

Document of  
The World Bank

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Report No: 74097-PH

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$ 501.25 MILLION AND

A PROPOSED GRANT FROM THE

GLOBAL ENVIRONMENT FACILITY TRUST FUND

IN THE AMOUNT OF US\$ 7.00 MILLION

TO THE

REPUBLIC OF THE PHILIPPINES

FOR A

PHILIPPINE RURAL DEVELOPMENT PROJECT

July 30, 2014

Agriculture Global Practice  
East Asia and Pacific Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's Policy on Access to Information.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective: September 2012)

Currency Unit = Philippine Peso  
PhP 41 = US\$ 1

FISCAL YEAR  
January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AFMP	Agriculture and Fisheries Modernization Plan
AMAS	Agribusiness and Marketing Assistance Service
ATI	Agricultural Training Institute
BAR	Bureau of Agricultural Research
BD	Biodiversity Operational Program of the GEF
BFAR	Bureau of Fisheries and Aquatic Resources
BSWM	Bureau of Soils and Water Management
CPS	Country Partnership Strategy
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DBM	Department of Budget and Management
DENR	Department of Environment and Natural Resources
DesA	Designated Account
DILG	Department of Interior and Local Government
DOST	Department of Science and Technology
DPWH	Department of Public Works and Highways
DTI	Department of Trade and Industry
EPF	Enterprise Project Fund
EVSA	Expanded Vulnerability and Suitability Assessment
FM	Financial Management
FMR	Farm-to-Market Road
GEF	Global Environment Facility
GIS	Geographic Information System
GPS	Global Positioning System
IBRD	International Bank for Reconstruction and Development
IFR	Interim Financial Reports
IPM	Integrated Pest Management
IW	International Waters Operational Program of the GEF
LGUs	Local Government Units

M&E	Monitoring and Evaluation
MPA	Marine Protected Areas
MRDP	Mindanao Rural Development Project
NCB	National Competitive Bidding
NEDA	National Economic and Development Authority
NG	National Government
NGAS	National Government Accounting System
NGO	Non-Government Organization
NIA	National Irrigation Administration
NPAB	National Program Advisory Board
NPCO	National Program Coordination Office
NRM	Natural Resource Management
O&M	Operations and Maintenance
OM	Operations Manual
PCAARRD	Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development
PCIPs	Provincial Commodity Investment Plans
PEMSEA	Partnership for Environmental Management in Seas of East Asia
PhilCCAP	Philippine Climate Change Adaptation Project
PhilMech	Philippine Center for Post-Harvest Development and Mechanization
PLGU	Provincial Local Government Unit
PMED	Planning, Monitoring and Evaluation Division
PPMIUs	Provincial Project Management and Implementation Units
PRA-SRA	Participatory Resource Assessment-Social and Resource Assessment
PRDP	Philippine Rural Development Project
PSO	Program Support Office
RAFMP	Regional Agriculture and Fisheries Modernization Plan
RFO	Regional Field Office
RPAB	Regional Program Advisory Board
RPCO	Regional Program Coordination Office
SUCs	State Universities and Colleges
VCA	Value Chain Analysis
VSA	Vulnerability and Suitability Assessment

Regional Vice President:	Axel van Trotsenberg
Country Director:	Motoo Konishi
Sector Director:	John Roome (through June 30, 2014)
Global Practice Senior Director:	Juergen Voegle (from July 1, 2014)
Global Practice Director:	Ethel Sennhauser (from July 1, 2014)
Sector Manager:	Ousmane Dione (through June 30, 2014)
Practice Manager:	Nathan Belete (from July 1, 2014)
Task Team Leader:	Carolina V. Figueroa-Geron

**PHILIPPINES**  
**Philippine Rural Development Project**

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**PAD DATA SHEET***Philippines**Philippine Rural Development Project (P132317 and P132424)***PROJECT APPRAISAL DOCUMENT***EAST ASIA AND PACIFIC  
GAGDR*

Report No.: PAD373

<b>Basic Information</b>					
Project ID	EA Category		Team Leader		
P132317 P132424	B - Partial Assessment		Carolina V. Figueroa-Geron		
Lending Instrument	Fragile and/or Capacity Constraints [ ]				
Investment Project Financing	Financial Intermediaries [ ]				
	Series of Projects [ ]				
Project Implementation Start Date	Project Implementation End Date				
30-Nov-2014	30-Nov-2020				
Expected Effectiveness Date	Expected Closing Date				
30-Nov-2014	31-May-2021				
Joint IFC			GEF Focal Area		
No			Multi-focal area		
Practice Manager	GP Senior Director	Country Director	Regional Vice President		
Nathan Belete	Juergen Voegle	Motoo Konishi	Axel van Trotsenburg		
Borrower: Republic of the Philippines					
Responsible Agency: Department of Agriculture					
Contact:	Hon. Proceso J. Alcala	Title:	Secretary, Department of Agriculture		
Telephone No.:	(632) 920-4369	Email:	spja_osec@yahoo.com, prdpnpc@gmail.com		
<b>Project Financing Data(in USD Million)</b>					
[ X ]	Loan	[ ]	IDA Grant	[ ]	Guarantee
[ ]	Credit	[ X ]	Grant	[ ]	Other
Total Project Cost:		671.59	Total Bank Financing:		508.25

Financing Gap:	0.00								
<b>Financing Source</b>								<b>Amount</b>	
Borrower								163.34	
International Bank for Reconstruction and Development								501.25	
Global Environment Facility (GEF)								7.00	
Total								671.59	
<b>Expected Disbursements (in USD Million)</b>									
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	0000	0000
Annual	41.68	75.88	86.36	90.72	84.87	78.73	43.01	0.00	0.00
Cumulative	41.68	117.56	203.92	294.64	379.51	458.24	501.25	0.00	0.00
<b>Project Development Objective(s)</b>									
<p>The objective of the project is to increase rural incomes and enhance farm and fishery productivity in the targeted areas by supporting smallholders and fisher folk to increase their marketable surpluses, and their access to markets. This will be achieved through: (a) supporting changes in agricultural and fisheries planning, resource programming and implementation practices; and (b) financing priority local investments in rural infrastructure and enterprise development derived from agricultural and fisheries modernization plans, using a value chain approach, and through stakeholder consultations.</p>									
<b>Global Environmental Objective(s)</b>									
<p>The Global Environment Objective (GEO) is to strengthen the conservation of the coastal and marine resource base in targeted project areas. This will be achieved through: (a) enhancing institutional and planning capacities of local governments and communities; (b) providing support to marine protected areas with global biodiversity significance and select fishery co-management arrangements; and (c) sharing knowledge and best practices.</p>									
<b>Components</b>									
<b>Component Name</b>						<b>Cost (USD Millions)</b>			
Component 1: Local and National Level Planning						19.27			
Component 2: Infrastructure Development						452.13			
Component 3. Enterprise Development						168.94			
Component 4: Project Implementation Support						29.99			
<b>Institutional Data</b>									
<b>Sector Board</b>									
Agriculture									
<b>Sectors / Climate Change</b>									
Sector (Maximum 5 and total % must equal 100)									
Major Sector	Sector			%	Adaptation Co-benefits %	Mitigation Co-benefits %			

Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	50	40	
Transportation	Rural and Inter-Urban Roads and Highways	40	30	
Agriculture, fishing, and forestry	Irrigation and drainage	10	30	
Total		100		
<input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Rural development	Rural services and infrastructure	40		
Environment and natural resources management	Climate change	20		
Rural development	Rural markets	20		
Public sector governance	Decentralization	10		
Rural development	Rural non-farm income generation	10		
Total		100		
<b>Compliance</b>				
<b>Policy</b>				
Does the project depart from the CAS in content or in other significant respects?			Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?			Yes [ ]	No [ X ]
Have these been approved by Bank management?			Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?			Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?			Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>			<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01			<b>X</b>	
Natural Habitats OP/BP 4.04			<b>X</b>	
Forests OP/BP 4.36			<b>X</b>	
Pest Management OP 4.09			<b>X</b>	
Physical Cultural Resources OP/BP 4.11				<b>X</b>
Indigenous Peoples OP/BP 4.10			<b>X</b>	
Involuntary Resettlement OP/BP 4.12			<b>X</b>	

Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Implementation of the project based on Operations Manuals, the AFMP and RAFMPs	Yes		Continuous
<b>Description of Covenant</b>			
The Borrower shall carry out the project, through the Department of Agriculture, in accordance with the Operations Manuals, the Agriculture and Fisheries Modernization Plan (AFMP) and the Regional Agriculture and Fisheries Modernization Plans (RAFMPs).			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Implementation of the project in accordance with the project's Operations Manuals	Yes		Continuous
<b>Description of Covenant</b>			
The Operations Manuals shall include <i>inter alia</i> : (a) eligibility criteria, procedures and guidelines for the selection, approval, administration and supervision of sub-projects; (b) the conditions governing Infrastructure Development Grants and Enterprise Development Grants, respectively; (c) a list of items or activities not eligible for financing out of the proceeds of the Loan through sub-projects; and (d) the sub-project's engineering design, operating and maintenance procedures. The Operations Manuals shall not be changed without prior concurrence of the Bank			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Maintenance of the Project oversight, management and support units	Yes		Continuous
<b>Description of Covenant</b>			
The Borrower would maintain an NPCO and NPAB as well as RPABs, RPCOs and PSOs with composition, terms of reference, staffing and other resources acceptable to the Bank and with detailed functions and powers as set out in the Operations Manuals			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Establishment of project baseline data		31-Dec-2014	
<b>Description of Covenant</b>			
The Borrower shall, by December 31, 2014, establish baseline data for the project according to the terms of reference satisfactory to the Bank.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Annual Work and Financing Plan	Yes		Continuous
<b>Description of Covenant</b>			

The Borrower shall, through the NPCO: (a) furnish to the Bank, not later than October 31 in each year, starting October 31, 2014, for review and comments, an annual work plan and financing plan for the implementation of the Project in the following year prepared in accordance with the provisions of the Operations Manuals; and (b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan and, thereafter, promptly take all actions necessary to implement said plan, taking into account the views of the Bank on the matter.

Name	Recurrent	Due Date	Frequency
Updating of the AFMP		31-Jan- 2018	

**Description of Covenant**

The Borrower shall, by January 31, 2018, update the AFMP taking into account the Planning, Programming and Budgeting Guidelines to be developed under the project.

Name	Recurrent	Due Date	Frequency
Update a common set of harmonized criteria for infrastructure and enterprise development		31-Jan-2018	

**Description of Covenant**

The Borrower shall, by January 31, 2018, update a common set of harmonized criteria, governing *inter alia*, the selection, implementation, technical design standards, financial and economic analysis, operations and maintenance, safeguard policies, monitoring and evaluation as used for the Project, for other infrastructure and enterprise development sub-projects supported by the Department of Agriculture.

Name	Recurrent	Due Date	Frequency
Provision of grants to Local Government Units for sub-project implementation	Yes		Continuous

**Description of Covenant**

The Borrower shall make part of the proceeds of the Loan available to participating LGUs on a grant basis for the purpose of making Infrastructure Development Grants or Enterprise Development Grants, respectively.

Name	Recurrent	Due Date	Frequency
Establishment of Implementation Agreements (IMAs) with participating LGUs	Yes		Continuous

**Description of Covenant**

Prior to making an Infrastructure Development Grant or an Enterprise Development Grant to a Participating LGU, the Borrower shall: (a) ensure that each Participating LGU has the organization, management and resources satisfactory to the Bank for carrying out the proposed sub-projects; and (b) enter into a grant agreement between the Borrower, through its DA, and each participating LGU (“Implementation Management Agreement”), under terms and conditions acceptable to the Bank.

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<b>Conditions:</b>			
<b>Source Of Fund</b>	<b>Name</b>	<b>Type</b>	
GEF	Philippine Rural Development Project	Grant	
<b>Description of Condition:</b> Effectiveness			
The GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) has been fulfilled.			
<b>Team Composition</b>			
<b>Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Carolina V. Figueroa-Geron	Lead Rural Development Specialist	Team Lead	GAGDR
Felizardo Jr K. Virtucio	Operations Officer	Development Planning	GAGDR
Christophe Crepin	Sector Leader	Environment/NRM	GENDR
Hanif Anilmohamed Rahemtulla	Senior Operations Officer	Geo-Spatial Analysis	EACPF
Bernardita Ledesma	Operations Analyst	Operations Support	GPSOS
Josefo Tuyor	Senior Operations Officer	Environmental Safeguards	OPSOR
Noel Sta. Ines	Senior Procurement Specialist	Procurement Aspects	GGODR
Tomas Jr. Sta. Maria	Financial Management Specialist	Financial Management Aspects	GGODR
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Manush A. Hristov	Senior Counsel	Legal Aspects	LEGES
Chau-Ching Shen	Senior Finance Officer	Loans and Disbursements	CTRLN
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Maria de Fatima de Sousa Amazonas	Senior Rural Development Specialist	Peer Review	GAGDR
Reinaluz Ona	Team Assistant	Administrative Support	EACPF
Mildren H. Penales	Program Assistant	Administrative Support	EACPF
Geraldine Bacani	Program Assistant	Administrative Support	EACPF

<b>Non Bank Staff</b>					
<b>Name</b>	<b>Title</b>	<b>City</b>			
Douglas Forno	Agriculture and Institutions Specialist	Cairns, Australia			
Rahul Raturi	Institutions Specialist	New Delhi, India			
Flordeliza Lantican	Agricultural Marketing Specialist	Los Banos, Laguna, Philippines			
Maria Ines Pinat-Bagadion	Social Development Specialist	Manila, Philippines			
Cora Aragon	Agricultural Economist	Consultant			
Emilia Santos-Yap	Fisheries Post-Harvest and Marketing	Consultant			
Kairat Nazhmidenov	Economist	Rome, Italy			
Ismael Tabije	Rural Infrastructure Specialist	Davao, Philippines			
Gilbert Braganza	NRM Specialist	Manila, Philippines			
George Henry Stirrett Wood	Environmental Specialist	Washington, DC, USA			
Joey Gatus	Coastal Resource Mgt Specialist	Cebu, Philippines			
Jonas Bautista	Social and Environmental Safeguards Specialist	Dumaguete, Philippines			
Luningning Bondoc	Community Development Specialist	Batangas, Philippines			
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Philippines	Regions	Nationwide: 16 Regions with the Project expected to provide support to around 700 of the 1500 municipalities in the country. Investments and technical support would be sequenced based on demand from Provincial Local Government Units and their capacity to implement.			The project would pay special attention to areas affected by Typhoon Yolanda (Haiyan) and the Bohol earthquake of 2013, as well as subsequent disasters during the implementation of the Project. GEF support focuses on priority conservation areas in the National Biodiversity Strategy and Action Plan listed as key marine biodiversity areas. Sites are in Regions 4A, 4B, 5, 6, 7, and 8.

## I. STRATEGIC CONTEXT

### A. Country Context

1. Despite growing urbanization, 51% of the population of the Philippines remains rural. The contribution of the collective agribusiness sector accounts for 35% of the GDP and supports about 50% of the labor force. However, the Philippine rural economy has been characterized for many years by the low income levels of primary producers, low levels of rural employment, lack of food security, weak agricultural competitiveness and an overall high level of rural poverty. While the sector has not been the driver of overall economic growth, it has potential for making it more inclusive.

2. The underlying reasons for the relatively poor performance of the sector have been extensively studied<sup>1</sup>. Poorly developed infrastructure for transport, particularly roads, port facilities and inter-island shipping, head the list of constraints. About half of rural villages in the country lack all-weather access to the main transport system. Out of the overall road network of 196,686 km, gravel roads make up about 52%, while 31% are earth roads. Only some 17% of the 121,442 km local (*barangay*) road network is paved, leaving a huge backlog of farm to market roads to be developed<sup>2</sup>. The spread of modern agricultural technology has also been constrained by a weak extension system and the high costs of inputs. As a result, yields of most crops are well below potential. High post-harvest losses further reduce profitability, with losses ranging from 15% to 50% for fruits and vegetables, 15% for rice and 5% for corn. Market assistance has also been limited, contributing to poorly developed value chains for many commodities, while product standards and quality systems have been ineffectively regulated. The result has been an under-investment by the private sector in agriculture.

3. While some agriculture commodities have performed well in export markets and have a significant revealed comparative advantage (i.e., bananas, papayas, mangoes, pineapple, fruit products, coconut products, abaca, sugar, and fresh vegetables), their production areas are disproportionately small relative to traditional crops<sup>3</sup>. Both rice and corn cover some 40% of cultivated land, coconut 39%, banana 5%, and sugar 5%. Despite their comparative advantage, other commodities occupy less than 3% of the cultivated area. Pineapples and tropical fruits, which had the highest revealed comparative advantage, each accounted for only 1% of the total cultivated area. This concentration on traditional crops, especially rice and corn, along with the declining factor productivity has resulted from past government policies which: (a) prioritized rice self-sufficiency and allocated inadequate resources to other commodities; (b) emphasized production subsidies (fertilizer and seeds) and provided inadequate attention to increasing access to markets, improving farm incomes and food supplies; and (c) neglected the development of a strategic network of infrastructure needed to support commodity value chains. However, considerable policy changes and strategic reforms have been introduced since 2010 that are

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<sup>1</sup>World Bank Analytical and Advisory Assistance for Agriculture and Rural Development in the Philippines (Agricultural Productivity and Agribusiness): a Synthesis Paper (2011)

<sup>2</sup> The target set for the DA is to develop some 12,943 km of FMRs from 2013 to 2017

<sup>3</sup>Habito, et al. Fostering Our Farms, Fisheries and Food: Technical Assistance for the Formulation of the Successor Agriculture and Fisheries Modernization Plan (AFMP) of the Department of Agriculture (DA)

geared to provide the right incentives for agriculture development. These form the basis for this project.

4. The Philippines must also contend with the continuing degradation of its natural resources. It has experienced one of the highest rates of biodiversity loss, with 284 species considered endangered. Coastal and marine resources continue to be ravaged with less than 3% of the coral reefs still in pristine condition. Only 5% of mangrove cover is “old-growth. Although approximately 1,300 marine protected areas (MPAs) have been established, no more than 15% appear to have an adequate management approach. In responding to this, a number of strategies have been adopted, notably the 2006 Executive Order 533 adopting Integrated Coastal Management as a national strategy and Executive Order 578 which established the national policy for biological diversity, highlighting the Sulu-Sulawesi Marine Ecosystem and Verde Island Passage Marine Corridor in Central Philippines. The Philippine Development Plan also emphasizes the need to support community-based efforts for protected area and coastal resource management.

5. Compounding the problem of environmental degradation is the damage caused by frequent destructive weather conditions, which over the past decade resulted in losses averaging US\$ 500 million annually, mostly in geographic areas with poverty levels exceeding the national average. With the Philippines being ranked among the major global climate hotspots, sea level rise, temperature increase, changes in rainfall patterns and increasing frequency and intensity of extreme weather events are seemingly inevitable. This vulnerability was most dramatically demonstrated by the devastating damage and losses caused by Super Typhoon Yolanda (International name Haiyan) which struck the Central Philippines in November 2013. As of December 12, 2013 there were 5,982 reported fatalities and many remained missing<sup>4</sup>. Some 600,000 hectares of agricultural lands were affected of which coconut accounted for 73% of the area, rice 16% and corn 4%. Crop and fishery losses are estimated at PhP 31 billion including PhP 4 billion damage to irrigation and agricultural infrastructure (see Box 1, Annex 2).

6. Significant reduction in rice production is expected in 2014 due to damaged paddy fields and irrigation systems, limited availability of seed, loss of draught animals and tools, inability to buy fertilizer and reduced availability of labor. Rehabilitation of coconut and other tree crop plantations will take six to nine years. Likewise, fisheries will take years to recover from loss and damage to boats, wharves, equipment, reefs and mangroves.

## **B. Sectoral and Institutional Context**

7. Much has changed from the earlier approach to agriculture development which was characterized by: (a) a “top-down” preparation of implementation plans without the active engagement of Local Government Units (LGUs) and stakeholders; (b) centrally managed programs supporting largely supply-driven commodity interventions providing fertilizers, seeds, planting material, and animal distribution; and (c) inadequate integration between programs often resulting in overlap and/or loss of synergy. This was a major factor contributing to the

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<sup>4</sup> Reconstruction Assistance on Yolanda: Build Back Better. December 16, 2013. National Economic and Development Authority (NEDA)

unsuccessful implementation of the Bank-assisted Diversified Farm Income and Market Development Project (DFIMDP)<sup>5</sup>.

8. In contrast, the agricultural sector strategy (*Agri-Pinoy*) embodied in the Philippine Development Plan for 2011-2016, advances the principles of staple food sufficiency, natural resource management, and area-based development. The over-arching strategy is inclusive growth and augmenting incomes, particularly in rural areas where majority of the country's poor live and depend upon agriculture and fisheries for their livelihoods. The Government has developed several poverty alleviation tools and programs to better identify and target poor households, including the national household targeting system (*Listahanan*) and a conditional cash transfer program (*Pantawid Pamilya*). Complementing this poverty agenda, *Agri-Pinoy* also includes strategies to: (a) institutionalize regionally-based, spatial planning; (b) develop a systems approach for both planning and resource allocation; (c) provide the critical infrastructure needed for priority value chains; and (d) build a more resilient production base to accommodate fluctuations in global markets and effects of climate change (i.e., through climate-smart agriculture). The National Climate Change Action Plan also highlights the priority to be given to the rural sector in pursuing climate adaptation measures.

9. Implementing this bold and challenging *Agri-Pinoy* sector strategy will require a significant shift from DA's "top-down" business practices of the past. In response to this, the Department of Agriculture has reoriented the sectoral planning process, anchored by an Agriculture and Fisheries Modernization Plan (AFMP), which is mandated under the 1997 Agricultural and Fisheries Modernization Act. The AFMP sets strategic objectives at the national level, which are translated through regional AFMP into programs responsive to area-specific needs. This devolved planning and programming is backed by budget reforms in the Department of Budget and Management (DBM). The central goals of the AFMP 2010-2016 are to raise rural incomes, create employment and improve the competitiveness of the agriculture and fisheries sector. A value-chain, market-oriented and integrated service delivery approach will be utilized to achieve this. Diversifying small-scale producers from traditional commodities to higher value commodities will involve a number of institutional reforms as well as significant public and private resources. The new focus of DA under the AFMP are: (a) to provide catalytic investments to spur economic development through critical rural infrastructure that have constrained the development of value chains; and (b) to support the clustering and vertical integration of small-scale producer groups and associations with those already involved in agro-processing and marketing<sup>6</sup>.

10. The project will help the Philippine government to implement the above strategy, and continue to build on the reforms introduced under the Bank-assisted Mindanao Rural Development Project (MRDP) to extend their impact by scaling these up to the rest of the country. It introduces the following key innovations in the strategy to make it more inclusive,

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<sup>5</sup>Report No. ICR00001166, PH-DFIMDP Implementation Completion Report (ICR), June 28, 2010

<sup>6</sup>The strategy is supported through a recent analysis of subsidies for Philippine agriculture credit showing that subsidies may be better provided through means other than credit schemes and in a more transparent manner (e.g., for farm to market roads, irrigation, post-harvest facilities, technical assistance, direct investment assistance). These types of subsidies will increase economic activity in the rural areas and increase incomes, thereby encouraging private financial institutions to provide the needed credit resources to the sector. Geron and Casuga, *Credit Subsidy in Philippine Agriculture*. Philippine Institute for Development Studies, Discussion Paper Series No. 2012-28 (2012)

participatory, strategic and comprehensive: (a) enhancing the quality and comprehensiveness of the AFMP and the Regional AFMP by factoring in socio-economic, agro-climatic, agro-suitability, and value chain development considerations; (b) developing focused and strategic Provincial Commodity Investment Plans (PCIPs) on a collaborative basis with other government agencies and private stakeholders, including agri-business interests. These PCIPs would identify the priority commodity value chains as well as the rural infrastructure and enterprise sub-projects that the project will support; (c) providing a solid financial incentive to the local government units through a cost-sharing arrangement between the DA and LGUs for sub-projects identified in the PCIPs: 90:10 for infrastructure, and 80:20 for enterprise development; (d) supporting an integrated approach to delivery of demand-driven extension services using public-private partnership arrangement and focused on the needs of the infrastructure and enterprise development sub-projects; (e) enhancing infrastructure construction codes and standards for improved quality and climate resilience, including geo-mapping to better inform investments across rural development agencies; and (f) actively pursuing opportunities for building operational synergies with related programs of other government agencies. Geographical areas affected by the typhoon and earthquake in 2013 are specifically targeted for rehabilitation, but based on the revised approach to secure both a strategic focus and climate resiliency in investments.

11. The project also strategically focuses on bio-diversity conservation and sustainable fisheries through improved marine protected area management using a comprehensive management effectiveness scorecard.

### **C. Higher Level Objectives to which the Project Contributes**

12. The proposed operation represents a major engagement on the part of the Bank aimed at supporting institutional reform and promoting growth in the rural economy. It is in line with the overall goal of the WBG's Philippine Country Partnership Strategy (CPS) for FY2015-2018, which aims at inclusive growth through poverty reduction and shared prosperity through its support under the following: (a) Engagement Area 3 on *Rapid, Inclusive and Sustained Economic Growth*, particularly increasing economic growth, productivity and jobs in rural areas; (b) Engagement Area 4: *Resilience to climate change, environment, and disaster risk management*, particularly on resilience to climate change impacts and improved natural resource management and sustainable development; and (c) Engagement Area 5: *Peace, institution building, and social and economic opportunity*, especially on supporting the local economic development in conflict-affected regions such as the Bangsamoro areas in Mindanao. The CPS is fully consistent with the goals of the Philippine Development Plan.

13. The Philippines' GEF National Programmatic Framework Document, anchored in the Philippine Development Plan, prioritizes the objectives of the Biodiversity Focal Area, as well as supporting the International Waters Focal Area. The project is explicitly identified as one through which these GEF objectives will be achieved. The GEF component of the project is a part of the strategic World Bank/GEF program (Scaling Up Partnership Investments for Sustainable Development of the Large Marine Ecosystems of East Asia and their Coasts (GEF Program ID: 4635) aimed at supporting commitments made by PEMSEA Country Partners.

Specifically, the project will implement the Blue Agenda by addressing issues relating to the sustainable management of coastal and marine resources.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

14. The project development objective is to increase rural incomes and enhance farm and fishery productivity in the targeted areas<sup>7</sup> by supporting smallholders and fisher folk to increase their marketable surpluses, and their access to markets. This will be achieved through: (a) supporting changes in agricultural and fisheries planning, resource programming and implementation practices; and (b) financing priority local investments in rural infrastructure and enterprise development derived from agricultural and fisheries modernization plans, using a value chain approach, and through stakeholder consultations.

#### **PDO Level Results Indicators<sup>8</sup>**

- (a) At least five (5) percent increase per year in real household annual incomes of farmer and fisher folk beneficiaries;
- (b) Thirty (30) percent increase in incomes for targeted beneficiaries involved in enterprise development;
- (c) Seven (7) percent increase in value of annual marketed output; and
- (d) Twenty (20) percent increase in the number of farmers and fisher folk with improved access to Department of Agriculture services.

15. **The Global Environment Objective (GEO)** is to strengthen the conservation of the coastal and marine resource base in targeted project areas. This would be achieved through (a) enhancing institutional and planning capacities of local governments and communities; (b) providing support to marine protected areas of global biodiversity significance and select fishery co-management arrangements; and (c) sharing knowledge and best practices.

#### **GEO Level Results Indicator**

- (a) Increase in Marine Protected Area (MPA) management effectiveness in selected sites in the GEF target areas

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<sup>7</sup> It is estimated that around 700 municipalities in all 81 provinces in 16 regions will be participating in the PRDP.

<sup>8</sup>Baseline, mid-and end term surveys would be used to measure impacts on income and productivity following approaches used successfully under MRDP2). While recognizing the inherent difficulties in attributing specific outcomes to expenditures, the programmatic and national scope of the PRDP also requires that the PDO and indicators capture the bigger picture of what the project is attempting to achieve through strategic interventions and the leveraging of LGU and private sector resources.

## B. Project Beneficiaries

16. The PRDP would target small-scale agricultural, livestock and fishery producers with the potential to increase their productivity, but are constrained to do so due to lack of capacity and inadequate public infrastructure support. The primary target areas will be identified through the Expanded Vulnerability and Suitability Assessment (EVSA) and Value Chain Analysis (VCA) where the project interventions could unleash the potential for higher productivity and marketability of small farmers and fishers. Mechanisms for involving poor, small, and/ or unorganized producers would be actively developed by linking them with organized producer groups/ anchor organizations (see PRDP-Enterprise Development Operations Manual). Benefits will come primarily from the Infrastructure Development and Enterprise Development components which comprise 92% of the loan. The rural infrastructure investments would benefit producers, traders and the rural population more generally through reduced travel time, improved access to markets and by increasing productivity (both in terms of quality and quantity of produce marketed). Enterprise support activities would more directly target small-scale and poor producers through the provision of technical services, training, market linkages and financial assistance.

17. The project would pay special attention to those areas affected by Typhoon Yolanda (Haiyan) and the Bohol earthquake, while the planning and approach to enterprise and productive infrastructure development under PRDP is national in scope and is expected to benefit a large number of producers (including land reform beneficiaries). The design of PRDP provides for flexibility in the types of enterprises and infrastructure to be supported such that for example in typhoon affected areas where small-scale farmers and fishers have lost productive assets (boats, coconut trees, etc.), that the types of enterprises to be supported could be specifically targeted to meet those gaps; e.g., coconut nursery development linked with replanting by groups of small-scale farmers or boat building linked to fisheries or seaweed production.

18. Women would be especially assisted due to the focus on enterprise development and the business aspects of farming, post-harvest handling and processing; aspects characteristically managed by women in the Philippines. The nature and manner of delivery of support under the Enterprise Development component would be tailored to supporting women in these functions. The Philippines has the favorable ranking of being 8<sup>th</sup> out of 135 countries in terms of the Gender Gap Index<sup>9</sup>. It is one of eleven countries in the world that have succeeded in closing the gender gap on education, health and survival, while also performing very strongly on economic participation, opportunities and political empowerment. Economy-wide, women dominate the wholesale and retail trade (60%)<sup>10</sup>. Based on the economic evaluation of the project, Enterprise and Infrastructure Development components would have an estimated 1.9 million direct beneficiaries, of whom about 0.9 million (48%) would be women. Furthermore, there would also be a substantial number of indirect beneficiaries with a combined total (direct and indirect) of some 21.8 million, of which about half (10 million) would be women.

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<sup>9</sup> WEF, The Global Gender Gap Report 2011, The World Economic Forum, Geneva, Switzerland

<sup>10</sup> NSCB Fact Sheet, Op. Cit.

### III. PROJECT DESCRIPTION

#### Project Components

#### **Component 1: Local and National Level Planning (US\$ 14.29 million IBRD and US\$ 1.40 million GEF grant).**

- (a) Subcomponent 1.1: Enhancing the Agricultural and Fisheries Modernization Planning (AFMP) Process (US\$ 11.61 million IBRD and US\$ 1.40 million GEF grant). (a) Rationalization of the DA's planning, programming and budgeting processes related to the development of AFMPs as the main basis of decision making and operations in the DA at the national, regional and local levels; and (b) Support for natural resource planning, management and resource utilization in selected marine protected areas.
- (b) Subcomponent 1.2: Supporting AFMP Implementation (US\$ 2.68 million IBRD). Design of coordinated systems of technical support for the implementation of Sub-projects prioritized in the provincial commodity investment plans (PCIPs).

#### **Component 2: Infrastructure Development (US\$ 361.71 million IBRD)**

- (a) Sub-component 2.1: Value Chain Infrastructure Support (US\$ 354.47 million IBRD). Carrying out of specific Sub-projects to support infrastructure development by LGUs in priority commodity value chains (including, among others, farm-to-market roads, bridges, tire tracks, communal irrigation, potable water systems, post-harvest facilities, production facilities, fish landings, fish sanctuaries, tram lines, storage facilities, trading posts, green houses, solar driers, watch towers, and slope stabilization works).

Cost sharing between the Department of Agriculture and the concerned LGU would be on 90:10 basis. Provincial Governments would be responsible for funding the O& M of investments. Criteria for the selection, design, implementation, O&M and sustainability are detailed in the Operations Manual for the component. Geo-tagging<sup>11</sup> would be used to facilitate planning, procurement, and monitoring of sub-projects.

