

Ex-ante Evaluation

1. Name of the Project

Country: Republic of the Philippines

Project: Mindanao Sustainable Agrarian and Agriculture Development Project

Loan Agreement: 30 March 2012

Loan Amount: 6,063 million yen

Borrower: The Government of the Republic of the Philippines

2. Background and Necessity of the Project

(1) Present State and Problems of the Agriculture/Agrarian Reform Sector in the Philippines

The Philippines has been one of the largest rice import countries since 2007, due to a rapidly growing population and typhoons that frequently hit the country's grain-producing areas. While the country's agriculture sector accounts for 33.6% of the labor population (in 2010), its share in GDP is limited as 16.8%, thus improvement of productivity is an issue to be addressed.

The government has challenged the issue in several ways. Improvement of irrigation facilities is one example of these efforts and promotion of agrarian reform is another measure that past administrations have tackled as one of the priority issues.

The government commenced "Comprehensive Agrarian Reform Plan (CARP)" in 1988 with an aim to distribute land ownership to landless farmers. The Department of Agrarian Reform (DAR) has major responsibility in promoting CARP together with the Department of Environment and Natural Resources (DENR). By 2010, 7.4 million hectares (ha) has been distributed to 47,000 farmer-beneficiaries, out of the target of approximately 9 million.

In addition, the Government has introduced the framework of "Agrarian Reform Community" (ARC) in 1993 to support land tenure improvement and has focused on the improvement of agricultural infrastructure and farmers' capability building. Hence the land scale owned by individual farmers are relatively small as an average of 1-2 ha, policies to enhance collective farming of such farmers is in need to achieve economies of scale in the process of production and marketing of farm products.

Mindanao, which covers 40% of the total land distribution in CARP, has abundant agricultural potential with fertile soil and stable climate, with less risk of typhoon hits. It is one of the country's major production areas of key export agri-products, such as coconut, banana and pineapple. However, sufficient investment in agricultural infrastructure has yet to be done due to a distance from major economic areas as well as peace and order situation. As a result, Mindanao's vast agricultural potential has not been materialized.

(2) Development Policy for the Agriculture/Agrarian Reform Sectors and the priority of the project

In its Philippine Development Plan (2011-2016), the Aquino Administration aims to attain "improvement of food security and increase of farmers' income" and to enhance the

transformation of agrarian reform beneficiaries into viable entrepreneurs. This project is well aligned with the development policy through enhancing productivity of small scale farmers. As mentioned earlier, successive administrations have been making good efforts in promoting CARP and support for ARC. This project will also provide further supports in response to these efforts.

(3) Japan's and JICA's Policy and Past Activities of Assistance in the Agriculture/Agrarian Reform Sector in the Philippines

In Japan's Country Assistance Program for the Republic of the Philippines (June 2008), "Assistance for Empowerment of the Poor and Improvement of Living Conditions" is set as one of the priority issues. Also, JICA's country assistance plan (July 2009) sets out "Assistance for Empowerment of the Poor and Improvement of Living Conditions" as one of its priorities and this project is conducted as part of it.

JICA has provided supports for "Agrarian Reform Infrastructure Support Projects (Phases I-III)" (Loan Agreement: August 1995, Loan Amount: 6,151 million yen, Loan Agreement: December 1999, Loan Amount: 16,990 million yen, Loan Agreement: December 2007, Loan Amount: 11,802 million yen), "Mindanao Sustainable Settlement Area Development Project" (Loan Agreement: May 2001, Loan Amount: 6,515 million yen), and is playing a leading role in supporting the country's agrarian reforms support.

(4) Other Donors' Assistance

The World Bank and Asian Development Bank provide support for small scale infrastructure for ARCs nationwide. This project intends to utilize the outcomes of these supports, while avoiding geographical overlap with these donors.

(5) Necessity of the Project

This project supports agricultural development in Mindanao, which has a vast farmland and suitable climate and soil for agriculture, and accounts for 40% of the total land distributed through CARP. This project provide agricultural infrastructure and support capacity building of farmers' groups in improvement of agri-productivity. Thus, it is expected to contribute to develop a model of collective farming to enhance productivity and profitability with maintaining small-scale land ownerships. Since this project is aligned with the Philippine Development Plan and the Japanese government's assistance policy for the empowerment of the poor, JICA's support to this project is necessary and relevant.

3. Project Description

(1) Project Objectives: This project aims to increase agricultural productivity, product value, and income of Agrarian Reform Beneficiaries and other small scale farmers through provision of small scale agricultural infrastructure and agricultural / organizational capacity building support thereby contributing to increase competitiveness and sustainability of agriculture in the covered areas.

(2) Project site/Target Area: Mindanao (the 10th, 11th and 12th region)

(3) Project Outline

- 1) Agricultural infrastructure development (farm to market road/bridge, irrigation facilities, post-harvest processing facilities)(local competitive bidding)
- 2) Agricultural / organizational capacity building (local competitive bidding)
- 3) Rural Water supply development (local competitive bidding)
- 4) Consulting service (International competitive bidding)

(4) Total Project Cost:

8,190 million yen (Yen loan amount : 6,063 million yen)

(5) Project Implementation Schedule

March 2012 - December 2016 (58 months) The project's completion is defined as when all facilities under the Project are constructed and turned over to Local Government Units and beneficiaries as well as when all agriculture support activities are completed

(6) Project Implementation Structure

1) Borrower: The Government of the Republic of the Philippines

2) Lead Executing Agency: DAR

As co-implementing agencies, National Irrigation Administration (NIA) and Department of Public Works and Highways (DPRH) will be responsible for implementation of the project.

