



**The World Bank**

Mindanao Inclusive Agriculture Development Project (P173866)

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# Project Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 16-Jan-2023 | Report No: PIDA31549



## BASIC INFORMATION

### A. Basic Project Data

Country Philippines	Project ID P173866	Project Name Mindanao Inclusive Agriculture Development Project	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 23-Jan-2023	Estimated Board Date 27-Apr-2023	Practice Area (Lead) Agriculture and Food
Financing Instrument Investment Project Financing	Borrower(s) REPUBLIC OF THE PHILIPPINES	Implementing Agency Department of Agriculture	

Proposed Development Objective(s)

To sustainably increase agricultural productivity and access to markets and services of organized farmer and fisherfolk groups in selected Ancestral Domains in Mindanao

### Components

Ancestral Domain Planning and Social Preparation  
Resilient Ancestral Domain Agri-Fisheries Infrastructure  
Ancestral Domain Agri-fisheries Production and Enterprise Development  
Project Management, Monitoring and Evaluation  
Contingency Emergency Response

## PROJECT FINANCING DATA (US\$, Millions)

### SUMMARY

Total Project Cost	125.00
Total Financing	125.00
of which IBRD/IDA	100.00
Financing Gap	0.00

### DETAILS

#### World Bank Group Financing



International Bank for Reconstruction and Development (IBRD)	100.00
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**Non-World Bank Group Financing**

Counterpart Funding	25.00
Local Govts. (Prov., District, City) of Borrowing Country	8.72
National Government	16.28

## Environmental and Social Risk Classification

Substantial

## Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

**B. Introduction and Context**

## Country Context

1. **The Philippines has been one of the most dynamic economies in Asia, however the COVID-19 pandemic impacted its strong economic growth trajectory.** With increasing urbanization, a growing middle-income class, and a large and young population, the Philippines nearly doubled its gross domestic product (GDP) per capita over the past two decades, from US\$1,669 in 2000 to US\$3,338 in 2019 (constant 2010 US\$). The average annual GDP growth was 6.4 percent between 2010 -2019, up from an average of 4.5 percent between 2000-2009<sup>1</sup>. Before the COVID-19 pandemic, the country was poised to cross the threshold from a lower middle-income country (MIC) to upper-MIC status. The COVID-19 pandemic plunged the Philippines into its first recession in 29 years, with the economy posting a 9.5 percent decline in gross domestic product for the entirety of 2020. 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<sup>2</sup>.

2. **Although the Philippines had managed to reduce overall poverty and inequality before COVID-19, the incidence of poverty rose to 18.1 percent in 2021 compared with 16.7 percent in 2018, due to the pandemic.** Before 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, and the Gini coefficient declined from 44.9 to 42.7<sup>3</sup> over the same period.

<sup>1</sup> Philippine Economic Updates, World Bank 2022.

<sup>2</sup> Philippine Statistics Authority, September 2022.

<sup>3</sup> Gini index < 0.2 represents perfect income equality, 0.2–0.3 relative equality, 0.3–0.4 adequate equality, 0.4–0.5 big income gap, and above 0.5 represents severe income gap. Therefore, the warning level of Gini index is 0.4.



3. **Mindanao remains the poorest of the three island groups, while poverty is concentrated in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).** The geography of poverty reflects the strong nexus between poverty and vulnerability, both to conflict and the impacts of natural hazards and climate change. Mindanao is home to about 25 percent of the country's population but accounts for 39 percent of the country's poor. It has eight of the ten poorest provinces in the country. For example, the incidence of poverty in BARMM is more than twice the national average at 37.2 percent<sup>4</sup>. A bright spot is the City of Davao and its surrounding region, where strong growth performance has mirrored strong growth in the rest of the country over the past decade, and poverty has started to decline. The glaring exceptions remain in conflict-affected areas and ADs, where some 68 percent of households, largely IPs, live below the poverty line<sup>5</sup>. These remote, hard-to-reach upland IP communities are also highly exposed to the effects of weather on subsistence production and the influence of armed insurgents.

4. **The Philippines has a complex, multi-layered history of conflict, which has particularly affected Mindanao.** Much of the conflict in Mindanao has recently been between Muslim armed groups and the government, although it is not primarily religious. A long-running conflict with the Communist Party of the Philippines (New People's Army–National Democratic Front) resurfaces sporadically as insurgents exploit opportunities to advance their cause. The broad drivers of endemic violence in the region include: (a) social injustice, alienation, and exclusion of Muslims and IPs; (b) displacement of IPs from their ADs; (c) inter-ethnic conflicts; (d) *rido*, i.e., clan war and revenge killing; (e) land tenure and ownership disputes; (f) competition for scarce natural and mineral resources; (g) local election disputes; (h) ineffective governance and the lack of rule of law and service delivery, and (i) widespread poverty and lack of job opportunities.

