



Grant Assistance Report

Project Number: 44359
November 2012

Proposed Grant Assistance
Republic of the Philippines: Agribusiness
Development Assistance for Smallholders in
Mindanao
(Financed by the Japan Fund for Poverty Reduction)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 14 November 2012)

Currency Unit	–	peso (P)
P1.00	=	\$0.024
\$1.00	=	P41.145

ABBREVIATIONS

AAIIBP	–	Al Amanah Islamic Investment Bank of the Philippines
ADB	–	Asian Development Bank
ACSP	–	Agricultural Credit Support Project
ARB	–	agrarian reform beneficiary
ARC	–	agrarian reform community
ARCP	–	Agrarian Reform Communities Project
ARMM	–	Autonomous Region in Muslim Mindanao
DAR	–	Department of Agrarian Reform
DBP	–	Development Bank of the Philippines
GIU	–	grant implementation unit
JFPR	–	Japan Fund for Poverty Reduction
JICA	–	Japan International Cooperation Agency
LBP	–	Land Bank of the Philippines
LGU	–	local government unit
NGO	–	nongovernment organization
WFP	–	World Food Programme

NOTES

- (i) The fiscal year of the Government of Philippines ends on 31 December.
- (ii) In this report, "\$" refers to US dollars, unless otherwise stated.

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JAPAN FUND FOR POVERTY REDUCTION (JFPR)

JFPR Grant Proposal

I. Basic Data	
Name of Proposed Activity	Agribusiness Development Assistance for Smallholders in Mindanao
Country	Republic of the Philippines
Grant Amount Requested	\$2.0 million
Project Duration	3 years
Regional Grant	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Grant Type	<input checked="" type="radio"/> Project / <input type="radio"/> Capacity building

II. Grant Development Outcome and Expected Key Performance Indicators

Grant development outcome: Sustainable agribusiness support for smallholder development in Mindanao.
Expected key performance indicators: By 2016: (i) at least 2,000 individual smallholders (from 0 in 2012) receiving technical and financial support for their agribusinesses; (ii) at least 5% annual increase in profitability of the agribusiness investments funded for smallholders (from 0% in 2012); and (iii) apex institution is ready and viable to serve more smallholders (from 2,000 in 2016).

III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures

Category		Amount of Grant Allocated in \$	Percentage of Expenditures
1.	Consulting services	424,929	21.2
2.	Equipment and supplies	4,535	0.2
3.	Training, workshops, studies	211,200	10.6
4.	Management and coordination costs	63,217	3.2
5.	Financing support for smallholders	1,100,000	55.0
	Subtotal	1,803,881	90.2
6.	Contingency	196,119	9.8
	Total Project Cost	2,000,000	100.0
	ADB incremental cost	75,000	

Source: Asian Development Bank staff estimates.

JAPAN FUND FOR POVERTY REDUCTION

**JFPR Grant Proposal
Background Information**

A. Other Data	
Date of Submission of Application	18 January 2012
Project Officer	Agustina Musa, Financial Management Specialist
Project Officer's Division, E-mail, Phone	Southeast Asia Department, Office of the Director General amusa@adb.org , +63 -2-6325547
Other Staff Who Will Need Access to Edit and/or Review the Report	Syarifah Aman Wooster, Senior Social Development Specialist (Safeguards), Southeast Asia Department, Environment, Natural Resources and Agriculture Division (SEER) Edita Tayao-Castro, Project Analyst, SEER
Sector	Agriculture and natural resources
Subsector(s)	Agricultural production and markets
Theme	Economic growth, private sector development, capacity development
Subthemes	Widening access to markets and economic opportunities; public-private partnerships; client relations, network, and partnership development
Targeting Classification	Targeted intervention (TI) for households
Name of Associated ADB Financed Operation	Loan 2465-PHI: Second Agrarian Reform Communities Project
Executing Agency	Development Bank of the Philippines Contact person: B. Brillo L. Reynes, Senior Vice President, Sen. Gil J. Puyat Ave. corner Makati Ave. Makati, Metro Manila, Philippines, Phone (632) 8400735, 8189511 Email: blreyne@dbp.ph
Grant Implementing Agency	Al Amanah Islamic Investment Bank of the Philippines Contact person: Enrique D. Bautista, Jr., Chairman and CEO Sen. Gil J. Puyat Ave. corner Makati Ave. Makati, Metro Manila, Philippines, Phone (632) 8400735, 8189511 Email: ibursolino@al-amanahbank.com

B. Details of the Proposed Grant

1. Description of the Components, Monitorable Deliverables and/or Outcomes, and Implementation Timetable¹

Component A	
Name	Support start-up agribusinesses for smallholders
Cost (\$)	\$8.6 million (\$1.7 million from the JFPR and the balance, \$6.8 million equivalent, from other financiers)
Component Description	<p>This component will provide management, technical and financial support for smallholders in three provinces² of Mindanao. The project provinces are Lanao del Sur and Maguindanao in the Autonomous Region in Muslim Mindanao (which will be incorporated in the planned Bangsamoro³), and Zamboanga Sibugay. The project will facilitate smallholders to work with the private sector and financial institutions to establish agribusinesses. They will work together through different business models and work mechanisms for various crops and commodities. These may include annual food crops (like corn, beans, banana, and cassava) and tree crops (like palm oil, coffee, and rubber).</p> <p>The work mechanisms for financial support will focus on Islamic funding-based commercial practices, such as non-interest bearing loans, lease, lease back, and trading, contract farming, profit sharing, and joint ventures. Other potential Islamic financing products will also be explored.⁴ For some agribusiness options, the private sector and smallholders may establish a new enterprise. In the case of a new enterprise that is a limited liability company, smallholders will be minority shareholders⁵ and the well-established private sector partner(s) will be the majority shareholder(s).⁶ In</p>

¹ The design and monitoring framework is in Appendix 1.

² See details in para. 2, page 8.

³ Memo from Kunio Senga, Director General, Southeast Asia Department to the Board of Directors on the Philippines: Framework Agreement on Bangsamoro dated 9 November 2012, approved for circulation to the Board by the President on 8 November 2012.

⁴ Islamic finance, in contrast to conventional finance, involves the provision of financial products and services by institutions offering Islamic financial services for Shariah approved underlying transactions and economic activities. It is based on contracts that comply with Shariah laws, the basis for finance that meets the religious requirements of Muslims. Governing principles or applicable Shariah, contracts in Islamic finance include: (i) equity-based or profit-sharing contracts – Mudharabah (profit sharing and loss bearing), Musharakah (profit-and-loss sharing), Musharakah Mutanaqisah (diminishing Musharakah); (ii) Lease-based contracts – Ijarah (leasing), Ijarah Muntahia Bittamleek; Sale-based contracts – Bai' Bithaman Ajil, Murabahah (cost plus), Salam (forward delivery), Bai' Inah (forward delivery), Bai' Inah; (iii) Contracts to manufacture/produce – Istisna'; (iv) Benevolent contracts – Qard, Hibah; and (v) Services-based contract – Wadiah (safe custody), Wakalah, Kafalah, Rahn, Sarf, Hiwalah. (Bank Islam Malaysia. 2010. *Overview of Islamic Finance*. <http://www.bankislam.com.my/en/news/Pages/Forms/DispForm.aspx?ID=230>).

⁵ The percentage of shares owned by smallholders may range from 10% to 45% depending on the potential resources that can be accumulated. Each business should be professionally managed by a private sector company that has been successful in working with the selected commodities.

⁶ The number of new commercial companies depends on the viability of the potential agribusinesses.

	<p>all cases, the focus will be on improving livelihoods of smallholders through agribusiness development in the project area, thus supporting the government's roadmap for bringing peace and political stability in Mindanao through economic development. Appendix 4 presents fund flow arrangement of the financial support and other investment activities funded by the project.</p> <p>A sample business plan for collaboration among smallholders, financial institutions and private enterprises is given in the Supplementary Appendix, and detailed guidelines about this component will be provided in the grant implementation manual (GIM).</p>
Monitorable Deliverables and/or Outputs	<p>(i) At least three agribusiness models for livelihood improvement operationalized to serve at least 2,000 smallholders (up from 0).</p> <p>(ii) Agribusinesses are established for smallholders on 5,000 ha (from 0 ha in 2012).</p> <p>(iii) At least 1,000 of the smallholders served are women.</p>
Implementation of Major Activities	<p>1.1. Assess the potential of well-established private enterprises to work with the targeted beneficiaries in the selected project areas (2013).</p> <p>1.2. Assist private enterprises in working with smallholder groups, including the agrarian reform communities' (ARC) cooperatives (2013).</p> <p>1.3. Identify key investments and financiers; and facilitate collaboration between smallholders, private sector, financial intermediaries, local government units (LGUs), and other stakeholders (2014).</p> <p>1.4. Collect baseline data, including livelihood survey of smallholders participating in the project (2013).</p> <p>1.5. Monitor the flow of funds from various financiers to ensure that the project properly serves smallholders (2015).</p>
Number of Months for Grant Activities	36 months

Component B	
Name	Establish an apex institution for smallholders
Cost (\$)	\$0.06 million, fully funded by the JFPR
Component Description	The grant implementation unit (GIU), supported by the consultant team, will study viable options to establish an apex institution to support smallholders during and after the project. ⁷ The institution will support at least 2,000 smallholders targeted under the project, and is expected to expand its support to other smallholders in a viable manner after project completion.

⁷ See details in Appendix 5: Implementation Arrangements.

	<p>Organizational options to be studied are (i) a cooperative or a federation of cooperatives owned by smallholders, (ii) a foundation or an independent nongovernment organization (NGO), (iii) a limited liability company, (iv) a special service unit under the Development Bank of the Philippines (DBP) or Al Amanah Islamic Investment Bank of the Philippines (AAIIBP), and (v) another appropriate legal entity. The GIU will analyze the strengths, weaknesses, opportunities, and threats, including technical, financial, legal framework, organizational, and other aspects of the various options. Based on the analysis, the GIU will prepare a detailed feasibility study for the most appropriate option, as approved by DBP and ADB, to ensure its viability and sustainability.</p> <p>Upon approval of the option, the GIU will complete legal and other supporting documents to establish the apex institution as early as possible. This will enhance the sustainable and viable support of the institution to smallholders during and after project completion.</p> <p>The establishment of the apex institution will help communities in future Bangsamoro areas to deal more effectively with agribusiness enterprises, financial institutions and other stakeholders, and ensure that the project interventions have a lasting impact on agribusiness development in the region.</p> <p>On the establishment of the apex institution, GIU will be absorbed by the apex institution and GIU assets including furniture and office facilities will be transferred to it. Additionally, the apex institution will also have access to the accumulated capital of the revolving fund established under the project for its capital and recurrent expenditures.</p>
<p>Monitorable Deliverables and/or Outputs</p>	<p>(i) An apex institution for smallholders established with a defined legal, governance, and management structure.</p> <p>(ii) Implementation strategy for the apex institution, including a detailed manual and time-bound action plan for sustainable livelihood support to smallholders, approved by DBP and ADB.</p>
<p>Implementation of Major Activities</p>	<p>2.1. Assess various options for an apex institution for smallholders including an analysis of the strengths, weaknesses, opportunities, and threats of the technical, financial, legal framework, organizational, and other aspects of each option (2013).</p> <p>2.2. Seek DBP and ADB approval of the proposed apex institution to support smallholders in a sustainable manner (2014).</p> <p>2.3. Prepare detailed manuals and procedures, including an operations manual and project administration instructions for the apex institution, and seek DBP and ADB approval (2014).</p> <p>2.4. In close coordination with DBP and ADB, help the GIU establish the proposed apex institution, monitor progress, and prepare the implementation strategy for sustainability of the apex institution (2014).</p> <p>2.5. Monitor the handover of the project investments from the GIU to the selected apex institution (2016).</p>

Number of Months for Grant Activities	33 months
Component C	
Component Name	Prepare feasibility studies for increasing agribusiness development for smallholders
Cost (\$)	\$0.08 million, fully funded by the JFPR
Component Description	<p>The component will explore ways to increase the number of smallholders with access to technical, management, and financial services to improve their livelihoods from agribusinesses. The GIU will help financial institutions and large enterprises to develop detailed proposals to replicate or expand viable livelihood investments. The replication and scaling up of agribusiness development models pilot-tested through this project will bring more investments to smallholders, enabling it to realize its full potential in production and exports, and will thus contribute to the government's roadmap for peace and prosperity in Mindanao.</p> <p>Based on the identified needs for financial services to smallholders, the GIU will work with DBP and well-established private enterprises to prepare detailed proposals. These proposals may include working with international investors and financial institutions other than DBP and AAIIBP. The use of the ADB credit guarantee and nonsovereign loans for agribusiness financing will be explored.</p>
Monitorable Deliverables and/or Outputs	Detailed feasibility studies are submitted to ADB and other potential financiers for agribusiness investments, covering at least 10,000 smallholders, for potential financing through DBP, AAIIBP, and other financiers.
Implementation of Major Activities	<ol style="list-style-type: none"> 3.1. Gather information, and comply with, all requirements and procedures to access ADB nonsovereign loans and other financing (2013). 3.2. Formulate detailed memorandums of understanding between selected smallholders and private enterprises for potential funding from international, national, and other financiers (2015). 3.3. Prepare detailed feasibility studies to replicate and scale up agribusinesses to involve more smallholders (2015). 3.4. Help stakeholders prepare detailed action plans to implement detailed feasibility studies (2016).
Number of Months for Grant Activities	33 months

