



Framework of the Hub & Spoke Model for Sustainable Agricultural Value Chains

Under The DTI-IFAD RAPID Growth Project

National Project Coordination Office

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I. Rationale

The Department of Trade and Industry (DTI) has embarked on the implementation of the project “Rural Agro-enterprise Partnership for Inclusive Development and Growth” (RAPID Growth) which supports the new administration’s socio-economic agenda of promoting rural enterprises and value chain development; increasing competitiveness and ease of doing business; investing in human capital, and matching skills development to meet the demand of business; accelerating infrastructure spending; and promote science and technology to enhance innovation and creative capacity.

The project aims to sustainably increase the incomes of small farming households and unemployed rural women and men across the agricultural value chains of coffee, cacao, coconut, and processed fruits and nuts. It is implemented in twenty (21) provinces in the following seven regions namely; Regions VIII, IX, X, XI, XII, XIII and BARMM.

The development objective is to provide strategic enabling conditions for the sustained growth of micro and small enterprises in commodity value chains with comparative advantage, market demand, growth potential, backward linkages to small farmers, and job creation effects.

Specifically, at the end of the project term, the following results should have been achieved (main indicators):

- 78,000 project-supported farming HHs increase income by at least 60% from on and off farm activities;
- 31,000 incremental jobs generated on farm and in project-supported MSMEs, 40% for women;
- 1,000 MEs participating in SIPs have access to financial services and crop insurance; and
- 50 SMEs participating in SIPs have access to financial services and crop insurance

Since 2020, the RAPID Implementing Units have been implementing their respective Detailed Investment Plans (DIPs) that were designed to upgrade regional value chains of coffee, cacao, coconut, and processed fruits and nuts and its primary VC actors. The SIPs of these DIPs are mainly in accordance to the following key components of the project to attain the above stated project goals and strategic objectives:

- a) Direct assistance to beneficiaries (provides complementary activities necessary to boost investments along the priority value chain, provision of conditional matching grants and rehabilitation of FMRs to improve connectivity of production areas to intended markets)
- b) Institutional strengthening (promote business partnerships between MSMEs and farming communities in the priority value chain)
- c) Technical assistance to financial service providers (capacity building of FSPs for them to deliver accessible financial products and services financing requirements of small farmers and MSMEs)
- d) Innovation fund (Provides incentives to private equity and venture capital firms to co-finance SME capital requirements)

Following the significant number of implemented strategic investments and interventions within the elapsed time of the project of 67% (EOP 2027), and pursuant to the agreed action in the Aide Memoire (paragraphs 15-18) of the full IFAD-GOP Supervision and Implementation Support Mission conducted from May to June 2024 to conduct a DIP Implementation Review at the regional level to determine how the value chains can be further upgraded, the project conducted the first batch of DIP Implementation Review from October 2024 to December 2024 and unfortunately found that 51.98% of Farmer Organizations assigned to consolidate commodity products from smallholder farmers and farmer associations are not consolidating as designed in the development models of the DIPs. The executed Commercial Partnership Agreements were not realized, undermining the very strategy to increase incomes of the primary VC actors and stabilizing the supply base of engaged Anchor Firms. This crucial function of consolidation is deemed to be the most important success measure to ensure the sustainability of the supply chains and achieve the development objectives of the project.

Additionally, as of October 2024, only 4,981 of the 70,000 target smallholder farmers covered by the project have had accessed financial services, and the framework for the extension services have not yet been fully established by the RAPID Implementing Units. Thus, it is imperative that these two major sustainability factors must be immediately addressed by the project to ensure the sustainability of the gains of the project and the sustainability of the value chains as a whole.

With these major findings, the RAPID NPCO have determined to mainstream the implementation of the Hub and Spoke Model for all RAPID Implementing Units to ensure that all covered supply chains of the project will be functional, sustainable, and ultimately deliver the envisaged goals and objectives of the project.

II. Objectives

The very objective of the mainstreaming of the implementation of the Hub & Spoke Model to all RAPID Implementing Units is to ensure that the value chain development models of the Detailed Investment Plans will be realized and achieve the envisaged development objectives for the Farmer Organizations, MSMEs, and Smallholder Farmers in a sustainable manner. This model will mainly cover the following key logframe outputs of the project:

- Strengthened strategic commercial partnerships between and among primary VC actors leading to increase of incomes across actors in the VC functions
- Improved competencies of agri-enterprises to ensure sustainability of development interventions
- Improved access to financial services across all primary VC actors in all primary VC functions
- Established and strengthened extension services for primary VC actors to ensure sustainability of covered value chains

Further, this framework is aimed to:

- Shortlist priority investments and interventions to be provided by the project for the strengthening of VC Actors in the Hub and Spoke Model
- Delineate roles in the implementation of interventions and investments for the Hubs and Spokes
- Provide instructions in setting up the extension services across the value chains covered by the project
- Provide recommended innovative financial products and services to be provided by the Hubs to their respective Spokes
- Provide instruction in collaborating with Major Anchor Firms to partner with assigned Hubs of the project
- Detailed instruction in collaborating with industry enablers and development partners to complement with the project's interventions and investments

III. Basis of Framework Development

The framework of the Hub & Spoke Model under the RAPID Growth Project was developed from the following research and survey activities:

Result of the 1st Batch of DIP Implementation Review

Following the significant number of implemented strategic investments and interventions delivered by the RAPID Implementing Units from year 2020 to 2024, and pursuant to the agreed action in the Aide Memoire (paragraphs 15-18) of the full IFAD-GOP Supervision and Implementation Support Mission conducted from May to June 2024, the project implementing units have conducted the 1st batch of DIP Implementation Review Sessions to determine the

positive and negative outcomes of the project's SIIPs and determine remedial actions to ensure the sustainability of project gains and upgrading of value chains as envisioned in the DIPs. As a result of the DIP Review Sessions, it was reported by the implementing units of the project that 51.98% of Farmer Organizations assigned to consolidate commodity products from smallholder farmers and farmer associations are not consolidating as designed in the development models of the DIPs. The executed Commercial Partnership Agreements were not realized, undermining the very strategy to increase incomes of the primary VC actors and stabilizing the supply base of engaged Anchor Firms. This crucial function of consolidation is deemed to be the most important success measure to ensure the sustainability of the supply chains and achieve the development objectives of the project.

On the other hand, the implemented Hub and Spoke Models that were reported to be functioning as designed in the DIPs have reported notable gains such as:

- ✓ Supply chains are observed to be more dynamic (Multi-Anchor Firm Approach) leading to better buying prices (up to 55% higher than world market price) due to the increase of competition and options for the FOs.
- ✓ Capable Anchor Firms are partnering with the project in providing technical assistance/trainings to their partner FOs and are providing cash advances to partner FOs to increase working capital for consolidation of commodity products.
- ✓ Pick-up/Bagsakan Centers were established between the Anchor Firms and FOs to improve the efficiency of logistics of consolidated products (Scheduling of pick-up in bagsakan centers).
- ✓ FOs reporting increase of consolidated products from SHFs (members, associate members, and non-members). Previously inactive SHF-members are now active due to RAPID's interventions and impact in the dynamism of value chains.
- ✓ FOs are expanding membership (including special sectors) to increase volume of consolidated products. FOs are at least offering associate membership to non-members who wishes to sell their products to the FOs (BIR has intensified its monitoring of Cooperatives doing business with non-members).
- ✓ FOs are providing additional incentives (special price for members, direct contribution to share capital per kilo delivered, and etc.) to SHFs aside from the usual patronage refund and dividends.
- ✓ "Big Brother - Small Brother" approach has emerged, where larger cooperatives assist smaller ones in securing financing for working capital, productive investments, and cash counterpart for the Project's Matching Grants
- ✓ SHFs reported that their income from their main crops have increased due to the competitive markets that the project has linked to their respective organizations. Productivity have also increased due to RAPID's capacity building interventions.
- ✓ SHF were reported to be adopting Good Agricultural Practices (pruning, application of fertilizers, and pest and disease mgt.). Particularly for FOs that have assigned a technical person from among its members to conduct regular monitoring on the application of technology, skills and learning acquired by the farmer-members in the training. The farm rehab/maintenance tools provided by the project greatly encouraged farmers to be more religious in adopting GAP.
- ✓ SHFs quality of products are better as attested by the increasing acceptance of products by their Anchor Firms. Farmers were able to reduce post-harvest losses, produce market-compliant products.
- ✓ Farm-to-farm visits enabled clustered members to share resources and information while also learning from each another's experiences and best practices. This aids farmers in enhancing their own farming methods and increase productivity.
- ✓ Inactive SHF-members have become more engaged, actively participating in farming activities. Farms that were once abandoned are now being revitalized and SHFs are investing on farm expansion and rehabilitating existing trees from their own resources, recognizing the economic benefits of the current dynamism of their commodity industries particularly Coffee and Cacao.
- ✓ SHFs were able to avail production loans from their organizations (ACPC conduit FOs, inhouse credit facilities, CARD). SHFs have also availed crop insurance through RAPID's facilitation of SHFs registering in RSBSA.

Result of the Hub & Spoke Model Consultation Workshop

To further validate the findings of the DIP Implementation Review Sessions conducted by the RAPID Implementing Units and to extract insights that will determine crucial capacities and competencies of a highly effective and successful Hub, the NPCO conducted a consultation workshop on December 6, 2024 with prominent Farmer Cooperatives that have been successful in their Agri-Enterprise operations with significant experience in providing financial services for smallholder farmers. The workshop was attended by BARBCO, Sta. Catalina MPC, MAMPCO, and Makilala MPC.

Based from the workshop outputs, the representatives of the prominent Cooperatives have noted that the following key capacities and competencies are necessary for a Hub to be successful in its agri-enterprise operations and sustain the upgrading of its supply chain:

| Management and Governance |
|--|
| <ul style="list-style-type: none"> ✓ Management of the organization is visionary. Has clear vision on what they what want for the organization to achieve. ✓ Competitive, dynamic, and capacitated officers on Cooperative Enterprise. ✓ Management is God fearing. Decisions are anchored on moral values and mindful of social and environmentally sustainable principles. ✓ Manager is a man/woman of action. ✓ General Assemblies are strictly followed and decisions of the GA should be respected. Maintains transparency in all decisions and in performance reports. ✓ With established operations manual in all functions/departments of the organization ✓ Practices Codified Approving Signing Authority; a guide that establishes the responsibilities of staff and officers in a cooperative. ✓ Designating a Compliance Officer in charge of ensuring compliance of the organization to all mandatory reports from regulatory bodies. ✓ With established business continuity and risk management plan and mechanisms. ✓ With adequate IT equipment (hardware and software) to automate various functions in the organization. ✓ Continuous education for all officers and members of the cooperative. ✓ With established Conflict Management System/Grievance and Redress mechanism within the organization. ✓ Management is capacitated in risk identification and mitigation. |

| Agri-Enterprise Operations |
|---|
| <ul style="list-style-type: none"> ✓ Institutionalized business development services, such as capacitating members on managing their finances, providing extension services, installation of experts/specialists, and coaching and mentoring of SHFs ✓ Implementation of clustering method to deliver extension services, consolidation of products, and facilitation and monitoring of supervised production loans. ✓ Provides financial incentives, recognitions, and services to members delivering consistent volume to the organization. ✓ Established consolidation team which includes point-person of procurement, post-harvest activities, and quality control procedures in all levels of production and processing activities. ✓ Established recording system in all levels of production, post-harvest, and processing activities. ✓ Strategic scheduling of hauling/consolidating commodity products from SHFs to minimize logistical costs ✓ Provision of cash advances for designated cluster consolidators to ensure SHFs will be paid in cash when they deliver their produce to the bagsakan centers. ✓ Provision of supervised production loans for SHFs |

- ✓ Must have adequate post-harvest and processing facilities, hauling trucks/vehicles, and quality testing equipment/tools.
- ✓ Has a dedicated sales and marketing point person or team to check on market prices and exploring new potential buyers resulting to continuous improvement of the organization's market intelligence. Sales team is also capacitated in cost-accounting to expeditiously determine break-even points of the agri-enterprise and determine which markets to pursue to achieve the most profits.
- ✓ Management is capacitated in contracts and other negotiable instruments.
- ✓ Management of the agri-enterprise operations must also be capacitated in Brand Equity Management to ensure competitiveness of the products particularly if the organization is producing consumer products such as chocolates, roasted coffee beans, and etc.
- ✓ Consumer products produced by the agri-enterprise must ensure compliance to regulatory standards and certifications to ensure that products can be promoted and sold to mainstream markets.
- ✓ Agri-enterprise must invest in equipment and facilities that are compliant to regulatory standards and would significantly improve efficiency of production leading to more price competitive products and profitability.

