Republic of the Philippines

FY2019Ex-Post Evaluation of Japanese ODA Loan

"Agricultural Credit Support Project"

External Evaluator: Kenichi Inazawa, Octavia Japan, Co., Ltd.

0. Summary

The objective of this project was to vitalize investment activities that contribute to enhancing job creation and agricultural productivity in rural areas across the Philippines, by providing funds such as production funds, operating funds and capital investment funds from the Land Bank of the Philippines (hereinafter "LBP"), which is the Executing Agency of this project, to agricultural cooperatives (hereinafter "ACs"), Farmer's Organizations (hereinafter "FOs"), Small and Medium Enterprises (hereinafter "SMEs") and Large Agribusiness Enterprises (hereinafter "LAEs"), thereby contributing to poverty reduction in the Philippines. *The Medium-Term Philippine Development Plan* (2004–2010) and *Medium-Term Philippine Development Plan* (2017–2022) formulated by the Philippine Government indicated the importance of supporting the agricultural sector, dissemination of finance for small enterprises including agricultural finance, and reducing poverty. In addition, it was confirmed that the project is consistent with Japan's ODA policy, and with the demand for improvement in financial access for small-scale farmers and fishermen, etc. Therefore, the relevance of this project is high. With regard to efficiency, the output fell below the initial plan, and the project cost stayed within the planned amount. Meanwhile, the project period exceeded the initially planned timeframe, due to the time needed for the coordination and approval procedures within LBP following the changes in fund allocation (loan fund), and delay in activities such as loan screening and procedures as a result of these changes. Therefore, efficiency of the project is fair. With regard to the indicators that measure quantitative effects, about 60% of the target figure for the total sub-loan amount was achieved. The past due ratio reached more than the target figure. While the number of new borrowers was observed to be relatively large, it cannot be said with certainty that the number has reached the target, since the logic behind the target figure at the time of the project appraisal is unknown. With regard to the actual figures of the number of new employment and the production volume of small-scale farmers, fishermen, etc., it is difficult to determine the status of achievement since the target figures were not established at the time when they were supposed to during the baseline survey after the start of the project. However, given the comments received from entities such as the lending centers, which are the regional organizations of LBP, and ACs, which were in charge of lending to end-users, a certain level of contribution to job creation for

the borrowers' organizations, improvement of living standards, and reduction in poverty can be confirmed. In light of the above, the effectiveness and impact of the project is judged to be fair. No particular concerns exist in the structural, technical, or financial aspects of LBP, since debt collection has been carried out smoothly with the assistance of its head office and its lending centers, LBP has secured specialized staff, the non-performing loan ratio has shown no significant increase, and LBP is financially stable. Thus, sustainability of the effects realized through this project is judged to be high.

In light of the above, this project is evaluated to be satisfactory.

1. Project Description

Project Location


Tea Processing Facility Developed by the Loan of This Project (Negros Oriental Province)

1.1 Background

Before the start of the project, many of the micro-farmers and fishermen could not access financial and technical services. In particular, problems that surfaced as to financial services to the agricultural sector including the livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services were; a shortage of medium and long-term funds, credit squeeze by financial institutions upon agriculture that carries high risks and high handling costs, the scarcity of necessary technical assistance given to borrowers by financial institutions to improve their borrowing capacity, and difficulty for borrowers to satisfy the lending criteria of financial institutions due to lack of creditworthiness, collateral, and other relevant elements. Therefore, there was a need to provide services such as technical assistance required to enhance the borrowing capacities of ACs, FOs, and other parties that cannot satisfy the lending criteria of financial institutions, in addition to providing loan funds for the agricultural sector, thereby improving access to institutional loans for farmers, fishermen, FOs, and other relevant parties.

1.2 Project Outline

The objective of this project was to vitalize investment activities that contribute to job creation and improving agricultural productivity in rural areas, by providing funds such as production fund, operating fund and capital investment fund from LBP to the ACs, FOs, SMEs, and LAEs across the Philippines, thereby contributing to poverty reduction in the country.

Loan Approved Amount/ Disbursed Amount	14,608 million yen / 10,504 million yen
Exchange of Notes Date/ Loan Agreement Signing Date	June 18, 2009 / November 25, 2009
Terms and Conditions	General Condition: Interest Rate: 1.40% Repayment Period : 30 years (Grace Period: 10 years) Conditions for Procurement: General Untied Priority Condition: Interest Rate: 0.01%, 0.65% Repayment Period: 40 years (Grace Period: 10 years) Conditions for Procurement: General Untied
Borrower / Executing Agencies	Land Bank of the Philippines (LBP)
Project Completion	February 2017
Target Area	Whole Philippines
Main Contractor (Over 1 billion yen)	N/A
Main Consultant	Nippon Koei Co., Ltd. (Japan) / Philkoei International INC.(Philippines) (JV)
Related Studies （Feasibility Studies, etc.)	N/A
Related Projects	[Yen Loan] ・ ASEAN Development Fund (AJDF) Category B (LBP) (1992) ・ Rural / Agricultural Land Reform Support Policy Finance Project (1996) ・ Harnessing Agribusiness Opportunities through Robust and Vibrant Entrepreneurship Supportive of Peaceful Transformation (HARVEST) (2017) [Other international organizations, aid organizations, etc.] ・ Rural Finance Project (I) (II) (III) (1991-2007, World Bank)

2. Outline of the Evaluation Study

2.1 External Evaluator

Kenichi Inazawa, Octavia Japan, Co., Ltd.

2.2 Duration of Evaluation Study

This ex-post evaluation study was conducted with the following schedule.

Duration of the Study: August 2019－September 2020

Duration of the Field Study: October 27－November 16 2019 and February 16－23 2020

3. Results of the Evaluation (Overall Rating: B[1])

3.1 Relevance (Rating: ③[2])

3.1.1 Consistency with the Development Plan of the Philippines

Before the start of the project, the Philippine Government was aiming to achieve reduction in poverty through its *Medium-Term Philippine Development Plan* (2004–2010). Its specific measures included focus on support for the agricultural sector and dissemination of finance for small enterprises including agricultural finance. The government also set forth the promotion of loans for agricultural production through the food crisis measures (FIELDS program), proposed at the Philippines Food Summit in August 2008 as their initiative for food security.

At the time of the ex-post evaluation, the Philippine Government has formulated the *Medium-Term Philippine Development Plan* (2017–2022). As its poverty reduction strategy, the plan proposes the importance of redressing inequality and other relevant aspects in order to expand economic opportunities in the fields of agriculture, forestry, and fishery. As its specific initiatives, the plan aims to improve agricultural productivity and promote food security, in order to achieve balanced development goals amidst population increase. As one of its initiatives, the government aims to promote access to the value chain, technology and funding, and secure the rights and welfare of farmers and fishermen in order to increase financial opportunities for small-scale farmers and fishermen.

In light of the above, the Philippines places importance on poverty reduction and the improvement of agricultural productivity and food security through funding for small-scale farmers and fishermen at the time of the project appraisal and ex-post evaluation. Consequently,

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[1] A: Highly satisfactory, B: Satisfactory, C: Partially satisfactory, D: Unsatisfactory

[2] ③: High, ②: Fair, ①: Low

at the time of both the appraisal and ex-post evaluation, the consistency of this project with policy and measures is acknowledged through the national plan, sector plan, and other relevant aspects.

