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Investing in rural people

President's report

Proposed loan and grant to the Republic of the Philippines for the Rural Agroenterprise Partnerships for Inclusive Development and Growth Project

Note to Executive Board representatives

Focal points:

Technical questions:

Omer Zafar
Country Programme Manager
Asia and the Pacific Division
Tel.: +39 06 5459 2348
e-mail: o.zafar@ifad.org

Tawfiq El-Zabri
Programme Officer
Tel.: +39 06 5459 2242
e-mail: t.elzabri@ifad.org

Dispatch of documentation:

Alessandra Zusi Bergés
Senior Governing Bodies Officer
Governing Bodies
Tel.: +39 06 5459 2092
e-mail: gb@ifad.org

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For: Approval

Contents

Abbreviations and acronyms	ii
Map of the project area	iii
Financing summary	iv
Recommendation for approval	1
I. Strategic context and rationale	1
A. Country and rural development and poverty context	1
B. Rationale and alignment with government priorities and RB-COSOP	2
II. Project description	2
A. Project area and target group	2
B. Project development objective	2
C. Components/outcomes	3
III. Project implementation	3
A. Approach	3
B. Organizational framework	4
C. Planning, monitoring and evaluation, and learning and knowledge management	4
D. Financial management, procurement and governance	5
E. Supervision	5
IV. Project costs, financing, and benefits	6
A. Project costs	6
B. Project financing	6
C. Summary benefit and economic analysis	7
D. Sustainability	7
E. Risk identification and mitigation	8
V. Corporate considerations	8
A. Compliance with IFAD policies	8
B. Alignment and harmonization	9
C. Innovations and scaling up	9
D. Policy engagement	9
VI. Legal instruments and authority	10
VII. Recommendation	10
Appendices	
I. Negotiated financing agreement	
II. Logical framework	

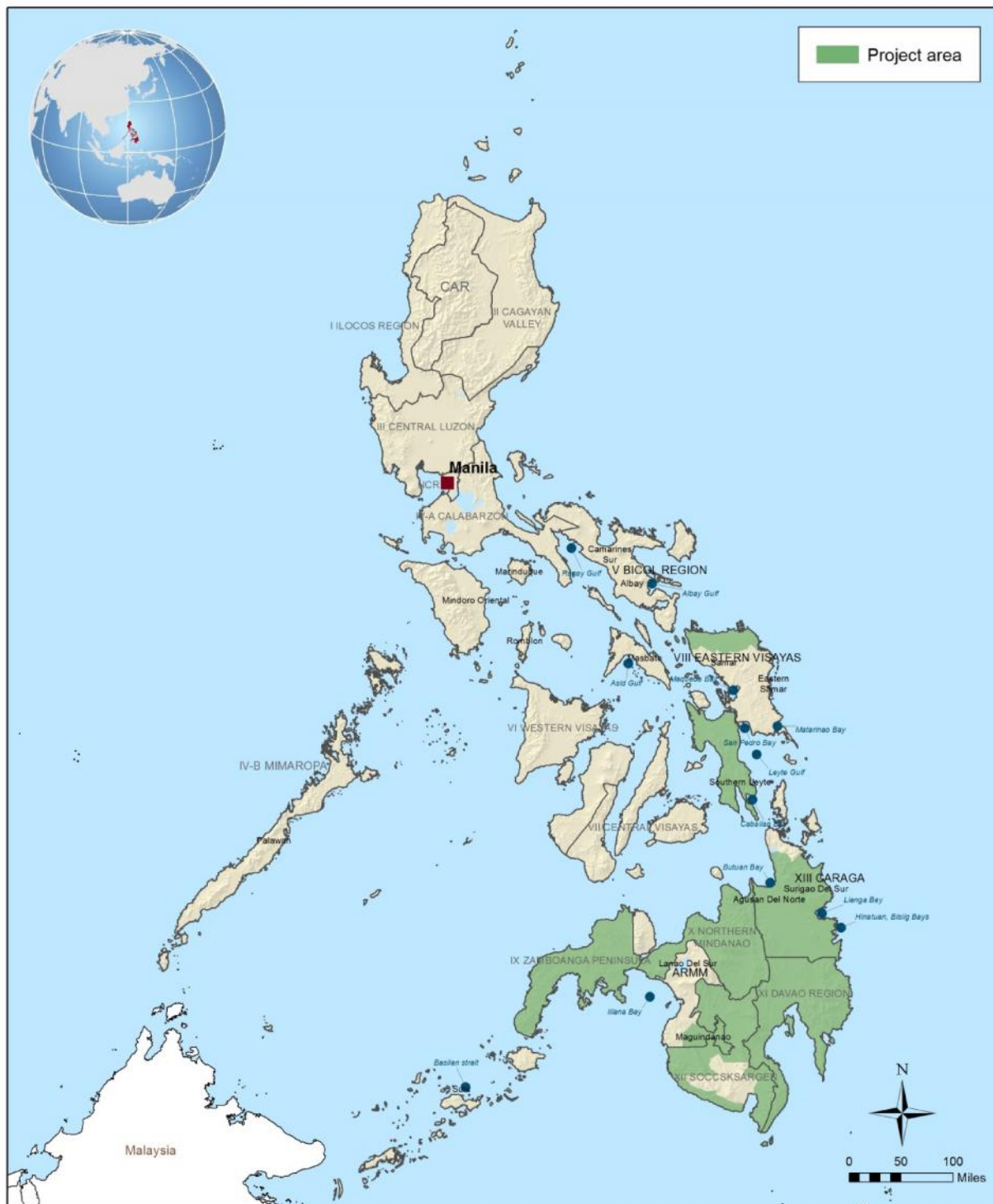
Abbreviations and acronyms

DIP	detailed investment plans
DILG	Department of the Interior and Local Government
DTI	Department of Trade and Industry
FSP	financial service provider
MSME	micro, small and medium-sized enterprises
OFW	overseas Filipino worker
PCO	project coordination office
PRDP	Philippines Rural Development Project
RAPID Growth	Rural Agroenterprise Partnerships for Inclusive Development and Growth Project
SALT	sloping agricultural land technologies

Map of the project area

Republic of the Philippines

Rural Agroenterprise Partnerships for Inclusive Development and Growth Project



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

Republic of the Philippines

Rural Agroenterprise Partnerships for Inclusive Development and Growth Project

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of the Philippines
Executing agency:	Department of Trade and Industry
Total project cost:	US\$95.1 million
Amount of IFAD loan:	US\$62.9 million
Amount of IFAD grant:	US\$2.5 million
Terms of IFAD loan:	Ordinary: Maturity period of 18 years, including a grace period of 6 years, with an annual interest rate per annum equal to 100 per cent of the IFAD reference interest rate
Financing gap:	US\$1.6 million
Contribution of borrower:	US\$10.8 million
Contribution of beneficiaries (farm households):	US\$2.1 million
Contribution of beneficiaries (enterprises):	US\$2.8 million
Contribution of participating financial institutions:	US\$12.4 million
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of the Philippines for the Rural Agroenterprise Partnerships for Inclusive Development and Growth Project, as contained in paragraph 45.

