

## Ex-Ante Evaluation

Southeast Asia 5 Division

Southeast Asia and Pacific Department, JICA

### 1. Name of the Project

Country: The Republic of the Philippines

Project: Harnessing Agribusiness Opportunities through Robust and Vibrant Entrepreneurship Supportive of Peaceful Transformation (HARVEST) / The Project For Capacity Building for Financial Access in Agribusiness (Technical Assistance Grant for HARVEST)

Loan Agreement: January 12, 2017

### 2. Background and Necessity of the Project

(1) Current status and issues of the development of the Autonomous Region in Muslim Mindanao (ARMM) and the agriculture financing sector of the country, and positioning of the Project.

In March 2014, the government of the Philippines and Moro Islamic Liberation Front (MILF) signed a comprehensive peace agreement on establishment of the Bangsamoro autonomous government in the southwestern part of Mindanao, an area where violent conflicts persisted over 40 years. In order to establish peace and promote reconstruction and development of the region toward establishment of the Bangsamoro government, it is necessary to swiftly demonstrate the effects of peace by highlighting the economic activity driven by the private sector. Above all, job creation is an urgent issue because former MILF combatants and their families (estimated to be 20,000 to 40,000 people) need new livelihoods and many residents of the area are in poverty.

The poverty ratio of the southwestern part of Mindanao is the highest in the Philippines. Especially the poverty ratio of the Autonomous Region in Muslim Mindanao (ARMM) that is expected to be included in the administrative district of the Bangsamoro government by referendum is as high as 53.4% (national average is 22.1% according to 2015 national statistics). Most of these poor people are petty or landless farmers and fishermen.

The Philippine Development Plan 2011-2016 identifies export promotion of high value added agricultural products through agri-business as an important task in agricultural and industrial development. In particular, ARMM holds a prominent position in the plan because it takes up a large share of national agricultural output. ARMM has fertile land areas that are not significantly affected by typhoons and is suitable for agricultural production including rice, vegetables and fruits. However, this

high development potential is not yet fulfilled because of insufficient infrastructure investment as a result of conflicts over the decades. Private agricultural companies, etc. are running banana, pineapple and other plantation businesses around ARMM and creating jobs. Yet, in order to attract more investment of private enterprises to the area, improvement of public safety and access to financing remain challenges.

## (2) Japan's and JICA's policy on cooperation with ARMM/agricultural financing sector and positioning of the Project

The Country Assistance Policy for the Republic of the Philippines (2012) identifies "peace and development in Mindanao" as a priority area. The policy intends to assist regional development through infrastructure and industrial development in order to establish peace and reduce poverty by promoting the peace process through development.

The Country Analysis Paper for the Republic of the Philippines (2014) positions "Peacebuilding in conflict-affected areas in Mindanao conflict" as one of the three priority issues. It emphasizes establishment of a new autonomous government in line with the transition process from the ARMM government to the Bangsamoro autonomous government. The assistance focuses on four fields: (1) governance (establishment of institutions and human resource development of the new autonomous government); (2) normalization (demobilization and social rehabilitation); (3) Community support (dividends of peace and livelihood improvements), and: (4) vitalization of economic activities (medium-term assistance for regional development and private sector). The paper also suggests that promotion of and expansion of investments in agroindustry, taking advantage of agricultural and fishery products where Mindanao has a competitive advantage, are important for promotion of the export industry of the country as a whole as well as livelihood improvement of the region. This Project is consistent with the policy and the analysis.

The Project targets petty or landless farmers and fishermen who account for a significant part of the poor, and therefore contributes to SDG 1 "End poverty in all its forms everywhere." In addition, because the Project is aimed at reconstruction and establishment of peace through job creation within the Project areas including the conflict-affected area, it is considered to contribute to SDG 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels."

## (3) Response by other donor organizations

Major donors including World Bank, the United States and EU established the Mindanao Trust Fund (with contributions by the EU, the United States, Australia, Canada and others) which carries out community infrastructure development through its executing agency, Bangsamoro Development Agency (BDA). The World Bank also conducted the Autonomous Region in Muslim Mindanao (ARMM) Social Fund for Peace and Development Project as a co-financing with JICA (Japanese ODA Loan agreement signed in December 2003) from 2004 to 2013 to support the citizen-led project for small-scale infrastructure development. Another major donor is Asian Development Bank, which is supporting infrastructure development across Mindanao, however, it does not duplicate this Project.

### **3. Project Description**

#### (1) Project Objectives

By providing private enterprises and agricultural cooperatives with necessary funds for agriculture-related investments including production funds, capital expenditure and working capital within the current ARMM and other conflict –affected areas along with outside areas<sup>1</sup> the Project aims to improve financial access in the area, create jobs through vitalization of economic activities and promote activities contributing to livelihood improvement, and thereby contribute to establishment of peace in the area.