3.1.2 Consistency with the Development Needs of the Philippines

Before the start of the project, about 75% of the poor demographic were mainly micro- and landless farmers and fishermen. Access to financial and technical services and other infrastructures was limited, while agricultural productivity was also stagnating. In particular, there was a shortage of medium and long-term funds necessary for the expansion of financial services to the agricultural sector including the livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services. Problems that surfaced also included credit squeeze of financial institutions to the agriculture sector that carries high risks and high handling costs, the scarcity of necessary technical assistance given from financial institutions to borrowers to improve their borrowing capacity, and difficulty for borrowers to satisfy the lending criteria of financial institutions due to lack of creditworthiness, collateral, and other relevant elements. As a result, most borrowers were compelled to depend upon informal financial institutions that charge high interest. Therefore, there was an urgent need to provide services such as necessary technical assistance to enhance the borrowing capacities of ACs, FOs, and other parties that cannot satisfy the lending criteria of financial institutions, in addition to providing loan funds for the agricultural sector, thereby improving financial access for small-scale farmers, fishermen, FOs, and other relevant parties.

At the time of the ex-post evaluation, according to the abovementioned *Medium-Term Philippine Development Plan* (2017–2022), about 40% of the small-scale farmers, fishermen, and other relevant parties have limited access to formal financial institutions. Therefore, improvement of agricultural productivity is an ongoing challenge. The underlying factors that have been pointed out include small-scale farmers, fishermen, and other relevant parties' (a) lack of technology and capacity to propose implementable projects; (b) poor track record of creditworthiness; (c) lack of collateral permissibility; (d) limited information on loan products they can use. As mentioned above, while about 75% of them relied on informal financial institutions with high interest rate before the start of the project, access to formal financial institutions itself has improved (from approx. 75% in 2004 to approx. 40% in 2017), although the Philippine Government faces the ongoing need for the improvement of financial access for small-scale farmers, fishermen, and other relevant parties. Given these circumstances, the national government enacted laws (RA 10848 and RA 11203) for the creation of Agricultural Competitiveness Enhancement Fund

(ACEF), and Rice Competitiveness Enhancement Fund (RCEF) in order to increase productivity and competitiveness of small-scale farmers, fishermen, and other relevant parties. In collaboration with LBP, the Department of Agriculture has started providing low-interest loan (both funds have fixed annual interest of 2%) through the regional branches of LBP (hereinafter "lending centers"), since 2018. LBP has started lending to a wide range of organizations and individuals including small-scale farmers, fishermen, and ACs.

In light of the above, there is a need to improve financial access by providing necessary technical assistance for improving the borrowing capacities of small-scale farmers, fishermen, and FOs at the time of the appraisal and the ex-post evaluation. The loan programs for the agricultural sector are also ongoing. Consequently, the consistency of this project with development needs is judged to be high both at the time of the appraisal and ex-post evaluation.

3.1.3 Consistency with Japan's ODA Policy

In the *Country Assistance Program for the Republic of the Philippines*, formulated in 2008 by the Japanese Government, "Assistance for Empowerment of the Poor and Improvement of Living Conditions of the Poor" was proposed as the priority area, and "Improvement of Livelihood (Empowerment of the Poor)" as their developmental challenge. JICA (former JBIC) also formulated the *Medium-Term Strategy for Overseas Economic Cooperation Operations* in 2006, in which "poverty reduction through agricultural and rural development" was positioned as a priority area. Therefore, this project provides support for poverty alleviation in the Philippines, and its consistency with the priority areas in the aforementioned *Country Assistance Program* and *Country Operation Policy* is recognized. Therefore, the project's consistency with Japan's ODA policy is confirmed.

This project has been highly relevant to the Philippines's development plan and development needs, as well as Japan's ODA policy. Therefore, its relevance is high.

3.2 Efficiency (Rating:②)

3.2.1 Project Outputs

The project's output plan at the time of project appraisal and actual results at the time of the ex-post evaluation are as presented in Table 1. The underlined section in the Actual (At the time of the ex-post evaluation: 2019) signifies the main difference from the Plan.

Table 1: Planned Project Outputs and Actual Results

Plan (At the time of the project appraisal: 2009)	Actual Results (At the time of the ex-post evaluation: 2019)
(1) Two Step Loan (TSL) (i) Targeted sectors Agricultural, livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services (ii)Use of fund Production fund, operating fund, capital investment fund, consulting services (iii)Targeted end-users Farmers, fishermen, FOs, ACs, SMEs, LAEs (iv)Lending scheme (a) (Retail) Direct loan from LBP (b) (Wholesale) Indirect loan through ACs, FOs, SMEs, LAEs, and Participating Financial Institutions (hereinafter "PFIs") (v) Sub-loan interest rate (a) Direct loan: LBP base rate (PDST-F rate (Philippine Dealing System Treasury Fixing rate) for 3 months + LBP administrative cost 1.5%) + LBP spread (2–6% for ACs and FOs; 2–4% for SMEs and LAEs) (b) Indirect loan: LBP base rate (PDST-F rate (Philippine Dealing System Treasury Fixing rate) for 3 months + LBP administrative cost 1.5%) + LBP spread of 2–6% + spread of 3–10% for ACs/FOs/SMEs/LAEs/PFIs. (vi) Sub-loan redemption period After 6 months and within 15 years (Note: in principle within 3 years) (vii) Sub-loan currency (sublease from LBP, PFI, ACs, etc.) Philippine Peso	(1) Two Step Loan (TSL) (i) Targeted sectors Agricultural, livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services (ii)Use of fund Production fund, operating fund, capital investment fund, consulting services (iii)Targeted end-users Farmers, fishermen, FOs, ACs, SMEs, LAEs (iv)Lending scheme (a) (Retail) Direct loan from LBP (b) (Wholesale) Indirect loan through ACs, FOs, SMEs, LAEs, and PFIs (v) Sub-loan interest rate (a) Direct loan: 2012 Consumer Price Index (CPI) No.003 (for ACs/FOs/SMEs: between 5.25% (4.75% + Spread 0.5%) and 12.0%; for LAEs: between 6.0% (5.50%+ Spread 0.5%) and 12.0%) (b) Indirect loan: 2012 Consumer Price Index (CPI) No.003 (for ACs/FOs/SMEs: between 5.25% (4.75% + Spread 0.5%) and 12.0%; for LAEs: between 6.0% (5.50%+ Spread 0.5%) and 12.0%), for PFIs: 5.25% (4.75% +Spread 0.5%, SMEs with asset scale of 100 million PHP or less), 5.50% (5.0% + Spread 0.5%, LAEs with asset scale of 100 million PHP or more) (vi) Sub-loan redemption period After 6 months and within 15 years (Note: in principle within 3 years) (vii) Sub-loan currency (sublease from LBP, PFI, ACs, etc.) Philippine Peso and Japanese Yen
(2) Consulting services (i)Technical support for institutional reinforcement, improvement of borrowing capacities, etc. of the borrowers and loan candidates (ii)PR, expansion and marketing support for the project (iii)Sub-project formulation support (iv)Business development support for the borrowers and loan candidates, such as assistance in signing marketing contracts (v)LBP's capacity enhancement support	(2) Consulting services The services to the left have mostly been carried out, but some of them are incomplete. (Contract for the consulting services was terminated in April 2014 due to LBP's policy.)