Financial Management

- ✓ Conservative management of the General Reserve Fund (GRF)
- ✓ Organization must have a competent accounting department to ensure accuracy of financial records and reports.
- ✓ Management of the organization must be capacitated in interpreting financial statements.
- ✓ Automate bookkeeping and accounting records. Invest in ERPs if financially attainable and viable.
- ✓ The organization must have an established cash flow and budget planning system.
- ✓ Internal audit mechanisms must be in place and respected.
- ✓ The organization must subscribe to the services of external financial auditors to correct erroneous financial records and to increase credence of financial reports to external end-users.
- ✓ Financial Reports must be updated and reported truthfully to the General Assembly

Networking and Resource Generation

- ✓ The cooperative must be pro-active in grabbing opportunities for collaborations with other cooperatives to undertake business partnerships and leveraging on each other's strengths to address weaknesses. E.g.: Sta Cat is exploring partnership with BARBCO. Sta. Cat is planning to deliver their consolidated cacao beans to BARBCO for the latter to process, given the capacity and advancement of BARBCO in terms of cacao processing. BARBCO will then supply cocoa powder to Sta Cat (coming from the cacao beans delivered by Sta Cat). The cocoa powder will be used by Sta Cat for their dairy products (milk, milk bar, ice cream).
- ✓ The organization must maintain credibility and prove good governance and performance. This will encourage industry enablers to collaborate with the organization in developmental projects.
- ✓ Invitations from government agencies, NGOs, and other industry enablers must not be taken for granted to foster healthy relationships between the organization and the said industry enablers.

Review of Related Literatures and Case Studies

Hub-and-Spoke Social Networks among Indonesian Cocoa Farmers

A study examined the social networks of 2,734 smallholder cocoa farmers across 30 villages in Indonesia. It found that villages with highly centralized, hub-and-spoke social networks, where one or a few farmers held central positions, tended to homogenize farming practices. In these villages, the majority of farmers reported similar fertilizer use, typically avoiding fertilizers. This structure influenced the dissemination of agricultural practices and highlighted the role of social influence in farming communities.

Read more: <https://besjournals.onlinelibrary.wiley.com/doi/10.1002/pan3.10578>

Agricultural Value Chain Finance in Southeast Asia

Several Southeast Asian countries have explored Agricultural Value Chain Finance (AVCF) models to improve smallholder farmers' access to credit. In Indonesia, Myanmar, and Vietnam, AVCF schemes have been implemented where formal lenders provide credit to enterprises (e.g., processors), which then engage with individual farmers. This hub-and-spoke arrangement facilitates better monitoring and support for farmers, enhancing productivity and financial inclusion.

Read more: <https://www.foodsecurityportal.org/node/1853?utm>

Azuluna Foods' Hub-and-Spoke Farming Model in New England

Azuluna Foods has developed a hub-and-spoke farming model that lowers the barrier to entry for livestock farming by providing necessary resources such as animals, shelter, veterinary care, and more. Their central hub farm supports surrounding spoke farms, enabling sustainable livestock rearing and contributing to regional food systems.

Read more: https://azulunafoods.com/blogs/community/hub-and-spoke-farming-model?srltid=AfmBOor8aAK1cSOtuTN9xP5OmSx9GWmeofUWgl_sjYqKCgGgsmUrjWBd&utm

Digital Green's Agricultural Extension in India

Digital Green employs a hub-and-spoke model for agricultural extension, leveraging social networks to disseminate information. This approach has enhanced knowledge sharing and adoption of best practices among farmers, improving productivity and sustainability.

Read more: <https://reachalliance.org/case-study/digital-green/>

Transportation Network Analysis for Exporting Agricultural Products in Thailand

A study analyzed the road transport system in a developing country to identify optimal hubs for exporting agricultural products. By applying the hub-and-spoke model, the research aimed to enhance the efficiency of agricultural exports, reduce transportation costs, and improve market access for farmers.

Read more: https://www.growingscience.com/ijds/Vol8/ijdns_2024_129.pdf

IV. Conceptual Framework of the Hub & Spoke Model

Pursuant to the objective of the project to improve the efficiency, inclusivity, sustainability, and scalability of supply chains covered by the project, the figure below is the architecture of the proposed Hub & Spoke Model under the RAPID Growth Project:

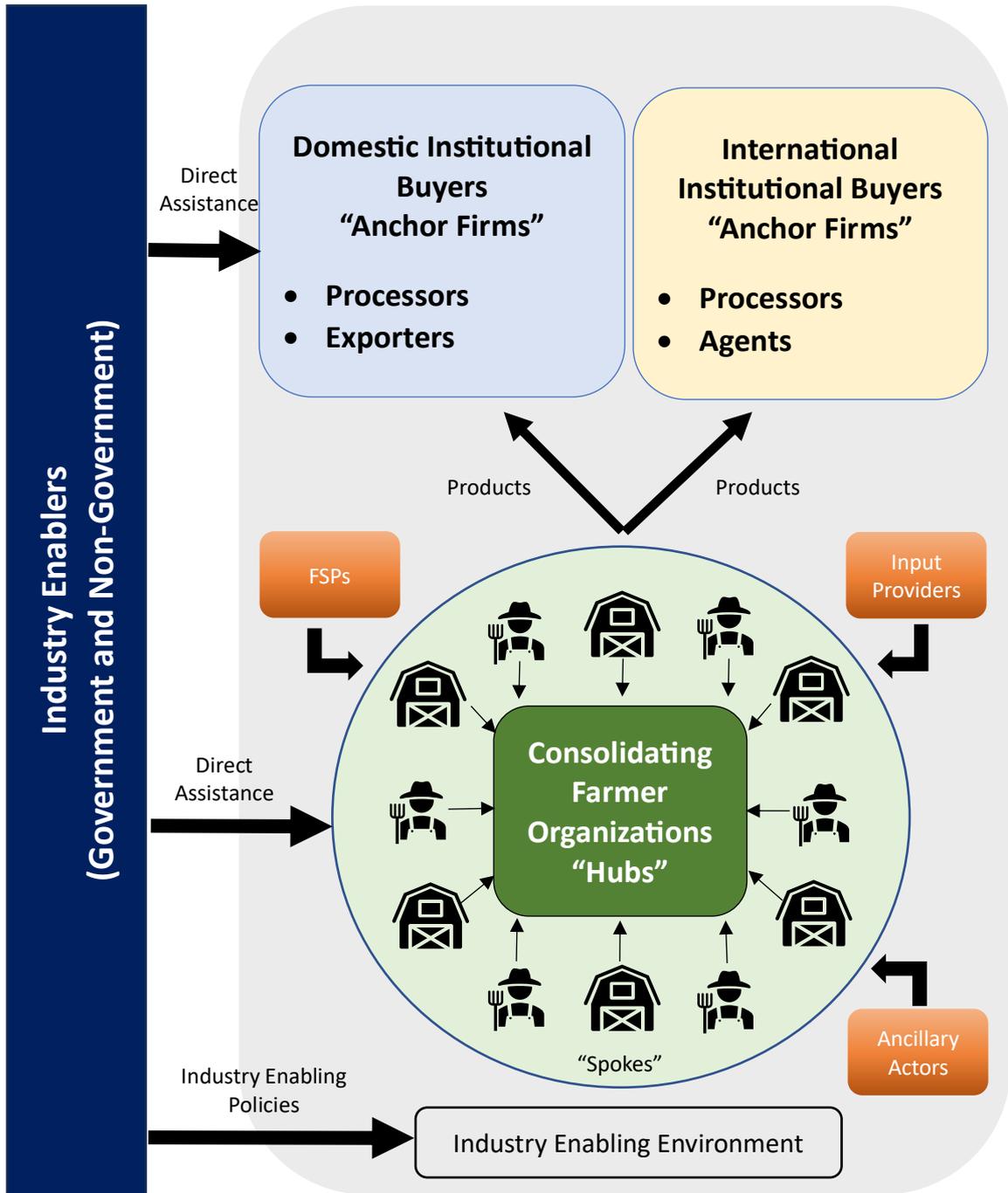


Figure 1: Hub & Spoke Model Architecture

Definitions and Functions of the Value Chain Actors in the Hub & Spoke Model

| Value Chain Actor | Definition and Functions |
|----------------------------|---|
| <p>Anchor Firms</p> | <p>Under the RAPID Growth Project, Anchor Firms are the institutional buyers (whether domestic or international) of commodity products consolidated by the Farmer Organizations assigned as Hubs in their respective geographical coverages. These Anchor Firms may be local or international processors of final consumer goods, exporters, or international distribution agents. Ideally, the function of a competitive Anchor Firm are as follows:</p> <ul style="list-style-type: none"> ✓ Buys commodity products at competitive prices based on the level of quality of products delivered by the Hubs. ✓ Provides incentives to its suppliers that meet certain quality, quantity, and frequency standards. ✓ Provides extension services or technical assistance to its suppliers or partner Hubs. ✓ Provides financial services to their suppliers or partner hubs for working capital, production, or for investments that would improve the capacity of the partner Hubs in producing/delivering quality commodity products at a desirable volume and frequency. |
| <p>Hubs</p> | <p>As commonly defined by developmental entities across the globe, Hubs is a centralized node or focal point within a system or network that facilitates the organization, coordination, flow of goods, services, and information. In the context of RAPID Growth Project that pursues the upgrading of agricultural value chains, this node is defined as the Farmer Cooperatives or Social Enterprises that has the capacity and competencies to:</p> <ul style="list-style-type: none"> ✓ Strategically consolidate commodity products for its partner Anchor Firms from smaller farmer cooperatives and associations and smallholder farmers within a certain geographical scope. ✓ Buys the commodity products from its network at a competitive price to ensure that the economic benefits derived from its direct link to Anchor Firms are trickled-down to its network. ✓ Provides incentives to smaller farmer organizations and smallholder farmers that meet certain quality, quantity, and frequency standards. ✓ Facilitate or provide logistical services for efficient consolidation of products, distribution of resources, and dissemination of information. ✓ Provide inputs and extension services/technical assistance to its network to ensure sustainability and quality of consolidated products. ✓ Provide financial services to its network particularly to the smaller farmer organizations and smallholder farmers. ✓ Coordinate activities across its network, acting as the operational or administrative core ✓ Centralize certain functions in the value chain particularly processing and value addition to reduce redundancy, streamline operations, quality control, and optimize the use of resources. |

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| <p>Spokes</p> | <p>In the context of RAPID Growth Project and in agriculture in general, Spokes refer to smallholder farmers and smaller community-based farmer cooperatives and associations that supply raw agricultural produce or other inputs to the Hub. The primary function of the Spokes are as follows:</p> <ul style="list-style-type: none"> ✓ Serve as the primary producers or collectors of commodity products that are aggregated or processed at the hub. ✓ Act as conduits for knowledge sharing, extension services, or technology adoption disseminated from the hub. ✓ Provide information on production challenges, market dynamics, or resource needs back to the hub, enabling system adjustments. ✓ Serve as focal points where local activities, such as input delivery, advisory services, and trainings, take place. |
| <p>Input Providers</p> | <p>In the context of the priority industries of the RAPID Growth Project, input providers are generally the enterprises and organizations that supply high quality seedlings/plantlets, agro-chemicals such as fertilizers and pesticides, and equipment and machineries. These input providers provide a crucial role in the upgrading of the Hubs and Spokes particularly on the following aspects:</p> <ul style="list-style-type: none"> ✓ Supply of high quality seedlings/plantlets for farm expansion and rehabilitation to ensure desirable productivity of crops ✓ Introduce climate-smart and precision agriculture tools to improve resiliency and efficiency of smallholder farmers ✓ Collaboration and partnership with hubs to provide timely and cost-efficient farm inputs through bulk procurement |
| <p>Financial Service Providers</p> | <p>Financial Service Providers are generally Banks, Micro Finance Institutions, and Insurance Companies that offer credit, insurance, and payment solutions whether they are private or government entities. Their key roles are as follows:</p> <ul style="list-style-type: none"> ✓ Extend credit lines for working capital, procurement of inputs, equipment, inventory management, transportation, infrastructure upgrades or expanding of operations. ✓ Provide crop insurance to mitigate risks associated with adverse climate conditions, pests and disease outbreaks, and market fluctuations. ✓ Provide credit guarantees to Hubs' loan portfolios ✓ Implement mobile banking, digital wallets, and fintech solutions to streamline transactions between Hubs, smallholder farmers, and buyers. ✓ Implement financial literacy programs to help smallholder farmers make informed financial decisions. |
| <p>Ancillary Actors</p> | <p>Ancillary actors are entities that provide crucial services for the primary value chain actors such as logistics and transport service providers, market linkage services, laboratories, cold-chain operators, ICT providers, and among others. These services are crucial in ensuring the efficiency, inclusivity, sustainability, and scalability of the Hub and Spoke Model. Their contributions enable the primary value chain actors connect with larger markets, access essential resources,</p> |

| | |
|--------------------------|--|
| | and improve their livelihoods, while also enhancing the overall resilience and competitiveness of agricultural value chains. |
| Industry Enablers | <p>The industry enablers in the context of RAPID Growth Project are the industry enabling entities, whether from government or non-government, which provides direct assistance to the value chain actors under the commodity industries covered by the project. This includes the project itself, agencies that are members of the Project Steering Committee, Regional Technical Working Groups (RTWG), and other developmental programs directly supporting the industries covered by the project.</p> <p>Further, these industry enablers also have the power to lobby and implement policies and programs that are critical in the upgrading and sustainability of agricultural value chains.</p> |