#### (2) Project Site/Target Area

The current ARMM and other areas affected by Mindanao conflict along with outside areas

#### (3) Project Overview

##### 1) Japanese ODA Loan

Providing necessary funds to end users including agriculture-related companies and agricultural cooperatives in a two-step loan through the Land Bank of the Philippines (LBP) that is the executing agency

##### 2) Technical Assistance Project related to Japanese ODA Loan (hereinafter The Technical Assistance Project)

Strengthening the organization and developing human resources for (1) enhancement of organizational management and financial literacy of sub-loan borrowers including micro, small or medium-sized enterprises and agricultural cooperatives, and (2) improvement of examination skills of LBP that is the

---

<sup>1</sup> The Project also covers businesses that are headquartered outside of ARMM and logistics and sales (e.g. production base is located in ARMM). Therefore the Project Site/Target Area is defined as “the current ARMM and other areas affected by Mindanao conflict along with outside areas”

lender of sub-loans

(i) Input from the Japanese side (planned):

[Consultants] 1. general coordination/ rural finance; 2. coordination assistance/ agribusiness development; 3. marketing/ PR; 4. monitoring evaluation/ database; 5. rural development; 6. environmental consideration; 7. social consideration/ gender; 8. training planning/ operational coordination

(ii) Input from the Philippine side:

[Counterpart] Project director, project coordinator, Project Management Office (PMO)

[Office space] In the process of coordination at the LBP Headquarters

(iii) Project goal/indicator: smooth and effective implementation of the main project (Indicators are the same as those of the main project stated in 4. (1) below).

(iv) Output:

1. Strengthened abilities of agricultural cooperatives, agriculture-related micro, small or medium-sized enterprises and participating financial institutions within the Project Site/Target Area
2. Expanded and enhanced financial access within the Project Site/Target Area
3. Strengthened examination (especially in terms of environmental and social considerations), implementation and monitoring capabilities of LBP in the Project Site/Target Area

(v) Beneficiaries (target group)

Direct beneficiaries: Mindanao and other regional lending groups of the LBP headquarters; and Environmental Programs Management Department; staff of lending centers/branches surrounding ARMM; companies/organizations borrowing sub-loan of the Japanese ODA loan and potential sub-loan borrower companies/organizations; agricultural cooperatives, agriculture-related micro, small or medium-sized enterprises and participating financial institutions within ARMM and surrounding areas

Indirect beneficiaries: Farmers within the Project Site/Target Area

(4) Estimated Project Cost

6,170 million yen (of which the Japanese ODA loan amount is 4,928 million yen)

The Technical Assistance Project: about 790 million yen (Japanese side)

(5) Project Schedule

Japanese ODA loan: Scheduled for 60 months from January 2017 to January 2022. The Project will be completed with the completion of provision of the loan (scheduled in January 2022). However, with application of the retroactive provision, a loan can be provided retroactively for one year from the date the L/A signature.

The Technical Assistance Project: Scheduled for about 60 months from November 2017 to November 2022. It is assumed that the project will consist of Phase 1 (one year) and Phase 2 (3 to 4 years).

(6) Project Implementation Structure

- 1) Borrower of the Japanese ODA loan: Land Bank of the Philippines (LBP)
- 2) Guarantor: Government of the Republic of the Philippines
- 3) Executing Agency: same as 1) above
- 4) Operation and Maintenance Agency: Project Management Office (PMO) will be set up within LBP for operation of the Project in cooperation with Mindanao and other regional lending groups.

(7) Collaboration and Division of Work with Other Projects and Donors

- 1) Aid activities by Japan: none
- 2) Aid activities by other donor organizations, etc.: none

(8) Environmental and Social Considerations/Poverty Reduction/Social Development

1) Environmental and Social Considerations

i. Category: FI

ii. Reason for Categorization: Based on the "JICA Guidelines for Environmental and Social Considerations" (promulgated in April 2010) subprojects of the Project cannot be identified before JICA's loan approval and unidentified subprojects are expected to have environmental impact.

iii. Other/Monitoring: For this Project, based on the internal legal system of the Philippines and the "JICA Guidelines for Environmental and Social Considerations" LBP will categorize each subproject and take necessary measures based on the applicable category (the process will be supported by a consultant(s) employed for the Technical Assistance Project that will be implemented concurrently). If subprojects include any Category A project, environmental review and information disclosure required for Category A will be conducted before the implementation.

