

Ex-Ante Evaluation (for Japanese ODA Loan)

**Central America and the Caribbean Division
Latin America and the Caribbean Department
Japan International Cooperation Agency**

1. Basic Information

- (1) Country: The Dominican Republic
- (2) Project Site/Target Area: Throughout the Dominican Republic
- (3) Project: Project to Improve Agricultural Financing for Strengthening the Food Value Chain

Loan Agreement: April 9, 2025

2. Background and Necessity of the Project

- (1) Current state and issues of agricultural sector development and the Priority of the Project to Improve Agricultural Financing for Strengthening the Food Value Chain (hereinafter “the Project”) in the Dominican Republic

The Dominican Republic (hereinafter “the Country”) is an island nation in the Caribbean that has worked in recent years to diversify its industries such as tourism and mining, etc., but the agricultural sector (including agricultural product processing) remains the most important sector in terms of economic growth and job creation. The agricultural sector accounts for 10.4% of the GDP of the Country, and more than 2.5 million people, or 25% of the population, are employed either directly or indirectly in agriculture (the Inter-American Development Bank (IDB), 2023). The country is exposed to price competition with imports from trading partners such as the United States, due to its basic policy of a free and open economy, and in recent years there has been a need for small and medium sized businesses, which account for the majority of the agricultural sector in the country, to improve their competitiveness through increased productivity and added value due to the rise in prices of imported fertilizer, etc. because of the situation in Ukraine. (IDB, 2023).

It has been noted that one of the bottlenecks for improving productivity and adding value is the difficulty of accessing the long-term financing that agribusiness Micro, Small and Medium Enterprises (hereinafter “MSMEs”) and cooperatives require to make capital investments. Overall lending to the agricultural sector only accounts for 1.8% of the total finance sector in the Country, with the state-owned agricultural bank (Banco Agrícola) and other private financial institutions providing just 30% of the total capital needs and the

remainder said to come from mainly informal institutions in the form of high-interest loans. Also, in the past there has been a tendency of the Banco Agrícola to prioritize lending to the agricultural production sector (about 70% of total lending), with lending to business in the middle and downstream of the food value chain, including processing, transportation, and agricultural product sales, which produce added value, limited to about 10% (IDB, 2023).

Under these circumstances, the Country's government formulated the "Agricultural Sector Strategic Plan 2020/2030 – Vision 2050" (hereinafter "the Strategic Plan"), which raised the goals of "improving access to finance for agricultural workers," "expanding domestic and international markets for agricultural products and agricultural product export volumes," "transferring innovation and technologies needed for the improved competitiveness of the agricultural sector," and "strengthening the capabilities of agricultural workers." The Project is positioned as a high priority project in terms of the Country's policies, with the purpose of providing needed funds targeted at the processing, transportation, and sale of agricultural products, for which loan allocations are scarce.

(2) Japan and JICA's Cooperation Policy in the agricultural sector and the Priority of the Project

Under the Country Assistance Policy for the Dominican Republic (September 2018), "the realization of sustainable and balanced development" is set as the basic policy (overall goal) and "sustainable economic development" as a priority area (subsidiary goal). To achieve sustainable economic development, it is essential to strengthen the competitiveness of domestic industries, and the Project, which aims to strengthen the domestic competitiveness of the agricultural sector, which has a vital role in the Country's economy, is consistent with Japan's cooperation policy.

The JICA Country Analysis Paper for the Dominican Republic (hereinafter "JCAP") (February 2024) states the "aim to develop a resilient food value chain by creating financial tools that contribute to the promotion of the entire food industry, and by rehabilitation and development of irrigation through the loan assistance together with the technical cooperation, to improve lagging industrial development and the fragile industrial structure," and aims to contribute to enhancing the competitiveness of the agricultural sector, one of the country's major industries. The Project is also in line with the cooperation policy of the JICA Global Agenda (a set of issue-specific cooperation strategies), and the

Project is consistent with the Agenda's cooperation policy under "Agriculture and Rural Development" to support the increase of added value at each stage, from production to processing, transportation and consumption, and the building of an inclusive and sustainable food value chain to contribute to the improved livelihood of farmers and the stable supply of food, and "Public Finance and Financial System," to "implement appropriate monetary policies and develop the financial system" by contributing to the cultivation of the agricultural financial market and the improvement of financial access, and strengthening the debt management capabilities of the Country's agricultural financial institutions. Further, the Project contributes to SDGs Goals 2 (Zero Hunger), 8 (Sustainable Economic Growth), and 12 (Responsible Consumption and Production), contributing to the enhancement of the food value chain and the development of the Country's agricultural sector by providing loans through the intermediary financial institution, Banco Agricola to agribusiness MSMEs and cooperatives and improving the capabilities of Banco Agricola.