Following the architecture of the Hub and Spoke Model, if implemented successfully, the following are its transformative benefits to agricultural value chains:

| | |
|-------------------------------------|--|
| Efficiency and Profitability | <ul style="list-style-type: none"> ✓ Hubs serve as a bridge between farmers and larger markets, enhancing access to more competitive buyers and reducing intermediary layers. ✓ Hubs enables greater aggregation, processing, and distribution, reducing duplication of efforts and inefficiencies in logistics. ✓ Spokes deliver products to the hubs, ensuring a consistent and seamless flow of goods and services. ✓ Bulk handling at Hubs lowers transportation, storage, and processing costs per unit. ✓ Efficient route planning and coordinated logistics minimize travel distances and logistical costs. ✓ ICT-enabled hubs can optimize inventory management, demand forecasting, and transaction transparency. |
|-------------------------------------|--|

| | |
|-----------------------|--|
| Sustainability | <ul style="list-style-type: none"> ✓ Hubs can promote resource-efficient practices like shared storage or renewable energy-powered processing facilities. ✓ Reduced transportation distances contribute to lower carbon emissions. ✓ The model encourages sustainable farming practices by providing hubs as platforms for knowledge dissemination. ✓ Aggregation of products in Hubs minimize post-harvest losses through proper storage, grading, and timely market access. ✓ Byproducts from processing at Hubs (e.g., organic waste) can be recycled into compost or energy, reducing waste, and enhancing resource utilization. ✓ Hubs can serve as focal points for community development, fostering collaboration and shared benefits among farmers and local businesses. |
|-----------------------|--|

Scalability

- ✓ The modular nature of the hub-and-spoke model makes it adaptable to diverse agricultural contexts under the RAPID Growth Project, from provincial to regional or national scales.
- ✓ Hubs can start small and grow as demand increases, reducing upfront investment risks.
- ✓ The model's efficiency and clear structure make it attractive for private investors and agribusinesses to establish partnerships or provide services.
- ✓ Government and development agencies can leverage the model as part of larger rural development strategies, aligning with sustainable development goals (SDGs).
- ✓ Digital platforms integrated into Hubs facilitate scaling by connecting more spokes and expanding their reach without substantial physical infrastructure investment.

Inclusivity

- ✓ The model allows smallholder farmers to participate in larger, structured value chains without needing to individually manage market complexities.
- ✓ Provides access to essential resources such as inputs and financial services.
- ✓ Hubs can offer training and extension services to spokes, empowering farmers with knowledge on sustainable practices, quality standards, and productivity improvements.
- ✓ Targeted policies at hubs can ensure participation of women, youth, and indigenous peoples in value-added activities, such as processing or cooperative management. The model will cater to marginalized groups by providing equal opportunities for engagement.

V. Setting-up the Hubs and Spokes and Implementation Timelines

Following the conceptual framework elaborated in the previous section, the chart below is the timelines of the development and implementation of the Hub & Spoke Model under the RAPID Growth Project:

| S/N | Key Activities | February 2025 | | | | March 2025 | | | | April 2025 | | | | May 2025 | | | | June 2025 Onwards | Responsible Person(s) | Methodology |
|----------|--|---------------|----|----|----|------------|----|----|----|------------|----|----|----|----------|----|----|----|-------------------|---|-------------|
| | | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | | | |
| 1 | Setting-up the Hub and Spokes | | | | | | | | | | | | | | | | | | | |
| 1.1 | Mapping of Potential Hubs to consolidate products from smaller FAs/FOs | █ | █ | █ | █ | | | | | | | | | | | | | R/PCUs | Conduct of due diligence procedures | |
| 1.2 | Linking of FOs/FAs to identified Hubs (B2B) | | | | | █ | █ | █ | █ | | | | | | | | | R/PCUs | Social Preparation and acquisition of commitments of parties through direct B2B Negotiations | |
| 1.3 | Execution of enhanced CPAs between Hubs and Anchor Firms and Hubs with Spokes | | | | | | | | | █ | █ | | | | | | | R/PCUs | Execution of CPAs | |
| 2 | Implementation of Priority Strategic Investments and Interventions | | | | | | | | | | | | | | | | | | | |
| 2.1 | Setting-up of management and administration systems of the Hubs and Spokes including setting-up of farmer clusters for the extension services network | | | | | | | | | █ | █ | █ | █ | █ | █ | █ | █ | PCUs | Series of Workshops | |
| 2.2 | Training of Trainers of AEWs assigned in farmer-clusters | | | | | | | | | | | | | █ | █ | █ | █ | PCUs | Programmatic Procurement and Implementation (Provincial-Wide) | |
| 2.3 | Roll-out of innovative financial products to be offered by Hubs to its Spokes (including training of Hubs) | | | | | | | | | | | | | | | | █ | FSO and R/PCUs | In partnership with Major Coop Federations such as MASS-SPECC and NATCCO | |
| 2.4 | Implementation of Matching Grants and BDS based on the approved DIPs and BIPs and corrective interventions based on the DIP Implementation Progress Review | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | R/PCUs | As prescribed in the PIM and Omnibus MG Guidelines | |
| 3 | Partnership-building Activities to establish enabling and sustainability support mechanisms | | | | | | | | | | | | | | | | | R/PCUs | Public-Business Sector-Civil Society Organizations collaborations to acquire support for sustainability | |
| 4 | Monitoring and Evaluation of Performance | | | | | | | | | | | | | | | | | R/PCUs | RAPID M&E Procedures | |

Details of Key Activities in Setting-up the Hubs and Spokes

1.1 Mapping of Potential Hubs

Whether preparing for a new Detailed Investment Plan (DIP) or correcting a supply chain structure based on the findings of the DIP Implementation Progress Review, diligent mapping of potential Hubs is crucial to the success of the RAPID Growth Project's endeavor in upgrading its covered value chains. The socio-economic objectives of the DIPs are anchored on market-driven strategies of which effective and consistent consolidation of produce from smallholder farmers and smaller farmer associations is key. Hence, having a qualified Hub to undertake the consolidation function is paramount to ensure that the supply chains will be able to access and serve competitive markets and ultimately provide better and sustainable economic benefits to the smallholder farmers.

The fundamental qualifications of Hubs are:

- ✓ A Cooperative or MSME with an established track record on consolidation and trading with sufficient working capital to consolidate the total production of its Spokes at a competitive buying price to ensure that the economic benefits derived from its direct link to Anchor Firms are trickled-down to its network.
- ✓ A Cooperative or MSME with an established sales and marketing team or personnel that has an established network of institutional buyers.
- ✓ A Cooperative or MSME that has sufficient infrastructure and logistics capabilities to effectively process, store, and distribute the consolidated products from its Spokes to its Anchor Firms/buyers.
- ✓ A Cooperative or MSME that provides financial products to its backward linkages or Spokes (FOs and SHFs).
- ✓ A Cooperative or MSME that provides technical assistance or extension services to its backward linkages (FOs and SHFs).
- ✓ A Cooperative or MSME that provides incentives to smaller farmer organizations and smallholder farmers that meet certain quality, quantity, and frequency standards.

To thoroughly vet the capacities and competencies of potential Hubs, RAPID Implementing Units are encouraged to use the Project's Enterprise Diagnostic Tool (EDT) to accurately assess the maturity levels of the potential Hubs and determine which ones to pursue based on their capacities, competencies, and strategic geographical scopes.

1.2 Linking of Spokes to Hubs

Successful integration of smallholder farmers and smaller farmer cooperatives and associations (Spokes) into a Hub and Spoke Model requires well-planned social preparation activities. These activities help build trust, inculcate sense of ownership, capacity, and readiness among stakeholders, ensuring smooth collaboration and long-term commitment of parties to sustainability. Below are the recommended key social preparation activities to be undertaken by the RAPID Implementing Units:

| Social Preparation Activities | Rationale of Activities |
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| Mapping of Potential Spokes to be linked to the identified Hub(s) | Based on the current capacities and geographical locations of the potential Spokes to be linked to the identified Hubs, RAPID implementing units must thoroughly assess, map, and strategically structure the Hub and Spokes in their respective geographical scopes. The assessment results and proposed Hub and Spokes structure shall then be presented to the stakeholders for |

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| | their concurrence in the succeeding sensitization processes. |
| Stakeholders Engagement and Sensitization | <p>After the assessment and thorough mapping of potential spokes to be linked to the identified Hubs, RAPID Implementing Units must conduct Focus Group Discussions (FGDs) with the primary stakeholders (Hubs, Spokes, Anchor Firms, relevant ancillary actors, and relevant industry enablers) to raise awareness about the benefits of the Hub and Spoke Model and acquire the buy-in, commitment, and ownership from the stakeholders.</p> <p>The FGDs may be integrated during the conduct of the DIP Implementation Progress Review for those RAPID Implementing Units introducing the Hub & Spoke Model as a corrective measure in their respective DIP implementation coverages.</p> |

1.3 Execution of Commercial Partnership Agreements between Hubs and Spokes and Hubs and Anchor Firms

Execution of Commercial Partnership Agreements (CPAs) is strongly encouraged to ensure fair and transparent trading relationships between the Spokes and Hubs and Hubs with Anchor Firms, and to protect smallholder farmers from exploitation and mitigate pole vaulting risks.

The CPAs must clearly outline prices, market price information sources, quality standards, and supply schedules with flexible clauses for risk mitigation. RAPID Implementing Units may refer to the Project's CPA template and CPA Incentive Guide in crafting win-win agreements for all involved stakeholders.

2.1 Setting-up of Management and Administration Systems of the Hub and Spokes

After the acquiring the concurrence and buy-in of the primary Hub and Spoke stakeholders, the most crucial step to ensure the success of the model is the setting-up of the management and administration system. A well-functioning Hub and Spoke Model requires a combination of effective and transparent governance, efficient tools, and well-defined operational systems to achieve the envisaged transformational benefits of the model.

In this regard, the RAPID Hubs in partnership with RAPID Implementing Units must then immediately pursue the establishment of the following systems through its Business Development Services and Capacity Building interventions:

| Key Systems to Establish | Description |
|---------------------------------|---|
| Governance System | <p>This system ensures clear decision-making, accountability, and stakeholder participation. The key components of this system should cover the following:</p> <ol style="list-style-type: none"> 1. Management Structure that establishes clear roles and responsibilities for Hub managers/administrators, spoke coordinators, advisory committees, and other relevant functions. 2. Establishment of a collegial body to ensure representation of all stakeholders involved in the model. This body will serve as |

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| | <p>a steering committee to ensure farmer groups, agribusinesses, financial institutions, and government representatives are included in the governance structures of the Hub and Spokes.</p> <p>3. Documented Standard Operating Procedures of all crucial systems and protocols (systems elaborated in the subsequent rows) to be established between the Hub and Spokes.</p> |
| <p>Farmer Registration and Database Management System</p> | <p>Considering that the Hub and Spoke Model is a strategy to achieve greater agglomeration of production to serve bigger and better markets for the benefit of smallholder farmers, effective and efficient coordination and monitoring of Spokes is paramount. Hubs, with the assistance of RAPID Implementing Units, are encouraged to use digital tools for this system such as PheCom Genesis, Farm Pass of Mastercard, Community-level SARAI-Enhanced Agricultural Monitoring System (CL-SEAMS) of DOST's Project SARAI, and other similar digital platforms offered by Coop Federations.</p> |
| <p>Logistics & Transportation Management System</p> | <p>Considering the extensive network of Spokes that a single Hub is facilitating, efficiency of logistics and transportation of products is crucial to the overall viability of the Hub and Spokes Model. In this regard, all Hubs must be able to establish the following logistical protocols and procedures to ensure efficient collection and delivery of products while minimizing losses:</p> <ol style="list-style-type: none"> 1. Establishment of strategic collection centers within the network of Spokes 2. Optimized collection route and schedule to maximize utilization of hauling vehicles 3. Post-harvest handling protocols to minimize transport losses and maintain quality of products 4. Fleet and Driver Management System to track utilization and schedules of hauling vehicles or third-party logistics services for collecting produce from the Spokes and deliveries to Anchor Firms 5. Contingency plans to mitigate fortuitous events that would hamper the flow of goods/products from the Spokes to Hubs and Hubs to Anchor Firms |
| <p>Financial Management & Payment System</p> | <p>Basing on the structural design of the Hub and Spoke Model, the success of the Hubs is contingent with the level of support and patronage it gets from its Spokes, with this, an effective financial management and payment system is crucial to the sustainability of the patronage of Spokes to a Hub. This system must be able to establish the following protocols and systems to ensure transparent financial transactions, cost tracking, and profit-sharing mechanisms:</p> <ol style="list-style-type: none"> 1. Payment Protocols between the Hub and Spokes and the Hub and Anchor Firms. It is strongly encouraged to implement mobile banking and digital wallets payment systems to ensure timely transactions specially for the smallholder farmers which usually appreciate and prefer cash on demand transactions. 2. Accounting and Bookkeeping System for tracking of revenues, expenses, and financial reports. Utilization of digital Enterprise Resource Planning (ERP) Software is highly |

