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Enabling poor rural people
to overcome poverty

President's report

Proposed loan and grant to the Republic of the Philippines for the

Second Cordillera Highland Agricultural Resource Management Project

Executive Board — Ninety-third Session
Rome, 24-25 April 2008

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Abbreviations and acronyms

AsDB	Asian Development Bank
ADSDPP	ancestral domain sustainable development and protection plan
BDP	barangay development plan
IKSPs	indigenous knowledge systems and practices
IPRA	Indigenous Peoples Rights Act
LGUs	local government units
OFID	OPEC Fund for International Development

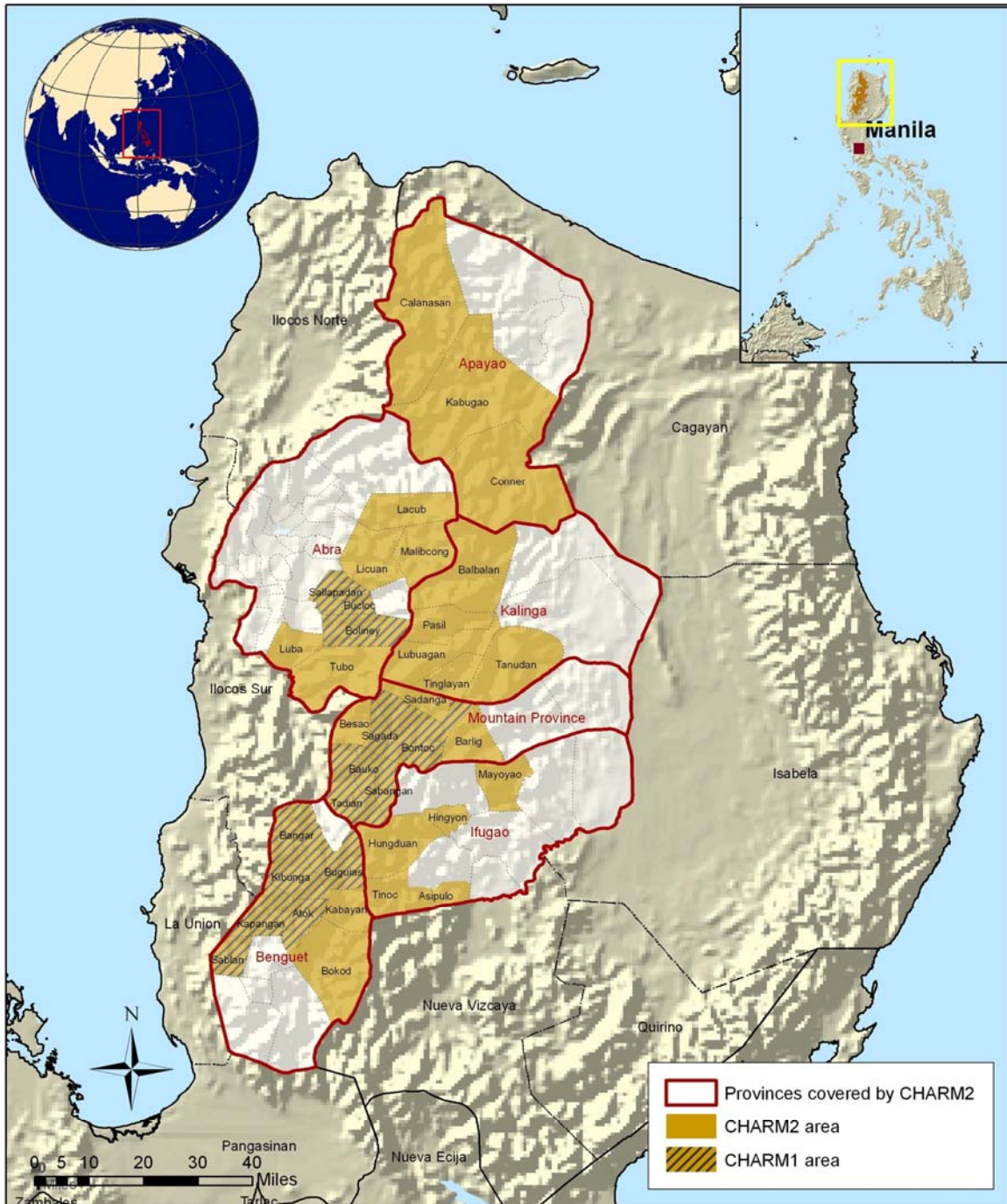
Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed loan and grant to the Republic of the Philippines for the Second Cordillera Highland Agricultural Resource Management Project, as contained in paragraph 35.