#### Sectoral and Institutional Context

5. **The agriculture sector remains central to the Philippine economy, although agriculture's share of GDP declined from 13 percent in 1998 to 9.1 percent in 2021<sup>6</sup>.** Growth in agriculture has been slow, hovering at just over 1.3 percent in 2016-19. At the onset of the pandemic, agriculture was the only sector to grow, though it then experienced a slight drop in the last quarter of 2020 and the first three quarters of 2021. More recently, the Ukraine crisis has led to rising commodity (especially corn mainly used for livestock feed in the Philippines), fertilizer and fuel prices, increasing production costs and contributing to food price inflation.

6. **Agriculture's pivotal role as an important source of employment and income for the rural poor, especially the IPs in ADs, underscores their need for more sustainable, resilient, and profitable agricultural options.** Agriculture absorbs a quarter of the labor force. Nearly 60 percent of the poor work in agriculture, twice

<sup>4</sup> BARMM was established through the *Republic Act 11054* in 2018 (Bangsamoro Organic Law). It is administered by the Bangsamoro Transition Authority (BTA) and encompasses five Muslim provinces: *Basilan*, *Lanao del Sur*, *Maguindanao*, *Sulu*, and *Tawi-Tawi*. The people of the Bangsamoro region comprise several ethnic groups, with a population of 3.8 million in 116 municipalities and 2,590 barangays.

<sup>5</sup> Indigenous Peoples/Ethnic Minorities and Poverty Reduction, Philippines. Asian Development Bank.

<sup>6</sup> Philippine Statistics Authority.



the national average and three times the ratio of those who are not poor. Poverty remains mostly a rural and agricultural phenomenon and correlates strongly with underemployment. Notably, poverty is most pervasive among the ICCs/IPs in ADs. The key reasons for agriculture's modest performance, particularly in more remote areas, beyond climate related events affecting production, are lack of roads or their poor quality, 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.

**7. Mindanao, the focus of the proposed project, accounts for 33 percent of the value of all gross agricultural output in the Philippines, second only to Luzon at around 50 percent and ahead of Visayas at 16 percent.** It produces 40 percent of the country's food and contributes over 30 percent to the food trade. One-third of the land in Mindanao is devoted to agriculture. The highest value from agricultural production is in Northern Mindanao, where the number of corporate farms is increasing. In recent years, Mindanao has produced 88 percent of the country's pineapples, 81 percent of bananas, 76 percent of cassava, 59 percent of coconuts, 50 percent of corn, and 100 percent of rubber. BARMM has displayed the highest growth in the value of agriculture production among the 16 regions of the Philippines at 7.2 percent in 2021, in constant 2018 prices.

**8. Unpredictable weather patterns and extreme climate events have an enormous impact on agricultural production and rural livelihoods in Mindanao.** Over the last few decades, the annual total rainfall for central and western Mindanao has declined, while rainfall increased in the northeastern and southwestern areas. The El Niño Southern Oscillation events compound these destabilizing trends, reducing farmers' yields by 30-40 percent. By 2050, the annual mean temperature in several areas of Mindanao is expected to increase by 1.4°C, and the average rainfall is projected to go up by 4 percent. Heightened water and heat stress will change crop production suitability in a given area, increase the incidence of pests and diseases, and affect water availability, all of which could potentially reduce crop yields. These factors have mutually reinforced negative effects. For example, worsening drought significantly reduces the soil moisture and increases surface runoff, while flash floods occur after heavy rains in deforested areas. Such conditions add to the difficulty of accessing ADs in Mindanao. Heavy rainfall and flash floods cause prolonged inaccessibility of rural roads and bridges, as water levels take days to subside, isolating communities from disaster and emergency support services. Due to rampant deforestation, these events create debris and obstructions that block access for extended periods. The larger impediments are left unmoved for days and weeks as communities and local governments lack the equipment to clear and repair roads.

**9. Many of Mindanao's Indigenous communities seem to be constantly struggling to retain control of their ancestral lands and maintain traditional ways of life. They also seek to embrace many aspects of modern life, despite poverty, marginalization, and neglect.** The ADs in Mindanao (outside of BARMM) occupy 4,176,704 hectares (ha), of which some 30 percent is considered agricultural land, although much is idle or under shifting cultivation for local consumption. In BARMM, ADs occupy some 309,702 ha and encompass 11 municipalities. Much of the land in ADs is idle or under shifting cultivation for local consumption. When physically cut off by flash floods, those in the more remote ADs lack access to markets or post-harvest facilities. ICC/IP farmers are often forced to sell at very low prices or leave their produce on the farm to rot. Technical support for these areas has been limited and mostly provided for production through the DA Special Area for Agricultural Development Program <sup>7</sup> and the agency's Commodity Programs for rice, corn, high-value crops, and livestock. Even then,

<sup>7</sup> This GoP program is focused on marginalized households engaged in agriculture and fishery, but not specifically ICCs/IPs.