(enhancing the client's information management, speeding up the loan procedure, etc.) (vi) Support for LBP for operating this project and its subprojects (appraisal, implementation, monitoring, and evaluation)	

Source: Documents provided by JICA, Answers on questionnaire by LBP, local interview results

Analysis of the difference between the plan at the time of project appraisal and actual results at the ex-post evaluation in Table 1 is shown below.

1） Two Step Loan (TSL)

Firstly, the lending scheme of the project is explained in Figure1. LBP provided direct loans (retail scheme) to FOs, ACs, SMEs, and LAEs, and indirect loans (wholesale scheme) to farmers and fishermen through ACs, FOs, SMEs, LAEs, and PFIs. With regard to lending to FOs and ACs, under an initiative LBP launched to improve access to formal financial institutions, LBP was to relax the conditions and targeted for the loan if the Production, Technical and Marketing Agreements[3] (hereinafter "PTMA") had been concluded between FOs/ACs and SMEs/LAEs. With regard to SMEs and LAEs, the conditions of the loans were that the Philippine capital accounted for at least more than 70% of them, and that a PTMA was concluded between SMEs/LAEs and farmers, fishermen, ACs, FOs, so that loans for SMEs and LAEs led to strengthening of business relationships with farmers, fishermen, FOs, ACs, etc.

Though there was no change from the project appraisal with regard to the Two Step Loan Sublease Scheme of the project, the range of the interest changed, as indicated by the underlines in Table 1. The following changes occurred for (v) sub-loan interest rate. After the start of the project, the sub-loan interest rate was revised by the Asset and Liability Committee[4] (ALCO), since the interest rate based on the Philippines' long-term interest rate index (PDSTF) was predicted to fluctuate significantly following the impact of the global financial crisis (2009) and the domestic economy slowing down as a result of the crisis. Specifically, a wider range of interest rate spread was established compared to the sub-loan interest rate at the time of the appraisal, in order to steadily cover the cost of the project funds, and for LBP to avoid the possibility of loss as much as possible. This is underlined by LBP expecting to lend to even more potential borrowers. With regard to (vii) sub-loan currency, LBP held a discussion with JICA after the start of the project, and included Japanese Yen as the currency covered, in addition to Philippine Peso. The

3 Agreement aimed at securing the stability of production and product sales at markets, as well as product quality.
4 An organization founded by commercial banks with the purpose to provide frameworks for strategically managing all of long- and short-term assets and debts of domestic commercial banks.

reasons behind this include the radical fluctuation in the exchange rates (trend towards weak yen) during the project implementation, which led the borrowers to think about the risk of the exchange rates, but also the fact that LBP expected to increase the number of potential borrowers. However in reality, there was no borrower that received a loan in Japanese Yen. Loans were only made in Philippine Peso[5].

(2) Consulting services

The TOR of the consulting services was implemented almost as planned. However, while Management Information System [6] (hereinafter "MIS") was improved and the project monitoring/evaluation system was built for (v) LBP's capacity enhancement support (enhancing the client's information management, speeding up the loan procedure, etc.) and (vi) support for LBP for operating this project and its subprojects (appraisal, implementation, monitoring, and evaluation), these systems stopped short of utilization. Moreover, the contract for the consulting services was terminated in April 2014 while the project was being implemented, due to LBP's policy. The reasons behind this include: (1) LBP being instructed by its executives to cut cost (reduce the cost of the consulting services); (2) MIS not conforming and coordinated with LBP's internal mission critical system[7], for which LBP was advised by the internal monitoring team to not use an external stand-alone system. Although JICA held discussions with LBP over and over again, LBP had made the choice and they kept their decision[8].

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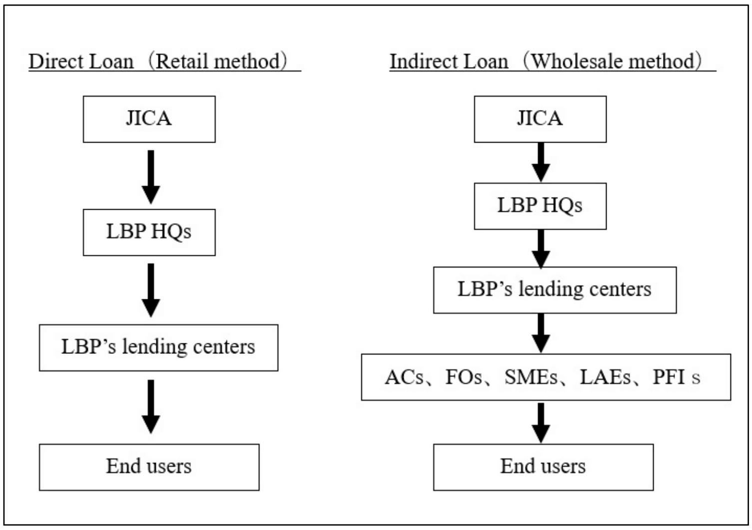
[5] The underlying factors are considered to include the Japanese businesses' expectation for business development in the agricultural sector as their opportunity to receive loans from LBP (loan from this project) increased by entering the Philippine market.

[6] A system centralizing the information of the entire organization for LBP's head office and its lending centers.

[7] One of the reasons for this non-conformity and lack of coordination may have been the lack of adjustment and communication between LBP and the corresponding consultant, although the details were unknown during the field survey at the time of the ex-post evaluation.

[8] Payment to the consultants was made for their services up until the termination (April 2014) only. With regard to the monitoring of the subprojects, as an alternative form of measurement it was decided that the lending centers would regularly report to the Project Management Office at LBP's head office. Meanwhile, LBP carried out its own technical and business support contributing to the improvement of loan repayment capacity of the end-users (farmers, fishermen, ACs, etc.). To understand the situation after the termination, multiple lending centers were visited during the field survey at the time of the ex-post evaluation, where interviews were carried out. The answer received was "seminars and workshops are held regularly for the end-users, visits to the borrowers are made regularly, and repayment support (e.g. adjustment of loan interest rate) and advice were given in accordance with the progress status of the project." There was also a comment that stated "the staff at the lending centers had the necessary capacity for providing assistance without relying on consulting services." Combined with the comments described in 3.3.1.2 Effectiveness and Qualitative Effects and 3.3.2.1 Impact and Qualitative Effects, it can be surmised that the resulting assistance has functioned as an alternative to the consulting services to a certain degree.



Source: JICA documents

Figure 1: Loan Flow of This Project's Loan (Direct method / Indirect method)

3.2.2 Project Inputs

3.2.2.1 Project Cost

The total project cost at the time of the project appraisal was planned to be 18,754 million yen (of this, 14,608 million yen was covered by yen loans). The actual total project cost was 13,151 million yen (of this, 10,504 million yen was covered by yen loans), which was within the plan (approx. 70% of the plan). Table 2 shows the planned project cost at the time of the appraisal and the actual project cost at the time of completion.

