

Environmental and Social Impact Assessment

Project Number: 53353-001
June 2020

Proposed Programmatic Approach and
Policy-Based Loan for Subprogram 1
Republic of the Philippines: Competitive and
Inclusive Agriculture Development Program

CURRENCY EQUIVALENTS

(as of 17 June 2020)

Currency unit	–	peso/s (₱)
₱1.00	=	\$50.15
\$1.00	=	₱0.01994017

ABBREVIATIONS

ADB	–	Asian Development Bank
ASEAN	–	Association of Southeast Asian Nations
GAA	–	General Appropriations Act
KBA	–	key biodiversity area
NFA	–	National Food Authority
RCEF	–	Rice Competitiveness Enhancement Fund
RSBCA	–	Registry System for Basic Sectors in Agriculture
RTL	–	Rice Tariffication Law
SURE Aid	–	Expanded Survival and Recovery Assistance Program for Rice Farmers

NOTE

In this report, “\$” refers to United States dollars.

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I. INTRODUCTION

A. THE PROGRAM

1. The Asian Development Bank (ADB) support for the Competitive and Inclusive Agriculture Development Program will help the Philippines' agriculture sector increase competitiveness and inclusiveness through key policy and institutional reforms. The most significant undertakings include addressing pending international and domestic trade reforms and institutional impediments in the agriculture sector. To mitigate the impacts of policy reforms on domestic producers, the program will support expanding social protection to vulnerable rural communities.

2. The program will comprise two subprograms as the programmatic approach gives a flexible and effective way of tackling complex policy and institutional reforms to increase agricultural competitiveness. The reform areas are (i) agricultural trade policy and regulatory framework; (ii) public services and finance for the agriculture sector; and (iii) social protection to rural families. Subprogram 1 will support key policy and institutional reforms relevant to the agriculture sector.

3. **Proposed policy reforms.** The reform areas are (i) agricultural trade policy and regulatory framework; (ii) public services and finance for the agriculture sector; and (iii) social protection to rural families. The proposed program will comprise two subprograms. Subprogram 1 largely addresses constraints in the enabling environment and provided much needed government led direction and planning to support sustainable agriculture productivity growth in the long term. Subprogram 2 will continue effective implementation of these reforms to further boost competitiveness and expand economic opportunities for farmers, crucial to accomplish inclusive growth. A programmatic approach gives a flexible and effective way of tackling complex policy and institutional reforms to increase agriculture competitiveness. Under subprogram 1, the government has accomplished 13 policy actions including five policy triggers and eight policy milestones. Subprogram 2 comprises 15 policy actions, of which six are policy triggers and nine are policy milestones.

4. **Agricultural trade policy and regulatory framework.** Under this policy reform area, the government liberalized and facilitated rice trade to make sufficient rice available at affordable prices in the domestic market and to provide resources to diversify production and shift to higher value agricultural products. This reform area will make agriculture products and input markets more flexible and responsive to price signals. Under subprogram 1, the government enacted the Rice Tariffication Law (RTL) and adopted its implementing rules and regulations. The RTL (i) removed quantitative restrictions on rice imports and replaced them with a purely tariff system, and (ii) removed NFA's regulatory powers and commercial functions over the domestic and international trade of rice and other grains. The government also facilitated trade of non-rice agricultural products by removing administrative barriers for their import and rolled out an online trade facilitation portal (TradeNet) with the Department of Agriculture as a key regulatory agency. Under subprogram 2, the government will issue implementing rules of NFA's buffer stock management to better cope with any emergency situations including infectious disease outbreaks.

5. **Public services and finance to the agriculture sector.** Under this policy reform area, the government improved (i) land and water resources use planning and management, which are key production factors for agriculture; (ii) financing to make the Philippine rice industry competitive under the liberalized trade regime; and (iii) extension services.

6. Under subprogram 1, the government enacted the Agriculture Free Patent Reform Act to retroactively remove the restrictions on sale and transfer of agriculture land for its efficient and effective utilization. The government (i) took steps to create the Department of Water Resources (DWR) as a significant institutional reform aiming to centralize management of water resources; (ii) formulated and adopted the National Irrigation Master Plan (NIMP) for efficient and sustainable planning, and management of irrigation; and (iii) developed flood risk management master plans (FRMMPs) for major river basins.

7. The government set up the Rice Competitiveness Enhancement Fund (RCEF) to strengthen the rice industry in 57 rice-competitive provinces during 2019–2024 in accordance with Philippine Rice Industry Roadmap. The RCEF provides an annual budget of ₱10 billion from increased tariff revenue of rice import for four primary programs: (i) rice farm machineries and equipment (₱5 billion); (ii) rice seed development, propagation and promotion (₱3 billion); (iii) expanded rice credit assistance (₱1 billion); and (iv) rice extension services (₱1 billion).

8. Using the excess of ₱10 billion from the rice tariff revenue, the RCEF will further support: (i) rice farmer financial assistance, (ii) titling of agricultural rice lands, (iii) expanded crop insurance program on rice, and (iv) crop diversification program. To improve the targeting of RCEF programs, the government started updating the Registry System for Basic Sectors in Agriculture (RSBSA) to identify the beneficiary farmers, farmworkers, and their dependents. It comprises 14 projects to expand production areas, increase productivity, improve efficiencies, and enhance food availability.

