Ex-Ante Evaluation

Private Sector Investment Finance Division 1
Private Sector Partnership and Finance Department
Japan International Cooperation Agency

１． Name of the Project

（１） Country: Republic of the Philippines

（２） Project Site / Target Area: Mindanao and Visayas Regions (with JICA financing limited to the Mindanao region)

（３） Project Name: Financial Inclusion Support Project in Mindanao

（４） Borrower: 1st Valley Bank, Inc., A Development Bank (hereinafter referred to as “1st Valley Bank”)

（５） Loan Agreement: June 16th, 2026

２． Background and Necessity of the Project

（１） Current State and Issues of Regional Economic Disparities, Development Issues in the MSME and Agricultural Sectors, and the Positioning of the Project

In the Philippines (hereinafter referred to as “the Philippines”), regional economic disparities, particularly the need for development in Mindanao, remain a pressing issue. The country’s Gini coefficient stood at 0.407 in 2021, which is among the highest in Asia, compared to Indonesia (0.379), Thailand (0.351), Vietnam (0.368), Laos (0.388), and Myanmar (0.307) (World Bank, Gini Index). The Philippines is broadly divided into three island groups, Luzon, Visayas, and Mindanao, and there is a marked economic disparity between Luzon, which includes Metro Manila, and the other regions. In particular, Mindanao, located in the southern Philippines, has experienced prolonged conflict since the 1960s and remains the least developed and economically disadvantaged region in the country. Although the peace process has progressed, including the establishment of the Bangsamoro Transition Authority in February 2019, significant economic disparities persist compared with Luzon, especially Metro Manila. Per capita GDP exceeds USD 8,000 in Metro Manila, while it remains in the range of USD 1,000 to 3,000 in Mindanao, highlighting the importance of developing the region for the country’s overall growth.

In addition, improving access to finance for micro, small and medium enterprises (MSMEs) and farmers is a critical issue in the Philippines. As of 2021, MSMEs account for 99.6% of all enterprises in the country (ADB, 2023), playing a vital role in the economy. However, the MSME financing gap is estimated at USD 222 billion (IFC, 2017), equivalent to 76% of GDP, indicating that access to finance remains insufficient. Similarly, although the agricultural sector accounts for approximately 24% of total employment, the poverty rate in the sector is around 30%, partly due to institutional constraints and limited access to finance, which restricts investment in agricultural machinery and equipment. Enhancing farmers' income is therefore a key challenge. According to the Bangko Sentral ng Pilipinas (BSP)'s "National Strategy for Financial Inclusion 2022–2028," as of 2021, only 21% of MSMEs and 65% of farmers have access to loans from financial institutions. In response, the BSP has formulated the strategy to promote financial inclusion, particularly by improving access to finance for MSMEs and the agricultural sector.

Against this backdrop, the Project aims to provide loans to MSMEs and farmers in the Philippines, particularly in Mindanao, through 1st Valley Bank, a thrift bank headquartered in Mindanao. By providing long-term financing to MSMEs and farmers in the region, the Project seeks to enhance access to finance and support business expansion and productivity improvement.

（2） Japan's and JICA's Cooperation Policy and Operations in the Philippines

Japan's Country Development Cooperation Policy for the Republic of the Philippines (September 2023) identifies "Strengthening the Foundation for Sustainable Economic Growth" (including agricultural and rural development aimed at enhancing value addition and sustainability) and "Establishing Peace, Stability, Development and Growth in Mindanao" (including support for poverty reduction arising from regional disparities) as priority areas. The Project is aligned with these priorities.

The "JICA Country Analysis Paper for the Republic of the Philippines" (March 2024) also emphasizes, under the "Agricultural Productivity Improvement and High Value Enhancement Program," efforts to strengthen access to finance for primary industries and enhance the food value chain. In addition, under the "Program for Peace, Stability, Growth and Development in Mindanao," it highlights the need to strengthen support for key industries such as agriculture and fisheries, as well as industrial development for sustainable economic growth.

