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## **Agribusiness, Agriculture and Income Generating Activities**

### **Component 3**

#### **1. OVERVIEW**

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Component 3 of CHARM 2 Project, the Agribusiness, Agriculture and Income Generating Activities (AAIGA) Component, aims to support the attainment of the Project's twin goals of increasing farm income and attaining food sufficiency. These shall be achieved by improving the prevailing poor agricultural conditions, decreasing marketing costs, and attaining better prices of farmers' produce through agribusiness development, coupled with other project initiatives under Components 1, 2 and 4 of the Project.

It is important that development in the agribusiness sector should be wholistic. It requires the production of farm outputs that meet the quality, volume, reliability, packaging and certification requirements of accessed markets. Meeting these requirements add value to the product as they move along the trade channel known as the value chain. Hence, Project upgrading activities such as technology dissemination, promotion of environmentally safe farming, brands and labels, processing, and small rural enterprise development need to be more focused towards achieving market needs. This component will support improvements of the value chain of selected/prioritized commodities.

Support will be through livelihood Interest Groups (LIGs) organized/strengthened for the Component. Such groups will be rationalized as marketing/consolidation, production and processing groups based on capacities. Moreover, existing and potential Income Generating Activities (IGAs) in the Project sites identified during the participatory planning will be supported. Priority beneficiaries are the landless poor, the women and those with small agricultural plots. These income generating activities may or may not be aligned to the commodity value chains identified in the barangays. Support under this window will be channeled through groups organized/strengthened as *other LIGs*.

Component 3 should be seen in the totality of the Project, interlinked with the other Project components such as: a) Component 1 (Social Mobilization, Participatory Investment Planning and Land Titling) for participatory planning and organizing/strengthening Livelihood Interest Groups (LIGs); b) Component 2 (Community Watershed Conservation, Forest Management and Agroforestry) for sustainable agriculture approaches, and Component 4 (Rural Infrastructure Development) for strategic farm to market access, facilities and community irrigation systems. This totality should be explained during the barangay Participatory Investment Planning to guide the beneficiaries in the identification and prioritization of projects/activities that will be included in the barangay investment plans.

#### **2. APPROACHES**

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Agriculture systems in the Cordillera region have been in existence for centuries. Several varieties/kinds of indigenous crops (rice) and livestock (native pigs and chicken) as well as introduced crops (coffee, vegetables, fruits, legumes, rootcrops) raised in traditional farming systems are some typical examples. These systems using indigenous knowledge and farming practices which are handed down from generation to generation are socially

acceptable and claimed to be ecologically stable. Produce in these farming systems have high marketing potentials in specific niche markets.

## 2.1 VALUE CHAIN APPROACH

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The value chain approach will be used to develop the rural agricultural sector in the project area. In value chain development, ecologically friendly agriculture systems like organic farming and products from these systems will be promoted. Accordingly, processing of products from such systems will be supported, if found feasible.

The project will focus on strengthening the supply side of the value chain by capacitating the small producers as active actors in value chain development. Once organized, the supply side of the chain will be linked to the demand side, where consultations/dialogues between the potential buyers/processors will be conducted. Initially, such dialogues will be coordinated by the NGO community mobilization officers and the LGU.

Project interventions shall be focused in the development of products from the identified commodities that meet market requirements in terms of quality, volume and time (availability). As such, intervention focus shall be in the meeting of required production standards, manufacturing standards and product standards as well as in decreasing costs of production and marketing.

It should be noted that not all needs identified along the value chain will be provided by the CHARMP 2 Project. Equipment support shall be based on feasibility and budget allocation. Likewise, structures in support to value chain/enterprise development such as warehouses, processing centers, greenhouses shall be provided under the RID component following RID guidelines. Hence, these should be considered during the barangay planning processes.

Part of the value chain approach is group formation, where groups shall be formed to implement the identified activities/interventions along the identified value chains in the barangays.

## 2.2 WHOLISTIC COMMUNITY PLANNING

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Activities to be supported by the Project shall emanate from the participatory Project Investment Plans (PIPs). Participatory planning shall be conducted in a wholistic manner whereby developments in the agriculture sector shall not be at the expense of the natural resource base of the communities. As such, environmentally safe production systems in consideration of the community's natural resource base including the watershed should be considered in prioritizing activities for project interventions.

In the preparation of the participatory Project Investment Plans under the AAIGA component, value chain assessment will be used as a planning tool.

## 2.3 PRESERVATION OF TRADITIONAL CORDILLERA FARMING SYSTEMS

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The project will support the preservation and enhancement of the traditional Cordillera farming systems and at the same time provide better economic value to the produce of such systems.

## 2.4. PROMOTION OF ENVIRONMENTALLY SAFE FARMING

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Component 3 upgrading initiatives shall be viewed in consideration of the region's fragile agro-ecosystems. The need to meet food sufficiency and income requirements should be aligned to the capacity of the natural resource base of the target areas. Sustainable/organic agricultural systems are highly encouraged.

## 2.5. PARTNERSHIP WITH THE PRIVATE SECTOR

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The project will encourage the private sector to participate in the value chain development process. The traders and the organic certifiers will be assisted to interface with the target communities in the project areas to develop business opportunities thereby consolidating the value chains.

## 2.6. SUPPORT TO IGA (INCOME GENERATING ACTIVITIES) FOR LANDLESS BENEFICIARIES

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The landless poor will be supported through off-farm income generating activities that would be identified during the barangay planning, hence these beneficiaries should be represented during the participatory investment planning in the barangays.

## 2.7. SUPPORT TO SME

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Small and medium enterprises (SMEs) aligned to the identified value chains and income generating activities in the Project sites will be supported through various Project undertakings such as access to market information, linkage with producers/processors/buyers, etc.

## 3. BENEFICIARIES

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Primary target beneficiaries are the poor farmers, the landless families, farmers with land plots too small to produce adequate family income, and micro-entrepreneurs. Beneficiaries would include men and women, however, women are priority under the rural finance and income generating activities subcomponent. These beneficiaries should be organized into groups for the provision of project assistance and for linkages required for value chain development.

## 4. OBJECTIVES

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The objectives of this component are to improve the production of sustainable and ecologically friendly farming systems, promote agri-business through the improvement of value chains, and introduce or improve non-farm rural small enterprises as income generating activities to increase family income of target communities.

## 5. MAJOR OUTPUTS

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Component 3 has four major outputs, namely: 1) market links for producer groups and enterprises strengthened; 2) rural-based enterprises developed; 3) farmers use environmentally safe farming methods to meet market demand and food security needs; and 4) funds available for capital, processing equipment and marketing.

## 6. SUB-COMPONENTS

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Component 3 was redesigned with the following subcomponents: 1) Value Chain/Enterprise Analysis and investment planning; 2) Value Chain Enterprise Development; and 3) Monitoring and Evaluation.

### 6.1. SUBCOMPONENT 1: VALUE CHAIN /ENTERPRISE ANALYSIS AND INVESTMENT PLANNING

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#### **Purpose/approach**

The value chain/enterprise analysis and planning focuses on the priority crops/enterprises identified in the PPIP and is used to plan and identify upgrading strategies or interventions to develop the chains or enterprises. Planning is done with the target group/s and the plan developed is used to update PPIPs to ensure the approach is inclusive, consultative and participatory.

#### **Activities**

##### 6.1.1. IDENTIFY BUYERS

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Buyers of products prioritized in the PPIPs could be local buyers operating within the barangays, municipalities or provinces covered by the CHARM project. Other buyers would include those operating outside the CHARM provinces that require products for sale in the domestic or export markets.

The project shall make a list of buyers of potential/existing products from the project sites. Buyers need not necessarily be traders, they can also be processors (certified fruit juices, canned fruits, etc) either for domestic or export niche markets.

Buyer identification in the project sites could be done through a simple market survey to be conducted by the Agricultural technicians, AAIGA provincial facilitators, service providers and CMOs.

In-depth market studies shall be contracted-out by PSO to determine buyers outside the project sites, their QVT requirements/standards, as well as supply and demand analysis of existing/potential products.

The market surveys/studies shall be updated as needed. Results shall be packaged and disseminated to target users.

Buyer and product identification could also be done during trade/techno fairs conducted, supported and or participated-in by the project. As such, the livelihood interest groups (LIGs) will be encouraged to participate in said undertakings.

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### 6.1.2. IDENTIFY PRODUCTS WITH NICHE MARKETS

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Since the Project will be building on the existing commodities in the Project sites, prioritization of commodities and products shall be conducted such that each barangay will have a banner commodity/product. This is with the aim of developing resilient highland value chains, building on the region’s comparative advantage.

Steps are as follows:

- a. Determine the criteria
- b. Weigh the criteria
- c. Identify list of potential commodities/products
- d. Rank commodities/products

This is done during the barangay planning using the following matrix:

#### Commodity prioritization

Criteria	Com 1	Com 2	Com 3	Com 4	Com 5
<b>a. Prodn, expansion and food sufficiency potential</b>					
•Available raw matls/natural resources for production					
•Low barrier for entry of the poor( Low risk in terms of natural calamities, pests and diseases, price fluctuations; low capital requirement and available appropriate technology)					
<b>b. Income generation potential</b>					
•Market potential (niche markets- organic, safe, green)					
•Value adding potential					
<b>c. Job creation potential</b>					
Potential for labor intensive technology					
<b>d. socio-cultural acceptability and sustainability</b>					

In using the matrix, the criteria should be explained to the participants, and corresponding weights should be assigned per category. The top five potential commodities shall be ranked accordingly and the highest ranking commodity will be selected as priority no. 1 for project support.

After identifying the commodity/ product, the expected volume and quality which can be sustainably and consistently supplied by the producers shall be determined. This could be done by administering a simple survey questionnaire and results validated during meetings to be conducted in the barangays.

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### 6.1.3. BUYER-PRODUCER MATCHING

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Capacities of the LIGs will be assessed by the CMOs when they will conduct organizational audit. The groups that have limited volume of produce will be supported with technologies to increase productivity to meet food sufficiency requirements. The producers groups with excess produce for sell or those groups who will opt to produce certain products/services for income generation will be assisted to prepare business plans, provide coaching in business operations (production operations, financial management, marketing, organizational management) and other related services.

Initial consultations between the LIGs and the potential and willing buyers to discuss quality specifications required, the primary processing to be undertaken if needed, pricing mechanism to ensure a fair share of the value added to the producers, development of trademarks, logos, certification etc. will be supported by the project. Since this may take several sessions, succeeding sessions maybe done by the producers and the buyers on their own. Should a written agreement be necessary to lay down main principles agreed upon, a Memorandum of Understanding between the producers, the buyer and the project shall be prepared.

