Public Disclosure Authorized

Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 14-Dec-2022 | Report No: PIDC35332

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Philippines	P180379		Philippine Rural Development Project Scale-up (P180379)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
EAST ASIA AND PACIFIC	Apr 25, 2023	Jun 29, 2023	Agriculture and Food
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Republic of the Philippines	Department of Agriculture	

Proposed Development Objective(s)

The PRDP Scale-up aims to to improve farmers' and fisherfolk's access to markets and profitability in selected value chains.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	827.48
Total Financing	827.48
of which IBRD/IDA	600.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	600.00

Non-World Bank Group Financing

Counterpart Funding	227.48
Borrower/Recipient	227.48

Environmental and Social Risk Classification	Concept Review Decision
Substantial	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **The Philippines has been among the most dynamic economies in the East Asia Pacific region over the past decade, driven by key structural reforms, leading to a significant reduction in poverty in recent years.** The country has successfully pursued policies and reforms that accelerated economic growth and achieved more inclusive growth during a period of relative political and macroeconomic stability. The result was that the Philippines' growth increased by an average of 6.4 percent per year from 2010 to 2019, a significant increase from the 4.6 percent average in the previous decade. The country's economic performance surpassed that of its peers in the region, such as Vietnam (6.3 percent), Indonesia and Malaysia (5.4 percent), and Thailand (3.6 percent). As a result, the poverty incidence in the Philippines fell to 16.6 percent in 2018 from 23.3 percent in 2015. However, the Philippines had the worst contraction in its post-war history in 2020 (-9.5 percent) due to the triple shock of the COVID-19 pandemic, which delivered a historic global recession, a health crisis, and containment measures that stifled the domestic economy. A rebound is, however, now underway. The GDP posted a growth of 7.64 percent in the third quarter of 2022, the sixth consecutive quarterly increase after the first quarter of 2021[1].

2. **Although the Philippines had managed to reduce overall poverty and inequality before COVID-19, rural poverty remains high.** Prior to the COVID-19 pandemic, the Philippine economy had made progress in delivering inclusive growth. Poverty fell from 23.3 percent in 2015 to 16.6 percent in 2018. The geography of poverty reflects the strong nexus between poverty and vulnerability both to conflict and to the impacts of natural hazards and climate change. Primary producers continue to comprise the poorest.[2] Nearly 60 percent of the poor work in agriculture, twice the national average, and three times the ratio of the non-poor. The rising global food and fuel prices as a result of the Ukraine crisis that have spilled over leading to rising domestic food, fuel and fertilizer prices are raising concerns about their impact on livelihoods and the pace of poverty reduction in the Philippines.

Sectoral and Institutional Context

3. **The agriculture sector remains central to the Philippine economy providing 30% of total employment and 9.1 percent of GDP in 2021.** While the sector's contribution to GDP has fluctuated over the past six years, it has remained below 11 percent. Agricultural policy has spurred some growth in the sector but falls short in sparking structural transformation and dynamic development, despite the significance of the agriculture and fisheries sectors. Average growth in these sectors in 2020 was around 0.5 percent. Crops which contribute 53.7 percent of the total agricultural

1 Philippine Statistics Authority, September 2022.
2 Based on the data from the Philippine Statistics Authority, poverty incidence among farmers and fisherfolk has decreased from 40.8 percent (2015) to 31.6 percent (2018), and 36.9 percent (2015) to 26.2 percent (2018), respectively.

output increased by five percent in 2020. Fisheries, which accounts for 16.0 percent in the total agricultural output, grew by 0.9 percent. However, the livestock sector which accounts for 17.3 percent of the total agricultural output, contracted by 8.5 percent. Poultry, which contributes 13.0 percent to total agricultural value, posted a decline of 4.7 percent.

4. **Several key factors contribute to agriculture's modest performance, particularly in more remote areas.** These include limited access to agriculture services and improve technologies, inadequate rural roads connectivity, limited logistics and market players, high energy and financing costs, lack of investment capital, and high marketing costs. Post-harvest losses are also substantial, rising as high as 40 percent, especially for producers in more remote and upland areas.