3) Operation and Maintenance System: With regards to operation and maintenance of the constructed facilities, the local government unit is responsible for the farm to market road, irrigators associations for irrigation facilities, agricultural cooperatives for post-harvest processing facilities, and water management association for water supply facilities.

(7) Environmental and Social Consideration, Poverty Reduction, and Social Development

1) Environmental and Social Consideration:

① Category: B

② Reason for Categorization: The project's potential adverse environmental impacts are not significant in terms of its sector, project and regional characteristics, as defined in the "Japan International Cooperation Agency (JICA) Guidelines for Environmental and Social Considerations" (April 2002).

③ Environmental Permit: After the project launch, Environmental Compliance Certificate (ECC) will be secured for each sub project, following the established procedures of DENR.

④ Anti-Pollution Measures: This project is likely to have little soil pollution and repair works on facilities are also likely to have little impacts on the environment.

⑤ Natural Environment: This project is not conducted in or near a sensitive area like a national park and is likely to have minimal adverse environmental impacts.

⑥ Social Environment: This project focuses on repairs/mending on the existing facilities and will not involve land acquisition and resettlement. However, if and when a new

facility is built, a site will be provided by the local government and/or farmers association.

- ⑦ Other/Monitoring: Regular monitoring will be conducted on the number of issuance on ECC for each sub-projects, as well as crops and trees affected by the construction of the farm to market road/facilities
- 2) Promotion of Poverty Reduction: The poverty rate in target province is 29.5%-44.6%, exceeding the national average of 26.5%. This project supports the preparation of agricultural and social infrastructure for small scale farmers and is categorized as a poverty reduction project.
- 3) Promotion of Social Development (e.g. gender perspective, measure for infectious diseases including HIV/AIDS, participatory development, considerations for persons with disabilities, etc.): This project adopts participatory approach, in which residents in the target areas participate in planning the sub-projects. Furthermore, in planning and implementing the sub-projects, this project includes the process of free, prior and informed consent to the residents including indigenous people, as well as enhancing participatory decision-making process in close coordination with National Commission on Indigenous People.
- (8) Cooperation with other schemes and/or donors: In its technical cooperation project “Davao Industry Cluster Capacity Enhancement Project (2007-2010), JICA supported the standardization of product quality and market development (including export) for small- and medium-sized corporations and producer groups. The outcomes and knowledge gained by the project will be applied to this project. In addition, the project will liaise with individual experts called “agribusiness policy advisor”.
- (9) Other Important Issues: None

4. Outcome Targets

(1) Quantitative effects

1) Operation and Effect Indicator:

Indicator	Baseline (2014)	Target (2019) (3 years after completion of the project)
▪ Annual Average Cropping intensity (%/year)	To be confirmed	20% increase
▪ Average Yield in the service area irrigation Project (ha)	To be confirmed	20% increase
▪ Travel time reduced (%)	To be confirmed	20% increase
▪ Number of farmers trained (person)	0	12,000
▪ Number of households served by potable water supply facilities (households.)	0	11,925

As a reference indicator, net annual average income (peso/year/household) will be monitored.

Note that due to limited statistics of the target areas available, baseline survey will be

conducted to decide baselines and indicators after the project launch.

2) Internal Rate of Return:

Based on the conditions below, the Economic Internal Rate of Return (EIRR) is calculated as 25.5%.

Cost: project cost (excluding tax), operation and maintenance expenses

Benefit: Increase in farm production, rise in prices of agri-products, reduction in transport cost and losses, decrease of time to fetch water.

Project Life: 50 years

(2) Qualitative Effects :

- Progress of agri-business development in the Project areas as a result of agribusiness and capacity building supports
- Decrease of post-harvest losses and improvement of price of agricultural products

5. External Conditions /Risk Control

In implementing the project, due consideration will be given to security measures. It is also important to pay sufficient attention to understand social structure of the community and considerations will be given to ensure appropriate decision-making process through the project.

6. Lessons Learned from Findings of Similar Projects Undertaken in the Past

- (1) Findings of Similar Projects: The initial impact assessment in previous project indicates that introduce of cash crops is important in increasing farmers income as well as value-added supply chain to the market. The lesson learnt drawn from the results includes the necessity of comprehensive plan to address these issues in a strategic way. In addition, the importance of including beneficiaries from the planning stage is raised as recommendation in order to strengthening community organizations to ensure proper operation and management of provided facilities.
- (2) Lessons Learned: This project supports production of cash crops such as fruit and palm trees in addition to commodity crops. Furthermore, the project has a comprehensive plan that combines the agricultural infrastructure development and capacity building of farmers groups. This project employs participatory approach which enables famers and major stakeholders in the community to be included in the process of planning and implementing the project. In addition, support for institutional capacity building is also included to assure sustainability of the project.

7. Plans for Future Evaluation

- (1) Indicators for Future Evaluation
 - 1) Annual Average Cropping intensity (%/year)
 - 2) Average Yield in the service area irrigation Project (ha)

- 3) Travel time reduced (%)
 - 4) Number of farmers trained (person)
 - 5) Number of households served by potable water supply facilities (household)
- (2) Timing of Next Evaluation
- 3 years after the completion of the project

END