- (b) Sub-component 2.2: Approaches for Improving the Effectiveness and Sustainability of Infrastructure Investments (US\$ 7.23 million IBRD). Development of technical specifications for climate resiliency and disaster risk mitigation for local infrastructure.

Technical training and workshops to enhance the capabilities of DA-RFOs and LGUs will also be conducted.

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<sup>11</sup> Geo-tagging is the process of adding geographical identification metadata to various media and is a form of geospatial metadata. This data usually consists of latitude and longitude coordinates, though they can also include altitude, bearing, distance, accuracy data, and place names

**Component 3: Enterprise Development (US\$ 100 million IBRD and US\$ 5.60 million GEF grant).**

- (a) Subcomponent 3.1: Rural agri-fishery enterprise and productivity enhancement (US\$ 90 million IBRD and US\$ 3.36 million GEF Grant). (a) Carrying out of specific Sub-projects to support vertical and horizontal clustering, joint business planning and investments by producer groups/enterprises operating within priority commodity value chains; and (b) Promotion of biodiversity conservation and coastal resource co-management arrangements, as well as carrying out sustainable income-generating livelihood activities.

Funding would be shared by the DA and provincial LGUs (PLGUs) on 80:20 basis. PLGUs would assist proponent groups through capital investments, facilities, inputs and technical assistance. Funding for enterprises would range from PhP 1-15 million with proponent groups contributing an amount equal to at least 20% (in cash or in kind) of the incremental enterprise cost. The lead proponent, an organized producer group or small- or medium-scale processor, would be responsible for procurement and O&M of the approved investments. Criteria for lead proponent selection would be: (a) acceptability to proponent group members<sup>12</sup>; (b) broad network within the commodity sector; (c) access to resources; and (d) proven track record in managing an organization.

GEF support will be catalytic in terms of ensuring that biodiversity conservation and coastal resources co-management arrangements are included in the determination of interventions needed to support commodity value chains<sup>13</sup>.

- (b) Subcomponent 3.2: Technology and Information for Enterprise and Market Development (US\$ 10 million IBRD and US\$ 2.24 million GEF Grant). Provision of technical assistance to producers to increase their productivity and incomes through improved and sustainable technological, operational and market knowledge and facilitation of market linkages.

A particular focus would be on facilitating vertical integration and trade facilitation. New and sustainable technologies and approaches would be introduced in collaboration with other agencies. Technical assistance requirements would be determined as part of the annual PCIP process and would be provided by DA agencies or contracted by the Province with private service providers based on available expertise.

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<sup>12</sup> Proponent Group members would for the most part include small-scale poor producers targeted through the use of the EVSA tools and use of geomaps.

<sup>13</sup> Collaborative arrangements would be encouraged with i) The Global Partnership for Oceans; a new initiative aimed at improving the delivery of ecosystem services to coastal communities through the establishment of user rights and ecologically sound regulatory frameworks, ii) Capturing Coral Reef and Related Ecosystem Services; a regional GEF Project designed to develop innovative approaches for capturing rents from ecosystem services, and iii) Partnership for Environmental Management in Seas of East Asia: a project for "Applying Knowledge Management to Scale up Partnership Investments for Sustainable Development of Large Marine Ecosystems of East Asia and their Coasts".

#### **Component 4: Project Implementation Support (US\$ 24million IBRD).**

- (a) Provision of technical and operational assistance for the day-to-day coordination, implementation, monitoring, evaluation and audit of the Project.

To accommodate the short-term staff constraints, the project would provide for the contracting of service providers (from within and outside the region) to meet specific project needs.

#### **A. Project Financing**

##### **Lending Instrument**

19. The lending instrument would be an Investment Project Financing (IPF) Loan. The amount of the loan (including the front-end fee) is US\$ 501.25 million (variable spread loan with total maturity of 30 years including a grace period of 5.5 years). The loan will be co-financed by a Global Environment Facility (GEF) grant of US\$ 7 million.

##### **Project Cost and Financing**

20. The overall project cost would be US\$ 671.59 million (including front-end fee), with loan financing from IBRD of US\$ 501.25 million (75% of project cost) and US\$ 7 million from the GEF (1% of project cost). Counterpart funding amounting to US\$ 163.34 million (24%) will be financed by the Government (between the Department of Agriculture and the participating Local Government Units) and the private sector. Retroactive financing of US\$ 12,000,000 for the loan proceeds and US\$ 250,000 for grant proceeds would be available for eligible expenditures incurred on or after September 15, 2013.

**Table 1: Breakdown of Project Cost by Component**

<b>Project Components</b>	<b>Total Project Cost (in US\$)</b>	<b>IBRD Financing (in US\$)</b>	<b>GEF Financing (in US\$)</b>	<b>Government (National and Local) Counterpart Financing (in US\$)</b>
<b>Part 1: Local and National Level Planning</b>	<b>19,270,000</b>	<b>14,290,000</b>	<b>1,400,000</b>	<b>3,570,000</b>
1.1 Enhancing AFMP Planning Process	15,910,000	11,610,000	1,400,000	2,900,000
1.2 Supporting AFMP Implementation	3,350,000	2,680,000		670,000
<b>Part 2: Infrastructure Development</b>	<b>452,130,000</b>	<b>361,700,000</b>		<b>90,430,000</b>
2.1 Value Chain Infrastructure Support	443,090,000	354,470,000		88,620,000
2.2 Approaches for	9,040,000	7,230,000		1,810,000

<b>Project Components</b>	<b>Total Project Cost (in US\$)</b>	<b>IBRD Financing (in US\$)</b>	<b>GEF Financing (in US\$)</b>	<b>Government (National and Local) Counterpart Financing (in US\$)</b>
Improving Effectiveness and Sustainability of Infrastructure Investments				
<b>Part 3: Enterprise Development</b>	<b>168,940,000</b>	<b>100,000,000</b>	<b>5,600,000</b>	<b>63,340,000</b>
3.1 Rural Agri-Fishery Enterprise and Productivity Enhancement	154,200,000	90,000,000	3,360,000	60,840,000
3.2 Technology and Information For Enterprise and Market Development	14,740,000	10,000,000	2,240,000	2,500,000
<b>Part 4: Project Implementation Support</b>	<b>29,996,875</b>	<b>23,996,875</b>		<b>6,000,000</b>
<b>Total Project Costs</b>	<b>670,336,875</b>	<b>499,996,875</b>	<b>7,000,000</b>	<b>163,340,000</b>
Front-End Fee	1,253,125	1,253,125		
<b>Total Financing Required</b>	<b>671,590,875</b>	<b>501,250,000</b>	<b>7,000,000</b>	<b>163,340,000</b>

## **B. Lessons Learned and Reflected in the Project Design**

21. The DA started these reforms in 2000 with the implementation of the Bank-assisted Mindanao Rural Development Program (MRDP), initially in a limited number of local government units. Over the past fourteen (14) years, the DA has successfully operationalized the decentralization reform agenda for the agricultural and fisheries sector in active partnership with the LGUs of Mindanao (200 municipalities in all of the 25 provinces of Mindanao).<sup>14</sup>

22. In many respects, the design and approach of the project builds on the experience of MRDP and includes refinements and innovations based on lessons learned from the MRDP experience, for example: (a) support for infrastructure should be based on local development plans to ensure their integration with other facilities, markets, rather than be considered as “stand-alone” sub-projects; (b) institutional reforms are more likely to be effective if the benefits have already been established through operational efficiencies, rather than imposed from the top; (c) the mandates of participating technical agencies need to be carefully observed and promoted through collaborative mechanisms, to ensure their sustained institutional support; (d) local buy-in, ownership and sustainability is enhanced when interventions are implemented by LGUs, with agencies such as the DA providing “steering and technically-supportive” roles; and (e)

<sup>14</sup> Report No. 3266-PH, MRDP 1 ICR, June 28, 2005

networking among contiguous LGUs is critical for the effective management of natural resources.

23. Under the MRDP, the institutional capacities of municipal local government units (MLGUs) were enhanced in order to plan, finance, implement and deliver devolved agricultural and fisheries support services and public infrastructure. Meanwhile, the DA was retooled to be able to effectively provide technical and financial support to help the MLGUs to deliver on their devolved responsibilities. This was a significant initial step towards integrating local priorities in national development processes and programs and, in the process, made the DA and the LGUs genuine partners in the development of the sector. The MRDP developed a fiscal incentive system that effectively harnessed active LGU participation and engagement for the financing and sustainable maintenance of critical local infrastructure for agriculture and fishery development. In addition, it successfully initiated a technical criteria-based system of identifying and selecting rural infrastructure while implementing these using DPWH engineering quality standards. The MRDP also developed and introduced a GIS-based tool, using geo-tagging of sub-projects that enhanced project supervision, procurement, and citizen engagement in monitoring public investments. These key lessons of collaborative and participatory approach to development, to facilitating sub-project investment through an attractive cost-sharing and financing scheme, to the use of learning-by-doing approaches, to ensuring sustainability of road infrastructure through deployment of stringent quality standards, and to meaningful supervision through geo-tagging of investments have all been incorporated in the project.

24. In addition, the design of the project incorporates lessons learned from a number of other similar interventions, notably in China, Indonesia, India and Brazil, which have shown that while there are merits to supporting agricultural development in a devolved manner with community (bottom-up) participation in the selection and location of investments, there is also a need to be strategic in how such investments are made. In particular, the approach of the *Krishi Mohatsava* (farmer's festival) in Gujarat India has informed the project design through mechanisms that bring all relevant stakeholders together with farmers to help bridge the knowledge gap. Community Assistance Facilitation Centers based on Indonesian and Philippine experiences will be used as well as "best practice" in using field days as a means to facilitate linkages between producers, buyers, and agro-processors. In Brazil, over a decade of implementation experience of the Northeast Rural Development Program points to the following critical lessons and elements: (a) decentralization of decision making; (b) beneficiary management of resources; (c) partnership with local authorities and civil society; (d) investments should reflect local priorities and vetted by appropriate sectoral institutions based on technical grounds; (e) financed investments should increase productivity, incomes, and support job creation; and (f) project interventions should expand access of producer groups to regional, national, and global markets.

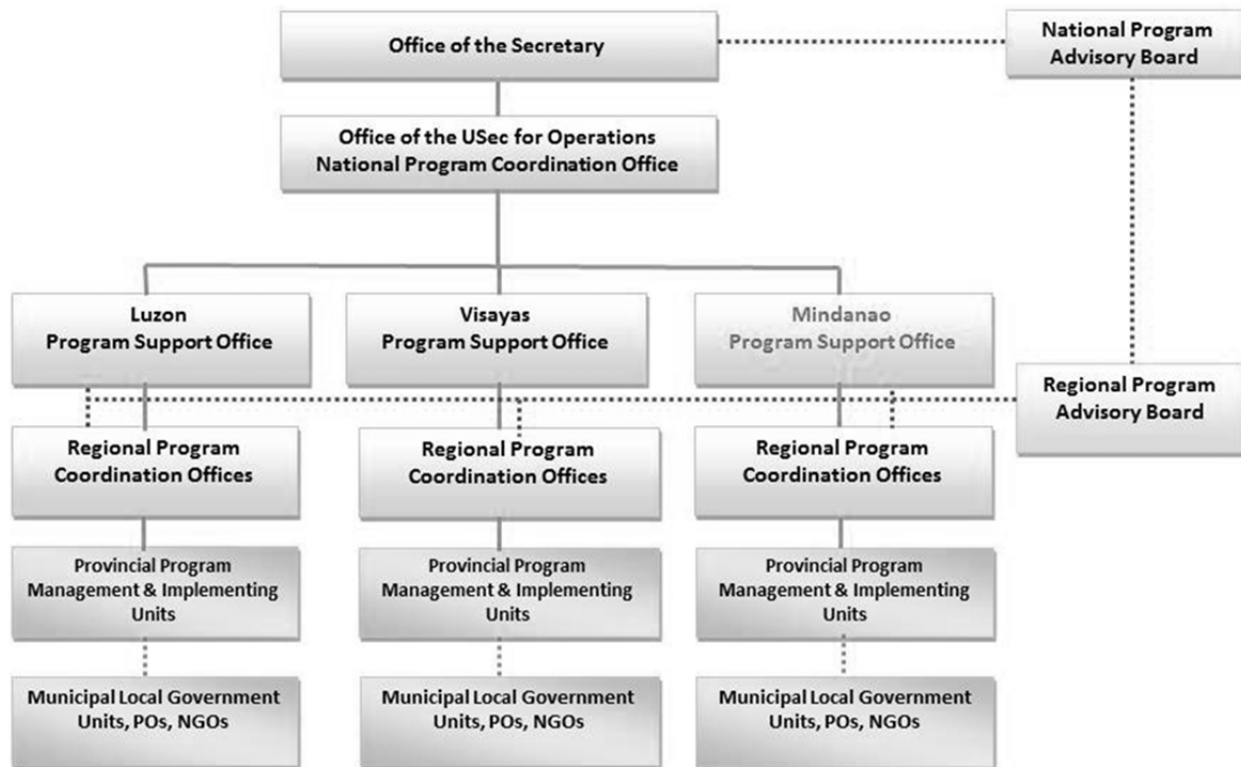
## **IV. IMPLEMENTATION**

### **A. Institutional and Implementation Arrangements**

25. The Office of the Undersecretary for Operations would have overall management responsibility. A National Program Advisory Board (NPAB) will be established through an Administrative Order from the President and will be complemented by Regional Program Advisory Boards (RPABs) in each of the regions. The project components are interlinked and

mutually reinforcing as shown in Annex 2, Figure 1. The Local and National Level Planning Component would be implemented by the DA regional planning units. Infrastructure investments would be managed by Provincial LGUs with technical back-stopping from the Regional Program Coordination Offices (RPCO) and Program Support Offices (PSO). Enterprise development by small scale producers, as well as broader technical support services would be managed by the Provincial LGUs with back-stopping from technical agencies of the DA, other related government agencies as well as other service providers from the academe, the private sector and the non-government organizations, as appropriate. The RPCOs, generally under the leadership of the Regional Technical Director for Operations, would be responsible for coordinating inputs

**Figure 1: Project Implementation Organization**



from DA Technical Agencies and other public and private sector providers, in supporting the implementation of the various Infrastructure and Enterprise sub-projects of the Provincial LGUs. Overall implementation would be done under the Project Implementation Support Component through the PSOs for Mindanao, Visayas and Luzon and coordinated through the National Program Coordinating Office (NPCO). The PSOs will provide oversight and technical support to the RPCOs, including final review of sub-project proposals and safeguard requirements. Institutional assessments have been undertaken of the capacity of DA RFOs and LGUs in the typhoon- affected areas to carry out the project. Agreements have been reached on a number of short to medium term measures to facilitate implementation (see Implementation Support Plan Annex 7). While the assessments largely show capacity *per se* has not changed, the increased demands on staff time in responding to recovery and reconstruction needs will be a constraint at least in early years of the project. To accommodate for this shortcoming, the project provides for

the contracting of service providers (including from outside the region) to meet specific project needs and enhanced procurement and financial management support. Other short-term measures include the use of Rapid Market Assessments to identify priority commodities, rather than the more comprehensive Value Chain Analyses, and greater flexibility in clustering of farmers and fisher folk for enterprise development support.

26. All Operations Manuals for the Project have been prepared (Component Manuals for Local and National Level Planning, Infrastructure Development and Enterprise Development; Financial Management Guidelines, Procurement Guidelines, Safeguards Guidelines, M&E Guidelines, and Geo-tagging Operations Manual) based on the MRDP operational experience and PRDP pilot testing started in September 2013. The PRDP Operations Manuals were submitted to the Bank in May 2014 and have been reviewed by the Bank and found satisfactory for project implementation.

## **B. Results Monitoring and Evaluation**

27. The PRDP would expand on the system used for MRDP2 through which Regional Project Coordination Offices (RPCOs) routinely collect information from their own programs and projects and from the Provincial Project Management and Implementing Units (PPMIUs)<sup>15</sup>. Monitoring reports are collated by the responsible Project Support Office (PSO) and submitted to the National Project Coordination Office (NPCO). This would be enhanced through development of a web-based M&E system as well as the use of geo-tagging and geo-mapping of investments. Collectively these would pave the way for greatly enhanced monitoring and evaluation across the DA. It would integrate a web and SMS-based citizen feedback loop for complaints, suggestions and opportunities for communities to exchange best practices. A publicly accessible web-based platform (“Geo-Stories”) will also be developed to convert data on projects into interesting stories as part of the PRDP M&E and communication efforts (Annex 4). A baseline study and survey is currently being prepared and would be available by December 2014. A comprehensive mid-term evaluation is planned to be completed by September 2017, and will include, among other aspects, a review of the institutional arrangements for farm-to-market roads construction and maintenance under the joint DA-DPWH Memorandum No. 1 dated July 18, 2013 and a DA-DPWH joint letter of agreement, October 11, 2013. This is an integral part of the project’s monitoring and evaluation system, in support of Government’s strategy of strengthening convergence between the DA, DPWH, and other related agencies on standards and protocols for rural road construction and rehabilitation.

## **C. Sustainability**

28. The sustainability of PRDP interventions will depend to a large extent on the effectiveness and ownership of the institutional reforms being introduced under the project. The institutional reforms on planning, criteria-based prioritization of investments as well as adoption of greater transparency through geo-tagging and other ICT-based tools are all underway. The likelihood of further consolidation and institutionalization of these reforms is well grounded and

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<sup>15</sup> PPMIU would be headed by the Provincial Planning and Development Officer (PPDO) and will be assisted by the Provincial Agriculturist and other concerned offices.

fully supported by the Government. PRDP is seen by the Department of Agriculture as its operational platform for strengthening its overall institutional approach and systems for planning, investment programming, technical, financial and procurement procedures and approach. Sustainability will also be enhanced through the use of transparent and verifiable criteria governing selection, design, implementation and O &M of investments. Participating LGUs would also need to meet criteria laid down under the “Seal of Good Housekeeping” from the Department of Interior and Local Government (DILG) and take responsibility for O&M of the sub-projects. In the case of entrepreneurial interventions, sustainability would be pursued through the targeting of existing producer groups that satisfy the project-required set of criteria to provide some assurance of their management capability, those that have potential for improving their market access, and take responsibility for O&M of the sub-project. Implementation criteria would also provide for ensuring that interventions contribute to sound natural resource management, building of fish stocks and protection of biodiversity.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Table 2: Risk Ratings Summary

<b>Stakeholder Risk</b>	<b>Substantial</b>
<b>Implementing Agency Risk</b>	
• Capacity	<b>Substantial</b>
• Governance	<b>Substantial</b>
<b>Project Risk</b>	
• Design	<b>Substantial</b>
• Social and Environmental	<b>Moderate</b>
• Program and Donor	<b>Low</b>
• Delivery Monitoring and Sustainability	<b>Moderate</b>
<b>Overall Implementation Risk</b>	<b>Substantial</b>

### B. Overall Risk Rating Explanation

29. The overall risk rating is Substantial. While the country, sector operating conditions and weather factors pose some risks, the real challenge lies in implementing this nationwide project under circumstances where institutional reforms and changes in business practices will create an unfamiliar work environment for many of DA’s regional staff and where there are varied levels of capacity among LGUs, technical service agencies, NGOs and private sector stakeholders. Sustained strong management support will also be critical for consolidating the institutional reforms in the DA around which the design of PRDP has been built. These risks were also identified in the Institutional Stakeholder Assessment undertaken as part of project preparation. In particular, unfamiliarity with procedures can be expected to be an issue as new geographical areas particularly in the Central Philippines becomes involved. The capacity of LGUs and the private sector in the disaster-affected areas has also been seriously affected and may take some time to recover.

30. To mitigate these risks, PSOs and RPCOs have already been established to oversee implementation. Key staff appointments have been made and training in procurement and

financial management was conducted during project preparation. Other mitigating actions that have been agreed (or taken) are: (a) the Operations Manuals, Procurement, Financial and M&E guidelines, including procedures for disaster-affected areas have been formulated through a consultative process within DA that has built ownership and commitment; (b) Pre-implementation/pilots (one per Region) have been undertaken to facilitate refinements and establish a core of trained staff able to give implementation advice upon project start-up; (c) geo-tagging and geo-mapping tools have been developed to enhance planning, design and supervision of sub-projects, along with specific provision for a mid-term evaluation of the effectiveness and approach for implementing the rural road investments; (d) implementation of the project would be undertaken as a core/flagship program of the DA, largely by regular government staff and agencies with clear responsibilities and accountabilities; (e) provisions have been made for the continued conduct of regular technical and financial internal audits for the rural infrastructure component; (f) assessments have been undertaken of staff capacity in typhoon-disaster affected regions and provision made for stop-gap recruitment of service providers where deficiencies exist; (g) financial, and procurement assessments have been undertaken and indicate adequate capacity to implement the project; and (h) only LGUs that meet specific capacity/readiness criteria, including having a “Seal of Good Housekeeping” would be eligible to participate under the project.

## **VI. APPRAISAL SUMMARY**

### **A. Economic and Financial Analyses**

31. The economic internal rate of return (EIRR) for the project is estimated at 21% (Annex 5). The net present value of the project’s net benefit stream, discounted at 15%, is US\$193.2 million. The financial internal rate of return (FIRR) for Enterprise investments is estimated at 45% with individual sub-projects ranging from 18% to 90%. Benefits under the project would be derived mainly from improved rural infrastructure, more profitable value-chain and market linkages, reduced transportation costs, increased time savings due to rural road improvement, improved health status, reduction in medical expenses, morbidity and mortality incidence due to improved potable water systems, increased cropping intensity and crop yields due to improved irrigation systems, and incremental tax revenues as a result of increased volume of taxable production. Increases in incomes would come from adoption of better farm management practices, market access and linkages, and generally creating a favorable economic environment that encourages farmers/rural entrepreneurs to produce more competitive products.

32. Unquantifiable benefits would accrue from increased economic activities including trade and employment from strengthening value chains, as well as from institutional development and capability building inputs that would empower communities to be more economically self-reliant. Capacitating local government units through devolved delivery of agricultural services coupled with business process enhancements will also contribute to improving overall governance. The joint management of critical biodiversity areas by LGUs and communities would also promote adoption of appropriate technologies for conserving, rehabilitating and utilizing natural resources in coastal, marine and terrestrial habitats.

## **B. Technical**

33. The design of the project is built on a solid technical basis and substantial implementation experience over the past decade in implementing two MRDP projects, as well as development experience in the implementation and financing of rural infrastructure sub-projects in the Philippines. Comprehensive Operations Manuals have been developed to guide sub-project selection, technical design, implementation and O&M. Farm-to-market road standards have been upgraded and formalized through the “Joint DA-DPWH Memorandum No. 1, dated July 18, 2013”. The memo specified the minimum technical standards and specifications which need to be adhered to for farm-to-market road sub-projects. It also outlines the distinct responsibilities of DA and DPWH in the design, supervision, monitoring and evaluation of the said sub-projects. Implementation procedures have also been strengthened to improve transparency and accountability in the selection, construction and maintenance of rural roads. More importantly, the PRDP uses the value chain approach to identify and prioritize the investment needs of smallholders and fishers in order to ensure a more holistic and sustainable approach to supporting enterprises. The improvements in technical specifications for the infrastructure sub-projects included considerations for climate resiliency and have been drawn from international best practices. The emphasis given to climate-smart agricultural and fishery technologies is also well grounded in terms of research findings and demonstrations. This will be complemented through the GEF-supported Philippines Climate Change Adaptation Project (PhilCCAP) currently under implementation through which Climate Change Adaptation Strategies for small scale producers are being pilot tested, together with the provision of scientific information on climate risk management.

## **C. Financial Management**

34. The fiduciary arrangements will be undertaken by the Department of Agriculture’s Financial Management Units at the Central Office, Program Support Offices (PSO) and Regional Offices. The FM Unit at the DA Central Office will be assisted by the National Program Coordination Office (NPCO). An assessment of the financial management system was carried out at the DA Central Office, the Mindanao PSO and selected Regional Offices. The objective was to ensure that an adequate financial management (FM) system was in place to satisfy the Bank’s OP/BP10.0 requirements that the Borrower and the project implementing entities maintain financial management systems, including accounting, financial reporting and auditing, adequate to ensure that they can provide accurate and timely information regarding project resources and expenditures. The financial management risk of the Project before the mitigating measures was assessed as High but is reduced to Substantial after the proposed mitigating measures are implemented, and the agreed financial management arrangements described below have shown effective impact.

35. The overall conclusion of the assessment carried out in accordance with the Bank’s guidelines is that the current FM system of DA meets the financial management requirement as stipulated in OP/BP 10.0. The Project has an adequate project financial management system that can provide reasonable assurance on accurate and timely information on the status of the Project and that there is sufficient basis to place reliance on the country systems for all financial management aspects of the Project. The major FM risk identified is the nationwide coverage of the project and difficulty in monitoring FM implementation.

36. The DA has adopted the following mitigating measures to reduce FM risks: (a) an FM Manual to formalize control processes specific to the project was prepared. A series of consultation workshops for the four clusters consisting of all the regions were conducted and the Bank had provided inputs during the pre-appraisal mission. The FM Manual that will be part of the Project Implementation Support Component of the project has been finalized; and (b) the financial management staff that will provide FM support to the Program Support Offices for Luzon and Visayas have been designated. The personnel assigned through a Special Order are qualified and capable FM staff from the respective Regional Offices. Further orientation on Bank guidelines will be conducted to familiarize key FM staff on Bank disbursement procedures.

37. During project implementation DA shall enter into written agreements with the respective LGUs that will enumerate FM obligations before each sub-project implementation. A capacity building plan for FM to address the needs of the non-Mindanao PSO and RPCOs has been developed and agreed drawing from the extensive experience of MRDP2 PSO and RPCOs. This includes training/workshops on financial management based on the detailed FM Manual prepared to guide implementation under the project. For the Yolanda typhoon-affected regions, the rapid FM Capacity Assessment of the RPCO and Program Support Office that cover the affected areas showed that these offices have the capacity to perform their financial management roles as required by the project. However, for participating LGUs that were severely affected by the disasters, financial management will be handled by the RPCO and PSO concerned until such time that enough capacity is restored at the LGU level. The DA also implements another WB-assisted project, the Mindanao Rural Development Project APL 2, for which there is no outstanding audit report due to the Bank.

38. Withdrawals from the loan up to an aggregate amount not to exceed US\$ 12 million equivalent can be made for payments on or after September 15, 2013 with respect to eligible expenditures under any Categories of the IBRD loan. Withdrawals from the GEF grant up to an aggregate amount not to exceed US\$ 250,000 equivalent can be made for payments on or after September 15, 2013 with respect to eligible expenditures under Category 1 of the GEF Grant.

#### **D. Procurement**

39. The procurement arrangements for the project will essentially be the same as the MRDP2, currently under implementation. A procurement capacity assessment conducted during project preparation has concluded that the entities to be involved in procurement under the project have been assessed to have adequate procurement capacity and experience. The assessment identified the following key issues and risks which could arise during implementation: (a) lack of experience of non-Mindanao DA RFOs and LGUs to carry out procurement following the Bank's procurement procedures; (b) frequent bid failures in Mindanao due to limited number of bidders or bidders' failure to comply with the basic bidding requirements; (c) inefficiencies in the processing of contract award in Mindanao (eg., contract awarding process took more time because of the long delays incurred during the bid evaluation and contract signing stages); and (d) delays in the implementation of sub-projects due to inefficiencies in some Mindanao LGUs.

40. A number of measures have been agreed with the DA to address the above-mentioned issues and to strengthen procurement capacities of involved institutions. For those LGUs and

DA-RFOs that were lacking in experience, this has been and would continue to be addressed through training as part of project preparation and implementation. Some other improvements in the Philippine public procurement system will be adopted under the project including: (a) the use of geo-tagging; (b) performance monitoring; (c) professionalization; (d) community participation and citizen engagement; (e) involvement of civil society organizations; and (f) procurement audit.

41. The procurement risk of the project was assessed as Substantial. It has been reduced to Moderate with the design of the above-cited mitigating measures during project preparation and their adoption during project implementation.

42. The Bank's Procurement Guidelines dated January 2011 will apply to the project. Emergency procurement procedures for areas impacted by natural disasters have also been prepared (see Annex 4) and detailed guidelines are included in the Procurement Operations Manual for the project. The procurement plan (dated June 25, 2014) for the first 18 months of the project has been reviewed and found acceptable by the Bank and will be updated annually (or as required) to reflect the project implementation needs.

#### **E. Social (including Safeguards)**

43. An Institutional and Stakeholder Assessment (ISA) was conducted to obtain feedback on the design of PRDP, including felt needs, constraints and concerns. Stakeholders included subsistence and commercial producers, women and IP groups. Women in the Philippines play an important role in the development of the agricultural and fisheries sector. The ISA indicated the important role of women in agricultural and fisheries value chains from production to harvesting to marketing. Mechanization and enhanced skills training have been identified as felt needs in order to support activities of women in the value chain and maximize their access to improved livelihoods.

44. Some provinces where PRDP will operate have known presence of indigenous peoples (IPs). For this reason, OP 4.10 is triggered. The Social Assessment conducted during the preparation of MRDP found that indigenous peoples are often socially and economically marginalized. There is a possibility that they will be unable to participate in the planning and development process and/or share the benefits of the project. To address the potential exclusion of IPs, the Indigenous Peoples Policy Framework (IPPF) developed and implemented under MRDP1 and 2 has been updated to take into account lessons learned and the design changes under PRDP. The updated IPPF provides for: (a) the participation of IP communities in the regions and provinces in the conduct of Local and National Level Planning Component activities, particularly in the preparation of the Provincial Commodity Investment Plans (PCIPs); (b) the involvement of the local IP groups in the selection, screening and preparation of sub projects under the infrastructure and enterprise development components in partnership with National Commission on Indigenous People (NCIP) and the Local Government Units; and (c) compliance of sub projects with the requirements of the Philippine Indigenous Peoples Rights Act (IPRA) whenever the proposed subproject site is located within or will directly impact on any declared or proposed ICC/IP's Ancestral Domain. The IPPF also requires that sub projects undertake "free and prior informed consultation" to provide for "broad community support". In

addition, the updated IPPF also requires an IP Plan where the affected/benefited ICC/IP community is not the proponent or where they constitute only a minority in the sub- project area.

45. Sub-projects under the Infrastructure Development Component are expected to involve land acquisition. For this reason, OP 4.12 is triggered. The Land Acquisition, Resettlement and Rehabilitation Framework (LARRF) effectively used under MRDP 1 and 2 has been updated to take into account the lessons learned and the design changes under PRDP. As part of lessons learned and to make it more operational, both the IPPF and the LARRF have been consolidated with the Environmental Management Framework and Guidelines (EMFG), and as a whole, is now called the Integrated Environment and Social Safeguards Framework (IESSF). The separate frameworks had been disclosed in-country on December 12, 2012 and on December 17, 2012 in the Infoshop. Since these were consolidated into one, the IESSF was again re-disclosed in-country on June 5, 2014 and in the Infoshop on July 18, 2014.

#### **F. Environment (including Safeguards)**

46. The project is assigned an Environmental Category B. On-the-ground activities will involve construction of small- to medium-scale public infrastructure and support to agribusiness enterprises and community-based natural resource management. The direct environmental impacts of these activities, based on experience of MRDP 1 and MRDP 2, are assessed to be short term, localized and reversible, which can be addressed through environmental and social screening, adoption of sound engineering design and good housekeeping practices during construction. Indirect impacts may need to be addressed on a per sub-project basis, such as where increased use of pesticides is planned or where upland degradation may be a risk as a result of infrastructure sub-projects. The Environmental Assessment Policy (OP/BP 4.01) and the Pest Management Policy (OP 4.09) have therefore been triggered. Sub-project proposals will also need to be screened against other World Bank environmental policies including Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36) and Safety of Dams (OP/BP 4.37) particularly on communal irrigation systems that maybe supported by the project. The various environmental and social safeguards policy framework of MRDP 2 have been updated and consolidated into an Integrated Environmental and Social Safeguards Framework (IESSF) for use in the Project. Public consultations were held from October 2012 to June 2014. The IESSF had been disclosed in-country on December 12, 2012 and in the Infoshop on December 17, 2012. This was re-disclosed in-country on June 5, 2014 and in the Infoshop on July 18, 2014. An appropriate grievance-handling procedure is also in place to monitor its implementation.