5. **Food and nutritional security-related concerns also remain widespread.** The 2020 Annual Poverty Indicator Survey found that 66 percent and 75 percent of the total and poorest households, respectively, reported running out of food, going hungry, eating less than they should, or going without eating for a whole day. In 2019, the rate of stunting in children under five was 28.8 percent in the Philippines, equal to about 4 million children. According to the Food Prices for Nutrition analysis, while 92.5 percent of the population was able to afford a calorically adequate diet in 2017, over half (54 percent) could not afford one that met the basic nutrient requirements, and 71 percent (about 75 million people) could not afford a healthy diet. The situation has improved by 2020, but over two-thirds (68 percent) still could not afford a healthy diet. The prevalence of moderate to severe food insecurity continued to increase reaching 43.8 percent of the total population. Meanwhile, the inability of the agri-food system in meeting the country's nutritional requirements emanates from imperfect or lack of scientific knowledge about human nutrition, which results in an unsustainable consumer behavior that has high preference for consuming low value commodities and imported products[3].

6. **Climate-related disasters are reducing agricultural growth.** The agriculture sector has also been significantly affected by climate shocks that damage crops, livestock, and rural infrastructure like irrigation canals, post-harvest facilities, and rural roads, and disrupt the logistics of agriculture products and supplies. Increasing temperatures affect crop and livestock yields, foster greater pest incidence, and reduce labor productivity. By 2050, estimates suggest that climate change will decrease agricultural productivity in the Philippines by 9–21 percent (Pulhin and Tapia 2019). Increasing temperature and ocean acidification are also affecting fisheries' productivity. Sea-based hazards like sea-level rise, storm surges, and saltwater intrusion will also significantly impact coastal and freshwater fisheries, particularly in the marginalized coastal communities of Visayas and Mindanao (Alliance of Bioversity International and CIAT and WFP 2021). These impacts, in turn, contribute to food deficits, increased food insecurity, and considerable social and economic disruption. Given the agricultural sector's acute exposure, rural communities are especially at risk of negative consequences. It is estimated that the Philippines suffers from an average 3 percent loss of agricultural output annually due to adverse weather.

7. **The FAO Study (2018) indicates that despite women's key contributions to agriculture and fisheries, they are often described as invisible and only account for a quarter of the documented employed persons in the agriculture sector.** The report further shows that these statistics do not take into account the various unpaid roles that rural women perform and are an inaccurate measurement of rural women's contribution to the sector. Rural women are underutilized in productive work and are constrained in participating in production/post-harvest activities and value adding opportunities due to limited access to credit and financial services, technology and other productive resources. The lack of mobility and access to markets further inhibit their capacities to participate in the agricultural value chains. Women are also less likely to be targeted for extension services, as many extension agents still do not

[3] Philippine Development Plan (2023-2028); Chapter 7 Modernize Agriculture and Agribusiness.

recognize women as agricultural producers. Data from DA shows that while almost 41 percent of farmers are female, only 27 percent of the DA's program beneficiaries who were provided with agricultural production support and other services were women (DA, 2017), indicating a gap in the production services being provided to female farmers.

8. **The agriculture and fisheries sectors are also under pressure from unsustainable farming and fishing practices that deplete the natural resource base (terrestrial, coastal and marine) and exacerbate pollution amidst a changing climate.** Agricultural run-off continues to be one of the major non-point sources of water pollution.[4] The agri-food system is also one of the major sources of greenhouse gas emissions, contributing to global warming.