9. Subprogram 2 will help consolidate and solidify these reforms by establishing the DWR and allocating national budget to implement priority investment projects under the NIMP and the FRMMPs. The government will (i) develop the Rice Fund Impact Monitoring System to assess the impact of the RCEF programs on farm productivity and income, (ii) complete updating of the RSBSA, (iii) develop the National Agriculture and Fisheries Modernization and Industrialization Plan to map out a detailed sector strategy, and (iv) develop a pilot project to establish provincial agricultural and fishery extension centers to strengthen local government units' extension services for farmers, with proactive measures to ensure women's meaningful participation and benefits.

10. **Social protection to rural families.** Under this policy reform area, development objectives are twofold: (i) to mitigate the adverse impacts of RTL on smallholder rice farmers and of COVID-19 on overall rural communities, and (ii) to institutionalize a national feeding program to tackle persistent malnutrition and stunting among children. Under subprogram 1, the government established unconditional cash transfer programs for smallholder rice farmers who were most affected by low farmgate rice prices as a result of the RTL and allocated ₱3.0 billion under the Rice Farmer Financial Assistance Program and an additional ₱3.0 billion under the Financial Subsidy to Rice Farmers Program.

11. The government also established (i) the Expanded Survival and Recovery (SURE) Assistance Program for Rice Farmers (SURE Aid Program) to issue no-collateral, interest-free loans in total of ₱2.5 billion to 163,827 small rice farmers (one hectare or below), of which 45% are female; and (ii) SURE COVID-19 Program with an additional ₱2.5 billion to provide no-collateral, interest-free loans for small farmers and fisherfolks (three hectare or below) and agri- and fishery-based micro- and small-sized enterprises affected by COVID-19 pandemic. The government launched a national feeding program for undernourished children in public day care, kindergartens, and elementary schools to address high rates of child malnutrition and stunting rates, improving nutritional status of children.

12. Under subprogram 2, the government will (i) provide an additional ₱2.5 billion for SURE assistance programs as part of emergency support for vulnerable groups, and (ii) implement the national feeding program. It will also design, develop and implement a new program to provide pregnant women in vulnerable households with nutritional food baskets as a frontline endeavor to address malnutrition and stunting in newly born babies.

13. The overall policy matrix for the program is provided in Appendix 1.

B. PURPOSE OF THIS REPORT

14. The ADB Safeguard Policy Statement (2009) requires that for policy-based loans, potential direct or indirect environmental or involuntary resettlement impacts, or impacts on Indigenous Peoples associated with policy actions to be supported by program loans are evaluated, and that appropriate mitigation measures to address these impacts are identified and integrated into the program's design.¹

15. This report documents the environmental and social impact assessment conducted for subprogram 1. Activities under subprogram 2 are not yet definite and subject to change and as such are not covered by this report. A matrix of potential impacts of each policy reform area (covering both positive and potentially adverse impacts) of subprogram 1 policy actions was prepared, with a qualitative indication of the likely order of magnitude of each impact and a summary of the rationale for the judgment.

II. ASSESSMENT OF ENVIRONMENTAL AND SOCIAL IMPACTS OF POLICY ACTIONS

A. METHODOLOGY

16. An assessment of anticipated positive and potential negative environmental and social impacts was undertaken based on: (i) proposed policy reforms and policy actions detailed in the policy matrix; (ii) a program climate change assessment; and (iii) review of policies, most importantly the FRMMPs prepared for six major river basins and the NIMP.²

B. ENVIRONMENT

17. **Environmental benefits.** The program will involve policy actions which are targeted at realizing environmental and social benefits. Based on assessments of proposed policy actions, a number of key benefits were identified. Policy actions under reform area 1 will provide incentives to farmers to diversify agricultural production, contributing to enhanced water use efficiency by opting for more water-efficient crops as compared to rice.

18. The regulatory and institutional reforms introduced by the government under reform area 2 will contribute to efficient and more sustainable management of land (PA4) and water resources (PA5, PA6) that are critical to the agriculture sector. Improved access to finance will help farmers diversify from rice to other crops and adopt climate smart technologies and practices. Better coordination between various government agencies related to water resources promoted under

¹ ADB. 2009. *Safeguard Policy Statement*. Manila.

² Preliminary environmental and social assessment reports detailing impacts of different flood risk management strategies under consideration in each master plan informed preparation of the assessment.

PA5 will result in a more coordinated and sustainable use of water resources, and a more cohesive integration of viable climate mitigation and adaptation measures in their respective work and policies.

19. Improving irrigation services (PA6) will help farmers to better adapt to water scarcity as they can adopt a more diverse agricultural production system. The NIMP addresses shortcomings of the previous master plan (2017-2026) which had little to no environmental and social safeguards considerations. The NIMP formulation was informed by a comprehensive strategic environmental assessment (SEA) that was based on a review of 12 national irrigation project and an assessment of the safeguards systems and policies of the Philippines and international agencies including ADB and the World Bank; and was validated through structured questionnaire surveys, focus group discussions and key stakeholder interviews. The NIMP identifies, for the first time, critical environmental and social issues in irrigated agriculture and defines a set of environmental and social considerations to be used in the prioritization of irrigation projects. The NIMP provides specific guidelines and recommendations on the implementation and strengthening of environmental and social safeguards in irrigated agriculture projects, focusing on watershed protection, the management of land cover and land use change, resilience to climate change and disaster risks, environmental impact assessment, meaningful stakeholder engagement, and capacity strengthening.

20. Unlike conventional approaches to flood control, the FRMMPs developed under PA7 promote an integrated approach to flood risk management, strengthening existing ecosystem services and prioritizing non-structural measures where possible (e.g. room-for-the river, protection of natural habitat, reforestation of upstream catchment areas, emergency preparedness, etc.). Generally, desired changes in hydrology in all river basins are considered positive and long term, with significant economic benefits on agricultural lands and protection of lives and property, and ecological benefits (retention of coastal land and conservation of natural habitats).