**Annex 1: Results Framework and Monitoring  
Philippines: Philippine Rural Development Project  
Results Framework**

<b>Project Development Objective (PDO):</b>													
To increase rural incomes and enhance farm and fishery productivity in the targeted areas by supporting smallholders and fisher folk to increase their marketable surpluses, and their access to markets.													
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR1	YR2	YR3	YR4	YR5	YR6				
At least 5% increase per year in real household incomes of farmer and fisher folk beneficiaries		Real household incomes	Baseline study underway. Results due Dec. 2014	5%	10%	15%	20%	25%	30%	1 <sup>st</sup> year of project Mid-term Year 6	Survey of each Region participating in Project	PMED through FOS, NPCO and PSOs	Household incomes in real terms including on & off-farm
Increased income of beneficiaries involved in enterprise development		Real household incomes	Baseline study underway. Results due Dec. 2014			10%			30%	1 <sup>st</sup> year of project Mid-term Year 6	Survey of each Region participating in the Project	PMED through FOS, NPCO and PSOs	Household incomes in real terms including on & off-farm and associated with enterprise development
Increase in value of annual marketed output		Value of marketed output	Baseline study underway. Results due Dec. 2014	7%	14%	21%	28%	35%	41%	1 <sup>st</sup> year of project Mid-term Year 6	Survey of each Region participating in Project	PMED through, FOS, NPCO and PSOs	Value of all products sold/exceeding domestic consumption
Increase in number of farmers and fisher folk with improved access to Department of Agriculture services	<input checked="" type="checkbox"/>	No of fisher folk and farmers reporting improved access to services	Baseline study underway. Results due Dec. 2014			10%			20%	1 <sup>st</sup> year of project Mid-term Year 6	Survey of each Region participating in the Project	PMED through, FOS, NPCO and PSOs	Improved access/knowledge of technologies and services e.g., post-harvest handling and marketing, including strategies for coping with weather variables
GEO level – Increase in MPA management effectiveness in selected sites in GEF target areas	<input checked="" type="checkbox"/>	Number of globally significant biodiversity sites  World Bank – WWF MPA Scorecard	METT/ MEAT grading system 15-40 41-65 66-85			10 8 5			20 8 6	1 <sup>st</sup> year of project Mid-term Year 6	Survey of each Region participating in the Project	PMED through the NPCO, PSOs and RPCOs	Protected area scorecard that assess site management, financial stability, and capacity.

Intermediate Result: Local and National Level Planning													
Intermediate Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR1	YR2	YR3	YR4	YR5	YR6				
Provincial Commodity Investment Plans (PCIPs) agreed based on regional AFMPs	<input checked="" type="checkbox"/>	Number of Provinces	0	20	50	60	80	80	80	3-yr rolling business plan	Based on consultations between RFO, Province & other stakeholders	PMED through FOS, NPCO and PSOs	Number of Provincial LGUs with approved business plans based on the AFMP
PCIP interventions being supported through effective technical backstopping		Number of Provinces	0	20	50	60	80	80	80			PMED through FOS, NPCO and PSOs	Number of effective joint work programming being implemented between RFOs and PLGUs, & between PLGUs and other service providers)
Enhanced Planning Programming & Budget Guidelines being effectively mainstreamed (across Department of Agriculture programs)		Number of Regions	0	0	4	8	12	16	16	Enhanced Manuals to be issued & updated periodically as needed	Refinement of drafts prepared as part of project prepn. and under MRDP2	PMED through FOS, NPCO and PSOs	Enhanced Planning Programming & Budget Guidelines issued & being used by RFOs to integrate programs and resources
		Number of Agencies participating in joint planning & programming with RFOs	0	0	2	5	10	20	27				
Biodiversity conservation and coastal resources co-management features incorporated in the PCIPs	<input checked="" type="checkbox"/>	Number of provinces	0	8					8	3-yr rolling business plan	Based on consultations between RFO, Province & other stakeholders	PMED through FOS, NPCO and PSOs	PCIPs contain actions to conserve biodiversity and reduce pollution as critical to the commodity value chain

Intermediate Result: Infrastructure Development													
Intermediate Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR1	YR2	YR3	YR4	YR5	YR6				
Improved road networks linking production areas with markets, leading to reduction in travel time by at least 30% at end of the project	<input checked="" type="checkbox"/>	% reduction in travel time	Baseline study underway. Results due Dec. 2014			10%			30%	1 <sup>st</sup> year of project  Mid-term  Year 6	Survey of each Region participating in Project. Expand on sub-project log frame results.	PMED through FOS, NPCO and PSOs	Improvements made in decreasing travel time for transporting inputs and products
Producers satisfied with adequacy of access to post-harvest services and facilities	<input checked="" type="checkbox"/>	% increase in the number of satisfied producers	Baseline study underway. Results due Dec. 2014			8%			20%	1 <sup>st</sup> year of project  Year 6	Survey of each Region participating in Project. Expand on sub-project log frame results	PMED through FOS, NPCO and PSOs	Improvements in satisfaction among producers on access to post-harvest facilities and technical services
Area provided with irrigation and drainage services (ha)	<input checked="" type="checkbox"/>	% Increase in areas with irrigation	Baseline study underway. Results due Dec. 2014			10%			30%	1 <sup>st</sup> year of project  Year 6	Survey of each Region participating in Project. Expand on sub-project log-frame results	PMED through FOS, NPCO and PSOs	New and rehabilitated irrigation and drainage systems increasing the effective area available for cropping

Intermediate Result: Enterprise Development													
Intermediate Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR1	YR2	YR3	YR4	YR5	YR5				
Increased Producer Groups participating in vertically linked commodity value chain clusters		% increase in number of groups operating viable enterprises % increase in number of women directly benefiting from enterprise development	Baseline study underway. Results due Dec. 2014			15%			50% target 1500 50%	1 <sup>st</sup> year of project Mid-term Year 6	Survey of each Region participating in Project. Expand on sub-project log frame results	PMED through AMAS, NPCO and PSOs	Viable Smallholder enterprises following good business practices
Producer productivity enhanced through arrangements for marketing and /or technical services	<input checked="" type="checkbox"/>	% of producers having formalized arrangements for marketing and/or technical services	Baseline study underway. Results due Dec. 2014			20%			50%	1 <sup>st</sup> year of project Mid-term Year 6	Survey of each Region participating in Project. Expand on sub-project log frame results	PMED through AMAS, NPCO and PSOs	Contractual and formalized arrangements for marketing of produce and /or provision of technical services
Increased producer groups and fisher folk resilience to climate change and adverse weather conditions		% using climate smart technologies	Baseline study underway. Results due Dec. 2014			10%			25%	1 <sup>st</sup> year of project Mid-term Year 6	Survey of each Region participating in Project. Expand on sub-project log frame results	PMED through AMAS, NPCO and PSOs	Smallholders & fisher folk have awareness, access and use of climate-smart technologies
Productivity in globally significant fish biodiversity sites enhanced through improved resource management, biodiversity conservation, co-management arrangements, and knowledge sharing		% increase in fish stocks in target areas	Use Tracking Tools and the PRA-RSA results			5 %			10 %	1 <sup>st</sup> year of project End of Project	Survey of each GEF Site participating in Project	PSO to contract resource inventory assessment survey in collaboration with RFOs	Fish density, diversity, and biomass increased due to improved management and protection in target areas

Intermediate Result: Project Implementation Support													
Intermediate Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**						Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR1	YR2	YR3	YR4	YR5	YR6				
Harmonized Operational mainstreamed for Local and National Planning, Program Support, Infrastructure and Enterprise		MRDP2 manuals available	0	Harmonized manuals issued for use by all programs		Pilot test		Adoption/ mainstreaming	Adoption/ mainstreaming	To be worked on from the outset of the project	Build on manuals prepared under MRDP2	FOS through NPCO and PSOs	Roll-out of harmonized manuals as the standardized way of doing business across the DA
Efficient Project implementation, reporting and loan utilization		Beginning with project effectiveness	0	Quarterly reporting to Usec. for Operations and 6-monthly updating of Results matrix.	Quarterly reporting to Usec. for Operations and 6-monthly updating of Results matrix.	Quarterly reporting to Usec. for Operations and 6-monthly updating of Results matrix.	Quarterly reporting to Usec. for Operations and 6-monthly updating of Results matrix.	Quarterly reporting to Usec. for Operations and 6-monthly updating of Results matrix.	Quarterly reporting to Usec. for Operations and 6-monthly updating of Results matrix.	Quarterly Reporting to DA Management on project progress	M & E log-frame for the project, & Financial reports	FOS through NPCO and PSOs	Efficient implementation, (procurement, financial reporting, safeguard compliance etc.)

## **Annex 2: Detailed Project Description**

### **Philippines: Philippine Rural Development Project**

1. **Project costs and financing:** The overall project cost is US\$ 671.59 million with financing from IBRD of US\$ 501.25 million (75%) and US\$ 7 million (1%) from the GEF Grant. Counterpart funding of US\$ 163.34 million (24%) will be financed by Government, with the costs shared almost equally between the Department of Agriculture and the participating Local Government Units (LGUs). In terms of their share of project cost, Component 1: Local and National Level Planning would be 3%; Component 2: Infrastructure Development, 67%; Component 3: Enterprise Development, 25%; and Component 4 Project Implementation Support, 5%. GEF co-financing would be in Component 1: Local and National Level Planning (36%) and in Component 3 Enterprise Development (64%). The components are interlinked and mutually reinforcing as shown in Figure 2.1.

2. **Project description:** The PRDP will promote more inclusive rural development by supporting smallholders and fisher folk to increase their incomes and marketable output and to have improved access to markets. The PRDP would also support changes in the planning, resource programming and implementation practices of the Department of Agriculture that will facilitate the integration and financing of priority local investments derived from the DA's Agricultural and Fisheries Modernization Plans (AFMP) which have been developed using a value chain approach, and through a consultative process with local stakeholders. Implementation would be based on the operational mechanisms developed under the ongoing MRDP2, but with more emphasis given to linking national priorities for the agriculture and fisheries sector with Regional and Provincial LGU plans and investments. PRDP would provide for the financing of local investments and technical assistance for affecting sectoral institutional reforms at the national and local levels. The Project would be nationwide in scope. Investments would be particularly focused on those areas impacted in 2013 by Typhoon Yolanda and by the earthquake that struck Bohol (see Box 1 and map below).

#### **Box 1. Snapshots of Devastation from Natural Disasters in 2013**

##### **Yolanda-International name Haiyan, November 8, 2013**

*(Extract from RAY Report, NEDA December 16, 2013)*

- Typhoon Yolanda cut across the central Philippines & caused a massive storm surge with over 6,000 deaths.
- 29.5 million people (30.8% of total) were affected.
- Severely affected areas were already among the poorest in the country in terms of family income, with poverty levels well above the national average of 22.3%, i.e., Eastern Samar 59.4%, Northern Samar 43.7%, Western Samar 36% and Leyte 31.9%.
- Some 600,000 Ha of agricultural lands were affected of which coconut accounted for 73%, rice 16% and corn 4%.
- Crop and fishery losses are estimated at PhP 31 Billion including PhP 4 billion damage to irrigation and agricultural infrastructure.
- Significant losses in rice production are expected in 2014 due to damaged paddy fields, irrigation systems, limited availability of seed, loss of draught animals and tools, inability to buy fertilizer and reduced availability of labor. Plantation development of coconut and other tree crops will take 6 to 9 years. Likewise fisheries will take years to recover from loss and damage to boats, wharves, equipment, reefs & mangroves.

##### **Bohol Earthquake, October 15, 2013**

- A 7.2 earthquake struck Bohol province (subsequently also affected by Yolanda (Signal #3).
- 213 were killed and some 377, 454 people were displaced over 14 250 houses destroyed.
- The quake's estimated damage to infrastructure was at P1.6 billion.



opportunities because its interventions would be directed towards activities with which women are usually involved i.e., women are generally active in trading of agricultural and fishery products<sup>16</sup> and post-harvest (e.g., drying, sorting and processing, etc.). They are also engaged in cottage industries<sup>17</sup> and other off-farm activities that augment household incomes. While men generally dominate the agriculture and fishery sector (74%)<sup>18</sup> taking on major production roles, women do participate actively in tasks such as seeding, transplanting, weeding and harvesting. They also provide management support to the farming households, particularly in accessing inputs<sup>19</sup>, in the hiring of farm labor, and in accessing capital needed for farm production<sup>20</sup>. They are likely to be directly benefited from post-harvest facilities and improved linkage to markets under the Enterprise Development component. The farm-to-market roads which are expected to constitute the bulk of investments under the Infrastructure Development component, as well as the potable water supply sub-projects, will particularly ease many of the activities that women are currently involved with, including household chores (e.g., fetching water, laundry and trips to town centers to buy household supplies). As part of the safeguards to ensure that women interests are represented in the project, the preparation of AFMPs at the regional level, the PCIPs and individual sub-projects at the LGU levels would employ participatory approaches and encourage participation of women groups whenever they are present.

4. **Overview of Reforms under the project.** The project will continue and build on the reforms introduced under MRDP and deepen their impact through further innovations and by scaling these up to the rest of the country. The PRDP will continue and build on these important reforms that MRDP has started and will further deepen the impacts and institutionalization of such reforms through further innovations and scaling these up for the rest of the country. Critical among these reforms would be the need for LGUs and the DA to adopt and institutionalize a more rational and transparent set of processes and systems for a converged "top-down" and "bottom-up" decision making process for planning, prioritizing and funding investments for agricultural and fisheries value chains which are in line with the promotion of food security and modernization of the sector. The PRDP will use AFMP as the main basis for decision making and operational support. The identification of priority commodities, areas and interventions in the AFMP and the RAFMPs are enhanced through the use of the technical tools described earlier (EVSA and VCA), which would factor in socio-economic, agro-climatic, agro-suitability, and value chain development considerations. Within the context of the AFMP and the RAFMPs, participating PLGUs will come up with Provincial Commodity Investment Plans (PCIPs)<sup>21</sup> in collaboration with the DA-RFOs, other government agencies and private stakeholders, including agri-business interests. The PCIPs would identify the priority commodity value chains as well as the rural infrastructure and enterprise sub-projects that both the DA and the PLGU will support. The PCIPs, therefore represent the convergence of AFMP, RAFMP and provincial priorities for the sector<sup>22</sup>. This would be a significant departure from previous "top-down" decision making

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<sup>16</sup> FAO, Op. Cit.

<sup>17</sup> Maria Theresa Sanchez (1994), "Rural Labor and Rural Non-agricultural Activities in the Philippines," Discussion Paper No. 94-11, Philippine Institute of Development Studies, Manila

<sup>18</sup> NSCB Fact Sheet, Updates on Women and Men in the Philippines, March 1, 2010

<sup>19</sup> Filipino Women in the Rice Industry: A Case Study, Gender and Trade Initiatives, The Commonwealth Secretariat

<sup>20</sup> FAO Factsheet Philippines – Women in Agriculture, Environmental and Rural Production, Food and Agriculture Organization

<sup>21</sup> PCIPs are 3-year rolling plans reflecting agreements between DA-RFOs & PLGUs on the value chains to be prioritized and the related Enterprise & Infrastructure sub-projects to be supported.

<sup>22</sup> The VSA and EVSA tools have already been piloted and refined as part of the formulation of the VCAs and preparation of the pilot Provincial Commodity Investment Plans (PCIPs) in Mindoro Occidental (*calamansi*), Albay (coconut geonets) and Negros Occidental (muscovado-sugar).

processes of the Department of Agriculture that were based on meeting national production targets through supply-driven and often competing programs. It also improves on the MRDP approach which focused on “bottom-up”/ demand-driven decision-making which resulted in discrete interventions that did not create a critical mass that would catalyze sector-wide development.

5. Under the reformed planning processes described above, the PRDP will provide an operational platform on which the following reforms will be implemented:

(a) Incentive Framework for LGU support for agricultural and fisheries development through cost sharing arrangements. The cost sharing arrangement between the DA and LGUs for sub-projects identified in the PCIPs would be on a 90:10 basis for infrastructure and 80:20 for enterprise development. This, based on the experience under MRDP2, translates to a 50:50 cost sharing when LGU planning, supervision and operations and maintenance (O & M) costs are taken into account;

(b) Support/Extension Service Delivery Reforms. The approach would shift from being top-down to be more demand-driven based on the needs identified through the value chain analysis and the PCIPs. Under PRDP, extension services would be delivered through both private and government service providers; drawing upon the institutions and/or entities best equipped to provide the quality of service needed for that area. Coordination and the approach to extension would be localized under the oversight of the DA-Regional Director for Operations. A wide range of service providers exist in the Philippines with the capability of delivering extension services. Past practice has been for DA agencies and units responsible for major commodities to provide the bulk of extension services in accordance with centrally determined priorities, rather than on local needs best suited to local natural conditions and climate vulnerability. The Project will encourage stronger linkages with private sector providers through e.g., marketing contracts, credit and crop insurance. A complementary grant to a microfinance entity or IFC support are being explored to promote better access to credit financing and crop insurance for PRDP enterprise development groups;

(c) Criteria-based Infrastructure Development: Under PRDP, the standards and protocols for infrastructure development have been significantly strengthened. The DA has already begun to institutionalize this by directing that all of its programs involving infrastructure follow the procedures laid down in PRDP Operational Manuals. This is already a significant reform given that in the past, political considerations often influenced the selection and implementation of such investments. Underpinning this would be the systematic mapping of where rural infrastructures are proposed and supported in relation to the agricultural potential, vulnerability and market linkages. This would serve to better inform planning and design of rural infrastructure across DA agencies, as well as leverage more effective planning and oversight by LGUs. Through a joint DA-DPWH Memorandum No. 1, July 18, 2013 and a DA-DPWH joint letter of agreement, October 11, 2013, revised and uniform standards for farm-to-market roads have been adopted by the DA and DPWH. The implementation of the FMR sub-projects

will be reviewed at mid-term with the view to making further refinements. It would provide a level of transparency and accountability not previously possible; and

(d) **Platform for Operational Convergence:** Through the regionally devolved partnering with LGUs, the project will enhance the focus on enterprise development and value chains, and actively pursue opportunities for building operational synergies with related programs of other government agencies. Examples include , technology innovations developed by the Department of Science and Technology (DOST) for small scale agro-processors, convergence with the Department of Agrarian Reform (DAR) in the provision of support services, support for agri-business ventures with the Department of Trade and Industry (DTI), strengthened LGU planning and project implementation with the Department of Interior and Local Government (DILG) and integration of the farm-to market road program with the national road network program and responsibilities of the DPWH;

(e) **Use of transparent, evidence-based and innovative tools and approaches:** Various innovative tools and approaches have been developed and tested by the DA with support from the Bank, including the Expanded Vulnerability and Suitability Assessment (EVSA) tool, Value Chain Analysis tools, rapid market assessments, and use of geo-tagging with geo-mapping. These tools will help ensure technical validity, greater transparency and rationale in the planning and prioritization of infrastructure and enterprise development sub-projects, not only for use in PRDP investments but across a whole range of similar public investments.

6. **Project Components.** The project has four inter-linked components: (a) Local and National Level Planning; (b) Infrastructure Development; (c) Enterprise Development; and Project Implementation Support. The Local and National Level Planning Component will strengthen the overall planning and budgeting modalities needed to implement the reform that would balance devolved responsibilities with national or strategic objectives, while the Project Support Component will encompass the implementation aspects, including the mainstreaming and harmonizing of PRDP modalities with the Department of Agriculture's other programs. The Infrastructure and Enterprise Development Components would support small-scale producers and enterprises to increase their productivity and marketable surpluses through improvements in infrastructure, technical services and facilitated market linkages, marketing contracts and use of private sector providers, agricultural and fisheries state universities and colleges, for the delivery of extension services.

7. **Component 1: Local and National Level Planning. (US\$ 14.29 million IBRD and US\$ 1.4 million GEF grant.)** This component would help establish the Agriculture and Fisheries Modernization Plans (AFMPs) as the main basis for decision making and operations in the Department of Agriculture, at the national, regional and local levels. Support would be provided by way of technical assistance, studies, workshops and training. It would help ensure that the business processes in the Department are grounded on the Philippine Development Plan, and on the “roll-out” of the AFMP process as the Department-wide mechanism by which sector strategic objectives are to be translated into DA-RFO level annual budgets, and implemented through Regional and Provincial level programs. More specifically, the component will

strengthen the Department of Agriculture’s planning, programming and budget execution processes supportive of AFMP implementation, both at the national and regional levels.

8. Sub-component 1.1: Enhancing the AFMP Process (US\$ 11.61 million and US\$ 1.40 million GEF Grant). This would support the rationalization of the Department of Agriculture’s (DA) planning, programming and budgeting processes to ensure that (a) they are properly synchronized and consistent so that planned strategic priorities are what are actually funded and implemented; (b) RFOs are empowered and supported to pursue regional sector priorities as reflected by their respective RAFMPs; and (c) the DA is enabled to effectively partner with LGUs to achieve sector goals and priorities. At the national level, institutional processes will be developed to ensure the coherence and consistency of the various roadmaps and programs of DA agencies and commodity programs with the AFMP. At the regional level, some realignment of the DA’s budget programming and execution processes would be made to further divest authority and accountability for AFMP implementation and budget execution to the RFOs, and to ensure that the various DA Technical Agencies and units respond to and provide the needed technical support to the priorities and programs of the RAFMPs. Institutional processes will also be established to translate, through a consultative process, national agriculture and fishery strategic objectives into investments that are implemented in collaboration with PLGUs and other stakeholders. The project will, therefore, finance the various studies, technical assistance, workshops and meetings in order to put these new institutional processes in place. Moreover, attendant decision support systems will be strengthened by enhancing the DA’s integrated MIS, E-Planning/Budgeting, and Results-Based M&E systems. The expected output of these activities would be: (a) Enhanced Planning, Programming and Budgeting Guidelines; and (b) Harmonized Operations Manual for Planning, Programming, and Budgeting.

9. Support would also be provided to strengthen the technical foundation of the AFMP and Regional AFMPs. The priority commodity value chains identified in these documents will be validated using existing studies, such as on

- Box 2: Elements of a Three-Year Rolling Provincial Commodities Investment Plan (PCIP)**
- I. Development Background/ Context: Development Issues/ Challenges (Situationer)
    - a) Overall
    - b) Provincial Agriculture and Agribusiness Profile and their Role in Provincial Development
  - II. Development Vision and Framework of the Province (development goals, target outcomes/results, approach/ strategy, time frame)
    - a) Overall
    - b) Agriculture and Agribusiness Development Framework of the Province
  - III. Priority Commodity Chains Development Program
    - A. Priority Commodity Value Chains – what they are, evidence-based considerations for selection, their role in sector development
    - B. Commodity Value Chain -specific 3-year Development Strategy
      - a) Target Outcomes/ Results
      - b) Area- specific enterprise development program and subprojects
      - c) Area-specific infrastructure support program and subprojects
      - d) Partnership and Financing Strategy – with NG, business groups, producers groups, academe
      - e) Technical support requirements/ arrangements of Enterprise and Infrastructure subprojects factoring in RFO-Technical Agency technical support Memoranda of Agreements
    - C. Implementation/ Institutional Arrangements for PRDP-funded subprojects
      - a) Subproject proposal development
      - b) Subproject implementation/ implementation supervision
      - c) Subproject O&M
      - d) Subproject M&E
      - e) Fiduciary – FM and Safeguards
  - IV. Provincial Development Council Endorsement
  - V. DA-RED approval.

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Domestic Resource Cost (DRC)<sup>23</sup> and Revealed Comparative Advantage indices<sup>24</sup>, as well as by using the results of the Vulnerability and Sustainability Assessment<sup>25</sup> (VSA) undertaken by the Bureau of Soils and Water Management (BSWM). The VSA will enable the Department to zero in on the most physically suitable agriculture and fishery areas for its priority commodity chains, and to improve the climate resiliency of its programs. The expected output of these activities would be: (a) an Enhanced AFMP and (b) Enhanced RAFMPs. By mid-term, the process of developing the successor MTPDP and AFMP will commence. The PRDP will, therefore, assist in the formulation of the successor AFMP and RAFMPs, using the enhanced Planning, Programming and Budgeting Guidelines and Manual, in order to serve as mainstreaming and institutionalization platforms for PRDP reforms. GEF-financing would complement these activities through technical support designed to contribute to better natural resource planning, management and resource utilization in selected MPAs (see Annex 3).

10. Sub-component 1.2: Supporting AFMP Implementation (US\$ 2.68 million IBRD). This sub-component would support the need for coordinated technical support services for the value chains and sub-projects prioritized in the PCIPs (see Box 2). Joint work programming among the Technical Agencies of the Department of Agriculture, under the direction of the Regional Management Team chaired by the Regional Executive Directors (REDs) will be undertaken. The expected output of this activity would be Annual Program Agreements (PAs) between the RFOs and the Departmental Technical Agencies to support the PCIPs and to ensure Agency support is specifically oriented to the needs of producers as identified in the PCIP. Previously, these were determined through nationally set priorities and programs. It should, however be noted that PAs are transitional instruments and planned to be used during the first 3 years of the project. By mid-term, it is anticipated the support to be provided by the Department of Agriculture's technical agencies should be reflected in their regular budgets. This will be operationalized through Enhanced Planning, Programming and Budgeting Guidelines and the Harmonized Operations Manual for Planning, Programming, and Budgeting that will be generated in the first Sub-component. The activities to be undertaken under the two sub-components are summarized in Table 3, while Table 4 lists the priority commodities which have been prioritized by the DA Regions for support under the AFMP. Local and National Planning Target Outputs, Outcomes & Indicators are given in Table 5.

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<sup>23</sup> DRC analysis is a methodology for empirically measuring comparative advantage by generating quantitative indicators of using domestic resources to produce a given commodity, as measured against the possibilities of trade. The analytical framework also allows the distortionary effects of government policies to be measured (Morris, M.L. 1990).

<sup>24</sup> A Revealed Comparative Advantage Index is used for calculating the relative advantage or disadvantage of a certain country in a certain class of goods or services as evidenced by trade flows.

<sup>25</sup> Vulnerability and Suitability Assessment – A GIS-based priority ranking tool which simultaneously considers agri-fishery, meteorological and policy variables.

**Table 3: Flow of activities, decision points and responsibilities under Local and National Planning**

DA Central	DA RFO	PLGU
Enhancement of the AFMP	Enhancement of the RAFMP	Development and validation of the PCIPs
<p>1. Technical validation of priority commodity value chains and programs</p> <p>a. DA-PS with BSWM (and other relevant agencies – e.g., BAR, BAS, Commodity Programs) to use results of VSA, DRC, and other comparative advantage studies to validate the selected national commodity priorities in the AFMP.</p> <p>b. DA-PS to review existing VCAs and to conduct needed VCAs of priority commodities traded nationwide and internationally</p> <p>c. DA-PS to lead validation of updated AFMP programs (including commodity programs) using ISA and VCA results with concerned agencies</p> <p><i>Note: DTI, DOST-PCAARD, and other relevant non-DA technical agencies may also be invited.</i></p> <p>2. Stakeholder consultations– review of technically validated priority commodities and programs</p> <p>3. <u>Management validation: The RED to confirm/approve changes in priority regional commodities and programs, if any; if not, re-confirm current RAFMP</u></p>	<p>1. Technical validation of priority regional commodity value chains and programs</p> <p>a. RFO with BSWM and other relevant DA agencies to validate the identified priority regional commodities in the RAFMP using VSA and other relevant technical studies</p> <p>b. RFOs to review existing VCAs and conduct needed VCAs for priority commodities traded within the region and, perhaps internationally</p> <p>c. PSOs to conduct needed VCA for priority commodities traded inter-regionally and, perhaps, internationally</p> <p>d. RFOs, PSOs and other relevant technical agencies to review RAFMP programs (including commodity programs) using VCA and relevant ISA results.</p> <p><i>Note: DTI, DOST-PCAARD, and other relevant non-DA technical agencies may also be invited.</i></p> <p>2. Stakeholder consultations– review of technically validated priority regional commodities and programs</p> <p>3. <u>Management validation: The RED to confirm/approve changes in priority regional commodities and programs, if any; if not, re-confirm current RAFMP</u></p>	<p>1. Technical validation of proposed priority commodity value chains</p> <p>a. PLGU with the RFO to validate proposed commodity value chains assigned to the province</p> <p>b. PLGU with the RFO to validate and agree on the proposed types of sub-projects to be included in the PCIP for each priority commodity</p> <p>2. PLGU, with RFO assistance if needed, to draft the PCIP (please refer to attachment) for the identified priority commodity value chains and their sub-projects.</p> <p>3. Stakeholder validation of proposed PCIP</p> <p>4. PLGU revision and finalization of PCIP</p> <p>5. Provincial Development Council endorsement of the PCIP to the RED</p> <p>6. RED approval of the PCIP</p>
<p>Enhancement of Planning and Budgeting guidelines and processes (including the use of IT)</p>	<p>Harmonization of Technical Support Provision</p> <p>1. Joint work planning,</p>	

<b>DA Central</b>	<b>DA RFO</b>	<b>PLGU</b>
<b>Enhancement of the AFMP</b>	<b>Enhancement of the RAFMP</b>	<b>Development and validation of the PCIPs</b>
	programming and budgeting by RFO and RMT based on validated RAFMP and PCIPs 2. <u>Drafting and signing of annual Program Agreement (PA) bet RFO and individual technical agencies, which would include funding support from PRDP</u> <i>Note: non-DA NG technical agencies may be included</i> 3. By mid-term, joint planning, programming and budgeting between the RFOs and technical agencies mainstreamed in regular DA processes	
Development of Successor AFMP starting mid-term	Development of the Successor RAMP starting mid-term	
Identification of Innovative Integrated Service Delivery Models to Pilot-test		
1. DA-PS to lead in inventory of local and global best practices and the identification of models to be piloted 2. NPCO to approve models proposed to be piloted in Enterprise		

**Table 4: Priority Commodities identified by Regions for support under RAFMPs**

<b>REGION</b>	<b>PRIORITY COMMODITIES</b>
CAR	Heirloom (traditional) Rice, coffee (Robusta & Arabica), temperate vegetables (crucifiers, snap beans, leeks, carrots, cabbage), white potato, root crops, banana, banana (saba), tilapia, sweet potato, rice (pigmented/aromatic), ube
I	Rice, corn, mango (carabao), vegetables, bangus, goat, peanut, onion, mungbean, garlic, tilapia, sweet potato, rice (pigmented/aromatic), dragon fruit
II	Rice, corn, coffee, banana (cardaba), vegetables, dairy, mango, swine, onion, seaweed, peanut, organic garlic, mungbean, pineapple, tilapia, banana (saba), corn starch, citrus – pummelo, poultry (meat and egg), beef – carabeef, sweet potato, bamboo, citrus – Satsuma, upland rice, goat, rice (pigmented/aromatic), cassava
III	Rice (aromatic, pigmented), corn, onion (shallot, yellow granex), mango, vegetables (pinakbet), coconut, mushroom (potential), livestock (chicken, duck, pork), ampalaya, tomatoes, bangus, dairy, goat (meat and milk), okra, sweet potato, fish (sardines), coffee, banana (saba), peanut, mungbean, garlic, tilapia, cassava, squash, tuna,
IV-A	Vegetables, dairy cattle, swine, corn, mango, dairy cattle – fresh milk, cacao, dairy carabao, dairy goat, coffee, knife fish, pineapple, banana, seaweeds,
IV-B	Rice, corn, coconut, banana, calamansi, cashew, native pigs (organic baboy), fish, seaweeds, onion, arrowroot, yam, chicken, mango, tuna
V	Rice, corn, abaca, coconut, gabi, chicken (native), goat (dairy), tilapia, crab, danggit, bagoong, squid, dilis, pili, pineapple, fisheries, sugarcane, malunggay, camote, organic

