



# Agricultural Value Chain Finance Program (AVCFP) Implementation Guide

Under the DTI-IFAD RAPID Growth Project

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**RAPID Growth Project**

**Implementation Guide for the Innovative and Inclusive  
Agricultural Value Chain Finance Program (AVCFP)**

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## A. Introduction

The RAPID Growth Project, is introducing the Agricultural Value Chain Finance Program (AVCFP) to address persistent financing gaps faced by farmer organizations (FOs), cooperative hubs, and their smallholder members. These gaps have long limited the ability of smallholder farmers to expand production, access to markets, and build resilience against risks. The AVCFP is designed to respond to these challenges by embedding financial services within agricultural value chains in a way that is strategic, inclusive, and sustainable.

This guide serves as a reference for implementers, cooperative hubs, and partner institutions. It provides a step-by-step approach to designing, rolling out, and institutionalizing AVCFP across RAPID's priority commodities and project areas. While it ensures consistency across the seven regions and 21 provinces where RAPID operates, it also allows for local adaptation to reflect the realities of each cooperative and community. Ultimately, it contributes to RAPID's overall target of enabling 70,000 smallholder farming households to access financial services under Component 3 of the Project.

### What is AVCFP?

The Agricultural Value Chain Finance Program (AVCFP) of the RAPID Growth Project is a holistic, value chain finance program that integrates various components, including financial services, risk mitigation strategies, and extension services. It positions cooperatives as financial hubs for smallholder farmers. It goes beyond credit by offering bundled services such as loans, savings, insurance, and risk-mitigation mechanisms tailored to commodity cycles. Through partnerships with financial service providers, BDS providers, anchor firms, and support agencies, AVCFP strengthens resilience, reduces risks, and ensures farmers gain not only access to finance but also the technical and market support

## B. Objectives of the AVCFP

The AVCFP has five key objectives:

### 1. Expand Farmers' Access to Tailored Financial Services

The program aims to widen farmers' access to financial products that are specifically designed for their needs across the agricultural cycle. Unlike traditional lending with rigid rules, the AVCFP promotes customized solutions with risk-sharing mechanisms to cushion unforeseen losses.

### 2. Strengthen Cooperative Hubs as Financial Intermediaries

By equipping cooperatives with effective systems, tools, and policies, the AVCFP transforms them into reliable financial service provider for their members. This reduces farmers' reliance on informal lenders while fostering a culture of responsible credit management within the community.

### 3. Promote Inclusive Access for Women, Youth, and Indigenous Peoples

The program ensures that traditionally underserved groups are not left behind. Cooperatives are encouraged to design financial services that intentionally include women, youth, and indigenous peoples,

whether through product design, eligibility criteria, or targeted outreach. This approach advances inclusive growth and addresses long-standing equity gaps in rural areas.

**4. Build Resilience Against Risks**

Recognizing that farming households face climate shocks, pest outbreaks, and price fluctuations, the AVCFP integrates resilience measures into its financing tools. These include crop insurance, credit guarantee, diversification strategies, and forward contracting to reduce farmers’ vulnerability and strengthens the financial viability of cooperatives.

**5. Foster Sustainable Partnerships Across the Value Chain**

The AVCFP emphasizes collaboration with government financial institutions (GFIs), local government units (LGUs), national agencies, anchor firms, and business development service (BDS) providers pursuant to the framework of the Hub and Spoke Model of RAPID Growth Project. These partnerships ensure that financing is complemented by technical assistance, market access, and value chain support, enabling farmers and cooperatives to thrive within a supportive ecosystem.

Taken together, these objectives highlight why AVCFP is critical. It goes beyond simply providing credit by addressing systemic barriers through an integrated approach that combines finance, risk management, extension services, and inclusiveness. As a result, farmers not only gain the capital they need but also the support to use it effectively, leading to greater productivity, sustainability, and improved repayment performance.

## C. Guiding Framework

The design of AVCFP is anchored on the ACDI-VOCA’s Strategic Framework for Value Chain Finance, which RAPID formally adopted through its 2023 Memorandum of Understanding with the USAID Cooperative Development Program. This framework provides both the analytical and operational foundation for program implementation.

### Strategic framework to value chain finance



The framework begins with an assessment of **trends and opportunities**, which involves analyzing shifts in markets, demand, and technologies that could influence agricultural competitiveness. For example, rising demand for traceable cacao or organic coconut products may present new financing needs.

It then emphasizes **end market segmentation**, recognizing that financial products must be aligned with the requirements and economics of different buyers and markets. Financing needs for domestic consolidation differ from those of export-oriented processing, and financial services must reflect these distinctions.

Next is **value chain finance analysis**, which maps out how financial flows currently move within the chain and identifies gaps where smallholder farmers or SMEs face bottlenecks. For instance, farmers may lack access to working capital during planting seasons, while MSMEs may struggle to finance post-harvest facilities.

**Risk analysis** follows, identifying threats such as climate change, pest outbreaks, or price volatility. This step ensures that financial products incorporate appropriate risk mitigation strategies.

The framework also emphasizes **partnerships and alliances**, recognizing that value chain finance cannot succeed in isolation. Collaboration with FSPs, business development service (BDS) providers, and national government agencies (NGAs) helps reduce risks and broaden support.

Finally, **financial analysis** quantifies the financing needs of cooperatives and farmers, serving as the basis for designing tailored loan products, matching grants, or blended finance mechanisms.