21. **Potential adverse environmental implications.** Policy actions supported by the program are not expected to cause significant adverse environmental impacts as these will predominantly relate to policies, strategies and master plans prepared under the program reform areas involving public services and finance for the agriculture sector. The program is categorized as C for environment safeguards in accordance with the ADB SPS. However, the government's implementing ministries may pursue actions and activities in response to the policy actions which could have safeguards implications for which the implementing ministries will be responsible to assess and address. Likely actions and activities with environmental safeguards implications will relate to physical investment, primarily the implementation of flood risk management investment projects in the six river basins covered under PA7, or investment projects aiming at improving irrigation facilities as outlined in the NIMP (PA6). Such public or private investment projects are likely to have adverse environmental impacts, mostly related to air emissions, noise and vibration, and surface water pollution during construction. Particular attention will need to be given to avoiding impacts on natural habitat, including key biodiversity and protected areas, in the planning and implementation of such projects. The review of the Philippines Environment Impact Statement System (PEISS) concluded that it is largely consistent with the intent of the ADB SPS, and able to address potential adverse environmental impacts of infrastructure projects that the government may pursue to achieve the intent of the policy reforms supported by the program. Adherence to the environmental and social considerations for project prioritization, as well as the recommendations and guidelines on environmental and social safeguards defined in the NIMP and the FRMMP will further reduce adverse environmental and social impacts of such investment projects.

22. **Climate change (risks, program's contribution to climate adaptation and mitigation).**³ Philippines is highly vulnerable to climate change and climate variability. The weak performance of the crop subsector, the largest subsector in agriculture, is highlighted and attributed to its vulnerability to extreme weather events (i.e., drought and typhoons) and limited adoption of high yielding varieties. Climate change will influence food production via direct and indirect effects on crop growth processes. Direct effects primarily include alterations to precipitation and temperatures. Indirect effects include impacts on water resource availability and seasonality, soil organic matter transformation, soil erosion, changes in pest and disease profiles, the arrival of invasive species, and decline in arable areas due to the submergence of coastal lands and desertification. Shifts in the optimal and viable spatial ranges of certain crops are also inevitable.

23. Eleven out of 13 policy actions have climate adaptation elements, while 5 of the 13 policy actions have climate mitigation co-benefits. The proposed program will (i) promote crop diversification, which is a measure to enhance climate resilience of the sector; (ii) increase disposable income of all Filipinos, particularly the poor and vulnerable, through substantially decreased rice price to cope with climate shocks; (iii) improve the national buffer stock management for emergency events including adverse climate events; (iv) enable access to finance for farmers and provide concessional financing to small rice farmers; (v) mainstream climate adaptation in irrigated agriculture and improve overall water resources management for the agriculture sector and the entire economy to be resilient to droughts and water shortage; and (vi) improve planning of flood risk management and irrigation development for the agriculture sector and the entire population to be resilient to adverse climate events (e.g., droughts, typhoons, floods). The program supports policies and mechanisms supportive of greenhouse gas reduction via crop diversification, reduced loss of agriculture and food products through improved trade administration, resource-efficient farming and post-harvest activities.

C. SOCIAL

24. **Positive social impacts.** Based on the assessment, it is concluded that the social impacts of the program are overwhelmingly positive. The expected beneficiaries of the program comprise of two groups covering almost the entire population. First, virtually every Filipino family who buys rice will benefit from (i) substantially cheaper rice prices due to the rice trade liberalization introduced through reform area 1;⁴ and (ii) improved governance of rice buffer stock particularly in times of emergencies caused by climate-induced calamities and disease outbreaks. Second, farmers and workers in agriculture and larger rural population will benefit from various policy and institutional reforms and effective planning of flood risk management (PA7) and irrigation development (PA6). Particularly, rice farmers, including smallholders, will benefit from various intensive and comprehensive technical and financial programs so that they can adjust to the international competition led by the rice trade liberalization. The major program includes Rice Competitiveness Enhancement Fund (RCEF) programs (PA8, PA9) worth ₱10.0 billion annually for 6 years after enactment of RTL. Particularly, small-scale rice farmers, including female farmers, affected by the rice trade liberalization will benefit from (i) unconditional cash transfer program worth ₱3.0 billion for each 2019 and 2020 to mitigate negative impacts of the rice trade

³ Climate Change Assessment (accessible from the list of linked documents available in Appendix 2 of the RRP) describes climate risks and the contribution of policy actions to climate mitigation and climate resilience.

⁴ The RTL is expected to reduce the domestic rice price by 20% to 30%, which is expected to substantially reduce food expenditure of Filipino households, particularly poor households whose food expenditure is relatively higher than non-poor households.

liberalization (PA11) and (ii) zero-interest loans worth ₱2.5 billion under the Expanded Survival and Recovery Assistance Program for Rice Farmers (SURE Aid, PA12). In addition, social protection programs (PA13) will also benefit them as well as other poor households.

25. **Potentially negative social implications of policy reforms.** The rice trade liberalization introduced through the RTL (reform area 1) will affect rice farmers who sell their production surplus to markets and will have lower earnings due to low paddy prices at farmgate. To mitigate the negative impact, the PBL will support policy actions that provide (i) rice farmers in 57 rice-competitive provinces with RCEF-funded technical support programs for competitive rice sector development (PA8-PA10) and (ii) small rice farmers across the country with financial assistance (i.e., the unconditional cash transfer and SURE Aid; PA11 and PA12).