Component D	
Component Name	Project management and coordination
Cost (\$)	\$0.13 million, fully funded by the JFPR
Component Description	<p>An adequate number of qualified staff and consultants will work in the GIU team to help DBP (the executing agency) and AAIIBP (the implementing agency) in managing day-to-day project operations.</p> <p>The consultants will help the GIU to (i) prepare draft agreements and other supporting documents for collaboration between smallholders and other stakeholders; (ii) monitor start-up agribusinesses managed by smallholders, (iii) prepare detailed feasibility studies for expanding livelihood support to serve more smallholders; and (iv) hand over the ongoing investment activities to the proposed apex institution before project completion.</p> <p>The consultants will help GIU establish and operationalize project performance management system to monitor physical and financial progress, and help ensure that targets related to the investments under the proposed grant can be achieved. Successful project implementation will contribute to economic development by developing infrastructure and capacity for improved livelihoods of smallholders through agribusiness development in Mindanao.</p>
Monitorable Deliverables and/or Outputs	Signed contracts with support staff and consultant team set up and functioning well (from 0); women make up 50% of the team; and quarterly, annual, and audit reports are well prepared and submitted on time.
Implementation of Major Activities	<p>4.1. Recruit the consultant team and support staff to help DBP and AAIIBP establish and manage the GIU (2013).</p> <p>4.2. Develop baseline, management information, and monitoring system (2014).</p> <p>4.3. Help DBP and AAIIBP work with LGUs, smallholder cooperatives, financial institutions, private sector companies, and other stakeholders (2014).</p> <p>4.4. Ensure on-time submission of quarterly, annual, audit, and project completion reports (2016).</p>
Number of Months for Grant Activities	36 months

2. Financing Plan for Proposed Grant to be Supported by the JFPR

Funding Source	Amount (\$)
JFPR	\$2.0 million
Financial Institutions	\$2.0 million from DBP and AAIIBP
Other Sources	(i) \$3.8 million from other donors comprising \$2.0 million from private enterprises, including cash and equity contributions and \$1.8 million in kind from the World Food Programme (WFP) ⁸ for infrastructure support (ii) \$1.0 million from smallholders, mainly from the value of their land as their equity contribution, and labor.
Total	\$8.8 million

3. Background

1. The project will serve three provinces in Mindanao: two provinces in the Autonomous Region in Muslim Mindanao (ARMM)⁹, Lanao del Sur and Maguindanao, and one province outside ARMM (Zamboanga Sibugay). Mindanao has the greatest proportion of the poor living in the Philippines; nearly three-quarters of its citizens are living in poverty. Health and basic education indicators are the lowest in the country. Investments to support rural infrastructure cannot be effectively implemented mainly due to the inability of LGUs to provide the equity contribution required by cost-sharing schemes¹⁰ set by the national government to access development sources¹¹ channeled through LGUs.

2. The Government of the Republic of the Philippines and the Moro Islamic Liberation Front signed a Framework Agreement on 15 October 2012. Under this Agreement, a Transition Commission will be created to draft the Bangsamoro Basic Law to establish Bangsamoro as the new autonomous political entity to replace ARMM. The signing of the Framework Agreement is a crucial part of the government's roadmap for establishing peace and political stability in Mindanao.¹² The core territory of the Bangsamoro will comprise: (a) the present geographical area of the ARMM; (b) the Municipalities of Baloi, Munai, Nunungan, Pantar, Tagoloan and Tangkal in the province of Lanao del Norte and all other barangays in the Municipalities of Aleosan, Carmen, Kabacan, Midsayap, Pigkawayan, and Pikit; (c) the cities of Cotabato and Isabela; and (d) all other contiguous areas where there is a resolution of the local government unit or a petition of at least ten percent (10%) of the qualified voters in the area asking for their

⁸ WFP expressed its commitment to participate in the project and will allocate this amount in its budget.

⁹ ARMM comprises five predominantly Muslim provinces in the Mindanao group of islands: Basilan, Lanao del Sur, Maguindanao, Sulu and Tawi-Tawi.

¹⁰ LGU equity contribution: 70% for levels 1 and 2; 60% for levels 3 and 4; and 50% for levels 5 and 6. (Level 1 is for LGUs with the best economic and/or income performance, while level 6 is for LGUs with the worst income performance).

¹¹ Including, Asian Development Bank. 2008. *Report and Recommendation of the President: Proposed Loan to the Republic of the Philippines for the Second Agrarian Reform Communities Project*. Manila (Loan 2465-PHI for \$70 million). The OPEC Fund for International Development provided a loan of \$30 million allocated for ARMM and administered by ADB (See Link to Specific ADB-Financed Operation, page 15).

¹² *Skynews Australia*. 2012. Philippines Peace Treaty for Mindanao. 14 October. <http://www.skynews.com.au/world/article.aspx?id=805569>.

inclusion at least two months prior to the conduct of the ratification of the Bangsamoro Basic Law and the process of delimitation of the Bangsamoro.¹³

3. Mindanao has many areas suitable for developing livelihood options based on agribusiness. The country is, for example, among the top five producers of bananas in the world; most bananas of the banana plantations are in Mindanao. In addition to local consumption, fresh bananas are exported to the People's Republic of China; Japan; the Republic of Korea; Taipei, China; the Middle East; and other countries. The project area is also suitable for producing other crops and commodities such as palm oil, rubber, pineapple, cassava, fish, and livestock.

4. According to the Department of Agriculture, domestic demand for palm oil is growing at around 2.2% each year; by 2012 imports of palm oil will increase by 220,000 tons per year. Mindanao has adequate area, estimated at about 304,350 ha, for the expansion of plantations to contribute to increased domestic palm oil production and supply. These areas are also suitable for livestock, fisheries, and other agribusinesses, including trading activities for various agricultural commodities. However, resources in this region have not been optimally explored nor developed.

5. In Indonesia and Malaysia, for example, most agricultural areas have been planted with tree and food crops, mainly through collaboration between well-established private enterprises and smallholders. Learning from their experience, models can be developed to improve profitability and productivity of agribusinesses for smallholders in Mindanao, including incorporating Islamic financing in transaction mechanisms if needed. A smallholder typically owns about 0.1–5 ha of land, an average of 2 ha per household. However, smallholders lack access to financial, technical, and market support to develop viable crop production.

6. Some private enterprises have set up their businesses in Mindanao, including in ARMM. They generally lease land from local residents at relatively low rates, on a long-term basis (usually 25 years with an option to extend for another 25 years) and employ local population as low-wage labor. Most farmers have no better options; without adequate capital and technical capacity, they cannot cultivate their land in a productive and profitable manner. Their land is left idle or leased to private enterprises. After leasing their land, they become landless farmers and end up as laborers on their own land, or move to urban areas in search of employment.

7. A number of research and development activities have been undertaken by various government agencies and the private sector to increase crop production and to help farmers develop technologies that can be applied to small-scale farms in collaboration with well-established private enterprises. Smallholders and the existing smallholder cooperatives lack technical, management, and financial capacity to individually deal with LGUs, financial institutions, private enterprises, development agencies, and other stakeholders. The project will facilitate the establishment of an apex institution to help smallholders and their cooperatives deal effectively with various stakeholders during and after completion of the project.

8. The World Food Programme (WFP) has signed a working agreement with the municipalities of Ganassi (Lanao del Sur province), and Datu Paglas (Maguindanao province) to work with smallholders. It committed to provide food for smallholders as payment for their labor

¹³ Rappler. 2012. *2012 Framework Agreement on the Bangsamoro Political Region*. 10 October. <http://www.rappler.com/nation/13758-2012-framework-agreement-on-the-bangsamoro-political-region>.

contribution. The value of their contributions will be converted into cash to partly cover the LGUs' contribution to establishing rural infrastructure. WFP has also committed to expand its support to other geographical areas selected by the project in these two provinces. In addition, the project will organize smallholders and private enterprises to establish support for rural infrastructure for agribusiness development. The contribution of these smallholders will be included as part of the LGUs' equity. This will enhance LGU capacity to comply with the national government's cost-sharing schemes. This could be one of the potential patterns of economic development which will help LGUs improve the lives and livelihoods of their smallholders' population. Detailed modalities for viable and sustainable collaboration between LGUs, smallholders, private enterprises, and other potential financiers will be developed in the GIM.

4. Innovation

9. The participation of private enterprises including large and/or well-established agribusinesses, cooperatives, and smallholders will partly cover the equity contribution of LGUs for rural infrastructure development, and this is the innovative element of the project. This will help LGUs establish supporting rural infrastructure to improve the livelihoods of smallholders, including through women's groups. As most smallholders do not have sustainable support, an apex institution is to be established to provide continuous support to smallholders during and after the project. This will allow smallholders to professionally and continuously deal with various stakeholders. Another innovation is the leveraging of Islamic financing for agribusiness development. The proposed investments will apply Islamic financing modalities in dealing with smallholders and other potential partners, including with AAIIBP, a subsidiary of DBP. As most of ARMM's population is Muslim, the non-interest-bearing investments will attract them to participate in the project. Islamic financing may also attract other development partners, especially from the Middle East and other Muslim countries, to invest in agribusiness development in the Philippines.

5. Sustainability

10. Focusing on viable agribusinesses will ensure the viability and sustainability of the investments. The establishment of an apex institution for smallholders, specifically to continue monitoring and supporting the investment activities funded by the project, will help secure long-term sustainability. The apex institution will facilitate assistance for smallholders, including in dealing with cooperatives, financial institutions, development partners, well-established enterprises, and other stakeholders in commercial approaches, during and after the project. The apex institution will help DBP and AAIIBP to continuously monitor the project investments to ensure that benefits will significantly flow to smallholders in a sustainable manner.

6. Participatory Approach

11. Local participation and control of decision-making in the design and implementation of project activities have been and will be further achieved through the following process:

- (i) The project was designed through a series of intensive consultations with (a) smallholders (including women's and men's groups) and cooperatives; (b) well-established private enterprises, including SC Global, Rocky Mountain, Agrimill, Kenram, Nestle, and San Miguel; (c) financial institutions, including AAIIBP, DBP, Land Bank of the Philippines (LBP), and Rabobank; (d) NGOs, including Hineleban Foundation and Farmcop; (e) development agencies, including WFP and Japan International Cooperation Agency (JICA); and (f) government

institutions, including DAR, Department of Agriculture, and Department of Finance.

- (ii) The GIU will oversee project implementation, deal with potential partners, and guide the smallholders to determine future directions, especially through the establishment of an apex institution. The apex institution will continue the role of the GIU to empower smallholders during and after the project. It will work with well-established agribusiness enterprises to facilitate existing and/or new smallholder groups and/or cooperatives to gain access to financial, technical, marketing, and other services.
- (iii) Both agrarian reform beneficiaries (ARBs) and non-ARBs¹⁴ are the smallholders targeted as beneficiaries of the project. They will participate directly in the overall project implementation and also after the project completion. During the rehabilitation and/or construction of supporting infrastructure and the initial investment activities of agribusinesses, smallholders will be employed as laborers. For agribusiness development, the project will facilitate modalities such as lease and lease-back mechanisms, supplier contract, management contracts, and other mechanisms to ensure that the project will optimally benefit smallholders in a sustainable manner.

12. Primary and other stakeholders, including JICA, NGOs, financial institutions, and well-established private enterprises, will be involved in the project.

Primary Beneficiaries and Affected Groups	Other Key Stakeholders
<p>Smallholders. The project will benefit about 2,000 smallholders (at least 50% will be women) by improving their access to capacity building, technical training, finance, infrastructure support, and other support. These primary beneficiaries will be selected from the project areas of the Second Agrarian Reform Communities Project (footnote 11) in the following provinces and municipalities:¹⁵</p> <p>(i) ARMM area:</p> <p>Lanao del Sur: Buadipuso-Buntong, Ganassi, Lumbatan, Maguing, Tagoloan</p> <p>Maguindanao: Datu Abdullah Sangki, Datu Odin Sinsuat, Datu Paglas, Datu Piang, Datu Saudi Ampatuan, Datu Sumagka, Matanog, Kabuntalan, Parang, Talayan</p>	<p>International. JICA, through its Agricultural Credit Support Project (ACSP), is a potential additional source of funding for smallholders for agribusiness financing.</p> <p>WFP will provide food and/or cash to pay smallholders' in-kind contribution as laborers during project construction.</p> <p>Possible additional financing facilities will be explored with ADB's Office of Cofinancing Operations and Private Sector Operations Department, Rabobank, and International Fund for Agricultural Development.</p> <p>National. The project has analyzed existing schemes offered by financial institutions to smallholders; consulted with private enterprises, oversight agencies including Department of Finance, National Economic and Development Authority (NEDA), Department of Agriculture, DAR, Department of Trade and Industry, and other agencies to leverage financing.</p>

¹⁴ ARBs refer to beneficiaries in the project area who received lands under the Department of Agrarian Reform's national land reform program. Non-ARBs refer to farmers in the proposed project area who already hold tenured lands. Both ARBs and non-ARBs are smallholders who are eligible to participate in the project.

¹⁵ As most are in level 4–6 class municipalities, their contribution will vary from 50% to 60% of the total infrastructure costs financed under the Second Agrarian Reform Communities Project. Within ARMM, the project selected Lanao del Sur and Maguindanao, as these areas are relatively safe compared with the other three provinces. Zamboanga Sibugay is selected as a representative of the other five regions beyond ARMM, as this is a clustered area in Mindanao. Start-up businesses will depend on viable commodities in the selected areas.

Primary Beneficiaries and Affected Groups	Other Key Stakeholders
<p>As stated in the 2012 Framework Agreement on the Bangsamoro, these two provinces will be part of the Bangsamoro Transition Authority.</p> <p>(ii) Outside ARMM area:</p> <p>Zamboanga Sibugay: Ipil, Kabalasan, Naga, Payao, Silay, Titay, Tungawan, Zamboanga City</p> <p>Barangays (villages). A livelihood survey was conducted to assess the assets, livelihood activities, and access to supporting facilities by smallholders. Results of the livelihood survey were used as a basis for formulating working mechanisms between smallholders, private enterprises, financial institutions, LGUs, and other stakeholders in Mindanao.</p>	<p>Municipality, province, and region. A series of consultations were conducted with municipal, provincial, and regional LGUs to (i) assess the links between the plans of ARCs and LGUs in enhancing agribusiness development and their potential support for the project; and (ii) assess the availability of markets, and the support and willingness of financial institutions and other institutions to work with smallholders in the targeted project areas.</p>

7. Coordination

13. The project was formulated in close consultation and coordination with the Embassy of Japan and Japanese aid agencies, i.e., JICA; WFP; and other participating agencies including smallholders (ARBs and non-ARBs), private sector entities, and financial institutions. The mission met representatives of the Embassy of Japan in Manila and consulted with representatives of JICA and LBP dealing with the JICA-funded ACSP.¹⁶ The JFPR project will complement JICA's ACSP to serve smallholders, specifically in the three participating provinces: Lanao del Sur, Maguindanao, and Zamboanga Sibugay. The credit lines from ACSP may flow directly to smallholders, through cooperatives and/or new companies that have and will be established for the potential collaboration. There will also be potential syndication between LBP and DBP to finance viable agribusiness projects in participating provinces.