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| | <p>recommended to streamline accounting and bookkeeping processes.</p> <p>3. Profit Distribution Framework that defines how revenues are shared among the Hub and Spokes to ensure that the economic benefits derived by the direct access of a Hub to bigger and competitive markets are trickled down to the Spokes most specially to the smallholder farmers. One example of a profit distribution framework is the image below:</p> <div data-bbox="635 443 1385 891" style="border: 1px solid black; padding: 10px; background-color: #e0f2f1;"> <p style="text-align: center;">Empowering Hubs to Generate Optimum Economic Benefits from the Hub and Spoke Model</p> <pre> graph TD A[Consolidation of Commodities from Spokes (paid upfront at fair market price)] --> B[Post-harvest processing of consolidated commodities to comply to market standards] B --> C[Coordination with a number of potential buyers to get the best price (may be through a bidding process)] C --> D[Select and deliver to the most competitive buyer] D --> E[Release of portion of price differential (initial buying price vs. final price availed from buyers) incentives to the Spokes] </pre> </div> <p>4. Credit & Loan Management System for the management and monitoring of agricultural loans for smallholder farmers, bridge financing for strategic consolidation posts, and other financial services. It is highly encouraged for Hubs to use established and proven systems from prominent Coop Federations such as MASS-SPECC, AgriCoop, NATCCO, MCN, and other systems compliant to FOCCUS Brand Standards.</p> |
| <p>Procurement and Supply Chain Management System</p> | <p>Pursuant to a Hub's function on consolidation and facilitation of the flow of goods and services for its Spokes, establishing a system for procurement and supply chain management is a must. Below are the important protocols and procedures to be established in this system:</p> <ol style="list-style-type: none"> 1. Price Information System to update smallholder farmers on market prices using efficient platforms such as SMS alert, Group Chats, and Facebook Groups. 2. Quality Control Protocols and Procedures such as grading and sorting, strict adherence to post-harvest processing and handling standards, and quality-testing procedures. 3. Inventory and Warehouse Management for an effective monitoring and traceability measures of stored products and inputs for distribution. Digital ERP applications are effective and efficient tools for managing inventories in warehouses. 4. Bulk Procurement System of Farm Inputs to avail discounted prices and timely distribution of inputs to smallholder farmers. Hubs are strongly encouraged to partner with major input suppliers to avail the best prices of inputs. |
| <p>Marketing, Sales, and Contract Management System</p> | <p>To ensure the profitability of the Hubs and Spokes, continuous strengthening of its market intelligence and partnerships with institutional buyers is crucial. Hubs are expected to spearhead the implementation of measures to strengthen its relationships with its</p> |

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| | <p>buyers and to continuously search for market expansion opportunities.</p> <p>With this, Hubs must establish its Sales and Marketing Team/personnel to spearhead the following functions:</p> <ol style="list-style-type: none"> 1. Coordination activities with buyers 2. Maintain the directory of buyers and historical data of trading activities 3. Manage accounts and activities in Digital Marketplace/E-commerce platforms 4. Market research and Business-to-Business Networking Activities 5. Implement Customer Relationship Management protocols |
| <p>Capacity-Building and Extension Services System</p> | <p>Pursuant to RAPID's Extension Services Delivery Model, Hubs and Spokes are strongly encouraged to establish following systems:</p> <ol style="list-style-type: none"> 1. Establishment of Farmer-Clusters according to geographic proximities and installing agri-extension service workers (AEWs such as Cacao Doctors, Coffee Mentors, and etc.) to monitor and provide immediate technical assistance to smallholder farmers in their respective clusters. These AEWs will also facilitate peer-to-peer learning visits. <div data-bbox="635 931 1382 1637" data-label="Diagram"> </div> <ol style="list-style-type: none"> 2. Organization of Labor Gangs for effective and efficient maintenance and harvesting of production areas. This will also mitigate the lack of availability of farm labor in rural areas and will contribute to job generation in communities particularly women and youth. 3. Establishment or identification of a Demonstration Farm/Farmer-Field School as a learning site for smallholder farmers for new agricultural techniques. The Hub may access the project's Matching Grant to establish such learning site. |

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| | <p>4. Establishment of a Knowledge Management Portal for smallholder farmers to access learning materials and posting of calendar of training activities.</p> |
| <p>Risk Management & Compliance System</p> | <p>Considering that the Hubs and Spokes are inherently facing various risks in its operations, it is highly encouraged for the Hubs and Spokes to implement risk mitigating measures such as:</p> <ol style="list-style-type: none"> 1. Application of climate-smart agricultural practices using digital tools such as DOST's Project Sarai applications for weather forecasting to plan planting and harvesting schedules and identification of vulnerable areas for pests and disease outbreaks. 2. Acquisition of crop insurance and/or other weather parametric based insurance for smallholder farmers to mitigate production risks due to adverse climatic conditions. 3. Installation of a dedicated compliance officer/personnel to ensure compliance of products to regulatory and buyers' standards. 4. Availment of Agricultural Guarantee Fund from Phil Guarantee to cover defaults of collateral free agricultural loans offered by the Hubs to their Spokes. 5. Establishment of a Grievance and Redressal Committees to spearhead the resolution of disputes between and among stakeholders. |
| <p>Monitoring, Evaluation, and Feedbacking System</p> | <p>To effectively track the progress of the Hubs and Spokes and determine areas for improvement and implement necessary adjustments, a monitoring, evaluation, and feedbacking system must be established. The installed AEWs in the farmer-clusters are recommended to be the frontliners in carrying out this function.</p> <p>In this regard, the Hubs and Spokes must implement the following MEAL activities:</p> <ol style="list-style-type: none"> 1. Baselining to get baseline information on farming household incomes, productivity rates, and other relevant indicators. 2. Performance Tracking and Outcome Harvesting procedures to track performance and socio-economic progress of stakeholders 3. Stakeholder feedbacking platforms to collect feedback from smallholder farmers, buyers, and service providers for continuous improvements. |

2.2 Training of AEWs and Labor Gangs in Farmer-Clusters

In the Hub and Spoke Model, mobilization of Agri-Extension Workers (AEWs) and Labor Gangs play an important role in improving farm productivity, livelihoods, and in the overall upgrading of agricultural value chains. AEWs are localized technical experts directly facilitating the mobilization of communities, knowledge transfer to smallholder farmers, and MEAL activities for continuous improvement of the operations of the Hubs and Spokes. On the other hand, Labor Gangs are organized groups of workers hired to perform specific agricultural tasks, such as planting, harvesting, farm maintenance, post-harvest handling, and among other crucial farm activities.

To deliver their functions effectively, AEWs and Labor Gangs require the following comprehensive trainings:

| Trainings | Key Topics |
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| <p>Social Preparation and Community Mobilization Training</p> | <ul style="list-style-type: none"> ✓ Leadership, Communication, and Facilitation Skills for AEWs to adequately spearhead activities in communities. ✓ Conflict Resolution Tools and Techniques for AEWs to ably handle disputes within farmer groups and between Hubs and Spokes. ✓ Gender and Social Inclusion for AEWs to ably promote the participation of women, youth, and marginalized groups. |
| <p>Productivity Enhancement Technical Trainings</p> | <ul style="list-style-type: none"> ✓ Good Agricultural Practices (GAP) to improve the overall productivity of smallholder farmers. This includes land preparation, crop rehabilitation and maintenance, and pest and disease management. ✓ Post-Harvest Processing and Handling Techniques to achieve quality standards and reduce losses and maintain quality during transportation and storage. ✓ Organic Farming Methods to enable smallholder farmers concoct and produce their own organic fertilizers and organic pest control measures |
| <p>Value Chain Analysis and Development Training</p> | <ul style="list-style-type: none"> ✓ Value Chain Analysis tools for AEWs to ably map VC actors and their functions, assess gaps, identify opportunities, and facilitate implementation of strategic interventions to address gaps/constraints while leveraging on strengths and opportunities. ✓ Hub and Spoke Model Framework for AEWs to ably raise awareness about the benefits of the Hub and Spoke Model and acquire the buy-in, commitment, and ownership from smallholder farmers. |
| <p>Environmental Sustainability & Climate Resilience Training</p> | <ul style="list-style-type: none"> ✓ Climate-Smart Agriculture to improve the resiliency of smallholder farmers through introduction of drought and disease resistant crops, water-saving irrigation methods, and other relevant climate adaptation tools and strategies. ✓ Agroforestry Practices that integrate trees and crops for biodiversity and soil health. ✓ Farm Waste Management Practices to inculcate environmentally friendly farm practices to smallholder farmers for sustainability. This includes proper handling, storage, and disposal of pesticides and fertilizers. |
| <p>Financial Literacy & Farm Business Management Training</p> | <ul style="list-style-type: none"> ✓ Cost-Benefit Analysis and Budgeting to help farmers calculate production costs and profit margins. |

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| | <ul style="list-style-type: none"> ✓ Farm Record-Keeping Practices for tracking inputs, yields, sales, and expenses. ✓ Accessing Credit and other Financial Services to improve overall financial literacy of smallholder farmers particularly on utilization of mobile banking and digital wallets, leveraging microfinance options, loan application procedures, and risk management through insurance. |
| <p>Monitoring, Evaluation, and Reporting (M&E) Training</p> | <ul style="list-style-type: none"> ✓ Setting and Tracking Key Performance Indicators (KPIs) for AEWs to accurately track productivity and incomes of smallholder farmers. ✓ Tools and Techniques on Data Collection and Analysis for AEWs to effectively gather and interpret data and information from the field. ✓ Reporting and Feedback Mechanisms for AEWs to ably prepare reports and stakeholder feedback for Hub managers, Anchor Firms, industry enablers, and other relevant stakeholders in the pursuit of continuous improvement. The engagement of AEWs in M&E functions is also pursuant to the participatory M&E processes of the RAPID Growth Project. |

2.3 Roll-out of RAPID's Agricultural Value Chain Finance Program (AVCFP)

Rolling out RAPID's Agricultural Value Chain Finance Program (AVCFP) to cooperative Hubs of the RAPID Project requires a strategic and integrated approach. The following are the steps from the design development up to the creation of a sustainable model:

1. Conduct of Technical Assistance on the Design of Innovative and Resilient Agricultural Value Chain Finance Program for Cooperative Hubs
2. Manualization of AVCFP
3. Capacity Building and Institutionalization of AVCFP through Coop-Hubs' respective Cooperative Federation
4. Access to Funding and Monitoring & Evaluation

By creating a holistic and integrated program that supports both the financial and agricultural operations of cooperatives, the RAPID Project can ensure that the hubs become more resilient, capable of consolidating farmers' produce effectively, and able to access larger markets, ultimately leading to better income and productivity for all stakeholders involved.

I. **Conduct of Technical Assistance (TA) on the Design of Innovative and Resilient Agricultural Value Chain Finance Program for Cooperative Hubs**

Strategic Framework for Value Chain Finance

The RAPID Project is utilizing the USAID's strategic framework for value chain finance given the partnership with USAID Cooperative Development Program with a signed MOU since 2023. The framework focuses on creating sustainable, inclusive, and resilient agricultural economies by addressing key components such as trends, opportunities, and financial dynamics within value chains.

Strategic framework to value chain finance



It begins with trends and opportunities, identifying market shifts and emerging possibilities for growth, such as new technology or shifts in demand that could enhance value chain efficiency. End market segmentation is critical for understanding target markets, customizing financial products, and ensuring that financing aligns with the specific needs of various market segments. Value chain finance analysis evaluates the flow of finance within value chains, identifying gaps and opportunities to better serve stakeholders. This is followed by risk analysis, where potential challenges—like market volatility, climate change, or operational risks—are assessed to develop effective risk mitigation strategies. Building strong partnerships and alliances is essential to leverage resources, knowledge, and networks across multiple stakeholders, including financial institutions, BDS Providers, and various national government agencies, which will reduce identified risks. Lastly, financial analysis is essential to quantify the financing needs of cooperatives and farmers, enabling the development of tailored financial products that address specific needs and ensure the sustainability and effectiveness of the agricultural value chain finance program. Collectively, these components form a comprehensive approach to strengthening agricultural value chains through strategic financial interventions and collaborative partnerships.

Conduct of Agricultural Value Chain Finance Workshop to Cooperative-Hubs to Promote Inclusive Finance

To promote inclusive finance, the RAPID Project provided technical assistance (TA) by initially clustering cooperative hubs based on commodity. Value Chain Finance Workshops were then conducted for each commodity, beginning with cacao cooperatives in September 2024, followed by coconut cooperatives in February 2025, and coffee cooperatives in the third quarter of 2025.

These workshops incorporated derisking activities, including learning and appreciation visits to anchor firms (processors and consolidators), expert-led sessions on agronomic risks affecting productivity, and presentations from business development support providers as potential partners to help mitigate identified risks. Additionally, financial service providers presented their agricultural financial products and services, outlining application requirements, followed by a Q&A and credit matching session.

On the other hand, the value chain training-workshop covered cooperative-based value chain approaches, risk assessments where participants identified risks and developed

mitigation strategies, financial analysis to assess financing needs, and the drafting of agricultural value chain financing programs.

