000	3,000	3,000	
<i>Adjusted (adoption rate)</i>	90%	90%	90%	90%	90%	90%		90%
	✓	✓	✓	✓	✓	✓		
<b>New Arabica Coffee+Coconut</b>	0	1,250	3,000	3,000	3,000	3,000	3,000	
<i>Adjusted (adoption rate)</i>	95%	95%	95%	95%	95%	95%		95%
	✓	✓	✓	✓	✓	✓		
<b>RH Robusta Coffee</b>	825	4,000	9,250	14,500	19,750	25,000	25,000	
<i>Adjusted (adoption rate)</i>	90%	90%	90%	90%	90%	90%		90%
	✓	✓	✓	✓	✓	✓		
<b>RH Arabica Coffee</b>	500	2,000	4,000	5,000	5,000	5,000	5,000	
<i>Adjusted (adoption rate)</i>	95%	95%	95%	95%	95%	95%		95%
	✓	✓	✓	✓	✓	✓		
<b>New Cocoa</b>	0	3,000	5,000	7,000	7,000	7,000	7,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
	✓	✓	✓	✓	✓	✓		
<b>RH Cocoa</b>	315	1,190	3,065	5,250	7,000	7,000	7,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
	✓	✓	✓	✓	✓	✓		
<b>New Calamanci + coconut</b>	0	2,500	5,000	7,500	7,500	7,500	7,500	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
	✓	✓	✓	✓	✓	✓		
<b>RH Calamanci</b>	540	2,700	10,350	12,000	12,000	12,000	12,000	
<i>Adjusted (adoption rate)</i>	80%	80%	80%	80%	80%	80%		80%
	✓	✓	✓	✓	✓	✓		
<b>Coconut</b>	700	2,700	5,700	8,700	8,700	8,700	8,700	
<i>Adjusted (adoption rate)</i>	85%	85%	85%	85%	85%	85%		85%
	✓	✓	✓	✓	✓	✓		
<b>Total Nb of beneficiaries</b>			<b>48,365</b>				<b>78,200</b>	
			41,648				67,339	

**Appendix Table 6 (a): Computation of the Import Parity Price for Coffee and Cocoa**

Derivation of Parity Prices			
Item - All in 2017 nominal prices	Unit	Robusta Coffee	Cocoa
		Start: Un-roasted beans	Start: Dry Roasted beans
World market price - FOB price [1]	US \$/mt	2,641	2,618
Quality adjustment [2]	%	90	80
Adjusted world price after quality adjustment	US \$/mt	2,377	2,094
International shipping costs [3]	US \$/mt	36	67
Cost of insurance	US \$/mt	0.33	0.36
CIF (Import) Price, Manila Port	US \$/mt	2,413	2,162
Port charges storage, handling and inspection	Peso/mt	575	575
Handling, storage and marketing	Peso/mt	340	340
Transport to wholesaler	Peso/mt	700	700
Tariff + VAT	%	19%	19%
Import Parity Price at Wholesaler-Gate : $([(P_{cif}) * XR(1+T)] + Tr)$	Peso/mt	144,269	128,625
Local transport and marketing	Peso/mt	700	700
Import Parity Price of SME product - SMEEnterprise-gate price	Peso/mt	144,969	129,325
Cost of roasting of raw cocoa beans (apply for cocoa since started with roasted beans) [4]	Peso/mt		20,000
Import Parity Price of SME product - SMEEnterprise-gate price	USD/mt	2,899	
Financial SME gate price (Grade 1 beans, 75% of the production)	USD/mt	2,700	
Cost of processing of SME product at SME-gate (operational cost) [5]	USD/mt	264	
Quality adjustment	%	90%	
Weight loss during processing or conversion rate	%	5%	
Import Parity Price of ME product - Micro Enterprise-gate price [6]	USD/mt	2,253	2,186
Financial ME gate price	USD/mt	2,000	1,980
Cost of cleaning & grading at ME-gate	USD/mt	40	60
Weight loss during processing or conversion rate	%	50%	47%
Import Parity Price of Farm-gate product - Farm-gate price [7]	USD/mt	1,101	999
Financial farm gate price [8]	USD/mt	960	880

[1] Export (FOB) Prices: For Coffee: UN COMTRADE Data Base - un-roasted coffee bean; For Cocoa: UN COMTRADE, price of dry roasted beans; For Coconut: Asian and Pacific Coconut Community

[2] Quality adjustment: this is to reflect the differences in the local quality and the quality of the imported beans

[3] Imported from Vietnam for coffee, Nigeria for cocoa and Indonesia coconut oil is assumed, which are the major markets that export to Philippines

[4] This is about 30% of the SME cost (chocolate production) per mt of dried cocoa

[5] All operation cost are taken from the respective SMEs and MEs, but the active link in the cell reference is not present. For cocoa, Chocolate price was not converted to IPP since very variation of prices of imported chocolate.

