

## REGION 1

### CONVERGENCE INITIATIVE PROJECT THRU PUBLIC-PRIVATE PARTNERSHIP: THE *PIDDIG* WAY

#### *LGU Profile*

Piddig is one of the interior municipalities in the province of Ilocos Norte located in the eastern part. It is bounded on the west partly by Laoag City and partly by the town of Sarrat; on the north by the Municipality of Vintar; on the south by the town of Solsona and on the east by the Municipality of Carasi. It has a population of 21,497 (2015 Census).

More than half of the total land area of the municipality or 13,813.67 hectares is a forest area. The town occupies a total land area of 21,619 hectares.

The major livelihood sources of the people are agriculture, fishery, livestock and forestry. Agricultural crops are rice, corn, root crops, vegetables, fruits and legumes.

Piddig is picturesquely spread on the crests and slopes of rolling hills with rice plains interspersed in between. It has a cold climate due to its higher elevation than most of the towns in Ilocos Norte. Because of its hilly position, the people called the place *Pidipid* which was later changed to *Piddig*.

#### *Identifying the seed of opportunity*

*"In every crisis lies the seed of opportunity"* -this has been the motivation of the local government in coming up with sustainable economic activities which will uplift the living condition of its people.

Various common problems or crisis is existent in the municipality attributed by the absence of a holistic and sustainable social, economic, and environmental development directions. Such include: poverty, peace and order, low farm productivity, food security, education/productivity enhancing skills, inefficient health services, untapped/idle land resources, mono cropping/lack of crop diversification, unemployment/underemployment and furthered by the crisis on climate change and environmental degradation.

National poverty threshold is at P90,000 average family income per year. In a benchmarking, it was found that the average income of farmers in the municipality is P50,000 per year which is far below the threshold. This level of income is attributed to low farm productivity that called for a solution to address the common problems such as: 1.) limited use of productivity enhancement inputs (hybrid seeds, farm inputs, and technology); 2.) inaccessibility to low interest capital; 3.) high production cost and post harvest losses, and 4.) absence of a production and marketing system.

LGU Piddig looked at possible solutions to change the social, economic and environmental structure of the community with the end goal of poverty alleviation through sustainable/inclusive growth in the agriculture sector.

### *Nurturing the seed*

Considering that Piddig is an agricultural community, it must promote the development of commodity-based rural enterprises (agribusiness). Agribusiness is the only way that could bring change in the social, economic, and environmental structure of this agricultural community. Hence, enabling mechanisms were established to create a conducive environment for agribusiness development, as follows:

1. Physical infrastructure – farm-to market-roads, small water impounding dams, farm machineries and processing facilities
2. Institutions and Human Resource Development – strengthening and capability building of people's organizations such as cooperatives to develop their enterprise management and technical skills
3. Investment Environment – Forest Land Use Plan (FLUP), Comprehensive Land Use Plan, Strategic Agriculture and Fishery Development Zone (SAFDZ), and Municipal Economic and Enterprise Development Office
4. Investment Policies – Municipal Ordinance on Joint-Venture/Public-Private Partnership (PPP), and access to Agriculture Guarantee Fund Pool (AGFP), and access to low interest capital.

*Piddig* created the innovative concept for a holistic development approach that made possible the establishment of the required necessary enablers and the mechanisms to adequately provide the resources (funds, infrastructures and machineries), technical and regulations/policy directions. It has involved national government agencies (NGAs) other than the four core agencies in the National Convergence Initiative-Rural Development (NCI-RD).

There are two (2) components of the convergence initiative project: 1) National Greening Program (NGP)- Organic Coffee Production ; and 2) Consolidated Farm Production System.