26. **Social safeguards implications (involuntary resettlement and Indigenous Peoples).** The policy reforms will not trigger involuntary resettlement safeguards. No policy action will involve investment projects with civil works. Thus, involuntary acquisition of land or resettlement of people will not be required. Therefore, the program has been categorized as C for involuntary resettlement. Implementation of Government's master plans on land and water resources use planning and management under reform area 2 might involve physical investment especially for the implementation of (i) Improving irrigation services (PA6) and (ii) flood risk management (PA7) investment projects. This may have either permanent or temporary involuntary resettlement impacts and impacts on indigenous people communities located in the investment areas, if not avoided. The NIMP, however, had included approaches to safeguards impact assessment and mitigation including indigenous people that follows the requirements of international financial institutions (IFIs). The policy reforms will not trigger Indigenous Peoples safeguard. Indigenous people communities, as well as the general population, will have some benefits (access to finance, food security, flood risk mitigation) from the program. Therefore, the program has been categorized as C for Indigenous Peoples.

III. IMPACT MATRIX

27. The matrix of impacts provided in Table 1 summarizes potential positive and adverse environmental and social impacts of the policy actions, or impacts that can be anticipated to arise during implementation of subsequent initiatives that the government may pursue to implement recommendations of the policy actions for three program reform areas. Where relevant, measures to mitigate anticipated negative effects, as well as enhance positive effects, have been outlined.

Table 1: Impact Matrix of Policy Actions Supported Under Subprogram 1

Policy Actions	Environmental Impact	Social Impact	Mitigation Measures
Policy Reform Area 1: Agriculture trade policy and regulatory framework The government eliminates market distortions in the agriculture sector by enacting the Rice Tariffication Law (RTL). Its Implementing Rules and Regulations laid foundations for a transition to a diversified and competitive agriculture sector.			
<p>1. The government removed quantitative restrictions on rice imports converting these into a simple tariff system to improve food security by increasing rice availability for all Filipinos and reduce poverty by increasing disposable income through affordable rice prices.</p> <p>2. The government dismantled state monopoly for rice and improved governance in the food grains sector by removing the distortionary regulatory powers and commercial functions of the National Food Authority (NFA) and transforming it into an emergency buffer stock management agency.</p> <p>3. The government facilitated agricultural trade by streamlining administrative procedures on the importation of agricultural products and rolling out the government's online trade facilitation portal (TradeNet) with the Department of Agriculture as a key regulatory agency.</p>	<p>Positive: Policy actions PA1-PA3 will provide incentives to farmers to diversify agricultural production, contributing to enhanced climate resilience by opting for more water-efficient crops as compared to rice. (see footnote 3 for more details). PA3 may have marginal emission reduction benefits by reducing storage and handling time of raw agriculture products leading to a reduction in food loss and waste.</p> <p>Negative: No significant adverse environmental impacts are anticipated. No policy action will result in dismantling of environmental policies.</p>	<p>Positive Social Impact: Increase access to affordable food (rice price expected to drop by 30%); enhanced food security; improved governance of buffer stock ensuring affordable rice prices in times of crisis as well as stabilize the (food) market; increase in disposable income resulting from lower rice prices; enhanced capacity to cope with extreme climate events.</p> <p>Negative Social Impact: Net-sell rice farmers are theoretically negatively affected by the RTL due to lower farmgate rice prices.</p> <p>Social Safeguards Impact: The policy actions will not trigger IR safeguard requirements as there will be no involuntary acquisition of land or other physical assets. No adverse impacts on IP are anticipated.</p>	<p>Environment. None required.</p> <p>Social. Output 2 and 3 will directly contribute to offsetting possible adverse social impacts of the RTL (PA1, PA2). PA8-PA10 will help enhance productivity and competitiveness of the rice sector, offsetting negative impacts of RTL on net-sell rice farmers in 57 rice-competitive provinces. Social assistance and affordable finance will be provided to rice farmers through PA12 and PA13.</p> <p>Social Safeguards. None required for IR and IP issues.</p>
Policy Reform Area 2: Public services and finance to the agriculture sector The government introduced regulatory and institutional reforms for efficient management of land and water resources that are critical to agriculture sector.			
<p>4. To remove restrictions on agricultural land ownership, the government enacted the Agricultural Free Patent (AFP) Reform Act (2019), making the land titles held by AFP recipient farmers immediately</p>	<p>Positive: The regulatory and institutional reforms introduced by the government will contribute to efficient and more sustainable management of</p>	<p>Positive Social Impact: Removing restrictions on agricultural land sales and transfers and making land titles bankable (PA4) will help farmers to</p>	<p>Environment. All subsequent investment projects that the government</p>