Map of the project area

The Philippines

Second Cordillera Highland Agricultural Resource Management 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.

IFAD Map compiled by IFAD

Republic of the Philippines

Second Cordillera Highland Agricultural Resource Management Project

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of the Philippines
Executing agency:	Department of Agriculture
Total project cost:	US\$66.44 million
Amount of IFAD loan:	SDR 16.15 million (equivalent to approximately US\$26.56 million)
Amount of IFAD grant:	SDR 341,000 (equivalent to approximately US\$561,000)
Terms of IFAD loan:	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
Other financiers:	Asian Development Bank (AsDB) OPEC Fund for International Development (OFID)
Amount of cofinancing:	AsDB: US\$10.0 million OFID: US\$10.0 million
Terms of cofinancing:	The terms and conditions of AsDB's proposed contribution to the project are being worked out and will be finalized in 2009/2010. OFID: The loan will have a term of 20 years, including a grace period of 5 years and an interest rate of 2.5 per cent with a service charge of 1 per cent
Contribution of borrower:	US\$14.29 million
Contribution of beneficiaries:	US\$5.03 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD, with the possibility of AsDB's assuming the role of cooperating institution in due course

Proposed loan and grant to the Republic of the Philippines for the Second Cordillera Highland Agricultural Resource Management Project

I. The project

A. Main development opportunity addressed by the project

1. The proposed project will scale up the approaches of the first Cordillera Highland Agricultural Resource Management Project that proved successful in reducing poverty among indigenous peoples in the uplands of the Cordillera Administrative Region in northern Philippines. It will concentrate on the areas where poverty is highest in all six provinces of the region. The project approach is based on increasing the value added of products from farming systems that are both organic and environmentally sustainable. It will also strengthen the Government's decentralisation policy by promoting community participatory planning and supporting local government units (LGU) in providing services locally. Finally, it will support the implementation of the Indigenous Peoples Rights Act (IPRA), which assigns responsibility for sustainable watershed management to indigenous communities who traditionally have usufruct rights over such domains.

B. Proposed financing

Terms and conditions

2. It is proposed that IFAD provide a loan to the Republic of the Philippines in the amount of SDR 16.15 million (equivalent to approximately US\$26.56 million) on highly concessional terms and a grant in the amount of SDR 341,000 (equivalent to approximately US\$561,000) to help finance the Second Cordillera Highland Agricultural Resource Management Project. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum.

Relationship to the IFAD performance-based allocation system (PBAS)

3. The estimated current allocation for the Philippines under the 2007-2009 PBAS cycle is US\$43.1 million (2009 is an indicative allocation). The project will be implemented over seven years.

Country debt burden and absorptive capacity of the State

4. The total external debt outstanding in April 2007 was US\$54.0 billion or 40 per cent of GDP, which is a drop from a high of 73 per cent in 2002. Debt service charges in April 2007 represented 11 per cent of the value of exports. This ratio has been steadily declining since 2002, when it stood at 17 per cent.