REGION	PRIORITY COMMODITIES
	chicken, mud crab, seaweeds, blue crab, scallops, cattle, mango, dairy carabao, laing, geonets, dairy, cassava
VI	Rice, corn, mango, sugarcane, hogs, dairy, chicken, eggs, muscovado sugar, abaca, coconut, carabao/cattle upgrading, oyster, mussel, milkfish, cut foliage, swine, native chicken, goat, high value upland vegetables, seaweeds, cashew, sweet potato, banana, tilapia, coffee, bisaya chicken
VII	Rice, corn, mango, banana, cassava, coconut, vegetables, cacao, fish, fruits, swine, seaweeds, VCO, dairy cattle & carabao, native chicken, upland vegetables
VIII	Banana, jackfruit, vegetables, coconut, goats, root crops (cassava, gabi), rice, virgin coconut oil, geonets, coco sugar, organic rice, mud crab, abaca fiber, VCO, banana (saba)
IX	Rice, corn, coconut, rubber, banana, assorted vegetables, mango, abaca, calamansi, goat, sheep, ducks, poultry, swine, seaweeds, sardines/exotic fishes, cassava, cacao, banana (cardava), oil palm, sugarcane, copra, geonets, duck egg, live fish, organic rice, freshwater fish, native chicken, processed fish (sardines, smoked & dried)
X	Rice, corn, coconut, banana, vegetables (ampalaya, eggplant, squash, carrot, cabbage, sweet pepper), mango, lanzones, cattle, carabao, goats, bangus, tilapia, seaweeds, cassava, cacao, oil palm, rubber, banana (cardava), abaca, sugarcane, copra, geonets, swine, beef cattle, live fish, organic rice, freshwater fish, native chicken, processed fish (sardines, smoked & dried)
XI	Rice, corn, cacao (dried fermented beans), coconut (coco twine), durian (frozen fresh in styro), mango (fresh), coffee, vegetables, abaca, banana (cardava, Cavendish, saba/cardava chips), oil palm, water melon, rubber, livestock (cattle, carabao, goat, swine), chicken (Native, broiler/layer), duck, bangus, tilapia, hito, prawn, pangasius, mud crab, seaweeds, marine fishing, cassava, sugarcane, copra, geonets, live fish, organic rice, freshwater fish, native chicken, processed fish (sardines, smoked & dried)
XII	Rice (organic), corn (white and yellow), rubber, coffee (Robusta), vegetables (squash, okra, ampalaya, eggplant, string beans, tomato, bulb onions), sugarcane, hogs, goat, poultry, carabeef, bangus, tilapia, mango, aquaculture, cassava, coconut, rubber, cacao, oil palm, banana (cardava), abaca, seaweeds, swine, beef cattle, live fish, organic rice, calamansi, soybean, freshwater fish, native chicken, processed fish (sardines, smoked & dried)
XIII	Rice, corn, coconut, abaca, rubber, coffee, vegetables, banana, livestock, poultry, fisheries, mango, cassava, cacao, oil palm, seaweeds, banana (cardava), sugarcane, copra, geonets, goat, swine, live fish, durian, organic rice, soybean, freshwater fish, native chicken, processed fish (sardines, smoked & dried)
ARMM	Rice, organic fertilizer, corn, cassava (organic), coffee, native chicken (halal), goat, seaweeds, oil palm, rubber, banana, cacao, banana (cardava), abaca, sugarcane, copra, geonets, duck egg, beef cattle, live fish, organic rice, freshwater fish, native chicken, processed fish (sardines, smoked & dried)

\*- commodities identified and submitted by the RFOs as January 8, 2014 (the highlighted items are addition to the AFMP list)

\*\* - commodities identified and submitted by the RPCOs as of June 19, 2014

**Table 5: Summary of Local and National Planning Target Outputs, Outcomes and Indicators**

Output	Outcome	Key Indicator	Contribution to the PDO
Enhanced AFMP and RAFMPs	Refined regional AFMPs using the value chain approach, VSA, PRA-RSA	Number of RFO plans, budgets and projects harmonized and integrated using enhanced guidelines	More effective public sector support to farmers, fishers and agribusiness through:
Enhanced Planning, Programming and Budgeting Guidelines			

<b>Output</b>	<b>Outcome</b>	<b>Key Indicator</b>	<b>Contribution to the PDO</b>
Enhanced Operations Manuals for planning, programming and budgeting	budgeting guidelines, with the RFOs at the core, effectively mainstreamed across DA Programs	Number of Provincial LGUs with approved PCIPs based on the RAFMPs	(a) Shift to more catalytic systems approach to sector development: from the production system to the entire value chain  (b) Shift to more performance-based systems : Greater complementarities between targeted production levels and realistic performance indicators  (c) DA-RFO empowerment: move from centralized planning and decision-making to a well-coordinated decentralized and devolved agricultural support system  (d) Rationalized budgeting across commodities and functions.
3-year Provincial Commodity Investment Plans (PCIPs)			
Program Agreements of the RFOs and PLGUs with DA and other NG Technical Service Agencies for support of PCIPs			
Service Contracts between PLGUs and service providers to support the PCIPs (Government Technical Agencies, academe, NGOs, private sector, etc.).			
Promising innovative modalities of Integrated Technical Support Delivery identified for pilot-testing			

## 11. **Component 2: Infrastructure Development (US\$ 361.71 million IBRD)**

### 12. Sub-component 2.1: Value Chain Infrastructure Support (US\$ 354.47 million IBRD).

This would address the underinvestment in rural infrastructure which numerous studies have shown to be a major impediment in the development of the agriculture sector (see Box 3). More specifically the focus would be on providing the infrastructure needed to support priority commodity value chains identified through processes described under Local and National Planning and Enterprise Development Components. The types of rural infrastructure that the project will finance include, traditional sub-projects like farm-to-market roads, bridges, tire tracks, communal irrigation systems, potable water systems, post-harvest facilities, production facilities, fish landings, fish sanctuaries, tramlines and slope stabilization works. Public-good infrastructures that support rural entrepreneurship efforts such as ice plants, cold storage, trading posts, storage facilities, green houses, etc., may be considered when justified in exceptional cases where market failure can be clearly demonstrated. Selection criteria would be: (a) relevance to the Department of Agriculture's goals of improved food security and increased incomes, (b) viability in terms of economic, social and environmental considerations, (c) felt needs of the proposed beneficiary communities, (d) inclusion in the Regional AFMP and PCIP; (e) the LGU and the beneficiaries must be willing and capable to contribute the required financial equity; (f) the LGU must have the capacity and capability to plan and implement the sub-project; (g) the LGU must show commitment, capacity and capability to do long-term maintenance work; and (h) the sub-project design and implementation must be gender-sensitive. Detailed design, sustainability, implementation and O&M criteria are provided in the Operations Manual (see

Project File). Cost sharing between the Department of Agriculture and the Provincial LGU would be on a 90:10 basis, with the LGUs assuming responsibility for the O& M of the investment. Works identified to support the Enterprise Development Component sub-projects would also be implemented following the procedures of the Infrastructure Development Component.

13. The engineering designs of the rural infrastructure sub-projects will incorporate innovative standards that are in line with the principles of climate change adaptation and mitigation. Designs will emphasize low-cost and easily implementable measures that will increase the resilience and reduce the vulnerability of rural infrastructures to extreme climate events. Geo-tagging, an innovation introduced under the MRDP-2, as well as geo-mapping, will be implemented in the planning and monitoring of sub-projects. The component would help formalize and mainstream the inclusion of climate risk analysis and reduction processes in the Department of Agriculture's agri-fisheries infrastructure development projects, including such international lessons as the effect of climate change in regard to clearances for bridges, taking account of higher flood levels, bigger and more frequent occurrence of floods requiring irrigation dams with higher hydraulic capacity and structural strength, and road designs that provide for rising water tables. For farm-to-market roads, revised and uniform standards have been adopted through the joint DA-DPWH Memorandum No. 1, dated July 18, 2013. These arrangements would be reviewed at mid-term with the view to making further refinements and strengthening the convergence between DA and DPWH in the provision of rural roads. Key outputs and links with the Project Development Objective are given in Table 6. They include: (a) improving the links from production areas to markets to enhance the efficiency of transporting agricultural products; (b) higher productivity as a result of increased cropping intensity and yields; and (c) lower post-harvest losses resulting in higher volume of outputs.

**Box 3: Status and Need for Rural Infrastructure**

- a) National road density is only 0.62 km. per square kilometer versus the ideal road density of 1.0
- b) Out of the total road length nationwide of 196,686 kms, 121,442 kms or 62% are classified as barangay roads
- c) In terms of road surface types, gravel roads consist of 102,768 kms. or 52% of the total.
- d) The total potential area for irrigation nationwide is 3,126,340 hectares while the actual irrigated area is still at 1,542,668 hectares or only 49% of the total.
- e) The total number of households nationwide is 16,272,950 of which close to 3 million households or 18% of the total are still without adequate access to potable water.

14. Sub-component 2.2: Approaches for Improving the Effectiveness and Sustainability of Infrastructure Investments (US\$7.23 million IBRD). Consultancy services, training, workshops, supplies and travel expenses would be provided for developing technical specifications for disaster risk reduction and management, as well as for climate risk mitigation and resiliency. Technical training and workshops to enhance the capabilities of DA-RFO and LGU engineers will also be conducted.

**Table 6: Target outputs, outcomes, key indicators and contributions to the PDO**

<b>Outputs</b>	<b>Outcomes</b>	<b>Key Indicators</b>	<b>Contributions to the PDO</b>
1,265 km of new roads: 1,080 km of existing roads rehabilitated; 775 linear meters of single and double lane bridges	At least 30% reduction in average travel time from farm to markets in sub-project areas	Travel time	Improved road networks linking production areas with markets
		Traffic count	
Area provided with irrigation and drainage services (ha)	30% increase in area provided with irrigation and drainage services (ha)	New and rehabilitated irrigation and drainage systems increasing the effective area available for cropping	Increased productivity of farms
	20% increase in producers satisfied with adequacy of access to post-harvest services and facilities	Improvements in post-harvest facilities and technical services providing information on post-harvest handling and technologies	

Supplemental outcomes of FMR sub-projects include: (a) reduction of post-production losses of perishable and sensitive agricultural products like fruits and vegetables, (b) expansion of production areas, (c) increase in the value of farm lands, and (d) increased production of livestock and meat products.

**Table 7. Infrastructure Development Component: Projected Phasing of Interventions (Costs in Million Pesos)**

<b>Project Area Clusters</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Total</b>
<b>Luzon A (PSO)</b> <b>(Regions CAR,1,2,3)</b>	Projected No. of PLGUs engaged		<b>3</b>	<b>12</b>	<b>22</b>			
	Sub-project Cost By Year	-	317.88	1,048.56	1,550.77			2,917.21
	Projected Disbursements By Year		<b>95.36</b>	<b>473.51</b>	<b>1,053.09</b>	<b>985.10</b>	<b>310.15</b>	<b>2,917.21</b>
<b>Luzon B (NPCO)</b> <b>(Regions 4A,4B,5)</b>	Projected No. of PLGUs engaged	<b>3</b>	<b>9</b>	<b>16</b>	<b>16</b>			
	Sub-project Cost	168.90	953.64	1,398.08	1,127.83			3,648.46
	Projected Disbursements By Year	<b>50.67</b>	<b>370.54</b>	<b>930.03</b>	<b>1,228.12</b>	<b>843.53</b>	<b>225.57</b>	<b>3,648.46</b>
<b>Visayas (PSO)</b> <b>(Regions 6,7,8)</b>	Projected No. of PLGUs engaged	<b>3</b>	<b>9</b>	<b>16</b>	<b>16</b>			
	Sub-project Cost	168.90	953.64	1,398.08	1,127.83			3,648.46
	Projected	<b>50.67</b>	<b>370.54</b>	<b>930.03</b>	<b>1,228.12</b>	<b>843.53</b>	<b>225.57</b>	<b>3,648.46</b>

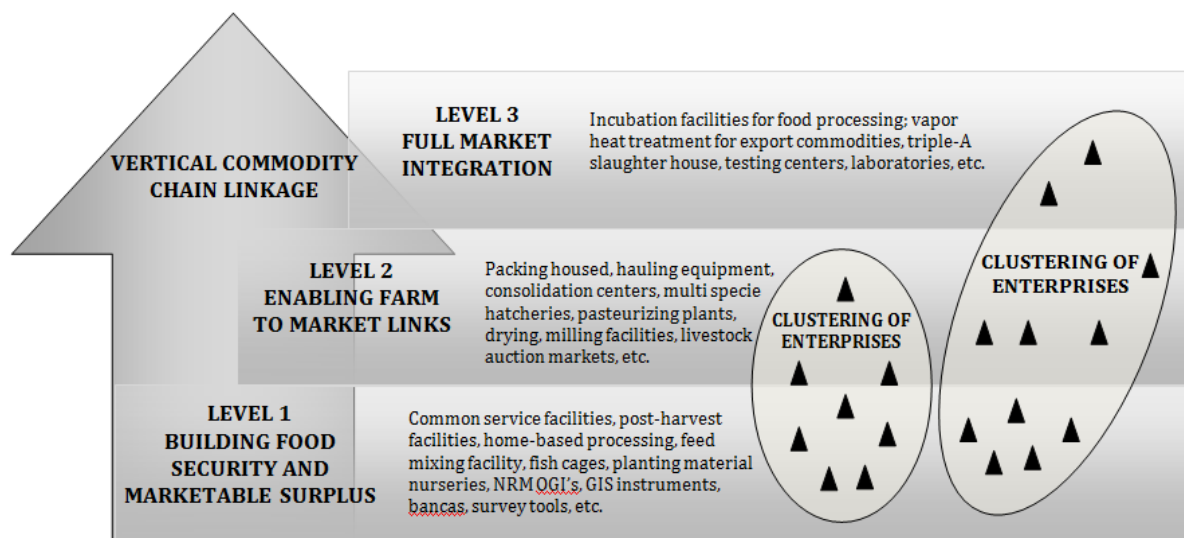
Project Area Clusters		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	Disbursements By Year							
<b>Mindanao (PSO) (Regions 9,10,11,12,13,A RMM)</b>	Projected No. of PLGUs engaged	26	27	27	27			
	Sub-project Cost	1,463.80	2,754.96	2,271.89	1,832.72			8,323.38
	Projected Disbursements By Year	439.14	1,558.39	2,351.81	2,236.75	1,370.74	366.54	8,323.38
<b>TOTAL</b>	<b>Projected No. of PLGUs engaged</b>	<b>32</b>	<b>48</b>	<b>71</b>	<b>81</b>			
	<b>Sub-project Cost</b>	1,801.61	4,980.12	6,116.62	5,639.15	-	-	18,537.50
	<b>Projected Disbursements By Year</b>	<b>540.48</b>	<b>2,394.84</b>	<b>4,685.37</b>	<b>5,746.08</b>	<b>4,042.90</b>	<b>1,127.83</b>	<b>18,537.50</b>
<b>Cost of Sub-project Investments (In Million PhP)</b>	<b>Total</b>	<b>1,801.61</b>	<b>4,980.12</b>	<b>6,116.62</b>	<b>5,639.15</b>			<b>18,537.50</b>
	<b>LP (80%)</b>	1,441.28	3,984.10	4,893.30	4,511.32	-	-	<b>14,830.00</b>
	<b>GOP (10%)</b>	180.16	498.01	611.66	563.92			<b>1,853.75</b>
	<b>LGU Counterpart (10%)</b>	180.16	498.01	611.66	563.92	-	-	<b>1,853.75</b>

15. **Component 3. Enterprise Development (US\$ 100 million IBRD and US\$ 5.60 million GEF grant).** This component would support the development, implementation and sustainability of agricultural, livestock or fishery-based entrepreneurial activities, based on the analysis of priority value chains<sup>26</sup> being supported under the Regional AFMPs, and as reflected in the Provincial Commodity Investment Plans (PCIPs). Proponent groups for priority enterprises would include (a) existing producer groups where members produce commodities which are included in the priority value chains and have potential to increase their marketable surplus; (b) smallholder (farmer and fisher) groups which have potential to produce marketable surplus and demonstrate willingness to voluntarily adopt clustering of growers and forge contracts or formal marketing agreements with the private intermediaries; (c) producer groups or cluster of growers should be either operational and/or show a willingness to undergo capacity building on enterprise development and management; and (d) small- and medium-scale processors, consolidators, exporters, etc., who would be willing to assist producer groups in vertical clustering or joint business planning, and forge contract or formal marketing agreements with such producer groups. Joint business planning and investments of the producer groups and agro-processors, would be supported if it would result in increased engagement of the producer groups in value-adding activities.

<sup>26</sup>The Value Chain Approach builds on international experience such as through projects supported by USAID, GTZ and CIDA in applying the VCA, e.g., in Rwanda, Thailand and the Philippines. By way of example, the value chain strategies for market repositioning of Rwanda coffee focused on: (a) increasing production to attract global demand; (b) improvement of green coffee bean quality through wet milling techniques, and (c) promotion of the coffee by promoting market linkages through trade-shows and sharing information on the local and global value chain with the private sector.

16. Under the PRDP, the targeting of interventions to raise incomes of poor farmers and fishers has been strengthened through an Expanded Vulnerability and Suitability Assessments (EVSA) which are GIS-based and take account of socio-economic conditions, agricultural and fishery productive capacity as well as agronomic and fishery vulnerability and suitability. This is then used to enhance the GIS-based targeting of interventions and to tailor strategies to enhance climate resiliency of production. The EVSA tool takes account of socio-economic indicators such as poverty magnitude, poverty incidence, number of farmers and fishers, size of production area, etc. Poverty maps have been prepared to help target interventions under the project. The strategies and targeting of income generating interventions through the EVSA is further refined through Value Chain Analysis (VCA); an analytical tool that focuses on identifying priority commodity value chains, gaps and needs for particular areas. Through the PRDP therefore, the DA will be able to engage more effectively with the poorest producers/smallholders within the areas which have been determined to be relevant for the development of commodity value chains in the agricultural and fisheries sector.<sup>27</sup> The types of intervention to be supported would need to be tailored to the level of development and capacity of the proponent groups. For planning purposes, three levels will be considered as summarized in Figure 2.2.

**Figure 2.2: Indicative vertical clustering to be done under Enterprise for proponent groups engaging in rural agri-fishery enterprises operating at different value-generating levels of the commodity value chain**



17. Sub-component 3.1: Rural agri-fishery enterprise and productivity enhancement (US\$ 90 million IBRD and US\$ 3.36 million GEF Grant). Support would be provided to help the proponent groups develop and sustainably operate agricultural, livestock and fishery-based entrepreneurial activities. The focus would be on those commodities and products supported through regional AFMPs and PCIPs, based on the value chain and localized comparative advantage analysis, following the process described under Component 1. The prioritization

<sup>27</sup> The VSA and EVSA tools have already been piloted and refined as part of the PRDP preparation. Pilot sites were in Mindoro Occidental (calamansi), Albay (coconut geonets) and Negros Occidental (muscovado sugar).

process and selection of enterprises would be done through focus group discussion or consultation with concerned stakeholders using the following criteria: (a) importance of the enterprise in the local economy in terms of number of producers in the province, percentage of municipalities in the province producing the raw materials of the enterprise, and number of jobs to be generated by the enterprise; (b) market potential of priority products in terms of value-addition (number of product segments), strong domestic and/or international markets, and identified industrial or commercial buyers with potential for supply/marketing contract; (c) resource base in terms of percentage share of commodity/raw materials to the total agricultural area/total livestock population of the province, and percentage share of the commodity/raw materials to the total agricultural volume of production /total fish catch/total livestock slaughtered of the province; (d) environmental impact (positive, neutral or negative); and (e) women's participation in terms of percentage of women involved in the enterprise including the forward and backward linkages along the value chain.

18. More specifically, the Enterprise Development Component would support vertical clustering, joint business planning and investments by proponent groups engaging in rural agri-fishery enterprises. Proponent groups could include farmer/fisher folk associations or cooperatives, NGOs engaged in the enterprise and small and medium processing firms, consolidators, exporters, etc. who would facilitate the value-addition in the priority rural and agri-fishery enterprises. Interested proponent groups would be prioritized by the RPCO and PPMIU using these criteria: (a) readiness to work in vertical cluster or joint business planning; (b) open to investments by enterprises operating within priority commodity value chains identified in the PCIP; (c) engage significant number of producers and fishers; and (d) performance based on previous or existing contracts with government. Funding for enterprise development would be cost-shared by the DA and PLGUs on an 80:20 basis. Investments to be supported would be based on proposals consisting of one or several enterprises with approved business plans built around provincial commodity value chains identified in the PCIP. Funds could be used to finance capital investments, facilities, inputs and technical assistance. Support for clusters of proponent groups from the EPF would largely range from PhP 1million to PhP 15 million, with clusters contributing at least 20% (in cash or in kind) to the planned incremental investment. Clusters of proponent groups would be responsible for procurement and O&M of the approved investments. To facilitate procurement and proper management of the EPF, a lead proponent in a vertical cluster would be selected according to the following criteria: (a) open to broad equity participation in the enterprise; (b) acceptability to all cluster members; (c) broad network within the commodity sector; (d) access to resources; and (e) proven track record in managing an organization. GEF support will be catalytic in terms of ensuring that biodiversity conservation and coastal resources co-management arrangements are included in the determination of interventions needed to support commodity value chains. The types of activities supported at each GEF target site will be adaptable based on regional and local needs. Specific activities will be selected at the site level based on the information generated by the VCA, PRA-RSA, and GEF Tracking Tools.

19. The process of selecting and funding cluster of proponents is described in the Operations Manual. A first step, taking off from the PCIP, would be the “call for proposals” and/or identification of existing producer groups and private intermediaries, typology of potential enterprises, clusters and opportunities for group formation. EPF funds would only be provided to the proponent group with a legal basis, with assistance to other groups within the cluster provided through MOUs between such groups and the legal entity/association. Specific proponent groups and PLGU requirements, implementation procedures and process and financial and sustainability criteria are detailed in the Operations Manual for this component. The criteria, *inter alia* take account of; the number of producers/members of the cluster of proponent groups, existing and projected levels of production, financial analysis, existing market agreements, opportunities for new or expanded agreements, opportunities for undertaking value added/processing, organization/managerial experience, and opportunities for increasing the level of support for women. Financing would be based on business plans (see Box 4) graduated according to the requirements of the cluster of proponents and capacity of enterprises in the value chain. For example, in the coffee enterprise, there would be three proponent groups as members of the cluster: (1) a propagators group of quality planting materials; (2) the coffee producers association; and (3) producer groups engaged in processing or small private processor of coffee products which would require PRDP support in terms of technical support and marketing assistance. It is anticipated that approximately 1,500 proponent groups consisting mostly of producer groups including small producers and fishers associations engaging in enterprises would be assisted over the six-year duration of the project. For the Yolanda typhoon-affected areas where small-scale farmers and fishers have lost productive assets (boats, coconut trees etc.), the types of enterprises to be supported would

**Box 4: Business Plan Outline for Enterprise Support**

- Executive Summary- description of the business enterprise (mission statement/goals, business, management and organizational structure); description and use of the product; marketing strategy; and financial projections and analysis.
- Description of the business enterprise- opportunity for the enterprise (how to make money, product and its value); business overview (summary of the current state of the enterprise, type of business enterprise, composition of the cluster of enterprises, expansion or start-up, and history of the business and its primary strengths); and product and services (general description).
- Market Analysis- market characteristics (brief industry profile, industry outlook, new product development, market trends and competition); and target customer profile.
- Competitor assessment- based on market share; relationship with customers; price, distribution and product/service features; financial strength/cost position; and length of time in business.
- Marketing plan- product (product uses, controls/ services, development and technological trends); pricing strategies (based on perceived value of the product/service, the cost of doing business, marketing goals, and expected competitive actions); place (distribution and geographical area); and promotion.
- Operational plan- ownership and management (including organizational structure); resources and production (production method- the process, inputs and staffing); facilities and equipment (sources and estimated costs); and operations (schedules and procedures); and compliance to local and national regulations.
- Financial plan- sources and application of funds; capital equipment; recording system; break-even analysis; financial forecasts for 6 years (projected balance sheet, projected income statement, and cash flow projections; monthly cash flow projection for Year 1 of implementation; and financial analysis (net present value, financial internal rate of return, payback period, and sensitivity analysis).
- Annexes- supporting documents

be specifically targeted to meet those gaps; e.g., coconut nursery development linked with replanting by groups of small-scale farmers or boat building linked to fisheries and/or seaweed production.

20. Sub-component 3.2: Technology and Information for Enterprise and Market Development (US\$ 10 million and US\$ 2.24 million GEF Grant). This would complement the enterprise support under Component 3.1 (including support for GEF-funded activities - see Annex 3), through improved technical service delivery focused particularly on: (a) showcasing experiences gained from previous projects in the Philippines and other countries supporting market development and integration; (b) trade facilitation through conduct of market matching, trial shipment of priority products from production areas to identified markets, and assistance in preparing market contracts between producers, agro-processors, market agents, exporters, etc.; (c) market promotion of quality products through trade fairs, caravans, cross visits and study tours; (d) assistance in aggregation of supply and improved handling/packaging and proper labeling of priority products; (e) faster processing of registration and business permits; (f) partnership and network building with Producer and Processing Federations; (g) Climate Field Schools providing weather-related production information to small scale producers; (h) capacity building in Good Aquaculture Practices, GMP, product standards, business planning, enterprise management and operation including book keeping, internal control and cost analysis; and (i) climate-smart agricultural and fisheries practices and technologies, such as crop diversification, Integrated Pest Management, construction of rain shelters for crops, and drip irrigation.

21. New technologies and approaches would also be introduced, in collaboration with agencies such as the Department of Science and Technology (DOST), the International Rice Research Institute (IRRI), and State Universities and Colleges (SUCs), e.g., promotion of precision agriculture designed to link climate and weather data so that farmers and fishers can be better informed in making timely production and marketing decisions. This may be contracted by the Province with private service providers, e.g., agro-processors, nursery/seed/fingerling suppliers, technical and training outreach of State Universities, Agricultural Colleges or private organizations. It may also be provided as appropriate, through Program Agreements between the RPCO and specialized Department of Agriculture agencies. The approach would shift from being top-down to be more demand-driven, drawing upon the institution or entity best equipped to provide the quality of service needed for a particular area. Coordination and extension approach would be localized under the oversight of the DA-Regional Director for Operations. Training and technology modules are also available through the Agricultural Training Institute of the Department of Agriculture. However, past practice has been for DA agencies and units responsible for major commodities to provide the bulk of extension services in accordance with centrally determined priorities, rather than on area-based needs. Often there has been little coordination between extension services resulting in competing messages to farmers. The approach to be followed under PRDP would therefore be another significant reform. The Project will facilitate linkages with private sector providers of production and marketing contracts, credit and crop insurance such as those being supported by the International Finance Corporation. A complementary grant project with a microfinance entity catering to the sector will be explored under appropriate grant facility windows to promote better access to credit financing and crop insurance for PRDP enterprise development groups. Key outputs and links with the Project Development Objective are given in Table 8.

**Table 8: Target outputs, outcomes, key indicators and contributions to the PDO**

<b>Outputs</b>	<b>Outcomes</b>	<b>Key Indicators</b>	<b>Contributions to the PDO</b>
Increased Producers Groups participating in vertically linked commodity value chain clusters	-50% increase in number of groups operating viable enterprises (simple agriculture and fishery-based enterprise planning activity and record keeping of production, sales and expenses)-	-Contractual or formalized marketing agreements for agricultural and fishery products are forged	Viable Smallholder enterprises following good business practices
Support service agreements developed between enterprises and service providers	-At least 20 % increase in number of producer groups including smallholder (farmer and fisher) associations accessed technologies and information	-Producer groups including smallholder (farmer and fisher) associations have accessed technologies and information	
Producer productivity enhanced through arrangements for marketing and /or technical services	50% increase in producers having formalized arrangements for marketing and/or technical services	Contractual and formalized arrangements for marketing of produce and /or provision of technical services	
Producers including smallholders adoption of climate – smart technologies	At least 25% of producers including smallholders (farmers and fishers) are using climate- smart technologies	Producers including smallholders (farmers and fishers) have awareness, access and use of climate-smart technologies	Increased producers including smallholders (farmers and fishers) resilience to climate change and adverse weather conditions

21. **Component 4: Project Implementation Support (US\$ 24 million IBRD).** This component would seek to institutionalize the significant reforms supported under the project as well as reinforce the governance reforms being implemented as part of DA’s Rationalization Plan in terms of merit based hiring of staff, results based planning and budgeting, and targeted strengthening of procurement, financial management and M& E. Support would be by way of technical assistance, studies, workshops, travel, training, goods and incremental operating costs. Activities would focus on mainstreaming and institutionalizing new ways of doing business within the Department including the bureaus and attached agencies. It would provide models for the Department’s engagement with LGUs, technical service providers, producer groups, private sector, civil society, the academic institutions and other local development stakeholders.

22. Project management and support would be provided for each of the project components, including stakeholder engagement across the 16 regions of the country, as well as overall project monitoring and evaluation. The management support will follow and build on the efficiently functioning system of the MRDP2 project, which involves a Project Support Office (PSO) for Mindanao that manages the overall project through a network of Regional Program Coordination Offices (RPCOs). Under PRDP, expansion to include the rest of the country (Central & Northern

Philippines) has entailed the establishment and mobilization of a National Program Coordination Office (NPCO), additional Project Support Offices (PSOs) for Visayas and Luzon, and designation of staff to Regional Program Coordination Offices (RPCOs) for the Luzon and Visayas. Training and staffing of these units has been undertaken as part of project preparation, along with finalization of guidelines covering: (a) PRDP Management; (b) Procurement; (c) FM (d) O &M; and (e) detailed Operations Manuals for each of the Project Components. For the most part, the DA is adequately staffed in all Regions to implement the Project although further training and reorientation for staff not previously involved with MRDP2 will be needed. Particular assistance will be needed for those LGUs impacted by typhoon Yolanda. Assessments of capacity in the typhoon-affected areas were undertaken as part of project preparation and stop-gap support would be provided through contracting of technical service providers from within and outside the region where deficiencies were noted, primarily as a result of staff resources being stretched in responding to the many demands in the recovery process. Technical assistance, training, workshops, equipment and incremental operating costs would be supported. Functions and implementation arrangements are detailed in Annex 4. The key intermediate result would be the efficient implementation of the PRDP, including service standards, and efficient reporting of loan and GEF grant utilization. Key outputs and links with Project Development Objective are given in Table 9.

**Table 9: Key outputs and links with the Project Development Objective**

<b>Outputs</b>	<b>Outcomes</b>	<b>Key Indicators</b>	<b>Contributions to the PDO</b>
Regular reporting of implementation progress FM, M&E, procurement	Project implementation on target	Loan utilization/disbursement	Efficient Project implementation, reporting and loan utilization.
		Physical target	
Pilot-tested Harmonized Operations Manual	Institutionalized Process of Engagement with various stakeholders	Acceptance and utilization by DA National Agencies, Commodity Programs, RFOs across DA.	Harmonized Operations Manual Mainstreamed

### **Annex 3: GEF Support**

#### **Philippines: Philippine Rural Development Project**

1. **GEF Objective.** The Global Environment Objective (GEO) would be to strengthen the conservation of the coastal and marine resource base in targeted project areas through biodiversity conservation and fisheries resources management. This would be achieved through (a) enhancing institutional and planning capacities of LGUs and communities; (b) providing support to MPAs in particular areas of global biodiversity significance and select fishery co-management arrangements<sup>28</sup>; and (c) sharing of knowledge and best practices. There is a strong rationale and need for GEF co-financing of PRDP.
  
2. The PRDP will be assisting the Philippines with the AFMP reform process by financing the implementation of Regional AFMPs, and Agricultural Modernization Plans (RAMPs), done through the collaboration of DA, LGUs, other government agencies, and private stakeholders, including agri-businesses which is an excellent vehicle to mainstream global environment priorities in the fast growing development processes of coastal areas in the Philippines. It is crucial that global environmental priorities be adequately represented in these planning processes, which GEF financing would provide in the six high biodiversity target area. GEF additional financing will be used in PRDP areas to enhance capacities for MPA management and complementary fisheries co-management arrangements, where capacity is currently insufficient.
  