9. **Against this background, the National Agri-Fishery Modernization and Industrialization Plan (NAFMIP 2021-2030) calls for significant transformative changes in the agri-fishery sectors.** The strategy for transformation is comprised of four pillars: agricultural consolidation, modernization, industrialization, and professionalization. This policy reorientation holds promise for change that will produce a more resilient, inclusive, competitive, and environmentally sensitive sector. The Rice Tariffication Law (RA 11203), which abolished the import quota system (a long-standing instrument of protecting rice production), is indicative of this strategic shift. The Law opened up the importation of rice to private traders and limited the mandate of the National Food Authority (NFA) to domestic procurement of palay (unhusked rice) from farmers, and maintenance of national rice stocks as an emergency safeguard. This reform was an important step toward leveling the playing field for non-rice agriculture. A further transformational change could come through the Mandanas-Garcia Ruling[5] which could enhance local services if properly managed. With a greater revenue share among the LGUs, the central government intends to devolve more responsibilities for administering and funding projects and programs.

Relationship to CPF

10. **The proposed PRDP Scale-Up represents a continuation of the World Bank Group engagement with the Department of the Agriculture of the Philippines in support of institutional reform and rural economic growth**. The proposed project is fully consistent with the World Bank Group's Country Partnership Framework (2019–2023) for the Philippines (Report No. 143605-PH) and its overarching objective to reduce the core constraints to inclusive growth and poverty reduction in relation to people, competition, and key vulnerabilities. The project also contributes to the World Bank Group's twin goals of ending extreme poverty and promoting shared prosperity by targeting investments in the agricultural sector, which is the major source of livelihood and employment in rural areas. The proposed project will particularly foster partnerships in productive investments between farmer groups and commercial buyers along agricultural supply chains, thereby contributing to improved market access and higher income opportunities for all.

11. **The project also aligns with the goals of the government to develop a competitive, sustainable, and technology-based agricultural sector that would contribute to inclusive growth and poverty reduction.** Modernization is an underpinning strategy of the National Agriculture and Fisheries Modernization and Industrialization Plan 2021-2030 (NAFMIP) that calls for transformative shifts in terms of the need to: (a) diversify incomes and employment of smallholder farmers and fisherfolk; (b) articulate the often underrated and implicitly-defined role of urban and peri-urban areas in agri-fishery growth; (c) optimize synergistic impacts using a spatial framework to geographically focus

[4] NEDA. (2021). Socioeconomic Report.
[5] The Supreme Court ruling on the Mandanas-Garcia appeal requires the central government to increase the Internal Revenue Allotment (IRA) - the share of government tax revenue going to the Local Government Units (LGUs) - starting in 2022. The IRA, now called National Tax Allotment (NTA), increases by nearly 37.9 percent from PhP695.5 billion in 2021 to PhP959 billion in 2022.

investments; and (d) match the supply and demand for nutritious food based on having a safe and balanced traditional Filipino diet. This integrated paradigm also calls for greater collaboration among national government agencies, local government units, private and non-government stakeholders.

C. Proposed Development Objective(s)

The PRDP Scale-up aims to to improve farmers' and fisherfolk's access to markets and profitability in selected value chains.

Key Results (From PCN)

PDO level indicators

- Increased farmers' and fisherfolk's profit derived from agri-fishery commodities and product forms
- Number of enterprises linked to institutional buyers[6].
- Number of Farmers and fisherfolks accessing agri-fishery services and assets reached (sex aggregated)

D. Concept Description

12. **While the proposed PRDP Scale-up builds on the rich experience and institutional implementation capacity developed through the on-going PRDP that has been operational for over 8 years, it would bring a strategic shift through a greater emphasis on bringing transformative changes in value chains to improve farmers' and fisherfolks' profitability and enhance value chain efficiencies.** Key Government strategies to be pursued through the project include: (a) adoption of a "whole of value chain" approach that considers agri-fishery production as tightly linked to processing, marketing, consumption, and waste management; (b) restoring the local food culture toward reducing agri-food system vulnerability, linking agri-fishery production to consumer nutrition and health of the environment; and (c) opening up more opportunities in the blue economy to leverage and optimize the country's coastal and marine resources and maritime domain. These strategies for a more "integrated and modernized" sectoral paradigm are also informed by the findings and recommendations of recent World Bank publications on "Realizing Scale in Smallholder-based Agriculture: Policy Options for the Philippines" (2021) and the "Mandanas Ruling and Potential Implications for the Farm-to-Market Road Development Program: A Public Expenditure Review" (2021). These have highlighted the need to: (a) focus on fewer, but larger outcome-based programs (i.e., scaling-up); (b) reorientation of commodity price and production support toward more public good investments, including research and development, infrastructure, markets and biosecurity; and (c) correction of market failures and supply chain inefficiencies that reduce profitability for producers and agribusiness and impact on food security. A number of activities in response to these approaches have already been launched by the Department of Agriculture (DA), and these provide a solid basis on which to design the proposed project have been developed[7].