ICCs/IPs in more easily accessible ADs receive the most support. Likewise, the limited budgets of Local Government Units (LGUs) have concentrated their focus on lowland areas. Over the years, despite initiatives by the government, nongovernmental organizations (NGOs), religious groups, and occasionally the private sector, Indigenous communities remain among the poorest and most marginalized. Their needs for basic social services, i.e., health, education, market access, agricultural support, and others, have long been neglected due to complex cultural, logistical, and administrative constraints. Compounding these are efforts of vested interests—mining, logging, ranching, and agricultural production—to occupy or extract resources from agricultural, forested, or mountainous areas of ADs. Other sources of conflict have been the construction of dams that flood ADs, the creation of protected areas within ADs through overlapping legislation, or the influx of migrant non-IP settlers<sup>8</sup>.

**10. The isolation of many ADs heightens the pervasive gender gap stemming from high levels of poverty, low levels of education and literacy, and limited access to health facilities.** Indigenous women typically access and control few resources. Their participation and representation in decision-making within the Indigenous Peoples Structure (IPS) remain low. While the DA has sought to comply with Republic Act 9710 (Magna Carta of Women) by requiring all of its units and agencies to make gender and development an integral part of their planning and budgets, the limited support directed to ICCs/IPs, including those in Mindanao, means such endeavors have had little impact. A gender gap study prepared for the project showcases gender divisions in agricultural work, indicating that many women would rather leave farm work to the men. This would free them to pursue other productive work in agricultural value chains, increasing their income-earning potential. The study confirms women's limited access to resources for agriculture, including land ownership, capital, information, technical knowledge, and skills. It finds that women's dual responsibilities in productive and reproductive/care work result in time poverty. Being time-poor hampers their ability to pursue economically productive endeavors and limits their participation in producer groups. It had been difficult to find data and information on the gender dimension of agriculture and related enterprises in Indigenous communities. Field consultations, key informant interviews, including with officials from the National Commission on Indigenous Peoples (NCIP), and reviews of sample Ancestral Domain Sustainable Development and Protection Plans (ADSDPPs) found very little or no information on sex-disaggregated data or gender issues related to IP agriculture. Such information gaps are largely attributable to geographic isolation and difficulty reaching Indigenous communities.

**11. The establishment of ADs and recognition of the rights of IPs was legislated in 1997 through the Indigenous Peoples Rights Act (Republic Act 8371 or IPRA Law).** The Philippines was the first country in South East Asia to enact a policy that recognizes, protects, and promotes the rights of ICCs/IPs. Such rights include the right of ownership, to develop lands and natural resources, to stay in their territories, to return to their territories in cases of displacement, to regulate the entry of migrants, and to resolve conflicts through enforcing customary law. Under the IPRA Law, the ICCs/IPs are responsible for establishing their own institutions, systems, and standards. Overall authority for this process is through the Indigenous Peoples Structure (IPS), wherein the ICCs/IPs appoint a Council of Leaders/Elders or a similar body. Along with their rights to determine what development and activities they undertake, ICCs/IPs are also responsible for maintaining the ecological balance of their ADs based on their Indigenous knowledge, systems, and practices. The Implementing Rules and Regulations of the IPRA Law encourage sustainable Indigenous agriculture and discourage monocropping. The

<sup>8</sup> Socio-economic data on ICCs/IPs in the ADs of Mindanao are limited due to multiple factors related to inaccessibility, language/dialect, culture, lack of documents (birth certificates, government issued IDs etc.), Data limitations and design features for collection of data under the project are described in Annex 3.



IPRA Law also provides for Free and Prior Informed Consent (FPIC), requiring the “consensus of all members of the ICCs/IPs to be determined in accordance with their respective customary laws and practices, free from any external influences and obtained after fully disclosing the intent and scope of an activity, in a language and process understandable to the community.” Administration of the IPRA Law is the responsibility of the NCIP, an attached agency of the Department of Social Welfare and Development. The NCIP issues Certificates of Ancestral Domain Title (CADTs), the legal instrument that recognizes the traditional rights of ICCs/IPs in their ADs. The NCIP also supports the preparation of Ancestral Domain Sustainable Development and Protection Plans (ADSDPPs), which contain the strategies and approaches through which ICCs/IPs define their development needs and priorities. ADSDPPs are comprehensive documents encompassing most aspects of ICC/IP community life, including their customs, values, institutions, enforcement practices, and cross-sectoral development goals. Many ADs have yet to be issued CADTs or to develop ADSDPPs, largely due to the NCIP’s limited budget.