Interested LIGs will be supported with eligible upgrading activities to be able to meet the quality, volume and certification requirements of identified buyers (Upgrading activities are further discussed in item 6.2 of this document).

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#### 6.1.4. VALIDATION OF VALUE CHAIN DEVELOPMENT

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This will be conducted as part of the planning process, particularly in the barangays during PPIP workshops. For component 3, Focus Group Discussions (FGDs) will be conducted to validate value chain/enterprise plans and update the PPIPs.

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#### 6.1.5. PREPARE/REVISE VALUE CHAIN/ENTERPRISE DEVELOPMENT PLANS

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The value chain/enterprise plans will be the basis of Project interventions. Steps in value chain/enterprise analysis and planning are as follows:

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#### DATA GATHERING AND CONSOLIDATION

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For effective value chain/ enterprise planning, pertinent marketing and production data shall be gathered and consolidated. Details are discussed in 6.1.1 of this document.

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#### VALUE CHAIN ANALYSIS

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The following are the steps in value chain assessment as outlined by the IFAD MTR mission, using rice as an example:

1. Map the existing value chain of rice coming from the areas and beneficiaries covered by the project. The flow of goods and inputs from production to different buyers or market outlets (e.g. Rice Inc., local traders in the *barangays*, or in the municipality, consolidator for institutional markets (e.g. Upland Marketing Foundation Inc. for supermarkets, or exporters), specialty stores, hotels and restaurants, supermarkets (direct), etc) are mapped out. This analysis determines whether the existing chain is

“short” or “long.” In some cases, rice produced may only be for home consumption (i.e. for food security).

2. Map the “generic” chain with supply not necessarily coming from the target areas or project beneficiaries. This chain would be the complete chain that needs to be evaluated, if feasible for the target beneficiaries. It would also be good to include other types of rice for comparative purposes but the focus will be on the type of rice (e.g. organic brown/black rice) being produced by the existing target beneficiaries. Note: this analysis will include the various suppliers of organic rice that supply this chain which will provide opportunities to understand the competitive position of the target beneficiaries.

Mapping is necessary in analyzing the value chain. Steps in mapping the value chain are as follows:

- a. Mapping the core processes in the value chain
  - b. Identifying and mapping the main actors involved in the processes
  - c. Mapping of the volumes of products, actors and jobs
  - d. Mapping geographical flow
  - e. Mapping value at different levels of the value chain
  - f. Mapping services that feed into the value chain
  - g. Mapping constraints and potential solutions
  - h. Making a value chain map matrix
3. Collect data on market requirements per outlet/buyer for the existing and generic chains. These include: (i) prices; (ii) production and marketing cost; (iii) standards (volume, quality, variety, size, color, packaging, frequency of delivery, logistic requirements, etc.); and (iv) governance mechanisms (e.g. terms of contracts, payment terms, etc.). Note: these data will be part of the market information database, including name of buyers and their contact details and requirements.
  4. Calculate the net margins (net profit per kg) for each market outlet using the data collected. Note: net margins may have to be calculated for different market volumes to be marketed as net margins per kg may be misleading when compared across market outlets without considering the volumes involved. For example, retailing rice might have the highest net margins per kg but the volume is limited and therefore the profit per farmer may be smaller.
  5. Identify and analyze the challenges and market opportunities (and other opportunities e.g. partnerships) appropriate for the target groups based on market requirements and calculate net margins for different market options/buyers/outlets.
  6. Map the desired chain to be developed after the project and compare this with the existing chain as mapped above. This might require further study to ensure that the desired chain is feasible. For example, it might not be feasible to venture into processing given the investment requirements, capacity of producers, etc. In an extreme case, it is not feasible to link farmers to the market within the project period and hence, intervention is limited to improving productivity to enhance food security.

7. Identify target group/s within the *barangay* (e.g. producer group or other groups) who will handle other enterprises based in the chain e.g. processing (e.g. rice wine) or municipality (e.g. marketing group if the producer group will be different from the marketing group). Note: the target group/s should have the support or approval at the *barangay* level (*barangay* development council, council of elders) or of the MMG (if target group is at municipal level). This is to ensure that the approach is inclusive and participatory/consultative.
8. Analyse the capacity (e.g. strength and weaknesses) of target group/s *vis-à-vis* market opportunities and identify the feasible markets to be targeted. Note: this could include a combination of markets to maximize income or diversify risks (e.g. 10% for export, 10% for local traders, etc.). It could also be a combination of enterprises if the target group handles both production, processing or other income generating enterprises (e.g. handicraft, etc.).
9. Based on the above analysis, identify the initial upgrading strategies or interventions required to meet requirements (desired chain) of the target markets and to maximize benefits for the target group without compromising environment. See subcomponent 2 below for the range of interventions to implement upgrading strategies.
10. Plan with the target group together with the other components of the project to provide an integrated package of interventions (Components 1 to 4). Note: Planning may be done for various groups, if the production group is different from the group that will handle processing and other enterprises.

#### PREPARE THE VALUE CHAIN/ENTERPRISE DEVELOPMENT PLAN AND UPDATE THE PPIP

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The success of the value chain undertaking in the CHARMP 2 barangays would depend on a lot of factors, hence, the following key elements should be considered in the planning process.

1. Selecting the right value chain. Selecting the right commodity to be supported by the project is critical, hence, the prioritization criteria. It should be noted however, that in prioritizing commodities, a balance of food sufficiency concerns and income shall be considered.
2. Willing LGU partner. Since the LGUs are the lead in implementing component III subprojects, they should be willing, available and capable to undertake identified interventions.
3. Presence of community champion/s. As much as possible, community leaders/farmer leaders should be identified, convinced and capacitated as capable partners in mobilizing for the identified value chains.
4. Capable Groups formed. The value chain groups should be capacitated to be able to plan implement and sustain project initiatives
5. Ownership. The beneficiaries should own the project interventions/activities for sustainability.

6. Phased-in interventions. Interventions should not be forced but should be based on the capacities of the farmers groups (beneficiaries/co-implementers) and LGU implementers.
7. Partnerships. Since the Project cannot provide for all the needs/interventions identified along the priority value chains of the barangays, partnerships with other service providers should be enhanced.

## 6.2. SUBCOMPONENT 2: VALUE CHAIN/ENTERPRISE DEVELOPMENT

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Based on the value chain/enterprise analysis and planning an integrated package of interventions (upgrading strategies) will be implemented to support value chain and enterprise development. These will cover the following categories of interventions:

### 6.2.1. FARM PRODUCTION IMPROVEMENT- TECHNOLOGY DISSEMINATION

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#### 6.2.1.1. RETOOLING FOR FFS/FBS

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Instead of Farmer Field Schools (FFS), Farmer Business Schools will be implemented. As such a farmer business school curriculum will be designed, piloted then finalized for Project use. The finalized curriculum will be used in training FBS trainers. Curriculum design, piloting, finalization and TOT will be done with technical assistance from FoodSTART-CIP.

#### 6.2.1.2. FBS

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A total of 37 FBS will be conducted with selected farmer groups (LIGs) using a curriculum especially designed for the project. Concerned LGU technicians and OPAG staff, CMOs, AAIGA staff and selected farmer leaders will be trained as FBS facilitators.

#### 6.2.1.3. TECHNOLOGY DEMONSTRATIONS

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Technology demonstrations will be conducted as a means of promoting technologies needed to improve the priority value chains/enterprises.

### OPERATING GUIDELINES AND PROCEDURES IN ESTABLISHING TECHNOLOGY DEMONSTRATION FARMS

1. Site selection. The site of the techno demo shall meet the following criteria:
  - Strategically located with potential for radiation of the technology demonstrated to other areas
  - Accessible (regularly traversed by and visible to residents of the community)
  - Plot size shall depend on the average farm size in the locality. Half of the techno demo area is for the Package of Technology(POT) recommended and the other half is the existing farmers practice

2. Selection of cooperator. Criteria for selection of techno demo farmer cooperator:
  - Actual tiller of the land
  - Must provide the land, labor, management and maintenance of the techno demo
  - Must be selected by the group being assisted for value chain development
  - Must be willing to undertake the techno demo project
  - Must be willing to keep records and share learnings and experiences with other farmers
  
3. Project Documentation and Legalization
  - If necessary, a Memorandum of Agreement between the LGU, CHARM, Farmers' Assn and farmer cooperator shall be executed in undertaking the techno demo
  - The Project (CHARM) thru the BIT will be responsible for the timely provision of material inputs in the establishment/maintenance of demonstration farms.
  - The BIT shall see to it that the farmer cooperator is following the recommended practices and applying the right inputs
  - A report on the result of the techno demo shall be prepared by the AT in coordination with the farmer cooperator in accordance to required formats
  - Field days shall be conducted when appropriate

#### 6.2.1.4. CROSS FARM VISITS

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This technology dissemination activity is aimed to fast track the transfer of technologies to improve priority value chains/enterprises, facilitate learnings, enhance technology transfer and expand aspirations/increase awareness among participants.

Cross farm visits will be undertaken within CAR and outside CAR depending on the technology gaps identified along the value chain.

##### Basis in selecting Farmers for cross farm visits

- Potential adaptor
- Willing and capable to share learnings
- Farmer leader
- Active member of the value chain group
- Selected by the value chain group

##### Basis in Selecting sites to be Visited

- Promotes organic/sustainable farming
- Commodity mix and products match the identified priority commodities/products of the concerned barangays
- Agro-climatic conditions is similar to target barangays
- Accessible (expenses within the budget)

Cross Farm Visit Documentation. Documentation shall be undertaken with details on technologies/processes/good practices in the visited sites to be re-echoed by the participants to the communities. Hence, a documenter shall be assigned during field visits

to take pictures/videos as maybe necessary and to prepare IEC materials to be used during the re-echo.

Duration. Depends on budget allocation and learnings to be gained.

#### 6.2.1.5 SCHOOL ON AIR PROGRAM.

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The Provincial Agriculture Offices will produce and broadcast “School on Air” as a means of education and information dissemination on the activities and new strategic approaches of the project for target communities.

Best practices, new or innovative technologies in agriculture and in value chain/enterprise development will be broadcasted to reach distant farmers or any beneficiaries who wish to learn through the School on the Air Program.

“School on Air” will also broadcast all information of CHARM 2 including natural resource management information, organic farming, support for organic certification, environmentally sustainable farming techniques, details of possible forward trading contracts, and market information. The following sub-activities will be supported by the project.