14. ACSP will provide financing to smallholders and fisherfolk, including qualified ARBs, small and medium-sized enterprises, and large agribusiness enterprises all over the Philippines. It is expected to increase investment, create job opportunities, improve agricultural productivity, and contribute to the government's poverty reduction goal. DBP and LBP will hold regular meetings to determine how they will effectively serve the targeted clients. They have discussed several models, including (i) DBP will provide corporate credit lines to finance processing facilities, such as for banana and palm oil plantation, while LBP will provide credit from JICA's loan to cooperatives or through the firms to finance individual farmers to supply the needs of the firms (contract farming); and (ii) DBP and LBP may establish syndicated loans to jointly finance various investments for smallholders. Since the JFPR project will focus on serving ARBs and clustered non-ARBs, the investments will be prioritized in the land distributed to the ARBs and neighborhood farmers.

¹⁶ The mission met with Takehiko Sakata, First Secretary (Agriculture) and Kohei Noda, Finance Attache of the Embassy of Japan in Manila in May 2010; consulted with E.F. Mella, Jr., Senior Program Officer, JICA and L.S. Geron, First Vice President; D. M. Domingo; Bank Executive Officer; E.S. Luzano, Department Manager of LBP.

15. Credit lines from ACSP will be channeled to eligible subprojects, such as farm and/or agribusiness production activities, working capital funds, and fixed-asset acquisition requirements of its target clientele. With ACSP, LBP's long-term resources will be augmented and loans directly from LBP, or through its conduits, will be extended to smallholders and fisherfolk, as well as to small- and medium-sized agribusiness enterprises. LBP will make short, medium, and long-term credit available to address the financial needs of key agribusinesses in the country and help them to enhance and sustain their viability.

8. Detailed Cost Table

16. Appendix 2 presents a summary cost table, Appendix 3 provides detailed cost estimates, and Appendix 4 presents the fund flow arrangements.

C. Linkage to ADB Strategy and ADB-Financed Operations

1. Link to ADB Strategy

Document	Document Number	Date of Last Discussion	Objectives
ADB. 2008. <i>Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020</i> . Manila.	ISBN 978-971-561-680-5	2008	Focuses on the following drivers of change: (i) private sector development and operations, (ii) good governance and capacity development, (iii) gender equity, (iv) knowledge solutions, and (v) partnerships.
ADB. 2010. <i>An Agenda for High and Inclusive Growth in the Philippines</i> . Manila.	ISBN 978929092-122-6	December 2010	Focuses on dramatic improvements in revenue generation, infrastructure provision, and enterprise development assuming the central importance in the government economic policy agenda.
ADB. 2011. <i>Country Partnership Strategy: Philippines, 2011–2016</i> . Manila.		October 2011	The use of credit enhancement products—including guarantees, guarantee syndication and syndication products—can mobilize private sector capital and should also be explored when considering commercial cofinancing options.
ADB. 2011. <i>Country Partnership Strategy: Philippines, 2011–2016</i> . Manila (Sector Assessment [Summary]: Agriculture and Natural Resources).		October 2011	The vision (outcome) of the new Philippine government for the agriculture sector is “improved income, especially of the poor and marginalized in agriculture, fishery, and forestry, and preserved rural ecological integrity.”

Source: Asian Development Bank and Development Bank of the Philippines.

2. Link to Specific ADB-Financed Operation

Project Name	Second Agrarian Reform Communities Project
Project Number	2465
Date of Board Approval	27 October 2008
Loan Amount (\$ million)	\$70 million from ADB and \$30 million cofinancing from the OPEC Fund for International Development

3. Development Objective of the Second Agrarian Reform Communities Project

17. The JFPR grant will complement and fill some gaps in investment activities under the Second Agrarian Reform Communities Project (ARCP), cofinanced by loans from ADB (\$70 million) and the OPEC Fund for International Development (\$30 million) (footnote 10).¹⁷ The JFPR grant will finance investment activities that are not viable for loan-financing.

18. The impact of ARCP is reduced poverty among participating ARBs; its outcome is improved capabilities and well-being of poor and marginalized groups in the target communities. ARCP has four components: (i) community-driven development; (ii) agriculture and enterprise development; (iii) rural infrastructure, including access roads, irrigation, and production and postharvest facilities; and (iv) project implementation and management.

19. The JFPR grant will complement ARCP's agriculture and enterprise development component by encouraging financial institutions and the private sector to finance crop production by smallholders in a viable and sustainable manner, enabling them to link to agribusinesses. The smallholders, especially ARBs and poor farmers, will be able to utilize their land more productively. It will also support the rural infrastructure component of ARCP by helping LGUs access additional support for their equity contribution (from the private sector and smallholders) to enhance infrastructure that supports agribusiness in the project areas.

4. Main Components of the Second Agrarian Reform Communities Project

No.	Component	Brief Description and Key Indicators
1.	Community-Driven Development	(i) About 144 LGUs capable of participatory planning, financial management, meeting the fiduciary requirements of ADB and the government, and sustainable operation and maintenance of the investments; (ii) in close coordination with LGUs, 152 ARCs and 11 ARC clusters supported in planning, access to finance, and technology transfer; and (iii) the selected ARCs and ARC clusters are able to properly manage the project investments.
2.	Agriculture and Enterprise Development	(i) Crop yields increased by 15%; (ii) land titles improved for about 22,000 ARBs; (iii) at least 15 microfinance institutions assisted to pilot-test their agriculture-based microfinance products in the ARCs; and (iv) at least 15,000 ARB and non-ARB borrowers enabled to have access to credit and savings facilities, as well as gain sustainable access to viable marketing networks.
3.	Rural Infrastructure	(i) About 1,925 kilometers of farm-to-market roads, including bridges, rehabilitated and/or constructed; (ii) appropriate irrigation systems serving about 12,375 hectares of farmland rehabilitated and/or constructed; (iii) about

¹⁷ Approved on 27 October 2008, became effective in March 2009, completion estimated by 31 December 2014.

No.	Component	Brief Description and Key Indicators
		159 postharvest facilities established; and (iv) about 500 units of potable water systems and other supporting infrastructure established.
4.	Project Management	(i) Project management structures mainstreamed into existing government structures as far as possible; (ii) quality assurance established for rural infrastructure component; (iii) at least 80% of government staff's and consultants' performance is satisfactory; (iv) adequate office equipment, vehicles, and other support provided for national office and 6 regions and 18 provinces; and (v) project completed on time and satisfactorily.

5. Rationale for Grant Funding versus ADB Lending

20. The innovative and pilot nature of the proposed investment makes it suitable for JFPR grant financing. It includes the following proposed interventions: the participation of private enterprises to partly cover the equity contribution of LGUs for infrastructure development; the introduction of Islamic financing (non-interest-bearing investments) for smallholders; the exploration of possible financing facilities from international commercial financial institutions, like Rabobank, and/or other potential financiers; and ADB non-sovereign lending and credit guarantee schemes to finance smallholders. These proposed investments must be pilot tested to gather more experience before such investments could be financed under ADB loans.

D. Implementation of the Proposed Grant

1. The Executing and Implementing Agencies

21. DBP, as the executing agency, will support overall project management, and guide AAIBP, the implementing agency, in implementing the project. DBP will assign staff to the GIU to manage day-to-day project operations. DBP will establish an imprest account at DBP and manage the project fund flow from ADB.

22. The GIU office will be established in AAIBP at the same office as the DBP headquarters. AAIBP will also assign staff to deal with day-to-day project operations, and they will be assisted by consultants to be recruited under the grant. The implementation arrangements are in Appendix 5. The outline terms of reference for consultants are in Appendix 6. The potential collaboration between smallholders and other stakeholders is discussed in Appendix 7, and the procurement plan is in Appendix 8.

2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Governance	Potential misuse of the grant may occur if fund flow management is not clearly monitored.	Close monitoring by ADB of procurement packages, imprest account and the uses of financial support to smallholders.
Infrastructure	Bad road conditions, difficult access to markets, and lack of postharvest processing facilities may adversely affect agribusiness-related investment.	The project will ensure that sufficient supporting infrastructure facilities are available in the areas of the start-up agribusinesses will be developed.

Type of Risk	Brief Description	Measure to Mitigate the Risk
Safety	Problems of social unrest may occur in targeted municipalities, especially political and security-related issues in ARMM. However, this risk may decline due to the signing of the peace framework agreement on 15 October 2012.	Promoting good governance, including close coordination and consultation with formal and informal leaders, will help the project reduce potential conflicts and political interests among various parties.
Environment	Monoculture, deforestation, and significant use of chemical fertilizers and pesticides may negatively affect the environment.	The project will introduce crop diversification, natural farming systems, and other environment-friendly interventions for various agribusinesses.
Resettlement	The project will not entail involuntary resettlement.	<p>The project will not have any involuntary resettlement impacts as the smallholders will manage their own subdivided lands or communal lands.</p> <p>Before the subdivision and demarcation of land according to individual ownership, DAR will have ensured that the lands have clear, clean, and complete documents.</p>
Indigenous Peoples	Indigenous peoples own some of the agrarian reform land on a communal basis. DAR will help divide the lands for individual ownership by indigenous peoples.	The project is currently under category C for indigenous peoples. Although DAR has surveyed the lands and provided the certification of land ownership awards to the indigenous peoples, during the feasibility studies of each agribusiness, the status and categorization of indigenous peoples will be revisited to ensure all potential conflicts are avoided. The summary poverty reduction and social strategy is in Appendix 9.

3. Incremental ADB Costs

Component	Incremental ADB Cost
Amount requested	\$75,000
Justification	An allocation of \$75,000 from the JFPR is proposed for a project officer ¹⁸ to monitor the project. The officer will work closely with DBP and AAIBP staff and/or consultants during project implementation, and in preparing the project completion report. Close coordination is also required with private enterprises, and national and international financial institutions, to facilitate access of beneficiaries to financing and marketing support. As these institutions are all based outside Manila, travel and per diem need to be budgeted under the JFPR.

¹⁸ With the support of individual consultants, if required.

Component	Incremental ADB Cost
Type of work to be rendered by ADB	(i) Conduct regular meetings, workshops, and consultations with multi-level stakeholders including smallholders, well-established private enterprises, international and national financial institutions, government technical support institutions, NGOs, and LGUs to ensure that the beneficiaries gain viable access to technical, infrastructure, markets, finance, and other support; (ii) visit the project sites and beneficiaries, at least twice a year, to ensure proper implementation of the designed interventions; and (iii) monitor DBP, AAIBP, and consultants working for the project through regular monthly meetings, joint field visits, and coordination with other stakeholders.

4. Monitoring and Evaluation

Key Performance Indicators	Reporting Mechanism	Plan and Timetable for M&E
<p>1. Impact by 2020:</p> <p>(i) Household income among participating smallholders increased by at least 3% annually</p>	<p>Municipal economic statistics, and smallholder household livelihood survey</p> <p>Project annual and completion reports</p>	<p>During the preparation of annual and project completion reports and about 5 years after project completion to assess the project impact</p>
<p>2. Outcome by 2016:</p> <p>(i) At least 2,000 individual smallholders receiving technical and financial support for their agribusinesses;</p> <p>(ii) At least 5% annual increase in profitability of the agribusiness investments funded for smallholders; and</p> <p>(iii) Of the smallholders, 1,000 are women</p>	<p>Project quarterly and annual reports</p> <p>Project quarterly and annual reports</p> <p>Project quarterly and annual reports</p>	<p>On a quarterly basis, during preparation of annual and project completion reports</p>
<p>3. Outputs</p> <p>3.1. Support for start-up agribusinesses for smallholders</p> <p>At least three business models for agribusiness improvement incubated and operationalized to serve 2,000 smallholders (2012 baseline: 0)</p> <p>Agribusinesses established covering 5,000 ha and at least 2,000 smallholders (of which 50% are women) (2012 baseline: 0)</p>	<p>Project quarterly and annual reports</p> <p>Project quarterly and annual reports</p>	<p>On quarterly basis, during preparation of annual and project completion reports</p>

Key Performance Indicators	Reporting Mechanism	Plan and Timetable for M&E
<p>3.2. Establishment of an apex institution for smallholders</p> <p>An apex institution for smallholders established with a defined legal, governance, and management structure</p> <p>Implementation strategy including detailed manual and time-bound action plan for sustainable smallholder agribusiness support approved by DBP and ADB</p>	<p>Project quarterly and annual reports</p> <p>Approved documents on implementation strategy to support smallholders</p>	<p>On quarterly basis, during preparation of annual and project completion reports</p>
<p>3.3. Feasibility studies on increasing agribusiness development for smallholders</p> <p>Detailed feasibility studies for various agribusinesses investments covering 10,000 smallholders submitted for financing through DBP, AAIBP, and other potential financiers</p>	<p>Project quarterly and annual reports</p>	<p>On quarterly basis, during preparation of annual and project completion reports</p>
<p>3.4. Management and coordination</p> <p>Signed contracts for support staff and consultant team set up and functioning well (women make up 50% of the team)</p> <p>Quarterly, annual, and audit reports (from 0%) are well prepared and submitted on time</p>	<p>Project quarterly reports</p> <p>Annual, audit, and project completion reports</p>	<p>On quarterly basis, during preparation of annual and project completion reports</p>