Flow of funds

5. Funds will be disbursed into a special account denominated in United States dollars, to be operated by the project support office (PSO), on the basis of approved work programmes and budgets. Counterpart funds will be transferred into a project account in local currency also operated by the PSO. LGUs will have a much greater role in project implementation than has been the case in the first Cordillera project. Thus, the funds required for the implementation of project investment plans will be disbursed by the PSO to the implementing agencies only after approval by the relevant municipality.

Supervision arrangements

6. IFAD will directly supervise the project. However, consultations will continue on whether the Asian Development Bank (AsDB) will assume the role of cooperating institution for the project once the AsDB loan becomes effective. Should this happen, the IFAD financing agreement will be amended appropriately.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

7. Vehicles, equipment and contracted services will be procured in accordance with the IFAD Procurement Guidelines, until such time that AsDB assumes the role of cooperating institution.

Governance

8. The following measures will enhance project governance: (i) responsibility for project execution will be decentralized to the regional field unit of the Department of Agriculture in the Cordillera Administrative Region, while oversight functions will be decentralized to a regional inter-agency coordination committee that will include all implementing agencies; (ii) periodic management feedback meetings will be held at the municipal and provincial levels; (iii) all procurement will be transparent and competitive; (iv) participatory mid-term and completion reviews and impact surveys will be undertaken; (v) project accounts will be audited annually; and certified audit reports will be sent to IFAD and AsDB for review and comments, and (vi) the auditor will give a specific opinion on the use of statements of expenditure and the special account, and on the project's accounting and internal controls.

C. Target group and participation

Target group

9. The project aims to improve livelihoods of indigenous farming communities in approximately 37 municipalities and 170 villages (*barangays*) in six provinces of the Cordillera Administrative Region (Abra, Apayao, Benguet, Ifugao, Kalinga, and Mountain Province). The target group is made up mostly of indigenous peoples, consisting of many tribes, who live in mountainous areas and whose main economic activity is agriculture. The incidence of poverty in the target area exceeds 50 per cent and is significantly higher than that found in the lowlands of the Cordillera Administrative Region and the other regions of Luzon.

Targeting approach

10. In line with the IFAD Policy on Targeting, the project will: (i) select villages according to agreed criteria such as poverty levels, access to social services (drinking water, roads), presence of ongoing projects, irrigated land and potential for commercial activity; (ii) support all small-scale producers and agribusinesses in selected villages, ensuring that women represent about 50 per cent of the beneficiaries; (iii) adopt participatory planning for project investments, with the support of NGOs, ensuring that the poorest benefit from project activities, agribusiness value addition and access to niche markets.

Participation

11. Communities will build grass-roots organizations to promote sustainable livelihoods. In addition, they will formulate participatory *barangay* development plans (BDPs) and ancestral domain sustainable development and protection plans (ADSDPPs) that include land use and watershed management schemes, which draw on indigenous knowledge systems and practices (IKSP). Natural resource management (in such areas as agroforestry and reforestation), agribusiness, and infrastructure development investment activities identified under BDPs and ADSDPPs will be implemented and evaluated by community members, collectively or individually. Target communities will apply for certificates for ancestral domain title and certificates of ancestral land title to obtain rights over their ancestral domains. Community groups will rehabilitate, construct and maintain rural infrastructure and facilities essential for promoting transportation, agricultural production and livelihood enterprises.

D. Development objectives

Key project objectives

12. The project goal is to reduce the poverty and improve the livelihoods of poor rural women and men in indigenous communities in the upland areas of the Cordillera Administrative Region. The objectives are to (i) increase the household income of poor farmers through sustainable agricultural development; and (ii) enhance the quality of life of targeted communities by improving land tenure security, food security and watershed conservation.

Policy and institutional objectives

13. The project will consolidate the achievements made by the first Cordillera operation in effectively implementing the IPRA, a landmark piece of legislation adopted in 1997, which recognizes the values and institutions of indigenous peoples and their right to manage the natural resources in their domains. The project will also build value chains in niche markets, and thereby promote agribusiness development and public-private strategic partnerships in support of the poor. The project approach of decentralized development will promote greater participation by LGUs. Many of the project activities will be undertaken by grass-roots institutions, thereby enhancing sustainability.