Table 2: Project Costs at the Time of Project Appraisal and Actual Results at the Time of Ex-post Evaluation

(Unit: Million Yen)

Item	Planned Costs at the Time of Project Appraisal			Actual Costs at the Time of Project Completion		
	Foreign Currency	Local Currency	Total	Foreign Currency	Local Currency	Total
Sub loan Of which, general conditions (category A: mainly for LAEs)	-	3,183	3,183	-	3,916	3,916
Sub loan Of which, priority conditions (category B: other than A above)	-	14,566	14,566	-	8,603	8,603
Total of sub loan	-	17,749	17,749	-	12,519	12,519
Consulting services (Category C)	222	205	427	100	112	212

Tax	-	51	51	-	30	30
Interest during construction	422	-	422	-	342	342
Commitment charge	105	-	105	-	48	48
Grand total	749	18,005	18,754	100	13,051	13,151

Source: Documents provided by JICA, Answers on questionnaire by LBP

The reasons for why the actual amount decreased compared to the plan include (1) the Philippine Government implemented economic policies such as rolling out an expansionary fiscal policy and lowering the interest rate, and banks began lending with the interest rate shown in Table 3, which led to the weakened competition, and appeal being lost for this project's loan interest rate compared to the banks' interest rate level after the start of the project[9]; (2) one of the target loan cases for lending to SMEs and LAEs was for them to have signed a PTMA with farmers, fishermen, FOs, or ACs, but there were the cases that did not meet this requirement[10]; (3) LBP switched its direction to focus on untraditional crops[11]. These factors mainly affected the sub-loan preferential terms (Category B in Table 2: Loan for those other than LAEs), which did not go as planned.

(Reference) Table 3: Lending Interest Rate Level of Philippine's Banks During the Project Period

[9] Although the project's interest rate was almost at the same level as the banks' and was competitive at the time of the appraisal (Fiscal 2009), its competitiveness decreased gradually. Banks began to launch programs with lower interest rates for loans aimed at SMEs, farmers, fishermen, FOs, and ACs. As described in 3.2.1. Efficiency and Output, while the interest rate for sub-loans changed, the project's interest rate could no longer be said to be superior. According to LBP, "at the time when the loan agreement was signed (Fiscal 2009), it was thoroughly examined that the project and the banks had the same level of interest rates and were competitive. The project started under this understanding. However, the levels of loan interest rate of the banks from that year on started declining. Changing LBP's sub-loan interest rate according to market conditions meant a strain on the finances, thus it was extremely difficult to do so as far as the management policy goes." This does not indicate that the project's interest rate was less competitive compared to the loan programs of LBP and other domestic banks at the time of the appraisal, but that it was an incidence affected by the economic affairs at the time—an inevitable incidence faced by the project, so to speak.

[10] As described in 3.2.1 Efficiency and Output, one of the conditions of the loan was that PTMA was concluded between SMEs/LAEs and agricultural producers such as farmers, fishermen, ACs, FOs, so that loans for SMEs and LAEs led to strengthening of business relationships with the producers. However, in reality there are many producers who did not meet the conditions for PTMA. As a result, PTMA concluding by SMEs and LAEs did not proceed as expected, and lending to both parties did not increase as expected. More specifically, the producers face processes such as seeds, cultivation, purchase of agricultural equipment, and sales channels, but they did not have outsourcers and wanted to develop and respond for their own, which in reality did not meet the conditions for PTMA. PTMA was aimed at securing the stability of production and product sales at markets and maintain quality, among other goals, and its introduction was meaningful enough. However, it is thought that exemption of PTMA was worth taking into consideration to flexibly reflect the borrower's circumstances.

[11] This indicates that LBP shifted from traditional crops (e.g. rice, corn, etc.) to untraditional crops (e.g. sugarcane, cacao, etc.) during the project implementation. LBP anticipated that making allowances for the loan performance towards more profitable crops would increase the profit, which they predicted would likely contribute to steady repayment. This is a case in which large-scale farming of sugarcane and cacao could be expected to secure profit, but more loans being given to LAEs as a result of this caused disruption in the plan to lend loans to small-scale end-users such as farmers, fishermen, ACs, FOs, and SMEs.

Year	Lending Interest Rate Level of Philippine's Banks
2009	7.311–9.247%
2010	6.547–8.698%
2011	5.618–7.747%
2012	5.565–7.838%
2013	4.603–6.930%
2014	4.384–6.801%
2015	4.470–6.877%
2016	4.300–6.671%
2017	4.137–7.109%

Source: Central Bank of the Philippines

3.2.2.2 Project Period

Table 4 shows the project's initially planned and actual periods. At the time of the project appraisal, the project period was planned for the seven years from November 2009 to October 2016 (84 months). However, actual project period was the 7 year 4 month period from November 2009 to February 2017 (88 months), slightly exceeding the plan (approx. 105% of the plan). With regard to the consulting services, as previously mentioned LBP secured a certain degree of implementing capacities they already had as an organization for these tasks, and it was deemed that they could carry out the initially planned TOR, thus the consulting services were terminated in April 2014. Meanwhile, with regard to (2) sub-loan lending, it slightly exceeded the plan although it almost went as planned. This is underlined by factors mainly including the time needed for adjustments and approval procedures within LBP following the changes[12] in fund allocation, and delay in aspects such as loan screening and procedures as a result of these changes, as well as procedures checking of the aforementioned PTMA procedures.

Table 4: Planned and Actual Project Periods

	Planned	Actual
(Whole project)	November 2009 – October 2016 (84months)	November 2009 – February 2017 (88months)
1) Consulting Services	November 2010 – October 2015	June 2010 – April 2014
2) Sub Loan	November 2009 – October 2016	June 2010 – February 2017

Source: Documents provided by JICA, Answers on questionnaire by LBP

3.2.3 Results of Calculations for Internal Rates of Return (Reference only)

[12] Approx. 4.6 billion yen of asset range was transferred over to Category A (loan for LAEs) from the initially planned Category B loans (loan to those other than LAEs).

The project was a two-step loan (TSL) for agricultural, livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services in the Philippines, and subprojects could not be properly identified due to the project's nature. Therefore, neither Economic Internal Rate of Return (EIRR) nor Financial Internal Rate of Return (FIRR) was calculated at the time of the appraisal. Therefore, there was no recalculation at the time of the ex-post evaluation either.

Although the project cost was lower than planned, it can be said that the project period exceeded the plan. Therefore, the project's efficiency is judged to be fair.

3.3 Effectiveness and Impacts[13](Rating:②)

3.3.1 Effectiveness

3.3.1.1 Quantitative Effects

Table 5 shows indicators (baseline, target, and actual figures) to measure the quantitative effects of the project.

Table 5: Operation and Effect Indicators (baseline, target and actual figures) of This Project

Indicators	Baseline Figures	Target Figures	Actual Figures
	2009	2018	2019
		2 years after project completion	2 years after project completion
Sub-loan (operation indicators)			
(1) Total amount of sub-loans (Unit: million yen)	-	17,749	12,519 (Data at the time of the ex-post evaluation: November 2019)
(2) Past due ratio of the project[14] (Unit: %)	-	12.96% or less	Approx. 5% (Data at the time of the ex-post evaluation: November 2019)
(3) Number of new borrowers (Unit: cases)	-	100	452 (Number of new loans by indirect lending. Breakdown: 373 farmers & fishermen, agricultural cooperatives, 69 SMEs, and 10 LAEs. Data at the time

[13] Sub-rating for Effectiveness is to be put with consideration of impacts.
[14] The past due ratio is calculated according to the standards of the Central Bank of the Philippines. The country's standards are defined as delinquent loans over 3 months.

			of the ex-post evaluation: November 2019)
Job creation (effect indicator)			
(4) (Reference) Number of newly employed people (Unit: people)	(*Though it was meant to be determined during the baseline survey, this was not quantified)	(*Though it was meant to be determined during the baseline survey, this was not quantified)	6,296 *Note 1 (Data from 2019)
Improvement of agricultural productivity (effect indicator)			
(5)(Reference) Production volume by farmers & fishermen (Unit: increase rate: %)	(*Though it was meant to be determined during the baseline survey, this was not quantified)	(*Though it was meant to be determined during the baseline survey, this was not quantified)	15,370ha of production area (ha) by small-scale farmers and fishermen.*Note 2 (Data from 2019)

Source: Documents provided by JICA, Answers on questionnaire by LBP, LBP's documents

Note 1: Estimated figure proposed by LBP. Before the start of the project (before 2009), LBP and the National Economic and Development Authority (NEDA) collaborated to determine the indicators, through which the number of newly employed people was calculated as 8,300 from SMEs, and 1,930 from LAEs, amounting to a total of 10,230. While the reasons behind this are unknown, the figure in question (10,230) seems to not have been adopted for the project appraisal either way.