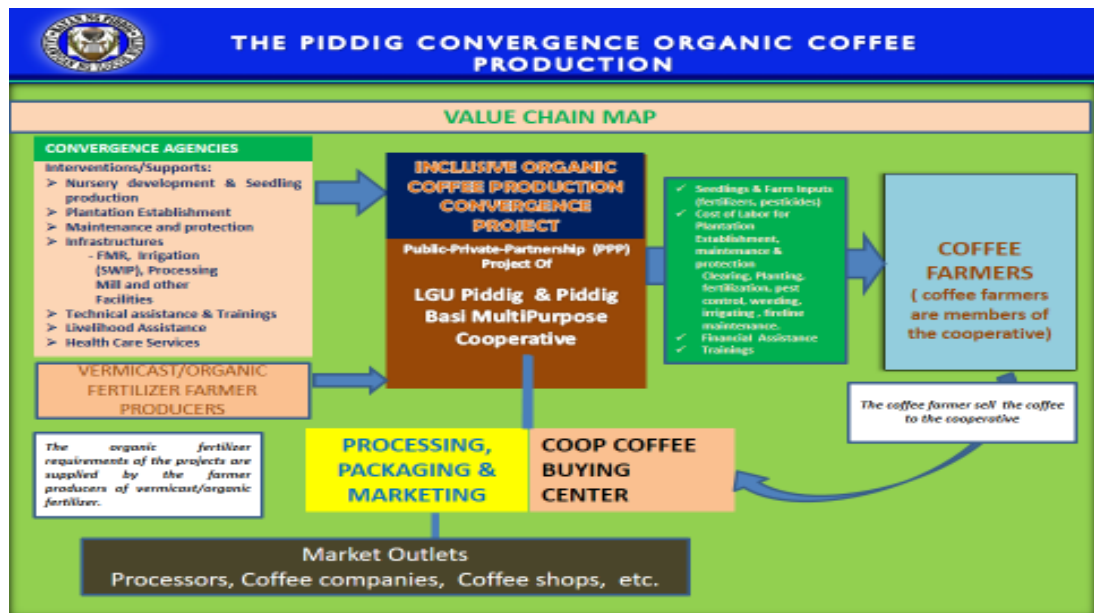
## The Organic Coffee Production Project

Having known that based on records, at least 85 percent of coffee supply in the Philippines, or 138 million kilograms worth P6 billion is imported from Vietnam every year, the municipality engaged into coffee plantation and consolidated farm production.

Under the NGP-Organic Coffee Production Project: there are 840,000 *Arabica* coffee trees planted in the highland area under pine trees located in Lammin with an area of 560 hectares. While 904,000 *Robusta*, *Liberica*, and *Excelsa* coffee trees are planted in the lowland areas, Barangays Maruaya, Calambeg, Dupitac, and Estancia (1,130 hectares), which also includes 50,000 *Narra* trees planted in 100 hectares and 200,000 *Kakawate* trees planted in 200 hectares.

The lowland coffee plantation were delineated by blocks I, II, III, IV and V. These blocks were parcelized by 10 hectares and 2 hectares. Block III parcelized by 2 hectares is intended for farm families to provide an area that a farm family can manage. Block 1 parcelized by 10 hectares were distributed to the 23 barangays and other interested groups in the locality. The operation and management of the Coffee Plantation is the responsibility of the Piddig Basi Multipurpose Cooperative as per LGU-Coop MOA. As being the holder of the Tenural Instrument from the DENR, the coop is responsible in the awarding of the parcelized coffee farms to interested farmers and enterprising individuals. A sharing system on the harvest of the coffee farm was delineated in the MOA between the Coffee Farmer and the Coop whereby 90% of the harvest will accrue to the farmer and the 10% is collected by the coop of which the 50% of the 10% is remitted to the LGU as royalty that will be use for other development needs of the coffee project.

The following illustration shows the value chain map of the organic coffee production whereby the profit of the farmer is evident in each module.