IFAD policy and strategy alignment

14. The project's focus on the value of indigenous farming systems – which are environmentally sustainable - supports IFAD's first strategic objective of sustainable natural resource management. Its strategy of improving linkages to high-value niche markets and premium prices through joint public/private ventures supports the IFAD strategic objective of promoting access to improved technologies and remunerative markets. The project also pursues IFAD's Private-Sector Development and Partnership Strategy, notably in the areas of policy dialogue, investment operations, and partnership-building.

E. Harmonization and alignment

Alignment with national priorities

15. The project is aligned with the Medium-Term Philippines Development Plan (2004 - 2010) and the Cordillera Regional Development Plan (2004-2010) both of which have as goals economic growth and diversification, the sustainable use of natural resources, social and human development and the protection of cultural integrity. As regards agriculture, the plans focus on increasing productivity, building forward and backward linkages, value chain development, and promoting organic farming in the Cordillera Administrative Region.

Harmonization with development partners

16. Several donors have supported the development of the Cordillera Administrative Region: the European Union and Japan have completed their programmes there, while the World Bank is currently financing the Diversified Farm Income and Market Development Project, which will end in 2009. The proposed project is a follow-up to two previous joint AsDB/IFAD operations, the first of which – the Highland Agriculture Development Project – started in 1987. The second Cordillera project will continue to be cofinanced by both agencies, as well as by the OPEC Fund for International Development (OFID). No other major donor activities are planned in the sectors addressed by the proposed project.

F. Components and expenditure categories

Main components

17. The project has five components: (i) community mobilization, participatory planning of investments, and land titling; (ii) community watershed conservation (including forest management and agroforestry development); (iii) agricultural and agribusiness development, and promotion of income-generating activities; (iv) rural infrastructure development; and (v) project management and coordination.

Expenditure categories

18. There are eight expenditure categories: (i) civil works (57.2 per cent of total costs); (ii) vehicles (0.5 per cent); (iii) equipment and materials (14.5 per cent); (iv) training and studies (9.1 per cent); (v) advisory services (10.6 per cent); (vi) credit lines (5.6 per cent); (vii) allowances (0.8 per cent); and (viii) operation and maintenance costs (1.7 per cent).

G. Management, implementation responsibilities and partnerships

Key implementing partners

19. Overall responsibility for the project will lie with the Department of Agriculture. A regional inter-agency steering committee will be responsible for policy oversight. The committee will be chaired by the Undersecretary for Operations of the Department of Agriculture, with the regional director of the regional field unit as vice-chair and the PSO as secretariat. Committee membership will include: concerned provincial governors; regional directors of implementing agencies; regional directors of the National Economic Development Authority, the Department of the Interior and Local Government, and Department of Trade and Industry; an NGO representative; a representative of farmers' organizations; and the chair of the Regional Agriculture and Fishery Council. Private enterprises and NGOs will also be key implementing partners; the former will also be co-investors in the marketing operations.

Implementation responsibilities

20. Implementation will be based on participatory community investment plans, which will be integrated into the annual plans of the LGUs and the project's annual workplan and budget. Community organizations will implement project activities with technical advice provided by the Department of Environment and Natural Resources for watershed activities, the National Irrigation Association for community irrigation schemes, provincial engineers for road and infrastructure activities, the National Commission for Indigenous Peoples (with the Department of Agrarian Reform and the Department of Environment and Natural Resources) for individual and ancestral domain titling, the Department of Agriculture, private enterprises and NGOs for value chain development, and microfinance institutions for microfinance. The PSO will draw up memorandums of understanding or contracts with each implementing agency, in which implementation modalities and performance indicators will be specified. Payments made by the PSO to implementing agencies will be authorized by the municipalities.