Note 2: Estimated figure proposed by LBP.

Five quantitative effect indicators were established at the time of the project appraisal, as shown in Table 5. The indicators for which target figures were set from the start were only (1) total amount of sub-loans; (2) past due ratio of the project; (3) number of new borrowers. Each indicator is described below.

・(1) As described in 3.2.1 Efficiency and Output, sub-loans were not given out as planned, and the actual total amount of sub-loans achieved about 60% of the target.

・(2) While the target figure for the past due ratio of the project was set as 12.96% or less, the actual figure was approx. 5%, indicating a generally positive repayment trend[15].

・(3) With regard to the target figure (100 cases) of the number of new loans, only the two following points were identified at the time of the appraisal: (i) LBP's loans are new, and; (ii) they are indirect loans (wholesale scheme) that go through ACs, FOs, SMEs, LAEs, and PFIs. However, the logic upon which the target figure was calculated was not made clear through browsing references of the field survey at the time of this ex-post evaluation, or through interviews with parties involved in the project[16]. The actual figure (452 cases) is the data recorded

[15] Meanwhile, with regard to cases in which repayment is overdue, LBP explained that the factors behind it included the decrease in agricultural income due to natural disasters such as typhoon, decline in sales price of agricultural products in the market, and increase in mortality rate of chickens due to breakdown of equipment in poultry farms. Moreover, after two to three years have passed from the project completion, this ratio is about the same as other loan programs of LBP besides this project.

[16] The LBP's view is that perhaps(ii) the number of borrowers through indirect loans did not meet the estimate, and it simply counted the number of new loans given from LBP head office to its lending centers. However, the circumstances

at LBP. This means that while there is a large discrepancy between the target figure and the actual figure, it cannot be said with certainty that the number of loans increased/was achieved through this project when (1) the total amount of sub-loans has decreased in comparison to the plan.

・(4) With regard to the number of newly employed people, baseline and target figures were meant to be determined during the baseline survey conducted after the start of the project. However, in reality concrete figures have not been set during the survey[17]. Meanwhile, comments received through the interview conducted on the lending centers visited during the field survey claimed that "it feels like the number of employment has increased in the past five to ten years in the borrowers' organizations who received loans from LBP, including loans from this project. Though it depends on the sector, there seems to be a high tendency of this among SMEs and LAEs. I think that securing employment brings stable income and leads to vitalization of the rural economy." However, given the fact that LBP has not carried out regular monitoring of the actual figures after the start of the project, in addition to the fact that the baseline and target figures were not determined during the baseline survey, the actual figures of this indicator lack information for judgment, therefore they can only be treated as reference figures.

・(5) With regard to the production volume by farmers and fishermen, baseline and target figures were meant to be determined during the baseline survey after the start of the project as well, but these were not established. Meanwhile, it was confirmed through interviews with LBP in an internal lending committee after the start of the project that the organization aimed to achieve a 5% higher production volume for future by farmers and fishermen than the level before the start of the project[18]. On the other hand, the actual figure is the production area (ha) by small-scale farmers and fishermen, and the extent of the increase ratio could not be confirmed. As the baseline and target figures did not exist and LBP has not carried out regular monitoring of the actual figures, the level of achievement cannot be measured as it lacks information for judgment. Therefore, the actual figures of this indicator can only be treated as reference figures[19].

3.3.1.2 Qualitative Effects (Other Effects: Improving the review and management capabilities

at the time of the appraisal were not made clear.

[17] The baseline survey was conducted in 2011. However, this was to examine the circumstances in each field, mainly the farmers, fishermen, ACs, etc., and it did not determine aspects such as the figures for the indicators for the ex-post evaluation.

[18] In this committee, the production volume also took into account the fact that this is influenced by elements such as the planted acreage, yield/ha, and double- or triple-cropping.

[19] As described in 3.2.1. Efficiency and Output, MIS and project monitoring and evaluation systems were developed through the project's consulting services, but these stopped short of utilization. Therefore, it can be surmised that regular recording and monitoring of the indicators' data were not adequate, and it may not be possible to keep track of the baseline, target and actual figures.

of LBP and agricultural cooperatives)

During this field survey, an interview survey[20] was conducted with regard to the improvement of screening and operation by LBP (head office and lending centers) as well as the ACs. The following are examples of the results during these interviews:

・"There is little difference in this project's loan when compared it to the screening, operation and debt collection of LBP's other loan programs. LBP has been increasing the number and amount of loans given every year including this project's loan, and the productivity and competitiveness is a challenge in the agricultural sector. We will work on acquiring new techniques, provide appropriate and necessary information to the borrowers, and expand the loans" (LBP head office)

・"There are few cases where loan repayment of the project have been delayed. In the agricultural sector, repayment is particularly swift if no time is required from planting to harvest. Meanwhile, there is little difference in this project's repayment when compared to other loan programs of LBP" (lending center)

・"Lending centers visit ACs and other organizations regularly and check their loan status, and establish mutual understanding about the challenges and common grounds. We are also working to increase the motivation of the borrowers such as lightening their burden on the interest rate if the profit increases (provision of incentives)" (lending center, ACs)

・"(Though not limited to this project's loans), there are sometimes requests from the borrowers to lower the interest rate. Whenever this is the case, we take their situation into consideration, and sometimes adjust the interest rate. Those are addressed on a case-by-case basis, in view of the project plan formulation, submission of financial statements, and whether the project is realizable or not, among other considerations. The important point is whether the borrower side can handle the funds or not" (lending center, ACs)

As understood from the comments above, it can be concluded that there is little difference between this project's loan and LBP's other loan programs. No remarkable points could be

[20] Based on the information provided by and discussed with LBP, regions were chosen to target those areas where a relatively large number of loans were given to ACs, SMEs, etc., and where visits for the ex-post evaluation mission were accepted (the Provinces of Bulacan, Pampanga, and Nueva Ecija in the central Luzon Island, and the Provinces of Isabela and Nueva Vizcaya in the north of the island, and the Province of Cebu in Cebu Island, and the Province of Negros Oriental in Visayas Islands), and interviews were held with staff from the LBP head office as well as its lending centers in the corresponding regions (targeting a total of eight organizations, six men and five women amounting to a total of 11 respondents), and with staff of ACs that receive loans from LBP and were in charge of lending to farmers and fishermen registered with that AC (targeting a total of seven organizations, three men and four women amounting to a total of seven respondents).

identified in the aspect of quality improvement for screening and operation capacities specialized in this project, such as the capacity for screening and examining the borrowers, speeding up of the procedures, and improvement of the loan services. In particular, there were quite a few staff in charge at ACs and other organizations who were not aware that the loans were from JICA with regard to indirect lending (wholesale scheme), the flow of which is for LBP to provide loans to ACs through lending centers as part of a program that includes this project's loan, which the ACs then would lend to the farmers and fishermen registered at the respective ACs. Moreover, with regard to direct lending, some cases were identified to recognize this project's loan (JICA's two-step loan) and LBP's other loan programs, and inform the borrowers that the loan is from JICA. However, it was also confirmed that there were some staff members at the lending centers that were not aware of the differences. Many of the comments above describe the situation surrounding loans by LBP including this project's loan. While they do not show the clear qualitative effects (improvement of the screening and operation capacities through the project implementation), it can be surmised that the debt collection and operation capacities of the lending centers, ACs, etc., had been secured somewhat more than at the time of the project commencement, when looking only at the results of this interview survey.