3. The experience of the MRDP1's Coastal Marine and Conservation Component (CMBC1<sup>29</sup>) and the Second Mindanao Rural Development Program (MRDP2) provided valuable lessons and insights that were incorporated into the design of GEF activities under PRDP. One of the major lessons from these projects was the need to ensure capacity building through learning-by-doing; and to foster greater integration of sustainable natural resources management and conservation activities with the broader program to optimize inputs and ensure deeper and sustainable outcomes. Lessons were also adopted from other Bank-supported projects in the Philippines in rural development such as: (a) natural resources management should be understood in the context of overall local development if local governments and communities are to buy-in into it; (b) government agencies are more effective if the delivery of services are more oriented towards facilitating local implementation rather than restricting innovations through enforcement of regulations; (c) conservation and land use management require strong partnerships between LGUs, POs and government technical agencies; and (d) social preparation, organization development and capacity building, especially in fiduciary matters are critical for setting the right socio-institutional foundation for locally-driven and sustainable implementation of natural resources management activities.

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<sup>28</sup> In a stocktaking study done by USAID on community-based natural resources management (CBNRM Stocktaking Report, February 2012), it has been determined that the development of MPAs has been primarily initiated at the local level rather than as a national strategy. Small MPAs may not be able to fully provide protection and conservation at a regional level thus requiring scaling up. Similar to the objectives of the Strengthening the MPAs System to Conserve Marine Key Biodiversity Areas Project (Project ID4810), PRDP will promote and encourage the establishment of MPA networks in the targeted areas. Dialogue and collaboration between the two projects will be facilitated through established MPA networks such as PhilReefs and MPA Support Network (MSN).

<sup>29</sup> CMBC-1 Implementation Completion Report

## GEF Target Areas

4. GEF support would be focused in the following priority areas:

- a) Tayabas Bay in Quezon Province (Region 4A);
- b) Green Island Bay, Palawan Province (Region 4B);
- c) Ticao Pass, Sorsogon-Masbate Province (Region 5);
- d) Southeast Iloilo, Guimaras, Iloilo Province (Region 6);
- e) Danajon Bank, Bohol Province (Region 7); and
- f) Guian Coast, Eastern Samar Province (Region 8).

5. All of these project sites have been listed as priority conservation areas in the National Biodiversity Strategy and Action Plan (NBSAP) and further listed as key marine biodiversity areas by IUCN, CI, and DENR. The Department of Agriculture's Bureau of Fisheries and Aquatic Resources (DA-BFAR) also recognizes these sites as major coastal and fishery resource areas. These areas possess globally threatened species that are categorized under the IUCN Red List as critically endangered (CR), endangered (EN) or vulnerable (VU) (Table 10). These six priority sites contain 110 Marine Protected Areas (MPAs) that have been established through local government ordinances following the procedures under the Fisheries Code (RA 8550), a form of co-management arrangement between the local governments and the communities. The total area covered by the MPAs in the targeted sites is about 14,000 hectares.

6. Threats to these six sites range from farming, mining and fishing practices that result in soil erosion and siltation of coastal zones, illegal fishing, over-fishing and over-exploitation of resources. Climate change is expected to contribute to these threats and negative impacts, as coastal and upland communities have limited coping and adaptation capacities. Of the 110 MPAs present in the targeted areas, an initial priority list of 51 MPAs was identified based on their relevance to biodiversity conservation and local community support. A set of criteria has been further developed with the Department of Agriculture to narrow down the 51 identified MPA sites that will directly benefit from the GEF grant. As a result, a total of 34 MPAs from the earlier short list of 51 MPAs in the six GEF sites have been prioritized.<sup>30</sup> The average METT score for all the priority MPAs is 53.5%. All the MPAs have been established through local government ordinances but their management plans vary greatly in terms of technical quality. Overall, human capacity is still weak which results in insufficient planning, management, enforcement and financial sustainability despite some LGU financing from local development funds (about US\$ 4,700 to US\$ 23,500 per MPA establishment, depending on the size; and on average, about US\$ 11,000 per year for maintenance).

7. There are no overlapping project sites between the World Bank PRDP-GEF and the Strengthening the Marine Protected Area System to Conserve Marine Key Biodiversity Areas under UNDP-GEF. The former has six project sites located in Southern Palawan (West Sulu Sea) while the PRDP site is in Northeastern Palawan. The GEF UNDP Project also has sites in the Verde Island Passage, Lanuza Bay (northeastern Mindanao), Davao Gulf, El Nido, Palawan and

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<sup>30</sup> Please see Project Files – Integrative Report on GEF Tracking Tools - for details.

Tubbataha Reef National Marine Park in Cagayancillo, Palawan. Rather than overlap one another, these projects will complement each other by providing a greater area of improved coastal and marine ecological management and differentiation of tasks at the central level. Efforts will be actively pursued to not overlap activities at the central level as well as to generate a comprehensive and integrated body of knowledge and capacity across the network of MPAs.

### **GEF-Supported Activities**

8. GEF-financed activities will be concentrated in close proximity to PRDP areas where there are viable commodity value chains in order to better integrate socio-economic activities with sustainable ecosystem management. In addition to their relevance and contribution to the priority commodities and their value chains, GEF financing will be based on their contribution to improving water resource, biodiversity and fisheries management, and where local demand for improved management effectiveness is high. Therefore, GEF-financed activities will focus on PRDP activities where there is a need for more attention to building capacities for conservation and where opportunities exist for enhancing integrated coastal management interventions and catalyzing and institutionalizing their broader application and sustainable adoption in each of the six priority areas.

9. GEF supported activities would be integrated into the components of Local and National Level Planning and the Enterprise Development. The specific GEF activities and their expected outcomes under the two components are given below:

#### ***Component 1: Local and National Level Planning*** (GEF Grant: US\$ 1.40 million from BD)

10. GEF-financed activities would focus on incorporating measures to conserve and sustainably use biodiversity in policy and regulatory frameworks at the provincial and local levels. In addition, improved MPA management plans and fishery co-management plans would also be financed under this component. As well, in select cases, these activities will finance the planning of new MPAs and priority actions under the subsequent management plans.

11. Key activities supported would be the utilization of a range of technical assessments, such as the Participatory Rural Appraisal-Resource and Social Assessment tool (PRA-RSA), which was successfully utilized in all the GEF sites under the Mindanao Rural Development Program Phase 2 (MRDP2). Under this GEF support, there would be innovations on the PRA-RSA so that it would be mainstreamed, along with other tools (i.e., Institutional and Stakeholders Assessment (ISA), the Expanded Vulnerability and Suitability Assessment (EVSA) both for terrestrial (BSWM) and coastal ecosystems (BFAR), Training Needs Assessment (TNA), GEF Tracking tools such as Management Effectiveness Tracking Tool (METT) and the locally developed MPA Management Effectiveness Assessment Tool (MEAT), Marine Spatial Planning (MSP) and the Value Chain Analysis (VCA). Through these capacity building interventions, biodiversity concerns and innovative coastal resource co-management arrangements would be incorporated into the Regional Agricultural and Fisheries Modernization Plans (RAFMPs), and articulated in Provincial Commodity Investment Plans (PCIPs). It is expected that all the PCIPs in the targeted sites will have biodiversity conservation and coastal resources co-management features.

***Component 3: Enterprise Development (GEF Grant: US\$ 3.60 million from BD; US\$ 2.0 million from IW).***

12. GEF activities will be supported through the Enterprise Development sub-projects. The types of support will be catalytic in terms of ensuring that biodiversity conservation and coastal resources co-management arrangements are included in the determination of interventions needed to support commodity value chains. The types of support will include: (a) improving the technical and operational capacities of stakeholders; (b) building a strategic awareness campaign on conservation; (c) facilitating stakeholders to pursue co-management arrangements; (d) protecting key biodiversity areas and relevant coastal ecosystems through community monitoring and enforcement activities; (e) developing and strengthening local policy frameworks for improving local conservation of vital resources; and (f) generating knowledge and promoting experience sharing among stakeholders. Through these GEF-supported activities, measures will be taken to protect or restore the components of biodiversity that contribute to ecosystem function and development. The types of activities supported at each GEF target site will be adaptable based on regional and local needs. Specific activities will be selected at the site level based on the information generated by the EVSA, VCA, PRA-RSA, and GEF Tracking Tools.

***Subcomponent 3.1: Rural Agri-fishery Enterprise, Productivity and Sustainability Enhancement***

13. The types of support available to each site will include the following:

14. Enhancement of Technical and Operational Capacities of Stakeholders - Training for smallholder farmer and fisher groups on natural resources management and conservation strategies such as Expanded Vulnerability and Suitability Assessment (EVSA), Participatory Resource Assessment (PRA) on mangrove, sea-grass and coral reef ecosystem that are critical habitats to endangered marine organisms. Organizational development and technical capacity building interventions, such as resources monitoring and para-legal awareness and enforcement, among others, will also be provided to enable stakeholders (e.g., fisher folk organizations, local government units, academe, etc.) to sustain the positive impacts and gains;

15. Strategic Awareness Campaigns - These campaigns will focus on social marketing of biodiversity conservation, fisheries management and coastal resource management issues and ensure that the community become integral to the overall sustainability of the conservation efforts and outcomes;

16. Facilitating Stakeholders to Pursue Co-management Arrangements - Support for facilitating and building partnerships between community/producer groups, market stakeholders, and local governments. Consultations and organizational development capacity building activities will lead to sustainable co-management arrangements over key coastal resources. These co-management arrangements will increase the likelihood for sustainability and ensure integrative attention on conservation and proper resources management and utilization;

17. Investments for Conservation Activities - Examples of potential activities include coastal and marine habitat restoration; providing enhanced coastal law enforcement capacity; equipment and financing required for enhance MPA management;

18. Coastal and Marine Ecosystem Management Implementation - Assisting with the implementation of strengthened and innovative local policy frameworks for improving local conservation of vital resources in conjunction with the commodity value chains.

*Sub-component 3.2: Technology and Information for Enterprise and Market Development*

19. This GEF support will provide knowledge and experience sharing of good practices among stakeholders. This project will contribute to the IW: LEARN knowledge sharing platform through the establishment of a project website following IW: LEARN guidelines, participation in the GEF IW biennial conferences, and sharing of experiences with at least two Experience Notes and participation of project staff in IW Learning Events. Specific information on technologies will include agro-forestry; nursery establishment; marine habitat restoration techniques for mangrove, sea grass, and coral reefs; and promotion of Sloping Agricultural Land Technology. Moreover, Good Aquaculture Practices will be applied such as enhancement of seed quality and improvement of stocking practices, and habitat management and bio-security.

**Implementation of GEF Activities**

20. Similar to the institutional arrangements successfully done under MRDP, the conduct of these activities will be supported by a regional technical working group (RTWG) operating under the RPCOs. The RTWG will be composed of representatives of the regional offices of national technical agencies such as the DENR, DA-BFAR, and BSWM, among others. The RTWG will mainly provide the technical and policy guidance for ensuring that the activities are consistent with national and local priorities, as well as ensure consistency with PRDP's development objectives.

**Collaboration**

21. Collaborative arrangements will be developed under PRDP with:

a. The Global Partnership for Oceans (GPO): The GPO aims at improving the delivery of ecosystem services (most especially those related to sustainable poverty reduction) to coastal communities through the establishment of clear user rights and ecologically sound regulatory frameworks for fishers and fish farmers. The GPO will be invited to inform and collaborate with the PRDP as relevant to ensure that the best available knowledge and practice are brought into the activity planning and implementation processes.

b. Capturing Coral Reef and Related Ecosystem Services: a regional GEF Project with demonstration sites in the Philippines designed to pilot innovative eco-business models based on capturing rents from ecosystem services as alternatives to unsustainable resources use in coastal communities. Demonstration sites will be selected to optimize synergy with the PRDP and Philippine WAVES, and will be based on a suite of criteria including ecological, social, governance, and data availability.

c. Partnership for Environmental Management in Seas of East Asia (PEMSEA-MSP): a regional knowledge management project supported by the GEF on “Applying Knowledge Management to Scale up Partnership Investments for Sustainable Development of Large Marine Ecosystems of East Asia and their Coasts”. The PEMSEA MSP will capture the knowledge and experience of PRDP on coastal resource and pollution management and the knowledge sharing portal of PEMSEA MSP will connect to the WB Knowledge Portal to be established under the Global Partnership for the Oceans. This will provide global data on a series of ocean health indicators including length of coastline/country under ICM. The regional platform will link with other regional and global platforms, including GEF’s IW Learn network, in order to transfer information, facilitate knowledge sharing and mobilize action to a wider audience.

### **Alignment with GEF Strategic Focal Areas**

22. Overall, the project is aligned with the goals of the GEF Biodiversity Strategy Goals by improving the sustainability of the MPA system (BD-1) and by mainstreaming biodiversity conservation and sustainable use into production landscapes/seascapes and sectors (BD-2). As well, the project is consistent with GEF International Waters Objectives by catalyzing multi-state cooperation to rebuild marine fisheries and reduce pollution of coasts and large marine ecosystems while considering climatic variability and change (IW-2).

23. The consistency with BD-1 is reflected by the project's focus on improving the sustainability of the marine protected area system by increasing the management effectiveness of MPAs in the PRDP investment areas. As well, based on the needs of each individual MPA, the project will finance a wide variety of activities, such as habitat restoration, improved MPA management plans, technology and infrastructure related to conservation and enforcement.

24. Similarly, there is a consistent alignment with BD-2 as indicated by the implementation of strengthened local policy frameworks for improving local conservation of vital resources in conjunction with the commodity value chains. Through this intervention, biodiversity concerns and innovative coastal resource co-management arrangements will be incorporated into the Regional Agricultural and Fisheries Modernization Plans (RAFMPs), and articulated in Provincial Commodity Investment Plans (PCIPs).

25. Finally, the consistency with IW-2 is reflected by the project activities aimed at strengthening fisheries co-management arrangements within the target areas. Financed activities for improving near-shore fisheries include: supporting capacity building, strengthening enforcement and regulations; supporting local co-management arrangements; and developing infrastructure relevant to fisheries management.

**Table 10: GEF MPA Sites Selected for the Project**<sup>31</sup>

Target Sites	Municipalities	Trigger Species	Bio-Geographic Zone/ LME	MPAs (overall METT score)	GEF Supported Activities
Tayabas Bay, Quezon R.4-A	Sariaya, Lucena, Pitogo, Unisan, Agdangan, Gen. Luna, Macalelon, Mulanay, San Francisco, Catanauan, Pagbilao,	Hawksbill Turtle <i>Eretmochely imbricata</i> (CR); Green Sea Turtle <i>Cheloniemydas</i> (EN); Olive-ridley's Turtle <i>Lepidochelys olivacea</i> (EN); <i>Cantherellus noumea</i> (EN); <i>Catalaphyllia jardinae</i> (VU); <i>Goniopora burgosi</i> (VU)(EN)	Tayabas Bay	<ul style="list-style-type: none"> <li>• Bahurang Silag Marine Sanctuary (37%)</li> <li>• San Roque Reef Fish Sanctuary (75%)</li> </ul>	<p>Component 1.1</p> <ul style="list-style-type: none"> <li>• PRA-SRA, VSA, VCA, METT, MEAT, MSP and TNA as preliminary activities to critically assess the priority sites and subsequently be used in regional planning processes.</li> </ul>
Ticao Pass, Masbate and Sorsogon, R.5	Pio Duran, Ligao; Magallanes, Bulan, Castilla, Donsol, Pilar (Sorsogon); Monreal, San Jacinto (Masbate).	Whale shark <i>Rhincodontypus</i> (VU); Hammerhead Sharks (VU); Extensive mangrove, sea grass and coral reef ecosystem	Burias and Ticao Pass and San Bernardino Strait	<ul style="list-style-type: none"> <li>• Butag Bay Fish Sanctuary and Marine Reserve (49%)</li> <li>• Pilar Marine Fishery Reserve and Sanctuary (43%)</li> <li>• Magallanes Fish and Marine Sanctuary (20%)</li> <li>• Matnog Marine Reserve (27%)</li> <li>• San Fernando Fish Sanctuary and Marine Reserve (18%)</li> </ul>	<p>Component 3.1.</p> <ul style="list-style-type: none"> <li>• Enhancement of technical and operational capacities of stakeholders including conduct of Participatory Resource Assessment (PRA), on mangrove, sea-grass and coral reef ecosystem that are critical habitats to endangered marine organisms;</li> </ul>
Southeast Iloilo, Guimaras and Iloilo, R.6	Buenavista, San Lorenzo, Sibunag, Jordan, Nueva Valencia (Guimaras Is.); Dumangas, Leganes, Iloilo, Oton (Iloilo)	Hawksbill Turtle <i>Eretmochelys imbricata</i> (CR); Green Sea Turtle <i>Chelonia mydas</i> (EN); Whitefin Tope Shark <i>Hemitriakis leucoperiptera</i> (EN); <i>Camptostemon philippinense</i> (EN); White-spotted Guitarfish	Sulu Sea in the South and Visayan Sea in the North	<ul style="list-style-type: none"> <li>• Pamanculan Fish Sanctuary (53%)</li> <li>• Lawi Marine Reserve and Fish Sanctuary (54%)</li> <li>• Toyo Reef Fish Sanctuary (54%)</li> <li>• Tumulintinan Point Fish Sanctuary (60%)</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic awareness campaigns activities focused on biodiversity conservation, fisheries</li> </ul>

<sup>31</sup> The total area covered by the MPAs in the targeted sites is about 10,000 hectares. All the MPAs were established through local government ordinances following the procedures under the Fisheries Code (RA 8550). All MPAs are classified as IUCN Category-6 MPAs (Locally Managed MPA). It should be noted that based on the stocktaking study on CBNRM in the Philippines, there are currently 1,169 MPAs that have been established nationwide, 852 of which are with known area coverage (35% have less than 10 hectares and 48% are 11 to 100 hectares) (USAID, February 2012).

Target Sites	Municipalities	Trigger Species	Bio-Geographic Zone/ LME	MPAs (overall METT score)	GEF Supported Activities
		<i>Rhynchobatus australiae</i> (VU); Dugong <i>Dugong dugon</i> (VU); <i>Avicennia rumphiana</i> (VU);			management and coastal resource management issues;
Green Island, Palawan Region 4-B	Roxas (Green Island Bay),	Hawksbill Turtle <i>Eretmochelys imbricata</i> (CR); Giant Clam <i>Tridacna gigas</i> (EN); Green Sea Turtle <i>Chelonia mydas</i> (EN); Loggerhead Turtle <i>Caretta caretta</i> (EN); Humphead Wrasse <i>Cheilinus undulatus</i> (EN); White-spotted Guitarfish <i>Rhynchobatus australiae</i> (VU); Leopard Shark <i>Stegostoma fasciatum</i> (VU); Dugong <i>Dugong dugon</i> (VU);	Sulu Sea	<ul style="list-style-type: none"> <li>• Caramay MPA (44%)</li> <li>• Johnson Island MPA (45%)</li> <li>• Malcampo MPA (56%)</li> <li>• Rizal MPA (57%)</li> <li>• San Miguel MPA (29%)</li> <li>• Tinitian MPA (38%)</li> <li>• Tumarbong MPA (79%)</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitating Co-management arrangements and building partnerships, including organizational development</li> <li>• Provision of conservation implementation investments such as coastal and marine habitat restoration and enforcement for enhancing MPA management;</li> </ul>
Danajon Bank, Cebu, R.7,	Ubay, Pres. C. Garcia, Jetafe, Inabanga, Buenavista, Talibon, Clarin, Tubigon, Calape, Loon, Bien Unido, Trinidad, Banacon Island	Humphead Wrasse <i>Cheilinus undulatus</i> (EN); Barbour's Seahorse <i>Hippocampus barbouri</i> (VU); Humpback Grouper <i>Cromileptes altivelis</i> (VU); Spotted Seahorse <i>Hippocampus kuda</i> (VU); <i>Hippocampus comes</i> (VU); <i>H. spinosissimus</i> (VU); <i>H. trimaculatus</i> (VU); <i>Acropora loissettae</i> (VU); <i>Acropora hoeksemai</i> (VU); <i>Nemanzophylliasp.</i> ; Chinese Egret <i>Egretta eulophotes</i> (EN).	Camotes Sea	<ul style="list-style-type: none"> <li>• Aguinging Marine Sanctuary (55%)</li> <li>• Asinan Reef Fish Sanctuary (33%)</li> <li>• Bilang-bilangan marine Sanctuary (69%)</li> <li>• Cataban Marine Sanctuary (65%)</li> <li>• Guindacan Marine Sanctuary (35%)</li> <li>• Hingotanan West Marine Sanctuary (65%)</li> <li>• Sidakan Marine Sanctuary (79%)</li> <li>• Sinandigan Marine Sanctuary (71%)</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening local policy frameworks for improving local conservation of vital resources in conjunction with the commodity value chain.</li> </ul> <p>Component 3.2.</p> <ul style="list-style-type: none"> <li>• Knowledge generation and sharing of best practices through website establishment on different technologies used, lessons learned and experiences.</li> </ul>
Guian Coast, Eastern Samar,	Salcedo, Guiuan, Gen. MacArthur, Giporlos, Hernani,	Hawksbill Turtle <i>Eretmochelys imbricata</i> (CR); Leatherback Turtle <i>Dermochelys</i>	Pacific Ocean	<ul style="list-style-type: none"> <li>• Binabasalan Island Marine Sanctuary( 69%)</li> </ul>	

Target Sites	Municipalities	Trigger Species	Bio-Geographic Zone/ LME	MPAs (overall METT score)	GEF Supported Activities
R.8	Mercedes, Quinapondan	<i>coriacea</i> (CR); Green Sea Turtle <i>Chelonia mydas</i> (EN); Smooth Giant Clam <i>Tridacna derasa</i> (VU); <i>Montiporas amarensis</i> (VU)		<ul style="list-style-type: none"> <li>• Bolusao Fish Sanctuary (65%)</li> <li>• Canigaran Fish Sanctuary (83%)</li> <li>• Can-usod Fish Sanctuary (54%)</li> <li>• Lupakon and Bilangbilang Reefs Marine Sanctuary (29%)</li> <li>• Manapag Reef Sanctuary (79%)</li>   <li>• Minonbonan Reef Marine Sanctuary (65%)</li> <li>• Panoloytoyon Reef Marine Sanctuary (57%)</li> </ul>	

## **Annex 4: Implementation Arrangements Philippines: Philippine Rural Development Project**

### **Project Institutional and Implementation Arrangements**

1. Institutional Framework: The updated Agriculture and Fisheries Modernization Plan (AFMP) of 2012 provides the context within which the PRDP would be implemented. At the national level, the AFMP sets the strategic goals and these are to be translated into local level strategies and projects through Regional Agriculture and Fisheries Modernization Plans (RAFMPs). Along with this would be the devolution of responsibility and budgets for project implementation to Regional Field Offices (RFOs), where implementation of projects would be undertaken in partnership with Local Government Units (LGUs). Department of Agriculture agencies would be required to tailor their services to these RAFMPs, which in turn are translated through joint work programming with Provinces into a set of agreed activities for joint financing (i.e., PCIPs-Provincial Commodity Investment Plans). The types of activities to be supported would be based on regional needs as determined through analysis of the value chains for key commodities identified in the AFMP.

### **Project Administration Mechanisms**

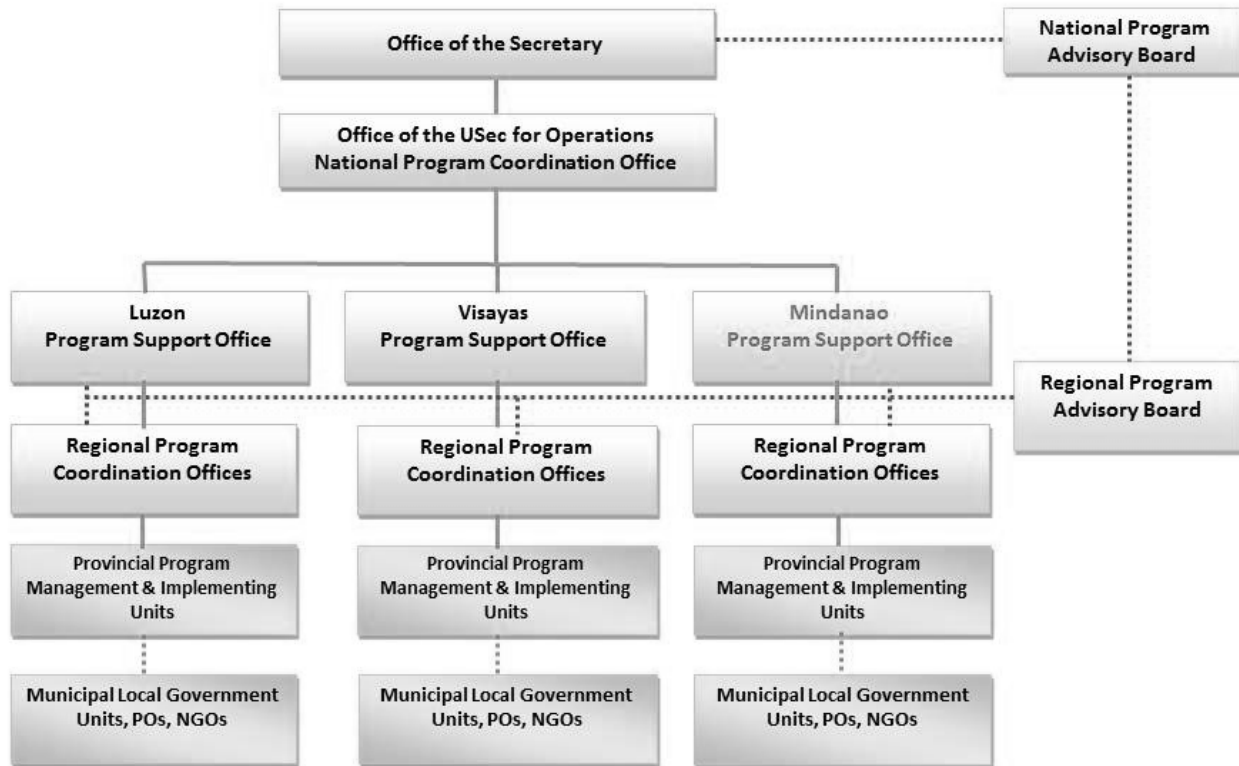
2. The PRDP would be under the overall authority of the Office of the Secretary and directed through the Office of the Undersecretary for Operations. Management of the project will follow the efficiently functioning system for the MRDP2 project, which involves a Program Support Office (PSO) for Mindanao that manages the overall project through a network of Regional Program Coordination Offices (RPCOs). However, expansion of the project area to include all other parts of the country (i.e., Central and Northern Philippines), will entail the establishment of a National Program Coordination Office (NPCO) based in the DA-Central Office and additional Program Support Offices (PSOs) for Luzon A<sup>32</sup> and Visayas, together with designation of staff to Regional Program Coordination Offices (RPCOs) in Regional Field Offices (RFOs) beyond Mindanao, where they already exist. For Luzon B<sup>33</sup>, because of its proximity to the DA Central Office, its PSO functions are lodged under the NPCO. A Provincial Program Management and Implementing Unit (PPMIU) would be established in each of the participating provincial LGUs. Figure 4.1 provides an overview of how the PRDP would be administered, with the functions of each of the key units discussed below.

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<sup>32</sup> Consists of Regions CAR, 1, 2 and 3

<sup>33</sup> Includes Regions 4A, 4B and 5

**Figure 4.1: Project Implementation Structure**



3. At the regional level, the RPAB would be chaired by the Department of Agriculture Regional Director and is composed of representatives of the League of Provinces in the region, the regional directors of NEDA, DENR, DAR, DILG, DTI, DPWH, NCIP, BFAR, NIA, representatives from farmer and fisher groups, private sector, civil society and the chairperson of the Regional Agri-fishery Council. The functions include: (a) approve PRDP sub-projects for funding; (b) ensure policy directions are followed in the planning and implementation of PRDP activities, (c) harmonize roles and responsibilities of collaborating regional offices; (d) generate support for PRDP among LGUs, POs and non-government organizations; (e) recommend appropriate actions to resolve operational and administrative issues; (f) review implementation progress and provide guidance, as appropriate; and (g) endorse the PRDP annual regional work and financial plan to the DA Undersecretary for Operations.

4. National Program Coordination Office (NPCO). This would be a unit to be headed by the Undersecretary for Operations. It has been established through a Special Order signed by the Secretary of Agriculture. The specific functions of the NPCO are to: (a) facilitate implementation of the overall institutional reforms planned for DA under the project, by coordinating across project components and agencies/units, and guiding REDs and RFOs in taking up their new roles and responsibilities; (b) serve as the national PAB secretariat; (c) establish the internal protocols and external modes of engagement of the Project; (d) facilitate the establishment of the PSOs for Luzon A and Visayas; (e) Act as PSO for Luzon B; (f) facilitate hiring of administrative and technical staff to support the NPCO, as needed; (g) prepare regular reports as prescribed by the

PRDP M&E, MIS, and FMS units; (h) establish information, education and communication capacity and produce the necessary materials and platforms for these to promote the PRDP; and (i) process limited transactions related to office administration.

5. Program Support Office (PSO). The existing PSO for Mindanao (under MRDP2) will continue to be utilized, and additional PSOs will be established for Northern Philippines (Luzon A) and Central Philippines (Visayas), while the NPCO would handle the PSO function for Luzon B. These PSOs would play a key role in project implementation and have the following functions: (a) accountability for its specific DesA; (b) review and approve sub-projects for bidding; (c) provide orientation for the RFOs and PLGUs during project rollout; (d) design and implement capacity enhancement activities, including orientation and training of RPCOs on project systems and procedures such as financial management, procurement and planning; (e) ensure the quality and appropriateness of technical and financial documents submitted by RPCOs (e.g., Feasibility Studies, Detailed Engineering Design, bid documents, etc.); (f) oversee the development of baseline data for monitoring and evaluating project activities; (g) facilitate technical assistance for the project components by coordinating with DA Services (ITCAF, AMAS, FOS, PRS, PDS, PS, FMS, and Administration) and attached agencies of DA (ATI, BPI, BAR, BFAR, BSWM, etc.); (h) consolidate regional reports on physical and financial progress; (i) promote cohesion and synergy in the planning and implementation of PRDP; (j) ensure that all activities are properly coordinated with the RPCOs; and (k) facilitate a quarterly conference of RPCOs to promote integration.

6. The PSOs are considered as transitional arrangements to facilitate project implementation and mainstreaming of approaches and processes. It is envisioned that they would be phased out as capacity and mainstreaming is achieved in the regional offices of the Department of Agriculture. In light of the considerable capacity already established in the PSO for Mindanao, this unit would be responsible for training and coaching of staff for the two PSOs, as well as for key staff from Regional Program Coordination Offices (RPCOs).

7. Regional Program Coordination Office (RPCO). This would be an office within the RFO which would be responsible for facilitating and coordinating the implementation of PRDP in each region. Actual implementation responsibility for each of the four components (Local and National Planning, Infrastructure, Enterprise, and Project Implementation Support) would lie with the appropriate existing unit within the RFO. Establishment of the RPCO would be through the designation of RFO staff by the Regional Director. Focal persons would be designated for each of the four components. The number and expertise of staff to be assigned to the RPCO would vary according to the sub-project load and should reflect regional priorities as set in the Regional AFMP. The RPCO is the link between the Department of Agriculture and its major implementing partners, the Provincial Local Government Units (PLGUs). The RPCO also takes the lead in the implementation of the MIS and M&E activities of PRDP. The major functions of the RPCO include the following: (a) validate and evaluate sub project proposals submitted by partner PLGUs; (b) undertake technical review prior to procurement; (c) Render technical support and services during sub-project implementation; (d) lead the preparation of the annual work and financial plan for PRDP; and (e) monitor the physical and financial progress of PRDP components and subcomponents following reporting arrangements prescribed in the project MIS and M&E systems.

8. Provincial Program Management and Implementing Unit (PPMIU). The Provincial Local Government Units (PLGUs) would establish Provincial Program Management and Implementing Units (PPMIU) to serve as the office through which sub projects supported under the PRDP would be implemented. Agreement on the sub-project investments and interventions to be supported under the various project components of PRDP would be formalized as part of the AFMP process through Provincial Commodity Investment Plans. The following are the principal functions of the PPMIU: (a) serve as manager of funds from all authorized sources and prepare the necessary financial reports as required in project agreements; (b) disburse funds according to set procedures in the project manuals; (c) identify and package project proposals in coordination with MLGUs and other stakeholders for consideration under PRDP evaluation system; (d) contract the implementation of PRDP sub-projects; (e) submit regular reports according to PRDP's M&E and MIS systems; (f) establish partnerships with pertinent agencies for the delivery of technical services required by PRDP projects; (g) create a business development service capacity including a suitable institution for rendering enterprise strengthening services from initiation to implementation and assessment; and (h) legislate through the *Sangguniang Panlalawigan* the ordinances necessary for uninterrupted project implementation and enforce the same.