Developing a Comprehensive Value Chain Finance Program

The development of an Innovative and Resilient Value Chain Finance Program and Services by cooperatives for their smallholder farmer-members is far more impactful and sustainable than simply creating a standalone credit facility. While a credit facility can provide immediate financial support, it often does not address the broader and interconnected challenges smallholder farmers face. A holistic, value chain finance program that integrates various components, including financial services, risk mitigation strategies, and extension services, is essential for long-term success and resilience.

Firstly, a holistic approach ensures that farmers not only have access to financing but also receive critical support in improving their farming practices. Extension services – such as training on good agricultural practices, crop diversification, sustainable farming techniques, postharvest handling and processing, and climate-resilient strategies, are vital in enhancing productivity and mitigating risks. When cooperatives pair financial services with extension work, they empower farmers with knowledge and tools that help them make the most of the credit they receive, leading to better crop yields and more sustainable farming practices. This integrated support system creates a multiplier effect, where the financial products available are used more effectively and result in better outcomes for the farmer, ensuring repayment as well.

Moreover, a value chain finance program embedded within the value chain creates a more resilient ecosystem. By addressing multiple stages of the value chain, cooperatives can support farmers not just in accessing capital but also in improving their supply chains, market access, and post-harvest practices. This can involve linking farmers to processors, consolidators, and other value chain actors, which enhances the efficiency and profitability of the entire system. With access to appropriate financial products tailored to each phase of the value chain, farmers can smooth cash flow fluctuations, invest in critical inputs, and manage risks more effectively.

Risk management and other advantages of a holistic value chain finance program

Cooperatives that develop an innovative and resilient value chain finance program, comprising not only financial services but also extension work and risk management, create a more robust support system for their smallholder farmer-members. This integrated approach leads to greater productivity, resilience, and sustainability, ensuring that farmers are not just receiving loans, but are empowered to grow their businesses and improve their livelihoods over the long term.

- **Risk Management.** Risk management is a key advantage of a holistic value chain finance approach. By incorporating risk analysis and de-risking activities, such as weather insurance, price stabilization mechanisms, or access to climate-resilient technologies, cooperatives can help mitigate the unpredictable nature of farming. This holistic approach can build resilience to external shocks, such as fluctuating commodity prices or climate-related disruptions, which are often major challenges for smallholder farmers.
- **Resilience to Systemic Risks.** In contrast, a standalone credit facility typically only addresses the immediate need for capital but doesn't provide the ongoing support needed to manage and overcome these external challenges. Without the added dimension of extension services and a broader value chain strategy, smallholder farmers may find it difficult to utilize loans effectively, and may remain vulnerable to the same systemic risks.

- **Sustainable Relationships with FSPs and Enablers.** Furthermore, by developing a comprehensive value chain finance program, cooperatives can build stronger, more sustainable relationships with financial service providers and other stakeholders. Financial institutions are more likely to engage with cooperatives that are not just offering loans but are also working holistically to improve farmers' livelihoods, reduce risks, and increase profitability. This approach demonstrates the cooperative's commitment to the long-term success of its members, attracting more partners, investors, and funding opportunities.

II. Manualization of Agricultural Value Chain Finance Program

RAPID NPCO to Hire a Consultant for the Manualization of the VC Finance Program

The RAPID Project will engage a consultant to spearhead the manualization process for the Agricultural Value Chain Financing Program. This consultant will be responsible for creating a comprehensive manual that standardizes processes, boosts efficiency, and ensures the program's scalability. This crucial step will lay the foundation for the program's long-term sustainability and overall success.

The manualization of the Innovative and Resilient Agricultural Value Chain Finance Program is vital for ensuring consistency, efficiency, and scalability. By formalizing the program's processes in a comprehensive manual, operations can be standardized across the RAPID Implementing Units in seven (7) regions, ensuring that all stakeholders, from farmers, cooperative hubs, BDS providers, financial service providers (FSPs), and other partner enablers of the Project will have a clear understanding of their roles, responsibilities, and expectations.

This formal documentation will streamline decision-making, improve operational efficiency, and serve as a key tool for training, monitoring, and evaluation, ensuring transparency and accountability. Moreover, a well-structured manual will provide a solid framework for risk management and resilience, allowing the program to adapt to local contexts while maintaining a cohesive approach. Ultimately, the manualization process will enable the program to scale more effectively, facilitate the sharing of best practices, and ensure its long-term sustainability, fostering greater trust and encouraging active participation from all stakeholders.

III. Capacity Building and Institutionalization of Agricultural Value Chain Finance Program through Coop-Hubs' respective Cooperative Federation

Partnerships for Value Chain Integration and Harmonization of Intervention Plans with Cooperative Federations

The RAPID Project will establish strategic partnerships with cooperative federations to foster value chain integration and ensure the sustainability of support to cooperatives. To formalize this partnership, the Project will draft a memorandum of understanding (MOU) with the federations, recognizing their mandated role in supporting cooperatives. For primary cooperatives that are not yet members of federations, the Project will encourage them to join, as the Cooperative Development Authority (CDA) requires federation membership, and doing so provides access to essential resources and support. The RAPID Project and cooperative federations will also work to harmonize their intervention plans, ensuring synergy in supporting agricultural cooperatives within the RAPID priority value chains. Coordinated efforts will be crucial to maximize impact, avoid duplication, and leverage resources effectively.

Institutionalization of Agricultural Value Chain Finance Program and Capacity Building

The RAPID Project, in collaboration with the cooperative federation, will present and orient cooperative hubs on the developed agricultural value chain finance program,

allowing for feedback and further enhancement. Each cooperative hub will produce an action plan as an output, which will guide the Project's interventions. Follow-up activities for institutionalizing the program will include drafting revised loan policies that integrate risk mitigation strategies, launching updated or expanded financial products and services, and introducing and automating essential tools and systems to support the program's effective implementation.

To ensure long-term sustainability, the Project will provide capacity-building initiatives for cooperative leaders and staff, focusing on managing both financial and agricultural value chains. Training will cover critical topics such as enterprise and credit management, risk management, and market dynamics. Additionally, the Project will offer a training-of-trainers (TOT) program on financial literacy for farmer-members, enabling cooperatives to independently conduct training as part of their service offerings. To further enhance digital capabilities, cooperatives will be trained in digital literacy, equipping them to use mobile banking platforms, digital payment systems, and traceability tools in the value chain, leveraging existing platforms from the cooperative federations.

IV. Access to Funding and Monitoring and Evaluation

Access to Funding and Financial Support

If the cooperative hubs lack sufficient internal capital to extend loans to their farmer-members and support their operations, it is crucial to mobilize funding from various sources, such as government financial institutions (GFIs), government grants, cooperative federation, and other FSIs with friendly terms and cheaper rates. These funds can provide low-interest loans or grants that will enable cooperatives to grow and expand. In addition, it is essential to encourage cooperatives to develop a comprehensive business plan or financial forecast that outlines how the funds from the Agricultural Value Chain Financing Program (AVCFP) will be utilized. This plan should focus on enhancing agricultural production, promoting consolidation, and improving market access, ensuring that the financial resources are effectively channeled towards fostering long-term sustainability and growth.

Monitoring and Evaluation

Establishing a robust monitoring and evaluation (M&E) system is crucial for tracking the progress of the program, measuring outcomes, and ensuring that the funds are being utilized efficiently. Regular feedback from farmers and cooperatives should be collected to make any necessary adjustments to the program, ensuring it meets their evolving needs. Furthermore, the data gathered through the M&E system should be analyzed to refine and improve future interventions, enhancing the effectiveness of the program in the long run.

2.4 Implementation of Matching Grants and Strategic Interventions based on the Approved DIPs and Results of the DIP Implementation Progress Review

Considering that the stakeholders in the Hub and Spoke Model are the DIP Proponents of the RAPID Implementing Units and the mainstreaming of the model itself is a corrective measure to achieve the envisaged goals of the DIPs and the project as a whole, calibration of the Matching Grants, Business Development Services (BDS), and Capacity Building interventions is imminent pursuant to the structure of the model and the ideal functions of the assigned Hubs and Spokes.

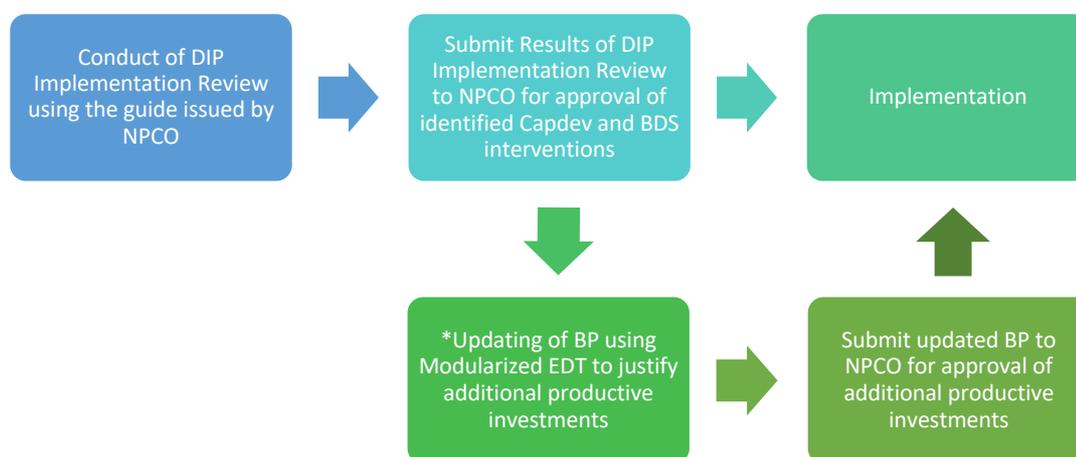
Hence, the calibration of the matching grants, BDS, and capacity building interventions must start with the conduct of the DIP Implementation Progress Review of which all RAPID Implementing Units were directed to conduct since October 2024. The results of the review process should determine the calibrated strategic investments and interventions to be provided

to the DIP proponents to address implementation gaps pursuant to the Hub and Spoke Model Framework.

With this, **the calibrated interventions and investments to be provided by the RAPID implementing units must prioritize the setting-up of Management and Administration Systems of the Hub and Spokes (refer to key systems to establish in Section 2.1) and Training of AEWs and Labor Gangs in Farmer-Clusters (refer to identified trainings in Section 2.2)** to ensure functional and sustainable supply chains.

Further, pursuant to the Project's enhanced Comprehensive Capacity Building Framework as detailed in the User's Manual of RAPID's Enterprise Diagnostic Tool, **the BDS and Capacity Building Activities of the Project must pursue the strategy of installing and applying proven systems and tools** rather than building the beneficiaries' competence through classroom type trainings and lectures on concepts and theories which in reality requires a significant of time to achieve full adoption and achieve change in behavior. This approach is similar to the concept of franchising where a franchisee is given the systems, procedures, and tools of the business by the franchisor for immediate adoption and operation.

The diagram below is the prescribed procedure for calibrating interventions and investments for DIPs with ongoing implementation:



**Updating of Business Plans using the modularized EDT will only be necessary should there be requests for additional productive investments for Matching Grants. The R/PCU may immediately implement capacity development activities and business development services upon NPCO's approval of the R/PCU's recommendations detailed in the DIP Implementation Review Results/Report.*

Applicable EDT Sections to be Accomplished for New Productive Investment Proposals from Previously Approved Project Proponents with Duly Approved Business Plans

Anent the process of calibrating strategic interventions and investments for DIP proponents as a result of the DIP Implementation Progress Review, the NPCO will only require the following sections of the EDT to be accomplished to justify the viability of the new productive investment proposals:

1. Data Privacy Consent Form and Respondent(s) Profile
2. Enterprise Diagnostics (Refer to appropriate EDT based on its role in the value chain)
 - a. Sales, Distribution, and Revenue Generation
 - b. Consolidation, Production, and Supply Chain Management
 - c. Marketing, Promotion, and Brand Equity Management (for enterprises engaged in processing only)
 - d. Historical Financial Performance

3. Summary of Proposed Investments and Interventions (New)
4. Financial Viability of Proposed RAPID Productive Investments
5. Socio-Economic and Environmental Benefits of the Proposed Strategic Investments and Interventions

The accomplished modularized EDT for new productive investment proposals shall then be submitted to NPCO to acquire the approval of the proposed new investments. The DIP to which the proponent is covered shall also be updated and duly submitted to NPCO for record keeping purposes.

3. Partnership-Building Activities

In the Hub and Spoke Model of agricultural value chain development, building strong partnerships with the private business sector (e.g., input suppliers, buyers, processors, logistics companies) and industry enablers (e.g., financial institutions, research organizations, government agencies, and NGOs) is crucial for ensuring the model's success. These partnerships bring together essential resources, expertise, and networks that help improve efficiency, inclusivity, sustainability, and scalability across the value chains.