[6] Converted to ME-gate price

[7] Converted to Farm-gate price

[8] For comparison

**Formula Used to compute the Import Parity Price:**

$$IPP = [(P_{cif}) * XR(1+T)] + Tr$$

IPP: Import parity price (Php Peso /Mt)

Pcif : CIF import price (US\$/Mt)

XR: Exchange rate of Peso vs. US\$

cif: cost, insurance and freight, i.e. price of a good in Manila (Php) at the border

T: ad valorem tariff or customs levies (in %) + VAT at the Border (in %)

Tr: transport costs, port handling, etc. (US\$/Mt)

Exchange rate = (Peso / USD)

Transport charges (Peso/km/mt)

Avg distance transported (km) by land transport

Tariff

VAT

Total Tariff at the Customs



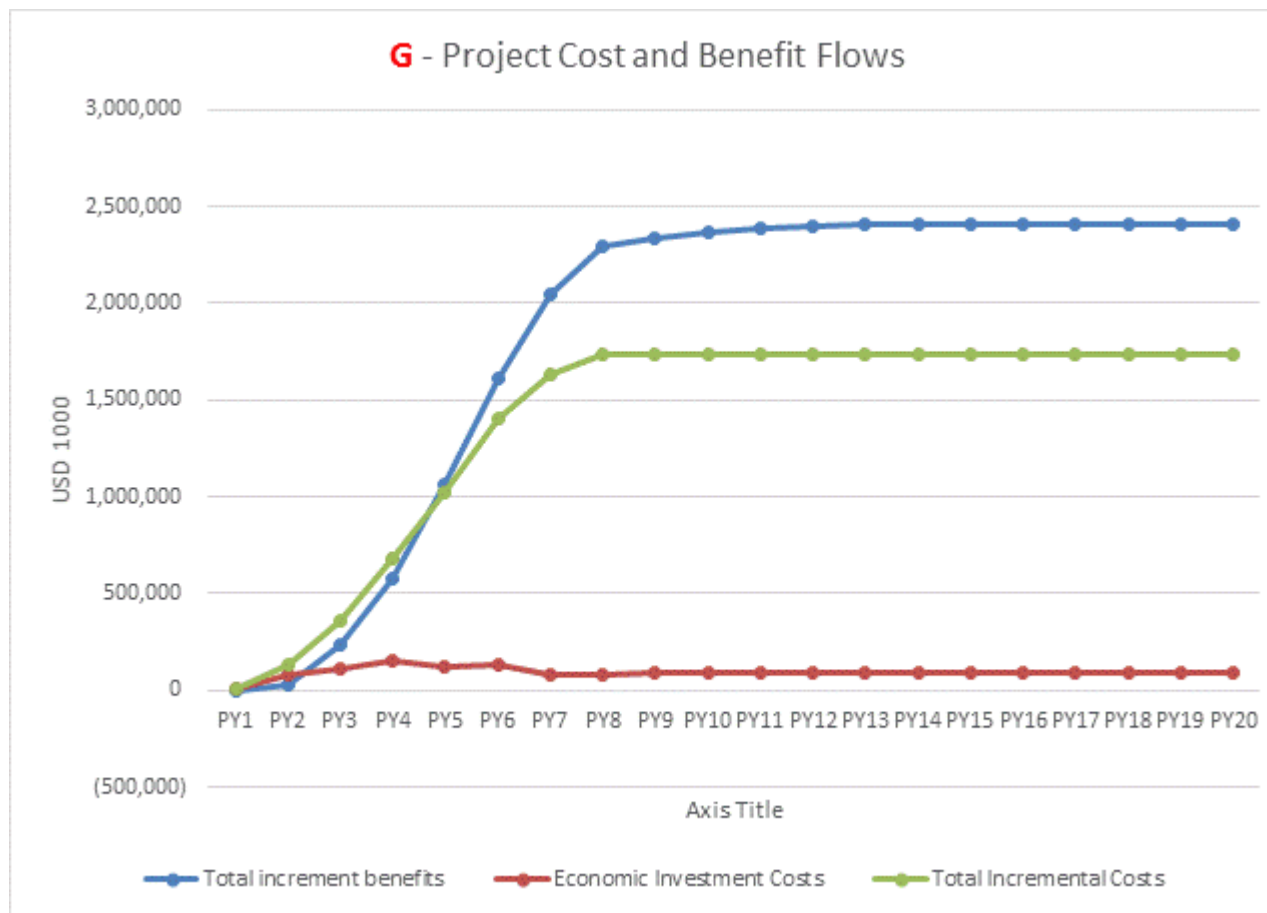
Table (b): Economic prices

Parameters for Financial and Economic Analysis		Index/A1		
	Units	Unit	Economic Prices	Fin Price
Standard conversion factor			0.9	1
SCF for Imported Goods			1.2	
Shadow wage rate for unskilled labour			60%	
Debt Interest Rate: Farmers			11%	0.11
Debt Interest Rate: ME and SME			8%	0.08
Financial Discount Rate			13%	0.13
Cocoa dried beans	USD	kg	1.6	1.6
Cocoa wet beans	USD	kg	1	1
Arabica Coffee cherry beans	USD	kg	2	2
Arabica Coffee dry beans	USD	kg	3.5	3.5
Robusta Coffee green beans	USD	kg		
Coconut	USD	kg	0.315	0.35
Maize	USD	kg	0.216	0.24
Compost/mulching / Manure	USD	mt	31.5	35
Fertilizer	USD	kg	0.6	0.5
Neemcide (or similar)	USD	lit	9	10
Labour	USD	PD (Person Day)	3.75	6.25
Skilled labour	USD	PD	9	10
Surplus family labour to earn income		PD/yr	100	100
Mulch	USD	kg	21.6	24
Price of maize	USD	kg	8.46	9.4
Cocoa planting material	USD	Plant	0.9	1
Coffee planting material (Arabica)	USD	plant	0.9	1
Calamanci Planting Material	USD	plant	0.63	0.7
Coconut Planting material	USD	Plant	1.8	2
Cost of manure (with Transport)	USD	kg	0.432	0.48

**Appendix Table 7: Economic cash flows of the project**

Republic of the Philippines - Rural Agro-Enterprise Partnership and Inclusive Development Project (RAPID)																						
E C O N O M I C  A N A L Y S I S	E)	INCREMENTAL BENEFITS (USD 1000)															NET INCREMENTAL COSTS (USD 1000)					Net Cash Flow (Rs mn)
	Farm-Gate Benefit Flows					ME-Gate Benefit Flows			SME-Gate Benefit Flows							NPV	Economic Investment Costs	Economic recurrent Costs	Economic O&M Costs	Total Incremental Costs		
	Robusta Coffee (NP+RH): FG	Arabica Coffee (NP+RH): FG	Cocoa (NP+RH): FG	Calamanci (NP+RH): FG	Coconut - Mono: FG	Roasted, Graded Coffee Bean	Fermented, Dried Cocoa Beans	Cleaned, sorted Calamanci Fresh Fruits	Green Coffee - Dried, packed beans	Chocolate, wrapped and ready for sale	Chocolate - by-product	Calamanci Juice, bottled	Virgin Coconut Oil, bottled	Infra: Farm Roads	Total increment benefits							
PY1	(727)	(10)	(268)	(70)	(860)	0	0	0	0	0	0	0	0	0	(1,935)	2,431,268	10,010	1,018	1,385	12,413	(14,348)	