## D. Implementation Steps

The implementation of the AVCFP unfolds in six interconnected stages. Each step builds on the previous one, creating a pathway from initial capacity-building, co-creation of AVCFP policies and procedures, manualization of innovative financial products derived from the collective learnings gathered during the course of the program implementation, to full institutionalization.

The progression of the targeted technical assistance (TA) for cooperative hubs lays the groundwork for developing inclusive, resilient, and market-responsive financial products. These six steps ensure that the AVCFP is not simply a stand-alone intervention but a structured, scalable, and sustainable program.

### Step 1: Selection and Profiling of Cooperative Hubs

The process begins with the selection and profiling of cooperative hubs, using a structured tool to evaluate their current financial and operational capacity, and readiness to deliver significant impact in providing financial services to smallholder farmers. Priority is given to cooperatives with strong potential to scale, expand outreach, and improve farmer-members' access to finance.

## Step 2. Commodity-Based Clustering

To ensure interventions are commodity-specific and market-responsive, shortlisted cooperatives are clustered by RAPID's priority commodities: cacao, coffee, coconut, and processed fruits and nuts (PFN). This clustering allows solutions to be tailored to the unique value chain opportunities and risks of each sector.

## Step 3. Delivery of Value Chain Finance Workshops

The Value Chain Finance Workshop is a cornerstone activity of the AVCFP. It provides cooperative hubs, financial service providers (FSPs), buyers, and support institutions with a structured platform to jointly explore financing gaps, design tailored financial solutions, and build sustainable partnerships. Each workshop is carefully customized to the specific commodity and local context, ensuring that discussions and outputs are directly relevant to the value chain dynamics of cacao, coffee, coconut, and processed fruits and nuts.

The workshops are conducted per commodity, with cooperative hubs clustered accordingly and gathered from across regions. The clustering allows for deeper analysis of shared production, financing, and market challenges unique to each commodity group, while also fostering peer learning among cooperatives facing similar realities.

The general methodology of the workshops follows a participatory and sequential process. The following components serve as the standard framework:

### 1. Context Setting and Industry Trends

Workshops begin by situating participants within the broader commodity value chain. Sessions on global and domestic market trends, price dynamics, seasonality, and emerging opportunities provide participants with a solid grounding in the drivers that influence costs, risks, and profitability. This step ensures that financing strategies are informed by real-world market realities and helps participants ground financing decisions in actual value chain dynamics.

### 2. Exposure and Peer Learning

Participants are introduced to experiences from cooperatives, agribusinesses, and anchor firms already engaged in value chain financing. Case presentations and field visits to enterprises allow participants to see practical applications of financing models, marketing arrangements, and agronomic innovations. This fosters peer-to-peer learning and inspires cooperatives to adopt proven approaches.

### 3. Sharing of Experiences and Good Practices

Stakeholders such as cooperatives, anchor firms, and cooperative federations present case studies of inclusive and innovative financing models already in practice. These presentations allow peer learning and highlight pathways for cooperatives to adopt, adapt, or scale similar approaches.

#### 4. Introduction to Value Chain Finance Concepts and Risk Assessment

Facilitators introduce participants to the core concepts of value chain finance, emphasizing its difference from traditional agricultural lending. To deepen the analysis, an agronomic expert provides technical inputs on productivity risks, such as pests, diseases, soil fertility, and climate-related factors that affect yields and repayment capacity. At the same time, farmers share their lived experiences and perspectives on risks, including challenges in production, price fluctuations, and cash flow management. By combining expert knowledge with farmer realities, participants gain a more holistic view of the risks that affect the value chain.

Building on this shared understanding, participants then propose appropriate mitigation measures such as crop insurance, savings mobilization, bundled financial products, or anchor-buyer contracts. This ensures that risk assessment is grounded in both technical evidence and the practical realities of farming households.

#### 5. Partnership Building and Alliances

A critical component of the workshop is building bridges between cooperatives and potential partners. Presentations and dialogues are held with business development service providers (BDSPs), cooperative federations, insurance providers, technology companies, and Philippine Guarantee Corporation (PhilGuarantee) that can support risk management and capacity building. This is complemented by inputs from anchor firms and buyers who can provide market security through purchase agreements or forward contracts.

#### 6. Financial Analysis and Product Design

Participants conduct hands-on exercises in financial analysis to determine the financing needs of smallholder farmers, cooperatives, and MSMEs. Using cost-and-return analysis and cash flow projections, participants design financial products such as loans for inputs, production/expansion, farm rehabilitation, farm maintenance, harvest-post-harvest, bulking/marketing loans, processing, or working capital. Risk-mitigation features (e.g., crop insurance bundling, seasonal repayment schedules) are integrated into product design aligned with the coop's context and commodity cycles.

#### 7. Investment Forum and Credit Matching

Wholesale financial institutions (e.g., LBP, DBP, SBCorp, ACPC, and NGOs) present their agricultural loan windows and eligibility requirements. This is followed by credit matching sessions where cooperatives align their identified financing needs with available financial products. The process establishes initial relationships and may lead to actual financing agreements.

## 8. Action Planning and Way Forward

Each participating cooperative develops an action plan outlining how it will integrate value chain financing into its operations, strengthen governance, and pursue partnerships with FSPs, BDSPs, and buyers. Agreements and next steps are consolidated at the end of the workshop to ensure follow-through.