<p>tradeable and bankable, providing them access to capital and credit.</p> <p>5. The government submitted to Congress a proposed legislation on the creation of an apex body for the water resources sector, i.e., the Department of Water Resources (DWR), in order to (i) address the fragmentation in important activities such as water-related plans, policies and program/project implementation, (ii) separate water resource regulation from economic regulation, and (iii) rationalize all water related functions in the government, taking into consideration, among others, gender equality, social inclusion, climate resiliency and disaster risk reduction.</p> <p>6. To improve the country's irrigation systems and expand service areas, including by addressing climate change impacts and impacts on gender, the National Irrigation Administration (NIA) endorsed the National Irrigation Master Plan (NIMP).</p> <p>7. To reduce flood risk, the government (through the Department of Public Works and Highways) prepared and adopted flood risk management master plans (FRMMPs) for six major river basins, integrating flood protection infrastructure with enhanced flood resilience and response measures in consultation with basin stakeholders, including due consideration given for safeguard impact assessment, the rights of indigenous people and gender aspects.</p> <p>8. To improve rice sector competitiveness under the liberalized trade regime, the government (i) established the Rice Competitiveness Enhancement Fund (RCEF) to support 57 potential rice competitive provinces during 2019–2024 and (ii) allocated P10 billion in the General Appropriations Act (GAA) 2019 and 2020.</p> <p>9. The government issued implementing guidelines for four RCEF programs: farm mechanization, seeds development and distribution, extension and training services, and credit assistance.</p>	<p>land (PA4) and water resources (PA5, PA6) that are critical to the agriculture sector. Improved access to finance will help farmers diversify from rice to other crops and adopt climate smart technologies and practices. Better coordination between various government agencies related to water resources promoted under PA5 will result in a more coordinated and sustainable use of water resources, and a more cohesive integration of viable climate mitigation and adaptation measures in their respective work and policies.</p> <p>Improving irrigation services (PA6) will help farmers to better adapt to water scarcity as they can adopt a more diverse agricultural production system. The NIMP addresses shortcomings of the previous master plan (2017-2026) which had little to no environmental and social safeguards considerations. The NIMP identifies, for the first time, critical environmental and social issues in irrigated agriculture and defines a set of environmental and social considerations to be used in the prioritization of irrigation projects. The NIMP provides specific guidelines and recommendations on the implementation and strengthening of environmental and social safeguards in irrigated agriculture projects, focusing on watershed protection, the management of land cover and land use change, resilience to climate change and disaster risks, environmental impact assessment, meaningful stakeholder engagement, and capacity strengthening.</p> <p>Unlike conventional approaches to flood control, the FRMMP (PA7)</p>	<p>access finance and credit. Expanding and improving irrigation services (PA6) will help farmers to increase their income. Higher disposable income will also lead to higher resilience to extreme climate events. Enhancing flood risk management (PA7) will protect farmland and residential areas, contributing to enhanced community safety and securing livelihoods in the 6 river basins. The RCEF (PA8, PA9) will support uncompetitive rice farmers to diversify into other crops through its diversification program.</p> <p>Negative Social Impact: None</p> <p>Social Safeguards Impacts: The policy actions will not trigger involuntary resettlement safeguard requirements as there will be no involvement of civil works or physical involvement thus, no involuntary acquisition of land or other physical assets. The policy reforms will not trigger Indigenous Peoples safeguard as there will be no adverse impacts and no differential positive benefits on ethnic minorities. However, implementation of the government's master plans under reform area 2, (i) improving irrigation services (PA6) and (ii) flood risk management (PA7) may cause some permanent or temporary IR impact which is unforeseen and can be avoided. Similarly, land use rights to the IP communities living in the program's river basin areas may be impacted which too can be avoided.</p>	<p>may initiate in response to PA6 and PA7 must comply with the PEISS, as well as the environmental criteria and environmental safeguards considerations defined in the NIMP and the FRMMP, respectively.</p> <p>Social. Meaningful consultations with IP communities, if found, during the implementation of the Agricultural Free Patent Reform Act (2019) that removes restriction on agricultural land ownership and allows farmers to make their land titles immediately tradeable and bankable which the government may pursue in relation to PA4.</p> <p>Social Safeguards.</p> <p>Adequate engineering planning during implementation of irrigation services and flood risk management (PA6 and PA7</p>
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<p>10. For accurate targeting of RCEF beneficiaries, the government started updating the Registry System for Basic Sectors in Agriculture (RSBSA) covering around 1.956 million rice farmers, where data collected is disaggregated by sex.</p>	<p>promote an integrated approach to flood risk management, strengthening ecosystem services and prioritizing non-structural measures where possible (e.g. room-for-the river, protection of natural habitat, reforestation of upstream catchment areas, emergency preparedness, etc.).</p> <p>Negative: No policy action will result in dismantling of environmental policies. The Government's pursuit of improving irrigation systems (under PA6) and flood risk management (under PA7) will require private or/and public investments, including in irrigation facilities and flood control works with potential adverse impacts during construction. Additionally, impacts on natural and critical habitat and ecology could occur if not adequately assessed and mitigated. ⁵</p>		<p>respectively) to avoid any impacts on IR and IP. Meaningful consultation with the IP communities, if exist in the project area during the preparation of investment project that government may pursue in relation to PA6 and PA7.</p> <p>The NIMP already included sets of requirements for screening, scoping and mitigation plans for possible social impacts that follows safeguard requirements of international financial institutions (IFIs) standards. There is also recommendation for establishing social and environmental safeguard units in government agencies</p>
Policy Reform Area 3: Social protection to rural families			
<p>11. The government established the Rice Farmer Financial Assistance (RFFA) Program and allocated (i) ₱3.0 billion in 2019 GAA to provide unconditional cash transfers to small rice farmers that were affected</p>	<p>Positive: No direct environment benefit.</p> <p>Negative: No obvious adverse environmental effects anticipated.</p>	<p>Positive Social Impact: Rice farmers that will be adversely affected by the RTL (PA1, PA2) will be provided social assistance and</p>	<p>Environment. None required.</p>

⁵ All six FRRMP have considered environment and social safeguards implications during plan development. A key consideration in the development of the FRRMP has been the potential infringement or degradation of protected areas, key biodiversity areas and natural habitats. Impacts to natural habitat are considered to be low probability because proposed interventions of the FRRMPs are mostly concentrated in populated areas away from sensitive natural habitat. However, proposed investment projects that the government may pursue will need to be closely scrutinized and assessed in compliance with the Philippines Environmental Impact Statement System (PEISS).

