

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA97111

Project Name	Inclusive Partnerships for Agricultural Competitiveness (P153042)
Region	EAST ASIA AND PACIFIC
Country	Philippines
Lending Instrument	Investment Project Financing
Project ID	P153042
Borrower(s)	Department of Finance
Implementing Agency	Department of Agrarian Reform
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	10-Nov-2016
Date PID Approved/Disclosed	13-Oct-2015
Estimated Date of Appraisal Completion	
Estimated Date of Board Approval	06-Mar-2017
Appraisal Review Decision (from Decision Note)	Pre-appraisal upgraded to appraisal

I. Project Context

Country Context

The Philippines is a lower middle income country with a population of about 100 million people. About 55 percent of the Philippine population live in rural areas where poverty rates remain high, with nearly 38.2 percent of the rural population classified as poor. Farmers and fishers are the poorest among the basic sector groups and rural incomes are much lower than urban ones. Economic growth has been robust in recent years, averaging 6.2 percent per annum in 2010-2015, in line with major economies in the East Asia and Pacific Region. Real gross domestic product (GDP) grew by 6.1 and 5.8 percent in 2014 and 2015, respectively, driven by household consumption, private construction, and exports of goods and services. Some improvement in the poverty headcount have also been achieved, with the incidence of poverty falling to about 24.6 percent in mid-2013 from 27.6 percent in 2012, albeit with some setbacks mainly due to climatic and disaster shocks. Per capita income of the bottom 30 percent of households grew over 20 percent in 2012-2015, while the average income of all households grew by 15.3 percent.

Though the overall economic outlook remains favorable, the persistent structural rigidities and the risky business climate present challenges to the government in its pursuit of an inclusive and sustainable growth, and in its efforts to reduce poverty and create jobs. The Philippines Development Report (PDR) 2013 concluded that longstanding policy distortions (i.e., labor markets, land, agriculture) have slowed long term growth in agriculture and manufacturing. The

agricultural sector remained broadly stagnant, and manufacturing failed to grow sustainably. A low skill services sector emerged as the dominant sector of the economy.

Sectoral and institutional Context

In 2014, agriculture contributed ten percent to the Gross Domestic Product (GDP), gross outputs increased on average by 1.4 percent, and the crop sector grew by 2.5 percent. The agricultural sector still employs around one third of the total labor force. Agricultural growth has averaged 2.1 percent in 2011-2013 (about 3.2 percent in the decade before), placing the Philippines on a slower sector growth trajectory than most of its south-east Asian neighbors. The sector has been plagued by a number of challenges that inhibited its contribution to economic growth, job creation, and poverty reduction. In addition to the continuous challenge of climate variability and extreme weather events, the agricultural sector is constrained by low farm productivity, high production costs, weak agricultural extension systems, low level of technology adoption, poor access to markets, weak producer organizations, inefficient supply chains and logistics system, lack of proper infrastructure (roads and irrigation), inadequate post-harvest facilities, limited access to finance, and lack of clear property rights.

The country has not yet optimized the potential of its production base of about 4.8 million agricultural farms with 9.7 million hectares or 32 percent of the nation's total land area to provide gainful employment and ensure adequate food supply for the growing population. Recent positive trends in yields have failed to reverse the stagnation of farm productivity. Agricultural land is predominantly occupied with traditional crops such as coconut, rice, and corn. The Philippines continues to trail other countries in the region in the yields levels for key commodities such as rice, coconut and sugarcane, e.g., the country ranked fourth among the ASEAN countries (Malaysia, Indonesia, Thailand, and Vietnam) in rice and coconut yields, and fifth in corn. Furthermore, the Philippines has not exploited the full potential of its export commodities with comparative advantages in e.g. coconut, banana, mango, pineapple, sugar, abaca, papaya, fresh fruits and vegetables. The exports share of agricultural products is only 8.3 percent compared to 13.3 percent for Malaysia and 21.1 percent for Indonesia. Poor rural business climate, malfunctioning land markets, and the absence of risk mitigating institutions have overall inhibited the investment in the modernization of the agricultural sector.

Land tenure reform, mainly undertaken through the Comprehensive Agrarian Reform Program (CARP) and implemented by the Department of Agrarian Reform (DAR) has resulted in the distribution of more than 6.9 million hectares to small-scale farmers, also known as agrarian reform beneficiaries (ARBs). The program aims to develop the ARBs into self-reliant producers. However, only about half of the ARBs have so far been assisted in improving the productivity of their farms. Issues about inter-generational land transfer arrangements remain unresolved, and constitute a renewed constraint for land improvement investments.

Related programs that complement DAR's interventions for ARBs are the Industry Clusters of the Department of Trade and Industry (DTI) which specify industries with high market potential per region, and DAR's Shared Services Facilities Program which provides processing facilities and equipment as well as marketing assistance to farmers' organizations including ARB cooperatives. DTI has identified the market and investors for commodities with big market demand and export potential but could not achieve much progress due to the inefficient supply chains. For this reason, DAR and DTI are closely collaborating to encourage producers to meet the scale and quality required by the market.