A proceedings report is developed after each workshop, capturing highlights, risk assessments, proposed financial products, action plans, and partnership commitments. The report is shared with all participants and made publicly available to promote learning across regions and commodities.

By the end of the workshops, cooperatives and their members not only gain a stronger understanding of value chain finance concepts but also establish initial linkages with FSPs, anchor firms, and BDS providers. These sessions also foster peer-to-peer learning across cooperatives, encouraging exchange of best practices and innovative solutions. Ultimately, the workshops serve as a launchpad for designing cooperative-level AVCFPs that are responsive, risk-informed, and market-driven.

### Step 4. Co-Creation of AVCFP Policies and Procedures

This stage represents the core of the Technical Assistance (TA), where evidence and insights are translated into a structured, operational Agricultural Value Chain Finance Program (AVCFP) at the cooperative level. It bridges analysis and implementation by developing concrete financial products, policies, and systems that are responsive to the realities of farmer-members, cooperative capacity, and market requirements.

The co-creation process is highly participatory, ensuring that cooperative leaders, management staff, and even representative farmer members contribute to the design of financial systems that are both practical and inclusive. Rather than imposing generic templates, the process builds on each cooperative's unique context, its risk appetite, commodity focus, financial health, and operational realities.

The process is anchored on demand and supply assessments to ensure that outputs are evidence-based, demand-driven, and institutionally feasible.

#### 4.1 Evidence Generation: Demand and Supply Assessments (Pre-Co-Creation Phase)

Prior to the co-development workshops, comprehensive demand- and supply-side assessments are conducted to establish a robust analytical foundation for product and policy design.

##### a. AVCFP Demand Assessment (Farmer Survey)

This activity generates a detailed understanding of farmer-level financial behavior, production cycles, household cash flows, and existing access to finance. It ensures that the financial products to be developed are grounded in actual farmer needs and value chain realities.

A farmer-friendly survey instrument is deployed to collect quantitative data, complemented by Key Informant Interviews (KIIs) with 15–20 farmer-members per cooperative to capture qualitative insights. Particular attention is given to:

- Commodity-specific cash flow cycles
- Financing needs across production and marketing stages
- Perceived risks and transaction costs
- Gender-specific constraints to accessing finance

**Outputs:**

- Farmer Demand and Cash Flow Analysis Report per cooperative
- Consolidated Demand Analysis across participating cooperatives

**b. AVCFP Supply Assessment and Cooperative Readiness Review**

Complementing the demand analysis, this assessment evaluates each cooperative's institutional capacity to deliver financial services and implement the AVCFP.

The review covers:

- Portfolio quality and financial performance
- Liquidity position and fund sourcing strategies
- Governance structures and internal control systems
- Risk management practices
- Alignment of existing policies with value chain requirements

This dual analysis ensures that proposed financial products are not only responsive to demand but also feasible within the cooperative's operational and financial constraints.

**Outputs:**

- Supply and Capacity Assessment Report per cooperative
- Consolidated Diagnostic Summary

## 4.2 Co-Creation of AVCFP (Design and Development Phase)

Building on the results of the demand and supply assessments, this phase translates evidence into actionable financial products, policies, and operational systems.

The process is participatory, involving cooperative Boards, management, staff, and selected farmer representatives through structured writeshops and technical working sessions. This ensures that each AVCFP is tailored to the cooperative's commodity focus, risk profile, and institutional capacity – promoting ownership and long-term sustainability.

### 1. AVCFP Orientation and Internal Alignment

Cooperative leaders, Board members, and staff are oriented on the AVCFP framework, incorporating key findings from the demand and supply assessments. This establishes a shared understanding of the program's objectives, design principles, and governance implications.

This step ensures alignment across governance and operations, with clearly defined roles and responsibilities to support implementation.

## 2. Engagement with Risk-Sharing and Credit Enhancement Partners

Cooperatives are introduced to available **risk mitigation and credit enhancement mechanisms** through structured engagement with public and private partners.

This includes presentations from institutions such as the **Philippine Guarantee Corporation – Agricultural Guarantee Fund Pool (AGFP)** and other guarantee facilities under existing partnership arrangements (e.g., MOUs).

This activity aims to:

- Strengthen awareness of available **credit enhancement and risk-sharing instruments**
- Clarify eligibility, coverage, and operational procedures
- Enable integration of guarantee mechanisms into lending operations
- Identify complementary partnerships with financiers and service providers

Credit guarantees are emphasized as a **de-risking instrument** to:

- Enable unsecured or partially secured lending to farmer-members
- Reduce credit risk exposure in agricultural portfolios
- Expand outreach to underserved farmer segments

Additional risk mitigation instruments introduced include:

- Crop and weather-index insurance
- Savings mobilization and capital build-up
- Portfolio diversification across commodities
- Offtake agreements and structured market linkages

## 3. Co-Design of Market-Linked and Risk-Sensitive Financial Products

Financial products are designed using assessment evidence and available **risk mitigation and credit enhancement instruments**.

Products are aligned with:

- Seasonal production and income cycles
- Commodity risk profiles and market dynamics
- Cooperative financial capacity

Loan products (input, production, marketing) are structured around production cycles.