<p>by low rice farmgate prices, and (ii) ₱3.0 billion in 2020 GAA under the Financial Subsidy to Rice Farmers (FSRF) Program to provide unconditional cash transfers to small rice farmers also affected by low farmgate prices in areas not covered by the RFFA.</p> <p>12. The government through the DA-Agriculture Credit Policy Council (ACPC) (i) established the Expanded Survival and Recovery Assistance Program for Rice Farmers (SURE Aid, which is one of the SURE Assistance Programs) that provided 164,274 small rice farmers (holding one hectare or below), of which about 45% are female, with interest-free loans from ₱2.5 billion credit funds sourced from the 2019 GAA and ACPC loan collections; and (ii) established SURE COVID-19 Program and allocated an additional ₱2.5 billion credit funds sourced from the 2020 GAA and ACPC loan collections to provide interest-free loans for small farmers and fisherfolks (three hectares or below) and agri- and fishery-based micro- and small-sized enterprises (MSEs) affected by COVID-19 pandemic.</p> <p>13. To improve child nutrition in poor households, the government enacted the Act Institutionalizing a National Feeding Program (NFP) for Undernourished Children in Public Day Care, Kindergarten and Elementary Schools and allocated ₱3.7 billion in 2020 GAA.</p>	<p>PA11 to PA13 will not result in dismantling of environmental policies or regulations.</p>	<p>affordable finance (PA11, PA12). This will help rice farmers with very low profit margins transit into other crops; most preferably to high-value crops. The unconditional cash transfer will buffer the rice price shock and set them on a path of recovery. Having access to zero interest loans will encourage farmers to diversify and thus increase their profit margins. PA13 will contribute to improvements in children's nutrition in poor households.</p> <p>Negative Social Impact: None</p> <p>Social Safeguards Impact: The policy actions will not trigger the involuntary resettlement safeguard policy. Implementation of policy actions under Policy Reform Area 3 may include IP beneficiaries but there will be no differential impacts on indigenous people.</p>	<p>Social. None required.</p> <p>Social Safeguards: No specific mitigation measures required except consultations with IP beneficiaries to make them aware about their benefits to be covered under Policy Reforms Area 3.</p>
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IV. CONCLUSIONS AND RECOMMENDATIONS

28. The program will generate many environmental and social benefits. It will support policies that remove barriers to agricultural trade and streamline government procedures; address fragmented and uncoordinated water resources management; improve the country's irrigation systems; address flood risks in major river basins; and improve rice sector competitiveness and raise farmers' and fishermen's incomes and improve their livelihoods. The program promotes the economic and social inclusion of farmers, one of the major poor and most vulnerable groups in the country, through improved agricultural trade policy reforms and enhanced public services. It also addresses the multidimensional aspects of poverty through strategic social protection measures for rural families.

29. Rice farmers (net-sellers) may be negatively affected due to lower farmgate rice prices introduced through the RTL under reform area 1. Such adverse social impact will be addressed through policy actions under reform areas 2 and 3. PA8-PA10 will help enhance productivity and competitiveness of the rice sector, offsetting negative impacts of RTL on net-sell rice farmers in 57 rice-competitive provinces. Rice farmers will be provided social assistance and affordable finance through PA11 and PA12. This will help rice farmers with very low profit margins transit into other crops; most preferably to high-value crops. The unconditional cash transfer will buffer the rice price shock and set them on a path of recovery. PA13 will contribute to improvements in children's nutrition in poor households.

30. Proposed program reforms will not adversely affect the environment or Indigenous Peoples or require land acquisition or involuntary resettlement. No policy action will result in dismantling environmental and social policies or regulations. The program is classified as category C for involuntary resettlement, Indigenous Peoples, and environment.

31. The assessment of the Philippine's environmental safeguard system confirmed that it is aligned with the objectives and principles of the ADB Safeguard Policy Statement and is able to address adverse environmental and social safeguards implications that may result from investments and activities that the Government may pursue as a response to policies and plans supported by the program, especially those related to PA6 (NIMP) and PA7 (FRMMPs for six river basins).

32. **Recommendations.** The following actions are recommended to be acted upon by the relevant authorities to strengthen the program and its safeguard systems, or supplement some of the policy actions of the program:

- (i) **Secure formal commitment to adhere to safeguards regulations.** The government implementing ministries should commit to ensuring activities and investments that may be pursued in response to the policy actions supported by the program comply with the Philippines' country safeguard system, most importantly private or public investments that may be pursued in response to PA6 (NIMP) and PA7 (FRMMPs in six river basins). In addition, such investments should be responsive to the environmental and social issues identified as part of the strategic assessments conducted in the framework of NIMP and FRMMP formulation, and adhere to the recommendations and guidelines on environmental and social safeguards defined in these master plans.
- (ii) **Activities supported by the program should not trigger any of ADB's safeguards.** The government implementing ministries should be advised that no

loan proceeds are to be used for expenditures for items listed in Appendix 5 (prohibited investment activities) to ADB's SPS or for expenditures for direct infrastructure development, or land use adjustments and redevelopment that have potentially adverse environmental, involuntary resettlement or Indigenous Peoples impacts within the meaning of the SPS.