2) Cross-Cutting Issues: Economic disparity between ARMM and other regions as well as between indigenous Muslims and Christians is one of the factors of the conflicts. Improvement of access to loans for micro enterprises and farmers/fishermen living in poverty through the Project and technical assistance

is expected to contribute to poverty reduction and thereby to reduction of conflict factors.

### 3) Gender Categorization: GI (S) Gender Activity Integration Project

<Reason for Classification>

The Project Site/Target Area has a large number of socially vulnerable persons including female householders and people with disabilities as a result of the conflicts. There are also a large number of indigenous people. For this reason, the effect indicators of the Project include the number of female employers and beneficiaries. The project, through the Technical Assistance, also works to expand access of women, people with disabilities and indigenous people to the fund of the projects and other financial institutions in order to increase their opportunities to increase income. At the same time the executing agency will build a system to appropriately monitor that the target groups receive the benefits.

(9) Other Important Issues: none

## 4. Targeted Outcomes

### (1) Quantitative Effects

#### 1) Outcome (operation/effect indicator)

Indicator	Baseline (2017 actual)	Target (2024) [Two years after the project*1 completion]
Additional number of employees Targets: large-scale agribusiness enterprise (LAEs), agriculture-related micro, small and medium enterprises (MSMEs)	-	To be set in the Technical Assistance Project
Number of newly developed Production Technical Marketing Agreement (PTMAs) or Corporate/ Business linkage with farmer's organizations Targets: LAEs	-	Same as above
Sales growth of sub-borrowers and end-borrowers Targets: LAEs, MSMEs	-	Same as above

Number of re-lending loan projects and their possible/ potential end-users that can be extended credit Targets: agricultural cooperatives and farmer organizations	-	Same as above
Amount of investment supported Target: all end users	-	Same as above
Number of approved and disbursed sub-loans provided Target: all end users	-	Same as above
Total number of newly opened bank accounts Target: all end users	-	Same as above
Number of women that were employed or have benefitted through HARVEST Target: all end users	-	Same as above

Note 1: "The projects" refers to the Japanese ODA Loan Project and The Technical Assistance Project

- (2) Qualitative Effects: promotion of activities contributing to livelihood improvement and establishment of peace within ARMM and surrounding area
- (3) Internal Rate of Return (IRR): not calculated as subprojects cannot be identified in advance.

## **5. Pre-conditions and Important Assumptions**

- (1) Pre-conditions: none
- (2) External conditions: public safety in the Project Site/Target Area is maintained

## **6. Lessons Learned from Past Projects**

Under the Rural Farmers Agrarian Reform Support Credit Program (the loan agreement signed in 1996) JICA and the Department of Agrarian Reform concurrently provided technical assistance to agrarian reform cooperatives to help agricultural cooperatives nationwide meet the LBP loan eligibility criteria, which resulted in an increase in the number of cooperatives receiving loan from LBP. However, the Economic Cooperation Assessment Report (Economic Cooperation Bureau, Ministry of Foreign Affairs, 2005) showed that cooperative activities slackened or farmers' loan return rate fell in some cooperatives after the project

implementation. The lesson learned from this is the need for devices such as strengthening the financial base through creating alliance of cooperatives and establishing a system to give guidance for project planning in cooperation with the Department of Agrarian Reform and others.

Since the Project's sub-loan borrowers include agricultural cooperatives, a cooperative framework with the relevant organs in the Project Site/Target Area (Department of Agriculture, Department of Agrarian Reform, Department of Trade and Industry, Cooperative Development Authority, etc. of ARMM autonomous government) through the Technical Assistance Project will be built from the beginning of the projects. With the aim of human resource development and capacity building including financial literacy of micro, small and medium enterprises and agricultural cooperatives, the project also aims to improve financial access in the Project Site/Target Area by promoting lending through strengthening of the guidance for project planning and project monitoring capacity of the LBP loan center.

## **7. Evaluation Results**

By providing private enterprises and agricultural cooperatives in the project area with necessary funds for agriculture-related investments including production funds, capital expenditure and working capital, the Project aims to improve financial access in the areas, create jobs through vitalization of economic activities and promote activities contributing to livelihood improvement, and thereby contribute to establishment of peace in the area. Therefore, the projects are consistent with the development issues/policies of the country as well as the cooperation policy and analysis of Japan and JICA. Since the projects are also considered to contribute to SDG 1 "End poverty in all its forms everywhere" and SDG 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels," supporting the implementation of the projects is deemed highly necessary.

## **8. Plans for Future Evaluation**

(1) Indicators for Future Evaluation:

As shown in 4. (1) to (3)

(2) Timing of Next Evaluation:

Six months after the beginning of The Technical Assistance Project: baseline study

Two years after project completion: Ex-post evaluation (Japanese ODA Loan project and The Technical Assistance Project are will be evaluated collectively)