3.3.2 Impacts

3.3.2.1 Intended Impacts

Contribution to Poverty Reduction through Job Creation in Rural Areas and Improvement of Living Standards for Farmers and Fishermen

During this field survey, Regions II (Provinces of Isabela and Nueva Vizcaya), III (Provinces of Bulacan, Pampanga, and Nueva Ecija), VII (Provinces of Cebu and Negros Oriental) were visited and interviews[21] were carried out on the end-users such as those from the agricultural, livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services who received LBP's loans including this project's loan. Below are excerpts of comments received.

[NPOs running agricultural, livestock, and food processing industries and its end-users such as their registered farmers]

[21] Based on the meeting with the staff in charge during the visits at the lending centers, interviews were carried out targeting a total of eight organizations and 28 people (19 men and 9 women), after gaining an understanding of and selecting the agricultural, livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services (relatively large-scale organizations) that are loosely expected to have received loans from this project.

・“Upon receiving LBP’s loan (including this project’s loan) between 2014 and 2016, we expanded the number of our branches mainly around the Province of Cebu. The number of staff has increased by threefold” (NPO), “We have launched new businesses after receiving LBP’s loan, such as food items using coconut, cacao plantation, and poultry farming” (NPO), “Thanks to NPO’s loans, we have been able to diversify our operation. Before we used to only plant and harvest rice, but now we utilize the loan to cultivate bananas” (end-user), “Agricultural income has increased and I have been able to send my three children to university” (end-user)

[End-users of agricultural companies that operate rice polishing business]

・“I know that it’s JICA’s two-step loan (this project’s loan). The staff in charge at the lending center told me about it, and I heard that it is an inter-governmental loan. I have been running a rice polishing business for about 20 years, and I have been able to introduce more rice polishing equipment, expand the business, and create more jobs using this loan. I have been able to respond to a wide range of demands, whether for feed or for polished rice. There has been a significant increase in the number of people employed, when compared to before receiving the loan. We employ local residents (young people)” (end-user)

[Agricultural cooperatives and end-users registered with them]

・“I have been consistently receiving loans from LBP for over 30 years since the establishment. I did not know it was JICA’s loan. The main industry is cacao cultivation and pig farming. Cacao is vulnerable to diseases, and stable harvest is an imperative issue, but there is a potential for the future. I predict that there will be an increase in the cultivation through utilization of the loan” (agricultural cooperative), “I have been pig farming for over 10 years using LBP’s loan. The profit has been increasing. I was able to send my children to school” (end-user)

For reference, Table 6 shows the trend in the poverty rate in the regions visited during this field survey and across the Philippines. There is a downward trend in almost every region and nationally. While it is difficult to conclude the direct correlation between the poverty rate and this project’s loan, as many other factors are considered to be at play, when considering that the project takes a share in LBP’s loan, it can be surmised that the project has played a role in achieving job creation for the borrowers’ organizations, improvement of living standards, and poverty reduction.

Table 6: Trend of Poverty Rate in the Regions (region level) Visited in This Survey

(Unit: %)

Region (Province)	2009	2012	2015	2018
Region II (Region including the Provinces of Isabela, Nueva Vizcaya)	20.2	17.0	11.7	12.3
Region III (Region including the Provinces of Bulacan and Nueva Ecija)	10.7	10.1	8.9	5.0
Region VII (Region including Cebu and Negros Oriental)	26.0	25.7	23.6	13.2
National	20.5	19.7	16.5	12.1

Source: Philippine Statistics Authority (PSA)
Note: Data on poverty rate is gathered every three years by PSA.

Photo 1: Facilities of the Rice Milling Company Finances by This Project (Nueva Ecija Province)

Photo 2: Cacao Production Financed by This Project(Cebu Province)

3.3.2.2 Other Positive and Negative Impacts

1) Impacts on the Natural Environment

With regard to the project's subprojects (borrowers), it was confirmed through questionnaire and interviews with LBP that there has been no negative impact on the natural environment during the project implementation and after its completion[22]. If a problem occurs in the natural environment, LBP is supposed to take measures based on the applicable regulations stipulated in the Philippine Environmental Code or Environmental Clearance Certificate (ECC). It was confirmed through the interview survey and observation that there was no negative impact on the natural environment of the ACs, SMEs, and the surrounding sites visited during the field survey either.

Monitoring for the subprojects (borrowers) during the project implementation and after its completion involves the following: (1) lending centers, which are LBP's regional branches, visit

[22] Through the field survey, it was confirmed that there were no cases where Category A projects were included in the subprojects.

the sites regularly and perform monitoring/check, for aspects including the environmental impact of the conditions surrounding the site; (2) staff from LBP head office's Environment Program Management Department (hereinafter "EPMD") visit the sites regularly (about once every one to two years), and similarly check whether there is negative impact on the environment, whether disposal of waste is appropriate, whether there is impact on the surrounding area of the site, etc.; (3) environmental departments of the local municipalities where the subprojects are located carry out on-site checks as necessary[23].

2) Resettlement and Land Acquisition

It was confirmed through questionnaire given to LBP and interviews with ACs, SMEs, LAEs, etc., visited during this field survey that, as with the impact on the natural environment described above, no negative impact has realized with regard to resettlement and land acquisition. Moreover, it was confirmed that there were no subprojects (borrowers) or resettlement that entailed land acquisition.

In light of the above, with regard to the indicators measuring quantitative effects, (1) the total amount of sub-loans has stopped at about 60% of the target figure; (2) past due ratio of the project has achieved more than the target figure; (3) the logic behind the target figure at the time of the appraisal is unknown with regard to the number of new borrowers, therefore the actual figure has not necessarily met the target, and; with regard to (4) the number of newly employed people and (5) production volume by farmers and fishermen, while the actual figures could be recognized to a certain extent, the baseline and target figures were not determined during the baseline survey and no regular monitoring or record of the actual figures could be confirmed, therefore no detailed evaluation can be made on the status of achievement. Meanwhile, given the results from the interview survey acquired from lending centers, ACs, etc., it can be said that the capacities for debt collection and operation has been secured by the lending centers, ACs, etc., that handle LBP's loan including this project's loan. Moreover, it can be surmised that the project has played a role in achieving job creation, improvement of living standards, and poverty reduction. Based on a holistic review of the above, the effectiveness and impact of the project is judged to be fair.