PY2	(5,265)	(1,739)	(3,205)	(4,282)	(3,317)	16,129	15,743	3,322	1,894	632	3	5,783	2,792	1,482	29,972		81,939	1,258	54,083	137,281	(107,310)	
PY3	(11,076)	(3,504)	(3,556)	(5,663)	(7,002)	96,772	31,486	13,119	8,524	4,421	3	92,759	14,013	3,706	234,002		109,025	1,258	253,363	363,646	(129,644)	
PY4	(9,700)	353	(1,193)	(566)	(10,247)	177,416	62,971	19,096	17,996	10,738	3	263,761	42,040	5,188	577,857		150,091	1,258	529,323	680,673	(102,816)	
PY5	(3,222)	8,924	7,866	8,658	(8,722)	258,059	94,457	20,885	27,467	17,054	3	527,523	103,781	5,188	1,067,921		122,358	1,258	902,846	1,026,462	41,459	
PY6	5,024	17,596	19,506	15,717	(5,653)	338,703	125,942	21,092	36,938	23,371	3	812,173	199,236	5,188	1,614,836		129,558	1,143	1,273,617	1,404,318	210,518	
PY7	17,749	23,514	28,596	23,088	(573)	338,703	157,428	21,092	46,410	29,687	3	1,024,598	328,406	5,188	2,043,890		80,111	1,143	1,548,145	1,629,400	414,490	
PY8	30,552	27,493	36,019	29,406	5,642	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,298,312		83,963	1,143	1,645,878	1,730,984	567,328	
PY9	45,584	27,493	41,758	34,671	13,504	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,332,211		86,811	1,143	1,645,878	1,733,832	598,379	
PY10	59,455	27,493	46,685	38,883	20,762	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,362,478		86,405	1,143	1,645,878	1,733,426	629,052	
PY11	72,170	27,493	49,314	42,042	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,384,610		86,618	1,143	1,645,878	1,733,639	650,971	
PY12	82,572	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,397,119		86,796	1,143	1,645,878	1,733,817	663,301	
PY13	91,820	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,406,366		87,102	1,143	1,645,878	1,734,123	672,243	
PY14	91,820	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,406,366		87,102	1,143	1,645,878	1,734,123	672,243	
PY15	91,820	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,406,366		87,102	1,143	1,645,878	1,734,123	672,243	
PY16	91,820	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,406,366		87,102	1,143	1,645,878	1,734,123	672,243	
PY17	91,820	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,406,366		86,877	1,143	1,645,878	1,733,898	672,468	
PY18	91,820	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,406,366		86,877	1,143	1,645,878	1,733,898	672,468	
PY19	91,820	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,406,366		86,877	1,143	1,645,878	1,733,898	672,468	
PY20	91,820	27,493	49,314	44,148	24,390	338,703	157,428	21,092	51,145	32,845	3	1,132,935	429,861	5,188	2,406,366		86,877	1,143	1,645,878	1,733,898	672,468	
NPV (@ 10% SDR): USD 1000		2,431,268																				
NPV (@ 10% SDR): PhP mn		121,563																				
EIRR		51%																				