Proposed loan and grant to the Republic of the Philippines for the Rural Agroenterprise Partnerships for Inclusive Development and Growth Project

I. Strategic context and rationale

A. Country and rural development and poverty context

1. Over the past decade, GDP growth in the Philippines has averaged 5.4 per cent per annum and average per capita incomes have doubled, reaching US\$2,900 in 2015. Supported by sound macroeconomic fundamentals, the Philippines is expected to remain one of East Asia's top growth performers in the medium term.
2. The gains of rapid economic growth and structural transformation are not proportionally accruing to primary producers or workers, resulting in significant poverty among these groups. Most new jobs have been generated in the low-paid, low-skilled retail and transportation sectors. Having grown a modest 1.9 per cent per annum over the past decade, agriculture comprised 10 per cent of value added in 2015, while services accounted for 59 per cent and industry for 31 per cent.
3. With 55 per cent of the country's population living in rural areas and agriculture employing 30 per cent of the labour force, slow agricultural growth contributes to continuing poverty in rural areas. The incidence of poverty among the country's 55 million rural inhabitants is 35 per cent, compared to 13 per cent among the 45 million living in urban areas, and is particularly pronounced in rural areas of the southern island of Mindanao. Thirty per cent of children under 5 suffer from stunting; and 15 per cent are deficient in vitamin A.
4. Vulnerabilities in the agriculture sector continue to threaten the achievement of the country's long-term structural reform and its ambition for shared prosperity for all. 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. Low farmer incomes have contributed to significant out-migration of youth. The Government estimates that the average age of the country's 11 million farmers is 57 years.
5. Yet growth is visible in agro-based enterprises that have access to investment capital and that efficiently source sufficient volumes of raw material, apply modern technologies and comply with recognized product standards in response to market requirements. Growing markets for speciality, high-value crops offer a new outlook for diversification and added value in the farming sector, including attractive employment and entrepreneurship opportunities for rural youth.

- B. Rationale and alignment with government priorities and RB-COSOP
6. Capitalizing on market opportunities for rural poverty reduction requires investments in associated agricultural value chains. The proposed Rural Agroenterprise Partnerships for Inclusive Development and Growth Project (RAPID Growth) will provide critical public goods and services needed for the development of collaborative frameworks and financing facilities that improve agricultural performance and reduce rural poverty and malnutrition. Upgrading value chains entails: linking agroenterprises with smallholders; improving smallholders' access to productive capital, knowledge and technology; and improving agroenterprises' access to agricultural produce of sufficient quality and quantity, as well as to investment capital.
 7. The proposed project responds to a key thrust within the Government's poverty-reduction strategy. Within the Government's 10-point socio-economic agenda is the commitment to "promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism". The recently issued Philippine Development Plan 2017-2022 emphasizes increasing the access of micro, small and medium-sized enterprises (MSMEs), cooperatives and overseas Filipinos to production networks and to financing. RAPID Growth also matches the Sustainable Development Goals most relevant to IFAD's strategic objectives and IFAD's 2017 country strategic opportunities programme for the Philippines.

II. Project description

- A. Project area and target group
8. Target groups. The project will directly target small farmers and microentrepreneurs engaged within selected commodity value chains. It will indirectly target unemployed and underemployed rural youth, women and men who can potentially be employed by participating enterprises. Special focus will be placed on: (i) women farmers and entrepreneurs; (ii) youth (men and women); and (iii) indigenous peoples. The project will initially target four of the seven agricultural value chains prioritized by the Department of Trade and Industry (DTI): cocoa; coffee; processed fruits and nuts; and coconut. These commodities exhibit strong market growth prospects, potential for job creation and high participation of poor households, and thus can provide sustained economic benefits to small farmers and enterprises. Once operational models for upgrading these value chains are demonstrated, other value chains may be included (prioritized according to the former selection criteria). In addition, RAPID Growth will support networks of Negosyo Centres to partner with the Technical Education and Skills Development Authority and learning organizations in developing the skills of young entrepreneurs engaged in the target chains.
 9. Project area. RAPID Growth will be implemented in six regions and 20 target provinces. This area was selected based on: current production and growth potential in the selected commodity chains; poverty incidence; and operational efficiency considerations. The project area falls primarily in the southern island of Mindanao, reflecting Mindanao's large agriculture potential and high poverty rates. Through its scaling-up strategy, the project may expand to other provinces once an effective operating model has been established.
- B. Project development objective
10. 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 small and microenterprises in selected agricultural commodity chains with

comparative advantages, market demand, growth potential, links to small farmers and the potential for job creation.

C. Components/outcomes

11. Component 1: value chain development, aims to ensure that producers and value-chain actors execute collaborative action plans and build commercial partnerships in selected commodity value chains. The component seeks to benefit 78,000 households through 1,665 cooperatives linked to between 150 and 250 enterprises. It will first 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 customized business development services¹ so that they can commercialize their operations and expand their access to remunerative markets. Third, it will promote business partnerships between enterprises and farmers, whereby enterprises provide farmers with market-oriented support services that enable farmers to deliver expected volumes and quality in a timely manner.
12. To promote healthy diets and leverage higher incomes towards better nutrition outcomes, RAPID will pursue awareness/education initiatives and nutrition-sensitive investments. It will establish partnerships with agencies active in nutrition awareness campaigns, including WFP and the Department of Social Welfare and Development. By creating direct access by targeted farmer groups, particularly women, to nutritional training and awareness programmes, RAPID Growth will enable poor rural women and men to make better informed decisions with regard to household economics and their expenditure on food.
13. Component 2: productive investments, relates to : (i) strategic financing, improving value-chain stakeholders' access to adapted and affordable financial services; and (ii) farm-to-market infrastructure focused on securing farmers' and small and microenterprises' access to markets through the rehabilitation of farm-to-market access roads. Targets include the extension of credit to 78,000 farming households, 1,250 microenterprises and 190 small and medium enterprises, and the rehabilitation and maintenance of 140 km of farm-to-market all-weather roads prioritized in strategic investment plans.
14. Component 3: project management, supports DTI and project partners in delivering project services. As a result of this component, it is expected that the project will be completed efficiently, on time, within the agreed budget and to beneficiaries' satisfaction. The component will finance the costs of project management and coordination, monitoring and evaluation, and reporting at the national, regional and provincial levels. It will also finance the costs of contracted project staff, honoraria of DTI regular staff assigned to RAPID Growth, equipment, vehicles and operating costs.