JICA assistance to the agricultural sector of the Country includes the "AGLIPO (El Pozo) Agricultural Development Project (I) (II)" ODA loan (Loan Agreements signed in 1983 and 1994, respectively). In addition, the JICA Partnership Program "The Local Specialty Japanese Pear Cultivation in La Culata Project" (2022-2025) is being implemented in the city of Constanza, a major fruit and vegetable production region in the Country.

(3) Other Donor's Activities

IDB: A project is underway, under the "Sustainable Agroforestry Development Program" (2018), to support the improvement of the livelihoods of small-scale farmers by improving agricultural productivity and market access for agricultural products. In addition, a co-financed project with the French Development Agency (AFD) is currently underway, supporting agricultural producers aiming to enhance climate resilience through Banco Agricola (2023-2028. Total project cost: US\$120 million).

AFD: In addition to the co-financing with the IDB above, the AFD also provides technical cooperation through the French Agricultural Research Centre for International Development (CIRAD) to promote the agroforestry model (2020).

The Central American Bank for Economic Integration (CABEI): Similarly to the IDB and AFD, the CABEI signed a US\$60 million loan agreement in March 2024 for an agricultural credit program targeting agricultural producers through Banco Agricola.

Inter-American Institute for Cooperation on Agriculture (IICA): Provides technical cooperation to enhance the capabilities of the Ministry of Agriculture (2021).

3. Project Description

(1) Project Description

1) Project Objective

The objective of the Project is to improve agricultural Food Value Chain and financial access for agricultural sector in the Dominican Republic by providing Sub-Loan(s) especially for agribusiness MSMEs and cooperatives and implementing technical assistance to enhance the capacity of Banco Agricola, thereby contributing to the development of the agricultural sector in the country.

2) Project Components

- A) Sub-Loan(s) (concessional loans to agribusiness MSMEs and cooperatives through Banco Agricola)
- B) Consulting services (business management advice, enhancement of Banco Agricola branches and agricultural extension worker capabilities, enhancement of the capacity of agribusiness MSMEs and cooperatives etc.) (shortlist method)

3) Project Beneficiaries (Target Group)

Operators of agribusiness MSMEs and cooperatives, and members of cooperatives. Workshops will be held for women and young people and support will be provided for the formulation of business plans and loan applications.

(2) Estimated Project Cost

JPY 11,639 million (Japanese ODA loan: JPY 10,930 million)

(3) Schedule (Cooperation Period)

April 2025 to March 2031 (Total of 72 months). The project will conclude as of the Sub-Loan(s) completion date (March 2031).

(4) Project Implementation Structure

- 1) Borrower: Government of the Dominican Republic
- 2) Guarantor: None
- 3) Executing Agency: The executing agency is the Ministry of Agriculture of the Dominican Republic, and lending operations will be carried out by Banco Agricola.
- 4) Operation and Maintenance System: Banco Agricola will manage the ODA

loans and will approve and manage lending to agribusiness MSMEs and cooperatives.

- (5) Collaboration and Sharing of Roles with Other Projects and Other Donors, etc.

1) Other Donor's Activities

The "Program to Finance Sustainable Investments and Improve Productivity in the Dominican Republic's Agriculture Sector," a co-financed project between the IDB and AFD, and the CABEL project are focused on the agricultural production sector and are expected to supply agricultural products to the businesses and cooperatives that are the targets of the Project.