**12. The DA is primarily responsible for providing agricultural support services through its Regional Field Offices (RFOs) in conjunction with LGUs.** The DA’s banner commodity programs for rice, corn, high-value crops, and livestock provide the most support to ICCs/IPs. Yet, support for agricultural production or enterprises is generally untargeted. ICCs/IPs in more easily accessible ADs have received more support, while others have received very little or none. To varying degrees, LGUs have provided some support for ICCs/IPs, but budget constraints have limited LGU capacity, prioritizing more accessible lowland production areas. The World Bank-funded Philippine Rural Development Project (PRDP, P132317) provided support to develop IP enterprises and access roads in and around ADs through cost-sharing arrangements with the LGUs, although not specifically focused on ADs and without specific reference to ADSDPP priorities or specific support for ICCs/IPs. Even so, the partnership arrangements with LGUs and institutional reforms and approaches developed under PRDP provide a good foundation for the proposed project to expand and strengthen support for the ICCs/IPs in ADs. The LGUs will have greater responsibility for providing technical support and a larger share of the financing in view of the significant increase in internal revenue allotment expected in 2022 following the favorable Supreme Court’s Mandanas-Garcia ruling.<sup>9</sup>

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To sustainably increase agricultural productivity and access to markets and services of organized farmer and fisherfolk groups in selected Ancestral Domains and for selected value chains in Mindanao.

#### Key Results

- a) Percentage change in the average yields for selected crops of farmer-beneficiaries due to adoption of climate-smart and/or good agricultural practices
- b) Percentage change in the average gross value of sales of beneficiary-IPOs
- c) Number of farmers reached with agricultural assets or services (sex-disaggregated)
- d) Number of Farmers adopting improved and climate smart agricultural technology (sex-

<sup>9</sup> The Mandanas-Garcia Ruling requires the central government to increase the Internal Revenue Allotment (IRA)—the share of government tax revenue going to the LGUs, starting in 2022. Since it will be sharing more revenue with the LGUs, the central government intends to devolve more responsibilities to the LGUs for administering and funding projects and programs.



disaggregated)

#### **D. Project Description**

**13. The Mindanao Inclusive Agriculture Development Project (MIADP) is a groundbreaking project for the Philippines specifically designed for ICCs/IPs in Mindanao.** The project exclusively focuses on ADs and uses a special approach to address the challenges of ICCs/IPs in Mindanao, including for post pandemic economic recovery. MIADP will support these beneficiary-groups in moving from subsistence farming to more organized, market-oriented production, based on sustainable management and the protection of natural resources in ADs.

**14. The project will support ICCs/IPs that meet the eligibility criteria.** The eligibility criteria include having: (a) an ADSDPP; (b) a CADT; and (c) at least one IPO recognized by NCIP/MIPA and registered with an accredited government institution.<sup>10</sup> During pre-appraisal, out of the 135 ADs in Mindanao (excluding BARMM<sup>11</sup>), 52 meet these eligibility criteria. The implementation readiness criteria to ensure that ADs are willing and have the capacity to participate in the project are: (a) the AD is not classified by the government as an active conflict area<sup>12</sup>; and (b) the responsible LGUs have provided a resolution confirming their support for MIADP. Based on implementation readiness criteria and a first-come-first-serve basis, out of the 52 ADs who meet the eligibility criteria, the project expects to provide support to about 26 ADs, with an indicative goal of 3 to 5 ADs in each of Mindanao's five regions and 1 to 3 ADs in BARMM, considering the time frame required for IPO strengthening, the formulation of the ADAIF, the preparation of enterprise and infrastructure concept notes/proposals, the subproject design and implementation, and the available budget<sup>13</sup>, among others. These factors will be reviewed as the project proceeds. For project start-up, 10 ADs have been identified as having met the implementation readiness criteria. They encompass two ADs in each of Regions 9, 10, 11, 12 and 13 in Mindanao.

**15. The project has four interlinked components and will follow a phased approach to allow ‘learning-by-doing’ to allow a participatory approach for project planning and decision-making and considering the limited data available for ADs.** The first year of implementation will focus on the social preparation, consultation, planning, and institutional strengthening activities for a first batch of around 10 ADs across the various Mindanao Regions (excluding BARMM) under Component 1. It was not possible to complete the collection of baseline data prior to appraisal due to travel constraints during the pandemic, especially in the remote ADs. Therefore, the first year’s activities will include baseline data collection. Based on these preparatory activities, infrastructure (Component 2) and enterprise development (Component 3) subprojects can be better prioritized and can be guaranteed as conflict-sensitive. From second year onwards, LGUs and IPOs in the first batch of ADs will implement their subprojects, while the preparatory activities for LGUs and IPOs in the second batch of ADs will begin (including BARMM). The infrastructure subprojects would be designed to complement enterprise subprojects through investments in small scale irrigation, improved market access, post-harvest storage and handling facilities.

<sup>10</sup> Cooperative Development Authority (CDA), Securities and Exchange Commission (SEC), or Department of Labor and Employment (DOLE). For the BARMM areas, the accredited registering institutions are Cooperative and Social Enterprise Authority (CSEA), SEC or Ministry of Labor and Employment (MOLE).

<sup>11</sup> BARMM participation in the project is expected to commence in the second year of the project.

<sup>12</sup> The Department of Defence has the responsibility for monitoring and classifying areas as “active conflict areas”. In BARMM it is the Ministry of Public Order and Safety, and the Ministry of Interior and Local Government.

<sup>13</sup> To obtain wide coverage as possible, loan funding for infrastructure and enterprise subprojects would initially be capped at PhP150 million (US\$3 million equivalent) per AD.