[6] Supermarkets, industries, processors, restaurants and etc.

[7] Recent initiatives of the DA include: (a) the "Plant, Plant, Plant"[7] launched with the advent of COVID-19 to address supply chain disruptions and subsequently institutionalized into the One DA reform agenda as the framework to transform the agriculture sector and achieve food security; (b) the refinement of PRDP operations to focus infrastructure investments on addressing gaps in the movement of agri-fishery products as well as on pre- and postharvest facilities to shore up supply of primary commodities in strategic areas; (c) the KADIWA marketing initiative which sells agricultural products at reasonably low prices to help poor Filipino households; and (d) the Farm and Fisheries Consolidation and Clustering Program (F2C2) designed to accelerate growth through facilitating economies of scale, better access to markets, finance and support for agri-fishery ventures.

13. **The design of the proposed Project would involve a significant refocusing of approach from that of the ongoing PRDP**. Whereas the PRDP focused on catalyzing the start-up, expansion and business orientation of micro to medium-scale agri-fishery enterprises, along with support for market access infrastructure, the proposed PRDP Scale-Up would involve a greater focus on public infrastructure interventions to improve supply chain connectivity and efficiencies, while supporting for private sector led common service facility development and operations. These interventions would help reduce product losses that typically range from 20-40 percent, leverage access to larger and more efficient market outlets, and provide agri-fishery producers the means to increase their profitability through economies of scale and enhanced access to technical, financial and insurance services.

14. **The proposed PRDP Scale-up structure would follow the same well-established components of the PRDP, but with greater financial allocations to rural infrastructure investments, particularly farm to market roads.** These include: Planning (I-PLAN), Infrastructure (I-BUILD), Enterprise Development (I-REAP) and Project Management (I-SUPPORT). This approach would facilitate implementation and build on the existing and well-established operational procedures and staff capacity. Component activities would, involve strategic interventions designed to link Provincial Commodity Investment Plans with Commodity Roadmaps[8] to more effectively address multi-commodity and inter-provincial investment identification and prioritization of needed all-weather farm-to-market roads and bridges, pre- and post-harvest facilities, as well as enterprise development focused on larger subprojects providing common facilities. The project design would also be informed by additional analytical work, given that the transformation will need to be sustained over the longer term. Challenges relate not only to identifying what types of approaches or interventions to undertake, but to understand where different approaches might work best and when they can be applied. The project design would include provision for a CERC component, subject to further discussion with Government.

Component 1: Local and National Level Planning (I-PLAN) (US$ 22.5 million of which IBRD is US$18 million)

15. **Sub-Component 1.1: Operationalization of the National Agriculture and Fisheries Modernization and Industrialization Plan (NAFMIP).** This would support the DA's development of plans, operational strategies and policies underpinning investments, particularly those under Component 2 (infrastructure) and Component 3 (enterprises providing service facilities, economies of scale, and value-addition, through the consolidation of agri-fishery commodities). The Project would include support for rice and corn cluster consolidation and enhanced production and marketing efficiency (currently not covered under PRDP)[9]. Technical assistance, studies, workshops and training would be supported to develop strategies and guidelines for: (a) strengthening the strategic overlay and enhancement of the climate lens for infrastructure, enterprise and related DA-LGU support service requirements; (b) incorporation of a regional/spatial perspective into planning; (c) strengthened convergence with DA partners and private sector in the development and adoption of VCAs and PCIPs as common planning instruments, and in the