Role of technical assistance

21. Technical assistance will be provided to assist in the creation of value chains for niche markets; establishment of proper certification procedures for organic products and other market differentiation options for indigenous agricultural products; and strengthening of local capacities in agricultural development, research and extension.

Status of key implementation agreements

22. During implementation, the PSO, along with the communities and LGUs, will execute tripartite memorandums of understanding or partnership agreements with service providers. Producers will be assisted in to conclude forward sales contracts with buyers, while subsidiary loan agreements will be negotiated with microfinance institutions.

Key financing partners and amounts committed

23. The total project cost is US\$66.44 million over seven years. It will be financed by an IFAD loan of US\$26.56 million and an IFAD grant of US\$561,000 (together representing 41 per cent of total project costs); loans from AsDB and OFID totalling US\$20.0 million (30 per cent); a Government contribution of US\$5.43 million (8 per cent); contributions from concerned LGUs of US\$8.85 million (13 per cent); and an in-kind beneficiary contribution equivalent to US\$5.03 million (8 per cent).

H. Benefits and economic and financial justification

Main categories of benefits generated

24. The project will reach approximately 94,130 of the 190,000 inhabitants of the target area (or 36,300 households). However, as some of these people will participate in several project activities, an estimated 12,530 households will actually benefit from the project, or about 34 per cent of the population. The main quantifiable benefits will be: increased farm income through improved value-adding market linkages and rural financial services, enhanced processing systems, and higher productivity (including of non-timber forest products); improved livelihoods through better access to services; enhanced watershed management and conservation, leading to environmental benefits such as greater protection of groundwater tables and less land degradation.

Economic and financial viability

25. Estimates based on project models using typical crops indicate that the return to labour of the project will increase by an average of 60 per cent. The economic rate of return of the project is a robust 30 per cent. A decrease of 20 per cent in benefits and a simultaneous increase in costs of 20 per cent still yield a rate of return of 22 per cent.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

26. The project will scale up the achievements of the first Cordillera operation in documenting and disseminating IKSPs, especially with regard to natural resource management and farming. The project will complement this work with fresh research on improved IKSPs, land and forest management practices, and agribusiness value chain developments. The project's management information system and monitoring and evaluation (M&E) system will focus on indicators that should generate knowledge worth disseminating. These will be further captured during the mid-term review and completion analysis. To facilitate exercises, a staff position will be created within the PSO to coordinate the systematic management of knowledge, and its effective application where feasible.

Development innovations that the project will promote

27. The project builds on the innovative features of the first Cordillera project, i.e. (i) participatory approaches to development planning and natural resource management at the community level; (ii) support for ancestral domain/land titling; (iii) identification and documentation of best practices in applying IKSPs; (iv) effective use of broadcast media for reaching remote areas; and (v) involving local provincial units as implementing agencies for rural infrastructure. In addition, it introduces new forms of innovation by: (i) combining support for the adoption of improved IKSPs with commercialization of indigenous peoples' products through appropriate value chain development and market linkages; (ii) sharpening the focus on results by strengthening participatory M&E systems; (iii) strengthening the capacity of indigenous peoples and their Councils of Elders to assume responsibility for forest management in accordance with the IPRA; and (iv) empowering municipalities to authorize project disbursements to implementing agencies.

Scaling-up approach

28. The project will generate the necessary experience for scaling up activities into a national comprehensive intervention to develop uplands and assist indigenous peoples currently being prepared with support from AsDB, IFAD and other partners. Similarly it will generate experiences for developing value chains for the products of the inhabitants of other upland areas similar to the Cordillera Administrative Region.