6.2.1.5.a. Prepare two sets of electronic media material. A broadcast programmer will be hired by the project for technical advice on the electronic material preparation.

6.2.1.5.b. Conduct two media surveys. Surveys will be conducted to assess the effective air timing and type of messages that are most appropriate to popularize the project approaches and activities. The School on the air broadcast programmer will formulate the surveys and assist in conducting and analyzing the information gathered after which recommendations on needed improvements will be made.

6.2.1.5.c. Conduct impact assessment. **An impact study of “School on Air”** will be designed by the Programmer together with the monitoring staff and the MAO. Results of the study will be used in the Midterm Evaluation to make necessary recommendations for the improvement of the “School on Air” Program.

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#### 6.2.2. FARM PRODUCTION IMPROVEMENT-ENVIRONMENTALLY SAFE FARMING

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Thirty five groups consisting of female and male members willing to undertake environmentally-safe production systems shall be supported. Activities are as follows:

- a. Form and organize groups. These groups should come from the LIGs who would want to pursue environmentally-safe farming to increase productivity to meet food sufficiency/market requirements.
- b. Training on GMP for environmentally safe farming  
Interested LIGs in the target barangays will be trained on environmentally safe farming (organic production, sustainable farming included). Groups willing to enter into the organic products markets will be assisted in the preparation of their Internal Guarantee System and linked to certifiers.

- c. Specially printed log-books will be provided to the target producers to maintain the details of GMP or the group internal guarantee system which will be useful as a supporting document for organic certification process
- d. Farmers training on Organization and Management
- e. Farmers training on financial literacy

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### 6.2.3. FARM PRODUCTION IMPROVEMENT-BRANDS AND LABELS

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a. Product identification. Niche products will be identified for labeling. Since not all LIGs will have the capacity for long chains, product labels will only be designed for selected products of capable LIGs.

b. Label design

Appropriate product labels, trademarks and geographic indicators for identified products will be designed. Branding and labeling will be done for market positioning to improve the marketability of the identified products.

c. Register and produce labels

The project will bear the initial cost of designing and printing labels and trademarks for selected products. Trademarks will be owned by the producer groups or jointly with the niche market buyers/processors.

d. Users training

Producers will be trained to use labels and trademarks.

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### 6.2.4. AGRI-BASED MARKETING GROUPS

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a. Group formation. Where there are no existing groups formed, group formation of female and male poor smallholders wishing to participate in the development of the value chain/enterprise identified will be supported. The purpose of the group is to enter into commercial agreements with buyers/processors and so realize higher farm gate prices. If feasible, the group will undertake primary processing, packaging, labeling, etc. as required. It will also establish internal control mechanisms to maintain the required quality standards of accessed markets. The group could also opt to pursue direct selling if produce is not enough to meet commercial buyer requirements.

b. Provision of trainings to strengthen formed groups. The project will provide product standards, financial literacy, and related trainings for value chain support.

Trainings on organization and management, farm recording, book keeping, financial management, etc. shall be provided to enable the groups formed to pursue identified undertakings for the development of the identified value chains/enterprises. Likewise, trainings on production and processing could also be provided as needed. These activities should be identified in the PIP.

c. Design of packaging materials

If necessary, research for developing packaging material will be conducted. This would include validation of various forms of packaging materials for different products. Thereafter, the packaging materials will be demonstrated to end-users for adoption.

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#### 6.2.5. DEVELOPMENT OF SMALL RURAL ENTERPRISES

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##### a. Identification of BDS providers

Business Development Service (BDS) shall be identified to provide necessary services for the development of small rural enterprises in the project sites. The project shall engage BDS services based on needs of beneficiaries as well as project staff.

##### b. Linking BDS with barangays/municipalities

The BDS will be linked to the LIGs in the barangays/municipalities, particularly for the implementation of the LAF. BDS providers will be tapped to provide business development services and skills trainings for the LIGs.

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#### 6.2.6. VALUE CHAIN DEVELOPMENT-PROCESSING

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Group-based central processing activities to improve the quality and value addition of the commodities that are traded in the value chains will be promoted. Existing processing groups such as RICs will also be included. Initially the project will organize the interested producer groups to undertake group processing. Activities will include the following:

##### a. Organize groups for processing

##### b. Introduce quality auditing cards

- Training of members on maintaining accounts, provision of allowances for operation and maintenance work, profit sharing, GMP, processing technology and internal quality control systems,
- Trainings of farmers on the use of quality auditing cards. The cards will be distributed by the MAOs to the organized processing groups and it will be shown to traders/buyers to ensure the adoption of Good Management Practices when the product is sold. The cards will eventually be developed into a “producers level quality certification process”.

##### c. Link group to financial institutions/CFI

##### d. Facilitate forward contracting

The producers and selected traders will be linked on an agreed contract which includes price, quantity, quality, timing, and certification requirements.

The VC Specialist with the participation of the private sector and the producers will prepare guidelines for the contract and the MAO will coordinate the contracting initially. Later, the parties may make their own agreements.

## STEPS IN DEVELOPING FORWARD CONTRACTS

1. Survey/listing of potential seller groups like cooperatives/farmers associations, the volume and type of agricultural products and agro-based processed products they could supply.
2. Survey/ listing of potential buyer groups – buyers and the volume, type and quality requirements for raw and processed agricultural products.
3. Table matching of buyer and seller groups.
4. During the implementation arrangements final consultation with the buyer and seller groups detailing arrangements such as time, volume and detailed information for formulating contracts.
5. Actual conduct of market matching-forward contracting – information exchange, initial bidding workshop, and preliminary discussion for possible market arrangement.
6. Facilitation of market-matching forward-contract agreement, ironing out of details and contract signing.
7. Monitoring and mediation- monitor the progress of the implementation on a regular basis, and serve as mediator for the two groups.
8. Documentation and evaluation – prepare reports to include volume, value, type and quality of products traded, deviations from the contract agreement and recommendations on how to improve succeeding contracts

e. Develop and process appropriate products

f. Provide materials for value chain development (processing equipment)

---

### 6.2.7. MARKET ACCESS DEVELOPMENT

---

This includes market information collection, analysis and dissemination among target communities. Wholesale price information of organic, green and conventional products will be collected from markets within and outside CAR; these will be processed and disseminated to target communities.

Price and demand information, short clips about market trends for organic products in the international markets will be obtained using the internet and included into the price information.

PSO will spearhead the collection of price data of organically produced/niche products.

Municipal Agriculture Offices will be in charge of disseminating the market information. These will also be broadcasted through the School on the Air Programme.

Producers and buyers information shall be gathered and profiles prepared.

In support of this activity, the project will provide 37 sets of computers with complete accessories, one set per municipality including needed softwares.

The aforementioned information shall be inputted into a database to be established, maintained and updated in the Municipal Agriculture Office. Likewise, a regional database shall be established and maintained by the component at PSO. This is to facilitate buyer-producer matching as well as project tracking.

The following activities will be undertaken to facilitate market access development:

- a. Acquisition of equipment including computers
- b. Market information analysis
- c. Design of market technology information systems
- d. Systems installation
- e. Profiles preparation (buyers, commodities, standards, prices)
- f. Market advisories
- g. linking Groups to markets
- h. Organizing/attendance to trade fairs

---

#### 6.2.8. RURAL FINANCE

---

Capital for LIGs will be provided through the Livelihood Assistance Fund (LAF). Refer to LAF manual for details.

Activities under Rural Finance are as follows:

- a. Hiring of monitoring staff. A rural finance officer/s shall be hired and assigned to PSO to assist in LAF implementation and monitoring
- b. LAF manual finalization. The LAF operations manual shall be finalized for use in LAF implementation.
- c. Integration of Financial Literacy trainings. Wealth generation shall be inculcated among project beneficiaries, hence the concept of savings shall be incorporated in the trainings to be conducted. A financial literacy module shall be prepared for use as a training guide.
- d. Production of Rural Finance (LAF) Manual. Once finalized, the LAF operations manual shall be reproduced and distributed to project implementers and partners
- e. Locate and engage financial institutions. Community Financial Institutions (CFI) shall be engaged as conduit/channel for LAF funds. Details are discussed in the LAF operations manual.
- f. LAF M and E. M and E tools shall be prepared for LAF monitoring and evaluation.

- g. Provision of revolving funds to LIGS. Revolving funds to initiate income generating activities in the project sites will be provided through the LAF.

### 6.3. SUBCOMPONENT 3. MONITORING AND EVALUATION

---

M and E will be based on the implementation of the value chain/ enterprise plans. Gaps in implementation will be addressed and best practices will be documented and promoted.

The following activities are included in this subcomponent:

1. Documentation of technologies and best/good practices
2. Report writing
3. Annual evaluation/Review of plans
4. Project phase-out activities

## 7. SUSTAINABILITY PLAN

---

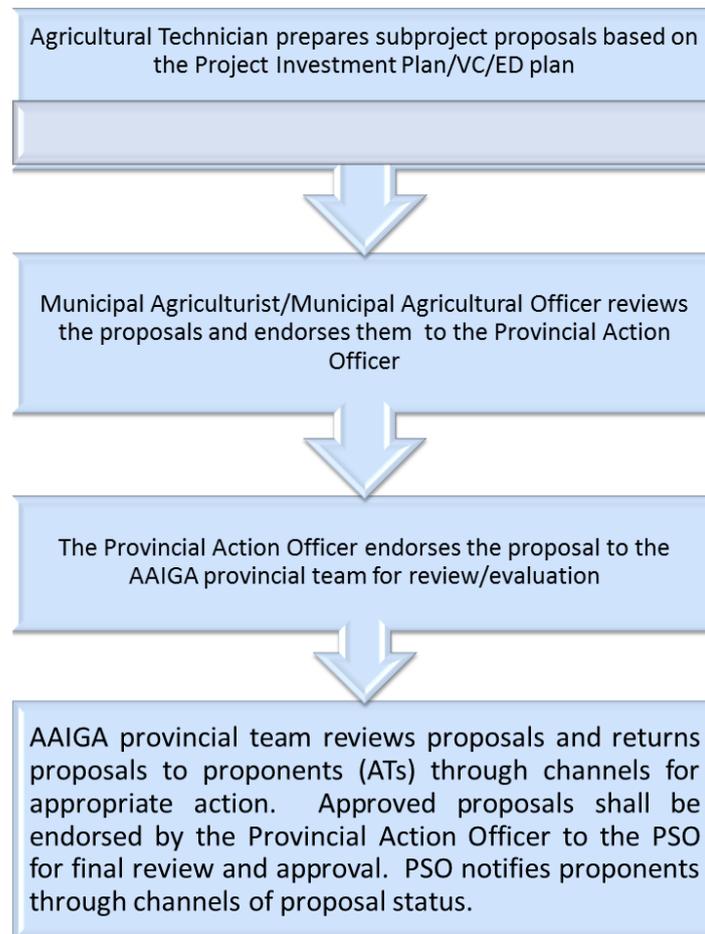
Sustainability plan of Component will include the following:

1. Repayment/Reflow of the LAF funds to sustain income generating activities of the LIGs. Safeguards shall be in place for LAF repayment/reflow, hence the following should be observed in LAF fund implementation:
  - 1.1 Business plans for LAF funding should be feasible
  - 1.2 LIG policies on membership, fund utilization, and payment defaults shall be in place prior to LAF fund release (included in the business plan) and monitored for adherence during implementation
  - 1.3 The LIGs, being the owner of the funds shall exert effort in loan collection
  - 1.4 The LIGs shall be capacitated to be able to manage the LAF funds
2. Efficient deployment and utilization of equipment acquired by the project in support of priority value chains/enterprises. Equipment to be acquired should meet the appropriate specifications in areas of deployment, hence should be specified in the enterprise/value chain plans. Validation of plans shall be conducted by PSO if needed.
3. The enterprise/value chain plans shall be owned by the beneficiaries

### PROCESSES AND CHANNELS, FORMS AND REQUIREMENTS FOR THE IMPLEMENTATION OF AAIGA TECHNO-TRANSFER ACTIVITIES

Bulk of AAIGA activities will be conducted in the 170 covered barangays. Such activities will emanate from the Participatory Project Investment Plans of said barangays. The required subproject proposals needed to conduct field activities such as trainings, learning visits,, techno demos, FBS and meeting/workshops shall be prepared by the assigned Agricultural Technologists, evaluated by the Municipal Agriculturists then endorsed to the Provincial Action Officer who will in turn endorse the proposals to the AAIGA provincial team, headed

by the Provincial Agriculturist, for further review/evaluation. Proposals that pass the provincial AAIGA team review/evaluation will be returned to the MLGU for LCE approval then endorsed to PSO by the Provincial Action Officer. PSO approved proposals shall be implemented in the project sites. Disapproved proposals shall be returned to the proponents for proper action.



The proposals should contain details of the activities to be implemented including specifications of supplies/materials needed. For trainings, topics to be tackled should be specified including time frame per topic to justify the training duration. As much as possible, farmers' trainings should not exceed two days. For techno demo, and FBS, detailed activities/methodologies should be included to guide proposal evaluators.

The following criteria shall be used in evaluating subproject proposals:

1. The proposed intervention must be aligned to the PPIP/EDP. The proposed intervention must be appropriate to the gaps/needs identified in the PPIP/EDP
2. The proposal must be aligned to the project framework (refer to the commodity prioritization criteria)
3. The objectives must be attainable
4. The methodology must be sound

For FBS, there must be an FBS curriculum attached to the proposal and presence of trained FBS facilitators to implement the activity must be indicated in the methodology

For Techno demo, a POT must be attached or described in the proposal

Planting materials requested must jibe with the proposed area

Trainings must include topics to justify duration

5. Proposed subproject/activity must be within allotted budget

Based on the criteria, the evaluators may approve or disapprove the proposal; seek additional information, verify certain information and/or seek additional requirements; and or propose certain amendments to improve the proposed intervention. In which case, the evaluators should notify the proponents in writing.

6. Business Plans should be prepared and evaluated based on the criteria specified in the LAF guidelines

## AAIGA FORMS

### COVERSHEET FOR ENDORSEMENT OF VALUE CHAIN/ENTERPRISE DEVELOPMENT PLANS

<b>MMG</b>	
<p style="text-align: center;"><b><u>Action Taken</u></b></p> <p><input type="checkbox"/> Reviewed plan (initial technical review)</p> <p><input type="checkbox"/> Consolidated plan into a municipal vc/ed plan</p> <p><input type="checkbox"/> Endorsed proposal for LCE signature</p> <p><input type="checkbox"/> Endorsed proposal for PMG review</p>	<p style="text-align: center;"><b>Signatories</b></p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><b>MPDC</b></p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><b>LCE</b></p>
<b>Other Notations and Remarks</b>	
<b>PMG</b>	
<p style="text-align: center;"><b><u>Action Taken</u></b></p> <p><input type="checkbox"/> Reviewed vc/ed plan as to completeness and soundness of interventions</p> <p><input type="checkbox"/> Returned plan for enhancement</p> <p><input type="checkbox"/> Consolidated plan into provl plan (if applicable)</p> <p><input type="checkbox"/> Endorsed vc/ed plan to PSO for acceptance/approval</p>	<p style="text-align: center;"><b>Signatories</b></p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><b>AAIGA Provl Committee Chair</b></p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><b>PMG Chair</b></p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><b>PC</b></p>
<b>Other Notations and Remarks</b>	
<b>CHARMP PSO</b>	
<p><input type="checkbox"/> Reviewed vc/ed plan as to budget and relevance of interventions to be funded by the project to the attainment of component goals/outcomes/outputs)</p> <p><input type="checkbox"/> Returned vc/ed plan for enhancement</p> <p><input type="checkbox"/> Accepted/approved vc/ed plan</p>	<p style="text-align: center;"><b>Signatories</b></p> <p style="text-align: center;">_____</p> <p style="text-align: center;"><b>AAIGA Coordinator</b></p> <p style="text-align: center;">-----</p> <p style="text-align: center;"><b>Project Manager</b></p>
<b>Other Notations and Remarks</b>	

**COVERSHEET FOR ENDORSEMENT OF PROPOSALS FOR TECHNO DEMO,  
TRAININGS, WORKSHOPS-MEETINGS AND LEARNING VISITS**

<b>Action Taken</b>	<b>Signatories</b>
<p>0 Reviewed proposal as to the following:</p> <ol style="list-style-type: none"> <li>1. Soundness of the proposed intervention <ul style="list-style-type: none"> <li>• Appropriate to the gaps/needs identified in the PPIP/EDP with beneficiary groups indicated</li> </ul> </li> <li>2. Soundness of methodology and objectives <ul style="list-style-type: none"> <li>• Attainable objectives</li> <li>• Clear methodology: <ol style="list-style-type: none"> <li>a. FBS <p>there must be an FBS curriculum attached to the proposal and presence of trained FBS facilitators to implement the activity must be indicated in the methodology</p> </li> <li>b. Techno demo <p>a POT must be attached or described in the proposal</p> <p>Planting materials requested must jibe with the proposed area</p> </li> <li>c. Trainings must include topics to justify duration</li> <li>d. The proposal must include detailed specifications of supplies and materials needed</li> </ol> </li> </ul> </li> <li>3. Budget must be within the approved AWPB <ul style="list-style-type: none"> <li>• For budgetary breakdown, the following should serve as a guide: <ul style="list-style-type: none"> <li>➤ trainings for value chain support/skills trainings/OD training <ul style="list-style-type: none"> <li>10% - admin cost (including TEV and per diems)</li> <li>10% for Resource Person (if needed)</li> <li>40% for meals and snacks</li> <li>40% for starter kits (planting materials or supplies depending on the activity)</li> </ul> </li> <li>➤ techno demo with built-in trainings <ul style="list-style-type: none"> <li>15% admin cost (including TEV and per diems)</li> <li>40% supplies</li> <li>35-40% meals and snacks for field day and built-in trainings</li> </ul> </li> </ul> </li> </ul> </li> </ol>	<hr/> <p align="center"><b>AAIGA Committee Chair</b></p> <hr/> <p align="center"><b>PMG Chair</b></p> <hr/> <p align="center"><b>PC</b></p>

<p style="text-align: center;">5-10% resource persons fees if needed</p> <ul style="list-style-type: none"> <li>➤ Learning visits within CAR- the activity shall not exceed the allotted budget of 75,000 which will include meals and lodging, vehicle hire and resource persons' fees. Travelling expenses and per diems shall not be provided. For efficiency, participants for this activity shall not be less than 20.</li> <li>➤ The learning visits shall include lectures and hands-on demonstrations, hence the term learning visit. Where applicable, farmer-to- farmer exchange and business coaching are encouraged.</li> </ul> <p>0 Returned proposal for enhancement 0 Endorsed proposal to PMG chair for endorsement to PSO</p>	
<p><b>Other Notations and Remarks</b></p>	
<p><b>CHARM PSO</b></p>	
<p style="text-align: center;"><b><u>Actions Taken</u></b></p> <p>0 Reviewed/revalidated proposal as to budget and alignment to project framework</p> <p>0 Returned proposal for enhancement</p> <p>0 Disapproved proposal</p> <p>0 Approved proposal</p>	<p style="text-align: center;"><b>Signatories</b></p> <hr style="width: 100%;"/> <p style="text-align: center;"><b>AAIGA Coordinator</b></p>  <hr style="width: 100%;"/> <p style="text-align: center;"><b>Project Manager</b></p>
<p><b>Other Notations and Remarks</b></p>	

COVERSHEET FOR ENDORSEMENT OF BUSINESS PLANS FOR LAF ASSISTANCE

<b><u>MMG</u></b>	
<p style="text-align: center;"><b><u>Action Taken</u></b></p> <p><input type="checkbox"/> Reviewed, disapproved and returned to BIT/proponent (initial technical review)</p> <p><input type="checkbox"/> Reviewed and returned to BIT/proponent for enhancement</p> <p><input type="checkbox"/> Reviewed, approved and endorsed proposal for LCE</p> <p><input type="checkbox"/> Endorsed proposal for PMG review</p>	<p style="text-align: center;"><b>Signatories</b></p> <p style="text-align: right;">_____MPDC</p> <p style="text-align: right;">_____LCE</p>
<b>Other Notations and Remarks</b>	
<b><u>PMG</u></b>	
<p style="text-align: center;"><b><u>Action Taken</u></b></p> <p><input type="checkbox"/> Reviewed ( as to technical, organizational and financial soundness/feasibility), disapproved and returned to proponent through MMG</p> <p><input type="checkbox"/> Reviewed ( as to technical, organizational and financial soundness/feasibility), and returned to proponent through MMG for enhancement</p> <p><input type="checkbox"/> Reviewed ( as to technical, organizational and financial soundness/feasibility), and endorsed to CHARMP-PSO for approval</p>	<p style="text-align: center;"><b>Signatories</b></p> <p style="text-align: center;">_____AAIGA Provl Committee Chair</p> <p style="text-align: right;">_____PMG Chair</p> <p style="text-align: right;">_____PC</p>
<b>Other Notations and Remarks</b>	
<b>CHARMP PSO</b>	
<p><input type="checkbox"/> Approved for LAF assistance</p>	<p style="text-align: center;"><b>Signatories</b></p> <p style="text-align: center;">_____AAIGA Coordinator</p> <p style="text-align: center;">-----Project Manager</p>
<b>Other Notations and Remarks</b>	