Risk mitigation features are embedded, including:

- Credit guarantee coverage (e.g., AGFP or equivalent facilities)

- Insurance mechanisms (crop/weather index)
- Flexible or harvest-based repayment schemes
- Buyer contracts or offtake arrangements

Complementary services (savings, capital build-up, financial literacy) are integrated to strengthen repayment capacity and institutional resilience.

#### 4. Development of Integrated Policies and Operational Procedures

Cooperatives develop a consolidated AVCFP policy framework that institutionalizes the program within their systems and governance structures.

Key components include:

- Credit policies (eligibility, appraisal, approval, delinquency management)
- Credit assessment and risk scoring tools aligned with value chains
- Portfolio monitoring and internal control systems

Beyond standard lending, the framework integrates:

- Risk mitigation mechanisms (e.g., credit guarantees, insurance, savings buffers)
- Credit enhancement arrangements with guarantee institutions
- Extension and advisory services (e.g., GAP, financial literacy, climate-smart practices)
- Market linkage mechanisms (e.g., offtake agreements, repayment alignment)
- Partnership arrangements with financial institutions, guarantee providers, federations, and service providers

This ensures AVCFP functions as an integrated financing program/system, combining **finance, risk-sharing, technical support, and market access**.

#### 5. Product Validation and Pre-Launch Readiness

Draft products and policies are validated through internal review and, where feasible, consultation with farmer-members and key partners. Adjustments are made to ensure practicality, clarity, and responsiveness.

Final refinements ensure clarity, feasibility, and operational readiness, including readiness to access guarantee, insurance facilities, and additional working capital.

#### 6. Formal Launch of the AVCFP

This phase culminates in the formal launch of the cooperative's AVCFP, marking the transition from design to implementation.

The launch signals institutional commitment to implementation and presents:

- Financial products and eligibility criteria
- Repayment structures aligned with value chain cycles
- Embedded risk mitigation and credit enhancement mechanisms

- Bundled services (savings, insurance, capital build-up)

The AVCFP positions the cooperative as a provider of **market-linked, inclusive, and risk-informed financial services**, supported by structured de-risking mechanisms and strategic partnerships.

#### **Expected Outputs**

- Demand and Supply Assessment Reports (per cooperative and consolidated)
- Draft AVCFP Policies and Procedures (per cooperative hub)
- Validated financial products aligned with value chains
- Operational tools (credit assessment, monitoring, reporting)
- Board-ready AVCFP package for institutional approval
- Formal AVCFP launch per cooperative

## **Step 5. Institutionalization, Capacity Building, Systems Strengthening, and Access to Funding**

The final stage of technical assistance (TA) focuses on the institutionalization, capacity building, systems strengthening, and financing readiness of the Agricultural Value Chain Finance Program (AVCFP) within cooperative hubs. This stage transitions AVCFP from a piloted innovation into a fully embedded, board-approved, and operational financing facility, supported by digital and enterprise systems and capable of accessing wholesale funds and sustaining implementation beyond the life of the RAPID Project.

Institutionalization ensures that the knowledge, tools, and systems developed during earlier TA phases are formalized through board resolutions and integrated into the cooperative's governance, management, and operational frameworks. By embedding AVCFP into official policies, annual plans, and business strategies, cooperatives safeguard continuity, accountability, and adherence to agreed protocols, even amid leadership and staff transitions.

This step also introduces systems strengthening and digitalization as critical enablers of scale. The installation of core banking and enterprise resource planning (ERP) systems, alongside the adoption of digital financial solutions, enhances efficiency, transparency, portfolio management, and member access to services.

Importantly, institutionalization is not a purely administrative exercise. It is a participatory and capacity-driven process involving cooperative boards, management, technical staff, and representative farmer-members. Strategic partnerships with cooperative federations, financial institutions, technology providers, and government agencies further strengthen this process by providing coaching, oversight, digital solutions, and pathways for scaling and access to finance.

Key activities during this stage include:

### **1. Formalization of AVCFP Policies and Procedures**

Following the launch and initial pre-testing of AVCFP products, cooperatives undertake a structured review and refinement of their policies and procedures based on early implementation experience and stakeholder feedback. Draft loan policies, risk management frameworks, and financial product designs developed during earlier workshops and TA engagements are revisited to ensure they remain practical,

responsive to farmer needs, and aligned with commodity cycles, market conditions, and cooperative capacity.

Adjustments may include refinements in eligibility criteria, loan sizing, repayment schedules, pricing, risk-sharing arrangements, and safeguards against default and climate-related shocks. Once finalized, these policies are formally adopted through board resolutions and integrated into the cooperative's policy manuals and operating guidelines. This formal adoption anchors AVCFP within the cooperative's governance framework, clarifies roles and accountabilities, and ensures consistency and continuity in implementation.

## 2. Strengthening Cooperative Capacity for Sustainable AVCFP Operations

For AVCFP to function effectively, cooperative leaders, management, and staff must be equipped not only with technical knowledge but also with the strategic, operational, and digital capabilities required to manage an expanding loan portfolio and engage external funders responsibly.

Capacity-building interventions span governance, financial management, credit operations, risk management, and systems utilization:

### a. Action Planning and Business Planning for AVCFP

Cooperatives are supported in integrating AVCFP into their annual plans and medium-term business plans. This process ensures that AVCFP is aligned with the cooperative's overall strategic direction, capitalization strategy, and growth targets.