SENSITIVITY ANALYSIS (SA)								
<i>F)</i>		$\Delta\%$	Link with the risk matrix			IRR	NPV (USD mn)	NPV (PhP mn)
<b>Base scenario</b>						<b>51%</b>	<b>2,431</b>	<b>121,563</b>
Project benefits		-10%				<b>32%</b>	<b>1,243</b>	<b>62,168</b>
Project benefits		-20%				<b>11%</b>	<b>55</b>	<b>2,772</b>
Project costs		10%				<b>34%</b>	<b>1,486</b>	<b>74,324</b>
Project costs		20%				<b>19%</b>	<b>542</b>	<b>27,084</b>
1 year lag in ben.						<b>18%</b>	<b>1,026</b>	<b>51,308</b>
2 years lag in ben.			<b>8%</b>	<b>-251</b>	<b>-12,560</b>			
Input prices		10%				<b>38%</b>	<b>1,770</b>	<b>88,496</b>



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  3. Amount of Matching Grants
  4. Eligible Matching Grant Expenditures
  5. Eligible applicants
  6. Implementation Period of the Matching Grant Supported Investment
  7. Procurement Procedures for Investment with Matching Grants
  8. Application Procedures
  9. Implementation Steps and Responsible Party
  10. M&E and Knowledge Management

#### **VIII. Implementation Guidelines and Procedures: Productive Investments**

1. Introduction
- A. Sub-Component 2.1. **Strengthening FSP**
1. Introduction to Capacity Building of Financial Service Providers
  2. Implementation Steps and Responsible Party
  4. Financing
  5. M&E and Knowledge Management
- B. Sub-Component 2.1. Strategic Investment-Debt Financing, Insurance and Credit Guarantee
1. 1. Introduction
  2. Amount of Debt Financing with or without Insurance and Credit Guarantee
  3. Eligible Debt Financing Expenditures
  4. Eligible Applicants for Debt Financing
  5. Implementation Period of the Debt Financed Supported Investment
  6. Procurement Procedures for Investment with Debt Financing
  7. Application Procedures
  8. Implementation Steps and Responsible Party
  9. M&E and Knowledge Management
- C. Sub-Component 2.1. Strategic Investment- Third Party Equity Investment
1. Introduction to Equity
  2. Organisation and Management of Equity Financing
  3. Amount of Equity Financing
  4. Eligible Equity Expenditures
  5. Eligible Applicants for Equity Financing
  6. Exit Strategy for the Equity Participants
  7. Procurement Procedures for Investment with Equity Financing
  8. Application Procedures
  9. Approval Procedures
  10. Implementation Steps and Responsible Party
  11. M&E and Knowledge Management