[8] Commodity Road Maps are accessible on-line for 20 major commodities in the Philippines. These encompass abaca, coffee, cacao, vegetable, mango, banana, onion, coconut, shellfish, shrimp, seaweed, tilapia, milkfish, dairy, carabao, small ruminants, hog, poultry broiler, poultry layer, and yellow corn. The road maps provide blueprints for the development of the industrialization of these commodities. They culminate extensive discussions with stakeholders, industry, producers and farmer federations. The road maps provide decision-makers with information on trends in agriculture, and the factors driving demand, supply, trade, and prices and an assessment of opportunities, challenges, and competitiveness in food and industrial uses. The road maps suggest strategies and actions through the short, medium, and long terms for the continuous improvements across value chains. Road maps are designed to be mutually reinforcing with NAFMIP providing the broad directions and parameters to inform the detailed strategies and initiatives. The NAFMIP engagement with the private sector would be pursued to match these road map plans with investments.

[9] Rice and corn were not supported under the ongoing PRDP given the substantial Government budget provided annually in support of rice and to a lesser extent corn production, mainly through seed and fertiliser subsidies. Passage of the Rice Tariffication Law (RA 11203), resulting in increases competition from imports has heightened the need to improve efficiencies in production, drying/handling and marketing of these commodities.

development of Value Chain linkages including regional clustering; (d) preparation of operational guidelines for implementing the Mandanas-Garcia ruling[10] in the context of the project and the DA's Devolution Transition Plan; and (e) development of digital platforms for decision-making processes in agriculture, including tools for knowledge management and exchange of information and best practices.[11] The project will conduct updates of the climate risks and response measures in the projects areas. Subsequently, the I-BUILD Operations Manual will address identified climate risks for the sub-projects based on the latest data. Additionally, the Project contributes to the climate resilience indicators of the Fourth Disaster Risk Management Development Policy Loan with a Catastrophe-Deferred Drawdown Option Project (CAT-DDO 4; P177125) through Project's updating of the PCIPs to improve the integration of climate risk assessments into local agricultural development planning of LGUs.

16. **Sub-Component 1.2: Supporting NAFMIP Implementation**. This sub-component would fund technical assistance, studies, training and workshops that would help in the design of policies and investments supporting consolidation, modernization, industrialization and professionalization across all stakeholders in the agri-fishery sectors. This would include the conduct of research and capacity building in support of the sector's reform agenda, i.e., (a) development of efficient supply chains linking producers with market outlets (i.e. manufacturers); (b) accessible financing across value chain actors and levels; (c) spatial planning for identification of growth potentials and development needs; (d) promotion of improved inputs and technology; (e) proactive organization of clusters involving training and capacitation; (f) climate resilient and environmentally sustainable agriculture; and (g) youth engagement in agriculture enabling the honing of next generation of farmers. The sub-component would also continue convergence designed to: (a) support leveraging of additional resources for PCIPs, with the stronger engagement of the private sector; (b) harmonize strategies in the allocation of resources and delivery of support services among implementers; and (c) serve as a platform for discussion and feedback on recent developments and bottlenecks in the industry.

Component 2: Rural Infrastructure Market Linkage (I-BUILD) (US$ 608.10 million of which IBRD is US$450 million)