Key elements include:

- **Loan portfolio planning**, including target volumes by commodity, member segment, and value chain actor
- **Cash flow and liquidity planning** to support seasonal lending cycles
- **Profitability and sustainability analysis**, ensuring that AVCFP pricing and cost structures support long-term viability
- **Capital and funding requirements**, identifying gaps between internal funds and external financing needs

Through this process, AVCFP is positioned not as a stand-alone project activity but as a core business line of the cooperative.

### b. Access to Funding and Financing Readiness

A central outcome of Step 6 is preparing cooperatives to access wholesale and concessional funds for relending under AVCFP. Cooperatives are guided in aligning their institutional, financial, and operational systems with the requirements of potential fund providers such as the Agricultural Credit Policy Council (ACPC), Small Business Corporation (SBCorp), government financial institutions (GFIs), and other development-oriented lenders.

Activities include:

- Assessing financing options suitable for AVCFP implementation
- Preparing or refining documentary requirements (e.g., board resolutions, business plans, portfolio projections, financial statements)
- Strengthening internal controls, reporting systems, and portfolio monitoring to meet lender standards
- Clarifying fund utilization, repayment mechanisms, and risk-sharing arrangements

By linking institutionalization and business planning directly to access to funding, this step ensures that AVCFP implementation is adequately capitalized and scalable.

**c. Specialized Training for Account and Credit Officers**

Account officers and credit staff directly involved in loan appraisal, monitoring, and collections receive specialized training on operationalizing AVCFP products. This includes assessing commodity-specific risks such as seasonality, climate variability, pest and disease exposure, and market price fluctuations, and understanding how these risks affect cash flow and repayment capacity.

Training also emphasizes client engagement, portfolio monitoring, early warning systems, and remedial actions, enabling staff to make sound credit decisions while supporting farmer-members throughout the production and marketing cycle.

**d. Familiarization with AVCFP Tools, Systems, and Digital Platforms**

Cooperative personnel are trained on standardized AVCFP tools and **digitally enabled systems** required for implementation. These include loan application forms, appraisal templates, risk assessment tools, monitoring dashboards, and reporting systems embedded within digital platforms.

Training also covers the practical use of **core banking systems and ERP solutions**, enabling staff to manage accounts receivable and payable, loan tracking, portfolio monitoring, inventory, and financial reporting in an integrated manner. Institutionalizing these systems promotes efficiency, data integrity, transparency, and real-time decision-making.

**e. Systems Installation and Digital Infrastructure Strengthening**

As part of institutionalization, cooperatives are supported in the installation and operationalization of core banking systems and ERP platforms aligned with AVCFP requirements. These systems enable end-to-end management of financial transactions, loan portfolios, member records, and enterprise operations.

Key functionalities include:

- Loan portfolio management and tracking
- Accounts receivable and payable
- Financial reporting and compliance

- Inventory and product consolidation (for agri-processing cooperatives)
- Integration with point-of-sale (POS) and other operational modules

Where feasible, systems are configured to support scalability, interoperability with financial institutions, and compliance with reporting requirements of fund providers.

#### f. **Adoption of Digital Financial Solutions**

To enhance accessibility, efficiency, and financial inclusion, cooperatives are supported in adopting digital financial services that complement AVCFP delivery. These include:

- Use of digital wallets for loan disbursement and repayment
- Access to ATM-enabled accounts and mobile banking applications
- Digital payment channels to facilitate transactions across value chain actors

Digitalization reduces transaction costs, improves turnaround time, strengthens financial records, and expands outreach to geographically dispersed farmer-members. It also supports transparency and traceability of financial flows within the value chain.

#### g. **Orientation on Risk Mitigation and Resilience Strategies**

Cooperatives are oriented on risk mitigation mechanisms that can be embedded within AVCFP operations. These include crop and livestock insurance, guarantee funds, savings mobilization, and the promotion of climate-smart agricultural practices among borrowers. Cooperatives are also encouraged to bundle complementary financial services – such as savings, emergency loans, and insurance products, to enhance member resilience and protect portfolio quality.

### 3. **Action Planning and Integration**

Building on the approved policies and business plans, cooperatives prepare detailed action plans that operationalize AVCFP implementation. These plans define roles and responsibilities, set timelines and performance targets, and link financial services with identified value chain opportunities. Action planning ensures that AVCFP delivery is coordinated, measurable, and responsive to both member needs and market demand.

### 4. **Cooperative Federation and Partner Support**

Cooperative federations and partner institutions, including financial institutions and technology providers, provide coaching, mentoring, and technical backstopping during this stage. Their involvement ensures that AVCFP adoption is harmonized across networks while supporting system rollout, digital adoption, and potential aggregation for financing and market access.

### **Expected Outcome**

The expected outcome of Step 5 is the full integration of AVCFP into cooperative systems, supported by strengthened governance, enhanced technical and financial capacity, operational digital infrastructure, and

secured access to funding. Core banking and ERP systems, alongside digital financial solutions, enable efficient, transparent, and scalable operations.

Cooperatives emerge as resilient and inclusive financial intermediaries, capable of responsibly managing agricultural loan portfolios, linking smallholder farmers to formal finance, and supporting participation in competitive value chains.

By equipping cooperative hubs with robust institutions, skilled personnel, modern systems, and access to capital, the RAPID Project ensures that AVCFP is not only effectively implemented but sustained and scaled within the cooperative sector.