Furthermore, JICA's Global Agenda on "Agricultural and Rural Development" promotes the development of inclusive and sustainable food value chains, including financial inclusion. In this context, the Project is consistent with the cooperation policies of the Government of Japan and JICA.

JICA has also been actively and continuously supporting the development of Mindanao since the 1990s through various assistance schemes, with the aim of addressing poverty and consolidating peace in the region. While JICA's support in Mindanao has primarily focused on the public sector, this Project represents JICA's first Private Sector Investment Finance operation in the region and is expected to complement JICA's existing assistance efforts.

３． Project Description

（１） Project Description

① Project Objective

This project aims to improve financial access for MSMEs and farmers in the Philippines, particularly in Mindanao, by providing long-term financing to 1st Valley Bank, thereby contributing to sustainable economic growth of the country, especially in the Mindanao region.

② Project Components

The JICA loan will be allocated for on-lending through 1st Valley Bank to MSMEs and farmers in the Philippines, particularly in Mindanao. 100% of the JICA loan will be allocated to lending for MSMEs and farmers in the Mindanao region. In addition, at least 5% of the JICA loan will be allocated to the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).

③ Project Beneficiaries (Target Group): MSMEs and farmers particularly in the Mindanao region

（２） Estimated Project Cost

Approximately 35 million USD (JICA loan: PHP 300 million, equivalent to approximately 5 million USD)

（３） Schedule

June 2026 to June 2031

（４） Project Implementation Structure

Borrower: 1st Valley Bank

（５） Collaboration and Sharing of Roles with Other Donors

This project is a co-financing with FMO and Proparco.

（６） Environmental and Social Consideration

① Category: C

② Reason for Categorization: This project is deemed to have minimal adverse impacts on the environment and society under the “JICA Guidelines for Environmental and Social Considerations” (promulgated in

January 2022).

（７）Cross-Sectoral Issues: N/A

（８）Gender Category: [Not Applicable] ■GI (Gender Mainstreaming Needs Assessment and Analysis Project)

<Reason for Categorization> This is because no measures or indicators contributing to gender equality or women's empowerment were identified or incorporated into the project design during the appraisal process.

（９）Other Important Issues: N/A

４. Targeted Outcomes

（１）Quantitative Effects

1) Outcomes (Operation and Effect Indicators)

Indicator	Baseline (Actual value in 2024)	Target (2030) 4 years after the Loan Agreement
1st Valley Bank's total outstanding loans to MSMEs in Mindanao	2,979 Million PHP	5,272 Million PHP
1st Valley Bank's total outstanding loans to the borrowers in Agriculture sector in Mindanao	1,229 Million PHP	1,921 Million PHP
Number of loans to eligible sub-borrowers which the 1st Valley Bank provides using the JICA Facility	0	891
Total amount of loans to eligible sub-borrowers in BARMM which the 1st Valley Bank provides using the JICA Facility	0	15 Million PHP

（２）Qualitative Effects

Promotion of financial inclusion for MSMEs and farmers in the Philippines, particularly in Mindanao, as well as their business expansion and productivity improvement

５. External Factors and Risk Control

N/A

6. Lessons Learned from Past Projects

Past ex-post evaluations of microfinance projects (evaluation year: 2019) have shown that JICA's practice of appropriately monitoring the management status of supported entities after project commencement and providing technical assistance contributed to enhancing project effectiveness. Following the commencement of this project, the possibility of providing non-financial support to 1st Valley Bank will be explored.

7. Evaluation Results

As outlined above, this project aligns with the country's development challenges, development policies, and Japan's cooperation policy. Its necessity is recognized, the project plan is appropriate, and its prospects for achievement are sufficient. Therefore, the significance of supporting this project through Private Sector Investment Finance is high.

8. Plan for Future Evaluation

（1） Indicators to be Used

As indicated in Section 4.

（2） Future Evaluation Schedule

Ex-post evaluation: 4 years after the Loan Agreement

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