#### **Sub-Component 2.2 – Farm to Market Infrastructure**

1. Introduction

2. Organisation and Management of Infrastructure (MoA between DTI and DILG, between DILG and LGU, copy of the DPWH design standards)
3. Eligible level of Financing
4. Eligible Applicants for Farm to Market Roads
5. Procurement Procedures for Farm to Market Roads
6. Application Procedures
7. Approval Procedures for selection of applications
8. M&O temp plate for routine, periodic and preventive maintenance
9. Implementation Steps and Responsible Party
10. M&E and Knowledge Management





## Appendix 12: Compliance with IFAD policies

### A. Compliance with IFAD Related Policies

1. As described in the Main Report and the preceding appendixes, the project design is consistent with key IFAD policies relating to targeting, gender, indigenous peoples, private sector participation and rural financial services. Table 1 is a summary of project's compliance with some IFAD relevant policies

**Table 1: Summary RAPID Design Compliance with IFAD Relevant Policies**

Policies	RAPID Compliance
<b>IFAD Strategic Framework (2016-2025)</b>	RAPID is pursuing IFAD's current overarching development framework of inclusive and sustainable rural transformation driven by smallholder agriculture and rural development agenda. The project's development objective of promoting the sustained growth of micro and small agro-enterprises that can generate employment and open small farmers' access to markets and support services in the target value chains support IFAD's first two strategic objectives (SO), SO1: Increase poor rural people's productive capacities, and SO2: Increase poor rural people's benefits from market participation. Furthermore, RAPID is committed to deliver IFAD's strategic outcomes by increasing investments in the rural areas and improving the capacity of the government institutions to deliver services to rural communities. Finally, RAPID adheres to IFAD's key principles of engagement by targeting the smallholder farmers and micro/small entrepreneurs, empowering small holder producers/processors and micro and small enterprises, promoting gender equality, and sharing good practices and innovations for replication through a results-based and interfaced M&E/MIS and KM systems.
<b>Rural Enterprise Policy (2004)</b>	RAPID as a scaling up of the Rural Micro Enterprise Promotion Programme (RuMEPP), a previous project financed by IFAD and implemented by DTI, promotes the development of the micro, small and medium enterprise (MSME) with a slant towards the micro and small enterprise (MSE) clusters. One of the core strategies of RAPID is enterprise strengthening which will include the following activities: <ul style="list-style-type: none"> <li>• <i>services to farmers</i>, such as gender-sensitive technical advisory services from climate-resilient production to post-harvest and primary processing; support to farmers' organisations/strengthening of existing cooperatives; supply of quality planting material or establishment of farmer-run nurseries; supply of agroforestry kits to diversify income and increase climate resilience...;</li> <li>• <i>enterprise services</i>, such as product and market development, ICT or logistics;</li> <li>• <i>productive investment</i> at farm or enterprise level, such as processing equipment, solar power equipment or farm-level irrigation.</li> </ul> Further, RAPID has specific package of services with distinct project financing modalities will be developed for micro-entrepreneurs and will be made available through qualified business service providers, contingent upon prior registration. The package will include services such as financial/business literacy (see Component 2), business planning, accounting, technical and marketing skills
<b>Deepening engagement with the private sector (2012)</b>	RAPID is a public-private partnerships (PPP). Aside from IFAD's and government financing, the private sector players partnering with RAPID are expected to contribute to the financing of project-supported activities. They will include: financial institutions, which will extend loans/capital resources to enterprises and farmers involved in the target value chains; agribusinesses and smallholders involved in partnerships, which will be expected to contribute to implementing enterprise development activities. Furthermore, the sub-component on VC governance aims to organise value chain players and create an enabling institutional environment that promotes growth of micro and small enterprises, strengthens their linkages with farmers, and facilitates farmers' access to markets and services
<b>Rural Finance Policy (2009)</b>	RAPID has a Strategic Finance sub-component which aims at improving the access of value chain players (farmers, micro-entrepreneurs, cooperatives and small enterprises) to a range of financial services adapted to their financial requirements. The sub-component will be implemented by target financial institutions (banks and