III. Project implementation

A. Approach

15. RAPID Growth's implementation approach will feature: (i) public-private partnerships; (ii) embedding project management within DTI, and building the capacity of DTI's Negosyo Centres to broker and facilitate collaborative arrangements; (iii) enhancing access of MSMEs to business services and promoting a pluralistic market for business development services; (iv) supporting multi-stakeholder value chain investment plans at the provincial level; and (v) developing industry councils and private sector associations to support coordination, knowledge management and policy dialogue associated with specific commodity chains.

¹ These include training, technical assistance, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkages promotion.

16. With respect to investment financing for rural MSMEs, RAPID Growth will reinforce the strategies of partner institutions (such as the Land Bank of the Philippines, the Development Bank of the Philippines, the Small Business Corporation and the Philippine Crop Insurance Corporation) to expand their reach and services to smallholders cultivating high-value crops and rural MSMEs. RAPID Growth will support: innovations in de-risking investments; establishment of liability groups; and the development of tri-party financing arrangements among farmers, processors and traders, and financial institutions. It will also extend matching grant financing to selected investments. In addition, the project will seek to strengthen the capacities of a diverse range of service providers to meet the financial requirements of value chain actors and promote innovative non-loan mechanisms such as value chain financing and equity investment. RAPID Growth will also support the investment of remittances from overseas Filipino workers (OFWs) towards productive assets and entrepreneurship.
17. RAPID Growth will also invest in the rehabilitation of farm-to-market roads to facilitate market access for farmers' produce. Larger projects such as the World Bank-financed Philippine Rural Development Project (PRDP) invest in similar infrastructure at a much larger scale. RAPID Growth will seek to leverage PRDP investments, but will also provide for carefully targeted investments that benefit isolated areas not reached by PRDP or other projects. Through RAPID Growth, DTI will partner with the Department of the Interior and Local Government (DILG) to improve local governments' planning frameworks for road infrastructure in support of private sector-driven economic development.

B. Organizational framework

18. A project coordination office (PCO) embedded in DTI will coordinate implementation and support from DTI's regional and provincial offices. Regional coordination units within DTI's regional offices will oversee DTI's provincial offices and associated Negosyo Centers, which will be tasked with: (i) identifying MSMEs, farmers and cooperatives interested in partnering; (ii) facilitating the preparation and monitoring of strategic investment plans and detailed investment plans; (iii) coordinating the engagement of service providers; and (iv) ensuring provincial planning and monitoring and evaluation.
19. Regional technical working groups (composed of regional representatives of major financial services providers along with the National Economic and Development Authority, Department of Agriculture, Department of Agrarian Reform, Department of Environment and Natural Resources, and DTI) will be consulted to secure multi-agency collaboration, and will approve investment plans and farm-to-market road projects. DILG will be responsible for providing technical support and supervision of farm-to-market roads identified and implemented by local government units.

C. Planning, monitoring and evaluation, and learning and knowledge management

20. 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 delivered in accordance with plans and in a timely manner; (ii) partners have the information they need for adaptive management; (iii) evidence informs industry councils and public policy-making bodies; and (iv) public and private entities can learn from implementation to scale up their investments. The project will monitor the participation of and outcomes for youth and women and seek to improve their access to project services suited to their specific requirements.

D. Financial management, procurement and governance

21. The financial management risk of the project has been assessed as medium with the adoption of the mitigation measures described in the following paragraphs.
22. Project financial management will be mainstreamed with government systems and supplemental information will be provided as required to meet IFAD's guidelines. The financial management service at DTI's central office will be responsible for implementing an efficient financial management system for the project, assisted by the administrative, financial and management divisions of regional offices. Contracted finance personnel will support national- regional- and provincial-level staff. The financial management service at DILG's central office will handle financial management of the loan's infrastructure component through an agreement with DTI. Contracted finance personnel will also be hired by DILG to assist counterparts at the DILG central and regional offices, and coordinate with the local government units. The project implementation manual will include a section detailing financial management, administration and procurement procedures for the project.
23. The DTI central office will maintain two designated accounts in United States dollars for receiving the loan and grant proceeds, as well as two corresponding project accounts in Philippine pesos (PHP) for daily operations. The DILG central office will also maintain a designated account in United States dollars to receive IFAD funds for infrastructure activities, and a project account in Philippine pesos for daily operations. Regional offices of DTI and DILG, participating local government units and other implementing partners will maintain separate project accounts exclusively for project activities. Provincial or municipal government units will execute the rural infrastructure investments. Financial management and oversight will be undertaken by DILG, which will also conduct consolidated reporting.
24. The Government's Electronic New Government Accounting System (e-NGAS) will be utilized for financial reporting of project expenditures. Funds will be allocated for activities necessary for the rollout and enhancement of e-NGAS to meet IFAD's reporting requirements. Consolidation of project annual budgets, and financial reporting will be undertaken by DTI's central office, which will also coordinate audit processes. Both DTI and DILG prepare financial statements in accordance with the Philippine Public Sector Accounting Standards, which are aligned with the International Public Sector Accounting Standards.
25. The project's financial statements and records will be audited annually by the Commission on Audit in accordance with IFAD guidelines. Since 2013, the Commission has aligned the Philippine Public Sector Standards on Auditing to the International Standards on Auditing and the International Standards of Supreme Audit Institutions.
26. The internal audit services of DTI and DILG will include the project in their yearly work plans.
27. The project will follow government procurement regulations (Republic Act No. 9184) using the latest implementing rules and regulations to the extent that they are consistent with IFAD's Project Procurement Guidelines. IFAD will apply a zero-tolerance policy to fraudulent, corrupt, collusive or coercive actions.

E. Supervision

28. Following the first start-up workshop in project year 1, IFAD and the National Economic and Development Authority will conduct joint supervision missions annually and implementation support missions six to nine months later, depending on progress. A midterm review will be conducted at the end of project year 3.

IV. Project costs, financing, and benefits

A. Project costs

29. Total project costs, including physical and price contingencies (10 per cent of base costs), duties and taxes are estimated at US\$95.1 million over a six-year implementation period. Duties and taxes constitute 7 per cent of total base costs.