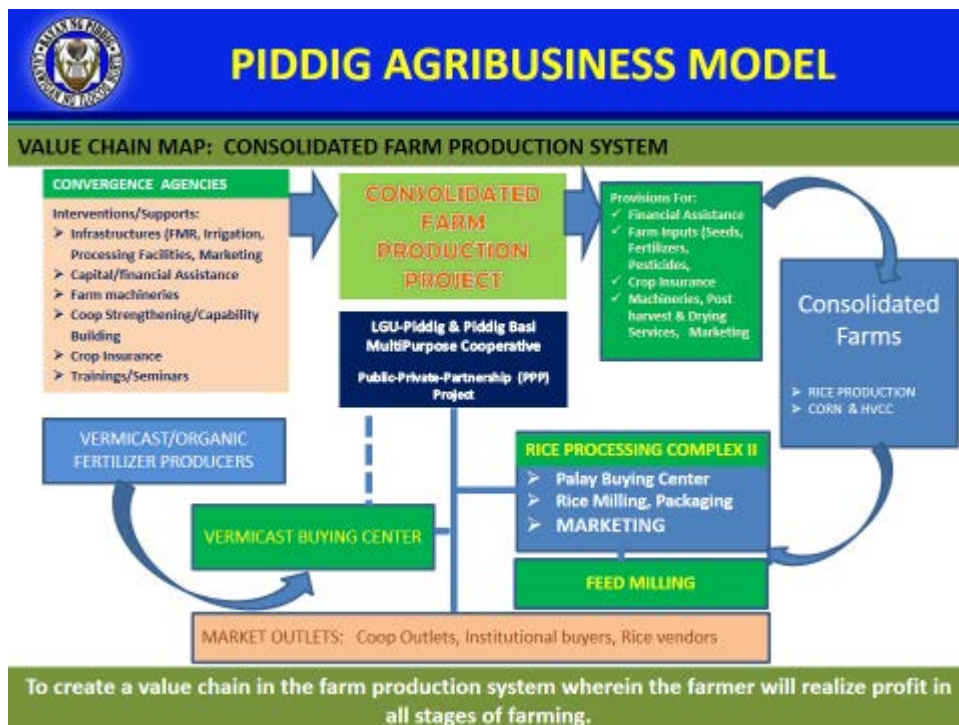


## Consolidated Farm Production System

The major features include the following:

- economies of scale
- production inputs assistance, full farm mechanization, post-harvest, processing/packaging & marketing assistance
  - to lower cost of production, eliminate postharvest losses, quality and globally competitive products.
  - Value Adding
- Rice Processing & Trading (Rice Processing Complex II Facility)
- Cooperative Capability Building

The following illustration shows the value chain in the farm production system whereby farmers earn profit in each module.



In both components of the convergence project, implementation would not be possible through engaging directly with individual farmers. It had always been through an association or organization whereby the LGU itself would have an agreement with the said association or organization.

Hence, LGU Piddig forged partnership with the *Piddig Basi Multipurpose Cooperative (PBMC)* through Resolution No. 2016-06-075. The PBMC served as the vehicle in mobilizing the farmers in engaging with the convergence project. Its membership is composed of farmer members of *zanjeras* (irrigators association), professionals, government and private employees, service providers and enterprising individuals.

The PBMC is the partner organization of the LGU in its economic enterprise development programs. With the intention of the LGU to create business enterprises operated and managed by small farmers, both parties recognized the importance of partnership in achieving agricultural growth which led them in having a joint venture agreement for the management of the consolidated farm production project involving different *zanjeras*/ irrigators.

For PBMC, its responsibility included the management of the consolidated farm production areas, delivery of farm machineries services (such as tractors, planters, drying and milling), farm inputs, provision of financial assistance for the farmers' production activities, and post harvest and marketing services.