9. Implementation Arrangements: The PRDP would be implemented over 6 years and be national in scope; it will cover all 81 provinces in 16 Regions, providing support to around 700 of the 1500 municipalities of the country. The Local and National Level Planning Component would be implemented in all regions from the outset. However, investments and technical support under Infrastructure and Enterprise Development Components would be sequenced and will be based on demand from PLGUs and their capacity and readiness to implement. In the first two years of the PRDP, it is expected that the preparation and implementation of sub-projects will mainly be in Mindanao. With the need for urgent investments in the Central Philippines following the super typhoon and the earthquake that hit the area in late 2013, investments in these areas will be expedited.

10. Assessments have been undertaken of the capacity of RFO and LGU staff in the Yolanda-typhoon and Bohol earthquake affected areas to carry out the project, especially given the increased demands on their time in responding to recovery needs. The adjustments recommended by the Assessment (see Project Files and Implementation Support Plan, Annex 7) relate mainly to short and longer term staffing and training requirements, either due to heavy demands on staff involved in disaster recovery efforts, or due to anticipated vacancies as experienced staff take early retirement under the provisions of the Rationalization Plan. An important outcome of the assessment was the confirmation that the design of the PRDP remains appropriate and supportive of the structural and operational efficiencies to be implemented under the Rationalization Plan. In particular, PRDP specifically supports key principles embodied in the Rationalization Plan related to the integration of functions, decentralization and associated streamlining of Regional offices; strengthening of partnership with the LGUs, civil society organizations and other non-governmental organizations; innovation in service provision; and greater transparency and accountability in the design and implementation of projects.

11. Implementation of the four components is interlinked and mutually reinforcing, as discussed below.

- a) Local and National Level Planning would be the responsibility of the Planning Service. The RFOs on the other hand will be directly responsible for preparing the Regional AFMPs (RAFMPs) and for working with the PLGUs to prepare the PCIPs. The PLGUs in turn would be responsible for securing the corresponding counterpart fund for the sub-projects in a timely manner.
- b) Infrastructure Development implementation will involve a six-stage process: (a) sub-project identification and prioritization by the beneficiary community and the LGU; (b) validation by the beneficiary community, the RPCO and the PSO; (c) feasibility studies and detailed engineering design by the LGUs; (d) review, evaluation and approval by the RPCO and PSO; (e) implementation by the RPCO, beneficiary community, LGU and private sector; and (f) the operation and maintenance by the beneficiary community, LGU and private sector.
- c) Enterprise Development implementation would be the responsibility of the Regional Executive Director/ Regional Technical Director in close collaboration with the Agriculture & Marketing Assistance Division Chief, and representatives of the LGU and private sector groups. Links and partnership arrangements would be established among Department of Agriculture Technical agencies, (e.g., ATI and PhilMech, etc.), as well as with other agencies (e.g., DTI, DOST, DAR DENR; SUCs; research and academic institutions; and private sector groups). These linkages would be to provide the improved technologies, extension delivery services, research and development, and market assistance to enterprises.
- d) Project Implementation Support would be managed through the National Program Coordination Office (NPCO), Program Support Offices (PSOs), and the Regional Program Coordination Offices (RPCOs).

12. GEF Implementation would follow the same arrangements as for other interventions under the loan-assisted activities of PRDP.

13. Safeguard Implementation: Each sub-project proposal under Infrastructure and Enterprise Development components will undergo a screening and evaluation process prior to approval, and compliance monitoring during implementation. The processes, guidelines and standards through which the sub-projects are evaluated and later monitored are described in the Integrated Environmental and Social Safeguards Framework (IESSF) which contains: (a) the Environmental Management Framework and Guidelines (EMFG); (b) the Land Acquisition, Resettlement and Rehabilitation Framework (LARRF); (c) the Indigenous Peoples Policy Framework (IPPF); and (d) the Grievance Redress Mechanism Framework (GRMF) which have all been incorporated into the Project Operations Manual. The LGUs will be responsible for preparing and implementing sub-project proposals in accordance with the Project Operations Manual. Should their sub-projects be covered by the Philippine Environmental Impact System, they would also be responsible for preparing the Environmental Impact Assessment or Initial

Environmental Examination and securing the Environmental Compliance Certificate from DENR. They would also monitor compliance of contractors on the environmental provisions of the contract and impose penalties should there be violations in the contract. The RPCOs will assist the LGUs in the preparation of safeguard documents and provide the first level of screening and review of sub-projects and conduct random monitoring during construction. The PSOs will be responsible for providing oversight, technical support and assistance to the RPCOs and provide the final level of internal review of sub-project proposals. The RPCOs and the PSO will build the safeguards capacity. A safeguards capacity building program for newly organized RPCOs and PSOs is included in the Project Implementation Support component. LGUs and RPCOs will also receive trainings on climate-resilient and environmentally sound infrastructure design and specifications and operations and maintenance systems under Infrastructure Subcomponent 2.2 and on Integrated Pest Management.

## **Financial Management, Disbursements and Procurement**

### **Financial Management**

14. The fiduciary arrangements will be undertaken by Philippines Department of Agriculture's Financial Management Units at the DA Central Office, Program Support Offices (PSO) and Regional Offices. The FM Unit at DA Central Office will be assisted by the National Program Coordination Office (NPCO). An assessment of the financial management system was carried out at the DA Central Office, the Mindanao PSO and selected Regional Offices with the objective of ensuring that there is in place an adequate financial management (FM) system that satisfies the Bank's OP/BP10.0 requirements for the proposed loan for the PRDP. Under the Bank's OP/BP 10.0, the Borrower and the project implementing entities should maintain financial management systems, including accounting, financial reporting and auditing, adequate to ensure that they can provide accurate and timely information regarding project resources and expenditures. The review was carried out in accordance with the Bank's guidelines under Financial Management Practices in World Bank-Financed Investment Operations.

15. The overall conclusion of the assessment is that the current FM system of DA meets the financial management requirement as stipulated in OP/BP 10.0. The Project has an adequate project financial management system that can provide reasonable assurance on accurate and timely information on the status of the Project and that there is sufficient basis to place reliance on the country systems for all financial management aspects of the Project. The major FM risk identified is the nationwide coverage of the project and difficulty in monitoring FM implementation. The DA has adopted the following mitigating measures: (a) an FM Manual to formalize control processes has been finalized; (b) workshops comprising staff from all regions were conducted with inputs from the Bank; (c) financial management staff that will provide FM support to the Program Support Offices for Luzon and Visayas have been designated; and (d) personnel assigned through a Special Order are qualified and capable of undertaking the financial management requirements. Further orientation on Bank guidelines will be conducted to familiarize key FM staff on Bank disbursement and financial management procedures. For the Yolanda typhoon-affected regions, the rapid FM Capacity Assessment of the RPCO and Program Support Office that cover the affected areas showed that these offices were not severely affected and they still have the capacity to perform their financial management roles as required by the project. However, for participating LGUs that were severely affected, financial management will

be handled by the RPCO and PSO concerned until such time that enough capacity is restored at the LGU level.

16. During project implementation DA will enter into written agreements with the respective LGUs that will enumerate FM obligations before each sub-project implementation. The report on receipts and disbursement of each sub-project shall be subject to the annual audit by the Commission on Audit and will be consolidated at the DA Central Office. A capacity building plan for FM to address the needs of the non-Mindanao PSO and RPCOs has been developed and agreed, drawing from the extensive experience of MRDP2 PSO and RPCOs. This includes trainings/workshops on financial management based on the finalized FM manual.

17. As part of the FM arrangement, DA should address the findings of the Commission on Audit on the annual audited project financial statements, within twelve (12) months from the issuance of the audit report for the project.

18. FM Implementation Arrangements. The DA's current financial management system will be used for the implementation of the project. It includes acceptable budgeting, accounting, reporting, internal controls and staffing. The DA Central, PSOs, and RPCOs would be responsible for maintaining its robust information system that is capable of regularly reporting the progress of PRDP implementation.

19. Budgeting Arrangements. Budget proposals are prepared annually by the DA and submitted to DBM for review before being incorporated into the General Appropriations Act. An annual work and financial plan together with disbursement projections for the project should be submitted to the Bank by October of each preceding government fiscal year. DA has already submitted to Department of Budget and Management (DBM) their request for budget for first year of implementation.

20. Accounting Arrangements. The accounting records of the project will be maintained by the PSOs and RPCOs using the NGAS chart of account. At the DA Central Office, the accounting records would be maintained using the eNGAS financial management system. The DA Accounting Division, under the Financial Management Service at Central Office and the respective Finance Unit of each PSOs and RPCOs, will be required to maintain the accounting records in accordance with the country's accounting procedures and policies. Accounting of the project transactions would be mainstreamed at the Central Office and the RPCOs. At the PSOs, adequate staff resources of the Finance Unit should be made available to ensure timely completion of the financial reports, monitoring of the Designated Accounts (DesA), and preparation of withdrawal applications. Withdrawal applications will be prepared and submitted by the respective PSOs managing the respective DesA. Copy of the withdrawal applications and supporting documents will be furnished to the NPCO for information and monitoring. Due to the adverse opinion by COA on the 2009 to 2011 financial statements of the DA, separate books of account will be maintained for the project at the DA Central Office and at the PSO and RPCO levels.

21. Internal Control and Internal Auditing. The project would follow the internal controls and policies found in the NGAS, Government Audit and Accounting Manual, COA and DBM

memoranda and circulars, and other laws and regulations. The respective DA-FM staff at all levels would review supporting documents for project disbursements. Specifically, the following requirements would be implemented for the project:

- a) Subsidiary records shall be maintained for the DesA and the related project peso account;
- b) Quarterly bank reconciliation statements shall be required to be prepared one month after end of each quarter together with the trial balance; and
- c) Annual physical inventory count of fixed assets shall be conducted and results reconciled with the accounting and property records.

22. Financial Reporting Arrangements: The DA will prepare and submit unaudited Interim Financial Reports (IFRs) within 45 days after the end of each calendar quarter consisting of the following: (a) Financial Reports on the project; (b) Physical Progress report; and (c) Procurement Status Report. The physical accomplishment report must be linked to the financial report.

23. External Audit Arrangement. The audit of the Project Financial Statements will be conducted by the Philippines Commission on Audit (COA) who is the auditor for all government agencies in the Philippines. COA has extensive experience in the auditing government agencies and World Bank funded projects and is an auditor acceptable to the Bank. The audit will be conducted and the report will be submitted to the Bank within six months after the end of the financial year. Based on prior experience, there is a substantial risk that the audit may not be received within the period prescribed in the Loan Agreement. Early engagement of the respective COA auditors and agreement on the audit timelines should be obtained to prevent substantial delays in the submission of the audit reports. Also, in order to eliminate delays in the consolidation, the individual audit reports rendered on each of the Regional PSOs and for the NPCO shall be submitted to the Bank. The DA also implements another WB-assisted project, the Mindanao Rural Development Project APL 2, for which there is no outstanding audit report due to the Bank.

### **Disbursements and Funds Flow**

24. The loan and grant shall be disbursed over a period of six (6) years in accordance with the work and financial plan of the project and on the following categories of expenditures:

**Table 11: Allocation of Loan Proceeds**

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs for Parts 1.1(a), 1.2, 2.2, 3.2 and 4 of the Project	55,526,875	100% of the amount disbursed
(2) Infrastructure Development Grants under Part 2.1 of the Project	354,470,000	100% of the amount disbursed
(3) Enterprise Development Grants under Part 3.1(a) of the Project	90,000,000	100% of the amount disbursed
(4) Front-end Fee	1,253,125	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
<b>TOTAL AMOUNT</b>	<b>501,250,000</b>	

**Table 12: Allocation of GEF Grant Proceeds**

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Consulting services, Training and Workshops for Parts 1.1(b) and 3.2 of the Project	3,640,000	100% of the amount disbursed
(2) Enterprise Development Grants under Part 3.1 (b) of the Project	3,360,000	100% of the amount disbursed
<b>TOTAL AMOUNT</b>	<b>7,000,000</b>	

25. The PRDP will be financed by a loan from World Bank and a grant from the Global Environment Facility (GEF). GOP Counterpart requirements will be provided by the National Government and the participating LGUs, in accordance with the annual work and financial plan (which states the fund source as well as the share of each funding source in each of the specific eligible expenditures). As such, IBRD and GEF financing under this project will be 100% of respective share of payments made for project expenditures. The funds from the loan and grant proceeds will flow from the World Bank through the Bureau of Treasury account at the Central Bank of the Philippines. After the issuance of the Notice of Cash Allocation (NCA) by the Department of Budget and Management (DBM), the funds will be credited to the DesAs of the Project maintained by DA Central Office and PSOs at Land Bank of the Philippines, an authorized government depository bank. Separate bank accounts for the DesAs shall be

maintained for the loan and the GEF grant. There will be five (5) DesAs for the Loan (at the NPCO, Luzon A PSO, Luzon B PSO, Visayas PSO and Mindanao PSO) and three (3) DesAs for the Grant proceeds (at the NPCO, Luzon B PSO and Visayas PSO).

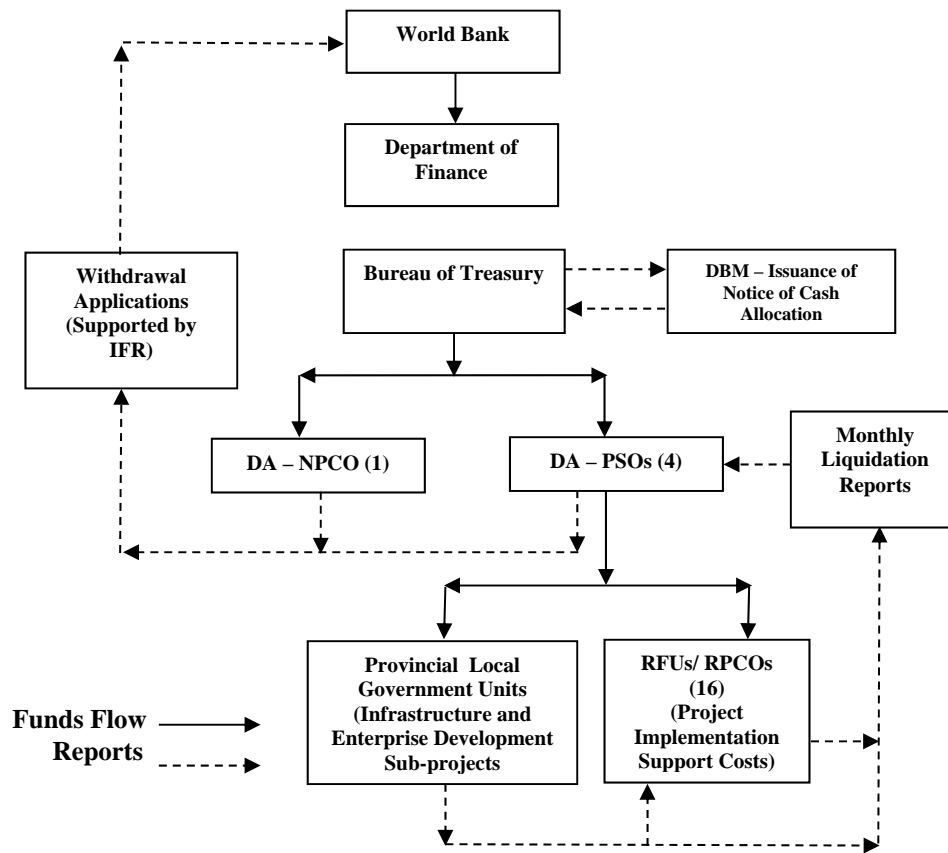
26. The disbursement methods allowed under the project are (a) advance, (b) direct payments, (c) reimbursements, and (d) special commitments. The proposed minimum value of application for direct payments, reimbursements and special commitments is US\$1 million for the IBRD loan part and US\$20,000 for the GEF part, as stipulated in the respective disbursement letters.

27. The Department of Agriculture will withdraw funds from the Bank through the submission of duly signed Withdrawal Application and Quarterly Interim Financial Reports (IFR). Disbursements under the project should comply with the Bank policies and procedures on disbursements and financial management as reflected in the Bank's Disbursements Handbook and Financial Monitoring Report Guidelines. All replenishments to the DesA should be based on two reporting period forecast as indicated in the Bank's disbursement guidelines for report-based disbursements.

28. Withdrawals from the loan up to an aggregate amount not to exceed US\$ 12 million equivalent can be made for payments on or after September 15, 2013 with respect to eligible expenditures under any Categories of the IBRD loan. Withdrawals from the GEF grant up to an aggregate amount not to exceed US\$ 250,000 equivalent can be made for payments on or after September 15, 2013 with respect to eligible expenditures under Category 1 of the GEF Grant.

29. The frequency for reporting eligible expenditures paid from the DesA will be quarterly through the Interim Financial Report. To allow the submission of Withdrawal Applications and supporting documentation for expenditures incurred on or before the Closing Date, the project will be granted a four-month grace period to report these eligible expenditures. Funds flow is presented in Figure 4.2 below:

**Figure 4.2: PRDP Funds Flow for Loan and Grant Proceeds**



## Procurement

30. General: While the Philippine Procurement Law (RA 9184) is in reasonable harmony with the Guidelines at the NCB level, the Procurement Schedule of the Loan Agreement will include provisions which specify procedures that are not acceptable to the Bank and provisions that apply when NCB is used. The Procurement Plan developed by the DA, dated June 25, 2014 is available at the PRDP Office at the 4<sup>th</sup> Floor of the Department of Agriculture, and the PRDP website (<http://www.daprdp.net/>). It is also available in the Government’s project database. The procurement plan should be updated in agreement with the Bank, annually or as required, to reflect actual project implementation needs and improvements in institutional capacity.

31. Procurement of Works. Works to be procured under the project would be relatively small, such as access roads, bridges, tramlines, etc. and International Competitive Bidding (ICB) is not expected. Contracts estimated to cost more than US\$ 200,000 would be procured following National Competitive Bidding using the latest version of the Philippine Bidding Document for Works, as harmonized with the Bank. Procurement of works costing below US\$ 200,000 may be awarded based on shopping procedures, by comparing price quotations obtained from several contractors, usually at least three, as defined in paragraph 3.5 of the Guidelines. Works to be undertaken by private sector beneficiaries estimated to cost in excess of US\$ 100,000 may be procured following NCB procedures acceptable to the Bank.

32. Procurement of Goods. ICB should be used for procurement of goods estimated to cost more than US\$ 1,000,000. NCB would be used for procurement of goods estimated to cost US\$ 200,000 or more but less than US\$ 1,000,000 per contract, where the goods are normally available locally at competitive prices, using the latest version of the Philippine Bidding Document (PBD) for Goods as harmonized with the Bank. Shopping may be used to procure goods estimated to cost less than US\$ 200,000 per contract. Community Participation in Procurement may be used for pre-identified goods related to the Enterprise Development Component in accordance with the procedures included in the project Operations Manual, as agreed with the Bank, in accordance with paragraph 3.19 of the Guidelines. Goods required by private sector beneficiaries estimated to cost in excess of US\$ 100,000 may be procured following NCB procedures acceptable to the Bank.

33. Selection of Consultants. Fixed Budget Selection may be used for consultant services that meet the requirement of paragraph 3.2 and 3.5 of the guidelines. Quality and Cost Based Selection would be used for contracts estimated to exceed US\$ 200,000. Selection based on Consultants' Qualification may be used for contracts estimated to cost less than US\$ 200,000 each. Short lists of consultants for services estimated to cost less than US\$ 200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.4 of the Consultant Guidelines.

34. Non-Consulting Services and Goods. Non-consulting services and goods required by the lead proponent or organized producer group for Enterprise Development Component, estimated to cost more than US\$ 100,000 per contract may be selected according to commercial practices acceptable to the Bank. Pro-forma agreement covering important conditions like evaluation criteria including the Bank's Fraud and Corruption and audit right provision shall be included in the contract. However, lead proponent group or organized producer groups have the option of using the Bank's Standard Bidding Documents.

#### ***Established Private or Commercial Practices for Goods and Non-Consultant Services***

35. To ensure economy and efficiency in the implementation of the project, and transparency in the procurement process, the following are the acceptable private or commercial practices in accordance with Sections 3.13 of the Procurement Guidelines. The procedures below shall apply for private sector procurement to be carried out by such lead proponent groups or organized producer groups:

- Competitive bidding among respective lead proponent groups or organized producer groups, accredited suppliers and contractors provided that: (a) the accreditation system gives the opportunity for any interested bidder, including foreign bidders to apply for accreditation at any time during the year; and (b) the Specific Procurement Notice or Request for Quotation will indicate this arrangement, including description of the nature of contracts to be procured;

- Shopping or canvass of at least three qualified suppliers or contractors, the selection of which will depend on the nature and/or limitation of supply market of the item to be procured;
- Direct contracting for items that are proprietary or obtainable from one source provided the contract price is reasonable and in line with prevailing market prices;
- Use of subsidiary firms or affiliated firms as procurement service provider provided that said firms apply the above-mentioned acceptable methods and that the service fee or profit markup of these firms are not sourced from the Bank's financing;
- Eligibility requirements as defined in the Guidelines will apply to contractors, suppliers and consultants. Accordingly, the lead proponent group or organized producer contracts should include the World Bank's requirements on Fraud and Corruption, audit right, and sanctions / debarment.

36. Procurement under emergency procedures. In addition to the above procurement and selection procedure, the following maybe applied for activities in the project areas in Regions 4a, 4b, 5, 6, 7 and 8, which were devastated by the October 2013 Earthquake and Typhoon Yolanda (Haiyan), and any other project areas that maybe affected by future natural disasters, subject to mutual agreement of the Government and the Bank, within a period of two (2) years from the date the state of calamity was declared by the President of the Philippines. Detailed guidelines are included in the Procurement Manual for the project.

- **Direct Contracting.** Direct contracting for the procurement of civil works and goods (paragraph 3.7 (a) and (e) of the Procurement Guidelines) may be used to extend an existing contract or award new contracts in response to disasters. For such contracting to be justified, the Bank should be satisfied that the price is reasonable and that no advantage could be obtained by further competition. The direct contracting for: goods and works may be from suppliers and contractors that are already mobilized and working in the emergency areas. Other goods as boats, fish nets, etc. that are immediately required for Component 3 maybe procured directly from suppliers or manufacturers in the neighboring islands or provinces.
- **Single-source Selection.** Single-source selection of consulting firms and individuals (paragraphs 3.9 (b) and 5.4, respectively, of the Consultant Guidelines) may be used only if it presents a clear advantage over competition for the required consulting services. Firms that are already working in the emergency areas and that have a proven track record in similar assignments may be the most suitable option for the post disaster activities. Consultants selected on a single-source basis may be given the right to participate in future assignments under the same project provided that there is no conflict of interest with the tasks performed under the initial contract. However, for future or downstream assignments, any available information must be shared with all participating firms to ensure a level playing field.

37. Operating Costs related to managing the project, including staff travel and office utilities, and supporting project operations, based on annual operating cost, will be provided in accordance with existing government prescribed limits and procedures acceptable to the Bank.

38. Procurement Planning. Only sub-projects which are aligned with the regional and local Agriculture and Fishery Modernization Plans, and those project activities in post disaster areas, will be eligible under the project. Geo-tagging will be adopted for the sub-projects under the Infrastructure and Enterprise Development Components to increase transparency for bidders and to monitor progress of construction including mobilization and demobilization of construction equipment.

39. Advance Procurement. Prior to loan effectiveness, procurement estimated to cost around US\$ 56 million is anticipated. Such procurement, including advertising and advance Bank review should be carried out in accordance with Bank Guidelines. Retroactive financing is expected to be about US\$ 12,000,000 for the loan proceeds and US\$ 250,000 for grant proceeds.

40. Assessment of Capacity to Implement Procurement: The procurement capacity assessment (PCA)<sup>34</sup> conducted during project preparation identified the following key issues and risks which could arise during implementation:

- a) Lack of experience of non-Mindanao DA RFOs and LGUs to carry out procurement following the Bank's procurement procedures;
- b) Frequent bid failures in Mindanao due to limited number of bidders or bidders' failure to comply with the basic bidding requirements;
- c) Inefficiencies in the processing of contract award in Mindanao: while bids for the 233 rural infrastructure sub-projects in the aggregate amount of PhP 2.6 billion were opened and evaluated as planned, the contract awarding process took more time because of the long delays incurred during the bid evaluation and contract signing stages; and
- d) Delays in the implementation of sub-projects due to inefficiencies in some Mindanao LGUs.

41. A number of measures have been agreed with the DA to strengthen procurement capacity and these are described in Annex 7 together with other procurement supervision aspects. These measures include ensuring the adoption of the country's procurement reform activities at the procuring entity level, such as performance monitoring and evaluation, professionalization, community participation, CSO involvement and procurement audit. The procurement risk of the project was assessed as Substantial. It has been reduced to Moderate with the design of the aforementioned mitigating measures during project preparation and their adoption during project implementation.

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<sup>34</sup> The PCA was conducted during the period of July 25, 2012 to September 14, 2012 which covered 9 RFOs, 12 PLGUs and 5 MLGUs (RFO Nos. 5, 6, 7, 9, 10, 11, 12, 13 and ARMM; PLGUs Iloilo, Bohol, Cebu, Albay, Camarines Sur, Misamis Oriental, Misamis Occidental, Compostela Valley, Davao Sur, Davao Oriental, and Davao Norte; MLGUs Ampatuan, Bacuag, Placer, Kiblawan, and Panabo.

## **Environmental and Social (including safeguards)**

42. As part project preparation, DA conducted institutional and stakeholder assessments nationwide using focused group discussions and interviews with representatives of government agencies, private sector, civil society and rural farming and fisher communities, including subsistence and commercial smallholders and fishers, women and IP groups. The needs, production constraints and concerns of the various stakeholder groups have been considered in the project conceptualization and design. Women are expected to be benefited as the project will support enterprise development and other activities in the agriculture value chain where Philippine women usually play key roles.

43. Social Safeguards. Development interventions under PRDP could be located in areas where IP communities are present while infrastructure to be funded under the infrastructure and enterprise development components could involve involuntary land acquisition. For these reasons both OP/BP 4.10 and OP/BP 4.12 have been triggered. To ensure compliance with the objectives and requirements of these policies, both the IP Policy Framework (IPPF) and Land Acquisition Rehabilitation and Resettlement Framework (LARRF) that were in use under MRDP1 and MRDP2 have been enhanced and updated, reflecting the changes in design and approach under PRDP and the lessons learned from implementing these instruments under MRDP such as the need to consolidate the frameworks into one Integrated Environment and Social Safeguards Framework in order to facilitate on-the-ground application by LGUs.

- a) *Indigenous People (OP/BP 4.10)*. Indigenous peoples (IP) are present in most regions of the country (See Table 13) and they are likely present in sub-project areas supported by PRDP. Based on the social assessment conducted during the preparation of MRDP, these groups are often socially and economically marginalized. There is a possibility that they will be unable to participate in the planning and development process and/or share the benefits of the project. The updated IPPF provides for the following measures to ensure IPs are not excluded and are getting the project benefits: (a) the participation of IP communities in the regions and provinces in the conduct of Local and National Level Planning Component activities, particularly in the preparation of the Provincial Commodity Investment Plans (PCIPs); (b) the involvement of the local IP groups in the selection, screening and preparation of sub projects under the infrastructure and enterprise development components in partnership with National Commission on Indigenous People (NCIP) and the Local Government Units; and (c) compliance of sub projects with the requirements of the Philippine Indigenous Peoples Rights Act (IPRA) whenever the proposed subproject site is located within or will directly impact on any declared or proposed ICC/IP's Ancestral Domain. The updated IPPF also requires that sub projects in IP areas undertake "free and prior informed consultation" to provide for "broad community support". In addition, the updated IPPF also requires an IP Plan where the affected/benefited ICC/IP community is not the proponent or where they constitute only a minority in the sub project area.
- b) *Involuntary Resettlement (OP/BP 4.12)*. Infrastructure sub projects and facilities to be rehabilitated or constructed under the project could involve involuntary land acquisition

which, in rare cases (based on MRDP experience), may entail displacement of homes and/or livelihood. Crops and properties may also be damaged or temporarily affected by construction activities and farm owners would need to be justly compensated. Under the updated LARRF, subproject proponents are required to: conduct and submit the results of project-affected persons (PAPs) and entitlements survey, conduct and submit evidences of consultations with the PAPs regarding their compensation, and proper land acquisition documents. A Resettlement Action Plan (RAP) would be required whenever there are PAPs to be physically or economically displaced by the subproject.

44. Under MRDP1 and 2, three separate frameworks were prepared: the Environmental Management Framework and Guidelines (EMFG), the LARRF and the IPPF. Under PRDP, these updated frameworks have been consolidated into an Integrated Environmental and Social Safeguards (IESSF) to facilitate on-the-ground application and implementation and to have better integration between environmental and social issues and measures at the subproject level. In addition to LARRF and IPPF, a Grievance Redress Mechanism Framework (GRMF) has been adopted which requires that a grievance redress procedure shall be set up within each participating LGU for airing and resolving grievances pertaining to the implementation of the project activities. Public consultations on the IESSF were held from October 2012 to June 2014. The IESSF had been disclosed in-country on December 12, 2012 and in the Infoshop on December 17, 2012. This was re-disclosed in-country on June 5, 2014 and in the Infoshop on July 18, 2014.

**Table 13. Distribution of Indigenous Peoples in the Philippines**

<b>Cordillera and Region 1</b>	Bontoc, Balangao, Isneg, Tinggian, Kankanaey, Kalanguya, Karao, Ibaloi, Ayangan, Ifugao, Tuwali, Kalinga, Apayao
<b>Region II (Caraballo Mountain)</b>	Agta, Kalanguya, Bugkalot, Isinai, Gaddang, Aggay, Dumagat, Ibanag, Itawis, Ivatan
<b>Rest of Luzon/ Sierra Madre Mountains</b>	Aeta, Negrito, Baluga, Pugot, Abelling, Agta Dumagat, Remontado, Bugkalot, Cimaron, Kabihug, Tabangnon, Abiyan (Aeta), Isarog, Itom
<b>Central Mindanao</b>	Aromanon, Tiruray, Bagobo, Ubo Manobo, Higaonon, Subanen, Maguindanao, Maranao, Iranon, Karintik Blaan Lambangian
<b>Southern and Eastern Mindanao</b>	Manobo, Mandaya, Mansaka, Dibabawon, Banwaon, Bagobo, Ubo Manobo, Tagakaolo, Talaingod, Langilan, Mamanwa, Higaonon, Blaan, T’Boli, Kalagan, Tagabawa, Mangguangan, Tigwahanon, Sangil, Agusan Manobo
<b>Northern and Western Mindanao</b>	Manobo, Subanen, Arumanen Manobo,

	<p style="text-align: center;">Arakan Manobo, Teduray, Dibabawon, Banwaon,          Bagobo, Ubo Manobo, Tagakaolo, Talaingod,          Langilan, Mamanwa, Higaonon, Blaan, T'boli,          Kalagan, Tagabawa, Manobo Blit, Matigsalog,          Tigwahanon, Tagabawa, Sangil</p>
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Source: National Commission on Indigenous Peoples (NCIP)

Note: This list is not exhaustive since a number of IP groups have yet to be officially recognized by NCIP.