Table 1

Project costs by component and financier

(Thousands of United States dollars)

Components	IFAD loan		Financing gap		IFAD grant		Government		Local government		Financial service providers		Farmers		Agro-enterprises		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Value chain development	19 017	73.3	-	-	1 590	6.1	2 494	9.6	-	-	-	-	-	-	2 838	10.9	25 939	27.3
2. Productive investments																		
2.1. Strategic financing	23 320	57.9	1 598	4.0	820	2.0	51	0.1	-	-	12 437	30.9	2 066	5.1	-	-	40 292	42.4
2.2. Farm-to-market infrastructure	14 560	72.7	-	-	-	-	3 766	18.8	1 712	8.5	-	-	-	-	-	-	20 037	21.1
Subtotal	37 880	62.8	1 598	2.6	820	1.4	3 817	6.3	1 712	2.8	12 437	20.6	2 066	3.4	-	-	60 330	63.4
3. Project management	6 005	67.8	-	-	90	1.0	2 757	31.1	-	-	-	-	-	-	-	-	8 852	9.3
Total	62 902	66.1	1 598	1.7	2 500	2.6	9 068	9.5	1 712	1.8	12 437	13.1	2 066	2.2	2 838	3.0	95 120	100

B. Project financing

30. Project financing comprises: (i) an IFAD loan of US\$62.9 million; (ii) an IFAD grant of US\$2.5 million; (iii) counterpart financing by the Government equivalent to US\$ 9.1 million; (iv) contributions from local governments (equivalent to US\$1.7 million); (v) debt financing of US\$12.4 million from banks and financial service providers; (vi) an estimated US\$4.9 million from farmers and agroenterprises; with a financing gap of \$1.6 million. Total investment costs are estimated at US\$86.8 million, accounting for 91 per cent of total project costs; recurrent costs total US\$8.3 million.
31. The financing gap of US\$1.6 million may be sourced by subsequent performance-based allocation system cycles (under financing terms to be determined and subject to internal procedures and Executive Board approval) or by cofinancing identified during implementation.

Table 2
Project costs by expenditure category and financier
 (Thousands of United States dollars)

Expenditure Category	IFAD loan		Financing gap		IFAD grant		Government		Local government		Financial service providers		Farmers		Agro-enterprises		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Consultancy	4 278	43.3	-	-	1 376	13.9	1 352	13.7	-	-	27	0.3	-	-	2 838	28.8	9 871	10.4
2. Technical assistance	4 605	74.7	-	-	644	10.4	919	14.9	-	-	-	-	-	-	-	-	6 168	6.5
3. Goods and inputs	4 121	98.8	-	-	-	-	50	1.2	-	-	-	-	-	-	-	-	4 171	4.4
4. Operating costs	1 582	65.3	-	-	-	-	839	34.7	-	-	-	-	-	-	-	-	2 421	2.5
5. Salaries and allowances	4 033	68.6	-	-	-	-	1 850	31.4	-	-	-	-	-	-	-	-	5 883	6.2
6. Studies and workshops	1 756	94.3	-	-	12	0.6	95	5.1	-	-	-	-	-	-	-	-	1 863	2.0
7. Training	5 102	86.6	-	-	468	7.9	91	1.5	-	-	231	3.9	-	-	-	-	5 892	6.2
8. Vehicles	782	88.0	-	-	-	-	107	12.0	-	-	-	-	-	-	-	-	889	0.9
9. Works	14 343	72.4	-	-	-	-	3 766	19.0	1 712	8.6	-	-	-	-	-	-	19 821	20.8
10. Grant & subsidies	13 234	59.3	-	-	-	-	-	-	-	-	7 035	31.5	2 066	9.3	-	-	22 335	23.5
11. Investment capital	9 066	57.4	1 598	10.1	-	-	-	-	-	-	5 144	32.5	-	-	-	-	15 808	16.6
Total	62 902	66.1	1 598	1.7	2 500	2.6	9 068	9.5	1 712	1.8	12 437	13.1	2 066	2.2	2 838	3.0	95 120	100.0

C. Summary benefit and economic analysis

32. RAPID Growth will derive its benefits from: (i) improving small farmers' access to markets, technologies and services in the target commodity chains; (ii) developing business partnerships for MSMEs involving small farmers and agribusinesses; (iii) improving value chain governance and inclusion to facilitate smallholder farmers' participation; and (iv) supporting policies and institutional capacities required to ensure sustainability through DTI.
33. The undiscounted annual incremental net financial benefits are estimated at US\$373.4 million (PHP 7.5 billion). The financial internal rate of return of the project is 25 per cent with a net present value of US\$562 million. The total incremental employment generation is estimated at 30,000 person-years. All farm models generate 29,000 person-years – approximately 40 per cent of them women – and all microenterprises generate approximately 1,000 person-years. The economic analysis yields an economic internal rate of return of 51 per cent and an economic net present value of US\$2,431 million over 20 years using a discount rate of 10 per cent. The cost-benefit ratio with the same discount rate is 1.26. The sensitivity analysis demonstrates that the results are robust. For example, the project would still be viable if all costs increased by 20 per cent or benefits were 20 per cent less.

D. Sustainability

34. The RAPID Growth strategy and activities are driven by the aim that, by the end of project implementation, sustainable mechanisms will ensure continued access by farmers and small and microenterprises to financial and non-financial services. The main features of the project approach that will contribute to this goal are as follows:
- Public-private partnership. While DTI retains overall responsibility for implementation, private-sector actors will provide business development and financial services to target groups – securing greater volumes and better quality of produce, and therefore increased returns. This provides strong incentives for continued service provision beyond project completion.

- Local resources. The use of local resources to develop entrepreneurship, expand the range of business development service providers and generate jobs will strengthen local enterprises and empower farmer organizations.
- Capacity building. Capacity building will ensure that stakeholders have the right mix of competencies to carry activities forward beyond project completion. Capacity-building programmes will feature periodic capacity assessment to ensure high performance.
- Innovative business models and knowledge management. The project will develop innovative business models that will be documented and disseminated through industry councils at the provincial, regional and national levels. This will build a strong knowledge base for sustaining project achievements and provide the foundation for scaling up the most successful and commercially viable mechanisms.

E. Risk identification and mitigation

35. The project strategy leverages high-value commodities and growing market demand, and draws on private-sector involvement. Table 3 identifies the main risks and mitigation measures included in project design.