16. **Component 1: Ancestral Domain Planning and Social Preparation. (US\$12.5 million of which IBRD is US\$10 million).** This component will lay the groundwork for Components 2 and 3, through two sets of activities encompassing; (i) a Preparatory phase, expected to take one to three months prior to commencement of work within Ancestral Domains (ADs), and (ii) a subsequent Social Preparation phase; a process expected to take at least six months upon formal entry into each AD.

17. The Preparatory phase, would include the hiring of Development Facilitators and Technical Service Providers (TSPs), and the financing of workshops and training to: (a) undertake the initial contact with the Indigenous Peoples Structure (IPS) in each AD to confirm their interest and eligibility to participate in the project, (b) conduct of a brief historical analysis of the conflict and how it affected the selected communities and a political mapping of the political economy situation in the community, (c) develop and implement a communication plan to inform all stakeholders<sup>14</sup> of the project's goals, sequencing of activities, roles and responsibilities, (c) sign MOAs between the DA and the concerned LGU(s) confirming their roles and support for the project, and (d) orientate and train Development Facilitators, TSPs, DA and LGU staff and other stakeholders.

18. The Social Preparation phase would follow and is expected to take at least six months for each AD. This would include a wide range of activities; from initial consultation with the Indigenous Peoples Structure (IPS), through data collection and science-based planning, to formulation of the key planning instrument; the Ancestral Domain Agriculture Implementation Framework (ADAIF)<sup>15</sup>. Based on priorities identified in the ADAIF, subproject Concept Proposals would be prepared for further consideration/support under Components 2 & 3. Key Social preparation activities would be undertaken by Development Facilitators, Technical Service Providers, DA and LGU staff. Activities to be financed would include; (a) transport and related logistical support; a particular need given the remoteness of many ADs, (b) workshops, and training to build organizational and planning skills involving ICCs/IPs and Indigenous People's Organizations (IPOs) for potential enterprise support under Component 3, (c) sex-disaggregated data collection on the ICCs and existing IPOs as critical inputs to the ADAIF, and as a base-line for the project (to be done in a participatory manner and in conjunction with the M&E team-Component 4), (d) studies to prepare Value Chain Analyses (VCAs) and eVSAs<sup>16</sup>, and associated technical studies to establish the suitability of commodities and infrastructure being proposed in the ADAIF, (e) preparation of subproject Concept Proposals based on the ADAIF, which with IPS approval, would provide the basis for support under components 2 (infrastructure) and 3 (enterprises), (f) training on climate information systems, climate risks, and climate smart options, along with training on mitigation measures enabling more climate-resilient agricultural development, and (g) technical assistance to strengthen IPO entities including their registration and

<sup>14</sup> Key stakeholders, apart from the ICCs/IPs, would include DA agencies/bureaus, local government units, state universities and colleges, other national government agencies, NGOs and private sector interests.

<sup>15</sup> The ADAIF is derived from the ADSDPPs of the participating ICCs/IPs. It would be developed through the participatory processes of the Social Preparation phase with a view to ensuring it is aligned with the development vision articulated in the ADSDPP, while also operationally responsive to the emerging challenges faced by the ICC/IPs. Particular attention would be given to ensuring appropriate adaptation and mitigation measures such as climate-resilient rural infrastructure, and climate smart practices are supported e.g., through use of drought-tolerant varieties, greenhouses, crop diversification, integrated pest management, drip irrigation, construction of rain shelters, use of energy-efficient equipment.

<sup>16</sup> Value Chain Analysis (VCA) is a tool now widely used by the Department of Agriculture to analyse the linkages and gaps from production through marketing, logistics, processing and ultimate sale to the consumer. The expanded Vulnerability and Suitability Analysis (eVSA) is a GIS-based tool that takes into account the combined analysis of vulnerability and suitability as well as socio-economic conditions of a particular area. The information is used to enhance targeting of interventions and strategies that enhance climate resilience of production and investments.



development of alliances with cooperatives, businesses, and NGOs outside the ADs

**19. Component 2: Resilient Ancestral Domain Agri-Fisheries Infrastructure. (US\$80.19 million of which IBRD is US\$64.16 million).** Informed with the knowledge of conflict dynamics in the selected community, this component will aim to increase the resilience of ADs by financing climate-proofed infrastructure identified through the ADAIF-based Subproject Concept Proposals to strengthen food supply and value chains, as well as physical access to markets. This component will finance: (a) sub-grants to LGUs for the implementation of subprojects to strengthen food supply and value chains in the AD, including: (i) rehabilitation and repair of roads and bridges connecting the ADs to market centers<sup>17</sup>; (ii) rehabilitation and repair access roads<sup>18</sup> between agricultural areas and sitios<sup>19</sup> in the AD; (iii) new and rehabilitation of agricultural tramline systems; (iv) small-scale irrigation systems, i.e., spring water development, hydraulic ram pumps, and solar-powered irrigation systems; (v) construction or rehabilitation of community potable water supply systems (Levels 1 and 2)<sup>20</sup> with piped network that uses energy more efficiently and are resilient and can cope with the climate variability; and (vi) post-harvest infrastructure for agriculture and fisheries (e.g., storage facilities, trading posts and use of solar energy in post-harvest facilities); and (b) technical assistance to LGUs for the implementation of the subprojects.