5. Estimated Disbursement Schedule

Fiscal Year (FY)	Amount (\$)	Percent
FY2013/14	500,000	25
FY2014/15	900,000	45
FY2015/16	600,000	30
Total Disbursements	2,000,000	100
ADB Incremental Cost	75,000	

APPENDIXES

1. Design and Monitoring Framework
2. Summary Cost Table
3. Detailed Cost Estimates
4. Fund Flow Arrangement
5. Implementation Arrangements
6. Outline Terms of Reference for Consultants
7. Potential Collaboration between Smallholders and Other Stakeholders
8. Procurement Plan
9. Summary Poverty Reduction and Social Strategy

SUPPLEMENTARY APPENDIX (available on request)

Sample Agribusiness Plan

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Improved smallholder income in Mindanao, Philippines</p>	<p>By 2020:</p> <p>Household income among participating smallholders increased by at least 3% annually^a</p>	<p>Municipal economic statistics, and smallholder household livelihood survey</p> <p>Project annual and completion reports</p>	<p>Assumptions</p> <p>Peace prevails to ensure that businesses are viable and have value chains for smallholders</p> <p>Risks</p> <p>Natural disasters and/or climate change adversely affects agribusinesses</p>
<p>Outcome</p> <p>Sustainable agribusiness support for smallholder development in Mindanao</p>	<p>By 2016:</p> <p>At least 2,000 individual smallholders receiving technical and financial support for their agribusinesses (2012 baseline: 0)</p> <p>At least 5% annual increase in profitability of the agribusiness investments funded for smallholders^a</p> <p>Apex institution is ready and viable to serve more smallholders (from 2,000 in 2016)</p>	<p>Project quarterly and annual reports</p> <p>Project quarterly and annual reports</p> <p>Project quarterly and annual reports</p>	<p>Assumptions</p> <p>There is proper selection of lands, crops, and production inputs</p> <p>Private sector is committed to investing in agribusiness and public infrastructure</p>
<p>Outputs</p> <p>1. Agribusiness start-up for smallholders supported</p> <p>2. An apex institution for smallholders established</p>	<p>By 2016:</p> <p>At least three agribusiness models for livelihood improvement operationalized to serve at least 2,000 smallholders (2012 baseline: 0)</p> <p>5,000 ha agribusinesses are established for smallholders (2012 baseline: 0)</p> <p>At least 1,000 smallholders are women</p> <p>An apex institution for smallholders established with a defined legal, governance, and management structure</p>	<p>Project quarterly and annual reports</p> <p>Project quarterly and annual reports</p> <p>Project quarterly and annual reports</p>	<p>Assumption</p> <p>Adequate funds are available from various financiers to support livelihood investments</p> <p>Risk</p> <p>Security and local leadership issues may hamper investments</p> <p>Risk</p> <p>No security in the targeted project areas to support the livelihood of smallholders through an apex institution</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
3. Feasibility studies for increasing agribusiness development for smallholders prepared	<p>Implementation strategy including detailed manual and time-bound action plan for sustainable smallholder livelihood support approved by DBP and ADB</p> <p>Detailed feasibility studies are submitted to ADB and other potential financiers for agribusiness investments, covering at least 10,000 smallholders, for potential financing through DBP, AAIBP, and other financiers.</p>	<p>Approved documents on Implementation strategy to support smallholders</p> <p>Project quarterly and annual reports</p>	<p>Assumption</p> <p>Profitable crops and other livelihood options expanded</p> <p>Risk</p> <p>The government lacks commitment to expand livelihood services for smallholders in Mindanao</p>
4. Effective project management and coordination	<p>Signed contracts for support staff and the consultant team set up and functioning well (women make up 50% of the team)</p> <p>Quarterly, annual, and audit reports are well prepared and submitted on time</p>	<p>Project quarterly reports</p> <p>Annual, audit and project completion reports</p>	<p>Assumptions</p> <p>DBP and AAIBP assign qualified staff to manage day-to-day operation of the project through the GIU</p> <p>Adequate political and logistic support provided for capital investments and rural infrastructure</p> <p>Risk</p> <p>Lack of coordination between DBP, AAIBP, and other participating stakeholders in monitoring progress</p>

Activities with Milestones	Inputs
<p>1. Support start-up agribusinesses for smallholders</p> <p>1.1. Assess the potential of well-established private enterprises to work with the targeted beneficiaries in the selected project areas (2013)</p> <p>1.2. Assist private enterprises in working with smallholder groups, including ARC cooperatives (2013)</p> <p>1.3. Identify key investments and financiers; and facilitate collaboration between smallholders, private sector, financial institutions, LGUs, and other stakeholders (2014)</p> <p>1.4. Collect baseline data, including livelihood survey of smallholders participating in the project (2013)</p> <p>1.5. Monitor the flow of funds from various financiers to ensure that the project properly serves smallholders (2015)</p>	<p>Total Project Cost: About \$8.80 million</p> <p>(i) ADB: JFPR grant for \$2.0 million</p> <p>(ii) Financial institutions mainly AAIBP and DBP: \$2.0 million</p>

Activities with Milestones	Inputs
<p>2. Study and establishment of an apex institution for smallholders</p> <p>2.1. Assess various options for an apex institution for smallholders, including an analysis of strengths, weaknesses, opportunities, and threats, of the technical, financial, legal framework, organizational, and other aspects of each option (2013)</p> <p>2.2. Seek DBP and ADB approval for the proposed apex institution to support smallholders in a sustainable manner (2014)</p> <p>2.3. Prepare detailed manuals and procedures for the apex institution, including an operation manual and project administration instructions (2014)</p> <p>2.4. In close coordination with DBP and ADB, help the GIU establish the proposed apex institution, monitor progress, and prepare the implementation strategy for sustainability of the apex institution (2014)</p> <p>2.5. Monitor the hand-over of the project investments from the GIU to the selected apex institution (2016)</p> <p>3. Prepare feasibility studies for increasing agribusiness development for smallholders</p> <p>3.1. Gather and comply with all requirements and procedures to access ADB nonsovereign loans and other financiers (2013)</p> <p>3.2. Formulate detailed memorandums of understanding with private enterprises for potential funding from international, national, and other financiers (2015)</p> <p>3.3. Prepare detailed feasibility studies to replicate and scale-up agribusinesses to involve more smallholders (2015)</p> <p>3.4. Help stakeholders prepare a detailed action plan to implement detailed feasibility studies (2016)</p> <p>4. Project management and coordination</p> <p>4.1. Recruit the consultant team and support staff to assist DBP and AAIIBP in establishing and managing the GIU (2013)</p> <p>4.2. Develop baselines, management information, and monitoring systems (2014)</p> <p>4.3. Help DBP and AAIIBP work with LGUs, smallholder cooperatives, financial institutions, private sector companies, and other stakeholders (2014)</p> <p>4.4. Ensure on-time submission of quarterly, annual, audit, and project completion reports (2016)</p>	<p>(iii) Other sources: \$3.8 million comprising</p> <p>Private enterprises, including equities and cash: \$2.0 million</p> <p>WFP in kind support for smallholders: \$1.8 million</p> <p>(iv) Smallholders, mainly from the value of their lands as their equity contribution: \$1.0 million</p>

ADB = Asian Development Bank, AAIIBP = Al Amanah Islamic Investment Bank of the Philippines, DBP = Development Bank of the Philippines, GIU = grant implementation unit, JFPR = Japan Fund for Poverty Reduction, LGU = local government unit, WFP = World Food Programme.

^a Baseline data will be established at the inception phase immediately after grant effectiveness.

Source: Asian Development Bank and Development Bank of the Philippines.

SUMMARY COST TABLE
(\$)

↓ Inputs / Expenditure Category	→ Grant Components	Component A: Support for Start-up Agri- businesses for Smallholders	Component B: Establish an Apex Institution for Smallholders	Component C: Feasibility Studies on Increasing Agribusiness Development for Smallholders	Component D: Project Management and Coordination	Total (\$)	Percent by Financier
I. JFPR							
Consulting Services		184,357	53,500	72,071	115,000	424,929	21.2
Equipment and Supplies		4,535	0	0	0	4,535	0.2
Training/workshop/meeting		207,200	1,581	2,419	0	211,200	10.6
Grant Management		57,217	0	0	6,000	63,217	3.2
Financing Support for Smallholders		1,100,000	0	0	0	1,100,000	55.0
Contingency (max 10% of JFPR)		168,877	5,988	8,099	13,155	196,119	9.8
Subtotal JFPR Grant Financed		1,722,186	61,070	82,589	134,155	2,000,000	100.0
II. Government (DBP and AAIBP)		2,000,000	0	0		2,000,000	
III. Smallholders (ARBs and non-ARBs)		1,000,000	0	0		1,000,000	
IV. WFP, Private Sectors and Others		3,800,000	0	0		3,800,000	
Total Estimated Costs		8,522,186	61,070	82,589	134,155	8,800,000	
Incremental Costs		64,582	2,290	3,097	5,031	75,000	

AAIBP = Al Amanah Islamic Investment Bank of the Philippines, ARB = agrarian reform beneficiary, DBP = Development Bank of the Philippines, JFPR = Japan Fund for Poverty Reduction, WFP = World Food Programme.

Source: Asian Development Bank and the Government estimates.

DETAILED COST ESTIMATES

(\$)

Supplies and Services Rendered ^a	Costs				Contributions (through parallel financing)				
	Unit	Quantity Units	Cost Per Unit	Total	JFPR				
					Amount	Method of Procurement	Financial Institutions	Other Sources	Communities
Component A. Support for Start-up Businesses for Smallholders			Subtotal	8,353,309	1,553,309		2,000,000	3,800,000	1,000,000
A. JFPR									
Equipment and Supplies									
Computer = 2 packages for Manila Office and 1 package for Mindanao Office (1 package = 1laptop or desk top (P50,000) + 1 software (P10,000) + 1 printer (P3000)+1 web cam(P2,000)	package	3	1,512	4,535	4,535	shopping	0	0	0
Training, Workshops, and Seminars for Smallholder Capacity Building	pm	2,000	100	200,000	200,000	na	0	0	0
Regular Workshops/Meeting in Manila	monthly	36	200	7,200	7,200	na	0	0	0
Consulting Services									
International consultant (Project Adviser)	pm	2	18,000	36,000	36,000	individual	0	0	0
National consultant	pm	45	3,000	135,000	135,000	individual	0	0	0
A. For Supporting Staff									
Coordination Staff - Manila based	pm	36	581	20,930	20,930	na	0	0	0
Coordination Staff- Mindanao based	pm	36	465	16,744	16,744	na	0	0	0
Travel Expense (per diem + accommodation)									
Coordination Staff - Manila based	monthly	36	200	7,200	7,200	na	0	0	0
Coordination Staff- Mindanao based	monthly	36	200	7,200	7,200	na	0	0	0
Communication Expenses (P3,000 internet/phone connection/month)	monthly	36							
GIU Office - Manila	monthly	36	71	2,571	2,571	na	0	0	0
GIU Office - Mindanao	monthly	36	71	2,571	2,571	na	0	0	0
B. For Consultants									
Travel Expense (per diem + accommodation)									
International Consultant	time	2	500	1,000	1,000	na	0	0	0
National Consultant	time	45	200	9,000	9,000	na	0	0	0
Communication Expenses (P3,000 internet and telephone connection)/month									
International Consultant	month	2	71	143	143	na	0	0	0
National Consultant	month	45	71	3,214	3,214	na	0	0	0
Financial Support for Smallholders	pm	2,000	550	1,100,000	1,100,000	commercial practice	0	0	0

Supplies and Services Rendered ^a	Costs				Contributions (through parallel financing)				
	Unit	Quantity Units	Cost Per Unit	Total	JFPR				
					Amount	Method of Procurement	Financial Institutions	Other Sources	Communities
Other Financiers:									
WFP support for smallholders (in kind)	pm	2,000	900	1,800,000		CP	0	1,800,000	0
DBP and AAILBP (Government owned financial institutions, in cash and in kind)	pm	2,000	1,000	2,000,000		na	2,000,000	0	0
Private sectors and other financiers (in cash and in equity contributions)	pm	2,000	1,000	2,000,000		CP	0	2,000,000	0
Smallholders (land and labor)	pm	2,000	500	1,000,000		CP	0	0	1,000,000
Component B. Establish an Apex Institution for Smallholders^b			Subtotal	55,081	55,081		0	0	0
Consulting Services									
International consultant funded by JFPR	pm	2	18,000	36,000	36,000	individual	0	0	0
a. National consultants funded by JFPR	pm	5	3,000	15,000	15,000	individual	0	0	0
Training, Workshops, and Seminars									
a. Workshops/meeting in Manila	P4,000 per event	4	93	372	372	n.a.	0	0	0
b. Workshops/meeting in Mindanao	P4,000 per event	4	93	372	372	n.a.	0	0	0
c. Workshops with smallholders	P4,000 per event	9	93	837	837	n.a.	0	0	0
Travel Expense (per diem + accommodation)									
International Consultant	time	2	500	1,000	1,000	n.a.	0	0	0
National Consultant	time	5	200	1,000	1,000	n.a.	0	0	0
Communication Expenses (P3,000 internet and telephone connection)/mo.									
International Consultant	month	2	71	143	143	n.a.	0	0	0
National Consultant	month	5	71	357	357	n.a.	0	0	0

Supplies and Services Rendered ^a	Costs				Contributions (through parallel financing)					
	Unit	Quantity Units	Cost Per Unit	Total	JFPR			Financial Institutions	Other Sources	Communities
					Amount	Method of Procurement				
Component C. Prepare Feasibility Studies for Increasing Agribusiness Development for Smallholders^b			Subtotal	74,490	74,490			0	0	0
Consulting Services										
International consultant	pm	3	18,000	54,000	54,000	individual		0	0	0
National consultants funded by JFPR	pm	5	3,000	15,000	15,000	individual		0	0	0
Training, Workshops, and Seminars										
a. Workshops/meeting in Manila	P4,000 per event	6	93	558	558	n.a.		0	0	0
b. Workshops/meeting in Mindanao	P4,000 per event	8	93	744	744	n.a.		0	0	0
c. Workshops with smallholders	P4,000 per event	12	93	1,116	1,116	n.a.		0	0	0
Management & Coordination - Component C										
Travel Expense (per diem + accommodation)										
International Consultant	time	3	500	1,500	1,500	n.a.		0	0	0
National Consultant	time	5	200	1,000	1,000	n.a.		0	0	0
Communication Expenses (P3,000 internet and telephone connection)/mo.										
International Consultant	pm	3	71	214	214	n.a.		0	0	0
National Consultant	pm	5	71	357	357	n.a.		0	0	0