Table 3
Risks and mitigation measures

<i>Type</i>	<i>Description</i>	<i>Probability</i>	<i>Mitigation measures</i>
Partnership risks	Limited interest of small and medium enterprises in partnering with smallholders because of the risks and high transaction costs involved; weak technical and management capacities of farmers' organizations	Medium	<ol style="list-style-type: none"> 1. Provision of incentives to support private-sector engagement 2. Technical support services to improve farmers' productivity 3. Role of a fair broker to support equitable and remunerative partnerships 4. Support to sustainable management of farmers' organizations.
Environmental risks	Climate change and extreme climatic events	High	<ol style="list-style-type: none"> 1. Promotion of climate-resilient varieties, sloping agricultural land technologies (SALT) and water, crop and soil management practices 2. Engagement of crop and weather-based index insurance actors
Lending risks	Low creditworthiness/ investment capacity of small and microenterprises	Medium low	<ol style="list-style-type: none"> 1. Support to small and microenterprises in preparing business plans and accessing services contingent on profitability 2. Risk-sharing mechanism decreasing the risk of financial service providers and lifting constraints to small and microenterprises gaining access to credit 3. Performance-based conditional grants to lower risk associated with financial service providers and reduce cash-flow problems for small and microenterprises in the first years of investment

V. Corporate considerations

A. Compliance with IFAD policies

36. RAPID Growth is fully aligned with the IFAD Strategic Framework 2016-2025 in pursuit of its mutually reinforcing strategic objectives. In particular, it will promote investment in productive capacities and encourage better and deeper market participation (and benefits), as well as improved agricultural productivity. IFAD's principles of engagement (targeting, empowerment, gender equality, innovation, learning and scaling up, and partnerships) are fully embedded in the project, its institutional strengthening approach and operating modalities. RAPID Growth adheres to IFAD policies and strategies regarding: partnerships; rural finance; targeting and gender mainstreaming; environment and natural resource management; climate change and social, environmental and climate assessment procedures; and scaling up. The environmental and social risk is rated B while the climate risk for the Philippines is deemed high.

37. Table 4 summarizes findings of the social, environmental and climate assessment procedures study; which identified the project's potential social and environmental impacts, as well as mitigation measures, which were reflected in project design.

Table 4
Potential project impacts and mitigation measures

<i>Potential impacts</i>		<i>Mitigation measures</i>
Land degradation	Accelerated soil erosion and soil loss, aggravated by extreme weather events, results in floods and droughts	<ol style="list-style-type: none"> 1. Advisory services built into detailed investment plans, based on value-chain analysis focused on opportunities and constraints 2. Promotion of sustainable upland agriculture practices such as SALT through matching grants and technical advice 3. Allocation for research and development funds that focus on other innovative approaches as needed
Unsustainable agricultural production systems	Unsustainable systems result in depletion of soil fertility	<ol style="list-style-type: none"> 1. Promotion of sustainable agroforestry production systems, including SALT
Climate change	Higher temperatures reduce crop productivity Erratic rainfall distribution. More intense extreme events	<ol style="list-style-type: none"> 1. Assessment of vulnerability to climate change included in value chain analysis and carried out as part of the preparation of provincial strategic investment plans 2. Climate risk management through introduction of crop insurance and faster disbursement systems, including weather index-based insurance 3. Promotion of SALT to retain humidity 4. Promotion of high-yielding and climate-adapted plant varieties

B. Alignment and harmonization

38. The project objective is fully aligned with the Government's Philippine Development Plan 2017-2022 and the priorities in the Government's socio-economic agenda. The project will complement other donors working in the same sector – such as the World Bank – to maximize project impacts on poverty reduction and influence policy dialogue with the Government and other stakeholders. IFAD will also work with government programmes for an improved policy environment and governance. The project will explore diverse types of partnership arrangements between project beneficiaries and the private sector, building an enabling environment and delivery systems in support of competitive, inclusive and resilient agri-food value chains.

C. Innovations and scaling up

39. Scaling up of innovations is at the centre of IFAD's country strategy and RAPID Growth foresees innovations that can be replicated beyond the specific value chains served by the project. The project seeks to provide optimal models and delivery systems for competitive, inclusive and resilient agri-food chains. These include: (i) facilities for innovative technical advisory partnerships that link smallholder farmers to technical advice from processors and buyers; (ii) expansion of risk mitigation through cost-efficient solutions for agricultural insurance services; (iii) studies and assessments for expanding existing loan guarantees from annual crops to perennial crops; (iv) support to financial innovations such as micro-banking and credit surety funds; (v) collaborating with OFWs; and (vi) an agroenterprise innovation facility that provides incentives for private equity investments in rural enterprises.

D. Policy engagement

40. Emerging experiences from project execution will be key drivers of national policy engagement. Through component 1, strengthening value chain governance includes policy and technical dialogue within regional and provincial industry councils to improve chain-wide coordination and guide public and private investments; this includes smallholder farmer organizations, the private sector and the Government. Workshops will be informed by policy studies commissioned through DTI. Furthermore, to improve the standard of evaluations and inform policymaking with evidence, project evaluations will be carried out through a

partnership with the Philippines Institute for Development Studies, an agency of the National Economic and Development Authority and policy think tank.

41. Policy dialogue will also take place through the Knowledge and Learning Market for Policy Engagement event organized annually in the Philippines by IFAD and the Government. RAPID Growth will establish linkages with IFAD regional grants focusing on policy issues such as the Association of Southeast Asian Nations food market integration grant, implemented by the International Food Policy Research Institute, which focuses on policy assessments, and the support to farmers through agro-advisory services grant implemented by the Southeast Asian Regional Center for Graduate Study and Research in Agriculture.

VI. Legal instruments and authority

42. A project financing agreement between the Republic of the Philippines and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.
43. The Republic of the Philippines is empowered under its laws to receive financing from IFAD.
44. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

45. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of the Philippines in an amount equivalent to sixty two million nine hundred thousand United States dollars (US\$62,900,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of the Philippines in the amount of two million five hundred thousand United States dollars (US\$2,500,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement

"Rural Agro-Enterprise Partnership for Inclusive Development and Growth Project"

(Negotiations concluded on 12 April 2018)

Loan Number: _____

Project Title: Rural Agro-Enterprise Partnership for Inclusive Development and Growth Project (the "Project" or "RAPID Growth")

The Republic of the Philippines (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

WHEREAS the Borrower has requested a Loan and a Grant (the "Financing") from the Fund for the purpose of financing the Project;

WHEREAS, the Fund shall provide the Grant to the Recipient to complement the Loan in accordance with the terms and conditions of a separate agreement to be entered into between the Parties (the "Grant Agreement" for the purposes of this Agreement);

WHEREAS, the Fund has agreed to extend the Loan to the Borrower in accordance with the terms and conditions of this Agreement;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009 amended as of April 2014, and as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

Section B

1. The amount of the Loan is sixty two million and nine hundred thousand United States dollars (USD 62 900 000).

2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen years, including a grace period of six (6) years starting from the date

that the Fund has determined that all general conditions precedent to withdrawal from the Loan have been fulfilled in accordance with Section 4.02(b) of the General Conditions and Section E of this Agreement.