20. The subprojects will be co-financed by the loan proceeds, DA counterpart funds, and LGU counterpart funds<sup>21</sup>, and implemented by the LGUs. The project will adopt a framework for climate-resilient infrastructure mainstreaming that aligns with the 2015 DPWH Design Guidelines, Criteria and Standards and the DA's BAFE<sup>22</sup>. Doing so will integrate climate change adaptation and mitigation features into the design and construction of infrastructure investments. These standards provide climate-proofed technical planning parameters for rural infrastructure, such as climate-resilient tire tracks and access roads, use of extreme weather-resistant materials, and wider drains and culverts to accommodate heavy precipitation. This component will also support some facilitation by Technical Service Providers (TSPs), although LGU engineering staff will likely provide most of the technical design and implementation support for this component.

**21. Component 3: Ancestral Domain Agri-Fisheries Production and Enterprise Development. (US\$20.52 million of which IBRD is US\$16.41 million).** This component will support registered IPOs identified in the ADAIF to develop enterprises that increase agricultural productivity, resilience, and access to markets and services. It will integrate natural resource management, CSA practices, conflict sensitivity approach, and indigenous knowledge systems and practices into enterprise subprojects to ensure investment sustainability and build climate resiliency. This component will finance: (a) sub-grants to the registered IPOs through LGUs to implement the subprojects. Subprojects would be based on Subproject Concept Proposals, which aim to strengthen their capacity across the value chains, including climate-resilient input supply, production, postharvest operations, aggregation/assembly, and processing; and (b) technical assistance to registered IPOs in the following areas: (i)

<sup>17</sup> Infrastructure will consist mostly of small-scale civil works constructed within the AD, except in the case of access roads where extension beyond the AD would be required to link with a connecting road.

<sup>19</sup> A barangay is the smallest political unit in the country. A sitio in the Philippines is a territorial enclave that forms part of a barangay.

<sup>20</sup> Potable water includes Level 1 and 2 systems with a communal water point, such as a borewell or spring system, serving an average of 4–6 households within a 25-meter distance.

<sup>21</sup> Co-financing is currently guided by the agreed cost-sharing under the approved PRDP Second Additional Financing (PRDP-AF2), which has a cost-sharing arrangement of 80:10:10 (loan proceeds, DA counterpart, LGU counterpart).

<sup>22</sup> These standards include DPWH Department Order No. 112 (s. 2019), DPWH Department Administrative Order No. 16 (s. 2020), and Philippine National Standard for Agricultural Infrastructures - Farm-to-Market Roads - Concrete Roads (PNS/BAFS PABES 2892019), among others.



improving financial literacy, accounting, procurement, conflict sensitivity, and preparation and implementation of climate-informed business plans; (ii) supporting CSA practices, i.e., use of drought-resistant seeds, greenhouses, crop diversification, integrated pest management, drip irrigation, construction of rain shelters, use of energy-efficient machinery, post-harvest handling, storage, marketing, and processing, i.e., solar dryers, climate-resilient warehouses, trading posts, and use of small refrigeration equipment and proper packaging to reduce food loss and waste; (iii) implementing field demonstrations for CSA and fisheries practices and technologies and facilitate access to weather-related information; and (iv) facilitating access to finance/credit, markets, and services, and forming public-private partnerships.

22. The subprojects will be co-financed by loan proceeds, DA counterpart funds, and LGU counterpart funds, plus IPO contributions (mostly in-kind)<sup>23</sup>; and implemented by IPOs.<sup>24</sup> Experiences under PRDP and the preliminary ADAIFs indicate that subprojects will likely be mostly micro (under PhP3 million) or small-scale (PhP3-15 million). Financing support to both start-up and expansion activities of registered IPO enterprises<sup>25</sup> would be based on several factors: the IPO enterprises' financial viability, market opportunities and the integration of natural resource management, conflict sensitivity and CSA practices with indigenous knowledge, systems, and practices. TSPs would be contracted to complement support from DA-RFOs and LGUs to facilitate access to finance, markets, and services, as well as linkages with other food security programs, e.g., DA's Commodity Programs, and ensure conflict sensitivity of subprojects.

23. **Component 4: Project Management and Support, Monitoring, and Evaluation. (US\$11.79 million of which IBRD is US\$9.43 million).** This component will finance technical and operational support for project oversight and management, including complementary staffing, office, logistical and administrative requirements (e.g., financial management, procurement, environmental and social impact management, grievance redress, conflict sensitivity, Management Information (MIS) and Monitoring and Evaluation (M&E)).