Supplies and Services Rendered ^a	Costs				Contributions (through parallel financing)					
	Unit	Quantity Units	Cost Per Unit	Total	JFPR					
					Amount	Method of Procurement	Financial Institutions	Other Sources	Communities	
Component D. Project Management and Coordination				Subtotal	121,000			0	0	0
Monitoring and Reporting										
- Quarterly	Quarter	12	500	6,000	6,000	n.a.		0	0	0
Consultant packages										
- Audit	Annual	3	25,000	75,000	75,000	Firm		0	0	0
- Completion Report	At completion	1	40,000	40,000	40,000	Individual		0	0	0
Components A to D = Subtotal				Subtotal	8,603,881	1,803,881		2,000,000	3,800,000	1,000,000
Contingency (Maximum 10% of Total JFPR Contribution)					196,119	196,119	n.a.	0	0	0
TOTAL Grant Costs				Total	8,800,000	2,000,000		2,000,000	3,800,000	1,000,000
Incremental Cost Details										
ADB Staff and other incremental costs					75,000	75,000	n.a.	0	0	0
TOTAL Incremental Costs					75,000	75,000	n.a.	0	0	0
TOTAL COSTS					8,875,000	2,075,000		2,000,000	3,800,000	1,000,000

AAIIBP= Al Amanah Islamic Investment Bank of the Philippines, CQS = consultant's qualification selection, CP = community participation, DBP = Development Bank of the Philippines, IA = implementing agency, JFPR = Japan Fund for Poverty Reduction, LGU = local government unit, n.a. = not applicable, NCB = national competitive bidding, pm = person-month, QCBS = quality and cost based selection, WFP = World Food Programme.

^a Each financier funds its activities separately. Before commencing each package, items to be funded by each financier will be clearly segregated.

^b Performance based package: person-month is just indicative figure.

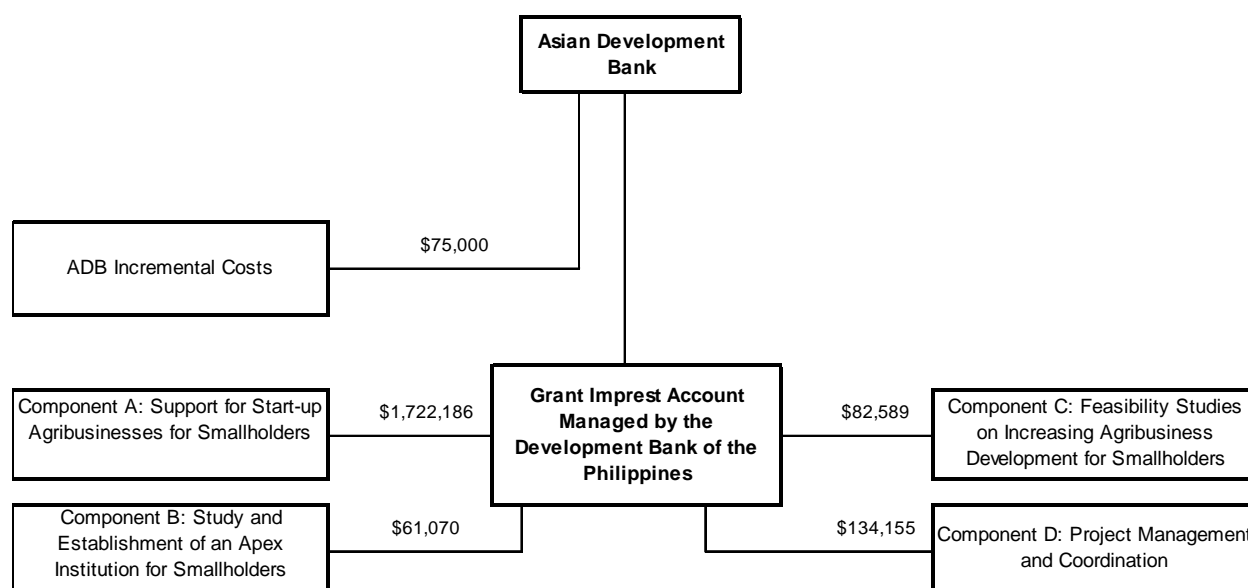
Sources: Asian Development Bank and Government staff estimates.

FUND FLOW ARRANGEMENT

A. Japan Fund for Poverty Reduction

1. All JFPR grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time) and detailed arrangements agreed upon between the Government and ADB. ADB will channel grant funds to an imprest account to be established in the name of the Development Bank of the Philippines (DBP), the executing agency, at DBP. The currency of the imprest account will be denominated in US dollar. The imprest account will be established, managed, replenished, and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time). DBP will assign staff to supervise the imprest account in close coordination with the Al Amanah Islamic Investment Bank of the Philippines (AAIIBP), the implementing agency.

Figure A4.1: Fund Flow for the Japan Fund for Poverty Reduction Grant



Source: Asian Development Bank and the Government staff estimates.

2. Figure A4.1 presents the amount allocated for each category and/or component, an indicative figure estimated in accordance with the budget and project procurement plan. The ceiling of total advances to the imprest account will initially not exceed 10% of the JFPR Grant amount. The requests for the initial and additional advance(s) should be based on planned expenditures for 6 months of the project implementation. The imprest account funds should be separated from other funds, and be used exclusively to finance the JFPR share of eligible expenditure without mingling with accounts of DBP and AAIIBP.

3. The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the imprest accounts. The ceiling of the SOE procedures is the equivalent of \$10,000 per individual payment.

B. Other Funds

4. Other financiers are: (i) DBP and AAIIBP (\$2.0 million credit lines); (ii) World Food Programme (WFP) (\$1.8 million in kind contribution); (iii) private enterprises (\$2.0 million cash and equity contribution); and (iv) smallholders (\$1.0 million in kind contribution). All the sources will finance agribusiness development for smallholders.

5. **DBP and AAIIBP.** These financial institutions will provide credit lines to private enterprises to establish agribusinesses in collaboration with the targeted smallholders. DBP may provide its credit lines directly to private enterprises or the credit lines can flow through AAIIBP. The private enterprises will sign loan agreements with DBP or AAIIBP for the terms and conditions of using the funds. DBP and AAIIBP will independently monitor the uses and the repayments of the credit lines to their accounts. The GIU will coordinate with DBP and AAIIBP to ensure that the credit lines are used by private enterprises to support their collaboration with smallholders.

6. **Private Enterprises.** In addition to credit lines provided by DBP and AAIIBP, the private enterprises will also invest their own cash, equity, and other assets to finance their collaboration with smallholders for agribusiness development. The GIU will represent smallholders to sign agreements with private enterprises on the terms and conditions of their collaboration.

7. **Smallholders.** Besides receiving financial support from the project, the smallholders will also provide their contribution, mainly labor and the financial value of their land, to participate in agribusiness development. They will work through the GIU to assess the leasing value of their land and their potential labor contribution as a part of their investment in the new entities. Their contribution can be used as a part of payment mechanisms to lease back the well-constructed and planted lands during harvests.

8. **The World Food Programme.** WFP will support smallholders by providing rice, through GIU, as payments for smallholders to construct infrastructure to support agribusiness development. The financial value of the WFP rice contribution will be computed based on the current market price of rice in the project area. The GIU, as the representative of smallholders, will sign an agreement for each item of infrastructure that will be funded by WFP. The financial value of WFP's contribution will be accounted as equity contribution of the GIU in the supporting agribusiness. This will be an additional source of revolving fund for the project, as described in the next section.

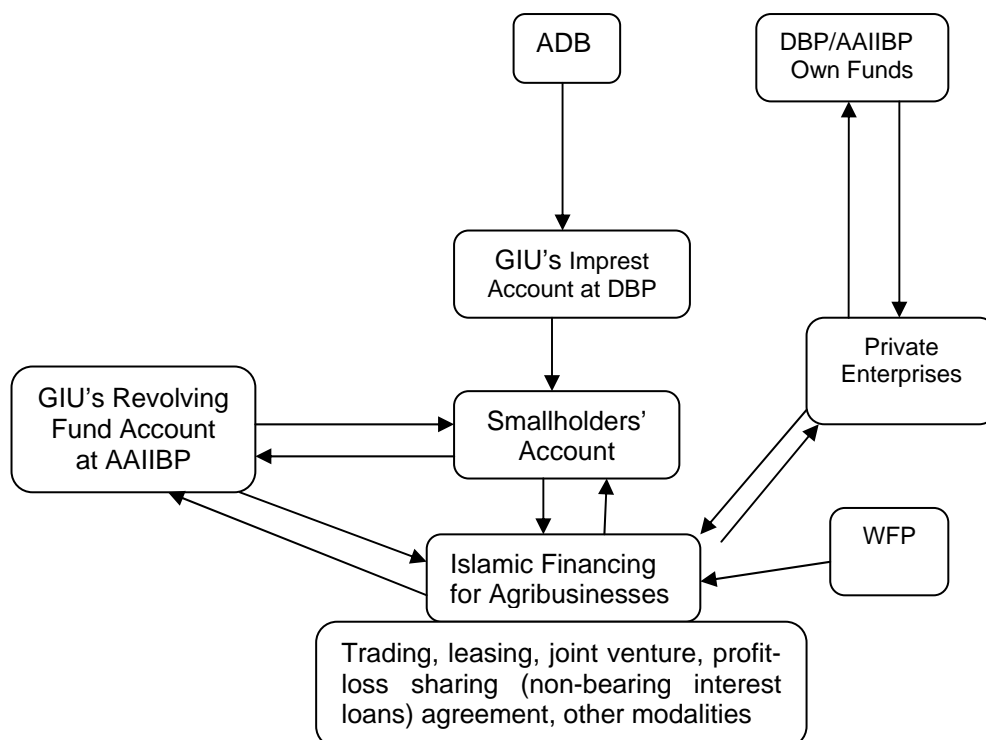
C. Revolving Fund

9. The main sources of revolving fund under the Project are: (i) \$1.1 million budget allocated under financial support for smallholders category funded by the JFPR grant; and (ii) \$1.8 million in kind contribution (rice) from the WFP. Figure A4.2 presents the fund flow mechanisms for these two sources for the revolving fund.

10. The financial support from the JFPR grant will flow from ADB to the GIU's imprest account that will be established at DBP. It will be used for financing agribusinesses for smallholders through Islamic funding-based commercial practices, such as non-interest bearing loans, lease, lease back, and trading, contract farming, profit sharing, and joint ventures.

11. An agreement will be signed between the GIU and each smallholder to stipulate the agreed terms and conditions of using financial support. These terms and conditions include amount, duration (including grace period), repayment mechanisms, and profit-loss sharing. Based on the agreement, the GIU will provide the financial support directly to the accounts of smallholders which will be opened in the AAIIBP.

Figure A4.2: Revolving Fund



AAIIBP = Al Amanah Islamic Investment Bank of the Philippines, ADB = Asian Development Bank, DBP = development bank of the Philippines, GIU = grant implementation unit, WFP = World Food Programme.
Source: Asian Development Bank and the Government staff estimates.

12. The GIU will open a revolving fund account at AAIIBP that will be used to deposit repayments, leasing payments, loss-profit sharing, and other revenues from various agribusinesses funded by the project for the collaboration between smallholders and various stakeholders. The GIU will use the payments from smallholders and revenues from other sources as part of the revolving fund to support existing and future smallholder beneficiaries to expand agribusiness development in the project area.

13. An agreement will be signed between WFP and GIU to manage WFP's in-kind contribution as a grant for smallholders through the GIU. The financial value of its contribution will be accounted as equity for each invested agribusiness. Principal and profit sharing from each agribusiness will be donated by WFP to the GIU as additional financing for the revolving fund for the existing and other smallholders to finance selected agribusinesses. The management of each agribusiness will provide a monthly progress report to the GIU.

14. The GIU will monitor the use of financial support and revolving fund through regular meetings with stakeholders involved in each supported agribusiness. It will submit monthly and quarterly progress reports to DBP and ADB.

15. The ADB project officer will field regular review missions, at least twice a year, to monitor the project performance, including the use of financial support and revolving fund for financing agribusinesses for smallholders. As the executing agency of the Project, DBP will submit quarterly reports to ADB. Specifically for the revolving fund, DBP will continue providing ADB the progress reports at least three years after the project completion to ensure that the financial support and also the revolving fund will be continuously utilized as financial support to finance agribusinesses for smallholder developments. Further details about fund flow mechanisms, including the revolving fund, will be provided in the Grant Implementation Manual.