3. The Loan Service Payment Currency shall be the United States Dollar.
4. The first day of the applicable Fiscal Year shall be January 1.
5. Payments of principal and interest shall be payable on each 15 April and 15 October.
6. The Loan proceeds shall be deposited into a Designated Account in United States Dollars for the exclusive use of the Project, opened in the Bangko Sentral ng Pilipinas.
7. The Borrower will provide counterpart financing for the Project in the approximate amount of USD 9.1 million for consultancies, goods, training, works, salaries, operating costs, and taxes and duties on expenditure.

Section C

1. The Borrower's Secretary of Finance is designated as representative for the purposes of Section 15.03 of the General Conditions.
2. The Lead Project Agency shall be the Department of Trade and Industry of the Borrower (DTI).
3. Additional Project Parties are described in Schedule 1 Part II, paragraph 12.
4. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
5. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such later date as the Fund may designate by notice to the Borrower. The Agreement shall enter into force on the date of receipt by the Fund of the instrument of ratification.

Section D

The Fund shall administer the Loan and supervise the Project.

Section E

1. The first withdrawal request shall be accompanied by a communication from the Lead Project Agency informing IFAD of the designated Project Director and the official responsible for Project finance.

2. The following are the designated representatives and addresses to be used for any communication, notices, requests, and reports related to this Agreement:

For the Borrower:

Secretary of Finance
Department of Finance
DOF Building
Roxas Boulevard
Manila, Philippines

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

REPUBLIC OF THE PHILIPPINES

(Authorized Representative)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Project Area. The Project shall be carried out in six regions and 20 target provinces. Through its scaling-up strategy, the project may expand to other provinces once an effective operating model has been established.

2. Target Group. The project will directly target small farmers and microentrepreneurs 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. Special focus will be placed on: (i) women farmers and entrepreneurs; (ii) young men and women; and (iii) indigenous peoples.

3. Goal. The Project's goal is to sustainably increase the incomes of small farmers and unemployed rural women and men across selected value chains.

4. Purposes. The purpose of the Project is to provide strategic enabling conditions for the sustained growth of small and microenterprises in selected agricultural commodity chains with comparative advantages, market demand, growth potential, links to small farmers and the potential for job creation.

5. Components. The Project shall consist of the following Components:

A. Value chain development, aims to ensure that producers and value-chain actors execute collaborative action plans and build commercial partnerships in selected commodity value chains. It will (i) promote a favourable governance and institutional framework to support the development of enterprises with strong linkages to smallholder farmers; (ii) provide MSMEs and farmers with access to customized business development services² so that they can commercialize their operations and expand their access to remunerative markets; and (iii) promote business partnerships between enterprises and farmers, whereby enterprises provide farmers with market-oriented support services that enable farmers to deliver expected volumes and quality in a timely manner. This component is consistent with the component 2 (institutional strengthening) and component 3 (technical assistance to financial service providers) as approved by the Borrower.

B. Productive investments, relates to: (i) strategic financing, improving value-chain stakeholders' access to adapted and affordable financial services; and (ii) farm-to-market infrastructure focused on securing farmers' and small and microenterprises' access to markets through the rehabilitation of farm-to-market access roads. This component is consistent with the component 1 (direct assistance to enterprises) and component 4 (innovation fund) as approved by the Borrower.

C. Project management to support DTI and project partners in delivering project services. The component will finance the costs of project management and coordination, monitoring and evaluation, and reporting at the national, regional and provincial levels. It will also finance the costs of contracted project staff, honoraria of DTI regular staff assigned to RAPID Growth, equipment, vehicles and operating costs. This component is consistent with component 5 (project management) as approved by the Borrower.

² These include training, technical assistance, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkages promotion.

II. Project Implementation Arrangements

A. Lead Project Agency

1. 6. The Department of Trade and Industry (DTI) of the Borrower, in its capacity as Lead Project Agency, shall have overall responsibility for the management and implementation of the Project.
- 2.
3. 7. *Responsibilities.* The Lead Project Agency shall establish a Project Coordination Office (PCO) under its Regional Operations Group to coordinate implementation and carry out project implementation responsibilities at the national level. PCO will be responsible for: (i) providing strategic guidance and coordination to ensure that all project implementation partners develop activities along a common, coherent approach; (ii) ensuring the financial and administrative management of project resources in line with this 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; (v) coordinating project activities with the various project partners; (vi) securing M&E and KM in relation to all activities; and (vii) promoting inclusive approaches and the mainstreaming of targeting and gender requirements in all of the project activities.
4. 8. *Regional level.* The Lead Implementing Agency will establish (i) a Regional Coordination Unit (RCU) in every target region, which will be headed by DTI Regional Director; and (ii) Provincial Coordination Units (PCUs), to support DTI's *Negosyo* centers in implementing the project in target areas. The *Negosyo* Centers shall (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 (iv) ensure provincial planning and M&E.
- 5.
6. 9. 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 MSMEs, 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. The Department of Interior and Local Government will be responsible for providing technical support and supervision for farm-to-market roads that will be executed by municipal or provincial governments.
10. Project Management. DTI shall designate a Project Director and recruit a Project Coordinator with the qualifications and experience necessary to perform the tasks of their respective positions. The Project Director shall have the authority to approve the execution of contracts and financial transactions in accordance with applicable Government rules. The Project Director will be assisted by the 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. In contracting the Project Coordinator and technical experts, DTI shall apply competitive market rates. Project expenditure at all levels shall be reported through the Government system e-NGAS, and consolidated by the PCO.
11. The Project Coordinator and aforementioned technical experts shall be recruited competitively; and appointments shall only be made after seeking IFAD's prior review and no-objection. The Project Coordinator shall serve throughout the Project implementation period and may only be removed by the Lead Project Agency for cause. The Lead Project Agency shall exercise best efforts to replace the Project Coordinator immediately upon his/her removal, which shall be communicated to the Fund without delay, specifying the reasons for the removal.

B. Implementing agencies

12. Designation of Project Parties. Project components shall be implemented through national institutions, including DTI, LGUs, the Philippine Crop Insurance Corporation, the Small Business Corporation, the Department of Interior and Local Government, the Philippines Institute for Development Studies, the Landbank of the Philippines, the Agricultural Guarantee Fund Pool, and the Development Bank of the Philippines, and (each, an "Implementing Agency" and collectively the "Implementing Agencies") appropriately staffed to carry out the relevant component activities.

III. Project Implementation Procedures and Reviews

13. The Project will be implemented in two phases, as per the Borrower's internal approval of the Project. The first phase will be the pilot testing phase, and the second phase will be the full implementation phase. The Borrower will inform the Fund when it decides to move to the second phase.