45. Environmental Safeguards. PRDP is categorized as Environmental Category B as on-the-ground activities will only involve construction of small- to medium-scale public infrastructure and support to agribusiness enterprises and community-based natural resource management. Based on MRDP where similar sets of sub-projects have been financed, the direct environmental impacts of these activities are expected to be manageable, short term, localized and reversible which can be addressed through environmental and social screening, adoption of sound engineering design and good housekeeping practices during construction. To ensure that these impacts and other issues are addressed, the following World Bank Policies have been triggered:

- a) *Environmental Assessment (OP/BP 4.01)*. Experience in MRDP2 suggests that infrastructure designs and program of work proposals coming from LGUs usually do not factor in the prevailing environmental conditions<sup>35</sup> at the sites and the temporary environmental impacts<sup>36</sup> during construction. There are also indirect and long term impacts<sup>37</sup> which need to be addressed in the operations and maintenance plan of the infrastructure. There is therefore a need assess the environmental aspects of each infrastructure sub-project to identify the impacts and issues and to ensure these are addressed.
- b) *Pest Management (OP/BP 4.09)*. Infrastructure investments in PRDP could indirectly result in increased use of pesticides as production intensifies in their influence areas. The project may also support plantation, crop or animal production and other enterprises that would involve use of pesticides and agrochemicals. The ongoing Integrated Pest Management or *Kasaganahan ng Sakahan at Kalikasan (KASAKALIKASAN)* Program of the DA should cover all influence areas of infrastructure investments. Supplemental guidelines on pesticide use, following the OP 4.09 should also be provided to the proponents of sub-projects.
- c) *Natural Habitats (OP/BP 4.04)*. Under Enterprise Development, the project will support natural resource management sub-projects that will promote good natural resource management, upland soil conservation, and protection and establishments of fish

<sup>35</sup> For example: site topography, soil types, health and ecological impacts of water diversion, road safety, and the hydrological aspects such as rainfall, flood history and drainage conditions.

<sup>36</sup> For example: temporary sedimentation in receiving water channels, increase of noise and dust nuisance that could affect daily activities and health of nearby residents, and occupational health and safety issues.

<sup>37</sup> For example: the potential acceleration in the rate of degradation of uplands and public forests in areas where roads will be built; and, the potential increased use of pesticides due to increased commercial production in the influence areas of the infrastructure subproject.

sanctuaries. However, infrastructure sub-project proposals from LGUs could be situated within or near areas of natural habitat as defined under OP 4.04. Construction activities, if not mitigated, could also damage or disturb nearby natural habitat. PRDP will not fund sub-projects that will involve significant conversion or degradation of critical natural habitats consistent with the policy. Relevant screening criteria will be provided to the proponent LGUs.

- d) *Forests (OP/BP 4.36)*. The World Bank Policy on Forests was not triggered under MRDP1 and MRDP2. However, experiences under these projects indicate that the PRDP's support to natural resource management would include management and rehabilitation of mangrove areas and watersheds, which may change and improve the management regimes of these areas. The policy is triggered as the Project may fund mangrove rehabilitation as part of its support to coastal/marine resource management. Other NRM activities that will benefit existing forests may also be financed. The PRDP EMFG has provisions for screening of sub-projects for impacts on forest, forest health and forest-dependent communities and measures in case impacts arise.
- e) *Safety of Dams (OP/BP 4.37)*. Only small dams as defined in OP/BP 4.37 will be eligible for funding which include dams of less than 15 meters in height. Sub-project proposals involving dams will comply with the requirements and conditions set out in the IESSF, including design and supervision by qualified expert and prior Bank evaluation and approval for dams with height of 10 meters to less than 15 meters in height. Based on MRDP2 experience, communal irrigation systems would involve construction or rehabilitation of ogee weirs for run-of-river irrigation systems, which do not really impound large volumes of water and the safety issues for these dams often relate to accidental drowning of children at intake and the ogee weirs which are sometimes used by residents as footpaths to cross rivers. The environmental assessment section of the feasibility studies of sub projects involving dams shall include a brief risk assessment of dam failure, and impacts on environment and on safety of host and downstream communities with corresponding mitigating measures reflected in the ESMP. Sub-projects involving dams should submit dam safety plans which should include measures against accidental drowning at dam sites. Based on assessments done, none of the proposed year 1 sub projects have so far involved dams.
- f) *OP/BP 4.10 (Indigenous Peoples)*. Under MRDP2, minority groups were purposively targeted as beneficiaries of the project to fulfill the project's poverty alleviation objectives. This would no longer be done under the PRDP. Under PRDP, sub projects located in areas where there are IP communities would be undertaken in accordance with the Indigenous Peoples Policy Framework which was implemented quite successfully under MRDP and now has been enhanced for use in PRDP.
- g) *OP/BP 4.12 (Involuntary Resettlement)*. Based on MRDP1 and MRDP2 projects, there will be a few infrastructure sub-projects that would require physical relocation of residents, particularly where there are no alternative sites such as in the construction of bridges and roads near the village centers. Under MRDP2, almost all sub projects have required land or right-of-way acquisition and only two have required physical relocation

of households. All of the year 1 sub projects have involved minor land acquisition and/or updating and firming up of the documentation of existing right-of-ways but none will involve displacement of homes or livelihoods.

45. To ensure that the above policies are complied with, the project will continue to be guided by the MRDP Environmental Management Framework and Guidelines (EMFG) which has been updated and included in the IESSF for use in PRDP. Under IESSF, each sub-project proposal will undergo environmental screening during sub-project identification and validation to ensure compliance with the general environmental policies pertaining to the types and location of infrastructure sub-projects. All proposals shall also undergo social and environmental assessments as part of their feasibility studies and their designs shall conform to the certain technical guidelines and design specifications. Sub-projects covered under the Philippine Environment Impact Statement System shall comply with the requirements of the Department of Environment and Natural Resources (DENR) and secure an Environmental Compliance Certificate while sub-projects deemed not covered under the Philippine Environment Impact Statement System shall prepare simple environmental and social management plans (ESMPs) based on the environmental and social assessments.

## **Monitoring & Evaluation**

46. Responsibilities and Information Flow: The process of M&E would build on the system already in place for MRDP2, through which DA-Regional Project Coordination Offices (RPCOs) routinely collect information from their own projects and from the Provincial Project Management and Implementing Units (PPMIU)<sup>38</sup>; the latter being established at the provincial level for the purpose of the project. This is facilitated through the use of standardized monitoring forms for the project. This information would be collated by the responsible Project Support Office (PSO) and submitted to the National Program Coordination Office (NPCO) located in the Office of the Undersecretary for Operations. As such the M&E reports would form a critical input to the overall management of the PRDP. The NPCO would be responsible for coordinating quarterly meeting with the PSOs and RPCOs to discuss status, strategies and issues needing to be resolved with senior management.

47. The consolidated M&E reports for the PRDP would also be submitted to the DA Special Project Coordination and Management Assistance Division (SPCMAD) for wider reporting on the status of implementation, along with that of various other foreign assisted and special projects, to the Secretary, the Project Monitoring and Evaluation Division (PMED), as well as to outside agencies as appropriate, i.e., World Bank (for PRDP) and oversight agencies (NEDA and DBM). The Planning Service evaluates how programs, projects and activities of the Department of Agriculture are progressing relative to the Departments three Major Final Outputs budget categories. This in turn is reported through the government-wide Organizational Performance Indicator Framework. A mid-term evaluation would be carried out at the end of the third year of

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<sup>38</sup> PPMIU would be headed by the Provincial Planning and Development Officer (PPDO) and will be assisted by Provincial Agriculturist and other concerned offices in the PLGU including the Provincial Administrator.

project implementation to assess progress against mid project output and outcome targets, including among others, a review of the implementation of the farm-to-market roads construction and maintenance under the joint DA-DPWH Memorandum No. 1, dated July 18, 2013. An end of project evaluation would be carried out at the time of project completion. These evaluations would be done by independent third party firms.

48. The PRDP M&E system is based on a Log Frame approach with Performance Indicators and corresponding targets in the hierarchy of project objectives i.e., inputs, activities, outputs, outcomes and impacts. Data on gender and indigenous people would be disaggregated to facilitate specific monitoring and reporting on these aspects. The key outcome and indicators for the project, together with Intermediate outcome indicators are described in Annex 1. As noted, the establishment of baseline data would be at the levels of: (a) the project, focusing on outcome and impact indicators in project areas; and (b) at the sub-project level, focusing on output indicators specific to type of sub-project at the PLGU level. The baseline study is already underway with the results due by December 2014. The Planning Service would oversee and manage the conduct of the baseline survey in close coordination with the NPCO, including the review of the TORs and ensuring that a good quality baseline will be delivered. This would be done by engaging a third party (e.g., firm or group of individuals) to formulate the methodology of data gathering and report of findings in project areas. At the sub-project level, baseline data on output indicator specific or depending on the type of sub-project each PLGU proposes should be gathered along with outcome and impact indicators. To ensure establishment of sub-project baseline data particularly on Infrastructure and Enterprise components of the project, baseline data relative to the proposed sub-projects would be required as part of the pre-approval requirements. Each PLGU shall be provided with the necessary guidelines with corresponding tools e.g., data capture forms, survey form, etc., while developing a sub-project proposal. The PRDP MIS would also adopt DA's Geo-tagging system to cover PLGU sub-projects in Infrastructure and Enterprise components.

49. The M & E system to be developed under the project would be a national web-based system. Its application would go beyond PRDP. It would enable performance monitoring and evaluation of development activities across the DA. The M&E Information System will enable electronic data capture, online data collection, smart analysis, and easy reporting of real-time data to support results-oriented decision-making. The M&E Information System will allow users: (a) to track Project Development Objectives and Immediate Result Output/Outcome Indicators to monitor the physical progress of development projects toward targets, milestones, and goals; (b) to record and monitor factors including risks, efficiency, and sustainability to encourage timely corrective action, identify tangible lessons learned, and ensure effective project/program implementation; (c) to link output/outcome indicators across sectors (such as transport, health, education), administrative units (province, district, village), and other criteria (financial, socioeconomic indicators) thus offering tangible, measurable, and global analysis of effectiveness by sector, region, or any other dimension; (d) to create sophisticated and user-friendly reports, charts, and maps to support informed decision-making and; (e) to integrate web- and SMS-based citizen feedback loop for complaints, suggestions and opportunities for communities to exchange best practices.

50. An interactive publically accessible web-based Spatial Decision Geographic Information System (GIS) will also be developed to map PRDP-financed activities at the country level with specific project activity sites pin-pointed (i.e., FMR, CIS and PWS) based on data collected through geo-tagging. This will be overlaid with local agricultural, climate and socio-economic data. This Spatial Decision GIS will be used for the Value-Chain Analysis and to monitor operational results. This would contribute to improving transparency for stakeholders. A publicly accessible web-based platform (“Geo-Stories”) will also be developed to convert data on projects into interesting stories as part of the PRDP M&E and communication efforts.

51. Building on the vulnerability and suitability assessment (VSA) tool developed for the project, a user-friendly web-based Expanded Vulnerability and Suitability Assessment (EVSA) has been developed by the DA to be used by planners, policy makers and project implementers. The EVSA tool will allow users to simulate and model crop patterns; land suitability for crop and fishery production; adaptive capacity of municipalities based on income and infrastructure levels as well as frequency of extreme weather events to enable an assessment and ranking of PRDP target municipalities. The EVSA tool will be enhanced by data captured through the digitization of a collection of soil, water and land water resource maps and is now made accessible online to all interested parties ([www.bswm.maps.da.gov.ph](http://www.bswm.maps.da.gov.ph)).

## **Role of Partners**

52. GEF support for the PRDP would be fully blended with the World Bank investment support to: (a) scale up local efforts to reduce land-based pollution in the Seas of East Asia (the Brown Agenda); (b) address overexploitation of fisheries (the Blue Agenda) through improvements in governance of marine and coastal resources based ICM and ecosystem-based management; and (c) strengthen knowledge management activities aimed at to fill the knowledge gap in quantifying, valuing and, to the extent possible, marketing coastal ecosystem services to disseminate good practices, promote local learning and change the policy/management paradigm. This mutually reinforcing structure of investment projects and knowledge management activities is designed to promote informed decision-making and foster synergies needed to achieve the project’s development objectives.

53. The Philippines is a signatory to the Convention on Biological Diversity (1993), United Nations Framework Convention on Climate Change (1994) and the United Nations Convention to Combat Desertification (2000), Ramsar (1994), and is an active participant in the United Nations Forum on Forests. Through the PRDP, the GEF supported activities are consistent with the National Biodiversity Strategy and Action Plan (NBSAP), and the second iteration of the Philippine Biodiversity Conservation Priority-setting Program.

## **Annex 5: Economic and Financial Analysis<sup>39</sup>**

### **Philippines: Philippine Rural Development Project**

1. **The Project benefits** would be derived from: (a) improved rural infrastructure for those engaged in agricultural related activities; (b) the profitable linkages of poor smallholder producers to the agricultural value chains; (c) reduced transportation costs and increased time savings due to rural road improvement; (d) improved health status of population and reduction in medical expenses, morbidity and mortality incidence due to improved potable water systems; (e) increased cropping intensity and crop yield due to improved irrigation systems; and (f) incremental tax revenues as a result of increased volume of taxable production.

2. **Unquantifiable benefits.** Improved rural infrastructure and enhanced value chains are expected to boost economic activities including trade and employment. However, principal increases in incomes would be largely dependent on farmers/rural entrepreneurs' willingness to move towards commercially viable agriculture by adopting better farm management practices thereby improving their market access, supporting marketing linkages, and generally creating a favourable economic environment that encourages farmers/rural entrepreneurs to produce more competitive products.

3. Institutional development and capability building inputs that will be provided by the Project are the non-quantified direct benefits. These inputs do not only capacitate the Project implementers in carrying out the objectives and goals of PRDP, but will also empower the communities so that they can be economically self-reliant in the long term. Likewise, capacitating the local government units in the devolved delivery of agricultural services, coupled with enhancements in their governance reforms, will improve the governance of the existing leadership.

4. In the context of climate change and other related natural disasters, the soft investments from PRDP will enhance the joint management of proponent LGUs and the communities in critical biodiversity areas. This will enhance the local mechanism and promotion and adaption of appropriate technologies in conserving, rehabilitating and utilizing natural resources in coastal, marine and terrestrial habitats.

5. **Key Assumptions:** The parameters for the models are based upon the information on the production systems gathered during the design missions: interviews with farmers and entrepreneurs, a review of available documents and statistics as well as information from the on-going World Bank projects. In particular, information on labour and input requirements for various operations, capital costs, prevailing wages, yields, farm gate and market prices of agriculture produce and rural infrastructure costs were collected. Conservative assumptions were made both for inputs and outputs. The models show only incremental revenues (incomes) and costs generated by the new investment.

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<sup>39</sup>Detailed physical and financial parameters for the demonstrated models are available in the project file: PRDP Economic and Financial Analysis

6. **Prices.** Prices of commodities/inputs reflect annual average and those actually paid/received by the farmer/entrepreneur. These were collected from the national statistics, feasibility studies, FAOSTAT and the World Bank's Global Commodity Price Projections. Estimates for the infrastructure costs were based on those of similar types made under the WB financed MRDP2. All prices were expressed in current 2012 level. A simulation of the effect of price changes to the project viability was imputed in the sensitivity analysis.

7. **Taxes.** In line with the current Government policy, the enterprise models assume a VAT tax rate of 12% on local sales.

8. **Infrastructure Models:** Three indicative models were prepared for the rural infrastructure investments to illustrate the potential returns: (a) farm-to-market traffic and non-traffic roads; (b) rehabilitation and construction of communal irrigation systems; and (c) rehabilitation and construction of potable water supply systems.

- i) **Farm-to-Market Roads (FMR) Construction and Rehabilitation:** Two types of roads were considered in the cost-benefit analysis: the traffic and the non-traffic roads. Traffic roads are those with 50 vehicles average daily traffic while the non-traffic roads are those falling below the average daily traffic and are seasonal in usage. Of the total physical target of 2,027 km of roads, 1079 km are considered traffic, while the rest (948 km) are non-traffic roads. In addition, 780 lm (or 0.78 km) of bridges will be rehabilitated. The total population benefiting from improvement of the traffic and non-traffic roads is 1,430,863 people (or about 286,173 households). The model assumes about 94,798 ha of influence over agricultural area. The potential benefits would occur from the savings in Vehicle Operating Cost (VOC) and the reduction in transportation costs. As a result of improved access, the savings in VOC with Project would be PhP 575/ ton-km and PhP 1, 806/ton-km for traffic and non-traffic roads respectively. While the hauling cost of agricultural outputs would decrease by 40% and the transportation cost for passengers would decrease by 50%. The estimated investment cost for traffic and non-traffic roads would be PhP 11.9 billion and annual costs for road operation and maintenance are assumed to be PhP 50, 000 per kilometer of improved roads. The analysis provides IRRs of 41.7% and 34.4% over the twenty-year period for the traffic and non-traffic models respectively. NPV is PhP 4.0 million and PhP 3.4 million for the traffic and non-traffic models respectively. For both models the switching values shows that the investment would be financially viable even if benefits decreased by 45% and investment costs increased by 98%.
- ii) **Construction and Rehabilitation of Communal Irrigation Systems (CIS):** The model illustrates the possible incremental benefits that would derive from the rehabilitation (of about 22,192 hectares) and construction (of about 8,014 hectares) of irrigation facilities that will generate a total physical target of 30,206 hectares of rice paddies and it would benefit about 150,000 people in total. Increases of 30% are projected in cropping intensity (from 150 % without Project to 180% with Project) while yields from irrigated farms are estimated to increase by 75%. The investment costs estimation is about PhP 2.9 B. Annual operation and maintenance costs for CIS operation and maintenance are assumed to be PhP 700 per hectare of improved irrigation facilities. The model shows

a NPV of PhP 1.2 M over a twenty-year period and an IRR of 27.1%. The switching values show that this investment would be economically viable even if benefits decreased by 16% and investment costs increased by 65%.

iii) **Construction and Rehabilitation of Potable Water Supply Systems (PWS):** This model analyses the benefits of investing in communal potable water supply systems through rehabilitation of approximately 294 units with 58,737 households covered in total. Target PWSs for rehabilitation is 188 units (37,552 households) and for new construction is 106 units (21,185 households). The economic benefits per household are calculated by multiplying the daily timesaving and the opportunity cost of rural labor. PWS projects would improve the health status of the population in the area by reducing risks of drinking unclean water. The quantified benefits would derive also from reduction in medical expenses, reduction in morbidity and mortality incidence. The cost of this investment would be PhP 673.5 M. The estimated annual operation and maintenance cost is PhP 52.7 M. At full development the construction and rehabilitation PWS projects are expected to generate around PhP 142.7 M and PhP 217.8 M respectively of the quantified benefits annually. Based on the investments' expected internal rate of return (IRR) of 38.6% (construction) and 52% (rehabilitation) and NPV of PhP 259.8 M (construction) and PhP 459.9 M (rehabilitation), the investments would be economically viable.

**Table 14: Summary Description of the Illustrative Infrastructure Projects Financial Results and Switching Values**

Infrastructure Projects	NPV (000'US\$)	IRR (%)	Switching Values % *			
			Incremental Benefits (Inflows)	Incremental Operational Costs	Incremental Investment Costs	Incremental Outflows
Rehabilitation of Traffic Farm-to-Market Roads	97,868	41.7%	-47%	1910%	109%	103%
Construction of Non-Traffic Farm-to-Market Roads	84,028	34.4%	-45%	1987%	98%	94%
Rehabilitation and Construction of Communal Irrigation Systems (CIS)	29,411	27.1%	-16%	32%	65%	21%
Rehabilitation of Potable Water Supply	11,219	52.0%	-50%	325%	196%	122%
Construction of Potable Water Supply	6,336	38.6%	-43%	325%	123%	89%
<i>Infrastructure on Average</i>	<i>45,772.4</i>	<i>38.7%</i>	<i>-40%</i>	<i>916%</i>	<i>118%</i>	<i>86%</i>

\* The switching values show percentage by which the costs would need to rise or benefits decrease before the NPV reached zero, associated with each of the values.

9. **Enterprise Models:** Eight models were prepared to demonstrate the likely activities to be funded by the project. The models were prepared to serve as building blocks for the analysis and they were grouped as follows: *Level 1* - Cacao Intercropping, Cattle Production, and Tilapia Production; *Level 2* - Cassava Chips Production, Banana Flour production, and Coco Fiber Processing; and *Level 3* - Coco Village, and Crumb Rubber Processing. The foundation of the analysis is the interrelationships between the primary producers, infrastructure and other entities in the supply chain. These components of the commodity chain form the basis for the analysis. The financial success of one of these partners relies on the success of others in the chain. A summary of the illustrative projects is presented in Table 15 below, while details are in the project file. Table 15 shows the estimated costs and benefits, as well as financial results and switching values of the demonstrated projects.

**Table 15: Summary Description of the Illustrative Enterprise Development Sub-projects**

<b>Project</b>	<b>Objective/Outputs</b>	<b>Proposed Activities</b>	<b>Potential Benefits</b>
<i>Level 1</i>			
Cacao Intercropping (in coconut farms)	To increase cacao production by intercropping with coconuts. Cacao, a popular, stable and marketable long-term beverage crop is widely planted under and between stands of coconut trees.	Building of nursery shed; procurement and planting of cacao parent trees; grafted material for planting of 500 cacao trees in 20 hectares; investing other inputs; conducting training of farmers	Harvesting of up to 20 tons of cacao (additional to coconut production).
Cattle Production	To increase cattle reproduction in response to the growing demand for live cattle in local area.	Procurement of base herd, building of shed and fence; pasture development (base herd of 60 cows and 15 bulls with 20-hectare developed forage).	Livestock sales would be about 38 heads per year.
Tilapia Production	To develop aquaculture (tilapia production). Considering the unutilized area suitable for aquaculture and the increase in demand for tilapia in the on local market.	Construction of 5-hectare earthen pond with 3 maximum cropping per year; equipment procurement and setting up; fingerling procurement; feeding and harvesting; maintenance and other works.	Harvesting up to 280 tons of fresh fish per year.
<i>Level 2</i>			
Cassava Chips Production	To resolve a major constraint among farmers to engage in cassava production which is the lack of an assured cassava supply contract with an industrial buyer at a premium price.	Warehouse, dryer and other facilities construction; equipment procurement and setting up; sales of processing and marketing services.	Processing of 312 tons of cassava of local farmers and providing them with marketing services.
Banana Flour production	The project is to increase banana processing capacity by installing a mechanical dryer. It will reduce the fungal and bacterial contamination on the banana flour product.	Building construction; equipment procurement and setting up; sales of banana flour.	Processing up to 600 tons of banana (including banana rejects from local farmers).

<b>Project</b>	<b>Objective/Outputs</b>	<b>Proposed Activities</b>	<b>Potential Benefits</b>
Coco Fiber Processing	The project is to increase coco processing capacity. The main products are coir fiber and coco peat which comes from the abundant husk of the locality. The project would generate jobs and employment and increase coconut farmers' income.	Building construction; equipment procurement and setting up; sales of coco coir and peat.	Processing of about 7.6 million of coco husks per year.
<i>Level 3</i>			
Coco Village	To develop coco value chain and increase multi-product processing facility with full market integration. The main products are of whole coconut milk; coconut water; ground coconut meat and coco shell.	Building construction; various equipment procurement and setting up; coco processing and sales.	Annual sales of about 1,700 tons of coco processing products. Involving in coco value chain a number of farmers and contractors. The project would generate jobs and employment and increase coconut farmers' income.
Crumb Rubber Processing	To establish a processing facility with marketing support system and full market integration.	Building construction; various equipment procurement and setting up; crumb rubber processing and sales.	Increasing production of quality natural crumb rubber. Employment generation and sustained income for rubber growers and farm workers. Contribution to development of a competitive rubber industry sector.

**Table 16: Enterprise Models – Financial Results**

<b>Enterprise Projects</b>	Total Estimated Costs US\$ '000	Annual Net Benefits (US\$'000)			Incr. annual net benefits per US\$ 1 of investment	FIRR (%)	NPV US\$ '000	BCR
		Without Project	With Project - Full Development	Incremental				
<i>Level 1</i>								
Cacao Intercropping	12.7	0.0	31.4	31.4	2.48	89.7%	89.5	9.5
Cattle Production	44.8	0.0	13.9	13.9	0.31	18.0%	8.6	2.9
Tilapia Production	86.4	0.0	142.6	142.6	1.65	71.9%	373.8	1.6
<i>Subtotal Level 1</i>	<i>143.8</i>	<i>0.0</i>	<i>187.9</i>	<i>187.9</i>	<i>1.48</i>	<i>59.9%</i>	<i>157.3</i>	<i>4.7</i>
<i>Level 2</i>								
Cassava Chip Production	49.6	0.0	26.3	26.3	0.53	54.6%	71.1	2.2
Food Grade Banana Flour	57.6	0.0	19.9	19.9	0.34	25.5%	22.6	1.6
Coco Fiber Processing	44.4	0.0	25.5	25.5	0.57	50.2%	60.1	1.5
<i>Subtotal Level 2</i>	<i>151.6</i>	<i>0.0</i>	<i>71.6</i>	<i>71.6</i>	<i>0.48</i>	<i>43.4%</i>	<i>51.3</i>	<i>1.8</i>
<i>Level 3</i>								
Coco Village	390.0	0.0	387.7	387.7	0.99	25.0%	367.9	1.2
Crumb Rubber Processing	392.7	0.0	120.7	120.7	0.31	25.8%	192.4	1.1
<i>Subtotal Level 3</i>	<i>782.7</i>	<i>0.0</i>	<i>508.4</i>	<i>508.4</i>	<i>0.65</i>	<i>25.4%</i>	<i>280.2</i>	<i>1.1</i>
Enterprise Average	134.8	0.0	96.0	96.0	0.90	45.1%	148.3	2.7

10. **Economic Analysis:** NPV=US\$ 193.2 million; ERR =20.7% .The period of analysis is 20 years to account for the phasing periods of the proposed interventions. The scenario presented in the economic analysis is conservative.

11. **Benefit Stream.** The analysis attempts to identify quantifiable benefits that relate directly to the activities undertaken following implementation of the components, or that can be attributed to the project's implementation. Price estimates for tradable commodities have been based on the World Bank's Global Commodity Price Projections. All local costs were converted into their approximate economic values using a Standard Conversion Factor (SCF) of 0.9, Foreign Exchange Premium Factor of 1.15 for traded goods or components, and a Shadow Wage Rate Factor of 0.6 for unskilled labor was also applied, consistent with the National Economic and Development Authority – Investment Coordination Committee (NEDA-ICC) standards. The derivation and a summary of economic prices are presented in Annex 1. All values are given in constant 2012 prices. The incremental quantifiable benefit stream comprises of two main elements: (a) livelihood and entrepreneurial projects (Enterprise); and (b) rural infrastructure projects (Infrastructure). The illustrative models described above have been used for the calculation of the overall benefit stream, on the basis of economic prices.

12. In calculating the overall benefits from the livelihood and entrepreneurial projects (Enterprise projects), the following were taken into account: (a) an 80% success rate was applied to the overall model; (b) allowing the illustrative examples as a reasonable assumption of the investments likely to be implemented, an estimated average incremental annual net benefit per US\$ 1 of investments is used. In particular, an average indicator for the incremental annual net benefits per US\$ 1 of investments equals to US\$ 0.90; (c) no financing flows have been undertaken in the calculations as they represent transfer payments (subsidies and taxes). Given the demand-driven nature of Enterprises, it would be difficult to calculate the number of beneficiaries reached. However, based on the illustrative models, it is estimated that about 54,272 direct and 217,000 indirect beneficiaries would be reached under this component assuming that around 32 people would be employed per each US\$ 100,000 of Enterprise investment amount.

13. In calculating the overall benefits from the Infrastructure investments, the following were considered: (a) The overall incremental net benefits deriving from the all component investments, particularly from improvement of farm-to-market traffic and non-traffic roads, rehabilitation and construction of communal irrigation systems, and (rehabilitation and construction of potable water supply systems, and (b) no financing flows have been undertaken in the calculations as they or represent transfer payments. It is estimated that the rural infrastructure investments would directly reach in total about 356,910 households, or about 1,874,548 beneficiaries (including about 926,964 women).

14. **Cost Stream.** The incremental economic costs have been calculated by the removal of price contingencies, exchange rate premium and taxes/duties. Investments for each type of projects are based on the latest standard cost parameters set by the Department of Public Works and Highways (DPWH) for roads and bridges, the Department of Interior and Local Government (DILG) for potable water supply, the National Irrigation Administration (NIA) for the communal irrigation and the Department of Agriculture for most of the Enterprise projects.