The Department of Agriculture (DA) is implementing the Philippine Rural Development Project (PRDP) to support the development of agricultural value-chains through enterprise and infrastructure sub-projects based on Provincial Commodity Investment Plans prioritized by the Provincial Local Government Units. PRDP's major contribution is seen in terms of laying the provincial road network in support of value-chain development. As DA and the DTI are investing in the development of value chains for traditional and non-traditional crops, DAR, through the proposed project, seeks to facilitate the inclusion of the ARBs and other farmers, including landless rural workers, into the value-chains to generate wider benefits.

II. Proposed Development Objectives

The Project Development Objectives are to improve access to markets and enhance the competitiveness of smallholder farmers in the targeted Agrarian Reform Community clusters.

III. Project Description

Component Name

Support Services for Enhanced Market Linkages

Comments (optional)

Sub-Components:

- a. Extension & Business Dev. This sub-component aims at enhancing the knowledge and capability of farmer organizations in agrarian reform community (ARC) clusters to help them respond to market opportunities. Appropriate combination of technical, business, and operational training will be provided. Training will be delivered through Farmer Field and Business Schools (FFS/FBS).
- b. Land Tenure Improvement. This sub-component will encourage on-farm land investment through securing individual land titles and would support the surveying for subdivision of collective Certificates of Land Ownership Awards.
- c. Rural Infrastructure. This sub-component would support critical infrastructure necessary to enhance farm productivity and access to markets for the targeted ARC clusters.

Component Name

Investments in Productive Partnerships

Comments (optional)

The project would provide matching grants to existing or newly emerging registered farmer organizations (FOs) to support smallholder farmers in the ARC clusters to increase their competitiveness, business orientation and market position and to make them attractive business partners in the value chain.

Component Name

Project Management, Monitoring and Evaluation

Comments (optional)

The purpose of this component is to provide support to the project implementing agencies at the central, regional, and provincial levels in project management and coordination, technical operation, financial management, procurement, social and environmental safeguards, and monitoring and evaluation (M&E). The component will finance activities on: (a) project orientation workshops and training; (b) engagement of technical assistance and short term experts; (c) design and installation of M&E and management information system; (d) conduct of M&E surveys and reviews (baseline, mid-term and end of project evaluation); (e) procurement of office equipment and vehicles; and (f) incremental operating costs.

IV. Financing (in USD Million)

Total Project Cost:	231.03	Total Bank Financing:	99.31
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			103.72
International Bank for Reconstruction and Development			99.31
LOCAL BENEFICIARIES			28.00
Total			231.03

V. Implementation

As the lead implementing agency, DAR would exercise overall administration, planning, management and supervision of the project through its existing units and staff at the central, regional, provincial and municipal levels in collaboration with the counterparts from the partner agencies. Technical experts would be engaged to provide technical assistance and advice to the project.

- Project Management Board (PMB). An inter-agency PMB would be set up to provide policy direction and overall management guidance to the project, as well as approve the project's annual work and financial plans. The PMB would be chaired by the DAR Secretary and composed of representatives from various agencies that would be involved in the project. To facilitate and speed up the processing and approval of the infrastructure sub-projects and matching grants proposals, the PMB would establish the Sub-project Approval Committee (SAC) and National and Regional Grant Committees (NGC and RGC).

- Central Project Office (CPO). The CPO would be headed by a National Project Manager who would report directly to the Project Implementation Officer of the DAR's Foreign-Assisted and Special Projects Office (FASPO). It would: (a) be responsible for the day-to-day operations of the project in accordance with the approved annual work plan and budget; (b) liaise with relevant partner implementing agencies and government oversight agencies for the provision of technical, financial and other assistance required by the project; and (c) serve as the technical secretariat to the PMB. Other administrative and technical support to the CPO would be provided by FASPO's Finance, Management and Administration Service and the Monitoring and Evaluation Unit.

- Regional Project Offices (RPOs). The RPOs would be headed by the respective DAR Regional Directors who would be designated as the Regional Project Manager. The RPOs would be supported by project point persons at the DAR's Regional Support Services Division who would coordinate and supervise project activities at the regional and provincial levels. It would also work closely with other regional offices/agencies for technical support/assistance.

- Provincial Project Offices (PPOs). The PPOs would be headed by the respective DAR Provincial Agrarian Reform Program Officers who would be designated as the Provincial Project Manager. The PPOs would oversee and undertake the integrated implementation and coordination of project components and activities within the targeted ARC clusters. The PPO would be staffed by DAR staff who would be selected on the basis of their skills and competencies in accordance with guidelines to be set by the CPO. At the ARC cluster level, the DAR Development Facilitator, under

the supervision of the DAR Municipal Agrarian Reform Officer, would be responsible for the day-to-day coordination of various project activities.

- Project Operations Manual (POM). The project is governed by a POM which provides clear guidelines, implementation procedures and selection criteria for all project activities. The POM also includes Terms of References as well as formats for applications, contracts, reporting, monitoring and evaluation. A comprehensive Matching Grant Program Sub-Manual was prepared as part of the POM. The procedures in the POM would be reviewed and assessed on a regular basis during implementation and modifications are subject to prior approval from the World Bank.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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