*Strengthening and providing support*

Key Implementation Stage	Main Output	Time Frame	Office of Primary Responsibility	Resources Needed
1. Convergence with National Government Agencies (NGAs): <i>Forging partnership with:</i>				
a. Department of Environment and Natural Resources (DENR)	MOA	October 14, 2013; July 9, 2017	Mayor's Office/ MENRO	Coffee seedlings, plantation establishment, and maintenance & protection for the National Greening Program: Highland Coffee Plantation:P10M Arabica Coffee -200 has. Lowland Coffee Plantation:P52M Coffee - 1,130 has. Narra - 100 has. Kakawate -200 has
b. Department of Agriculture (DA)	MOA	2015	Mayor's Office/ MAO	Farm-to-Market Road: <ul style="list-style-type: none"> <li>• Going to the upland plantation (P98M)</li> <li>• Going to the lowland plantation (P100M)</li> </ul> Farm machineries -P12M Organic Fertilizers-P500,000 Rice Processing Complex II-P16M
c. Department of Tourism (DOT)			Mayor's Office	Farm-to-Market roads/tourism roads,
d. Department of Public Works and Highways		2016	Mayor's Office/	Dam construction (P300M)

Key Implementation Stage	Main Output	Time Frame	Office of Primary Responsibility	Resources Needed
(DPWH)			Municipal Planning and Development Office	Small Water Impounding Projects (P32M)
e. Department of Social Welfare and Development (DSWD)			Mayor's Office/MSWDO	Capital for Vermicompost production (P3.5M) to 700 Pantawid Pamilya beneficiaries at P5,000 each
f. Department of Labor and Employment (DOLE)			Mayor's Office	Capital Assistance (P1M) to 100 marginalized farmers for vermicast production
g. Department of the Interior and Local Government (DILG)			Mayor's Office	*BUB-Potable Water Supply <i>Abucay-2M</i> <b>*SALINTUBIG</b> <b>-Maruaya- 2M</b> <b>*LGSF-Small Water Impounding Project</b> <i>Estancia- 3M</i> <i>Maruaya(Lubong)-3M</i> <i>Maruaya(Nagurdin)-3M</i> <i>Dupitac-581K</i>
h. Department of Trade and Industry (DTI) in partnership with Benguet State University (BSU), Cavite State University (CvSU)/National Coffee Research & Extension Development Center			Mayor's Office	Trainings on coffee production, processing, and development of the Piddig Coffee Production Management Protocol
2. Consolidation of farmers through <i>zanjeras</i> by the LGU through the Municipal Agriculturist Office	43 <i>zanjeras</i>		MAO	Project Information Dissemination and Technical Briefing on project implementation mechanics
3. Establishment of the Coffee Plantation Project Management Office (PMO)	PMO established		Mayor's Office	Office/Room Computers Office furniture & supplies
4. Partnership with the <i>Piddig Basi</i> Multipurpose Cooperative (PBMC)	<ul style="list-style-type: none"> <li>Mun. Reso lution # 2016-06-075 (SB Resolutio</li> </ul>	June 2016	Mayor's Office/ PMO	Management Staff , laborers, Office/facilities, equipment, farm transportation services, financing services

Key Implementation Stage	Main Output	Time Frame	Office of Primary Responsibility	Resources Needed
	n authorizin g the Local Chief Executive to enter into MOA with with PBMC) • MOA Between LGU-COOP			

### Harvesting the gains

Having been engaged in this convergence initiative project, the immediate gains of the project are as follows:

- *Employment generation.* Job creation for unemployed and underemployed. The project various activities employed significant number of idle and underemployed workers (1,000 farmers) which made them more occupied in gainful undertakings.
- *Women empowerment.* Widening of job and skills training opportunity for women which include the vermicast production. Seven Hundred (700) *Pantawid Pamilya* beneficiaries were given capital assistance.
- *Strengthen cooperative capability.* Consolidation of small cooperatives to form larger base that enable application of “Economies of Scale” in agribusiness.
- *Collective shared economy of Piddig.* Equitable distribution of wealth among stakeholders as a result of Public-Private Partnership for the People (P4) scheme of enterprise development of the LGU.
- *Environmental preservation & improvements.* The Piddig inclusive organic coffee production has turned forests that are yearly burnt and reforested into high value commercial crop production area where indigenous people are involved and benefited. They now serve as guardians of the forest, and have greatly reduced the problem of forest burning.