In the context of the implementation of the model under the RAPID Growth Project, the following potential partners and their respective value propositions are identified for immediate reference of RAPID Implementing Units:

| Potential Partners | Value Proposition |
|---|---|
| <p>Regional Technical Working Group (RTWG) Members of the RCUs</p> | <p>The RAPID Regional TWGs are composed of various industry enabling entities such as Department of Agriculture, Department of Science and Technology, Department of the Interior and Local Government, Industry Councils, and other relevant offices/agencies. These entities may provide funding and technical support to complement in the implementation of the strategic investments and interventions of the RAPID Implementing Units. Thus, building a strong partnership with these entities is imperative to maximize the impact of the project's interventions, and most importantly, to mainstream the Project's beneficiaries within the respective programs of these entities for sustainability of support and continuous development of RAPID's beneficiaries.</p> |
| <p>Cooperative Federations</p> | <p>Cooperative Federations such as MASS-SPECC, NATCCO, AgriCoop, MCN, and the likes play a vital role in strengthening the primary cooperatives by providing strategic services to ensure primary cooperatives thrive, grow, and remain sustainable contributors to national development as mandated in the Philippine Cooperative Code of 2008. Considering that 31% of the producer organizations assisted by RAPID are primary cooperatives, it is imperative for the project to partner with the cooperative federations in providing strategic business development and capacity-building services to RAPID-assisted cooperatives considering that these federations have already developed and established proven systems, tools, and manuals related to Governance, Enterprise, and Credit and Loans Management for primary cooperatives to adopt and use.</p> <p>Further, membership of RAPID-assisted primary cooperatives to cooperative federations is highly beneficial for the sustainability of their development. Member cooperatives will continuously</p> |

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| | <p>receive technical, financial, and hand-holding support from federations even after the expiration of the RAPID Growth Project.</p> |
| <p>LGUs (PAFECs and MAOs)</p> | <p>Similar to the value of partnering with RAPID RTWG Members, partnering with the Provincial Agri-Fishery Extension Centers (PAFECs) and the Municipal Agriculture Offices (MAOs) is also imperative since the implementation of the RAPID Growth Project is within the jurisdictions of these offices. RAPID Implementing Units must seek complementation of resources with these offices to maximize the impact of RAPID's interventions and investments and for the sustainability of support after the project's completion.</p> <p>Below are some concrete examples of complementation with PAFECs and MAOs:</p> <ul style="list-style-type: none"> ✓ RAPID-assisted smallholder farmers received funding support from TUPAD Program through the PAO for the labor rendered on farm expansions ✓ RAPID-assisted smallholder farmers received fertilizer support from the MAO ✓ RAPID-assisted Cooperatives were able to use the nursery facilities of the MAO for the production of seedlings |
| <p>Financial Service Providers</p> | <p>In all functions of the value chain, adequate financing of the operations of the different value chain stakeholders is vital to ensure the smooth flow of products and services from the smallholder farmers to the Hubs and to the Anchor Firms. Thus, it is imperative for RAPID Implementing Units to partner with financial service providers to fill the financing gaps across value chain functions.</p> <p>The following FSPs are some of the highly recommended partners of the project:</p> <ol style="list-style-type: none"> 1. Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) for loans for Matching Grant counterpart requirement, working capital, and digital banking services for all VC stakeholders. 2. Small Business Corporation (SBC) for Equity Financing, working capital, and RAPID P3 Wholesale Lending Program for retailing to smallholder farmers. 3. Agricultural Credit Policy Council for wholesale production loans, capital requirements, and survival and recovery loans to increase overall profitability and recovery of agricultural organizations and smallholder farmers. 4. Cooperative Federations for working capital, fixed assets, wholesale financing, and etcetera of member primary cooperatives. 5. Primary Cooperatives with Lending Services for production loans and other innovative financial products for smallholder farmers. |
| <p>Credit Portfolio Guarantee and Insurance Providers</p> | <p>Pursuant to the establishment of risk management systems of the Hub and Spoke Model, implementing financial risk mitigation measures is strongly recommended particularly for Hubs who extends production loans to smallholder farmers, and for smallholder farmers that are vulnerable to risks in production due to adverse climatic conditions.</p> |

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| | <p>The following entities are recommended to be partners in building the resiliency of RAPID-assisted stakeholders:</p> <ul style="list-style-type: none"> ✓ Philippine Guarantee Corporation's Agriculture Credit Guarantee Program using the Agricultural Guarantee Fund Pool (AGFP) to provide guarantee coverage to the Hub's unsecured loans thereby mitigating the risks involved in lending to smallholder farmers. ✓ Philippine Crop Insurance Corporation (PCIC) to cover crop and agricultural asset damages and credit life of smallholder farmers. |
| <p>Logistics and Trucking Services</p> | <p>Considering the logistical requirement to ensure the smooth flow of products between the Hubs and Spokes and Hubs and Anchor Firms, partnering with capable logistics and trucking service providers is highly recommended specially if a Hub lacks the physical assets to pick-up and transport the consolidated products of its Spokes to the Anchor Firms. Having a steady partner for this function may be more economical and practical for Hubs considering that they do need to maintain a significant number of hauling trucks and vehicles and hire too many drivers which will significantly increase their operating expenses.</p> |
| <p>Enterprise Resource Planning (ERP) Technology Providers</p> | <p>Pursuant to the necessary management systems to be established in the Hubs and Spokes, having an automated digital tool in bookkeeping, enterprise management, and monitoring will significantly improve the efficiency of the Hubs and Spokes which will ultimately lead to better profitability. Additionally, ERP systems also foster transparency and accountability of processes and transactions which are also vital in the sustainability of the model.</p> <p>The following systems are some of the notable systems available in the market:</p> <ul style="list-style-type: none"> ✓ SAP Business One ✓ NetSuite ✓ Mastercard's Farm Pass ✓ Odoo ✓ PheCom Genesis ✓ And other ERPs offered by Coop Federations <p>ERP Systems vary in features, thus potential users must thoroughly assess which ones are most applicable and beneficial to their operations.</p> |
| <p>Project SARAI of DOST and UPLB</p> | <p>Agricultural Hub and Spokes are inherently exposed to risks due to adverse climatic conditions, thus, application of climate-smart agricultural practices using digital tools such as DOST's Project Sarai applications for weather forecasting to plan planting and harvesting schedules, monitoring performance of smallholder farmers, and identification of vulnerable areas for pests and disease outbreaks is highly recommended. Using such tools will greatly mitigate preventable production losses and optimize productivity which will ultimately lead to better profits of smallholder farmers.</p> |
| <p>Academe</p> | <p>For sustainability and maximization of available resources in the pursuit of upgrading RAPID covered value chains, Partnering with the academe whether private universities or State</p> |

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| | <p>Universities and Colleges (SUCs) provide a holistic and sustainable support system for the Hub and Spoke Model. From research, technology and innovation, extension services, funding support, to market linkages, a strong relationship with the academe empower farmers, strengthen value chains, and ensure that Hubs and Spokes operate efficiently, inclusively, sustainably, and at scale. Hence, RAPID Implementing Units must map relevant academes in their respective regions and provinces that may be engaged as partners in the implementation of the RAPID Growth Project.</p> |
| <p>NGOs/CSOs</p> | <p>Non-Governmental Organizations (NGOs) and Civil Society Organizations (CSOs) play a vital role in bridging the gap between government programs, private sector investments, and grassroots communities. Their involvement in the Hub and Spoke Model enhances social mobilization, capacity building, resource access, policy advocacy, and inclusivity, ensuring that agricultural value chains are people-centered, sustainable, and scalable. Further, these organizations help ensure that the Hub and Spoke system is not only market-driven but also socially responsible, inclusive, and resilient.</p> |
| <p>Other Ongoing Programs and Projects</p> | <p>The Hub and Spoke Model in agricultural value chains requires strong institutional support to succeed specially in its infancy stage. Major Philippine agriculture programs led by Government Agencies such as Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Trade and Industry (DTI), Department of Science and Technology (DOST), and other key agencies, offer essential support in funding, infrastructure, research, training, market linkages, and sustainability initiatives.</p> <p>With RAPID complementing with these programs in close coordination with the Provincial Agri-Fishery Extension Centers and the Municipal Agriculture Offices, RAPID assisted Hubs and Spokes can access more government resources, achieve greater socio-economic impact, and build a more resilient and competitive agri-value chain.</p> <p>The following are the following major programs that RAPID Implementing Units may partner with in the implementation of its strategic investments and interventions:</p> <ul style="list-style-type: none"> ✓ Coconut Farmers & Industry Development Plan (CFIDP) ✓ Philippine Rural Development Project (PRDP) ✓ Mindanao Inclusive Agriculture Development Project (MIADP) ✓ Value Chain Innovation for Sustainable Transformation in Agrarian Reform Communities (VISTA) |

Partnership-building activities of the RAPID Implementing units, including the NPCO, is a deliberate process which should be inculcated in the consciousness of RAPID personnel in the conduct of its networking, planning, and DIP implementation activities. **Potential partners that are envisaged to be strategic and would generate optimum impact should be invited in the conduct of DIP Implementation Planning Sessions of the RAPID Implementing Units** to map out areas of complementation. This way, key resources and implementation efforts are committed from the onset which greatly improves the efficiency and effectiveness of project implementation.

VI. Roles of RAPID Implementing Units in Implementing Interventions and Investments under the RAPID Growth Project

Considering the limited implementation years of the project and the references cited in the Basis of Framework Development, the following matrix of priority interventions and investments of project units are aligned to the sustainability and exit plan of the project:

| VC Actor | NPCO | RCUs | PCUs |
|---------------------|--|--|--|
| Anchor Firms | <ul style="list-style-type: none"> Project-wide marketing and promotion support of products in major domestic and international Trade Fairs and Expos, Strategic B2Bs, and selected OTOP Hubs. Bridging Anchor Firms to R/PCUs in finding potential partner producer Hubs. Provision of assistance to R/PCUs in bridging Anchor Firms to financial services and SBC's equity financing and other loan facilities. | <ul style="list-style-type: none"> Provision of strategic wholesale, region-wide Business Development Services to Anchor Firms based on the approved DIPs/BIPs and recommended BDS as a result of the DIP Implementation Review Sessions duly approved by NPCO. Assistance to Anchor Firms in finding potential partner producer Hubs and execution of CPAs if necessary. Assistance to Anchor Firms in bridging to financial services and SBC's equity financing. Provision of marketing and promotion support of products in major domestic Trade Fairs and Expos, Strategic B2Bs, and selected OTOP Hubs. | <ul style="list-style-type: none"> Provision of MGs for Productive Investments based on the approved DIPs/BIPs. Provision of strategic wholesale, province-wide Business Development Services based on the approved DIPs/BIPs and recommended BDS as a result of the DIP Implementation Review Sessions duly approved by NPCO. Assistance to Anchor Firms in finding potential partner producer Hubs and execution of CPAs if necessary. Assistance to Anchor Firms in bridging to financial services and SBC's equity financing. Provision of marketing and promotion support of products in major domestic Trade Fairs and Expos, Strategic B2Bs, and selected OTOP Hubs. |
| Hubs | <ul style="list-style-type: none"> Wholesale program (using the Grant Fund) in introducing digital Centralized Accounting and Enterprise Management Systems in partnership with major | <ul style="list-style-type: none"> Provision of strategic wholesale, region-wide Business Development Services to Hubs based on the approved DIPs/BIPs and recommended BDS as a result | <ul style="list-style-type: none"> Provision of MGs to Hubs and Spokes for Productive Investments based on the approved DIPs/BIPs. |

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| | <p>cooperative federations such as MASS-SPECC and NATCCO.</p> <ul style="list-style-type: none"> • Project-wide marketing and promotion support of products in Major Trade Fairs, Expos, Strategic B2Bs, and selected OTOP Hubs. • Provision of technical assistance and guidance to R/PCUs in bridging Hubs to financial services. • Provision of technical assistance and guidance to R/PCUs in setting-up the extension services mechanisms in Hubs and Spokes. | <p>of the DIP Implementation Review Sessions duly approved by NPCO.</p> <ul style="list-style-type: none"> • Assistance to Hubs in bridging to financial services and SBC's equity financing. • Provision of marketing and promotion support of products in major domestic Trade Fairs and Expos, Strategic B2Bs, and selected OTOP Hubs. | <ul style="list-style-type: none"> • Provision of strategic wholesale, province-wide Business Development Services to Hubs and Spokes based on the approved DIPs/BIPs and recommended BDS as a result of the DIP Implementation Review Sessions duly approved by NPCO. • Implement the Hub & Spoke Model (including setting-up its management and administration systems, extension services, and adoption of innovative financing) and provide assistance to Hubs in finding potential partner producer Spokes and execution of CPAs if necessary. |
| <p>Spokes</p> | <p>Provision of coordination support with FSPs and GFIs (National Level) to assist R/PCUs in bridging Spokes to financial services.</p> | <p>Coordination with FSPs and GFIs (Regional Level) to assist PCUs in bridging Spokes to financial services.</p> | <ul style="list-style-type: none"> • Assistance to Hubs and Spokes in bridging to financial services and SBC's equity financing. • Provision of marketing and promotion support of products in major domestic Trade Fairs and Expos, Strategic B2Bs, and selected OTOP Hubs. |
| <p>Industry Enablers and Ancillary Actors</p> | <p>Partnership-building activities with industry enablers and ancillary actors that would lead to complementation in the implementation of project investments and interventions and sustainability of value chains covered by the project.</p> | <ul style="list-style-type: none"> • Provision of Matching Grants to improve capacity of industry enablers and ancillary actors in delivering services to VC Actors covered by the project. (should the new Omnibus MG Guidelines is approved by IFAD) • Partnership-building activities with industry enablers (Regional Level) that would lead to complementation in the implementation of project | <ul style="list-style-type: none"> • Provision of Matching Grants to improve capacity of industry enablers and ancillary actors in delivering services to VC Actors covered by the project. (should the new Omnibus MG Guidelines is approved by IFAD) • Partnership-building activities with industry enablers (Provincial Level) that would lead to complementation in the implementation of project |