17. **Sub-Component 2.1: Value Chain Infrastructure Support.** This subcomponent would scale up the Value Chain and public infrastructure support being provided under PRDP nationwide. While it is expected that the majority of funding under this component would be for farm to market roads (FMRs) to respond to strong demand from LGUs, eligible subprojects include potable water supply (PWS) Levels 1 and 2, small scale irrigation systems (e.g., sprinkler, drip, solar powered, ram pump, and spring development), as well as public pre-and post-harvest facilities (e.g., tramlines, abattoir, dressing plants, fish landings and watch towers). The criteria and procedures for the preparation, review, approval and financing of infrastructure subprojects will adopt those defined in the well-established PRDP's I-BUILD Operations Manual. The I-BUILD Operations Manual already incorporates climate resilience and road safety measures to improve all-weather accessibility and safety in the design of its subprojects[12]. Adaptation measures for road assets, such as improved drainage systems to alleviate flooding, erosion protection and improved durability of bridges are likely to reduce damage from natural disasters and climate change impacts resulting in efficiency gains via reduced costs in maintenance and repair. To ensure that subprojects could be referred to as "green

[10] The "Mandanas-Garcia ruling" of the Supreme Court requires the national government to increase the share of government tax revenue going to LGUs by as much as 40 percent each year. It will be accompanied by devolution of more national government responsibilities to LGUs.

[11] Digital tools to be developed include a Planner's Portal which supports investment planning, enhancing the plan formulation and updating process efficiently with the use of technology, specifically: (a) to function as a data storage, visualization, and report generation hub for planners with results/Maps of Decision Support Tools (DST) (e.g. eVSA, CRVA), climate data, and other related information populated in the portal; and (b) to potentially serve as an e-Learning platform on commodity investment planning.

[12] Department of Public Works and Highways Department Order (DPWH DO) No. 112 (series of 2019) uses 6.1 meters carriageway width for FMRs with average daily traffic count greater than 200. DPWH DO No. 179 (series of 2015) uses HL-93 as the live load consideration and the seismic load is in accordance with DPWH LRFD Bridge Seismic Design Specification (BSDS), 1st Edition, 2013 (use of 20 tons as the live load capacity of the bridge depending on the traffic load). Incorporating this Department Order will have a minimal effect on the cost of the bridge).

infrastructure", the component would coordinate with the Bureau of Agricultural and Fisheries Engineering (BAFE) on the use of its climate resiliency manual which lists the salient features[13] in greening the design of subprojects, with inputs from the World Bank. Having identified the key risks and impacts of climate change, the Project design will incorporate climate risk management measures associated with changes in operations, in the infrastructure design and material choices, and through building information collection and management, through mainstreaming the use of hazard maps and other climate resilience-strengthening measures in the asset management of I-BUILD infrastructure. The component will adopt the DPWH Department Orders 112 series of 2019 and 11 series of 2014 for the FMRs and DPWH DO No. 179 series of DPWH Design Guidelines, Criteria and Standards (DGCS), 2015 Edition (Volume 5 – Bridge Design) for Bridges. This component will mainstream the use of hazard maps and other climate resilience-strengthening measures in the lifecycle of the road asset management process from planning, design, construction to maintenance.

18. In light of the Mandanas-Garcia ruling providing LGUs with higher National Tax Allotments, a new cost-sharing scheme for this sub-component is under discussion based on the LGU income classification. This is being designed to foster shared responsibility for food security and increased ownership of investments, with LGUs providing greater stakes in agricultural investments.

19. **Sub-Component 2.2: Approaches for Improving the Effectiveness and Sustainability of Infrastructure Investments**. This would primarily support technical assistance and capacity-building for updating specifications and the use of hazard maps in preparing the detailed engineering design, conduct of procurement activities, contract management, quality monitoring and supervision, and operations and maintenance. The I-BUILD Operations Manual will be updated to include new issuances from the Department of Public Works and Highways, National Irrigation Administration, Philippine National Standards, Bureau of Agriculture and Fisheries Standards, Philippine Agricultural and Biosystems Engineering Standards, National Building Code of the Philippines, and National Meat Inspection Code. The component would also provide technical inputs for the completion of the FMR Network Plan (FMRNP), led by DA's Bureau of Agricultural and Fisheries Engineering (BAFE)[14]and designed to develop and mainstream a harmonized screening guide to rationalize FMR investments across government agencies. The existing interactive FMR dashboard would be further developed to provide web-based information on the status of proposed, ongoing, and completed FMRs, regardless of funding source. In coordination with Component 1 activities (I-PLAN), there would also be enhancements of value chain maps to identify key infrastructure gaps. In addition, the project will provide capacity building to refine local risk maps and estimate the extent of potential damages. If weather stations or required data is missing in project locations, then an ability to downscale national level data to update hazard maps would be beneficial for the climate resilience of the project and for site selections, working with national specialist partner agencies. In some cases, roads raised at certain level and bridges with storm gates could provide additional flood defense or at least an evacuation route for the project areas. Priority could be given to areas where IBUILD subprojects could provide those additional benefits.