J. Main risks

Main risks and mitigation measures

29. The project faces three main risks: (i) the Government's continuing fiscal constraints, plans for rationalizing the government machinery and expenditures, and policy reversals by future governments; (ii) natural disasters, as the project area is part of the typhoon belt; and (iii) lack of participation – and therefore ownership and commitment – of LGUs in project investment planning or implementation as a result of other pressing priorities, political interference, and inadequate attention and time allocated to enhancing local ownership of interventions. To mitigate these: (i) a sufficient degree of flexibility is built into the project to adapt to circumstances; (ii) project resources may be used for emergency repairs to infrastructure and support for livelihoods; and (iii) the LGUs have been given a central role in deciding how project funds are used and in authorizing payments to service providers/implementing bodies.

Environmental classification

30. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category A operation in that it is likely to have a significant negative environmental impact, given the area's fragile ecosystem. An environmental assessment has been initiated and will be completed by project start-up.

K. Sustainability

31. A major element of the project approach is to build on existing indigenous farming systems and techniques and forest management modalities, the agroecological sustainability of which has been proved over centuries. The value of these systems has been acknowledged worldwide, providing farmers with access to high-value niche markets. The development of value chains together with private enterprises and NGOs in this sector will also ensure financial sustainability.

II. Legal instruments and authority

32. 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. Important assurances included in the negotiated agreement are attached as an annex.
33. The Republic of the Philippines is empowered under its laws to borrow from IFAD.
34. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD.

III. Recommendation

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

RESOLVED: that the Fund shall make a loan to the Republic of the Philippines in various currencies in an amount equivalent to sixteen million one hundred and fifty thousand special drawing rights (SDR 16,150,000) to mature on or prior to 15 April 2048 and to bear a service charge of three fourths of one per cent (0.75 per cent) per annum, and to be 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 various currencies in an amount equivalent to three hundred and forty one thousand special drawing rights (SDR 341,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President

Important assurances included in the negotiated project financing agreement

(Negotiations concluded on 18 April 2008)

Gender

1. The Government of the Republic of the Philippines (hereinafter the "Government") will ensure that gender concerns are mainstreamed in all project activities throughout the project implementation period. The Government will ensure that: (i) the project promotes the role of women as agents of change in the local social and economic development; (ii) priority in training is given to women; (iii) the project encourages women to take on leadership roles and participate in decision-making both within the family and at the community level; and (iv) priority is given to qualified women to work as project staff for the project. In particular, the selection and appointment of key project staff will be conducted in a gender sensitive manner. In the recruitment/appointment of project staff, all things being equal, preference shall be given to female candidates.

Indigenous peoples' (IP's) concerns

2. The Government will ensure that the concerns of IPs are given due consideration in implementing the project and, to this end, will ensure that:
 - (a) The project is carried out in accordance with the applicable provisions of the relevant IP national legislation;
 - (b) IPs are adequately and fairly represented in all local planning for project activities;
 - (c) IP rights are duly respected;
 - (d) IP communities participate in policy dialogue and local governance;
 - (e) The terms of Declarations, Covenants and/or Conventions ratified by the Government on the subject are respected;
 - (f) The project will not involve encroachment on traditional territories used or occupied by indigenous communities.

Monitoring

3. By or before twelve (12) months after the Effective Date, the project will establish its own monitoring system to be able to properly evaluate project implementation, including the socio-economic and environmental impact thereof. The Lead Project Agency will ensure that the criteria established and required by IFAD in furtherance and under its Results and Impact Monitoring System (RIMS), as communicated by IFAD to the Government, will be incorporated into and form part of the project's monitoring.

Pest management practices

4. The Government will comply with the International Code of Conduct on the Distribution and Use of Pesticides and ensure that pesticides procured under the Programme do not include any pesticides classified as Extremely Hazardous or Highly Hazardous by the WHO.

Resources protection

5. The Government will take all reasonable measures to ensure that existing laws are enforced to safeguard natural resources in the project area. The Government will take all measures to ensure sustainability of the project without any detriment to the environment, promoting local participation during project implementation which is essential for environment sustainability.

Insurance

6. The Government will insure project personnel against health and accident risks in accordance with its customary practice in respect of its national civil service. The Government will insure all vehicles and equipment used in connection with the project against such risks and in such amounts as may be consistent with sound practice. The Government may, in either case, finance such insurance from the proceeds of the loan.