IMPLEMENTATION ARRANGEMENTS

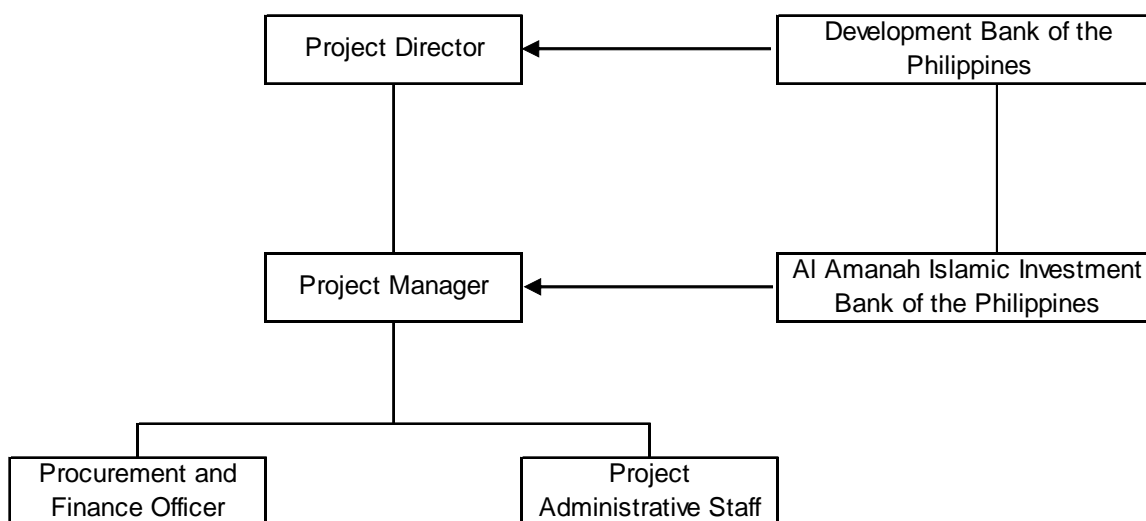
A. Project Management

1. The Executing and Implementing Agencies

1. The Development Bank of the Philippines (DBP) will be the executing agency for the project funded by the Japan Fund for Poverty Reduction (JFPR). The Al Amanah Islamic Investment Bank of the Philippines (AAIIBP) will be the implementing agency.¹ To ensure satisfactory grant implementation DBP, in close coordination with AAIIBP, will establish a grant implementation unit (GIU) for the JFPR at AAIIBP. The GIU will support DBP and AAIIBP in managing day-to-day project operations. DBP will provide office space for the GIU in its headquarters in Manila, as a part of its contribution.

2. DBP and AAIIBP will assign sufficient staff and recruit consultants (international and national) to support the GIU in managing the project. DBP will be responsible for submission of the withdrawal applications to the Asian Development Bank (ADB), retention of supporting documents, and submission of any reporting requirements, including annual audit reports and financial statements. DBP is expected to assign the project director and AAIIBP the project manager. Both are authorized, respectively by DBP and AAIIBP, to officially approve various documents before submission to ADB.

Organizational Structure of the Grant Implementation Unit



Source: Asian Development Bank and Development Bank of the Philippines.

¹ AAIIBP, a subsidiary of the state-run DBP, is the only bank in the Philippines authorized to offer Islamic banking. It is licensed to provide both commercial and investment banking services, similar to a universal bank.

3. The GIU will work closely with well-established private enterprises including the identified agribusinesses listed in Appendix 7 to support agribusinesses for improving the livelihoods of smallholders. The GIU will organize smallholders into groups, including current or newly established cooperatives or other forms of entities to collaborate with agribusiness enterprises. In close coordination with DBP, AAIIBP, the Department of Agrarian Reform (DAR), private enterprises, local government units (LGUs), World Food Programme (WFP), and other stakeholders, the GIU will provide smallholders access to technical, management, financial, and other support.

4. The expenditures from the JFPR grant, including workshop and studies, will be in line with the JFPR 2012 Policy Guidelines for JFPR Project Grants. Specifically, para. 6 of the Guidelines states that study tours, foreign training and academic research are ineligible without full justification. Details of procedures regarding expenditures from various financiers will be provided in the Grant Implementation Manual (GIM).

2. Procurement including Consulting Services

5. All procurement under the project will be conducted in accordance with ADB's *Procurement Guidelines* (2012, as amended from time to time). In consultation with ADB, DBP will recruit all consultants in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time). Based on their terms of reference, the consultants will be based in, and supervised by, DBP to help the GIU to implement, manage, and monitor project progress. Procurement for goods and services from other financiers will be through parallel financing.

3. Disbursement Procedures

6. Payments for eligible expenditures arising from JFPR-funded activities, specifically the use of the imprest account and statement of expenditure procedure, will be in accordance with ADB's standard procedures for disbursements (ADB's *Loan Disbursement Handbook* 2012, as amended from time to time), except where agreed otherwise with the government.

4. Reporting

7. Based on project implementation progress, the GIU will help DBP prepare quarterly, annual, midterm, and project completion reports, the form and content of which will be agreed with ADB. DBP and AAIIBP will officially comment on these reports before DBP submits the reports to ADB. The GIU will help DBP to maintain a separate account for all project components financed by the JFPR grant. All investments funded by the JFPR grant will be audited by an independent auditor with adequate knowledge and experience of international accounting practices and acceptable to ADB. The audit report must be submitted to ADB not more than 6 months after the end of the fiscal year or project closing date (whichever is earlier). The report should include certified copies of audited accounts and financial statements, and the report of the auditors relating to said statements, including the auditor's opinion on the use of the JFPR funds, the operation of any imprest account and the application of any statement of expenditure procedure authorized under the JFPR project. ADB informed the government of ADB's requirement for the timely submission of audited project accounts and financial statements, including the suspension of disbursements in case of noncompliance. Through the JFPR grant, ADB will finance the annual audits using an independent audit company acceptable to ADB.

8. To facilitate the midterm review and post evaluation of the project, the government has agreed to provide a midterm review and completion report to ADB. DBP will submit the midterm review report within the second year of project implementation and the completion report within 3 months of the physical completion of the project. All reports will comprise an assessment of the project's design and monitoring framework, including assessment of the achievement of indicators set for the project's impact, outcomes, outputs, and other elements of the framework. The reports should include suggestions to overcome any issues faced and to improve the overall performance of project implementation.

5. Monitoring and Evaluation

9. The design and monitoring framework (Appendix 1) presents the preliminary targets and indicators for the overall monitoring and evaluation of project performance. The achievement of these indicators will be assessed in each quarterly report. During project implementation, the indicators are subject to change and the updated indicators will be finalized in the midterm review report. The project completion report will evaluate the achievements of the indicators set for outputs and outcomes, and the likelihood of how the project will contribute to the achievements of indicators set for the impact.

B. Implementation Schedule

10. The project will be implemented from 1 April 2013 to 31 March 2016.

Project Investment Activities

No.	Main Investment Activities	Schedule (Quarter)											
		1	2	3	4	5	6	7	8	9	10	11	12
1.	Support for start-up agribusinesses for smallholders												
1.1	Assess the potential private enterprises to work with smallholders												
1.2	Organize private enterprises to work with smallholders												
1.3	Identify key investments and financiers												
1.4	Collect baseline data including livelihood survey of smallholders												
1.5	Monitor flow of funds from various financiers												
2.	Study and establish an apex institution for smallholders												
2.1	Assess various options for an apex institution for smallholders												
2.2	Seek DBP and ADB approval for the proposed apex institution												
2.3	Prepare detailed manuals and procedures for apex institution												
2.4	Establish the proposed apex institution, monitor progress and prepare institutional strategy												
2.5	Monitor the hand-over of the project investments from the GIU to the selected apex institution												
3.	Feasibility Studies on increasing agribusiness development for smallholders												
3.1	Gather information and requirements on ADB non-sovereign loans and other financiers												
3.2	Formulate memorandum of understanding with various financiers												
3.3	Prepare detailed feasibility to replicate the success start-up businesses												
3.4	Facilitate stakeholders to prepare action plan for the feasibility studies												
4.	Project management and coordination												
4.1	Recruit consultant team to assist EA and IA through GIU												
4.2	Establish baseline, MIS and other monitoring systems												
4.3	Facilitate GIU to work with other stakeholders												
4.4	Ensure on time submission of quarterly, audit and other reports												

ADB = Asian Development Bank, DBP = Development Bank of the Philippines, EA= executing agency, GIU = Grant Implementation Unit, IA = implementing agency.

Source: Asian Development Bank and Development Bank of the Philippines.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The team will comprise three national consultants for about 55 person-months and international consultants for about 7 person-months. The Development Bank of the Philippines (DBP), in close coordination with the Asian Development Bank (ADB) and the Al Amanah Islamic Investment Bank of the Philippines (AAIIBP), will recruit the consultants on an individual and intermittent basis in accordance with ADB Guidelines on the Use of Consultants (2010, as amended from time to time).

A. International Consultants

1. Project Development and Policy Adviser (3 person-months intermittent)

2. The adviser, based in Manila, will be responsible for providing project development, policy, technical assistance, and other advisory services to DBP, AAIIBP, and the grant implementation unit (GIU) management; and other stakeholders in the management and supervision of project implementation. The consultant will report to DBP through the GIU. The specific duties include the following:

- (i) **Component 1.** (a) Assess the potential of well-established private enterprises to work with the targeted beneficiaries in the selected project areas of the Second Agrarian Reform Communities Project (ARCP);¹ (b) provide advice to GIU staff and consultants on organizing private enterprises to work with smallholders; and (c) help the GIU team to properly achieve the targets set for component 1.
- (ii) **Component 2.** (a) Help the GIU team assess various options for the apex institution of smallholders to deal with private enterprises; (b) provide advice to the GIU on identifying the best option and until the selected option is approved by DBP and ADB; (c) guide the GIU in preparing detailed manuals and procedures such as an operations manual and project administration instructions until the manuals are approved by DBP and ADB; (d) guide the GIU team in establishing and handing over the investment activities to the selected apex institution; and (e) provide advice to the GIU team on achieving the targets set for component 2.
- (iii) **Component 3.** Guide the GIU team in (a) gathering and complying with all requirements and procedures to gain access to ADB nonsovereign loans and other financiers; (b) formulating detailed memorandums of understanding (MOUs) with private enterprises for potential funding from international, national, and other financiers; (c) preparing detailed feasibility studies to replicate the start-up agribusiness investments (about \$8 million investment serving 2,000 smallholders to larger portfolio, about \$100 million involving at least 10,000 smallholders; and (d) helping stakeholders prepare detailed action plans to implement detailed feasibility studies.
- (iv) **Component 4.** (a) Provide guidance to the GIU for managing the consultant team and staff for day-to-day operation of the GIU; (b) support GIU staff in

¹ Asian Development Bank. 2008. *Report and Recommendation of the President: Proposed Loan to the Republic of the Philippines for the Second Agrarian Reform Communities Project*. Manila.

developing baseline, management information system, and other monitoring systems; (c) help the GIU team to work effectively with local government units (LGUs), smallholders, financial institutions, private sector enterprises, and other stakeholders; and (d) ensure the GIU will help DBP to submit quarterly, annual, audit, and project completion reports on time.

3. The consultant should have the following core competencies: (i) proven managerial and advisory capability, innovativeness, and effectiveness under varying work assignments, conditions, and time pressures; (ii) ability to advise on implementing complex agribusinesses and other livelihood options selected by the GIU for smallholders; (iii) proven knowledge of fiduciary management of ADB's guidelines including on procurement, the use of consulting services, and policy on anticorruption; (iv) ability to give sound advice on sensitive issues based on a thorough understanding of the agrarian reform policies and programs; (v) excellent communication skills, interpersonal and teamwork abilities, including proven ability to work cohesively with senior officials and national consultants and other stakeholders; and (vi) in-depth knowledge of social, economic, and cultural issues affecting implementation of various livelihood options for smallholders, especially in the Autonomous Region in Muslim Mindanao.

4. The consultant should have the following qualifications: (i) at least 20 years professional experience as a project manager or team leader for policies and other development support; (ii) a strong professional background in project planning, appraisal, and review of agrarian reform-related projects; (iii) strong professional expertise in fiduciary management; and (iv) a strong academic background, preferably a master's degree in economics, development management, business administration or management, and/or related fields of study.

2. Islamic Microfinance Adviser (4 person-months, intermittent)

5. The Islamic microfinance and smallholder specialist will be based in Manila and report to DBP through the GIU. The consultant will advise DBP, AAIBP, and GIU management on policy, technical assistance, and other advisory services for financing smallholders to comply with Islamic schemes. Specific duties include the following:

- (i) **Component 1.** (a) Assess the project's mechanisms to provide financial services to the targeted beneficiaries to ensure that they comply with Islamic schemes; (b) advise GIU staff and consultants on reviewing the viability of the business support to smallholders to ensure that repayment mechanisms are achievable and viable; (c) help the GIU formulate repayment mechanisms and fund flow management between smallholders, financial institutions, and private enterprises; and (d) provide other inputs to help the GIU team properly achieve the targets set for component 1.
- (ii) **Component 2.** (a) Draft options for financial mechanisms for smallholders under an apex institution; (b) develop draft strategies to ensure that the apex institution will help smallholders work with private enterprises in a viable manner; (c) help draft detailed manuals and procedures on how the apex institution will serve smallholders in a viable manner; (d) monitor the hand-over of services to smallholders from the GIU to the selected apex institution; and (e) advise the GIU team on achieving the targets set for smallholders under component 2.
- (iii) **Component 3.** (a) Guide the GIU team in reviewing the documents on the detailed feasibility studies on increasing agribusiness to ensure that the proposed

investments will properly serve smallholders as their main beneficiaries; (b) review financial arrangements and fund flow mechanisms in the feasibility studies to ensure that new projects will benefit smallholders; and (c) provide inputs to the GIU on the viability and sustainability of financial services to smallholders in the project areas.

- (iv) **Component 4.** (a) Monitor fund flow management under the project to ensure that smallholders will effectively serve as the main beneficiaries of all investment activities funded by the project; (b) guide the GIU staff, consulting team, and other stakeholders to establish viable and sustainable linkages between smallholders, LGUs, financial institutions, the private sector, and other stakeholders; and (c) ensure that progress on servicing smallholders is properly recorded in the quarterly, annual, audit, and other project reports.

6. The consultant should have the following core competencies: (i) proven managerial and advisory capability, innovativeness, and effectiveness in managing financial services to smallholders; (ii) ability to identify livelihood options for smallholders under complex agribusinesses investments developed by the private sector; (iii) excellent communication skills, interpersonal and teamwork abilities, including proven ability to work cohesively with senior officials, national consultants, and other stakeholders; and (iv) in-depth knowledge of social, economic, and cultural issues affecting implementation of financial services to smallholders.