3.4 Sustainability (Rating: ③)

3.4.1 Institutional / Organizational Aspect of Operation and Maintenance

23 Monitoring plan and results of the subprojects could not be acquired through this survey.

The Executing Agency of this project is LBP. LBP is a governmental financial institution established with the purpose to assist the agricultural sector. Since its establishment in 1963[24], the organization has been providing advice and instruction on business management for many years. During the project implementation, Project Management Office (PMO) was established by the Program Management Department (PMD), which is under the Agricultural and Domestic Banking Sector (ADBS) of the LBP head office. During the project implementation, PMO was in charge of tasks such as smooth progression of the project, procurement, marketing/promotion, loans, capacity development of the borrowers, and monitoring of repayment. After the completion of the project, PMO (three staff members) continues to handle the tasks in collaboration with EPMD (10 staff members) and Account Management Team (AMT, two staff members). PMO visits the borrowers' organizations regularly and collects debt and performs repayment monitoring (around once every one to two years). In addition, LBP has 45 lending centers throughout the country, whose field representatives (from several to several dozen of them) visit the borrowers' organizations regularly (once every month to six months), screen creditworthiness, manage accounts of the borrowers, develop new loans, and collaborate/make arrangements with ACs, SMEs, LAEs, PFIs, etc.

With regard to the number of LBP staff members above, the LBP head office and its lending centers' opinion is that "this number is enough for the present operational structure." As for the project, LBP is specialized in debt collection and repayment monitoring, and it can be concluded that they are not in a situation where hiring more staff is particularly necessary. LBP has indicated that hiring more staff would be inevitable if a new loan program was to be introduced. Based on these, it can be said that the organizational structure has been established in a way that corresponds to the scale of the organization and its tasks.

In light of the above, it can be concluded that there are no major issues in the aspect of LBP's organization and structure.

3.4.2 Technical Aspect of Operation and Maintenance

LBP has many staff members that have specialized skills in loans, debt management and collection, etc[25]. Regular training is also held for the staff. Recent cases of such training between 2018 and 2019 include content such as "lending seminars (basics and advanced), and

[24] LBP is a governmental financial institution (funded 100% by the Philippine Government), established with the purpose of agrarian reform and assisting the agricultural sector.

[25] Many of the staff members have graduated from four-year universities and have a background in the financial sector (general knowledge in the financial sector, financial analysis, and degree in economics and finance).

"management and financial management skills improvement." OJT inductions are also provided in a timely manner to the new recruits, and the staff undergoes the loan staff development training (six months) after entering the organization. LBP performs banking tasks based on the lending manual that covers its processes, management, checks, etc.

In light of the above, it can be concluded that there are no major issues in LBP's technical aspect.

3.4.3 Financial Aspect of Operation and Maintenance

Table 7 shows the loan status of LBP as a whole, and Table 8 shows changes in current assets.

Table 7: Whole Loan Status of LBP

Year	Number of Loans	Total Loan Balance (Unit: 100 million PHP)	Total Non-performing Loans (Unit: 100 million PHP)
2014	15,627	3,858.0	68.2
2015	18,713	5,370.2	63.9
2016	21,404	5,193.6	71.7
2017	23,537	6,743.5	65.9
2018	24,741	7,988.0	91.3

Source: LBP

Table 8: Trends in Current Assets[26]

(Unit: 100 million PHP)

2015	2016	2017	2018
7,228.5	8,672.5	9,722.8	10,326.0

Source: LBP

Recently LBP has been expanding its business scale, such as by increasing the number of loans given to SMEs, LAEs, etc., in the country. With regard to Table 7, according to LBP the numbers of loans, eligible borrowers, and amount of loan balance have been on an upward trend in recent years. In such circumstances, the loan ratio of this project is not necessarily high compared to the total balance of loans[27], but a high screening standard and debt collection capacities can be concluded to have been secured to a certain extent, since the total amount of non-performing loans has not necessarily indicated significant growth against the total balance of loans. LBP has also given comments such as "the scale of loans has been growing year by year, but the ratio of non-performing loans has not changed much. There is no big fluctuation throughout the year."

Table 8 indicates the trend of liquid asset of LBP as a whole. LBP's liquid asset is made up of cash, inter-bank loans, government securities, negotiable securities of non-governmental

[26] Liquid assets refer to the accounting asset that can be converted into cash or cost normally within a year.
[27] For approx. 799.8 billion PHP of total balance of loans, the project's total amount of loans is approx. 5 billion PHP.

organizations, etc. The table shows that this asset has been on an upward trend in the most recent years. This indicates that there is a large amount of working capital at hand, which is expected to further expand the loan business.

The capital adequacy rate[28] of LBP was 11.77% in 2017, and 12.69% in 2018 (source: LBP). Since both years satisfy the capital adequacy ratio standard (8% or over) of the Bank for International Settlements (BIS), financial stability can be recognized.

In light of the above, it can be concluded that there are no major issues in LBP's financial aspect.

3.4.4 Status of Operation and Maintenance

The total amount of loans by this project is approx. 5 billion PHP, while the cumulative amount of repayment at the time of the ex-post evaluation is approx. 4.75 billion PHP. The repayment rate is high at around 95%. According to LBP, repayment rate of other loan businesses besides this project is about the same between three to four years after the lending has completed.

At the time of the ex-post evaluation (February 2020), LBP is planning on setting up a revolving fund that gives out loans with the same terms, using the surplus capital that emerges from the gap between the repayment period of the sub-loans and that of this project's loan. Refinancing will be carried out through this fund.

No major problems have been observed in the institutional/organizational, technical, financial aspects and current status of the operation and maintenance system. Therefore, sustainability of the project effects is high.

4. Conclusion, Lessons Learned and Recommendations

4.1 Conclusion

The objective of this project was to vitalize investment activities that contribute to enhancing job creation and agricultural productivity in rural areas across the Philippines, by providing funds such as production funds, operating funds and capital investment funds from the LBP, which is the Executing Agency of this project, to ACs, FOs, SMEs and LAEs, thereby contributing to poverty reduction in the Philippines. *The Medium-Term Philippine Development Plan* (2004–2010) and *Medium-Term Philippine Development Plan* (2017–2022) formulated by the Philippine

[28] Ratio of capital adequacy to the total amount of asset (loan and bond held). The higher the figure, the higher the stability of the bank credited.

Government indicated the importance of supporting the agricultural sector, dissemination of finance for small enterprises including agricultural finance, and reducing poverty. In addition, it was confirmed that the project is consistent with Japan's ODA policy, and with the demand for improvement in financial access for small-scale farmers and fishermen, etc. Therefore, the relevance of this project is high. With regard to efficiency, the output fell below the initial plan, and the project cost stayed within the planned amount. Meanwhile, the project period exceeded the initially planned timeframe, due to the time needed for the coordination and approval procedures within LBP following the changes in fund allocation (loan fund), and delay in activities such as loan screening and procedures as a result of these changes. Therefore, efficiency of the project is fair. With regard to the indicators that measure quantitative effects, about 60% of the target figure for the total sub-loan amount was achieved. The past due ratio reached more than the target figure. While the number of new borrowers was observed to be relatively large, it cannot be said with certainty that the number has reached the target, since the logic behind the target figure at the time of the project appraisal is unknown. With regard to the actual figures of the number of new employment and the production volume of small-scale farmers, fishermen, etc., it is difficult to determine the status of achievement since the target figures were not established at the time when they were supposed to during the baseline survey after the start of the project. However, given the comments received from entities such as the lending centers, which are the regional organizations of LBP, and ACs, which were in charge of lending to end-users, a certain level of contribution to job creation for the borrowers' organizations, improvement of living standards, and reduction in poverty can be confirmed. In light of the above, the effectiveness and impact of the project is judged to be fair. No particular concerns exist in the structural, technical, or financial aspects of LBP, since debt collection has been carried out smoothly with the assistance of its head office and its lending centers, LBP has secured specialized staff, the non-performing loan ratio has shown no significant increase, and LBP is financially stable. Thus, sustainability of the effects realized through this project is judged to be high.