PROPOSAL FORMAT FOR TECHNOLOGY DEMONSTRATION

Activity Title:

Proponent:

Location:

Duration:

Date start:

Date end:

Required budget:

Rationale:

Objectives:

Methodology:

- a. If it's a learning demo, include onsite trainings to be conducted
- b. Detailed description of POT to be demonstrated
- c. Selection of farmer cooperators, no. of cooperators
- d. Lay-outing of the techno demo, no. of sites, area
- e. Roll-over fund scheme
- f. Data gathering and report writing
- g. Field day
- h. IEC material development and production

Detailed Budgetary Estimates:

- a. Supplies and materials
  - Farm and office supplies

Item no	Supplies/ Materials	Specifications	Qty	Unit cost	Cooperator counterpart	LGU Counterpart	CHARMP	Total Cost

- b. Meals and snacks for field days
- c. Gas and oil

Prepared By:     AT or MAO

Recommending Approval /Reviewed: MAO if AT prepared the proposal, and MPDC

Approved /Noted: Municipal Mayor

To be indorsed to the Provincial Action Officer then to CHARM PSO

REPORTING FORMAT FOR COMPLETED TECHNOLOGY DEMONSTRATION  
ACTIVITIES

Activity Title:

Proponent:

Location:

Duration

Date start:

Date end:

Budget spent:

Rationale:

Objectives:

Accomplishment highlights:

Economic impact (ROE): Introduced technology vis-à-vis farmers practice

Learnings/Experiences Gained:

Problems encountered and recommendations:

Detailed budgetary expenditures:

Attach photo documentation if any

Attach Techno demo assessment form filled-up by farmers during the field day

Prepared By: AT or MAO

Recommending Approval /Reviewed: MAO if AT prepared the proposal, and MPDC

Approved /Noted: Municipal Mayor

To be indorsed to the Provincial Action Officer then to CHARM PSO

TECHNO DEMO ASSESSMENT FORM

Name of participant:

Age:

Sex:

Civil status:

Highest Educational attainment:

Address:

Occupation:

Farm area:

Crops grown:

Position in the farmer's group/barangay:

Title of the Techno demo assessed:

Learnings gained from the techno demo:

Observations/ Comments/suggestions:

Name and Signature of Participant: \_\_\_\_\_

Date: \_\_\_\_\_

PROPOSAL FORMAT FOR FARMERS BUSINESS SCHOOL

Activity Title:

Proponent:

Location:

Duration

    Date start:

    Date end:

Required budget:

Rationale:

Objectives:

Methodology:

- a. Detailed description of FBS curriculum to be used
- b. Pre-FBS activity details
- c. Conduct of FBS
- d. Data gathering and report writing
- e. Field day and graduation
- f. IEC material development and production

Detailed Budgetary Estimates:

- d. Supplies and materials
  - Farm and office supplies

Item no	Supplies/Materials	Specifications	Quantity	Unit cost	Total cost

- a. Meals and snacks for field days and graduation
- b. Gas and oil

Prepared By:     AT or MAO

Recommending Approval /Reviewed: MAO if AT prepared the proposal, and MPDC

Approved /Noted: Municipal Mayor

To be indorsed to the Provincial Action Officer then to CHARM PSO

PROPOSAL FORMAT FOR TRAININGS/ LEARNING VISITS/FIELD DAYS/FBS  
GRADUATION

Activity Title:

Proponent:

Location:

Duration

    Date start:

    Date end:

Required budget:

Rationale:

Objectives:

Activities:

1. Pre-training activities
2. Training activities
  - a. detailed topics with time allocation
3. Post- training activities

Detailed Budgetary Estimates:

- a. Meals and snacks
- b. Honoraria of resource persons
- c. Lodging

Prepared By:     AT or MAO

Recommending Approval /Reviewed: MAO if AT prepared the proposal, and MPDC

Approved /Noted: Municipal Mayor

To be indorsed to the Provincial Action Officer then to CHARM PSO



# Annex A

## Livelihood Assistance Fund Manual of Operations

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# ANNEX A - LIVELIHOOD ASSISTANCE FUND MANUAL OF OPERATIONS

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## I. INTRODUCTION AND RATIONALE

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This manual is an output of two workshops with CHARMP 2 Project implementers and was enhanced with inputs from the IFAD-MTR mission. Initially, this was patterned after the Poverty Alleviation Fund (PAF) of NMCIREMP, an IFAD-funded project in Northern Mindanao, and was customized to suit the prevailing circumstances in the CHARMP 2 Project sites.

This manual was prepared to provide a common understanding among Project implementers and beneficiaries of the Livelihood Assistance Fund (LAF) implementing procedures.

For practical reasons, not all information could be contained in this manual and the prescribed processes and procedures could be amended by the Project Support Office as deemed necessary in the course of Project implementation. In which case, such amendments will be communicated to concerned stakeholders through proper channels.

Where necessary, procedures are enhanced with flow charts and details are presented as appendices.

## II. LIVELIHOOD ASSISTANCE FUND (LAF)

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### 1. DEFINITION

The Livelihood assistance Fund (LAF) is a fund allotted under the Agribusiness, Agriculture and Income Generating Activities (AAIGA) Component of CHARMP 2 to finance livelihood sub-projects prioritized in the project sites. It is a bridge fund for barangay or municipal - based group enterprises to support opportunity for building self-worth and eventually improve the bankability of beneficiaries to be later on mainstreamed into the formal credit system. It does not intend to promote a dole-out mentality among Project beneficiaries. LAF consists of fund in support to the development of priority value chains and capital for groups that will engage in production, marketing and other income generating activities identified during participatory planning processes in the project sites.

LAF funds will also provide for capital needed by marketing and processing groups with provincial/municipal coverage not included in the PPIPs.

### 2. BENEFICIARIES

CHARM 2 Project will support Livelihood Assistance Fund (LAF) sub-projects in each covered municipality/ barangay. Priority *beneficiaries* under this facility are the focus poverty groups not reached by regular local and national programs. The *productive poor households* (HH) through Livelihood Interest Groups (LIGs) in the target barangays willing to engage in income generating activities or are already engaged in income generating activities and willing to expand their operations but with limited capital are the priority

recipient groups for this assistance. Priority are the poorest households in such groups who have the potential to take advantage of improved access to opportunities for agricultural production and rural income generating activities (refer to Appendix B for the eligibility criteria of LIG members).

Support for the development and promotion of the identified commodity value chains from production, processing up to the marketing nodes of the chain is included under this facility. This will also include potential and existing income generating activities in the Project sites which may not be aligned to the identified value chains.

### 3. SCOPE FOR LAF ASSISTANCE

The scope for LAF assistance shall be small livelihood and self-help economic activities related to AAIGA identified projects in the barangay Participatory Project Investment Plans (PPIPs). Activities with provincial/municipal coverage which are not included in PPIPs but are identified in the enterprise/value chain development plans are also qualified for LAF assistance.. These would include:

- 3.1 Direct inputs for livelihood improvement of the target sectors and households such as those in the production to processing and marketing nodes of the identified value chains in the target sites. However, the provision of such inputs should not be in contradiction to provisions in the AAIGA project Implementation Manual;
- 3.2 Village-level processing equipment in support to the promotion and development of feasible value chains and Income Generating Activities (IGA's);
- 3.3 Inputs for existing/potential Income Generating activities in the project sites; and
- 3.4 Cash capital as indicated in the subproject proposal;

### 4. ELIGIBLE SUB-PROJECTS, PROPONENTS, EXPENDITURES

- 4.1 The proposals will be ranked/prioritized based on a scoring system using the following criteria:
  - founded on self-help;
  - operation is communal and not individual;
  - beneficiaries are willing to contribute in cash/kind depending on the requirements of the subproject;
  - potential to increase the availability of food; increase household income and work opportunities for the poor; and improve health and nutrition of the targeted sectors;
  - not destructive to the environment and supports sustainable use of natural resources;
  - lessens burden of women and assist in their empowerment;
  - builds on traditional or already existing livelihood pattern(available raw materials, market, technology);

- supports the involvement of youth in farming and other income generating activities; and
- economically feasible, socially acceptable, and replicable.

#### 4.2 Proponents should meet the following criteria for eligibility:

- A duly organized/strengthened group in the CHARM 2 communities with a financial system established and *functioning* effectively to be validated by the BIT/MMG/PMG. Hence, to become eligible for LAF funds, the CMOs, BDC and BIT shall facilitate the strengthening of affinity based Livelihood Interest Groups (LIGs), especially among women, youth and value chain groups. Savings mobilization will be encouraged, in cash or in kind accustomed to indigenous practices. Simple financial system for the beneficiary groups will be established and financial literacy trainings as well as entrepreneurship will be conducted.
- In support to the priority value chains identified (coffee, heirloom rice, environmentally-sound produced vegetables, livestock/poultry, root and tubercrops, banana in Apayao and muscovado sugar in Mt. Province), provincial/municipal marketing groups trading these commodities shall be provided with capital from LAF. However, these groups should be duly registered, functional, and in operation for at least 1-2 years with audited financial reports.

#### 4.3 Non-eligible groups to become proponents/beneficiaries of LAF:

- Assisting NGOs and LGUs; and
- Personnel and staff of assisting NGOs on CHARMP 2 and elected officials/appointed officers and staff of LGUs are not eligible as beneficiaries.

#### 4.4 Indicative amount for LAF assistance

The *ceiling amount* for a subproject per LIG shall be as follows:

<b>Level</b>	<b>Amount</b>
Regional or Provincial Marketing Groups (involved in marketing priority commodities)	PhP500,000.00
Municipal-wide Processing Groups	PhP100,000.00
Barangay-based Marketing or Consolidators' Group or producers' group	PhP100,000.00
Other Income Generating Activities (IGAs)	PhP50,000.00

## 5. SALIENT FEATURES

The LAF will be operated in such manner that existing community financial institutions such as cooperatives, microfinance NGOs or peoples organizations will be *tapped as active partners to serve as* channels or conduits in providing needed livelihood assistance to LIGs or Groups organized/strengthened for Income Generating Activities. LAF funds from PSO shall only be transferred to the Community Financial Institutions (CFIs) upon approval of

subproject proposals through channels explained in Section 7 of this manual. The partner CFI shall release the fund to the LIG (Livelihood Interest Group) which will in turn acquire the proposed supplies and materials through procedures consistent with IFAD procurement guidelines and to be supervised by the MMG/BIT.