	<p>microfinance institutions - MFIs), including public institutions (Land Bank of the Philippines or LBP, Development Bank of the Philippines or DBP, Small Business Corporations or SBC) and private institutions that will be selected through a competitive process and will cover two main set of activities:</p> <ul style="list-style-type: none"> <li>• <i>Risk mitigation</i>: the promotion of good agronomic practices and of conservation agriculture (as part of Component 1) will already contribute to decrease risks incurred by both farmers and financial institutions. In addition, RAPID will promote a package of basic financial services adapted to smallholders and micro-entrepreneurs (financial/business education and household budgeting, savings and short-term credit), so that they become credit worthy borrowers. Where appropriate, services will also include the cashing-out of remittances, so that OFW families can access remittances and other financial services (included adapted financial literacy) in one single service outlet, and that MFIs can expand their clientele and outreach. To further mitigate risks, RAPID will promote innovative crop insurance schemes and it will encourage partnering financial institutions to submit complete credit information to the Credit Information Corporation. The design will also explore options for supporting loan guarantee funds managed by LBP and SBC;</li> <li>• <i>Loans and equity for enterprises</i>: RAPID will build the institutional capacities of participating institutions to extend new financial products such as value chain financing/tripartite arrangements, cash flow-based lending or receivable financing. To further support SIP implementation, the project will finance Conditional Matching Grants. Moreover, project design is considering to promote equity financing for agro-enterprises with potential for growth and for developing backward linkages to small farmers, including by developing mechanisms to facilitate OFW investment into agro-enterprises.</li> </ul>
<p>Gender equality and women's empowerment (2012)</p>	<p>RAPID strongly adheres to IFAD's strategic purpose of increasing gender equality and women's empowerment in the rural areas. The project will contribute to realizing SO1 which is to promote economic empowerment to enable rural women and men to have equal opportunity to participate in, and benefit from, profitable economic activities, and SO 2 which is to enable women and men to have equal voice and influence in rural institutions and organizations. Similar with RuMEPP, RAPID will pay attention to women producers, processors, and entrepreneurs. The Government of the Philippines makes it mandatory that all government development programmes and projects follow the "Harmonized Gender and Development Guidelines for Project Development, Implementation, Monitoring and Evaluation"<sup>116</sup> which are very similar with IFAD's policy on gender equality and women's empowerment policy. See Appendix 2, and Annexes 1 and 2 of this appendix which discusses about gender and development concerns.</p>

## B. Preliminary SECAP Findings:

2. The succeeding sections present some preliminary findings of an ongoing Social, Environmental, and Climate preparatory (SECAP) study in the country. The preliminary findings have reported only the environment and climate aspects. The social aspect will be included once the study is completed. While the SECAP study is at country wide, specific SECAP for RAPID will be completed during the final design mission.

3. **Environment and Natural Resources Management (ENRM) Issues.** The rapidly increasing population of the country, the rate of urbanization in many areas, and the threats of climate change are exerting increasing pressure on the use of available land and water resources. These also result in the disturbance of the natural habitats of species of flora and fauna, and consequently, on the loss of a number of species. These processes trigger a number of ENRM issues and challenges at the national, sub-national, and local levels. These are described as follows:

<sup>116</sup> In 2004, the National Economic and Development Authority (NEDA) formulated the Harmonized Gender and Development Guidelines for Project Development, Implementation, Monitoring and Evaluation, in collaboration with the National Commission on the Role of Filipino Women (NCRFW) and the Official Development Assistance-Gender and Development (ODA-GAD) Network, with funding support from the United Nations Development Programme (UNDP) and the Asian Development Bank (ADB). The set of guidelines serves as a common instrument among the NEDA, proponent/ implementing agencies and donor organizations for ensuring the gender responsiveness of programs and projects in their various stages

- **Accelerated soil erosion and soil loss in agricultural production areas.** Continuous cultivation of agricultural areas and the use of unproductive agricultural practices have resulted in accelerated soil erosion and soil loss which reduce crop yields, and consequently, 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.
- **Unsustainable production systems in agricultural areas.** Agroforestry production systems being practiced in many marginal and populated upland areas are not sustainable resulting in 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. **Climate Change Issues in the Philippines.** Climate change is now a reality, and adversely affecting agricultural and rural development in the Philippines. There are observational evidences of changing climate at the global, regional, national, and local levels (PAGASA, 2011; Rosegrant et al., 2016). Climate change is exhibited in the following related processes, namely: (1) Global warming or increasing temperature that reduces adversely productivity of crops and livestock; (2) Erratic rainfall distribution that disrupted the cropping calendar and rainfed crop production systems; (3) More intense extreme events such as strong typhoons with more intense rainfall, floods and droughts; and (4) Sea level rise (SLR) that affected the low-lying coastal areas as well as the fishing grounds and fish production areas. Climate change results in an average annual damage of Php12.43 billion to agriculture with about 93% of the total damages attributed to extreme weather events such as typhoons, floods, and droughts. It is projected that climate change losses and damages in agriculture and livelihood activities will continue to persist in the near future. Thus, it is imperative that threats of climate change should be addressed by promoting activities that enhance climate resilience of local poor communities and fragile ecosystems.