Component 3: Enterprise Development (I-REAP) (US$ 144.38 million of which IBRD is US$90 million)

20. **Sub-Component 3.1: Rural Agri-Fishery Enterprise Clusters Productivity Enhancement and Increased Access to Markets**. This subcomponent would focus on supporting Proponent Groups/enterprises in the provision of common service facilities designed to consolidate and integrate production, reduce post-harvest losses, and strengthen market-linkages of agriculture and fishery products. Activities would be focused on sustainable and climate-smart

[13] Philippine National Standard: Agricultural Infrastructures – Farm-to-Market Roads – Concrete Roads (PNS/BAFS PABES 289:2019, ICS 65.040.01)
[14] The FMRNP is designed to consolidate FMR data within and outside the DA as a key platform for convergence across Government agencies and Local Government Units.

approaches to increasing economies of scale and bargaining power/profitability among farmers, fishers, and other actors within the commodity value chains. This would include productive alliances with the private sector aimed at enabling Farmer Cooperatives and Associations (FCAs)[15] to access new climate -smart technologies and systems, finance, insurance and expertise. The clustering of agri-fishery producers would be linked with other ongoing DA initiatives, particularly the Farm and Fisheries Consolidation and Clustering (F2C2) Program[16].

21. Support would be provided for enterprise development of priority commodities identified through value chain analyses and which are included in Provincial Commodity Investment Plans (PCIPs), taking account also of spatial/regional priorities and opportunities. Small to large-scale pre- and post-harvest, processing, logistics, and distribution facilities would be eligible for support. Subproject proposals may emanate from LGUs, Farmer Cooperatives and Associations (FCAs) and private agribusiness entities. Proponent Groups could include: (a) Local Government Unit (LGU) initiated proposals: These would be required to identify a partner FCA, Cluster of FCAs, or a private business entity that will manage or co-manage the operations of the enterprise. A cost-sharing arrangement of 60% LP, 20% GoP, and 20% LGU Equity will be followed across all LGU income classes; (b) *FCA or Cluster of FCAs* - the lead FCA or FCA cluster would be responsible for the proposal formulation and subsequent subproject implementation and enterprise operation. This may be done in partnership with a private business entity. This would follow a cost-sharing arrangement of 60% LP, 20% GoP, and 20% FCA/Cluster FCA Equity: (c) private agribusiness entities – these entities may initiate the proposal development, but it should identify the partner LGU, FCA, or FCA cluster to qualify as a proponent. The private business entity would be required to enter into a marketing contract or buy-back agreement with the partner FCA/FCA cluster and provide in-kind investments (i.e., equipment, facilities, or infrastructures) to the subproject. In this case, the financing grant will be given to the partner LGU or FCA/FCA cluster and will follow a counterpart scheme of 60% LP, 20% GoP, and 20% LGU or FCA/FCA cluster. The arrangements for each of these modalities will be specified in the I-REAP Project Operations Manual and included in each subproject Business Plan.