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| | | investments and interventions and sustainability of value chains covered by the project. | investments and interventions and sustainability of value chains covered by the project. |
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VII. Risks, Challenges, and Mitigation Strategies

The implementation of the Hub and Spoke Model particularly in agricultural value chains comes with several notable risks and challenges that can affect its viability, efficiency, scalability, inclusivity, and sustainability. The table below are the notable risks of the Model that are often interconnected and may arise from economic, operational, social, or environmental factors. These potential risks must be recognized by the RAPID Implementing Units from the onset of the Model’s implementation and pursue the mitigating measures with utmost importance.

| Identified Risks and Challenges | Probability (Low-Med-High) | Impact (Low-Med-High) | Mitigating Measures | Required Resources | Responsible Unit/Person |
|---|----------------------------|-----------------------|--|--|-------------------------|
| <i>Economic Risks</i> | | | | | |
| Establishing Hubs require significant capital for infrastructure, technology, and operations, which may be challenging to secure, especially in resource-constrained Provinces covered under RAPID. | High | High | Maximize the use of RAPID’s Matching Grants for productive investments and leverage strategic partnerships with other industry enablers to support the overall infrastructure and equipment needs of the operations of the Hubs. | RAPID MOOE, Matching Grants, and other assistance from Industry Enablers | RAPID R/PCUs |
| Price volatility for agricultural products can disrupt the economic viability of hubs and affect incomes of smallholder farmers. | High | High | Increase the number of partner Anchor Firms of Hubs to diversify markets and Implement mechanisms for price stabilization, such as execution of mutually beneficial Commercial Partnership Agreements, and forward contracts. | RAPID MOOE | RAPID R/PCUs and Hubs |
| If a Hub relies on a few Anchor Firms or buyers, disruptions (e.g., stop-buying, demand and policy changes) can destabilize the model. | High | High | Hubs must also establish an emergency fund or credit lines with FSPs for working capital in times of | | |

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| | | | significant price increase of commodities. | | |
| Smallholder farmers and Farmer Associations (Spokes) may struggle with cash flow, limiting their ability to produce consistently at a desired volume and quality. | High | High | Improve the access to financing of Spokes by linking them to FSPs and matured Hubs that may provide bridge financing and other financial services. | RAPID MOOE | RAPID R/PCUs and Hubs |

| Operational Risks | | | | | |
|--|-------------|-------------|---|-------------------|--|
| Poor access road infrastructure, high transportation costs, limited availability of hauling vehicles, or unreliable logistics networks can disrupt the flow of goods and services between Hubs and Spokes. | High | High | <ul style="list-style-type: none"> Maximize the use of RAPID's Matching Grants for the provision of hauling vehicles to Hubs. Provide BDS to Hubs to establish the most cost-efficient logistical system between the Hubs and Spokes. This includes contingency plans for seasonal or climatic disruptions. Maximize use of RAPID Grant Fund to introduce innovative technologies for the improvement of logistics systems of Hubs. Lobby FMR projects strategic for the network of the Hub and Spokes to other FMR programs. | RAPID MG and MOOE | RAPID R/PCUs and Hubs |
| Inadequate storage facilities due to the increased consolidated products or poor handling practices at Hubs can lead to significant post-harvest losses, particularly for perishable products. | High | High | <ul style="list-style-type: none"> Maximize the use of RAPID's Matching Grants and MOOE for the provision of post-harvest facilities and equipment and Good Post-Harvest Practices trainings to Hubs. | RAPID MG and MOOE | RAPID R/PCUs and other Industry Enablers |
| Agricultural production cycles can lead to uneven volumes of produce, creating bottlenecks during peak times or underutilization during off-seasons. | High | High | <ul style="list-style-type: none"> Provide BDS to Hubs to establish the a functional operations manual, capacity planning, and inventory management system. | | |

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| Ineffective management of operations of Hubs can lead to delays, inefficiencies, wastage of resources, and grievances from Spokes. | Medium | High | <p>This includes contingency plans for seasonal or climatic disruptions.</p> <ul style="list-style-type: none"> Introduce digital tools and systems for monitoring, transactions, and traceability measures | | |
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| Social and Governance Risks | | | | | |
|---|--------|--------|--|--|------------------------|
| Hubs managed by private entities or large cooperatives may dominate decision-making, marginalizing the smallholder farmers and Farmer Associations. | High | High | Engage stakeholders early through social preparation activities, ensure inclusivity measures, and build trust through transparent governance. Conduct of a semi-annual localized stakeholders forums and assemblies initiated by the Hubs is recommended. | RAPID MOOE and budget allocation from Hubs | R/PCUs and Hubs |
| Local communities may resist the Hub's establishment due to mistrust, persisting disputes, cultural barriers and traditional beliefs, or lack of understanding of the model's benefits. | Low | High | | | |
| Misalignment between public and private sector stakeholders, or among farmers, can lead to inefficiencies or conflicts. | Medium | High | | | |
| Without deliberate inclusivity measures, women, smallholder farmers, or marginalized communities may be excluded from the benefits of the model. | Medium | Medium | The RAPID Implementing Units must ensure that the inclusivity strategies of the project are adopted by reviewing and updating the existing Policies, Systems, and Procedures (PSPs) of Coops assigned as Hubs. This will ensure the inclusion of special sectors in the operations across the functions in the value chains. | RAPID MOOE | NPCO, R/PCUs, and Hubs |
| Potential disruptions due to localized conflicts such as <i>Rido</i> and armed conflict. | Medium | High | Hubs with the assistance of RAPID Implementing Units and Municipal Agriculture Office must establish contingency measures to mitigate potential disruptions should there be an occurrence of an armed conflict in the | RAPID MOOE | R/PCUs, Hubs, and MAOs |

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| | | | areas where the Hubs and Spokes operate. | | |
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| Environmental Risks | | | | | |
|---|-------------|-------------|---|--|----------------------------------|
| Extreme weather events, droughts, or floods and plant disease outbreaks can disrupt productivity of Spokes and affect the Hub's operations. | High | High | <ul style="list-style-type: none"> Maximize the use of RAPID's Matching Grants to provide climate-resilient facilities and RAPID's MOOE for trainings on sustainable and climate-resilient agricultural practices. Maximize the use of RAPID's Grant Fund to introduce Climate-SMART Farm technologies. Collaboration with other Industry Enablers with the expertise and experience on the aforementioned subjects. | RAPID MOOE and other partnerships with other industry enablers | NPCO, R/PCUs, Partners, and Hubs |
| Unmanaged farm wastes, considering the increased production of Spokes, may lead to degradation of environment and community health issues. | High | High | | | |
| Overuse of natural resources (e.g., water, soil nutrients) in response to increased production demands can harm the environment and may lead to decrease of productivity of farm lands. | High | High | | | |

| Scalability and Sustainability Risks | | | | | |
|---|-------------|-------------|--|---|----------------------------------|
| Reliance on government subsidies, donor funding, or NGO support for Hubs may limit long-term sustainability if such support is withdrawn. | High | High | Mitigation Strategies under the Economic Risks and Operational Risks would increase the probability of the economic viability of the Hubs and Spoke which will lead to the sustainability of the model even without the support and subsidies from government and non-government entities. | RAPID MG, MOOE, and other partnerships with other industry enablers | NPCO, R/PCUs, Partners, and Hubs |
| Expanding the reach of the Model to the most rural and marginalized areas may face challenges such as insufficient infrastructure, inadequate technical expertise, or differing local conditions. | High | High | To conservatively and realistically determine the scope of Spoke to be linked to a certain Hub based on the operational capacity Hubs and geographical limitations. The coverage of the Spokes must be set at a certain limit where the Hubs can still effectively | RAPID MOOE | R/PCUs and Hubs |
| Limited access of Spokes to knowledge of innovative farm practices and technologies | High | High | | | |

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| can hinder the scalability of employed innovative tools in Hub management. | | | absorb the products of the Spokes, deliver extension and financial services to the Spokes | | |
| Unpredictable or poorly aligned government policies can disrupt operations and scaling efforts. E.g. Farmer Associations with limited competencies encouraged to engage into processing and sell final consumer products. | High | High | Engage in dialogue with all Industry Enablers present in the areas of the Hub and Spokes to align developmental policies and strategies. | RAPID MOOE | R/PCUs and Industry Enablers |

| <i>Risk of Dependency and Monopolies</i> | | | | | |
|---|---------------|-------------|--|------------|--------|
| If a single Hub becomes dominant in a Province or a Region, it may exploit spokes by imposing unfavorable terms or reducing profit margins for farmers. | Low | High | Establish multiple Hubs in a Municipality or a Province to mitigate chances of monopolistic practices. | RAPID MOOE | R/PCUs |
| Spokes may become overly dependent on their Hub for market access, risking their livelihood if the Hub fails or shifts its focus. | Medium | High | | | |

VIII. Key Indicators to Monitor

Using the prescribed methodology and guide questions in conducting the DIP Implementation Review Sessions, the table below are the key success indicators (outcome level) that should be monitored by the RAPID Implementing Units and for the Annual Outcome Survey Team to check the effectiveness of strategies and strategic investments and interventions pursuant to the Hub & Spoke Model, and more importantly, its contribution to the achievement of the Project's Logical Framework targets.

These key indicators is a summary of the initial gains reported by the RCU's in the conduct of the first batch of DIP Implementation Review Sessions and validated during NPCO's consultation workshop with prominent Hubs.

| Key Success/Outcome Indicators | Alignment to RAPID's Logical Framework | | Data and Information to Capture | | | |
|--|--|---|---|--|---|--|
| | Results Statement | Indicator | Baseline Data / Information | Progress as of Reporting Date | Means of Verification | Applicable Data Capture Form |
| Spokes are delivering its committed produce to their respective Hubs, and Hubs are delivering its committed supply (agreed quality and volume) to their respective Anchor Firm(s). | <i>Outcome 1: Producers and value chain actors execute collaborative action plans and build commercial partnerships in selected commodity chains</i> | <p>1.a Percentage increase in value of sales of participating MSMEs, Farmers Associations and Cooperatives</p> <p>1.b: No. of commercial partnerships developed between farmers cooperatives and SMEs/large corporations</p> | Volume and Quality of Products flowing in the supply chain prior to RAPID | Actual Volume and Quality of Products flowing in the Supply Chains | Hub's records of quantities of products delivered by their Spokes | MIS Data Capture Form (DCF) 2: CPA Tracker (tracking of sales ongoing configuration in the MIS form) |
| | <i>Output 1.4 DIPs connecting farmers to SMEs and facilitating access to markets and services</i> | <p>1.4.b Number of partnership agreements entered into by FAs/ Coops, MSMEs or large enterprises</p> <p>2.c % increase in productivity of participating SMEs and Cooperatives</p> <p>2.d % increase in volume and value of sales at farm/coop level and SME level</p> | List of markets served prior to RAPID | List of Anchor Firms/Buyers served (Evolution of Markets) | Purchase Orders or Current list of Anchor Firms/Buyers served | <p><u>For Baseline data:</u></p> <p>MIS Profiling Form B: for Farmer Organizations (FO)</p> <p>Profiling Form C: MSMEs</p> |
| | <i>Outcome 2:MSMEs secure the necessary access to producers, markets and suitable investment finance</i> | | | | | |