Appendix 1: Policy Matrix of the ADB Program

Policy Actions	Subprogram 1 Accomplishments (May 2018 - April 2020) Policy Triggers in bold	Subprogram 2 (May 2020- April 2022) Policy Triggers in bold	Medium-term Framework and expected results (2018-2025)
Reform Area 1. Agriculture trade policy and regulatory framework			
<i>ADB's policy advisory on drafting of the RTL Implementing Rules and Regulations</i>	<p>The government eliminated market distortions in the agriculture sector by enacting the Rice Tariffication Law (RTL). Its Implementing Rules and Regulations laid foundations for a transition to a diversified and competitive agriculture sector.</p> <p>1. The government removed quantitative restrictions on rice imports converting these into a simple tariff system to improve food security by increasing rice availability for all Filipinos and reduce poverty by increasing disposable income through affordable rice prices. (NEDA)</p> <p>2. The government dismantled state monopoly for rice and improved governance in the food grains sector by removing the distortionary regulatory powers and commercial functions of the National Food Authority (NFA) and transforming it into an emergency buffer stock management agency. (NEDA)</p> <p>3. The government facilitated agricultural trade by streamlining administrative procedures on the importation of agricultural products and rolling out the government's online trade facilitation portal (TradeNet) with the Department of Agriculture as a key regulatory agency. (DA)</p>	<p>The government consolidates reforms to increase agriculture sector's competitiveness.</p> <p>1. The NFA Council issues implementing rules, regulations and procedures to maintain sufficient rice buffer stock to be sourced from local farmers covering: (i) an optimal level of rice inventory, (ii) composition, storage, processing, replenishment and release of rice stocks; (iii) location and amounts of stocks in anticipation of emergencies; and (iv) transaction flows for release of rice stocks to government agencies as emergency response.</p>	<p>1. Stable supply of rice and other key agriculture commodities at affordable prices in the domestic market is ensured.</p> <p>2. By 2022, the NFA functions as a buffer stock agency operating in an efficient and fiscally sustainable manner.</p> <p>3. TradeNet has simplified the import and export documentary process of over 900 regulated agricultural products.</p>

Policy Actions	Subprogram 1 Accomplishments (May 2018 - April 2020) Policy Triggers in bold	Subprogram 2 (May 2020- April 2022) Policy Triggers in bold	Medium-term Framework and expected results (2018-2025)
Reform Area 2. Public services and finance to the agriculture sector			
<p>2.1 Land and water management reforms implemented.</p> <p><i>ADB Loan 3589 "Infrastructure Preparation and Innovation Facility"</i></p> <p><i>ADB Loan 3886 "Infrastructure Preparation and Innovation Facility (additional financing)"</i></p>	<p>The government introduced regulatory and institutional reforms for efficient management of land and water resources that are critical to agriculture sector.</p> <p>4. To remove restrictions on agricultural land ownership, the government enacted the Agricultural Free Patent (AFP) Reform Act (2019), making the land titles held by AFP recipient farmers immediately tradeable and bankable, providing them access to capital and credit. (DENR-LMB)</p> <p>5. The government submitted to Congress a proposed legislation on the creation of an apex body for the water resources sector, i.e., the Department of Water Resources (DWR), in order to: (i) address the fragmentation in important activities such as water-related plans, policies and program/project implementation, (ii) separate water resource regulation from economic regulation, and (iii) rationalize all water related functions in the government, taking into consideration, among others, gender equality, social inclusion, climate resiliency and disaster risk reduction. (NEDA)</p> <p>6. To improve the country's irrigation systems and expand service areas including by addressing climate change impacts and impacts on gender, the National Irrigation Administration (NIA) endorsed the National Irrigation Master Plan (NIMP). (NEDA/NIA)</p>	<p>The government implements key reforms to land and water resource management.</p> <p>2. The government (through DENR) issues implementing guidelines for the AFP Reform Act including use of the land titles as bank collateral.</p> <p>3. As part of water sector reforms, the government issues Executive Order (EO), reconstituting and transforming the National Water Resources Board (NWRB) into the National Water Management Council (NWMC), which shall be responsible for the planning and policy formulation,, management and protection of the country's water resources.</p> <p>4. The government implements the flood risk management master plans and the NIMP by: (i) selecting priority investment projects in 2021-2022, (ii) allocating sufficient budget from the 2021-2022 General Appropriations Acts for priority projects, and (iii)</p>	<p>4. The agricultural free patents for the remaining public agricultural land of approximately 500,000 hectares are granted to farmers without the restrictions.</p> <p>5. By 2022, substantial progress made in reforming the institutional set up in the water resource planning, policy, investment framework, compliant with the gender and development framework of the government and PCW MC 2018-04 on the preparation of the GAD Agenda.</p> <p>6. Irrigated farmland are expanded by at least 300,000 hectares.</p>