LAF funds shall be transferred to the Community Financial Institution upon the approval by CHARM-PSO of sub-project proposal/s submitted by the MMG, *duly* endorsed by the LCE to the PMG and *endorsed further by the* PMG to CHARM-PSO, and when the following conditions have been met:

1. A Covenant has been signed between the CHARM-PSO, the Municipal LGU, *the Barangay* LGU, LIGs and Community Institution stipulating their respective roles and responsibilities;
2. An exclusive account has been established by the CFI for the LAF fund;
2. The Municipal Management Group has been thoroughly briefed about the purpose and operations of the LAF, including project and beneficiary criteria, application procedures, evaluation and administration procedures, and transparency measures.
3. The BIT has been expanded to include representatives from the LIGs and members have been thoroughly briefed about the purpose and operations of the LAF, including project and beneficiary criteria, application procedures, evaluation and administration procedures, and transparency measures
4. The recipient LIGs are established/strengthened.

## **Selection and Role of Community Financial Institution (CFI)**

### **5.1 Selection of the Community Financial Institution**

The BIT/MMG/PMG will select and recommend to CHARM-PSO *for concurrence and accreditation* a Community Financial Institution (e.g. Cooperative, *Association*) *to become an active partner of the Project in the implementation of the LAF.*

### **5.2 Criteria for CFI selection (Refer to "Appendix B" for details)**

- If possible, the CFI should be based in the municipality for enhanced access by the LIGs. In case there are no willing and qualified CFI in the municipality, CFIs with a provincial operation could be selected;
- Must be duly registered
- Has the capacity to assist the LAF beneficiaries in managing their livelihood project so that the beneficiaries can payback the required repayment;
- With a track record in savings and credit operations
- Accepted by the LIG

- In cases where there are no interested and/or capable CFIs, newly organized/strengthened Umbrella PO or AAIGA PO whichever is appropriate could be tapped as the partner CFI *provided that*, the PMG, MMG, BIT and BDC ***will conduct close monitoring and backstopping in the management of project funds and actual implementation of the LAF. These specific conditions shall be included in the provisions of the covenant.***

### 5.3 Role of Community Financial Institution (CFI)

- The registered Community Financial Institution (e.g. cooperative, microfinance NGO) assisting the LIG will act as a conduit for the transfer of LAF funds, hence must open a bank account exclusively for the LAF;
- 
- The Community Financial Institution will also act as a collector of the repayment of the LAF funds from the LIG and deposit the collected amount in the LAF bank account;
- 
- The Community Financial Institution will accomplish required documents for the LAF funds and shall submit required reports periodically to concerned bodies;
- 
- The Community Financial Institution shall closely coordinate with the LIG for the reflow of the collected LAF funds.
- 
- A pre-deducted interest rate of 10% is proposed to be deducted by the Community Financial Institution from the LAF fund. An added service charge will likewise be deducted by the CFI based on its credit policies and agreed with the LIGs ;
- 
- The 10% interest collected will be shared at 7% for the CFI and 3% for the LIG or at an agreed percentage sharing between the CFI and LIG.
- 
- In case of default, the CFI will call on the deposit

## 6. PROCEDURE FOR SUB-PROJECT PROPOSAL PREPARATION, EVALUATION AND FUND RELEASE

### 6.1 Sub-project proposal preparation and submission

- Consultations shall be undertaken; which shall involve, among others agreements, on the eligible beneficiaries/LIGs and priority sub-projects anchored on the barangay PPIPs for LAF assistance;
- The BIT shall then assist the priority target groups in their planning and preparation of proposals;
- In case external technical assistance is needed for proposal writing and to ensure the viability of the sub-projects, the proponents may draw from the expertise of assisting MLGUs, PLGUs and NGOs; or capable and willing service providers. To facilitate field implementation, service providers shall be engaged to provide

assistance to the BITs and beneficiaries in the preparation of livelihood/business proposals in tandem with capability building and market access as maybe necessary.

- Refer to “**Appendix D**” for the Business Plan Format to be used in preparing sub-project proposals. Sub-project proposals are prepared in two copies, one for submission to the MMG and one receiving copy for file of the proponent.
- The proponent will submit LAF proposals to MMG for review

## 6.2 Subproject proposal evaluation

- The MMG shall review and evaluate all submitted LAF sub- project proposals It should decide on all proposals within a considerable period of time (2 weeks) that would not cause undue delay in the approval process.
- The MMG shall evaluate proposals on the basis of the eligibility criteria for sub-projects and proponents, as follows:
  - Submission of all information, documents and requirements
  - The feasibility and technical soundness of the proposed intervention and approach to be taken
  - Proof or certification that the intended beneficiaries have participated in the preparation of the proposal, and to fully account for the funds.
- The MMG may decide either to:
  - Approve the proposal in which case it informs the proponent in writing, and forwards the proposal to the PMG for review/validation and endorsement to CHARM-PSO for validation and final approval
  - Disapprove the proposal in which case it should inform the proponent in writing, and cite the reasons for disapproval of the proposal.
  - Seek additional information to verify certain information, or seek certain requirements - in which case the MMG should either make a written request to the proponent, or appoint a member (s) to check the veracity of certain information
  - Propose certain amendments to improve the overall eligibility or viability of proposed sub-projects - in which case the MMG should make a written notation of its suggestions to the proponent, including names of persons or groups who might be able to assist the proponent to improve/revise its proposal.
- Any gross misrepresentation in a submitted proposal shall be sufficient ground for the outright rejection of the proposal, and the disqualification of the person/ proponent from all future LAF assistance.

### 6.3 Role of MMG in proposal evaluation

- The Municipal Management Group organized for CHARM 2 will include in their existing functions/Terms of Reference the review, evaluation of LAF proposals and monitoring of LAF funded sub-projects.
- Expanded Functions of the MMG

The MMG vis-a-vis the LAF will have the following functions:

- Review the feasibility of sub-project proposals submitted by proponents and approve or disapprove proposals. Proposals shall be acted upon immediately, within 2 weeks from submission by the proponents.
  - Provide technical assistance to the proponents in the preparation of the proposals if proposal preparation will not be contracted-out to service providers
  - Monitor the implementation of the fund and the performance of the sub-projects
  - Recommend policy enhancement relative to the implementation and management of the LAF which is based on the type of sub-projects and appropriate condition of the beneficiaries
  - Submits approved sub-project proposals to the Local Chief Executives for endorsement to the PMG for review/validation prior to endorsement to CHARM-PSO for verification, approval and funding
  - The MMG will be backstopped by the AAIGA PCO staff in evaluating the proposals
- MMG Meetings

The MMG shall tackle LAF concerns in their regular meetings and call for special meetings for the evaluation of LAF proposals as needed.

### 6.4 Conditions and Steps for Fund Releases

As soon as a proposal is approved by CHARM-PSO, the following steps are to be undertaken:

- The PMG informs the MMG which in turn informs the BIT, CFI and proponent of the approval.
- The Municipal Action Officer invites the proponent group and the Community Institution to a meeting to discuss a draft (pro-forma) covenant.
- The Covenant is signed (in four copies) between the CHARM –PSO, MLGU, BLGU, CFI and the LIG in the presence of representatives from involved parties. The approved project proposal is attached as an

integral part of the covenant which should include reporting requirements, terms and schedules of loan repayments following the production or business cycle of the enterprise.

- CHARM-PSO shall inform the PMG of the approval of the proposal and releases funds to the CFI LAF account. The CFI either releases/transfers the fund to the LIG or pays input/service providers of the LIGs.

## 7. MONITORING AND EVALUATION

The LAF sub-projects shall be monitored/ evaluated on two levels, namely; activity accomplishment (*input-output*) level and impact (*outcome*) level.

The activity accomplishment shall be measured and monitored at the barangay/municipal level against scheduled activities as spelled-out in the approved proposals and covenants. The BIT shall be responsible for tracking and consolidating municipal-level data as to fund releases and utilization, activity accomplishment and major issues/concerns met. Such data will be regularly updated and submitted to the MMG on a *periodic* basis which will in-turn submit to the PMG for review, consolidation and submission to CHARM-PSO.

Impact Monitoring and assessment shall be measured against specific impact indicators designed for the LAF, which shall emphasize among others, poverty alleviation, household food security, youth and women empowerment. This shall be aligned to the overall CHARM 2 Project M and E system.

### 7.1 Monitoring and reporting physical & financial accomplishment

- The Community Institution, as conduit of the LAF, in coordination with the LIGs shall submit periodic report to the BIT, on the physical accomplishment and fund utilization/releases of the livelihood sub-projects implemented. The report shall likewise contain the issues and concerns, if any, related to the implementation of the LAF subprojects including the actions taken at the CFI/LIG level. A participatory monitoring approach shall be developed by the PSO for the purpose.
- The BIT, after review and validation of the monitoring report submitted by the CFI, shall in turn, submit the same to the MMG for review and consolidation at the Municipal level.
- The MMG, after review and consolidation of the monitoring report from the BIT, shall in turn submit the LAF Municipal Consolidated Report to the PMG for review and consolidation at the Provincial level.
- The PMG, after review and consolidation of the municipal level reports, shall in turn submit the LAF Provincial level report to CHARM-PSO for consolidation and integration to the Project Level Status Report and database.
- The BDC-PMET will monitor the LAF sub-project. Likewise, the AFCs will also monitor LAF sub-projects in their capacity as an external independent monitoring body.

- The period and dates of submission of the periodic reports of the relevant Project structures (CFI/LIG, BIT, MMG, PMG) shall be prescribed by the CHARM-PSO in coordination with the aforementioned Project structures to ensure the timely use of information relevant to the implementation of the LAF. The CFIs shall report on fund utilization and related financial matters while the BIT shall tackle physical accomplishments and related concerns.
- A feedbacking mechanism shall be incorporated to the systematic generation of the Project structure reports to ensure information sharing and knowledge management at all levels.
- The form, substance, and context of the reports shall be developed by the CHARM-PSO M&E Unit taking into consideration the type of LAF sub-projects, gestation period, cycles of implementation, and information requirement as indicated in the Project's Logical Framework, IFAD RIMS, and Agency reports.

