



Report Number: ICRR0022589

1. Project Data

Project ID
P132317

Project Name
Philippine Rural Development Project

Country
Philippines

Practice Area(Lead)
Agriculture and Food

L/C/TF Number(s)
IBRD-84210,IBRD-88160

Closing Date (Original)
31-May-2021

Total Project Cost (USD)
504,767,574.10

Bank Approval Date
29-Aug-2014

Closing Date (Actual)
31-May-2023

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	501,250,000.00	0.00
Revised Commitment	569,820,000.00	0.00
Actual	499,000,115.29	0.00

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Project ID
P132424

Project Name
Philippine Rural Development Project (P132424)

L/C/TF Number(s)

Closing Date (Original)

Total Project Cost (USD)
5767458.81

Bank Approval Date

Closing Date (Actual)



29-Aug-2014

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	0.00	7,000,000.00
Revised Commitment	0.00	7,000,000.00
Actual	0.00	5,767,458.81

2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in the Loan Agreement (Schedule 1, page 6) was:

" To increase real incomes and enhance farm and fishery productivity in the targeted areas ".

The PDO as stated in the Project Appraisal Document (PAD, page 5):

"To increase rural incomes and enhance farm and fishery productivity in the targeted areas, by supporting smallholders and fisherfolk to increase their marketable surpluses and their access to markets".

The Global Environmental Objective (GEO) of the project was (PAD, page vii):

"To strengthen the coastal and marine resource base in the targeted project areas". This was to be achieved through: (a) enhancing institutional and planning capacities of local governments and communities; (b) providing support to marine protected areas with global biodiversity significance and select fishery co-management arrangements; and (c) sharing knowledge and best practices".

This review is based on the PDO stated in the Loan Agreement. The PDO was not changed with the Additional Financing (AF) approved for the project on January 11, 2018. .

The original project approved on August 29, 2014, and closed on May 31, 2021. AF1 for the project was approved on January 11, 2018, and a subsequent restructuring extended the closing date for the AF project to May 31, 2023. A second AF is currently under consideration. As the expected implementation of the AF2 project would extend beyond ten years since approval of the original project, an Interim Implementation Completion Report (ICR) was produced in accordance with Bank requirements. This review is the Independent Evaluation Groups (IEGs) assessment of the Interim ICR, and is based on the outcomes realized as of October 31, 2018.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes



Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

11-Jan-2018

c. Will a split evaluation be undertaken?

No

d. Components

There were four components (PAD, pages 7 - 9).

1. Local and National Level Planning. The estimated cost at appraisal was US\$19.26 million. The actual cost was US\$19.96 million. There were two sub-components:

(a) Enhancing the Agricultural and Fisheries Modernization Planning (AFMP) process through: (i) rationalizing the Department of Agriculture's (DA) planning, programming and budgeting processes, and developing AFMP as the main basis of decision making in the DA at the national, regional and local levels: and (b) support for natural resource planning, management and resource utilization in selected marine protected areas.

(b). Supporting the implementation of AFMP, through designing technical support coordinated systems for implementing the sub-projects prioritized in the Provincial Community Investment Plans (PCIPs).

2. Infrastructure Development. The estimated cost at appraisal was US\$452.13 million. The revised estimate with AF was US\$637.13 million. The actual cost was US\$669.13 million. There were two sub-components:

(a) Value chain infrastructure support through: (i) developing specific sub-projects to support infrastructure development by Local Government Units (LGUs) in priority commodity value chains (such as, farm-to-market roads, communal irrigation and potable water systems, post-harvest facilities, fish sanctuaries, tram lines, storage facilities, and slope stabilization works).

(b) Approaches for improving the effectiveness and sustainability of infrastructure investments through developing technical specifications for climate resiliency and disaster risk mitigation for local infrastructure.

3. Enterprise Development. The estimated cost at appraisal was US\$168.64 million. The actual cost was US\$135.94 million. There were two sub-components.

(a) Rural Agri-Fishery enterprise and productivity enhancement through: (i) developing specific sub-projects to support horizontal and vertical clustering, and joint business planning and investments by producer groups operating within commodity value chains: and (ii) promoting biodiversity conservation and coastal resource co-management arrangements.



(b) Technology and Information for Enterprise and Market Development through: (i) technical assistance to producers through disseminating market knowledge and for facilitating market linkages.

4. Project Implementation Support. The estimated cost at appraisal was US\$30.0 million. The revised estimate with AF was US\$57.50 million. The actual cost was US\$57.49 million. This component aimed at providing technical assistance for day-to-day coordination, implementation, monitoring and evaluation, and audits.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. The estimated cost at appraisal (including a front-end fee) of US\$1.25 million) was S\$670.03 million. The revised estimate with AF was US\$883.79 million. The actual cost was US\$883.79 million.

Project financing. The original project was financed by an IBRD loan of US\$501.25 million and a Global Environment Facility (GEF) grant of US\$7.00 million. The amount disbursed of the original project was US\$376.12 million. AF of US\$170.00 million was approved on December 12, 2017. The amount disbursed of the AF project was US\$122.87 million. US\$88.92 million of the original project and US\$12.51 of the AF project was cancelled, due to the foreign exchange savings resulting from appreciation of the Philippine Peso *vis-à-vis* US\$ during implementation. The amount disbursed of the GEF grant was US\$5.70 million.