24. The project would build upon the existing organizational, staffing and administrative protocols and procedures under the DA, which have been mainstreamed through PRDP. As such, significant staffing, administrative and MIS/M&E synergies with PRDP would be achieved in undertaking the project management, administrative and technical functions of MIADP. In addition, given an importance of the conflict sensitivity, FCV expert will be hired on part time basis. (There is no conflict sensitivity specialist in the PRDP staff).

25. **Component 5. Contingent Emergency Response (CERC) (zero allocation).** This component will allow for rapid reallocation of uncommitted project funds towards urgent needs in the event of a geophysical, climate-related, or man-made disaster or public health emergency. Such events may include extreme weather such as typhoons, disease outbreaks, or earthquakes. The trigger for activating the CERC will be agreed during appraisal and could include evidence such as the declaration of a State of Calamity by the mandated national or subnational authority or a State of Public Health Emergency. The agreed trigger would enable the reallocation of uncommitted project funds to support immediate response and recovery needs. Disbursements would be made against a positive list of critical goods, civil works, and consulting services. The Project Operations Manual (POM)

<sup>23</sup> Enterprise subprojects will use a cost-sharing arrangement of 80:10:10 (loan proceeds, DA counterpart and LGU counterpart). In addition, a differentiated approach will be used for the IPO counterpart contribution in line with the Commission on Audit (COA) Circulars 2007-001 and 2012-001 and will depend on the size of the subproject grant, as further described in Annex 3 and the POM. NGOs and other sources of funds will be encouraged to also provide funds to finance the IPO business plans.

<sup>24</sup> The IPS-recognized IPOs that may have some non-IP members will be eligible for support under the project.

<sup>25</sup> To receive funds, an IPO must be registered as a financial entity with any of the following agencies: Cooperative Development Authority (CDA), Securities and Exchange Commission (SEC), or the Department of Labor and Employment.



will include detailed descriptions and procedures.

26. The potential CERC-financed activities would: (a) align with the main project activities; (b) follow the project's implementation arrangements; and (c) be based on DA's mandate under the various emergency response and contingency plans. The Project Operations Manual (POM) will include detailed descriptions and procedures.

#### Legal Operational Policies

##### Triggered?

Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

#### Summary of Assessment of Environmental and Social Risks and Impacts

#### D. Environmental and Social

27. **The project will support ICCs/IPs in ADs in Mindanao, located in remote, rural areas where small-scale farming is common.** Around 30 percent of the ADs is considered agricultural land, while the rest are lands officially classified as production forests, which are underdeveloped, idle, or under shifting cultivation for local consumption. The project will only cover ADs with existing tenurial instruments (CADTs) issued by the NCIP/MIPA. The project will not change any land classification, assign new land titles or recommend new land use. The aim is to improve farming efficiency and the market competitiveness of the participating IPs/ICCs. The project will promote sustainable and environment-friendly investments to ensure that the ecosystem services, especially the provisioning and regulating services that support the farm production areas, are not compromised.

28. **The project aims to improve farming efficiency through civil works and investments that strengthen agricultural commodity value chains, from input to post-harvest aggregation.** The physical investments are small-scale civil works, which include gravel-paved farm-to-market roads, buying stations and warehouse/storage areas for fresh produce, trading posts and market stalls, small-scale irrigation canals, and labor-intensive micro-processing plants. Other investments include strengthening the agricultural value chains from the input stage via nurseries, hatcheries, small-scale feed mills, and others, through production via mechanization, improved equipment, and climate-resilient technologies such as greenhouses and hydroponics. Investments also include post-harvest technologies, such as dryers, sorters, and packing facilities, and in aggregation, e.g., warehouses, trading posts, logistics, trucks, weighing scales, crates, and others.

29. **The proposed small-scale interventions will undergo environmental and social safeguards screening as prescribed in the project's Environmental and Social Management Framework (ESMF) and managed proportionately under the scope of specific ESF instruments as identified in the Environment and Social Commitment Plan (ESCP) and Stakeholder Engagement Plan (SEP).** The project will adopt sustainable CSA technologies and practices to ensure that any potential environmental and social risks and impacts are



adequately addressed during the design and implementation phases. Subprojects will be carefully chosen based on their nature, coverage and scope and shall comply with the ESMF and other Environmental and Social Framework (ESF) instruments. In this manner, it is anticipated that the potential environmental and social impacts are small-scale, site-specific, and reversible.

30. **Overall, the project is likely to have positive outcomes in terms of social inclusion since it will enhance the agricultural productivity of Indigenous groups, which are among the 14 officially recognized marginalized sectors in the Philippines.<sup>26</sup>** While the project adopts design features intended to address the multi-dimensional risks in the current situation of most ADs, some unintended negative social outcomes are likely to occur. These include possible elite capture in selecting IP household-beneficiaries, the attraction of armed groups through increased agricultural activities, and the entry of scrupulous traders or business groups due to improved road access to ADs.

31. **In the context of the COVID-19 pandemic, the major risk to the project is the required social distancing and quarantine that could slow down implementation and limit participatory processes.** The project would consider the pandemic protocols and detail these in the POM.