In light of the above, this project is evaluated to be satisfactory.

4.2 Recommendations

4.2.1 Recommendations to the Executing Agency

None

4.2.2 Recommendations to JICA

None

4.3 Lessons Learned

(1) Need for Project Risk Management for Realization of Project Effects

Lending through this project did not go as initially expected for reasons including the loan's interest rate becoming less attractive compared to that of the banks after the start of the project, there being the agricultural producers such as ACs, FOs, etc., that did not meet the requirement of having signed a PTMA, and LBP having shifted its direction to focus on untraditional crops. Meanwhile, loans aimed at LAEs expanded. While the overall scale of loans decreased, the continuity of the project persisted, and its effects were secured to a certain degree. Based on this background, it can be concluded that project risk management for realization of project effects was taken into consideration from the beginning, and that it is significant that it functioned that way in reality. In formulating similar projects in the future, it may be worth considering to add flexibility to the loan structure (i.e. setting multiple routes for loans) while considering the demand for loans.

(2) Importance of Continually Performing Monitoring to Check the Project's Smooth Progress

Though MIS (designed to centralize the information of the whole organization including the LBP head office and its lending centers) and project monitoring and evaluation systems were developed through the project's consulting services, these stopped short of utilization. Firstly, it may have been necessary for the consultants involved with the project (including local consultants), aid implementation sides, and the Executing Agency to thoroughly understand the situation surrounding the project and the status and demand of the Executing Agency while working on preventing such situations, and thoroughly communicate, collaborate and build good relationships. If the project monitoring and evaluation systems were to remain unused as they did in this project, it is desirable to agree among the relevant parties on when and how to perform continuous monitoring and collect information, and work on communicating with each other at all times.

(3) Considering Selection and Establishment of Pilot/Sub-projects for Appropriate Follow-up of Target and Actual Figures Related to Effectiveness and Quantitative Effects

A baseline survey was carried out during the project implementation on agricultural sectors. However, it was to examine the circumstances in each sector, mainly the farmers, fishermen, ACs, etc., and it did not determine target figures for the number of newly employed people and product volume by farmers and fishermen after the project completion. Therefore, there was disruption in data collection and judgment on target and actual figures related to some of the effectiveness and quantitative effects. There were also cases in which the amount of loan from this project has not necessarily been communicated for the loans from the lending centers to its end-users. Based on this background, when formulating similar projects in the future, it is considered beneficial for both JICA and the Executing Agency to carry out discussions and selections on multiple pilot and sub-projects from the beginning of the project commencement, continuously acquire and check the data to measure the effectiveness, and utilize it to manage the progress.

Comparison of the Original and Actual Scope of the Project

Item	Plan	Actual
1. Project Outputs	(1) Two Step Loan (TSL) (i) Targeted sectors Agricultural, livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services (ii)Use of fund Production fund, operating fund, capital investment fund, consulting services (iii)Targeted end-users Farmers, fishermen, FOs, ACs, SMEs, LAEs (iv)Lending scheme (a) (Retail) Direct loan from LBP (b) (Wholesale) Indirect loan through ACs, FOs, SMEs, LAEs, and PFIs (v) Sub-loan interest rate (a) Direct loan: LBP base rate (PDST-F rate (Philippine Dealing System Treasury Fixing rate) for 3 months + LBP administrative cost 1.5%) + LBP spread (2–6% for ACs and FOs; 2–4% for SMEs and LAEs) (b) Indirect loan: LBP base rate (PDST-F rate (Philippine Dealing System Treasury Fixing rate) for 3 months + LBP administrative cost 1.5%) + LBP spread of 2–6% + spread of 3–10% for ACs/FOs/SMEs/LAEs/PFIs. (vi) Sub-loan redemption period After 6 months and within 15 years (Note: in principle within 3 years) (vii) Sub-loan currency (sublease from LBP, PFI, ACs, etc.) Philippine Peso	(1) Two Step Loan (TSL) (i) Targeted sectors Agricultural, livestock and fishing industries, the food processing industry, and agriculture/fisheries-related services (ii)Use of fund Production fund, operating fund, capital investment fund, consulting services (iii)Targeted end-users Farmers, fishermen, FOs, ACs, SMEs, LAEs (iv)Lending scheme (a) (Retail) Direct loan from LBP (b) (Wholesale) Indirect loan through ACs, FOs, SMEs, LAEs, and PFIs (v) Sub-loan interest rate (a) Direct loan: 2012 Consumer Price Index (CPI) No.003 (for ACs/FOs/SMEs: between 5.25 % (4.75% + Spread 0.5%) and 12.0%; for LAEs: between 6.0% (5.50%+ Spread 0.5%) and 12.0%) (b) Indirect loan: 2012 Consumer Price Index (CPI) No.003 (for ACs/FOs/SMEs: between 5.25 % (4.75% + Spread 0.5%) and 12.0%; for LAEs: between 6.0% (5.50%+ Spread 0.5%) and 12.0%), for PFIs: 5.25% (4.75% +Spread 0.5%, SMEs with asset scale of 100 million PHP or less), 5.50% (5.0% + Spread 0.5%, LAEs with asset scale of 100 million PHP or more) (vi) Sub-loan redemption period After 6 months and within 15 years (Note: in principle within 3 years) (vii) Sub-loan currency (sublease from LBP, PFI, ACs, etc.) Philippine Peso and Japanese Yen

	(2) Consulting services (i)Technical support for institutional reinforcement, improvement of borrowing capacities, etc. of the borrowers and loan candidates (ii)PR, expansion and marketing support for the project (iii)Sub-project formulation support (iv)Business development support for the borrowers and loan candidates, such as assistance in signing marketing contracts (v)LBP's capacity enhancement support (enhancing the client's information management, speeding up the loan procedure, etc.) (vi) Support for LBP for operating this project and its subprojects (appraisal, implementation, monitoring, and evaluation)	(2) Consulting services The services to the left have mostly been carried out, but mainly regarding (v)LBP's capacity enhancement support (enhancing the client's information management, speeding up the loan procedure, etc.) (vi) Support for LBP for operating this project and its subprojects (appraisal, implementation, monitoring, and evaluation), improvement of the management information system (MIS) and development of project monitoring and evaluation system were established, but they were completed without being used. Contract for the consulting services was terminated in April 2014 due to LBP's policy.
2. Project Period	November 2009 – October 2016 (84 months)	November 2009 – February 2017 (88 months)
3. Project Cost Amount Paid in Foreign Currency	749 million yen	100 million yen
Amount Paid in Local Currency	18,005 million yen	13,051 million yen
Total	18,754 million yen	13,151 million yen
ODA Loan Portion	(14,608 million yen)	(10,504 million yen)
Exchange Rate	1 PHP = 1.88 JPY, 1 USD = 90.4 yen (as of March 2009)	1 PHP = 2.20 JPY, 1 USD = 99.12 yen (The average value is based on which the exchange rate is divided by the IMF's International Fiscal Statistics (IFS) 2010-2017.)
4. Final Disbursement	March 2017	