## 7.2 Impact Monitoring and Evaluation

- For purposes of effective and efficient management of the implementation of the LAF, periodic assessments shall be conducted at the levels of the MMG, PMG, and PSO to share relevant information and lessons learned during the implementation of the sub-projects. The frequency of such assessments will be agreed upon by the relevant structures.
- Results and impact evaluation shall be conducted at the Project Level taking into consideration the relevant indicators of the Project's Logframe and RIMS, i.e. Poverty alleviation, women empowerment, gender participation, environmental impact, among others. The modality and frequency of such evaluations will be determined by the PSO. Among the methodologies that can be used are household surveys, Focus Group Discussions (FGDs), and Key Informant Interviews (KIIs).

## 8. FUND MANAGEMENT AND REPLENISHMENT

8.1. CHARM PSO will release the LAF fund to the CFI

8.2. The CFI shall open and maintain an exclusive account for LAF

8.3. The CFI shall release the fund to the LIG which will in turn acquire needed materials/supplies through procurement procedures consistent with IFAD guidelines.

8.4 The MMG will ensure that the CFI will follow the agreed-upon systems of fund management and replenishment

## 9. TERMINATION OF LAF OPERATION

The LAF sub-projects may be terminated on the following grounds:

- Mis-utilization of funds (*i.e. use of funds* outside the approved subproject proposal)
- Gross mis-use of LAF funds by the LIG

- LGUs, CFIs and LIGs fail to comply with the publication and transparency measures and other generally accepted norms of accountability
- In the event that the CFI or LIG is prematurely dissolved/ closed for any reasons, the PMG/MMG/BIT after careful evaluation of the surrounding circumstances will recommend to CHARM-PSO appropriate measures such as imposition of penalties and fund retrieval. The erring CFI and members of the LIG Group may no longer avail of the LAF facility.
- To safeguard from defaults, the BLGU or the MLGU shall closely monitor the LIGs. Attached as “**Appendix A**” is a guide in the formation of groups for LAF assistance and in the group’s formulation of policies and guidelines for LAF
- Description of clear measures and or specific actions to be taken by the LIG, CFI and CHARMP 2 Project in case of defaults shall be stipulated in the Covenant and made clear to all parties concerned.

## 10. FUND OWNERSHIP AND ACCOUNTABILITY

The Livelihood Assistance Fund (LAF) shall be targeted to benefit and assist the poorest households in the community that have the potential for improved agricultural productivity and rural income generating activities. As such, the LAF will be administered in the form of a grant to the LIG to be lent to its members through the community financial institution (CI). With this scheme, the LIG being the owner of the fund shall see to it that funds will be paid back to the CFIs to be re-borrowed to finance succeeding business cycles. The outstanding amount will accrue to the LIG at the end of the Project and will serve as a communal fund to sustain operations of the LIGs.

Hence, prior to the release of the LAF funds, the LIGs shall have undergone financial literacy and entrepreneurship trainings and that strict screening of members shall be undertaken to safeguard from default. In this case, close monitoring and backstopping shall be provided by the PMG, MMG, BIT and BDC.

For projects operated by the LIG as a group undertaking such as processing where the operation is centralized, a reflow of 100% will be remitted by the LIG to the CFI.

For communal projects that are operated in individual households, e.g. Hog fattening, where the production and marketing is done individually, the beneficiaries are required to pay to the LIG the amount borrowed. The LIG will remit the fund collection to the conduit CFI.

Collection of payment will be at the end of the production cycle or through amortization schedules based on the financial performance of the subproject as indicated in the approved proposal.

Upon payment, the same LIG will be allowed to borrow from the CFI (at pre-agreed rates, to be indicated in the covenant) the remitted amount to further its operations. In cases where the LIGs are not able to collect and remit the fund to the CFI due to reasons found to be justifiable upon monitoring, the LIG can request for the extension of payment.

Details shall be discussed in the subproject proposal.

## 11. FUND REFLOW AND PROJECT SUSTAINABILITY

### 11.1. Fund Reflow

The collection and reflow of the grant to and from the LIG will be continued until the end of CHARMP 2. This is in order to inculcate the values/culture of savings, repayment and entrepreneurship among beneficiaries in preparation for formal credit mainstreaming. At the end of CHARMP 2 or when the LIG is capable of performing the role of the CFI, the fund will accrue to the LIG as a communal fund to sustain its business operations.

### 11.2. Fund Sustainability

For sustainability, the BDC and active, capable and willing members of the LIGs shall be provided with capability building assistance in the preparation of simple project proposals, project implementation, monitoring, reporting, market access/assessment and other relevant skills for them to be able to sustain the roll-over fund scheme initiated through the LAF, even after CHARMP 2. Such undertakings in the communities shall be monitored by the BDC/PMET, and AFCs and supervised by the MAO office and the expanded MDC after the Project.

## DEFINITION OF TERMS

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**Beneficiary Counterpart** - Refers to the fund and/or resources to be provided directly by the beneficiaries out of their own resources in support to the LAF sub-Project;

**Community Financial Institution (CFI)** - The duly accredited organization accepted by the Livelihood Interest Groups (LIGs) and selected and recommended by the CHARM 2 Project structures (BIT/MMG/PMG) to act as channel for the LAF funds in a particular barangay;

**Covenant** – The agreement signed between CHARM-PSO, PLGU, MLGU, BLGU, CFI and the beneficiary groups stipulating among others rights and responsibilities of the contracting parties in the implementation of specific LAF sub-projects;

**Grant** – The grant extended by the Republic of the Philippines through the Department of Agriculture to the barangay for the purpose of financing part of the implementation of the LAF sub-projects;

**Livelihood Assistance Fund (LAF)** –Fund allotted under AAIGA to finance livelihood sub-projects prioritized in the CHARM2 covered barangays and municipalities; and processing or trading activities of legitimate groups that have backward linkages to farmer producers in the CHARM project covered barangays;

**Productive Poor** –As differentiated from the ultra- poor, the productive poor are those living in poverty and experiencing food insecurity who have the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income generating activities.

**Project** – Refers to CHARM 2 Project;

**Project Support Office (PSO)** - The office based in Baguio City responsible for the facilitation of the overall planning, implementation, coordination and monitoring of the Project

**Livelihood Interest Group (LIG)** - Refers to a formal or informal group established/strengthened by the Project based on affinity and representing a target sector;

**Sub-Project** – Refers to the livelihood project prioritized by the barangay, contained in the barangay Project Investment Plan (PIIP), aligned to the Ancestral Domain Sustainable Development and Protection Plan (ADSDPP) in case of CADC areas, evaluated and approved by the Municipal Management Group (MMG), validated and recommended by the Provincial Management Group, and reviewed and approved by CHARM-PSO to be financed by the IFAD Loan Proceeds, the National Government (GOP )through the Department of Agriculture and counterpart/equity provided by the beneficiaries. Sub-projects of municipal-based LIGs need not be contained in the PIIPs.

## APPENDICES

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## **APPENDIX A. LIVELIHOOD INTEREST GROUP FORMATION FOR LAF ASSISTANCE**

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### **1.Objective**

The Livelihood Interest Group shall be instrumental in improving the capability, opportunities, resources and productivity of members to advance their livelihood and strengthen their business operations. Participate in the development process of the government as proactive partners of change rather than passive beneficiaries of a livelihood program.

The following is a guide to be used by the Community Mobilizing officers in organizing Livelihood Interest Groups (LIGs).

### **II.Members and Officers**

#### **A. Selection of Members:**

##### **1. Basic qualifications**

- a. Must be 18-60 yrs. old
- b. Must be residing in the same barangay
- c. Must belong to the poor households in the CHARMP target barangay based on the poverty categorization criteria of Component 1.
- d. Willing to engage in income generating activities or willing to expand their existing business operation.
- e. With existing livelihood or income generation activities (farm and off-farm)
- f. Have an insufficient source of capital
- g. Must have no pending case or has never been convicted of a crime involving moral turpitude (*i.e.*, estafa, BP 22, malversation of funds, and the like)
- h. Must be willing to abide by the rules and regulations of the group (*i.e.*, meetings, seminars and trainings, payment of fines, etc.)
- i. No other members of his/her family is receiving the same assistance from the program for the following reasons:
  - To maximize the outreach of the program to other probable beneficiaries so that equality of opportunity in its rational and objectively secular conception may at least be approximated.
  - To be able to possibly quantify the impact of the project to the beneficiary and the community.
  - To attain the approximate cash flow of the household as accurately as possible to avoid over financing or loan diversion.

2. Character – credit worthiness of a prospect as to her/his mental and ethical traits in the aspects of:

- a. Stability and responsibility – ability to handle and overcome obstacles of the business
  - b. Entrepreneurship – knowledge and experience in the trade
  - c. Good repayment behaviour in past loans
  - d. Reputation in the community
3. Cash flow
- a. Capacity to pay
  - b. High and low season
  - c. No current loans for the same business
  - d. Other economic factors affecting business (e.g. government interventions)
4. Withdrawal/Disqualification/Termination and non-transferability of membership

Membership and all rights and benefits arising therefrom are personal and non-transferable. It shall be terminated by the member himself/herself or by the group for causes which the group members agreed upon. There must be no outstanding balance or obligation prior to the withdrawal or termination of membership.

### **III.Election of officers:**

1. Set of Officers
  - President
  - Vice-president
  - Treasurer
  - Secretary
  - Two (2) Business Managers
2. Qualifications
  - a. Able to read and write
  - b. Must be a member of the LIG
  - c. Must be a person of proven competence, integrity, probity, and independence
  - d. Must have no pending case or never been convicted of a crime involving moral turpitude
3. Manner of election
  - by ballot or raising of hands
4. Election Procedure
  - a. The officers must be elected by **all of the members** in a meeting called for the purpose.

- b. The winning candidate must receive the majority vote of the **total number of its members**.
- c. A member may be represented by his immediate family member of legal age.

5. Removal of Officers

- a. The removal should take place at a meeting called for the purpose.
- b. An officer may be removed by a **2/3 votes** of all its members.

6. Vacancies in the Set of Officers

A vacancy resulting from death, disqualification, or resignation of the officer shall be filled by election of all the members in a meeting called for the purpose.

7. Compensation of officers

In the absence of the CFI or members' approval, the officers shall not receive any compensation except for reimbursement of reasonable expenses incurred in making transactions for the group.

8. Term of Office

Term of office of officers is one year hence, elections shall be done annually. Officers are not barred from being re-elected.