22. **Subcomponent 3.2: Increased competitiveness of rural agri-fishery enterprise clusters.** This would fund technical assistance, studies, training and workshops supporting capacity building activities and strengthened business development support services (BDS) for enterprise clusters, such as enterprise organization and management, access to credit and insurance, technology linkages, and training and marketing assistance. It will further support the implementation of the Provincial Agriculture and Fishery Extension Service (PAFES)[17] initiative to help capacitate LGUs in their support for clustering and market development activities. It will continue to provide: (a) targeted technical assistance for farmers entering into and maintaining formalized market agreements with participating enterprises; (b) support the adoption of digital technology, develop; (c) roll out the use of a registry of farmers producing specific commodities as a basis for facilitating agri-fishery enterprise market linkages; and (d) equipment

[15] FCA refers to farmers and fisherfolk cooperatives, associations, or non-stock corporations duly registered with appropriate government agencies (i.e., CDA, SEC, DOLE-BRW), and which are composed primarily of small agricultural producers, farmers, farm workers, agrarian reform beneficiaries, and fisherfolk who voluntarily join together to form business enterprises.

[16] The Farm and Fisheries Consolidation and Clustering Program (F2C2) is an approach being adopted across DA agencies and programs, through which farmer and fishers are encouraged to cluster/group to improve economies of scale and cost-efficient production, harvest, processing, and marketing operations. The approach seeks to address structural weaknesses that have constrained the modernization and industrial transformation of the agri-fishery sectors.

[17] Through PAFES, provision of integrated, coordinated agriculture and fishery extension services at the provincial LGU level is planned to become a reality. Local delivery of these services was mandated in the Local Government Code (1991) and reiterated in the 1997 Agriculture and Fisheries Modernization Act. But LGUs previously lacked resources to deliver them. Funding is to be enabled through the provision of additional resources to LGUs as a result of the 2019 Mandanas-Garcia ruling of the Supreme Court. Beginning in 2021, each DA-RFO has been piloting the establishment of PAFES in one province. PAFES is being rolled out following a learning-by- doing approach, with the goal of integrating, coordinating, and strengthening the various service delivery systems now operating, *albeit* with each agency currently pursuing its own mandates and extension delivery programs for farmers and fisherfolk.

support for the provision of BDS and promoting compliance with food safety and quality standards. Collaborative arrangements with other DA agencies and programs would be initiated with the goal of promoting youth engagement in agriculture and agribusiness.

Component 4: Project Management (I-SUPPORT) (US$ 52.50 million of which IBRD is US$42 million)

23. The PRDP Scale-up implementation would be integrated with the institutional arrangements of PRDP. The proposed project would be phased-in as the ongoing PRDP (Original Loan and First Additional Financing) comes to an end (closing date May 31, 2023). This would ensure the continuity of staff and implementation experience; a critical institutional element given the nationwide scope of the proposed project. As such, significant synergies would be achieved in undertaking the many similar technical and administrative functions. The component would provide for oversight and management, complementary staffing, office and logistical requirements, as well as M&E functions. Key activities would include: (a) digitalization of project management processes for planning, capacity building, meeting, and other coordination activities, as well as for the monitoring and supervision of investments; (b) support for adoption of the new Environmental and Social Framework requirements; (c) fiduciary management and oversight; (d) further development and mainstreaming of document processing/monitoring innovations; (e) development of Knowledge Management Portal for sharing experiences and good practices through transition of the M&E Unit into Monitoring, Evaluation, and Learning (MEaL); (f) enhancing the information advocacy, communication, and education; and (g) conduct of regular reviews, mid-term and end project evaluations. This component would also incorporate the deployment of geo-based tools such as geo-video, video-tagging using unmanned aerial systems/vehicles (UAS/UAV), geo-dashboard and the effective Grievance Redress Mechanism established under PRDP.

Component 5: Contingent Emergency Response (CERC) (zero allocation)

24. This (zero allocation) component would provide an ex-ante mechanism available to the Government to gain rapid access to financing to respond to an eligible crisis or emergency. CERC provisions, which would be detailed in a separate Operation Manual, would be revisited and agreed once triggered, e.g., through declaration of a State of Calamity by the mandated national or subnational authority, or a State of Public Health Emergency. Such triggering events may include typhoons, floods, earthquakes, volcanic eruptions, droughts, and disease outbreaks.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

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