32. **Given the above considerations, the Environment and Social Risk Rating is substantial.**

## E. Implementation

### Institutional and Implementation Arrangements

33. **The project will be under the direct supervision of the DA Secretary through the Office of the DA Undersecretary for Field Operations, who is assigned to lead project oversight at the national level.** The DA Special Projects Coordination and Management Assistance Division (SPCMAD) at the DA Central Office will provide technical support, coordination and reporting to the Government's Oversight Agencies and the World Bank.

34. **Day-to-day project management will be through the existing PRDP Project Support Office (PSO) for Mindanao, under the direction of the Regional Executive Director of the Regional Field Office 11, who serves as Project Director.** A Deputy Project Director for MIADP would also be designated. A MIADP Advisory Board (MAB) would be established to guide overall project execution and include the NCIP. The PSO would provide secretariat support to the MAB.

35. **The Regional Field Offices (RFOs) will be responsible for field-level implementation, coordination, and monitoring.** This would be through their existing Regional Project Coordination Offices (RPCOs), which were established within RFOs with specific responsibility for implementing the components of PRDP. RPCO Component/Units Heads would provide the day-to-day management for each MIADP component. Existing Regional Project Advisory Boards (RPABs) of the PRDP, including a regional NCIP representative, will be responsible for approving subprojects and guiding and facilitating project implementation in each of the five Mindanao regions (Regions 9, 10, 11, 12 and 13.). RPCOs would provide secretariat support to the RPAB.

<sup>26</sup> IPs in the Philippines are one of 14 Basic Sectors formally identified as a disadvantaged sector under Republic Act 8425 (Social Reform and Poverty Alleviation Act of 1997).



36. **The DA and NCIP will enter into a Memorandum of Agreement (MOA).** The MOA will stipulate the agreed arrangements for the NCIP-designated PSO, regional, provincial and AD-level focal staff to assist in project implementation. The MOA would also define the processes requiring NCIP certification or endorsement under FPIC requirements. These would be further elaborated upon in the MIADP-POM, together with agreed timelines for each process. The MOA has been drafted and discussed between the DA and NCIP and will be signed within three months from the project effectiveness.

37. **At the local government unit level, respective Provincial/Municipal/City Project Management and Implementation Unit (PPMIU, MPMIU and CPMIU) would be established in accordance with the MOA between the DA and the LGU as well as in accordance with an Implementation Management Agreement (IMA) for each subproject.** This is a procedure mainstreamed under PRDP. MOA will be signed on rolling basis, and it is expected that at least 10 MOAs will be signed within 3 months of effectiveness. Such agreements provide for the provision of technical assistance, financing, implementation/construction, and O&M. Provincial Commodity Investment Plans (PCIPs) will serve as the joint DA-LGU planning instrument for co-financing with the LGUs, and as the convergence platform through which other government agencies and the private sector will provide complementary support. Further, subproject agreements will be entered by the LGU and the IPO to specify the roles, responsibilities, accountabilities and procedures for each enterprise subproject, including the sub-grant arrangements.

38. **In BARMM, the counterpart implementing institution would be MAFAR together with MIPA and MENRE.** The implementation arrangements would adopt the existing institutional arrangements for implementing PRDP with a view to implementation commencing in the project's second year. This would be formalized through a MOA, which has been prepared and expected to be signed during the first year of implementation.

39. **Instruments for implementing the project will be based on those already mainstreamed in the DA.** However, the criteria and processes will be simplified to reflect the smaller scale of the supported activities and the limited capacity and skills of the proponent IPOs. Modifications will also reflect the additional procedures in keeping with the Indigenous Peoples Rights Act (IPRA, 1997) and BOL requirements. The ADAIF will be the only new instrument introduced under the project. It will distill the ADSDPP's agricultural plans and priorities for each domain and provide additional detail to understand and validate the agricultural products' agro-ecological and climatic suitability. Similarly, the ADAIF will validate the suitability of the proposed infrastructure in each AD, the IPOs involved, and updated product market prospects. Based on the ADSDPP, the ADAIF will meet the legal requirements for FPIC. As earlier noted, the project will support ICCs/IPs in ADs meeting the implementation readiness criteria on a first-come, first-served basis<sup>27</sup>. Implementation procedures are elaborated in the MIADP-POM<sup>28</sup> and build upon processes mainstreamed in the DA through PRDP. Annex 1 also details the implementation arrangements.

<sup>27</sup> For project start-up, 10 ADs are expected to have met the Implementation Readiness Criteria in Regions 9, 10, 11, 12 and 13.

<sup>28</sup> The MIADP-Project Operation Manuals (MIADP-POM) comprises separate Operation Manuals (OMs) covering the project's five Components, Environment and Social Safeguards (ESS), Monitoring & Evaluation (M&E), Procurement, and Financial Management. All OMs have been discussed and agreed. These are living documents and will be revised as mutually agreed between the Bank and the Borrower as implementation experience evolves.

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