5. **Assessment of Vulnerability due to Climate Change.** Previous vulnerability assessment studies on climate change in the Philippines indicate that many areas in the country are vulnerable to climate hazards. Since vulnerability is a function of the climate hazard, extent of exposure to the hazard, sensitivity of the area to the hazards, and the adaptive capacity, the appropriate and suitable climate change adaptation strategy calls for identifying and formulating the specific measures that address these elements. Planning and implementation of climate change adaptation (CCA) strategies in the agricultural and rural sectors calls for identification and formulation of location-specific CCA options or measures to reduce vulnerability and to build resilience. 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.

6. CCA options or measures may include responses based on good agricultural practices that have field-tested based on practical experiences of stakeholders. These options may be scaled up to other sites or locations with some modifications to suit the environmental conditions in the area. Some CCA measures have been generated from scientific studies (e.g. adaptive planting calendar, alternate wetting and drying (technology, etc.) (SEARCA-GIZ, 2016). Effective and efficient CCA measures are location-specific. Thus, CCA strategies should promote appropriate agricultural production systems and enterprises that enhances rural income level and reduces poverty, and improve food and nutritional insecurity.

7. **Opportunities for Incorporating CCA in Agricultural and Rural Development Programs.** Vulnerability to climate change threatens agricultural and rural development as well as environmental stability. Thus, the poor and marginalized who are the targets of development programme interventions should be shielded from the impairing threats of climate change by building up their adaptive capacity. Moreover, enhancing the climate resilience of vulnerable agricultural and rural communities as well as the fragile agroecosystems through effective CCA strategies should be promoted in these development activities. A number of CCA strategies and measures based on best practices, and ecosystems-based adaptations may be incorporated as part of the development interventions addressing rural poverty, food and nutritional insecurity, and environmental stability.

These CCA interventions may involve scaling up of specific measure(s) in other areas with similar social and environmental conditions, strategies involving management of climate risks, and piloting of certain CCA measures before eventual area-wide implementation. These measures are as follows:

- Sustainable agroforestry production systems to provide livelihood activities and to promote environmental stability of watersheds in the vulnerable and fragile ecosystems. This may involve the production of other suitable crops (fruit trees) that provides better income, and alternative source of livelihood. Others forms of working arrangements such as communal farms, cooperatives, etc. may also be explored to promote cooperation and networking in the area.
- 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 instant, 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.
- Climate risk management through agro-insurance using weather index-based insurance (WIBI). This is an objective insurance scheme based on the use of a reference index of crop development stage and weather variables, e.g. cumulative rainfall for 30 days; temperature; typhoon path, etc. This offers a more attractive agro-insurance product than the traditional crop insurance provided by the local insurance providers.
- Calamity support fund 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.
- 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.
- 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.