7. The consultant should have the following qualifications: (i) at least 10 years professional experience with rural and microfinance services and other development support; (ii) strong professional background in project planning, appraisal, and review of projects on financing development for smallholders; (iii) expertise in Islamic regulation related to financial services; and (iv) a strong academic background, preferably a master's degree in finance, business administration or management, and/or related fields of study.

B. National Consultants

1. Agribusiness Management Specialist (about 22 person-months)

8. The specialist will be responsible for helping DBP and AAIIBP implement the project through the GIU; improve smallholder access to various agribusiness development services; and develop collaboration with well-established enterprises, financial institutions, and other stakeholders. Under the guidance of the project development and policy adviser and the GIU, the consultant's specific duties include the following:

- (i) **Component 1.** (a) Work with potential well-established private enterprises to attract them to work with smallholders in developing various agribusinesses to improve the livelihood of smallholders; (b) help the GIU staff and consultants to organize private enterprises to work with smallholders; (c) assist the GIU in managing project support for smallholders; and (d) work with the GIU team to properly achieve the targets for component 1.
- (ii) **Component 2.** (a) Help the GIU team draft a working paper to assess various options for the apex institution of smallholders to deal with private enterprises; (b) help the GIU decide on the best option and get the approval of the selected option from DBP and ADB; (c) guide the GIU to draft detailed manuals and procedures such as an operations manual and project administration instructions

until the manuals are approved by DBP and ADB; (d) assist the GIU team in establishing and handing over the investment activities to the selected apex institution; and (e) help the GIU team achieve the targets for component 2.

- (iii) **Component 3.** Help the GIU to (a) gather and comply with all requirements and procedures to gain access to ADB nonsovereign loans and other financiers; (b) formulate detailed MOUs with private enterprises for potential funding from international and national financiers; (c) prepare detailed feasibility studies to replicate the start-up agribusiness pilot tests into large portfolio and involve more smallholders; and (d) help stakeholders prepare detailed action plans to implement the feasibility studies.
- (iv) **Component 4.** (a) Help the GIU manage day-to-day project operations; (b) assist GIU staff in preparing the baseline data, management information system, and other monitoring systems for the project; (c) help the GIU team work effectively with LGUs, smallholders, financial institutions, the private sector, and other stakeholders; and (d) help the GIU draft and submit quarterly, annual, audit, and project completion reports to ADB through the DBP on time.

9. The consultant should have the following qualifications and core competencies: (i) university degree or equivalent professional qualification in finance, business administration, and/or agribusiness; (ii) sound technical knowledge in agribusiness development; (iii) at least 10 years international professional experience in the management of a similar company; (iv) managerial and advisory capability, innovativeness, and effectiveness under varying work assignments, conditions, and time pressures; (v) proven experience in a senior finance position in an agribusiness enterprise or financial institution; (vi) strong managerial, analytical, and interpersonal skills and a proven ability to communicate clearly in English, both verbally and in writing; (vii) ability to manage and implement complex agribusiness processes with understanding of the cost implications of various investments; (viii) capability to provide guidance on negotiation and conflict resolution processes; and (ix) excellent communication skills, interpersonal and teamwork abilities, including proven ability to work cohesively with senior officials.

2. Counsel or Lawyer (12 person-months)

10. The consultant will review project legal documents including the documents required for establishing collaboration between smallholders, private enterprises, and smallholder cooperatives; MOUs between smallholders, cooperatives, LGUs, financial institutions, private enterprises, Department of Agrarian Reform (DAR), DBP, and other stakeholders participating in the various businesses established for the smallholders. The consultant will provide legal advice to ensure that the documents comply with the regulations and other legal matters required by ADB and the Government of Philippines. Under the guidance of the Agribusiness Management Specialist and project development and policy adviser, the consultant's specific duties will include the following:

- (i) **Component 1.** Help the GIU (a) review and complete legal documents related to the collaboration between smallholders, the private sector, financial institutions, LGUs, cooperatives, and other stakeholders; (b) review draft contracts of various transactions funded by the project; (c) provide legal advice to ensure that the GIU can properly formulate legal documents required for the project; and (d) ensure

that the documents comply with the guidelines and regulations of the government and ADB.

- (ii) **Component 2.** (a) Review the legal framework and provide legal advice on various options for the apex institution for smallholders; (b) assist the GIU in completing legal and other supporting documents to establish the apex institution; (c) ensure the draft operation manuals and procedures of the selected apex institution comply with government and ADB regulations and policy; and (d) help with the legal matters in recruiting the board of trustees, board of directors, and supporting staff and consultants for the apex institution.
- (iii) **Component 3.** (a) Review legal requirements and procedures to gain access to ADB nonsovereign loans and other financiers; (b) review draft MOUs for potential collaboration between private enterprises and financial institutions to support agribusiness and other livelihood improvement for smallholders; and (c) review legal frameworks of the detailed feasibility studies to replicate the start-up agribusinesses.

11. The consultant should have the following: (i) a solid academic background, preferably a master's degree in law and/or related fields of study; (ii) at least 5 years professional experience as a counsel (lawyer) in reviewing legal documents of similar agribusiness investments; (iii) ability to give sound advice on sensitive legal issues based on in-depth understanding of the agrarian reform policies and programs related to agribusiness development in the Philippines; (iv) excellent communication skills, interpersonal and teamwork abilities including proven ability to work cohesively with senior government officials and international consultants; and (v) broad knowledge of social, economic, and cultural issues affecting implementation of the Agrarian Reform Program in the Philippines.

3. Investment and Financial Specialist (21 person-months)

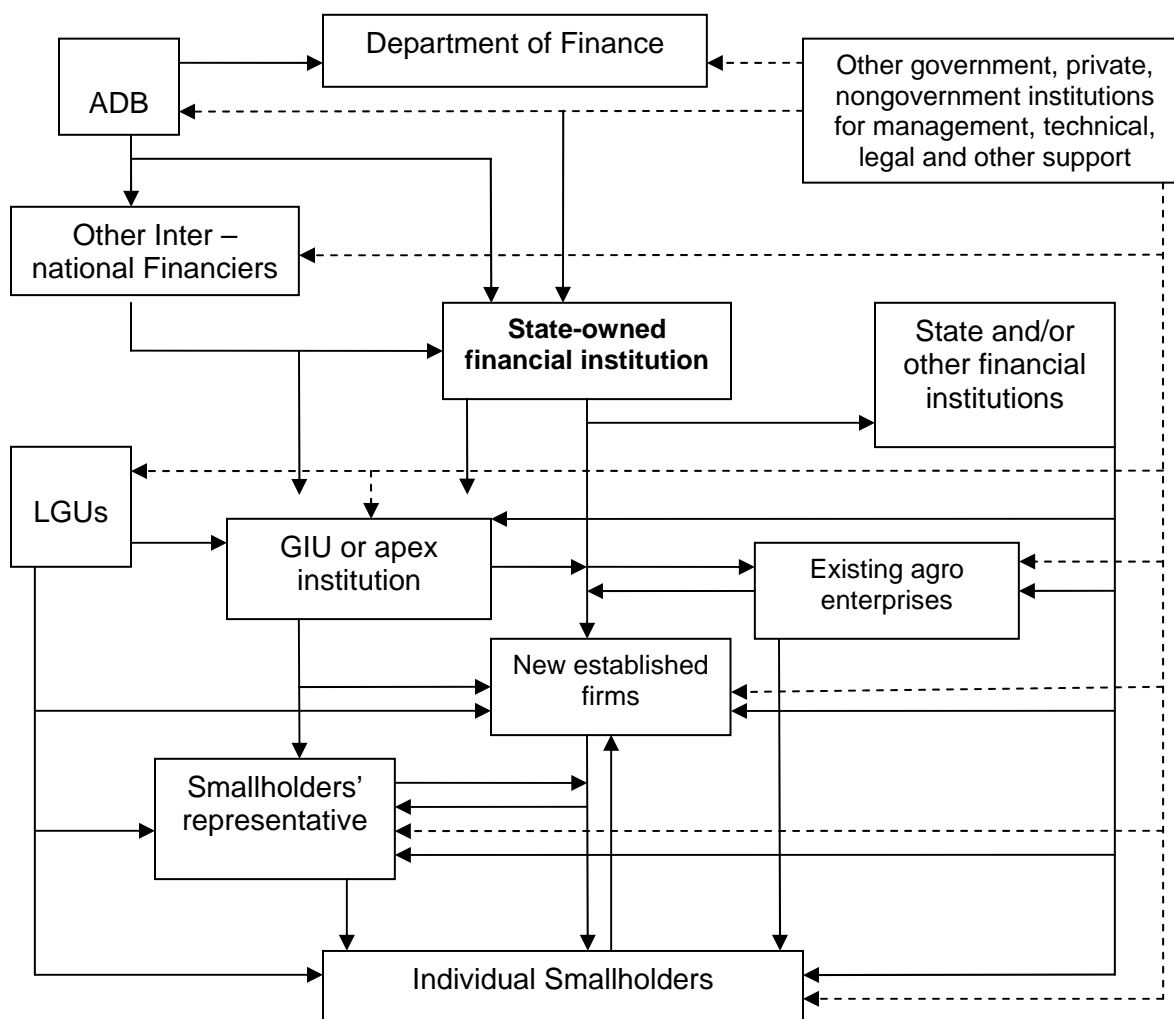
12. The specialist will help the GIU prepare detailed business proposals including the financial analysis of investments to be funded by the project. Under the guidance of the project development and policy adviser, agribusiness management specialist, and the counsel, specific duties include the following:

- (i) **Component 1.** Help the GIU to (a) review proposals from private agribusiness enterprises to work with targeted smallholders to be approved by the GIU; (b) draft the detailed feasibility studies of investments that will be funded by the project through the revolving fund; (c) monitor the fund flow for agribusiness support (from ADB to the imprest account of the DBP, to investments funded by the project, and the repayments to the account of revolving funds opened in AAIBP); and (d) prepare progress reports for various investments funded by the project.
- (ii) **Component 2.** Provide inputs to the GIU team on (a) assessing various options for the apex institution(s) for smallholders to deal with private enterprises; (b) determining the best option until the selected option is approved by DBP and ADB; (c) preparing detailed manuals and procedures such as an operations manual and project administration instructions until the manuals are approved by DBP and ADB; (d) establishing and handing over the investment activities to the selected apex institution; and (e) properly achieving the targets for component 2.

- (iii) **Component 3.** (a) Draft financial modalities and feasibility studies to work with various financiers, potentially including ADB nonsovereign loans; private enterprises; and other international and national financiers; (b) prepare detailed feasibility studies to replicate the start-up agribusinesses into a large portfolio and involve more smallholders; and (c) help stakeholders increase their services to smallholders in the current project areas and beyond.
- (iv) **Component 4.** Help the GIU to (a) prepare the financial inputs of the annual plans and progress reports for the project; (b) prepare a business plan and budget for the first 3 years of the collaboration between smallholders and private enterprises; (c) provide financial data on investments funded through the GIU, and incorporate the progress in the quarterly, annual, audit, and project completion reports; and (d) prepare guidelines for funding procedures including for the evaluation and acceptance or rejection of applications for the investments funded for smallholders through the GIU.

13. The consultant should have a solid academic background, preferably a university degree in finance, accounting, investment, business, commerce, or economics, preferably postgraduate, with a professional designation in accounting, finance, or related fields; proven expertise in undertaking economic, financial, and investment analysis of various agribusinesses; at least 10 years professional experience as a financial or investment specialist in agribusiness; a strong professional background in financial and investment management systems, feasibility study preparation, and agribusiness development; broad experience in the preparation and implementation of complex agribusinesses with related economic and financial management systems; ability to give sound advice on sensitive economic, financial, and investment issues based on an in-depth understanding of Autonomous Region in Muslim Mindanao areas; excellent communication skills, and interpersonal and teamwork abilities including proven ability to work cohesively with senior officials and international consultants; and in-depth knowledge of social, economic, and cultural issues affecting implementation of the businesses.

POTENTIAL COLLABORATION BETWEEN SMALLHOLDERS AND OTHER STAKEHOLDERS



Potential Contribution of Each Stakeholder:

- ADB: sovereign and/or nonsovereign loan to state-owned institution, guarantee to other financier(s)
- Department of Finance: Endorsement for financial flow from various financiers
- Other financiers: as additional cofinanciers, loans to, guarantee to financial institution
- State-owned financial institution: executing agency, borrow from ADB and/or other financiers, lend or put share to agro-enterprises, cooperatives, and/or other financial institution
- State and/or other financial institutions: subloan from executing agency, lend to agro-enterprise, smallholder cooperatives, and/or groups
- GIU: owned by work with cooperatives, smallholders, and other stakeholders, provide owned equity, technical and/or leasing to smallholders
- Existing agro-enterprises: borrow from executing agency, various collaboration, technical and/or leasing to smallholders, contract farming through cooperatives, groups, individual smallholders
- LGUs: provide lands and/or supporting infrastructure as shares in potential collaboration, support smallholders through groups and/or cooperatives
- Smallholder cooperatives and groups: coordinate smallholders to have shares in various collaborations, get loans from financial institutions, and existing enterprises
- Smallholders: receive leasing, loan, technical assistance, and/or collaboration with various stakeholders

Name of Firm or Institution	Crop	Collaboration
1. Early Seven Marketing	Cassava	ARB market outlet, technology provider; started planting with smallholders in ARCs of the Second Agrarian Reform Communities Project in Ormoc, Leyte
2. SC Global Corporation	Organic coconuts and copra, cardava bananas, and papayas (proposed)	ARBs technology provider, ARBs market outlet, training, planting materials; has been working under the Second Agrarian Reform Communities Project to buy products from Leyte ARCs, agro-industrial investor with Land Bank through Agricash
3. Figaro Coffee Company	Coffee–Liberica	Market outlet, ready market, need to identify growers
4. Sagrex Food Incorporated	Bananas	Market outlet, ready market, need to identify growers
5. Philippine Starch Industrial Corp.	Cassava-Starch	Market outlet, ready market, need to identify growers
6. Rocky Mountain and Nestle Philippines	Coffee	Provide coffee trainings, supplier of planting materials, market guarantee; market outlet, ready market, areas for coffee identified
7. Coco Technologies Corp.	Coconuts	Market outlet, ready market, need to identify growers
8. UNIVET	Yellow corn, soy beans	Market outlet, ready market, need to identify growers
9. Dulbet Poland & Germany	Dried fruits	Market outlet, ready market, need to identify growers
10. Del Monte Philippines	Pineapples, papayas, guava, passion fruits	Market outlet and agreed to absorb the production of Lanao
11. Eastern Petroleum	Cassava	Market outlet, ready market, need to identify growers
12. Agumil Philippines	Palm oil	Market outlet, ready market, need to identify growers
13. Cacao Foundation Philippines	Cacao	Market outlet, ready market, need to identify growers
14. Yokohama Tires Philippines	Rubber	Market outlet, ready market, need to identify growers
15. Virginia Foods and Spice Manufacturing	Culinary raw materials	Market outlet, ready market, need to identify growers
16. LSE – Tolenada Trade	Vegetables	Market outlet, ready market, need to identify growers

Source: Department of Agrarian Reform. 2011.