## E. Access to Funding

To operationalize the Agricultural Value Chain Finance Program (AVCFP), cooperative hubs must have access to sustainable and affordable funding sources that will allow them to extend loans, working capital, and bundled financial services to their farmer-members. While internal capital build-up (CBU) and savings mobilization remain critical foundations, many cooperative hubs lack sufficient capital to meet the financing needs of their value chain operations. Therefore, external wholesale financing is essential to bridge this gap.

The following are the primary sources of wholesale funds for cooperative hubs under AVCFP:

### a. Government Financial Institutions (GFIs)

Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) remain the largest sources of wholesale credit for agricultural cooperatives. They provide rediscounting facilities, concessional credit windows, and term loans tailored for agriculture and agri-enterprises. These institutions are strategic partners for scaling AVCFP because of their mandate to support inclusive agri-finance nationwide.

### b. Government Programs and Grants

Programs managed by the Agricultural Credit Policy Council (ACPC), Small Business Corporation (SBCorp) through its RAPID P3 wholesale loan (and other credit windows) and equity financing (Innovation Fund under Component 4), and financing or grant support from LGUs, DA, DTI, and other NGAs, that provide catalytic funding to enhance agricultural lending. These programs help cooperatives manage risks by offering flexible terms, lower interest rates, or partial subsidies.

### c. Cooperative Federations

Federations such as MASS-SPECC, AgriCOOPh, NATCCO, and regional cooperative federations mobilize pooled funds from their member cooperatives and provide wholesale financing at competitive terms. Beyond credit, these federations also deliver technical assistance, digital finance solutions, and institutional strengthening, making them natural allies for implementing AVCFP.

d. Development Partners and Corporate Foundations

Institutions such as PEF, FSSI, and corporate foundations provide catalytic capital, guarantee mechanisms, or concessional credit lines that expand cooperative access to finance. These partners often combine funding with technical assistance, capacity building, and social inclusion strategies, amplifying both financial and developmental impacts.

## 1. Process for Engaging Wholesale FSPs

Securing wholesale funds requires a structured engagement process:

a. **Profiling and Mapping of Potential FSPs**

RAPID R/PCUs, together with cooperative hubs and cooperative federations, will identify wholesale lenders and investors aligned with cooperative needs.

b. **Initial Engagement and Dialogue**

Cooperative hubs will conduct exploratory meetings with potential FSPs to discuss eligibility, loan products, and requirements. RAPID will facilitate introductions and provide technical backstopping.

c. **Submission of Cooperative Profile and Business Plan**

FSPs typically require the cooperative's organizational profile, audited financial statements, membership base, governance track record, and details of loan purposes. A strong business plan and financial forecast is critical to demonstrate repayment capacity and alignment with value chain financing.

d. **Loan Application and Due Diligence**

Once initial requirements are met, cooperatives file loan applications. The FSP conducts due diligence, including on-site visits, evaluation of governance systems, assessment of capitalization, and review of risk management practices.

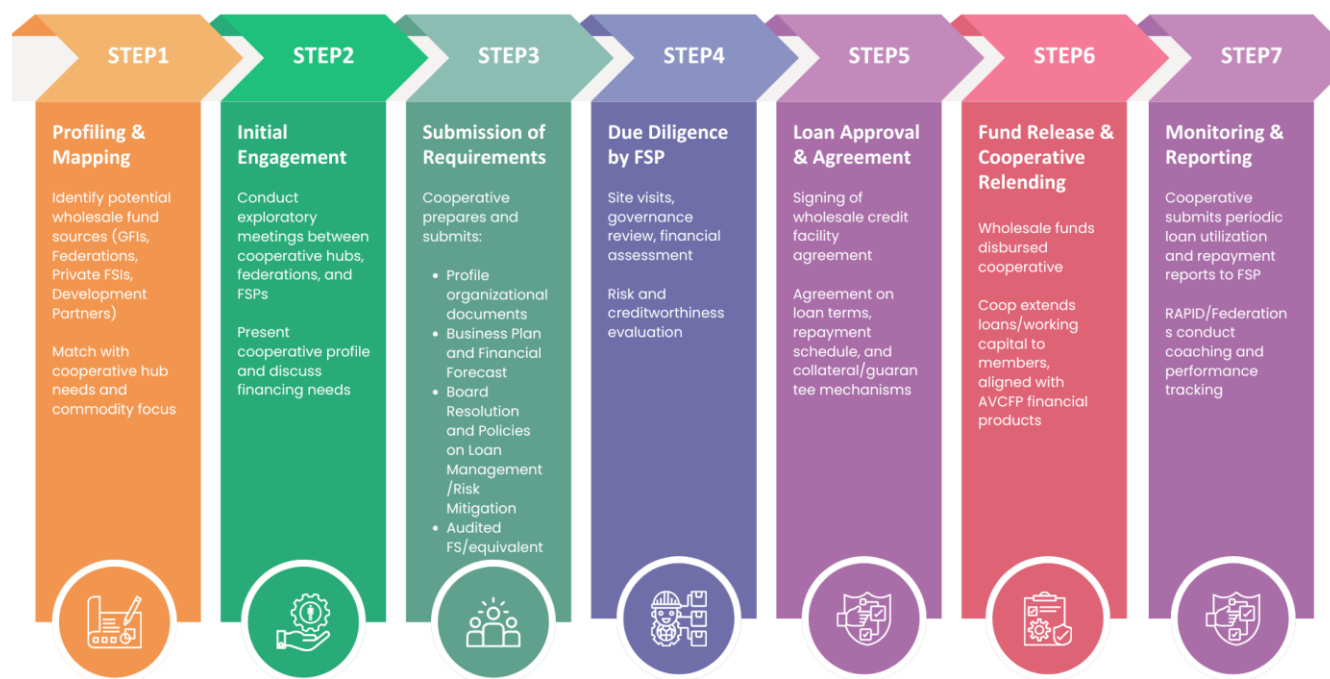
e. **Loan Approval and Agreement**

Approved loans result in formal agreements outlining interest rates, repayment schedules, collateral/security arrangements (if required), and reporting obligations.