Policy Actions	Subprogram 1 Accomplishments (May 2018 - April 2020) Policy Triggers in bold	Subprogram 2 (May 2020- April 2022) Policy Triggers in bold	Medium-term Framework and expected results (2018-2025)
	<p>7. To reduce flood risk, the government (through the Department of Public Works and Highways) prepared and adopted flood risk management master plans for six major river basins, integrating flood protection infrastructure with enhanced flood resilience and response measures in consultation with basin stakeholders, including due consideration given for safeguard impact assessment, the rights of indigenous people and gender aspects. (DPWH)</p>	<p>integrating in each priority investment project climate change impact assessments and gender analysis, considerations and actions.</p> <p>5. The government (through the Department of Public Works and Highways) develops flood risk management master plans for additional seven priority principal river basins, including climate change impact assessment and gender analysis</p>	<p>7. Flood risk on agriculture in the six river basins are reduced.</p>
2.2. Public financing enhanced.	<p>8. To improve rice sector competitiveness under the liberalized trade regime, the government (i) established the Rice Competitiveness Enhancement Fund (RCEF) to support 57 potential rice competitive provinces during 2019–2024 and (ii) allocated ₱10 billion in the General Appropriations Act (GAA) 2019 and 2020. (DA)</p> <p>9. The government issued implementing guidelines for four RCEF programs: farm mechanization, seeds development and distribution, extension and training services, and credit assistance. (DA)</p> <p>10. For accurate targeting of RCEF beneficiaries, the government started updating the Registry System for Basic Sectors in Agriculture (RSBSA)</p>	<p>6. The government allocates through the GAA P10 billion annually to RCEF for 2021–2022.</p> <p>7. The government (through the Department of Agriculture) develops the Rice Fund Impact Monitoring System to assess the impact of RCEF on farm productivity and income, including gender impact assessment based on sex-disaggregated data.</p> <p>8. The government (through the Department of Agriculture) completes validating and updating the RSBSA with</p>	<p>8. RCEF benefits about 1.956 million rice farmers listed in RSBSA in 57 priority provinces to improve productivity and farm household income.</p> <p>9. By 2022, RCEF implementation is evaluated.</p>

Policy Actions	Subprogram 1 Accomplishments (May 2018 - April 2020) Policy Triggers in bold	Subprogram 2 (May 2020- April 2022) Policy Triggers in bold	Medium-term Framework and expected results (2018-2025)
	covering around 1.956 million rice farmers, where data collected is disaggregated by sex. (DA)	sex-disaggregated data and includes this data in regular reporting. 9. The government develops National Agriculture and Fisheries Modernization and Industrialization Plan to enhance its financing to agriculture sector for modernization and industrialization. 10. The government implements the Agriculture Dialogue and Information Network Groups Program as DA's integrity management implementation and advocacy program to ensure accountability of DA's programs and activities.	
2.3. Extension services strengthened.		11. The government (through the Department of Agriculture) approves the budget and implements the pilot Provincial Agricultural and Fishery Extension System to strengthen LGUs' extension services to farmers with at least 30% active participation by female family members.	10. By 2022, Provincial Agricultural and Fishery Extension Centers are established in 15 provinces.
Reform Area 3. Social protection to rural families			
3.1 Impact of RTL on smallholder farmers and fisherfolks mitigated.	11. The government established the Rice Farmer Financial Assistance (RFFA) Program and allocated (i) ₱3.0 billion in 2019 GAA to provide unconditional cash transfers to smallholder rice farmers that were affected by low rice farmgate prices, and (ii) ₱3.0 billion in 2020 GAA under the Financial Subsidy to Rice Farmers (FSRF) Program to provide unconditional cash transfers to smallholder rice farmers also affected by low farmgate prices in areas not covered by the RFFA. (DA)	12. The government completes the disbursements of unconditional cash transfers in total of ₱6.0 billion to smallholder rice farmers with active participation of both male and female family members.	11. By 2022, about 900,000 smallholder rice farmers benefit from the unconditional cash transfers.

Policy Actions	Subprogram 1 Accomplishments (May 2018 - April 2020) Policy Triggers in bold	Subprogram 2 (May 2020- April 2022) Policy Triggers in bold	Medium-term Framework and expected results (2018-2025)
	<p>12. The government through the DA-Agriculture Credit Policy Council (ACPC) (i) established the Expanded Survival and Recovery Assistance Program for Rice Farmers (SURE Aid, which is one of the SURE Assistance Programs) that provided 164,274 smallholder rice farmers (holding one hectare or below), of which about 45% are female, with interest-free loans from ₱2.5 billion credit funds sourced from the 2019 GAA and ACPC loan collections; and (ii) established SURE COVID-19 Program and allocated an additional ₱2.5 billion credit funds sourced from the 2020 GAA and ACPC loan collections to provide interest-free loans for smallholder farmers and fisherfolks (holding three hectares or below) and agri- and fishery-based micro- and small-sized enterprises (MSEs) affected by COVID-19 pandemic. (DA-ACPC)</p>	<p>13. The government through DA-ACPC (i) provides interest-free loans to about 40,000 smallholder farmers and fisherfolks, of which 50% are female, and about 150 agri- and fishery-based MSEs under SURE COVID-19 Program; and (ii) allocates an additional ₱2.5 billion in 2021 GAA for SURE COVID-19 Program and/or other SURE assistance program(s) to help smallholder farmers and fisherfolks mitigate impacts of specific environmental and economic shocks.</p>	<p>12. By 2022, various SURE assistance programs benefit 443,827 smallholder farmers and fisherfolks adversely affected by environmental and economic shocks.</p>
3.2 Delivery of basic services for the poor institutionalized.	<p>13. To improve child nutrition in poor households, the government enacted the Act Institutionalizing a National Feeding Program (NFP) for Undernourished Children in Public Day Care, Kindergarten and Elementary Schools and allocated ₱3.7 billion in 2020 GAA. (DSWD)</p>	<p>14. The government ensures that adequate budget through the GAA is provided to the NFP to improve nutritional status of children.</p> <p>15. The government commences planning of a nutritional food program for poor pregnant women as part of its zero- hunger agenda.</p>	<p>13. By 2022, the NFP benefits about 2 million children annually.</p>