Key project staff

7. The Government will ensure that the project manager and other key project staff will remain in such role until the project completion date, subject to satisfactory performance as appraised in accordance with local service rules.

Authorisations

8. The Government will provide any project party with such delegations of authority or other authorisations as may be required under its national procedures to implement the project in accordance with this Agreement.

Use of project vehicles and other equipment

9. The Lead Project Agency will ensure that:
 - (a) The types of vehicles and other equipment procured under the project are appropriate to the needs of the project; and
 - (b) All vehicles and other equipment transferred to or procured under the project are dedicated solely to project use.

Fraud and corruption

10. The Government will promptly bring to the attention of IFAD any allegations or concerns of fraud and/or corruption in relation to the implementation of the project of which it has knowledge or becomes aware.

Suspension

11. (a) IFAD may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account and/or grant account upon the occurrence of any of the events set forth in the General Conditions or any of the following events:
 - (i) The Project Manager has been removed from the project without cause and the lead project agency has failed to replace him/her within three (3) months of his/her removal;
 - (ii) The right of the Government to withdraw the proceeds of the ADB financing and/or the OFID financing, if extended, has been suspended, cancelled or terminated, in whole or in part, or the ADB financing and/or the OFID financing has become due and payable prior to the agreed maturity thereof; or any event has occurred which, with notice or the passage of time could result in any of the foregoing;
 - (iii) IFAD has determined that the material benefits of the project are not reaching the target group, or are benefiting persons outside the target group and no remedial action has been taken by the Government within the subsequent 180 days;
 - (iv) IFAD has given notice to the Government that credible allegations of corrupt or fraudulent practices in connection with the project have come to the attention of IFAD and the Government has failed to investigate the matter fully and promptly to the satisfaction of IFAD; or thereafter, based on the conclusions of the aforesaid investigation and any other information available to it, IFAD, in consultation with the Government, determines that such practices have occurred, and the Government has

failed to take timely and appropriate action to remedy the matter to the satisfaction of IFAD; and

- (v) Procurement has not been or is not being carried out in accordance with the Agreement.
- (b) IFAD will suspend, in whole or in part, the right of the Government to request withdrawals from the loan account and/or grant account if the Audit Report(s) has/have not been satisfactorily completed within twelve (12) months after the end of the fiscal year.

Conditions precedent to withdrawals

- 12. No withdrawals will be made in respect of expenditures under Category V (Credit Line) of the Allocation Table, until the selected Government Financial Institution (GFI) Subsidiary Loan Agreement has been duly executed and approved by IFAD.

Conditions precedent to effectiveness

- 13. This Agreement will become effective subject to the fulfilment of the following conditions precedent:
 - (a) The project director and project manager have been duly designated;
 - (b) The lead project agency has issued the special order for reorganising the Cordillera Highland Agricultural Resource Management Project's project support office structures and facilities;
 - (c) The Government, through the lead project agency, has duly opened the special account, the grant bank account and the PSO project account;
 - (d) The Agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorised and ratified by all necessary administrative and governmental action; and
 - (e) A favourable legal opinion, issued by the Secretary of Justice of the Government in form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

Key reference documents

Country reference documents

National Statistics Office (2000) Cordillera Census of Population Cordillera;
Department of Trade & Industry (2005) SME Development Plan 2004-2010;
NEDA (2004) Medium-Term Philippine Development Plan 2004-2010;
NEDA (2003) Guiding Principles and NG-LGU Cost Sharing Policy in the Evaluation of
Projects Involving Devolved Activities;
NEDA-CAR (2004) Cordillera Regional Development Plan: 2004-2010;
National Statistical Coordination Board (2005) Regional Social & Economic Trends,
Cordillera Administrative Region 2005;
NSO (2000) Census of Population and Housing, NSO;
NSCB (2005) Estimation of Local Poverty in the Philippines, NSCB;
Mountain Province (2004) Socio-Economic Profile.