14. The PCO shall adopt the Project Implementation Manual (the "PIM") prepared during the design of the Project; and will update it to include details of the procedures, processes, criteria and responsibilities for implementation of all Project activities. The PCO shall forward the updated PIM to the Fund for its comments and approval by no later than 6 months from entry into force of the Agreement. The PIM may be amended from time to time, subject to approval by the Fund.

15. The DTI shall facilitate annual supervision missions jointly or separately undertaken by IFAD and NEDA; as well as the project's mid-term review to be held jointly with DTI. Monitoring and evaluation of project results shall include the conduct of baseline, mid-term and endline evaluations by the Philippine Institute for Development Studies, or a third-party appointed subject to IFAD no-objection.

16. The Financial and Management Service (FMS) of the Lead Implementing Agency 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 finance personnel at the PCU and RCUs will provide functional support to organic finance personnel at national, regional, and provincial levels.

Schedule 2

Allocation Table

1. Allocation of the Loan Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed thereby in each Category:

Category	Loan Amount (in USD)	Percentage of Eligible Expenditures to be financed (net of taxes, and Government and co-financiers contribution)
I. Consultancies	8 890 000	100%
II. Training	6 860 000	100%
III. Goods	4 900 000	100%
IV. Works	14 340 000	100%
V. Grants	13 230 000	100%
VI. Investment capital	9 070 000	100%
VII. Recurrent costs	5 610 000	100%
TOTAL	62 900 000	7.

(b) The terms used in the Table above are defined as follows:

- (i) Consultancies includes technical assistance
- (ii) Goods includes vehicles
- (iii) Training includes studies and workshops
- (iv) Recurrent costs includes operating costs, salaries and allowances

Negotiated financing agreement: "Rural Agro-Enterprise Partnership for Inclusive Development and Growth Project"

(Negotiations concluded on 12 April 2018)

Grant Number: _____

Project Title: Rural Agro-Enterprise Partnership for Inclusive Development and Growth Project (RAPID Growth)

The Republic of the Philippines (the "Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

WHEREAS the Recipient has requested a Loan and a Grant (the "Financing") from the Fund for the purpose of financing the Project;

WHEREAS the Fund has extended the Loan to the Borrower which shall be used to implement the Project in accordance with the terms and conditions of an agreement entered into between the Parties (the "Loan Agreement" for the purposes of this Agreement); and

WHEREAS the Fund has agreed to extend the Grant to the Recipient in accordance with this Agreement and for the purpose of financing the activities described in Schedule 1;

NOW THEREFORE the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

Section B

1. The amount of the Grant is two million five hundred thousand United States Dollars (USD 2 500 000).

2. The first day of the applicable Fiscal Year shall be 1 January.

3. The Grant proceeds shall be deposited into a Designated Account in United States Dollars for the exclusive use of the Project, opened in the Bangko Sentral ng Pilipinas.
4. The Recipient will provide counterpart financing in the form of duties and taxes.

Section C

1. The Recipient's Secretary of Finance is designated as representative for the purposes of Section 15.03 of the General Conditions.
2. The Lead Project Agency shall be the Department of Trade and Industry (DTI).
3. Additional Project Parties are described in Schedule 1 Part II, paragraph 12.
4. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
5. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such later date as the Fund may designate by notice to the Recipient.

Section D

The Fund shall administer the Grant and supervise the Project.

Section E

1. Disbursements under the Grant are subject to the entry into force of the Loan Agreement.
2. The first withdrawal request shall be accompanied by a communication from the Lead Project Agency informing IFAD of the designated Project Director and the official responsible for Project finance.
3. The right of the Recipient to request disbursements under the Grant may be suspended by the Fund if the right to request disbursements under the Loan has been suspended.
4. The following are the designated representatives and addresses to be used for any communication, notices, requests, and reports related to this Agreement:

For the Recipient:

The Secretary of Finance
Department of Finance
DOF Building
Roxas, Boulevard
Manila, Philippines

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient, and shall enter into force upon its countersignature with effect from the date of entry into force of the Loan Agreement.

THE REPUBLIC OF THE PHILIPPINES

(Authorized Representative)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. Project Area. The Project shall be carried out in six regions and 20 target provinces. Through its scaling-up strategy, the project may expand to other provinces once an effective operating model has been established.

2. Target Group. The project will directly target small farmers and microentrepreneurs 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. Special focus will be placed on: (i) women farmers and entrepreneurs; (ii) young men and women; and (iii) indigenous peoples.

3. Goal. The Project's goal is to sustainably increase the incomes of small farmers and unemployed rural women and men across selected value chains.

4. Purposes. The purpose of the Project is to provide strategic enabling conditions for the sustained growth of small and microenterprises in selected agricultural commodity chains with comparative advantages, market demand, growth potential, links to small farmers and the potential for job creation.

5. Components. The Project shall consist of the following Components:

D. Value chain development, aims to ensure that producers and value-chain actors execute collaborative action plans and build commercial partnerships in selected commodity value chains. It will (i) promote a favourable governance and institutional framework to support the development of enterprises with strong linkages to smallholder farmers; (ii) provide MSMEs and farmers with access to customized business development services³ so that they can commercialize their operations and expand their access to remunerative markets; and (iii) promote business partnerships between enterprises and farmers, whereby enterprises provide farmers with market-oriented support services that enable farmers to deliver expected volumes and quality in a timely manner. This component is consistent with the component 2 (institutional strengthening) and component 3 (technical assistance to financial service providers) as approved by the Borrower.

E. Productive investments, relates to : (i) strategic financing, improving value-chain stakeholders' access to adapted and affordable financial services; and (ii) farm-to-market infrastructure focused on securing farmers' and small and microenterprises' access to markets through the rehabilitation of farm-to-market access roads. This component is consistent with the component 1 (direct assistance to enterprises) and component 4 (innovation fund) as approved by the Borrower.

F. Project management to support DTI and project partners in delivering project services. The component will finance the costs of project management and coordination, monitoring and evaluation, and reporting at the national, regional and provincial levels. It will also finance the costs of contracted project staff, honoraria of DTI regular staff assigned to RAPID Growth, equipment, vehicles and operating costs. This component is consistent with component 5 (project management) as approved by the Borrower.

II. Project Implementation Arrangements

³ These include training, technical assistance, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkages promotion.

C. Lead Project Agency

8. 6. The Department of Trade and Industry (DTI) of the Borrower, in its capacity as Lead Project Agency, shall have overall responsibility for the management and implementation of the Project.

9.

10. 7. *Responsibilities.* The Lead Project Agency shall establish a Project Coordination Office (PCO) under its Regional Operations Group to coordinate implementation and carry out project implementation responsibilities at the national level. PCO will be responsible for: (i) providing strategic guidance and coordination to ensure that all project implementation partners develop activities along a common, coherent approach; (ii) ensuring the financial and administrative management of project resources in line with this 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.