- o *Garbage reduction and utilization of farm waste materials.* The utilization of farm waste into organic fertilizer helped in environmental protection instead of having left rotten in the field emitting detrimental gases to the environment.
- o *Improved climate change mitigation and adaptation.* Piddig convergence project helps in dealing climate change mitigation through the implementation of NGP. Climate change adaptation has been enhanced through the construction of water catchment basin projects and the farm consolidation for efficient water management thereby increasing the climate change resiliency of Piddig.

With the sustained project implementation, the LGU perceives to attain the end goal of the project:


- o *Improved local economy resulting to income level improvement:* Increased income level of the families that eventually make them not only producers but consumers of goods and services, a necessary condition to promote economic growth and sustainable development.

*Coffee Project Benefits:*

With the convergence initiative, it is projected that the family income per year are as follows:

Average family income with project:

- Lowland farmers= Php104,000
- Highland farmers= Php138,000

 <b>Coffee Project FINANCIALS AND ECONOMIC ANALYSIS</b>		
COMPONENT	FIRR %	EIRR %
LOWLAND COFFEE	26	38
HIGHLAND COFFEE	28	45


  

<b>MULTIPLIER EFFECTS:</b>
➤ Production at full development: ~ 2,000 tons, or Php175 million a year
➤ Foreign exchange savings from coffee imports: ~ US\$4 million a year.
➤ 2,000 full-time jobs
➤ Income multiplier effects: ~Php 400 million a year to Ilocos economy


*Consolidated Rice Farming Project Benefits:*



Farmers involved in the Consolidated Rice Farming Project realized improvement in their *palay* production and increased their income due to the application of the “economies of scale” concept that lowered cost of farm inputs, reduced post harvest losses, low interest capital, and reasonable market price of *palay* provided by the farmer’s cooperative.

 <b>PIDDIG AGRIBUSINESS MODEL</b>		
PROJECT OUTCOME		
CONSOLIDATED RICE FARMING PROJECT		
COOP Beneficiary Income		
Particulars	Without Project	With Project
Yield Per Hectare (kgs./ha)	4,000 kgs.	6,273
Production Value (Php)/ha.		
Local Traders Buying Price - 19.0/kg	76,000	
Farmers Cooperative buying price 21.50/kg.		134,869.5
Production Cost		
Traditional practices	53,000	
Full farm mechanization & inputs		64,025.00
<b>Income</b>	<b>23,000</b>	<b>70,844.5</b>
Cost of Producing a kilo (Php)	13.25	10.2

*Farmer’s Cooperative Rice Milling Economic Enterprise Benefits*

 <b>PIDDIG AGRIBUSINESS MODEL</b>		
PROJECT OUTCOME		
CONSOLIDATED RICE FARMING PROJECT		
Economic Benefits: Production & Rice Processing Coop Enterprise		
Component	Without Project	With Project
Production		
Annual Rice Area	5,000 has.	5,000 has.
Average Yield Per Hectare (kg)	4,000 kgs.	6,273 kgs.
Total Annual Production	20,000,000 kgs.	31,365,000 kgs.
Total Production Value (Php)		
-Local traders buying price per kilo-Php19.0	380,000,000	
- Farmers coop buying price per kilo-Php21.50		674,347,000
Captured Value Added when processed/milled - Php20.0/kilo of rice	-0-	627,300,000

*Challenges and lessons learned*

Making the project into reality is the major challenge the LGU has faced.

The local government had to do paradigm shifting in the implementation of different agency's rural development programs through the convergence approach.

For a 3<sup>rd</sup> income class municipality such as Piddig, convergence initiative approach is the best mechanism that can enable application of "economies of scale" with the holistic approach and pooled resources that adequately support the development and sustainability of a rural development program that surely widens development opportunities.

Convergence is public-private partnership. One would just have to have political will, the persistence and determination to achieve the goal of inclusive growth. More importantly, one would just have to know how to empower people, and mobilize these people in engaging with development partners.

I. Appendices