IFAD reference documents

Project design document (PDD) and key files;
Learning Note on Rural Finance;
Learning Note on Micro and Small Enterprise (MSE) Development;
Learning Note on Sustainability;
Administrative Procedures on Environmental Assessment;
Prerequisites of Gender Sensitive Design;
Private Sector Partnership and Development strategy;
IFAD Rural Enterprise Strategy;
CHARMP 1 Project Completion Report (2005);
CHARMP1 Interim Evaluation Report;
1999 COSOP for the Philippines.

Logical framework

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
Goal			
To reduce poverty and improve the quality of life of 12 530 households from rural highland indigenous communities in the Cordillera Administrative Region, representing 34% of the total households in the selected 170 barangays in the project area	-12% poverty incidence reduction in project area by 2014 -30% reduction in prevalence of severely underweight children -30% of households with improved assets ownership index	-Family Income & Expenditure Surveys (NSO); -Results & Impact Measurement System data	
· Project Purpose			
To improve the livelihoods of rural poor IP families by increasing their incomes through sustainable agricultural and agri-business development, improved land tenure security and food security, and the conservation of their watersheds and highland forests.	-20% increase in households' income in targeted communities over baseline; -Decrease in nb. of households experiencing lean months;	-Household surveys -Annual community participatory assessments	-Pro-poor budget support is sustained by GOP; -Sound macro-economic conditions prevail
· Expected Outcomes (Component objectives)			
<u>Component 1:</u> Community members empowered to plan and manage their own development and provided with access to secure tenure over ancestral domains and individual lands	-80% of Project barangays have investment plans & adopt that meet quality criteria recommended by GOP; -18 CADTs & 3 780 CALTs registered;	-NICP progress reports -Project records	-Supportive policies for ICCs/IPs sustained; -Ancestral domains/lands boundary conflicts resolved
<u>Component 2:</u> Enhanced watersheds' conservation and improved availability of water for irrigation and domestic use through reforestation and the promotion of agro-forestry activities, and the piloting of innovative conservation mechanisms	-Increased forest cover by 10,000 ha by 2014; -2 000 ha put under agro-forestry farming systems; -8 000 ha of denuded lands re-forested; -6 720 households with access to potable water; -1 barangay/province pilot innovative conservation practice	-Participatory assessments of water quality and quantity -LGU progress reports -Project records	-Effective enforcement of environmental rules and regulations is sustained; -Agro-forestry farming is profitable
<u>Component 3:</u> Enhanced value added of local agricultural production through improved access to premium niche markets and farm-to-market linkages, organization of suitable value chains, promotion of small rural enterprises, and the provision of microfinance services	-10% increase in production of organic commodities; -5% increase/year in yields in project area (from year 3); -37 marketing groups with signed contracts with buyers; -13 600 farmers producing & selling organic products; -170 micro and small enterprises initiated and developed; -34% of HHs in 170 barangays reach food security;	-Project records -LGU progress reports -Field surveys	-Safety nets against unfair competition are functional; -Extreme weather conditions do not occur
<u>Component 4:</u> Improved access by remote communities to rural infrastructure essential for the promotion of agricultural production and the development of profitable small rural enterprises	-200km of roads rehabilitated, 1 800m of tramlines constructed, & 900km of FMR maintained; -3 600ha of irrigation developed and 6,500 ha maintained; -160 DWS constructed and 288 systems maintained, with 6 720 HH benefiting.	-LGU progress reports -Project records and reports	-GOP and LGU counterpart funds are made available on time
<u>Component 5:</u> Project interventions and budget are managed efficiently and effectively	-At least 90% of all physical targets achieved -At least 95% of financial targets achieved	-PDD and financial reports -MTR and PCR	-Rationalization of GOP does not negatively affect project