**Annex 6: Operational Risk Assessment Framework (ORAF)  
Philippines: Philippine Rural Development Project (P132317)**

Project Stakeholder Risks						
Stakeholder Risk	Rating	Substantial				
Risk Description:	Risk Management:					
<p>A. Concerns still persist within some offices/programs/units within the DA Central Office, as to how the devolved planning and budgeting process would impact on their programs, although recognition of the merits of the devolved approach is growing. Some DA-RFUs may also be slow to fully embrace the adjustments needed, especially in light of their experience with the past “top-down” way of doing business.</p>	<p>A. The risks associated with resistance and/or slow uptake of the institutional reforms in the DA on which PRDP is built on, appear to be diminishing as preparation proceeds. Nevertheless, the reforms have not yet been fully internalized and old ways of doing business persist, especially in some of the central office units, regional offices, bureaus and attached agencies. DA management continues to be proactive in explaining and instituting the shift from centralized, top-down planning and decision-making, towards greater roles for the DA regional offices in planning, resource allocation, implementation and budget execution. Planning and budget guidelines have already been modified to reflect the devolved approach and will be further refined under the PRDP. The PRDP Feasibility Study submitted by the DA to the NEDA ICC is quite clear on the commitment of the DA management to implement the reforms under PRDP. DBM also now downloads approved DA budgets directly to RFUs. The AFMP process has already been rolled out across all 16 regions, and the use of the value chain approach and commodity road maps have been initiated, beginning 2012. PRDP pilots for Local and National Planning and Enterprise Development sub-projects will be done in the next six months through a “learning-by-doing mode”.</p>					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Client		Implementation	<input type="checkbox"/>		
<p>B. Provincial LGUs, particularly, in Luzon and the Visayas which have not participated in MRDP2 will have varying capacities to implement sub-projects. A related risk would be the possibility of political bias which may result in some municipalities being bypassed by the Province in identifying where sub-projects are to be implemented.</p>	<b>Risk Management:</b>					
	<p>B. Political factions between Provincial and Municipal LGUs are a reality. However, the use of the Value Chain approach in identifying interventions and their spatial parameters will provide a technical basis where investments should be made. The key mitigating factor, based on the experience from MRD2 would be the strict use of the criteria in the Operations Manuals which keep the focus on technical issues. Another mitigating factor is that stakeholder consultations are part of the process in formulating</p>					

Project Stakeholder Risks					
Stakeholder Risk	Rating	Substantial			
Risk Description:	<b>Risk Management:</b>				
	Provincial Commodity Investment Plans (PCIPs). Continuous training through learning-by-doing is also included in the project for staff assigned to the Provincial Project Management and Implementation Units (PPMIUs). As experience under MRDP 2 has shown, LGUs can quickly come up to speed in terms of procedures when sufficiently motivated to do so (i.e., when they find the cost-sharing terms and sub-projects to be supported are particularly attractive and responsive to their local development needs and priorities).				
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>
	Client		Implementation	<input type="checkbox"/>	
C. The focus on small-scale producers and the proposed clustering of producer groups, many of which are informally organized, could pose risks in a number of areas such as: (a) risks of elite capture or political bias; (b) risks associated with providing funds to informal groups; and (c) risks of poor performance or use of funds in a manner inconsistent with the purpose for which they were provided.	<b>Risk Management:</b>				
	C. Several risk mitigating approaches have been incorporated in the design of the project, based on the experience in implementing MRDP2. Firstly, funds through the Enterprise Development Component's Enterprise Support Fund (ESF) would be provided only to associations/entities with a legal basis. Funds for otherwise eligible groups/enterprises without a legal basis would be provided through Memoranda of Agreements with a lead enterprise (with a legal entity) receiving the funds. Secondly, the Operations Manual is specific as to the development and evaluation of business plans, as well as terms and obligations of the recipients of the funds. Thirdly, close monitoring would be undertaken through the RPCOs for the project. Poor performance and/or non-viability of enterprises are grounds for the PLGU repossessing the private capital good and reassigning it to other enterprises. Fourthly, the amounts to be provided to enterprises are relatively small (PhP 1M to PhP 10M or US\$ 25K to US\$ 250K). It should also be noted that similar risks identified have not proven to be problematic in the implementation of similar (although smaller) CFAD sub-projects under MRD2.				
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>
	Client		Implementation	<input type="checkbox"/>	

Project Stakeholder Risks						
Stakeholder Risk	Rating	Substantial				
Risk Description:	<b>Risk Management:</b>					
D. Other Stakeholders: The main risks relate to the extent to which the private sector will be actively engaged in helping to identify gaps as well as support needed to strengthen the priority value chains. Such risks relate to DA and Provincial LGUs experience in engaging with the private sector and the extent to which the private sector would be willing to expand their investments based on what they perceive as the likely outcome of PRDP. Other stakeholder risks relating to NGOs, donors, state universities and other technical service providers are not seen as significant as their stated goals and interests are quite consistent with those of PRDP, as confirmed by the nationwide institutional and stakeholder assessments done for the project.	D. The main mitigating factor will be the focus on supporting infrastructure based on the strengthening of the value chains for key commodities. Such investments would be directly supportive of the kinds of public investment the private sector has been advocating for many years, and there is a built-in incentive for the private sector to be proactive with PLGUs in influencing where such investments should be made. While DA personnel have typically less experience/motivation to engage with the private sector, the PLGUs do have political and vested interests to do so. That said, some reticence can be expected by the private sector based on past poor experiences in trying to partner with Government (both national and local), although this will undoubtedly vary from region to region. This aspect will be closely monitored during project implementation.					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Client		Implementation	<input type="checkbox"/>		

Implementing Agency (IA) Risks (including Fiduciary Risks)		
Capacity	Rating	Substantial
Risk Description:	<b>Risk Management:</b>	
The change in business processes for the DA to be rolled-out under PRDP, will need a substantial gearing-up of staff capacity, particularly in the new PSOs and RPCOs. The main risks are in regard to Procurement, Financial Management and working with PLGUs in developing Provincial Commodity Investment Plans. The latter should properly reflect the strategies in the Regional AFMPs and be done in a manner consistent with the guidelines and criteria set out in the Operations Manuals.	<p>The design of the PRDP and pre-implementation actions are very much focused on the issues and risks relating to capacity as summarized below (Further details are provided in Annex 4):</p> <p>On Staffing: Special Orders assigning staff for the National Program Coordinating Office (NPCO) have already been issued. Special Orders for the staffing of the Program Support Offices (PSOs) for Visayas and Luzon, as well as the 16 Regional Program Coordinating Offices (RPCOs) will be issued prior to appraisal. Personnel assigned to the NPCO, PSOs and the RPCOs have already been mobilized since October 2012.</p> <p>On Fiduciary Procedures: Procurement and FM capacity assessments have been completed and specific improvement steps have been agreed and are being implemented</p>	

Implementing Agency (IA) Risks (including Fiduciary Risks)		
Capacity	Rating	Substantial
Risk Description:	<b>Risk Management:</b>	
	<p>as scheduled (see Annex 4, FM and Procurement sections). Both the procurement and FM assessments show that the DA has the capacity and experience to comply with the Bank's requirements. The PRDP would use the same financial management and audit system (separate books of accounts) currently being used in MRDP2. COA has never rendered any adverse finding on MRDP2 financial transactions.</p> <p>On Training: Formal training on procurement and on specialized subjects (such as geo-tagging) is underway. Learning-by-doing among DA regional staff from non-Mindanao regions have been done through secondment of procurement staff to the MRDP for a few months. Additional formal training courses on project management had started in the second semester of 2013. Likewise, FM training has been underway since second semester 2013. Key staff has been up to speed by the second semester of 2013. Training for Provincial LGUs has been initiated in 2013. Criteria for PLGU participation are clear as to the need for such training, as well as the need to assign adequate staff to PPMIUs.</p> <p>On Implementation: The DA is well advanced in the preparation of the Operations Manuals (OMs), which provide in detail the guidelines and criteria for PRDP implementation for each component. The design of the OMs is based on the Manuals used under MRDP2. Refinements on the OMs are currently being done through a broad consultative process involving staff from all regions of the DA to build ownership, promote greater understanding and further refine the OM details in accordance with the new features and enhancements of the design and approach of the PRDP. Pre-implementation pilots (at least one per region) have been initiated in June 2013 and the experience has been used in refining the OMs in preparation for full PRDP start-up following loan approval.</p> <p>On Resources: The FY budget for the DA in 2013 was around PhP 77 billion (US\$ 1.9 billion). The PRDP loan of US\$ 501.25 million spread over six years therefore amounts to less than 5% of DA's anticipated annual budget. To the extent the PRDP remains a flagship program of the DA and continues to have the strong support from DA management, resources in absolute terms will not be the constraint. The main risk is that</p>	

Implementing Agency (IA) Risks (including Fiduciary Risks)					
Capacity	Rating	Substantial			
Risk Description:	<b>Risk Management:</b>				
	DA bureaus will not realign their budgets to fully support the goals of PRDP. To mitigate this risk, a system of Program Agreements used under MRDP would be used to “contract” DA bureaus and attached agencies for the first two years of the project in order to give some time for the planning and budgeting processes to evolve, enabling them to realign their work plans and budgets in support of PRDP and the needs of the RFUs and the LGUs.				
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>
	Client		Implementation	<input type="checkbox"/>	

Implementing Agency (IA) Risks (including Fiduciary Risks)					
Governance	Rating	Substantial			
Risk Description:	<b>Risk Management:</b>				
The PRDP has been declared by DA management as a “flagship” program to be rolled-out nationwide. Risks of ownership, commitment, decision making and accountability under the current management are considered minimal. Backsliding on commitments could be a risk if the management was to change, and especially if commodity programs were allowed to revert to old practices of setting targets nationally, restoring input subsidies, working at cross-purposes with each other and withdrawing from implementing projects in partnership with LGUs.	The risks of governance issues within the DA and as they relate to PLGUs in implementing the PRDP are increasingly diminishing as pre-implementation of the PRDP gathers momentum. A high degree of staff, unit/bureau and attached agency support has developed through an active program of institutional and stakeholder assessments, workshops and briefings. This high level of ownership for the PRDP is built on a broad consensus within the DA, oversight agencies and at the Provincial LGU level (particularly in Mindanao), that the approach developed under MRDP2 has been successful in addressing long sought after support for higher incomes, job creation and overall rural economic development. Regional Directors have been made accountable for projects and this has been backed up by DBM which now downloads budgets directly to RFUs. These factors collectively mitigate the risk that back-sliding on commitments could occur if the management of the DA was to change. Under the PRDP, such risks should be increasingly mitigated as the project begins to show results on the ground and as demand grows for support from PLGUs outside Mindanao. Also, under Project Implementation Support Component, the focus will be on institutionalizing the PRDP approach through the harmonization of procedures and approaches across DA units/bureaus and attached agencies.				

Implementing Agency (IA) Risks (including Fiduciary Risks)						
<b>Governance</b>	<b>Rating</b>	<b>Substantial</b>				
<b>Risk Description:</b>	<b>Risk Management:</b>					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Client		Implementation	<input type="checkbox"/>		
	<p>The strict compliance with procedures laid down in the Operations Manuals would mitigate risks, as has been demonstrated in 12 years of implementing MRDP without any serious cases of fraud and corruption. There would be continued monitoring of compliance with the Government Procurement Reform Act of 2003 (RA 9184). Effective MRDP procurement practices would be continued, such as electronic posting and downloading of the Bidding Documents, regular contractors' meetings, strict adherence to procurement rules, and geo-tagging /GPS for the identification, selection, approval, and implementation supervision of all sub-projects. Close supervision especially of procurement and FM requirements is also planned during regular supervisions missions and follow ups during implementation. Details of this are given in Annex 7 (Implementation Support Plan).</p>					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Client		Implementation	<input type="checkbox"/>		

Project Risks		
<b>Design</b>	<b>Rating</b>	<b>Substantial</b>
<b>Risk Description:</b>	<b>Risk Management:</b>	
<p>Risks in the project design relate mainly to the implementation details in regard to how the institutional reforms are to be implemented. The risks are amplified by the nationwide scope of the PRDP which undoubtedly can be expected to be adopted faster and better by some RFUs than others. In particular, the need to focus on all aspects of the value chain, rather than just production, is an area of inherent weakness in the DA. The main risks relate to how</p>	<p>The risks outlined have each been addressed in the design of the PRDP, and equally important, the design incorporates mechanisms that would enable refinement of procedures and processes as experience with implementation evolves. This is a substantial focus in view of the fact that PRDP would roll-out a new way of doing business for the DA. The Local and National Planning component focuses on providing technical assistance and studies to facilitate and enhance the new regional and provincial planning and programming approach, especially the need to focus on all aspects of the value chain with which the DA has generally had limited experience (i.e., production to</p>	

Project Risks					
<b>Design</b>	<b>Rating</b>	<b>Substantial</b>			
<b>Risk Description:</b>	<b>Risk Management:</b>				
the Regional AFMPs are formulated, how priority commodity chains are identified and the processes through which infrastructure and small-scale producer support are developed and supported under Provincial Commodity Investment Plans (PCIPs).	processing). The PRDP will focus on institutionalizing the new approaches across DA units, bureaus and attached agencies. The design has been informed by a countrywide Institutional and Stakeholder Assessment (see Project Files), and by DA-wide workshops that have developed a comprehensive OMs through which the project would be implemented. Another risk mitigating measure for the design would be the validation of these OMs through Local and National Planning Component, and Enterprise Development Component pilots (one per region). The design also provides for the PRDP to be phased-in to provide for experience and capacity to evolve. Local and National Planning Component would be implemented nationwide from the first year to enhance capacity. Infrastructure Development and Enterprise Development Components would be implemented in Mindanao (extension of MRDP2) during the first two years of the project. Central Philippines and the rest of the country would be phased in as capacity and readiness permit.				
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>
	Client		Implementation	<input type="checkbox"/>	

Project Risks		
<b>Social and Environmental</b>	<b>Rating</b>	<b>Moderate</b>
<b>Risk Description:</b>	<b>Risk Management:</b>	
The project triggers seven (7) safeguard policies: i) Environmental Assessment (OP/BP 4.01), ii) Natural Habitats (OP/BP 4.04), iii) Pest Management (OP/ BP 4.09), iv) Forests (OP/BP 4.36), (v) Involuntary Resettlement (OP/BP 4.12), vi) Indigenous Peoples (OP/BP 4.10), and vii) Safety of Dams (OP/BP 4.37). It is categorized as Environmental Category B. The risks are however expected to be localized, temporary and manageable based on the MRDP2 experience, where similar sets of sub-projects have been financed.	The MRDP 2 environmental and social safeguards frameworks have been updated, enhanced and consolidated into an Integrated Environmental and Social Safeguards Framework (IESSF) for use in PRDP to ensure that PRDP sub-projects meet the following criteria: (a) compliance with the general policies pertaining to types and locations of sub-projects; (b) conformity to the technical guidelines and specifications; (c) securing Environmental Compliance Certificates from DENR for sub-projects covered under the Philippine Environmental Impact Statement System; (d) presence of social and environmental assessments and environmental and social management plans (ESMPs) as part of the sub-project feasibility studies; and (e) compliance with the requirements of the World Bank policies on Natural Habitat, Forest, Pest Management,	

Project Risks							
Social and Environmental		Rating	Moderate				
Risk Description:		Risk Management:					
		<p>Involuntary Resettlement and Indigenous Peoples. In addition, the frameworks also set out the condition that the PRDP will not support sub-projects involving conversion of critical natural habitats and encroachment into protected areas. It will instead promote, under the Enterprise Development component, sub-projects that conserve and protect natural habitats such as reforestation and establishment of fish sanctuaries. The project will also promote and finance the adoption of Integrated Pest Management under the DA's KASAKALIKASAN program, which has been successfully implemented nationwide through the Farmer Field Schools. Finally, the project will not support any rehabilitation and/or construction of dams above 15 meters in height. It will support small dams and water impoundments provided that these small dams are designed by qualified engineers and that generic dam safety measures and dam safety plans are prepared and implemented.</p> <p>Infrastructure Development Component rural infrastructure sub-projects may entail moving some structures, acquisition of land for the right of way as well as occasional damage to standing crops or properties. In some Enterprise Development sub-projects, access to traditionally open-access resources may become restricted. The Land Acquisition, Resettlement and Rehabilitation Framework which was used effectively under MRDP2 had been updated for adoption under PRDP. Indigenous Peoples, on the other hand, maybe affected by infrastructure sub-projects that are located in areas where IP communities are present. The policy of prior informed consultation and broad-based community support is unlikely to be a problem in sub-project sites where IPs are the majority and where sub-projects are solicited by the IP communities themselves. However, in sub-project sites where IPs are the minority, broad-base support by IPs will need to be secured. The IP Policy Framework used effectively under MRDP2 has been updated and adopted for PRDP.</p>					
		Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
		Client		Implementation	<input type="checkbox"/>		

Project Risks

<b>Program and Donor</b>	<b>Rating</b>	<b>Low</b>			
<b>Risk Description:</b>	<b>Risk Management:</b>				
A number of donors provide (or are providing) support to the DA from time to time. (e.g., ADB-IFAD project in the Cordilleras, GEF- PhilCCAP, Bilateral grants from Korea, US, Japan, China, etc.). Past tendencies of donors/partners to design different approaches for the DA to engage with farmers, LGUs etc., is not conducive to institutional strengthening.	The AFMP is to be the platform through which the DA intends to support the modernization of the agriculture sector. DA management sees the PRDP as its vehicle for rolling out reforms across the DA institution. As such, DA now intends to ensure that all donor and partner support is consistent with the approach being implemented through the PRDP. To consolidate this, PRDP will assist in the mainstreaming of the approach across the DA.				
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>
	Bank		Implementation	<input type="checkbox"/>	

Project Risks		
<b>Delivery Monitoring and Sustainability</b>	<b>Rating</b>	<b>Moderate</b>
<b>Risk Description:</b>	<b>Risk Management:</b>	
The nationwide scale of the PRDP, dispersed nature of investments and peace and order in some project sites could pose some difficulties and risks for M &E as well as sustainability of some investments.	The M&E system developed and implemented effectively under MRDP2 would again be followed which would mitigate the procedural risks. Moreover, M &E reports from PSOs would be aggregated by the National Program Coordination Office (NPCO) and used as a basis for quarterly management meetings with the PSOs and RPCOs, ensuring M&E feedback is used to inform management decisions and enhance sustainability. Several innovative M&E tools would also be introduced to help make better planning decisions, and thereby also enhance sustainability of investments. An interactive publicly accessible web-based Geographic Information System (GIS) will also be developed to map PRDP-financed activities at the country level with specific project activity sites pin-pointed. This will be overlaid with local agricultural and socio-economic data. This geo-referenced data will be used for the Value-Chain Analysis and to monitor operational results. This would held decision making and also contribute to improving transparency for stakeholders. A publicly accessible web-based platform (“Geo-Stories”) will also be developed to convert data on projects into interesting stories as part of the PRDP M&E and communication efforts. This together with a web- and SMS-based citizen feedback loop for complaints, suggestions and opportunities for communities to exchange best practices would also contribute to enhancing the quality	

Project Risks					
<b>Delivery Monitoring and Sustainability</b>		<b>Rating</b>	<b>Moderate</b>		
Risk Description:		<b>Risk Management:</b>			
		and sustainability of investments. Another user-friendly V&A tool is to be developed by BSWM under the project for use by planners, policy and project implementers. The Vulnerability and Suitability Assessment (VSA) tool will allow the modeling of factors such as land suitability for crop and fishery production; adaptive capacity of municipalities based on income and infrastructure levels as well as frequency of extreme weather events. The VSA tool would also be used to enable an assessment and ranking of the PRDP target municipalities, again as a means to enhance sustainability of investments. As part of the process, paper maps will be converted to standard digital GIS formats and made accessible online for the various units, bureaus and attached agencies of the Department. The use of the geotagging technology will also help in ensuring regular monitoring and supervision of sub-projects, even in hard to reach remote project-assisted areas.			
<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
Client		Implementation	<input type="checkbox"/>		

Overall Risk			
<b>Overall Implementation Risk:</b>		<b>Rating</b>	<b>Substantial</b>
Risk Description:			
<p>The risks for implementation are still considered Substantial in light of the scope and scale of the project, and because of the importance of continuing and sustaining strong institutional and management commitment and support for the project. The project design includes many features that should in fact reduce implementation risks if the high level of management and institutional commitment to the project is sustained. Among such risk mitigating factors are: (a) the Operations Manuals (OMs) have been updated through a broad consultative process within DA that has built ownership and commitment; (b) the OMs contain specific and manageable operational criteria and guidelines; (c) pre-implementation pilots are to be initiated in the first semester of 2013 (at least 1 per region) which would provide an opportunity for learning-by-doing; (d) appointment, mobilization and training of key staff is already well advanced; (e) tools have been developed and staff are being trained to use science-based data as a means for prioritizing investments; and (f) PRDP implementation would be done through use of regular government officials and staff who have clear accountabilities in key implementation positions.</p>			

## **Annex 7: Implementation Support Plan Philippines: Philippine Rural Development Project**

### **Implementation Support Strategy**

1. The Bank's implementation support strategy for the project reflects the key implementation risks identified in the ORAF. Risks considered to be substantial relate to: (a) stakeholder constraints, mainly due to their capacity *vis-à-vis* the scale of the project; (b) capacities of both the Department of Agriculture and Provincial staff, where substantial gearing-up will be needed; and (c) design issues due to the project being national in scope and requiring a new way of doing business for the Department of Agriculture. Mitigation measures to address these risks are integrated into various project design features, and targeted technical assistance has been provided (see Annex 2). In addition, special monitoring arrangements will be put in place with regard to the institutional reform elements in the design of the project, recognizing the prevailing capacity and stakeholder constraints.
2. In light of the above, and the considerable experience acquired by the Bank in supervising the MRDP projects over the past decade, a number of steps have been taken as part of project preparation to facilitate implementation, and particularly to avoid "start-up" delays.
3. These include the following:
  - a) Extensive stakeholder consultations and briefings have been conducted as part of an Institutional and Social Assessment from which feedback has contributed to the design and identified areas needing attention and training;
  - b) Appointment of key staff the Project Support Offices and Program Coordination Office have been completed;
  - c) Procurement and Financial Management assessments have been conducted for the key implementing agencies/units to determine the soundness of the financial management and procurement systems. Capacity issues identified have been followed up;
  - d) Training programs responding to the capacity issues in Procurement, Financial Management and Safeguards have been agreed, and undertaken for the PSO and RPCO staff, with a view to having sufficient capacity in-place for the start-up of the project;
  - e) Consultations have been held with all 16 RFOs of the Department of Agriculture on the project design, the Operations Manuals and guidelines. This has been complemented by an ongoing program of Department of Agriculture management to reorient staff on the importance of the changes in business practices that are to be "rolled-out" under PRDP;
  - f) Spatial analyses of regional productive potential and vulnerability to extremes of weather have been completed for Mindanao and Central Philippines, and are continuing for Northern Philippines;
  - g) Initial Commodity Value Chain analyses have been conducted and 4 target Enterprise activities are to be undertaken to "learn-through-doing" and to refine the Operations Manuals as necessary;

- h) Initial RAFMPs have already been prepared for the 16 Regions of the country, following extensive training and consultations;
- i) Sub-projects (Infrastructure) eligible for retroactive financing on or after September 15, 2013 are under implementation. ; and
- j) In addition to the above special project preparation features, the project design provides for considerable technical assistance to enable and improve the skills of stakeholders in the implementation of the project. Particular tools to be used in implementing the regional AFMPs are the Value Chain Analyses, Vulnerability and Suitability Assessments, and Participatory Resource Assessment-Social and Resource Assessment (PRA-SRA). Additionally geo-tagging and geo-mapping are to be done for all investments under PRDP, both to enhance supervision and to better inform the planning process.

### **Implementation Support Plan**

4. The PRDP builds on the success of MRDP2. The complex nature, wide geographic scope and introduction of innovative concepts and tools will warrant not only close and regular monitoring by the Bank team, but close communication with the Department of Agriculture management and central units, NPCO, PSOs, RPCOs and other main project proponents. This level of involvement will be essential given the scope and scale of the undertaking, and to avert issues in a timely manner. In addition, the Bank team will need to be readily available to provide “on-demand” technical advice and support. Bank support and supervision are especially critical in the first three years of the project, as the regions in the Visayas and in Luzon refine their regional AFMPs and prepare Provincial Commodity Investment Plans (PCIPs) through joint work programming with provincial LGUs.

5. Because of the damage caused to agriculture and fisheries by the earthquake that hit Bohol in October 2013 and by typhoon Haiyan (Yolanda) which hit the eastern, central and western Visayas in November 2013, special attention will be required to ensure implementation capacity is adequate for the project in the affected areas. Additionally, implementation of the structural, personnel and operational reforms under the DA’s Rationalization Plan can be expected to impact on the implementation of PRDP. The assessment of implementation issues conducted as part of project preparation has provided a number of specific recommendations and agreements to mitigate short and medium term implementation difficulties that can be anticipated (see Project File). Key recommendations to be specifically followed-up as part of the implementation support plan would be training programs particularly in financial management and procurement, upgrading of construction standards in terms of wind load and pavement design by the NPCO, and financial management support for disaster affected LGUs by the concerned RPCOs and PSOs. Other key recommendations from the disaster assessment to be pursued to facilitate implementation would be the use of Rapid Market Assessments to identify priority commodities, rather than the more comprehensive Value Chain Analyses, reduced counterpart requirements from LGUs, broader use of service providers drawn from State Universities and Colleges, and more flexibility in the clustering of farmers for enterprise development support. For year 1 Enterprise Development projects, a number of additional short-term measures have been agreed to expedite the approval process and implementation in the typhoon and earthquake affected areas; notably the VCA and the PCIP requirements for

enterprise support, and outsourcing by RPCOs to expedite the preparation of sub-project proposals. For GEF sites, particularly in Eastern Samar, there is a need for stronger BFAR engagement and a more in-depth assessment of typhoon damage on the MPAs.

6. The Bank's implementation support plan consists of frequently scheduled supervision and monitoring missions, site visits to project areas and fiduciary compliance reviews. Since PRDP will be used extensively by Government as one of their immediate instruments for the recovery and rehabilitation of Central Philippines as a result of the devastation brought about by the earthquake and Typhoon Haiyan, there would be a need to also supervise more frequently the project activities in the affected areas for the first 3 years of the Project. In view of this, and the nationwide scope of the project, a minimum supervision budget of US\$ 160K per fiscal year would be needed. The project team intends to conduct thematic supervision missions and meet together as a team to discuss their findings with the Government and prepare the required documentation. A Mid-Term Review would be conducted after approximately 36 months of implementation to identify and implement any structural changes, such as amendments to the legal documents, reallocation of loan proceeds, or modification of the results framework. Guidance and recommendations will, as appropriate, take into account the findings of independent consultants engaged under the project. Critical technical experts will be retained during implementation to review and provide recommendations on the detailed engineering designs of sub-projects and support to enterprises as they undertake income generating initiatives.

7. Procurement would be given particular attention based on the experience in implementing MRDP2 as well as the recent instructions of the Government Policy Procurement Board and the Commission on Audit. Key aspects to be followed would be:

- a) Adoption of good MRDP2 procurement practices including electronic posting and downloading of the Bidding Documents, regular contractors' meetings, strict adherence to procurement rules, and use of geo-tagging/GPS technology and Geo-mapping.
- b) Early establishment of the NPCO, the Luzon and Visayas PSOs and RPCOs including the appointment of Procurement Specialists.
- c) Technical assistance to be provided by the Mindanao PSO for the other PSOs during the first two years of implementation including training through secondments to the Mindanao PSO for two to three months.
- d) Engagement with Provincial LGUs, rather than Municipal LGUs as under MRDP2 would enhance technical, engineering and procurement capacity. Procurement training however would be a requisite for non-Mindanao LGU participation.
- e) With the exception of Year 1, only sub-projects agreed in PCIPs should, be included in the Procurement Plan and geo-tagged in the case of Infrastructure and Enterprise sub-projects.
- f) Strict adherence to the criteria in the Operations Manuals to ensure eligibility of small-scale producer groups and to avoid "elite capture".
- g) Confine procurement under Infrastructure & Enterprise to Mindanao in the first year to provide time for capacity building in Luzon and Visayas PSOs & RPCO.

- h) Adopt calibrated procurement review arrangements. NPCO prior review threshold for Infrastructure would be US\$ 1 million for Mindanao, and the first contract per region and those contracts exceeding US\$ 300,000 for Luzon and Visayas. Thresholds will be amended as necessary based on performance of the PSOs and RPCOs as measured by Agency Procurement Compliance and Performance Indicators (APCPI).
- i) Implementation of APCPI in accordance with GPPB Resolution No. 10-12, prescribing the Government's Standard Procurement Monitoring and Assessment Tool. Activities will include: training of DA-PRDP oversight staff of the use of tool, assistance in the delivery of training program for participating LGUs.
- j) Close monitoring of the processing timeline, through APCPI, to ensure that LGU Bid evaluation Reports and Award recommendations are received by the PSOs not later than 60 days from Bid Opening and contract award are made within 90-calendar days from Bid Opening. A contract will be signed and Notice to Proceed will be issued within 30 calendar days from Notice of Award. Non-compliance by the LGUs on the timeline maybe a ground for deferment or exclusion from the project.
- k) LGUs with delayed MRDP2 sub-projects will not be allowed to initiate the bidding for PRDP until SPs within the LGU jurisdiction have been substantially completed.
- l) Review of the capacity of the construction industry to absorb work in consultation with construction industry. In parallel, a database will be developed to include the financial, manpower and equipment capacity of the contractors.
- m) A detailed review of the first 18-month procurement plan shall be conducted by technical specialists, along with the designated Procurement Specialist to ensure that contracts are packaged in an appropriate and optimum manner. Monitoring of progress should be on the basis of the annual procurement plan.
- n) Professionalization of procurement function mandated under Section 16 of RA 9184, which required that all members of the BAC (Bids and Awards Committees), BAC secretariat and others who are involved in the PRDP procurement function to be certified as procurement professionals, which will be implemented through close partnership of the DA with GPPB. Activities will include: updating of DA procurement manual, training and certification for DA staff, training and certification of LGU staff. The APCPI system will be the tool to measure the training result.
- o) Bank's post review prospective reliance on the Procurement Audit Report of COA, as part of its Annual Audit Program. COA's role as the supreme audit institution in the country is to ensure that the expenditures are proper and in accordance with the law, rules and regulations. As they are the repository of all original transaction documents, their post audit normally covers more than 50 percent of the number of transactions. Their audit goes beyond procurement as they review the effectiveness of internal controls of the agency. Activities will include technical assistance to COA in retooling its auditors who will be involved in PRDP sub-projects at the LGU levels.
- p) Implementation of innovative approach to communication with the CSOs and citizenry on how transparency in procurement is being implemented through geo-tagging, and training for CSO Observers Guide and the implementation of the CSO Registry to ensure that there is a legitimate and trained CSO down to the procuring entity level.

8. Based on the procurement assessment for the project, field visits would be conducted twice a year to carry out procurement supervision. Quarterly procurement supervisions as well as monthly virtual site visits will be done in the disaster-affected areas, to ensure close monitoring and to mitigate risks brought about by the use of emergency procurement procedures. Additionally, the following contracts would be subject to prior review by the Bank: (a) all ICBs, (b) all goods contract estimated to cost US\$ 500,000 or more; (c) all works and contracts estimated to cost US\$ 5 million or more; (d) each contract with consulting firms estimated to cost US\$ 100,000 equivalent or more; and (e) each contract to be procured and awarded under Direct Contracting or SSS method. Contracts below the review thresholds shall be subject to post review. The Bank shall carry out annual procurement post review of 20% of contracts that are not subject to prior review. The ratio will be reviewed and adjusted as required, according to the performance of the agencies.

9. Financial Management (FM) implementation support missions will be conducted twice a year focusing on the adequacy of the FM system to ensure that funds are used for the intended purposes with due regard to economy and efficiency. Based on the level of FM risks at time of FM supervision, the reviews may include any or all of the following: (a) review and verification of specific transactions; (b) review of bank reconciliations; (c) analysis of the financial statements in relation to the funds disbursed by the Bank; and (d) physical verification of structures as to existence. Desk reviews will also be conducted on a regular basis and upon submission of the annual external audit of the project and the quarterly interim financial reports (IFRs). Issues arising from these reports will be used to revise and adjust the scope of the planned FM implementation support.

**Table 17: Skills needed for implementation support**

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate (staffweeks)</i>
First twelve months	Capacity Building Support on Value Chain Analysis	Agribusiness/Value Chain Analysis	6
	Review of sub project proposals for Year 1	Economic and Financial Analysis	3
		Infrastructure Specialist (rural roads, water supply, civil engineer)	3
		Safeguards Specialists	4
	Agricultural Production Technology	Agriculture	4
	Coastal and Marine Resource Management	Fisheries/NRM	4
	Capacity Building or Training of RPCO and PRPCO (Procurement/FM, etc. safeguards)	Procurement	4
		Financial Management	4
Safeguards Specialist		4	
Technical and Procurement Review of Bidding and Outcome of Yr. 1 Sub-projects	Civil Engineer/ Infrastructure (rural roads, irrigation, water supply, civil engineer)	5	
	Procurement	4	
Enterprise Development and	Agribusiness and Enterprise Development	4	

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate (staffweeks)</i>
	Monitoring		
	Institutional Reforms	Economics, Institutional Reforms	4
	Task Team Management	Team Leadership, Project Supervision	10
Annual from Year 2 to Year 6	Conduct of monitoring and technical audits for rural infrastructure	Civil Engineering, Irrigation, Agricultural Engineering	8
	Environment and Social Safeguards capacity building and monitoring	Safeguards Supervision	8
	FM management and disbursement	Financial Management Review	4
	Procurement monitoring	Procurement Review	5
	Coastal and Marine Resource Management	Fisheries/Natural Resource Management	4
	Agricultural Production Technology	Agriculture	4
	Value Chain Analysis and Capacity Building	Value Chain Analysis	4
	Enterprise Development and Capacity Building	Agribusiness and Enterprise Development	4
	Institutional Analysis and Reforms	Economics, Institutional Reform	6
	M&E Systems	M&E and MIS	4
	Applied Capacity Building on Geospatial Systems	Geospatial Analysis	4
	Task Team Management	Team Leadership , Project Supervision	12

## Annex 8: Team Composition

### Philippines: Philippine Rural Development Project

World Bank Staff and Consultants who worked on Project Preparation

Name	Title	Unit
Carolina V. Figueroa-Geron	Lead Rural Development Specialist	GAGDR
Felizardo Virtucio	Operations Officer	GAGDR
Christophe Crepin	Practice Leader, Environment	GENDR
Hanif Rahemtulla	Governance and Geospatial Specialist	EACPF
Bernardita Ledesma	Operations Analyst	GPSOS
Josefo Tuyor	Senior Operations Officer	OPSOR
Noel Sta. Ines	Senior Procurement Specialist	GGODR
Tomas Sta. Maria	Financial Management Specialist	GGODR
Danielle Malek Roosa	Senior Counsel	LEGES
Manush Hristov	Senior Counsel	LEGES
Chau-Ching Shen	Senior Finance Officer	CTRLN
Miguel-Santiago da Silva Oliveira	Senior Finance Officer	CTRLN
Shobha Shetty	Sector Manager, Rural Development	GAGDR
Susanne Holste	Lead Social Development Specialist	GURDR
Randall Brummett	Senior Fisheries Specialist	GENDR
Maria de Fatima Amazonas	Senior Rural Development Specialist	GAGDR
Reinaluz Ona	Team Assistant	EACPF
Mildren Penales	Program Assistant	EACPF
Geraldine Bacani	Program Assistant	EACPF
Kairat Nazhmidenov	Project Economist	WB-FAO CP
Ismael Tabije	Rural Infrastructure Engineer	WB-FAO CP
Douglas Forno	Institutions Specialist	Consultant
Rahul Raturi	Rural Development Specialist	Consultant
Flordeliza Lantican	Agribusiness Marketing Specialist	Consultant
Ines Bagadion	Social Development Specialist	Consultant
Cora Aragon	Agricultural Economist	Consultant
Emilia Santos-Yap	Fisheries Post-Harvest and Marketing	Consultant
Luningning Bondoc	Project Development Specialist	Consultant
Jonas Bautista	Environmental and Social Safeguards Specialist	Consultant
Gilbert Braganza	NRM Specialist	Consultant
George Stirrett-Wood	Environment Specialist	Consultant
Joey Gatus	Coastal Resource Management Specialist	Consultant