- (6) Environmental and Social Considerations

1) Environmental and Social Considerations

i) Category: FI

ii) Reason for Categorization: In the Project, sub projects cannot be specified prior to JICA's approval for financing, and they may have environmental impacts under the JICA Guidelines for Environmental and Social Considerations (January 2022),

iii) Other/Monitoring: Under the Project, the executing agency will categorize each sub project based on the domestic laws and regulations of the Dominican Republic and the JICA Guidelines for Environmental and Social Considerations, with the support of consultants employed with the ODA loan and will take necessary measures for each applicable category. Note that there are no category A projects included in the sub projects.

- (7) Cross-Sectional Issues: None in particular.

- (8) Gender Category: [Gender Responsive Projects] GI (S) (Gender informed [Significant])

<Reasons for Categorization> Women are playing a critical role in the agricultural sector in rural areas in which young people tend to migrate to the cities or overseas, but they tend to work on family farms, and the proportion of women managing farms is low at about 5%. Given this, the Project plans to provide technical support (training on business plan formulation, basic financial management, loan applications, etc.) to specifically improve women's access to finance and to set an indicator of the number of female participants. At the strong discretion of the government of the Dominican

Republic, this training will also be offered to young men (under 35 years) who are engaged in agricultural management, and the results and progress will be tracked by gender and monitored.

(9) Other Special Particulars: None in particular.

4. Target Outcomes

(1) Quantitative Effects

1) Outcome (Operation and Effect Indicators)

Indicator	Baseline (Actual Value in 2023)	Target Value (2033) [Two years after project completion]
Total amount of Sub-Loan(s) provided by the Project (Cumulative)	0	JPY 10,006 million
Number of loans for capital investment in processing, distribution and sales (Annual)	2,623/year	2,800/year
Number of women and young people who have participated in agricultural business finance training (Cumulative)	0	150 people
Reduction in processing times for loan applications at branches	- (Note)	30%

Note: The baseline is scheduled to be measured at the start of the disbursement of the Sub-Loan(s)

Data on loan performance will be collected and monitored by a consulting service to determine the extent to which the Project has improved access to finance for women and young people, and if this has not led to the successful provision of loans, the causes will be analyzed, and proposals will be made for improvement.

(2) Qualitative Effects

The promotion of agriculture in the Country, strengthening the food value chain, and improving the lives of agricultural workers.

(3) Internal Rate of Return

The internal rate of return for the entire project cannot be calculated, as it is not possible to select the target sub projects before the implementation of the Project.

5. Preconditions and External Factors

- (1) Preconditions: Nothing in particular.
- (2) External Factors: Nothing in particular.

6. Lessons Learned from Past Projects and Application to the Project

In the Ex-Post Evaluation of the ODA loan for India “Micro, Small and Medium Enterprises Energy Saving Project Phase 2” (Year of Evaluation: 2016), it was observed that sub loan lending was promoted by technical support such as seminars for companies and loan review support to stimulate borrower demand and to improve the project review capabilities of financial institutions, allowing the smooth implementation of the projects and the achievement of project objectives. In the Project, in addition to the provision of sub loans, technical support will be provided to promote projects and stimulate demand among final beneficiaries through a consulting service including seminars and training to potential final borrowers and staff of intermediary financial institutions, to improve their capacity to provide training to promote the steady lending of sub loans.

7. Evaluation Results

The Project is consistent with the development issues and policies of the Dominican Republic and the cooperation policy and analysis of Japan and JICA, contributing to strengthening the food value chain and developing the agricultural sector in the Country by providing loans through intermediary financial institutions to agribusiness MSMEs and cooperatives, and improving the capabilities of intermediary financial institutions, and is therefore believed to contribute to the achievement of the SDGs Goals 2 (Zero Hunger), 8 (Sustainable Economic Growth), and 12 (Responsible Consumption and Production). Therefore, the necessity to support the implementation of the Project is high.

8. Plan for Future Evaluation

- (1) Indicators to be used:
 - As indicated in Section 4.
- (2) Future Evaluation Schedule:
 - Ex-post Evaluation two years after project completion.

END

Attachment (Project to Improve Agricultural Financing for Strengthening
the Food Value Chain) Map

Project to Improve Agricultural Financing for Strengthening the Food Value
Chain Map (Entire Dominican Republic)



(Source: Nations Online Project)