f. **Capacity Support and Monitoring**

RAPID, federations, and FSPs may provide additional technical assistance to ensure cooperatives can responsibly manage wholesale loans and re-lending operations.

## 2. Flow of Accessing Wholesale Funds for AVCFP



## 3. Requirements for Accessing Wholesale Funds

Typical requirements for cooperative hubs include:

- Updated registration and compliance with CDA, BIR, and other regulatory agencies.
- Audited financial statements for at least 2–3 years (or unaudited FS for smaller/newer coops with board certification).
- Board resolution authorizing the loan application.
- Detailed business plan and financial forecast showing how the funds will be used (e.g., input loans, buying/consolidation finance, working capital for processing).
- Policies on loan management, internal controls, and risk mitigation (including insurance or guarantee coverage).
- Documented governance and credit committee structures to assure accountability.

## 4. Access to Working Capital

Working capital is a central need for cooperatives to support input distribution, aggregation/consolidation, processing, and marketing activities. Through AVCFP, cooperatives can structure working capital loans by aligning repayment schedules with commodity cycles and buyers' payment terms. To ensure liquidity and reduce repayment risks, cooperatives are encouraged to:

- a. Bundle risk management mechanisms such as crop insurance and guarantee coverage.
- b. Establish forward contracts or marketing agreements with anchor firms to secure revenues.
- c. Maintain savings mobilization and CBU programs to strengthen internal capitalization.
- d. Use proceeds from wholesale funds not only for re-lending but also for investments in operations that increase value chain efficiency (e.g., storage, logistics, processing).

## 5. Role of RAPID Implementing Units

RAPID's role in this stage is to:

- a. Facilitate introductions and partnerships between cooperative hubs and wholesale FSPs.
- b. Provide coaching in business planning, financial forecasting, and loan application preparation.
- c. Monitor and track cooperative access to wholesale funds and their utilization.
- d. Advocate for concessional terms and risk-sharing mechanisms to make agricultural credit more accessible and sustainable.

By systematically linking cooperative hubs to wholesale funding sources and embedding strong governance, risk management, and financial planning practices, the AVCFP ensures that cooperatives can provide continuous, reliable, and affordable financial services to smallholder farmers. This access to funding transforms cooperatives into resilient financial hubs that drive inclusive growth and market participation in their value chains.

## F. Risk Management Strategies

Risk management is a central element of the Agricultural Value Chain Finance Program (AVCFP). Agriculture is inherently vulnerable to a wide range of risks: climatic shocks, pests and diseases, market price volatility, weak governance systems, and limited access to insurance or guarantees. If left unaddressed, these risks can undermine loan repayment, discourage investment, and erode farmer and cooperative resilience. For this reason, the AVCFP embeds risk management tools directly into the design and implementation of cooperative-based financial products.

### 1. Insurance and Guarantee Mechanisms

Cooperatives are introduced to formal risk-sharing instruments that provide protection against catastrophic losses:

- a. Crop Insurance – Weather-indexed and crop specific insurance products help protect smallholder farmers against yield losses caused by droughts, floods, typhoons, or pest outbreaks. By bundling insurance into loan products, cooperatives can improve repayment performance while reducing farmer vulnerability.
- b. Guarantee Funds – Through the Philippine Guarantee Corporation (PhilGuarantee), cooperatives can access facilities such as the Agricultural Guarantee Fund Pool (AGFP). These guarantee schemes

reduce lenders' exposure by covering a portion of the loan in case of default, making cooperatives more attractive partners for financial institutions and encouraging expanded agricultural lending.

## 2. Price and Market Risk Mitigation

Unstable prices are among the greatest risks for smallholders and cooperatives. AVCFP promotes tools that stabilize income and reduce exposure to market shocks:

- a. Forward Contracts and Supply Agreements – Long-term agreements with anchor firms or institutional buyers provide assured markets and predictable prices, reducing uncertainty and the risk of default.
- b. Collective Marketing – By aggregating products, cooperatives can negotiate better prices, smooth seasonal price fluctuations, and reduce individual farmers' exposure to volatile spot markets.

## 3. Clustering and Product Aggregation

Following the 8-Step Clustering Approach, smallholder farmers are organized into functional groups to aggregate their produce, improve bargaining power, and reduce transaction costs. Clustering minimizes risks for both farmers and cooperatives by:

- Creating economies of scale that make financing and marketing more efficient.
- Ensuring bulk volumes attractive to buyers and anchor firms, thereby reducing market uncertainty.
- Allowing collective risk assessment, monitoring, and repayment, which reduces delinquency rates compared to fragmented lending.
- Strengthening peer-to-peer accountability within farmer groups, improving repayment discipline.