### Annex 1: Targeting Checklist

CHECKLIST	DESIGN
1. Does the main target group - those expected to benefit most- correspond to IFAD's target group as defined by the Targeting Policy (poorer households and food insecure)?	8. The design targets agricultural MSMEs and rural farming households engaged in the target value chains. RAPID aims to assist smallholder households active in the selected value chains, as well as unemployed or underemployed rural women and men that can potentially be employed by participating enterprises. Within these target groups, and in view of the high migration rates from rural areas, the project will also target remittance receiving households, so that they can leverage their remittance to improve their livelihoods and contribute to rural employment.
2. Have target sub-groups been identified and described according to their different socio-economic characteristics, assets and livelihoods - with attention to gender and youth differences? (matrix on target group characteristics completed?)	The design identified the sub-groups such as women farmers and women entrepreneurs, including women workers in MSMEs, youth farmers and youth entrepreneurs. Migrant families and family members who are agriculture smallholders and MSME owner-operators will also be included.
3. Is evidence provided of interest in and likely uptake of the proposed activities by the identified target sub-groups? What is the evidence? (matrix on analysis of project components and activities by principal beneficiary groups completed?)	The crops and commodities covered in the project were identified with the participation of smallholders and MSMEs. These commodities were confirmed and validated during the scoping (September 2016) and design (Dec. 2016) missions.
4. Does the design document describe a feasible and operational <b>targeting strategy</b> in line with the Targeting Policy, <i>involving some or all the following measures and methods:</i>	
<b>4.1 Geographic targeting</b> – based on poverty data or proxy indicators to identify, for area-based projects or programmes, geographic areas (and within these, communities) with high concentrations of poor people	Geographic targeting combined two key indicators – provinces where the production area of the crops / commodities is significant and where high poverty exists, in terms of incidence and magnitude of poor population. Coconut areas have 56% poor, cacao and coffee have 54% poor.
<b>4.2 Direct targeting</b> - when services or resources are to be channelled to specific individuals or households	In the delivery of services, priority is given to small holder farmers and micro entrepreneurs especially poor women headed-households or women family members, out of school youth, indigenous peoples living in areas where the project supported crops and commodities exist.
<b>4.3 Self targeting</b> – when goods and services respond to the priority needs, resource endowments and livelihood strategies of target groups	There is no self-targeting in this design, however.
<b>4.4 Empowering measures</b> - including information and communication, focused capacity- and confidence-building measures, organisational support, in order to empower and encourage the more active participation and inclusion in planning and decision making of people who traditionally have less voice and power	There will be participation of the VC actors and players who include small holder farmers/ farmer associations in the preparation of strategic investment plans and proposals. In the design, small holder farmers will be provided capacity to link with buyers or processors or with the finance service providers. It is also expected that small holder farmers/ farmer associations will be involved in the M&E of the project.
<b>4.5 Enabling measures</b> –to strengthen stakeholders' and partners' attitude and commitment to poverty targeting, gender equality and women's empowerment, including policy dialogue, awareness-raising and capacity-building	These measures were also incorporated to ensure targeting of poor people, IPs, migrants, MSEs, whether men or women. Strategies for women empowerment have been incorporated in the gender inclusion strategy. Policies related to women participation, IP and Muslim Filipinos participation are included.
<b>4.6 Attention to procedural measures</b> - that could militate against participation by the intended target groups	The participation of smallholder farmers, their organizations, women farmers, IPs, women MSE operators will be proactively sought out by the project. Tools for identification of these sectors and the instruments on project implementation such as value chain analysis, and strategic investment plan preparation will be sensitive to the special requirements of these sectors.
<b>4.7 Operational measures</b> - appropriate project/programme management arrangements, staffing, selection of implementation partners and service providers	Currently, in the Philippines a NEDA Harmonized GAD Guidelines are utilized by development projects in addressing gender management arrangements ( <a href="http://www.neda.gov.ph/wpcontent/uploads/2013/12/HarmonizedGADGuidelines">http://www.neda.gov.ph/wpcontent/uploads/2013/12/HarmonizedGADGuidelines</a> )
<b>5. Monitoring targeting performance.</b> Does the design document specify that targeting performance will be monitored using participatory M&E, and be assessed at mid-term review? Does the M&E framework allow for the collection/analysis of sex-disaggregated data and are there gender-sensitive indicators against which to monitor/evaluate outputs, outcomes and impacts?	M&E in this project is “ <i>inclusive and accountable</i> ” i.e. planning, monitoring and evaluation should involve the VC/industry stakeholders including the women, small holder farmers and suppliers, service providers and other implementing partners (DILG, LGUs, other line agencies such as DA, DAR), DTI and project staff. Monitoring of targeting performance will be assessed at mid-term. Sex disaggregated data/information will also be collected and gender sensitive indicators have been included to be monitored and evaluated in terms of outputs, outcomes and impacts.

**Annex 2: Gender Checklist**

<b>CHECKLIST</b>	<b>DESIGN</b>
5. The design document describes - and the project implements - operational measures to ensure gender-equitable participation in, and benefit from, project activities. These will generally include:	
5.1 <i>Allocating adequate human and financial resources to implement the gender strategy</i>	\$135,000 has been allocated for GESI and gender targeting budget
5.2 <i>Ensuring and supporting women's active participation in project-related activities, decision-making bodies and committees, including setting specific targets for participation</i>	Appendix 2 has elaborated the strategies for gender inclusion
5.3 <i>Ensuring that project/programme management arrangements (composition of the project management unit/programme coordination unit, project terms of reference for staff and implementing partners, etc.) reflect attention to gender equality and women's empowerment concerns</i>	GESI assessment will provide the basis for the specific gender strategies
5.4 <i>Ensuring direct project/programme outreach to women (for example through appropriate numbers and qualification of field staff), especially where women's mobility is limited</i>	GESI assessment will provide the basis for the specific gender strategies
5.5 <i>Identifying opportunities to support strategic partnerships with government and others development organizations for networking and policy dialogue</i>	GESI assessment will provide the basis for the specific gender strategies
6. The project's logical framework, M&E, MIS and learning systems specify in design – and project M&E unit collects, analyses and interprets sex- and age-disaggregated performance and impact data, including specific indicators on gender equality and women's empowerment.	The monitoring of targeting performance has been likewise incorporated using participatory M&E and will be assessed at mid-term review. Sex disaggregation will also be collected and gender sensitive indicators have been included to be monitored/evaluated in terms of outputs, outcomes and impact.

## **Appendix 13: Contents of the Project Life File**

Background papers, DTI industry roadmaps, studies and donor reports are available in the Project Life File.