**IV. Duties and Responsibilities**

**1. Duties and Responsibilities of the members**

- a. The members must personally fill-up the application form and submit the supporting documents required.
- b. The member must sign the contract of agreement which sets forth a clear statement of the amount due, the loan amount amortization, the due date, the loan amortization, including interest, fees, service charges, and such other charges incident to the extension of credit as the LIG/CFI may prescribe.
- c. The member must personally receive the loan amount.
- d. The member must pay the stated amortization on or before the scheduled date stated therein.
- e. Should there be default in payments, he/she must exert effort to make good of his/her nonpayment of all the arrears and penalties.
- f. The member must not use the loan for other purposes other than that stated in his application.
- g. The member must present the required recording instrument (i.e. passbook) every time he/she makes transaction.
- h. The member is required to make savings at a minimum amount as determined by the LIG/CFI or agreed upon by the group.
- i. The member must pay contributions and fines agreed upon by the group.
- j. The member must attend events requiring his/her attendance and participation.

- k. The member must abide by the agreements made or obligations entered upon by the group.

## 2. Duties and Responsibilities of Officers

a. President

- With the treasurer and secretary, they shall be the groups' signatories and representatives for outside transactions.
- Preside in meetings.
- Executes the Policies, Rules and Regulation

b. Vice-president

- Assume the duties of the president in the absence of the latter.
- Assists in the execution of the Policies, Rules and Regulation.
- Assist members in the accomplishment of forms.

c. Treasurer

- Assists during loan releases
- Assists in explaining the true cost of credit to the borrowing members by a full disclosure of such cost in view of preventing the uninformed use of credit to the detriment of the unfamiliar or lack of literacy of the members.
- Collect loan amortization, savings, contributions, or fines within the authority conferred to by the LIG/CFI.
- Issue receipt for every amount received as payment.
- Keep and carefully preserve a record of all loan amortizations paid, savings and contributions collected or received
- Hold in trust the group funds if empowered to.

d. Secretary

- Keep and carefully preserve a record of all business transactions and minutes of all meetings of the group setting forth in detail the date of meeting, names of those present and absent, and the groups' consensus.
- Assist members in the accomplishment of forms.

e. Two (2) Business Managers

- In charge of canvass and purchase of the group's needs.

- f. All the officers must have a meeting for the purpose of endorsing the loan application of the members as well as to the amount applied for. Their notes or recommendations shall be written in a separate page and must remain confidential. *(Note: The officers do not have the power to approve or disapprove loan applications. All loan applications must be submitted and their comments are only recommendatory.)*

- g. All officers must accompany and assist the LIG/CFI collector to recover from delinquent members.

- h. All officers are only to act within the scope of the powers vested in them by the group/LIG/CFI.

## **V.Policies and Guidelines**

### **1.Meeting**

#### i. Place and time

Officers or members' meeting shall be held regularly (weekly, semi-monthly, or monthly) at the time and place agreed upon. Special meetings may be called upon by the president when necessary after notice has been given to the members at least one (1) day prior to the emergency meeting. Attendance in the meeting shall be put on record.

#### ii. Quorum

A **two-thirds (2/3)** of the members (for members' meetings) or of the officers (for officers' meeting) shall constitute a quorum to decide on a matter in the agenda and every decision of at least a **majority of those present** at a meeting at which there is a quorum shall be valid as the group's consensus.

#### iii. Absentees

Members may agree upon a penalty or a consequence for a member who fails to attend scheduled meetings. They may also agree upon causes of absence which they find valid or excusable.

iv. The president and in his/her absence, the vice-president shall preside at all meetings of the group or of the officers; and the secretary shall put into record the minutes of the meeting.

### **2.Payments and Collections**

#### i. **Payments Of Loan Amortization**

- a. Payments of loan amortization shall be collected by the group's treasurer during regular meetings or on the date fixed in the contract.
- b. The **treasurer** shall record his/her collection in the recording book provided by the PO/CFI and remit the amount collected to the CFI's collection officer.
- c. The **members** shall sign on the recording book to verify the veracity of the entries made by the treasurer.
- d. The **LIG/CFI's collection officer** shall issue an Official Receipt (OR) for the amount collected and shall also sign on the group's recording book after verification of the veracity of the entries made.
- e. The treasurer shall record the OR number in the logbook and attach the receipt.

#### **ii.Collection of Savings and Group Contributions**

- a. Payments of Savings and Group Contributions shall be collected by the group's treasurer during regular meetings.
- b. The **treasurer** shall record his/her collection in the recording book provided by the LIG/CFI.
- c. The **members** shall sign on the recording book to verify the veracity of the entries made by the treasurer.
- d. The treasurer shall either deposit or hold in trust the amount collected depending on the agreement of the group and the LIG/CFI.

### **iii. In cases of Delinquency or Loan Diversion**

- a. Amount Due
  - The **entire** obligation becomes due and demandable.
- b. Demand
  - The LIG/CFI may demand in writing the payment of the full amount of the balance including the accrued interests OR penalty.
- c. To whom demand is made
  - Any family member of the debtor; or
  - Any person of sufficient age and discretion residing therein.

## **APPENDIX B. ELIGIBILITY CRITERIA FOR COMMUNITY FINANCIAL INSTITUTIONS**

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1. Duly registered with the Cooperative Development Authority or the Securities and Exchange Commission or with the appropriate agencies as presently provided by law
  - For those registered with the CDA, the institution must have installed capital build-up and Savings mobilization Program
  - For those registered with the SEC, the institution must be authorized to borrow and lend under its Articles of Incorporations
2. With lending experience of at least three (3) years
3. **Loans-to-deposits ratio** for the last two (2) quarters
4. **Past due loans ratio** does not exceed twenty-five percent (25%) of total loan portfolio as of date of application and for each of the immediately preceding two (2) years, the past due ratios of the institution's loan portfolio do not exceed 10%.
5. With written policies, systems and procedures on lending, accounting and bookkeeping and with installed book of accounts. The micro-agri loans must have a sub-control ledger.
6. With a core Management Team composed of full time or functional manager, bookkeeper and duly bonded treasurer.
7. An adequate loan tracking system that allows daily monitoring of the status of loan releases, collection and arrearages, any restructuring or refinancing.
8. A regular monitoring of past due loans and portfolio at risk
9. No past due obligation with any financial institution as of date of application
10. The institution has been operating profitably FOR THE YEAR IMMEDIATELY PRECEDING THE DATE OF APPLICATION, or in the case of newly-established microfinance program, the submitted projection showed that profitability will be attained on the third year of operations, at the latest.

## **APPENDIX C. DOCUMENTS TO BE SUBMITTED BY THE CFI**

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1. Letter of Intent
2. Endorsement of BIT, MMG, PMG
3. Board Resolution of CFI, authorizing the President/Manager/Chairman to enter into Covenant as LAF conduit
4. Audited Financial Report of its operation for 1-2 years

**APPENDIX D. BUSINESS PLAN FORMAT**

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**I. Identifying Information:**

Sub-Project Title: \_\_\_\_\_  
 Name of Sub-Project Proponent/LIG: \_\_\_\_\_

Location:  
 Barangay: \_\_\_\_\_  
 Province: \_\_\_\_\_

No. of Beneficiaries: \_\_\_\_\_

Male : \_\_\_\_\_  
 Female: \_\_\_\_\_

Contact Person:  
 Name : \_\_\_\_\_  
 Position : \_\_\_\_\_  
 Contact Number: \_\_\_\_\_

Total Project Cost : \_\_\_\_\_  
 DA-CHARMP (LAF) : \_\_\_\_\_  
 beneficiary equity : \_\_\_\_\_

**II. Rationale:**

**Project Objectives**

General:  
 Specific:

**III. Project Description:**

**Plan of Action**

**A. Technical Plan**

- ❖ Number of Production Cycle/year:
- ❖ Production scheme: Process Flow
- ❖ Technical Training requirements:
- ❖ Measures to mitigate disposal of waste materials:
- ❖ Raw Materials Requirement:

No.	Raw Materials	Unit	Total Quantity	Unit Cost	Total Cost
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- ❖ Labor Requirement:

No.	Activity	MD/MAD*	Unit Cost	Total Cost
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- ❖ Fixed Asset Requirement and Periodic Depreciation Costs:

### **B.Organizational and Management Plan**

- ✓ **Organizational structure/functional structure**
- ✓ **Manpower/staffing**
- ✓ **Schedule of activities (Ghant chart) (work plan and schedules)**

### **C.Marketing Plan**

- ✓ **demand**
- ✓ **supply**
- ✓ **demand-supply gap**
- ✓ **pricing policy**

### **D.Financial Plan**

- ✓ **Financial requirements( capital investment, raw materials, working capital)**
- ✓ **Financing**
- ✓ **Projected Income Statement**
- ✓ **Projected Cash flow Statement**
- ✓ **Financial analysis**
- ✓ **Loan Repayment Schedules**

### **E.Sustainability or Expansion Plan**

Sustainability/Expansion Plan: describe how the sub-project can become self-reliant and how it can continue even after the first cycle of operation which was funded under the LAF, how the repayment will be collected and remitted to the Community Institution, how the remitted amount to the CFI will be reflowed back to the LIG to sustain operations.

## **IV. Monitoring and Evaluation**

### **V. Annexes:**

- I. List of direct sub-project implementers/beneficiaries with filled-up baseline survey forms ( to be undertaken once the Project is approved)
- II. Savings Mobilization Scheme, if applicable
- III. Repayment: *Indicate schedule of repayment, mode of repayment, interest on capital, i.e.* The CFI shall deduct interest, service fee and other fees from the sub-project fund prior to release to the proponent and collect 100% reflow from the proponent based on the approved subproject proposal. Collected amount will be used to fund succeeding cycles of the subproject.

**APPENDIX E. SAMPLE LETTER OF INTEREST**

---

\_\_\_\_\_  
Name of CFI

\_\_\_\_\_  
Address

\_\_\_\_\_  
Registration No.

**EXPRESSION OF INTEREST**

Date: \_\_\_\_\_

**Dir. MARILYN V. STA. CATALINA**  
OIC RED and CHARMP 2 Project Director  
BPI Compound, Guisad, Baguio City

**Thru: Dr. Cameron Odsey**  
Project Manager, CHARMP 2  
Baguio City

Dear Dir. STA. CATALINA:

We, \_\_\_\_\_ (*name of CFI*) \_\_\_\_\_ an organized group duly registered with \_\_\_\_\_ (*SEC or CDA*) \_\_\_\_\_, under Registration No. \_\_\_\_\_, with postal address at \_\_\_\_\_ is expressing our interest to serve as conduit for the Livelihood Assistance Fund.

In this regard, we are expressing our willingness to take responsibility over fund management to ensure its effective and efficient utilization. We are also willing to abide by the set of policies and guidelines relative to project implementation.

We are hoping for your consideration. Thank you.

Very truly yours,

\_\_\_\_\_  
(*name*)  
Chairman