## 4. Diversification and Climate-Smart Practices

Building resilience requires reducing reliance on a single crop or production system:

- a. Crop Diversification – Encouraging farmers to cultivate multiple crops reduces exposure to commodity-specific shocks. Income from diversified activities can serve as a buffer to repay loans.
- b. Climate-Smart Agriculture (CSA) – Cooperatives are encouraged to promote practices such as soil and water conservation, intercropping, organic soil amendments, and climate-resilient crop varieties. These practices improve productivity while reducing vulnerability to extreme weather and environmental stressors.

## 5. Bundling of Complementary Financial Products

Risk management is reinforced by embedding additional financial services alongside loans:

- a. Savings Products – Savings mobilization helps farmers build a financial cushion, reducing reliance on emergency borrowing during crises.
- b. Emergency and Contingency Loans – Small, short-term emergency loans can help farmers manage unexpected needs without compromising repayment of production loans.
- c. Insurance Bundles – Loan products may be packaged with crop, health, or life insurance to protect households from shocks that affect repayment capacity.

## 6. Strengthening Partnerships and Governance

Finally, risk management is not only financial but institutional:

- a. Partnerships with Anchor Firms – Linking cooperatives with buyers and processors ensures market access, reducing marketing risks and loan delinquency.
- b. Federation Oversight and Support – Cooperative federations can provide backstopping services, technical coaching, and pooled resources to mitigate institutional risks.
- c. Governance and Policy Integration – Embedding AVCFP policies into cooperative governance through board resolutions ensures continuity and accountability, even amid leadership changes.

In summary, risk management under AVCFP is not an add-on but an integrated system of insurance, guarantees, market tools, diversification, financial service bundling, and partnerships. By institutionalizing these strategies, cooperatives and their farmer-members become more resilient to shocks, while lenders gain confidence to extend credit to the agricultural sector. This creates a more inclusive, sustainable, and risk-informed financial ecosystem for value chain actors.

## G. Monitoring and Evaluation

The Component 3 of the RAPID Growth Project is Technical Assistance to Financial Service Providers (FSPs). It is designed to enhance access to affordable and appropriate financial services for value chain stakeholders through a diverse range of viable financial institutions operating in the Project's target areas. It focuses on enabling farming households and MSMEs participating in sustainable investment programs to access financial services. In parallel, the Project aims to strengthen financial service providers (FSPs) by expanding their outreach and building their capacity to deliver innovative, resilient, and inclusive financial products that meet the needs of rural households.

The table below shows the specific indicators of the RAPID Project to which the component directly contributes:

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Indicators	Definition	Target
<b>Logframe Outcome Targets</b>		
Number of MSMEs/FOs established linkage with producers/farmers, markets, and availed financial services for productive investments	Refers to the number of MSMEs who have accessed financial services specifically supported/promoted by the Project and partner FSPs	1,050 MSMEs/FOs
Number of Farming HH established linkage with markets, and availed financial services for productive investments	Refers to the number of farming HHs who have accessed financial services specifically supported/promoted by the Project and partner FSPs	70,000 Farmers
<b>Logframe Output</b>		
Number of suitable financial products developed	Refers to the developed/ enhanced/ expanded financial products and services as a result of TA of the Project.	10 financial products
Number of FSPs extend innovative and other value-chain financial services	FSPs that have received project support in the development, enhancement, and/or expansion of appropriate/suitable financial services as well as engaged/linked by the Project with FOs/MSMEs and farmers, offering products/services fit to the needs of the rural poor and other project beneficiaries.	10 FSPs
Number of linkages to financial services established	The number of FOs and MSMEs joined financing, investment, and BDS providers forum for financing opportunities and matching.	350 linkages

The implementation of financial service interventions under the RAPID Project involves coordinated responsibilities between the National Project Coordination Office (NPCO) and the Regional/Provincial Coordination Units (R/PCUs), aligned with key LogFrame and AWPB indicators. Together, these units contribute to achieving the Project's outcome targets, including expanded access to finance, improved financial inclusion, and strengthened value chain linkages.

LogFrame Indicator	AWPB Indicator	Responsible
2.b Number of MSMEs/FOs established linkage with producers/farmers, markets, and availed financial services for productive investments	3.1.1 Number of MSMEs availed of Financial services and products	R/PCUs
	3.1.2 Number of FOs availed of Financial Services	R/PCUs
2.a Number of Farming HH established linkage with markets, and availed financial services for productive investments	3.1.3 Number of Farming Households availed of Financial Services	R/PCUs
2.3.a Number of FSPs extend innovative and other value-chain financial services	3.1.4 Number of FSPs extend innovative/suitable and other VC Financial Services	R/PCUs
2.3.b Number of suitable financial products developed	3.1.5 Number of Suitable Financial Products Developed	NPCO
2.3.c Number of linkages to financial services established	3.1.6 Number of Financing related activities conducted or facilitated	R/PCUs
	3.1.7 Number of FOs linked to financial services	R/PCUs
	3.1.8 Number of MSMEs linked to financial services	R/PCUs

## Annexes

This guide is supported by annexes that provide tools and templates to aid cooperatives and implementers. These include:

**Annex 1. Selection Criteria**

**Annex 2. Risk Assessment Tool**

**Annex 3. Sample Cooperative Action Plan Template**

**Annex 4. Draft Loan Policy Template**