| Key Success/Outcome Indicators | Alignment to RAPID's Logical Framework | | Data and Information to Capture | | | |
|---|--|--|---|--|---|--|
| | Results Statement | Indicator | Baseline Data / Information | Progress as of Reporting Date | Means of Verification | Applicable Data Capture Form |
| Anchor Firms are honoring their commitment to their partner Hubs based on the terms of their respective CPAs. This includes their commitment in technical, financial, logistical assistances and other agreed incentives. | <i>Development Objective: Provide enabling conditions for the sustained growth of small and micro enterprises in selected agricultural commodity chains with comparative advantages, market demand, growth potential, links to small farmers and the potential for job creation.</i> | <i>1,050 MSMEs reported increase in profit</i> | Sales of FOs from all of their Anchor Firms/Buyers prior to RAPID | Actual Sales of Hubs from all of their Anchor Firms/Buyers | Sales records of Hubs from all of their buyers for the past 3 years | <p><u>For Baseline data:</u></p> <p>(i) MIS Profiling Form B: for Farmer Organization (FO) and (ii) Profiling Form C: MSMEs</p> <p>MIS DCF 2: CPA Tracker (tracking of sales ongoing configuration in the MIS form)</p> <p>MIS DCF 4: Capbuild for Beneficiaries Tracker</p> <p>Access to Finance Tracker (Existing tracking form is excel-based. Project to send advisory once the MIS DCF form will be completed and ready for use.)</p> |
| | <i>Outcome 1: Producers and value chain actors execute collaborative action plans and build commercial partnerships in selected commodity chains</i> | <i>1.b No. of commercial partnerships developed between farmers cooperatives and SMEs/large corporations</i> | Technical Assistance Provided by the Anchor Firms/Buyers prior to RAPID | Actual Technical Assistance Provided by the Anchor Firms | List of technical assistance provided by their Anchor Firms | |
| | <i>Output 1.4: DIPs connecting farmers to SMEs and facilitating access to markets and services</i> | <i>1.4.c Number of partnership agreements entered into by FAs/ Coops, MSMEs or large enterprises</i> | Financial Assistance Provided by the Anchor Firms/Buyers prior to RAPID | Actual Financial Assistance Provided by the Anchor Firms | Records of financial assistance provided by Anchor Firms | |
| | <i>Output 1.3 Capacities of farmers, farmers' organizations and MEs to manage enterprises strengthened</i> | <i>1.3.a to 1.3.c: (i) number of farmers trained, disaggregated as men, women, IP and youth; (ii) Number of FAs/cooperatives</i> | Logistical Assistance Provided by Anchor Firms/Buyers prior to RAPID | Actual Logistics Assistance Provided by Anchor Firms | Signed Field Validation Form stating the actual logistics assistance provided by the Anchor Firms | |
| | | | Incentives Provided to FOs prior to RAPID | Actual Incentives Provided to Hubs and Spokes | Signed CPA or signed Field Validation Form stating the actual | |
| | | | | | | |

| Key Success/Outcome Indicators | Alignment to RAPID's Logical Framework | | Data and Information to Capture | | | |
|---|---|--|--|---|---|--|
| | Results Statement | Indicator | Baseline Data / Information | Progress as of Reporting Date | Means of Verification | Applicable Data Capture Form |
| | <p>Outcome 2:MSMEs secure the necessary access to producers, markets and suitable investment finance</p> <p><i>Output 2.1 Product of farmers, farmers' organizations, cooperatives, SMEs conforming to market requirements enhanced</i></p> <p><i>Output 2.3 Financial Institutions (FIs) with improved capacities to serve target value chains players</i></p> | <p><i>trained; Number of MEs trained</i></p> <p><i>2.b Number of MSMEs established linkage with producers/ farmers, markets, and availed financial services for productive investments.</i></p> <p><i>2.1.a Number of products form/types conformed to market requirements</i></p> <p><i>2.3.a Number of FSPs extend innovative and other value-chain financial services</i></p> | | | incentives provided by the Anchor Firms | |
| SHFs have increased their incomes from their primary crops due to the direct linkage of their Hubs to competitive buyers. | Development Objective: Provide enabling conditions for the sustained growth of small and micro enterprises in selected agricultural commodity chains with comparative advantages, market demand, growth potential, links to small farmers and the | 78,000 project-supported HHs with increase in income by at least 60% from on and off farm activities | Household income from primary crop prior to RAPID. | Household income from primary crop due to RAPID's interventions as of reporting date. | Signed Field Validation Form reporting the actual increase of income of smallholder farmers | <p><u>For Baseline data:</u> Profiling Form A: Smallholder Farming Households</p> <p>Field Validation Forms (ongoing integration of income in FV forms)</p> <p>Annual Outcome Survey (AOS)</p> |

| Key Success/Outcome Indicators | Alignment to RAPID's Logical Framework | | Data and Information to Capture | | | |
|--|--|--|---|--|---|--|
| | Results Statement | Indicator | Baseline Data / Information | Progress as of Reporting Date | Means of Verification | Applicable Data Capture Form |
| | potential for job creation. | | | | | |
| Palpable growth and development of Farmer Organizations on the overall management and agri-enterprise operations of the FOs/MSMEs due to the productive investments and capacity building activities of the project. | <i>Output 1.3 Capacities of farmers, farmers' organizations and MEs to manage enterprises strengthened</i> | <i>1.3.a to 1.3.c: (i) number of farmers trained, disaggregated as men, women, IP and youth; (ii) Number of FAs/cooperatives trained; Number of MEs trained</i> | Retained Earnings (net income saved) of the FO prior to RAPID. | Retained Earnings (net income saved) of the FO as of reporting date. | Financial Statements for the past 3 years (internal or external) | <p><u>For Baseline data:</u> MIS Profiling Form B: for Farmer Organization</p> <p>MIS DCF 2: CPA Tracker (tracking of sales ongoing configuration in the MIS form)</p> |
| | | | Management practices and systems prior to RAPID (Agri-Enterprise Operations, Finance, Admin, and Governance) | Management practices and systems (Agri-Enterprise Operations, Finance, Admin, and Governance) observed to be adopted as of reporting date. | Signed Field Validation Form reporting the actual improvements on the management practices and systems of the FO or MSME | Tool for development but case studies/stories may capture these results |
| Hubs and Spokes have established an incentive system anchored on various performance measures. | <i>Outcome 1: Producers and value chain actors execute collaborative action plans and build commercial</i> | <p><i>1.a Percentage increase in value of sales of participating MSMEs, Farmers Associations and Cooperatives</i></p> <p><i>1.b: No. of commercial partnerships developed between farmers cooperatives and SMEs/large corporations</i></p> | Incentives availed by FOs/Hubs from their Buyers, and incentives availed by SHFs from their Hubs prior to RAPID | Incentives availed by Hubs from their Anchor Firms/Buyers, and incentives availed by Spokes from their Hubs as of reporting date. | Signed CPAs or signed Field Validation Form stating the actual incentives provided by the Anchor Firms to the Hubs and Hubs to its Spokes | MIS Data Capture Form (DCF) 2: CPA Tracker (tracking of sales ongoing configuration in the MIS form) |

| Key Success/Outcome Indicators | Alignment to RAPID's Logical Framework | | Data and Information to Capture | | | |
|---|---|---|--|---|---|--|
| | Results Statement | Indicator | Baseline Data / Information | Progress as of Reporting Date | Means of Verification | Applicable Data Capture Form |
| Farmer Organizations whether Hubs or Spokes have reported increase of volume and quality of produce due to RAPID's investments and interventions. There is observable change in behavior and adoption of good agricultural practices from the farmers due to the capacity building activities of the Project. | <i>Outcome 2: MSMEs secure the necessary access to producers, markets and suitable investment finance</i> | <i>2.c % increase in productivity of participating SMEs and Cooperatives</i> <i>2.d % increase in volume and value of sales at farm/coop level and SME level</i> | Farming practices of smallholder farmers prior to RAPID. | Farming practices of smallholder farmers as of reporting date. | Signed Field Validation Form reporting the actual improvements on the farming practices and productivity rates of smallholder farmers | MIS Data Capture Form (DCF) 2: CPA Tracker (tracking of sales ongoing configuration in the MIS form) Tool for development to capture farming practices prior RAPID but case studies/stories may capture these results Field Validation Forms/MG Implementation Forms |
| | | | Productivity per tree (estimate) prior to RAPID. | Productivity per tree (estimate) as of reporting date. | | |
| Farmer Organizations whether Hubs or Spokes are expanding membership and inactive members re-engaged. | <i>Output 1.4 DIPs connecting farmers to SMEs and facilitating access to markets and services</i> | <i>1.4.b Number of farming households participate in Detailed Investment Plans (DIPs)</i> | Number of SHF-members delivering their produce to the FOs/Hubs prior to RAPID | Number of SHF-members delivering their produce to the FOs/Hubs as of reporting date | Signed Field Validation Form reporting the number of SHF-members delivering their produce to the FOs/Hubs and number of inactive members re-engaged | MIS DCF 2: CPA Tracker (tracking of sales ongoing configuration in the MIS form) <u>For Baseline data:</u> i. MIS Profiling Form B: for Farmer Organization Field Validation Form (for integration/development) |
| | | | Number of inactive members prior to RAPID (can we have the active members instead as baseline data for easier reference of FO) | Number of inactive members re-engaged as of reporting date | | |
| Anchor Firms, Hubs, and Spokes have established an efficient and cost-effective logistics system, | <i>Outcome 2:MSMEs secure the necessary access to producers, markets and suitable investment finance</i> | <i>2.c % increase in productivity of participating SMEs and Cooperatives</i> | Logistics system (pick-up and delivery of products) prior to RAPID | Logistics system (pick-up and delivery of products) as of reporting date. | Signed Field Validation Form reporting the current logistics system applied | Field Validation Forms |

| Key Success/Outcome Indicators | Alignment to RAPID's Logical Framework | | Data and Information to Capture | | | |
|---|--|---|---|--|--|--|
| | Results Statement | Indicator | Baseline Data / Information | Progress as of Reporting Date | Means of Verification | Applicable Data Capture Form |
| decreasing transport costs in all levels of the supply chain. | | <i>2.d % increase in volume and value of sales at farm/coop level and SME level</i> | Cost of logistics (pick-up and delivery of products) prior to RAPID | Cost of logistics (pick-up and delivery of products) as of reporting date. | (pick-up and delivery of products) and costs. | |
| Hubs and Spokes have established its extension services system and network. (Clustering method and installation of Agri Extension Workers). | <i>Output 1.2 Qualified business providers able to provide business services to MSEs</i> | <i>1.2.a Number of pool of qualified service providers set up per province</i> | Extension services provided by the FOs/Hubs prior to RAPID. These services may cover Good Agricultural Practices, Good Post-Harvest Practices, Climate Resilient Agricultural Practices, and Supervised Production Loan Monitoring. | Extension services (Agricultural Practices, Good Post-Harvest Practices, Climate Resilient Agricultural Practices, and Supervised Production Loan Monitoring) provided by the FOs/Hubs as of reporting date. | Signed Field Validation Form reporting the current extension services provided by the FOs/Hubs | MIS DCF 3: BDSP Registry |
| Hubs have accessed financial services from FSPs including partner Anchor Firms to increase the latter's working capital for consolidating commodity products from the Spokes. | <i>Outcome 2:MSMEs secure the necessary access to producers, markets and suitable investment finance</i> <i>Output 2.3 Financial Institutions (FIs) with improved capacities to serve target value chains players</i> | <i>2.b Number of MSMEs established linkage with producers/farmers, markets, and availed financial services for productive investments</i> <i>2.3.a Number of FSPs extend innovative and other value-chain financial services</i> <i>2.3.c. Number of linkages to financial services established</i> | Working Capital of the FO/Hub prior to RAPID. | Working Capital of the FO/Hub and amount accessed from the Anchor Firm and/or FSPs as of reporting date. | Signed Field Validation Form reporting the working capital of the FO/Hub and amount accessed from Anchor Firms and/or FSPs | Access to Finance Tracker (Existing tracking form is excel-based. Project to send advisory once the MIS DCF form will be completed and ready for use.) |

| Key Success/Outcome Indicators | Alignment to RAPID's Logical Framework | | Data and Information to Capture | | | |
|--|---|--|--|---|---|---|
| | Results Statement | Indicator | Baseline Data / Information | Progress as of Reporting Date | Means of Verification | Applicable Data Capture Form |
| Spokes have accessed financial services from its Hubs for cash advances and production loans. | <p><i>Outcome 2:MSMEs secure the necessary access to producers, markets and suitable investment finance</i></p> <p><i>Output 2.3 Financial Institutions (FIs) with improved capacities to serve target value chains players</i></p> | <p><i>2.b Number of MSMEs established linkage with producers/farmers, markets, and availed financial services for productive investments</i></p> <p><i>2.3.a Number of FSPs extend innovative and other value-chain financial services</i></p> <p><i>2.3.c. Number of linkages to financial services established</i></p> | Financial services availed by smallholder farmers and farmer associations for cash advances and production loans prior to RAPID. | Financial services availed by smallholder farmers and farmer associations for cash advances and production loans as of reporting date. (Refer to Access to Financing Tracker provided by FSO) | Signed Field Validation Form reporting the financial services availed by smallholder farmers and farmer associations (refer to the updated field validation form for the checklist of financial services) | Access to Finance Tracker (Existing tracking form is excel-based. Project to send advisory once the MIS DCF form will be completed and ready for use.) |
| FOs/MSMEs consciously putting effort in targeting/including women, youth, and IPs in the upgrading of their agri-enterprise activities and implementation of the RAPID Growth Project. | <i>GESI Mainstreaming mandate of the Project</i> | <p><i>Project's overall outreach targets:</i></p> <ul style="list-style-type: none"> ▪ 40% women ▪ 20% youth ▪ 10% IP | Number of women, youth, and IPs engaged in the supply chain of the FOs/Hubs. | Number of women, youth, and IPs engaged in the supply chain of the FOs/Hubs as of reporting date. | <p>Signed Field Validation Form reporting the Number of women, youth, and IPs engaged in the supply chain of the FOs/Hubs</p> <p>Case Studies/Stories</p> | <p>DIP Worksheets (Excel Format) for Project's actual Reach per sector and actual reach per type of intervention</p> <p>DCF 1 : DIP Preparation and Approval (baseline per DIP)</p> |

-Nothing Follows-