11.

12. 8. *Regional level.* The Lead Implementing Agency will establish (i) a Regional Coordination Unit (RCU) in every target region, which will be headed by DTI Regional Director; and (ii) Provincial Coordination Units (PCUs), to support DTI's *Negosyo* centers in implementing the project in target areas. The *Negosyo* Centers shall (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.

13.

14. 9. 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. The Department of Interior and Local Government will be responsible for providing technical support and supervision for farm-to-market roads that will be executed by municipal or provincial governments.

10. *Project Management.* DTI shall designate a Project Director and recruit a Project Coordinator with the qualifications and experience necessary to perform the tasks of their respective positions. The Project Director shall have the authority to approve the execution of contracts and financial transactions in accordance with applicable Government rules. The Project Director will be assisted by the 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. In contracting the Project Coordinator and technical experts, DTI shall apply competitive market rates. Project expenditure at all levels shall be reported through the Government system e-NGAS, and consolidated by the PCO.

11. The Project Coordinator and aforementioned technical experts shall be recruited competitively; and appointments shall only be made after seeking IFAD's prior review and no-objection. The Project Coordinator shall serve throughout the Project implementation period and may only be removed by the Lead Project Agency for cause. The Lead Project Agency shall exercise best efforts to replace the Project Coordinator

immediately upon his/her removal, which shall be communicated to the Fund without delay, specifying the reasons for the removal.

D. Implementing agencies

12. Designation of Project Parties. Project components shall be implemented through national institutions, including DTI, LGUs, the Philippine Crop Insurance Corporation, the Small Business Corporation, the Department of Interior and Local Government, the Philippines Institute for Development Studies, the Landbank of the Philippines, the Agricultural Guarantee Fund Pool, and the Development Bank of the Philippines, and (each, an "Implementing Agency" and collectively the "Implementing Agencies") appropriately staffed to carry out the relevant component activities.

III. Project Implementation Procedures and Reviews

13. The Project will be implemented in two phases, as per the Borrower's internal approval of the Project. The first phase will be the pilot testing phase, and the second phase will be the full implementation phase. The Borrower will inform the Fund when it decides to move to the second phase.

14. The PCO shall adopt the Project Implementation Manual (the "PIM") prepared during the design of the Project; and will update it to include details of the procedures, processes, criteria and responsibilities for implementation of all Project activities. The PCO shall forward the updated PIM to the Fund for its comments and approval by no later than 6 months from entry into force of the Agreement. The PIM may be amended from time to time, subject to approval by the Fund.

15. The DTI shall facilitate annual supervision missions jointly or separately undertaken by IFAD and NEDA; as well as the project's mid-term review to be held jointly with DTI. Monitoring and evaluation of project results shall include the conduct of baseline, mid-term and endline evaluations by the Philippine Institute for Development Studies, or a third-party appointed subject to IFAD no-objection.

16. The Financial and Management Service (FMS) of the Lead Implementing Agency 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 finance personnel at the PCU and RCUs will provide functional support to organic finance personnel at national, regional, and provincial levels..

Schedule 2

Allocation Table

1. Allocation of the Grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts of the Grant to each Category and the percentages of expenditures for items to be financed thereby in each Category:

Category	Grant Amount (in USD)	Percentage of Eligible Expenditures to be financed (net of taxes, Counterpart and co-financiers' contribution)
I. Consultancies	2 020 000	100%
II. Training	480 000	100%
TOTAL	2 500 000	

(b) The terms used in the Table above are defined as follows:

(v) Consultancies includes technical assistance

Training includes studies and workshops

Logical framework

Results Hierarchy	Indicators ⁴				Means of Verification			Assumptions / Risks	
	Name	Base line	Interim review	End Target	Source	Frequency	Responsible		
Goal: Increased income of small farmers and unemployed rural women and men across selected agri-based value chains	<ul style="list-style-type: none"> Number of municipalities with poverty rates above 40% in target areas 	349	320	260	PSA small area est. & PIDS	Interim & project end reviews	PCO		
Development Objective Establish enabling conditions for the sustained growth of MSEs in strategic commodity value chains	<ul style="list-style-type: none"> 78 000 project-supported farming HH increase farm incomes by at least 60% 31 000 incremental jobs generated on farm and in project-supported MSMEs, 40% for women 	\$2000 0	25 000 10 000	78 000 36 000	Project surveys MSME fin. reports	Interim & project end reviews Biannual	PCO PCU/Negosyo Centres		
Outcome 1: Producers and value chain actors execute collaborative action plans and build commercial partnerships in selected commodity chains	<ul style="list-style-type: none"> 100% increase in value of sales of more than 1000 participating MSMEs 	tbd	+30%	+100 %	Project surveys	Interim project reviews and end	PCUO		SMEs interested in partnering with farmers
Outputs 1.1 Networks of Negosyo Centres in target provinces facilitating MSE access to markets and services	<ul style="list-style-type: none"> 20 networks of Negosyo Centres set up servicing MSMEs in 20 provinces 	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"> At least three industry-based MIS, accessible to value chain stakeholders, running and regularly updated 	0	3	3	"	"	PCU		
1.3 Qualified business providers able to provide business services to MSEs	<ul style="list-style-type: none"> 20 pools of qualified service providers set up 	tbd	8	20	"	"	PCC		
1.4 DIPS connecting farmers to SMEs and facilitating access to markets and services	<ul style="list-style-type: none"> 78 000 farming households participate in Detailed Investment Plans (DIPs) 	0	25 000	78 000	"	"	"		
Outcome 2 SMEs secure the necessary access to producers, markets and suitable investment finance.	<ul style="list-style-type: none"> 70 000 Farming HH, 1000 MEs and 50 SMEs participating in SIPs have access to financial services and crop insurance 	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		
Outputs 2.1 Financial institutions (FIs) with improved capacities to serve target value chains players	<ul style="list-style-type: none"> Increased outreach and capacities extend adapted financial products to farming households and OFW families FSPs extend innovative, value-chain based financial services At least 40 enterprises benefit from equity financing 	0 0 0	20 000 hhs 3 FSPs 10	40 000 hhs 10 FSPs 40	FIs reports " Negosyo Centres reports	Biannual " "	PCU " PCU		Financial institutions interested in extending affordable services in rural areas
2.2 Farm-to-market access roads	<ul style="list-style-type: none"> km of farm-to-market road rehabilitated and maintained 	0	80	140	Progress reports	Biannual	PCU		

⁴ Individuals/persons are disaggregated by sex (male/female), age (to reflect youth participation), and ethnicity (to reflect indigenous people's participation)