PROCUREMENT PLAN

A. Project Information

Country	Republic of the Philippines
Name of the Government	Government of the Philippines
Project Name	Agribusiness Development Assistance for Smallholders in Mindanao
Technical Assistance Reference	To be determined
Date of Effectiveness	To be determined
Amount (total from all financiers)	\$8.875 million
of which Committed from JFPR	\$2.075 million
Executing Agency	Development Bank of the Philippines (DBP)
Implementing Agency	Al Amanah Islamic Investment Bank of the Philippines (AAIIBP)
Approval Date of Original Procurement Plan	To be determined
Approval of Most Recent Procurement Plan	To be determined
Publication for Local Advertisement ^a	To be determined
Period Covered by this Plan	2013–2016

^a General procurement notice, invitation to prequalification and to bid, call for expressions of interest.
Source: Asian Development Bank and Government estimates.

B. Procurement Thresholds for Works and Goods

Procurement Methods	To be used above or below
NCB works	Less than \$5,000,000 but more than \$100,000
NCB goods	Less than \$1,000,000 but more than \$100,000
Shopping Works	Less than \$100,000
Shopping Goods	Less than \$100,000
Community Participation	Less than \$30,000

NCB = national competitive bidding
Source: Asian Development Bank and Government estimates.

C. Procurement Thresholds Consulting Services

Procurement Methods	To be used above or below
Quality- and Cost-Based Selection	Above \$200,000
Consultants' Qualifications Selection	Below \$200,000
Individual Selection	To be determined

Source: Asian Development Bank estimates.

D. List of Contract Packages for Works, Goods, and Services Exceeding \$100,000

Contract Description	Estimate Cost (\$'000)/package	Procurement Method	Expected Date of Advertisement	Prior Review	Agency
National consultants	\$180 (4 p)	Individual	1st Quarter of Year 1	Yes	DBP,
International consultant	\$130 (3 p)	Individual	1st Quarter of Year 1	Yes	GIU,
Smallholder Financial support	\$1,600	commercial practices	1st Quarter of Year 1	Yes	AAIIBP

GIU = grant implementation unit; NCB = national competitive bidding, p = package(s).
Source: Asian Development Bank and Government estimates.

E. Proposed Detailed Contract Packages

Description	Unit	Number of Contracts	Cost Estimate (\$ '000)	Aggregated Total Cost Estimate (\$ '000)	Mode of Procurement	Responsible Agency
A. Financial Support for smallholders						
(Production and Postharvest Facilities)	Package	1	0.55	1,100		
a. Production Equipment and Supplies					commercial practices	through AAIIBP
b. Seedling, Fertilizers, Other Inputs						
c. Warehouse, Drying, Other Support						
B. Goods and Equipment						
Computers and Other Office Equipment	Package	1	4.5	4.5	Shopping	GIU, DBP
C. Services						
1. Consultants						
a. National Consultants	Package	7	317	180	Individual	GIU, DBP
b. International Consultant	Package	1	129	130	Individual	
2. Contracts						
a. Audit Reports	Package	1	25	75	CQS	GIU, DBP
b. Project Completion Report	Package	1	40	40	Individual	

AAIIBP = AAIIBP = AI Amanah Islamic Investment Bank of the Philippines, CQS = consultants qualifications selection, DBP = Development Bank of the Philippines, GIU = Grant Implementation Unit.
Source: Asian Development Bank and Government estimates.

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Philippines	Project Title:	Agribusiness Development Assistance for Smallholders in Mindanao
Lending/Financing Modality:	Project Grant	Department/Division:	Southeast Asia Regional Department (SERD) Environment, Natural Resource and Agriculture (SEER)
I. POVERTY ANALYSIS AND STRATEGY			
A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy			
<p>A large percentage of the Philippine population is rural and poor. Poverty is high, at one-third of the population, with two-thirds of the country's poor residing in rural areas, particularly in Mindanao and the Visayas. They depend on agriculture and natural resources for employment and on subsistence agriculture and food security for their household income.^a Agriculture has registered steady growth, averaging 3.8%, during 2000–2003, improving to 6.3% in the first semester of 2004. Farm incomes improved as a result of increased production, which coincided with generally favorable price movements. However, these did not translate into significant rural sector-wide gains over the 3 years. While the sector generated more than a million jobs, over 1 million rural workers remained unemployed and over 3 million were underemployed annually. The high rates of unemployment and underemployment in rural areas were largely attributed to the seasonal nature of agriculture compounded by relatively low cropping intensity and crop diversification. Hence, the impacts of employment and improved farm income on sector growth have been relatively minor. Since agriculture plays a major role in the generation of income and employment in rural areas, focused and integrated development interventions are essential in poverty reduction programs.</p> <p>The overall goal of the Project is to improve the income of smallholders in Mindanao by providing sustainable agribusiness and livelihood support for smallholder development in Mindanao. Specifically, it will (i) provide management, technical and financial support for start-up agribusinesses for smallholders; (ii) establish an apex institution to support smallholders during and after the project and prepare detailed operations manuals and procedures; and, (iii) conduct feasibility studies on increasing agribusiness development for smallholders, and help stakeholders prepare detailed action plans to implement the detailed feasibility studies. The project area includes two provinces in the Autonomous Region in Muslim Mindanao (ARMM), Lanao del Sur and Maguindanao, and one province (Zamboanga Sibugay) outside of ARMM. As stated in the 2012 Framework Agreement on the Bangsamoro, ARMM will be part of the Bangsamoro Transition Authority.</p> <p>The Project is in line with ADB's 2011–2016 Country Partnership Strategy for the Philippines,^b which includes agriculture and natural resources as a core priority sector, and also with the 2011–2016 Philippine Development Plan^c which includes increased incomes of families in the agriculture and fishery sector as an outcome under inclusive growth and poverty reduction.</p>			
B. Poverty Analysis		Targeting Classification: Targeted Intervention for Households (TI-H)	
<p>1. Key issues. Rural poverty in the Philippines is associated with lack of equitable access to land, capital, technology, and affordable credit from institutional sources. While land distribution has taken place under the Comprehensive Agrarian Reform Program (CARP), agrarian reform beneficiaries (ARBs) can benefit in comparison with other rural poor only when they gain access to the support services required to make their landholdings viable economic assets. ARBs in agrarian reform communities (ARCs) that have not been assisted tend to remain poor and subject to uncertainties. Private enterprises that have set up their businesses in ARMM generally lease land from local residents at relatively low rates, on a long-term basis and employ some residents as low-wage labor. Most farmers have no better options; without adequate capital and technical capacity, they cannot cultivate their land in a productive and profitable manner.</p> <p>The project will attempt to address these issues through assisting smallholder households to gain access to technical, financial, market, and other supporting assistance for livelihoods including agribusiness development. The Project will benefit approximately 2,000 smallholders selected from project sites of the Second Agrarian Reform Communities Project (ARCP)^d in the provinces of Lanao del Sur and Maguindanao in ARMM and in the province of Zamboanga Sibugay in Region IX. The project will complement ARCP's agriculture and enterprise development component by encouraging financial intermediaries and the private sector to finance crop production by smallholders in a viable and sustainable manner. Beneficiary households will receive improved access to capacity building, technical training, finance, infrastructure, and other support. Smallholders, especially ARBs and poor farmers, will be able to utilize their land more productively. The project will also support the rural infrastructure component of ARCP by helping LGUs to access additional support for their equity contribution (from the private sector and smallholders), to enhance infrastructure that supports agribusiness in the project areas.</p> <p>2. Design features. The project provides targeted interventions for households, which will be organized through groups or cooperatives or other entities, to deal with financial institutions, technical institutions, private enterprises, development agencies, and other stakeholders. In collaboration with these stakeholders, the project will empower smallholder groups and/or cooperatives by providing credit, management, technical, market access, and other</p>			

support. An apex institution will be established to gradually hand over grant implementation unit (GIU) support to the smallholders themselves.

II. SOCIAL ANALYSIS AND STRATEGY

A. Findings of Social Analysis

1. **Key issues.** Key socioeconomic issues in the project area include poor access of smallholders to business management, poor infrastructure and business networks, and lack of participation of the private sector in providing support infrastructure. Land size belonging to each smallholder household is only about 0.1-5 ha (average of 2 ha per household in the project areas). Target beneficiaries also lack access to the financial, technical, and market support needed to develop viable crop production. There is need to build technical, management, and financial capacity of smallholders and existing smallholder cooperatives in the area to individually deal with local government units (LGUs), financial intermediaries, private enterprises, development agencies, and other stakeholders.

B. Consultation and Participation (C&P)

1. The project was designed through a series of consultations with smallholders (including women and men), cooperatives, well-established private enterprises, financial institutions, nongovernment organizations (NGOs), development agencies and government institutions. During implementation, the project will establish a GIU to oversee implementation, deal with potential partners, and guide smallholders in determining future directions after project completion. The GIU will empower smallholders by working with existing and/or new smallholder groups and/or cooperatives to negotiate potential collaboration with well-established agribusiness enterprises. Smallholders (the project beneficiaries) especially vulnerable families among the ARBs and non-ARBs, will participate directly during implementation and after project completion. During the rehabilitation and/or construction of supporting infrastructure and the initial investment activities of agribusinesses, smallholders will be employed as laborers.

2. What level of C&P is envisaged during the project implementation and monitoring?

Information sharing Consultation Collaborative decision making Empowerment

3. Was a C&P plan prepared for project implementation? Yes No

Civil society groups including nongovernment institutions will be tapped to provide support to smallholders during implementation, as described in the Grant Implementation Report. The GIU will organize smallholders into groups, including current or newly established cooperatives, to deal with the private enterprises that will be partnered with during implementation.

C. Gender and Development **Gender Mainstreaming Category:** Effective gender mainstreaming

1. **Key issues.** Women in rural communities are fairly active economic agents. They participate in education, income generation, and community activities. The CARP includes an apparent anomaly in terms of land rights. While the law recognizes the equal rights of both spouses to land, approximately 75% of ARBs are men. Women's access to credit, technology, and markets remains limited in the target ARCs.

1. Key actions.

Gender Action Plan Other actions or measures No action or measure.

The project aims to address the need for equitable participation by women and men in efforts to reduce poverty in the target ARCs. Of the project beneficiaries (2,000 individual smallholders), 1,000 will be women. The ARCP Gender Action Plan will be applied for this project and it will be revisited to suit the JFPR context, including the target that at least 33% of participants on microfinance groups, cooperatives and other organizations developed and/or supported under the Project will be women. Adequate resources will be allocated to revise and implement the GAP.

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

Issue	Significant, Limited, No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
Involuntary Resettlement	No impact	The project activities will not include land acquisition nor result in any restriction of access to livelihood opportunities. Any unanticipated involuntary resettlement impacts arising as a result of the grant project will be addressed following the requirements of the Resettlement Framework prepared under the ARCP.	<input checked="" type="checkbox"/> No action
Indigenous Peoples	No impact	Any issues arising from the grant project activities will be dealt with according to the requirements of the Indigenous Peoples Development Framework under the ARCP.	<input checked="" type="checkbox"/> No action

Labor <input checked="" type="checkbox"/> Employment opportunities <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Core labor standards	Limited	Smallholders are expected to be the main laborers and owners of the investments on their own lands.	<input checked="" type="checkbox"/> No action
Affordability	Limited	Social assessments during project preparation demonstrated willingness among LGUs, the private sector, World Food Programme, and smallholders to partly provide the equity required by municipal LGUs to establish infrastructure for agribusiness development.	<input checked="" type="checkbox"/> No action
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human trafficking <input checked="" type="checkbox"/> Others	Limited, for potential conflict and political instability in the project areas	The project will ensure, before starting any agribusiness investments for smallholders, that conflict and political instability are not key issues in the pilot areas.	<input checked="" type="checkbox"/> No action

IV. MONITORING AND EVALUATION

Are social indicators included in the design and monitoring framework to facilitate monitoring of social development activities and/or social impacts during project implementation?
 Yes No Indicators include (i) established agribusinesses covering up to 5,000 ha and at least 2,000 smallholders (from 0); and (ii) of the project beneficiaries (2,000 individual smallholders), 1,000 are women (from 0).

ADB = Asian Development Bank, ARB = agrarian reform beneficiaries, ARCP = Agrarian Reform Communities Project, ARMM = Autonomous Region in Muslim Mindanao, CARP = Comprehensive Agrarian Reform Program, grant implementation unit, JFPR = Japan Fund for Poverty Reduction, LGU = local government unit, NGO = nongovernment organization.

^a C. Reyes. 2002. Impact of Agrarian Reform on Poverty. *Philippine Journal of Development*. 54 (2).

^b ADB. 2011. *Country Partnership Strategy: Philippines, 2011 – 2016*. Manila.

^c National Economic and Development Authority. 2011. *Philippine Development Plan 2011 – 2016: Results Matrices*. Pasig City.

^d ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of the Philippines for the Second Agrarian Reform Communities Project*. Manila.

Source: Asian Development Bank and Government staff.