Borrower contribution. The borrower contribution was estimated at US\$163.04 million at appraisal. Their actual contribution at closure was more than planned at US\$205.54 million.

Dates. The project approved on August 29, 2014, became effective on December 31, 2014, and was scheduled to close on May 31, 2021. AF was approved on December 17, 2017. The AF project is scheduled to close on May 31, 2023.

Other changes. There were four Level 2 restructurings and one AF for the project.

The first restructuring on March 23, 2017, transferred US\$32.00 million from component three activities (Enterprise Development) to Component two activities (infrastructure Development), due to a combination of factors, including delays associated with implementing enterprise subprojects and the high demand from Local Government Units (LGUs) for infrastructure investments.

The following changes were made with the AF approved for the project on January 11, 2018.

- The project scope was expanded for activities associated with infrastructure investments and capacity building and the results framework was modified.
- The road construction costs were revised due to the increase in costs for farm -to -gate road construction activities, following the Government's decision early during implementation that all roads should be concrete rather than gravel, and that they should comply with the all-weather, climate-enhanced standards specified in a Department of Public Works and Highways (DPWH) Circular issued in 2014.

US\$88.92 million of the original loan, and US\$12.51 million from the AF loan, was cancelled through the second restructuring on April 15, 2020.



The GEF Grant was restructured twice during implementation.

The grant was restructured on May 23, 2018, to include incremental operating costs as additional eligible expenditures.

The grant was restructured on February 16, 2021, to reallocate US\$697,021 of unutilized funds from component two activities to component one activities, and the closing date for the grant was extended by two years to May 31, 2023.

3. Relevance of Objectives

Rationale

Country and sector context. Over half (51%) of the Philippine population live in rural areas, and the collective agricultural sector provides livelihoods to over 50 percent of the labor force. Despite this, key features of the country's rural economy have included low income levels for primary producers, low levels of rural employment, lack of food security and weak agricultural competitiveness. This is due to a combination of factors, including poor transport infrastructure (with 50% of the rural villages lacking all-weather farm-to-market outlets), limited use of modern agricultural technology due to a weak extension system, high post-harvest losses, limited diversification into high value commodities by farmers due to the poorly developed value chains. Alongside this, environmental degradation to the countryside exists as a consequence of population pressures.

Government strategy. The Government's agriculture sector strategy (*Agric Pinroy*) articulated in the Philippine Development Plan for 2011-2016, advanced the principles of staple food sufficiency, natural resource management, and area-based development, in contrast to the previous approaches characterized by top-down planning, and centrally managed supply-driven commodity interventions. Complementing the *Agric Pinroy* strategy, the Government reoriented the Agriculture and Fisheries Modernization Plan (AFMP), a process mandated through the 1997 Agriculture and Fisheries Modernization Act (AFMA). This plan provided for a value-chain and market-oriented approach for helping small-scale producers diversify to high value commodities, and supported clustering and vertical integration of small-scale producer groups with those already involved in Agri-processing and marketing. The relevance of the PDO was further amplified by the Department of Agriculture's (DA) recent Administrative Order (AO 27, series of 2020) nationally establishing the "Bayanihan Farmer and Fishery Cluster and Consolidation Framework", for supporting enterprises. Under this framework, all DA programs and partnership programs with local government units and state universities were to be oriented towards clustering farmers and fisheries for achieving better market access for agriculture and fishery producers.

Bank strategy. The PDO was well-aligned with the World Bank strategy. At appraisal, the goal of the Country Partnership Strategy (CPS) for 2015 -2019, was centered on achieving inclusive growth through poverty reduction and shared prosperity. The key elements of the strategy included: (i) rapid, inclusive economic growth through increasing agricultural productivity and creating jobs in rural areas; (ii) resilience to climate change, environment, and disaster risk management; (iii) peace, institution building and social and economic opportunity impacts; and (iv) improved natural resource management, particularly in conflict areas of the Bangsamoro Autonomous Region in Muslim Mindanao (ARMM). The PDOs were fully consistent with the key focus areas of the Bank's current Country Partnership Framework (CPF) for 2020 -



2024. . While Focus Area two underscored the need for "competitiveness and economic opportunity for job creation", Focus Area three highlighted the need for "addressing core vulnerabilities by building peace and resilience".

Prior Bank experience. The Bank had executed two successful rural development projects (the Mindanao Rural Development Projects 1 and 2). Unlike these projects, this project had a broader reach, with nationwide coverage, and activities implemented in all 81 provinces (including in conflict areas of the Autonomous Region of Mindanao). The project scope was also significantly expanded with the AF for the project, especially with respect to infrastructure investments (in the face of more than expected demand for such investments from subnational entities). Thus, the relevance of the objective is highly rated.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To increase real incomes and enhance farm and fishery productivity in the targeted areas..

Rationale

Theory of change. The results framework was clear. The causal links between the project activities, their outputs and outcomes was logical. The intended outcomes that were attributable to the project were monitorable. Using science-based instruments (Expanded Vulnerability and Suitability Analysis (eVSA) and Value Chain Analyses (VCA) for prioritizing infrastructure investments and developing enterprises, developing Agricultural and Fisheries Modernization Plans (AFMP) as the main basis of decision making in the Department of Agriculture (DA) at the national and subnational levels, and developing Provincial Community Investment Plans, which were aimed at institutional strengthening of the relevant entities. Applying value chain information through climate proof construction standards for infrastructure investments (such as farm-to-market roads and investments for reducing post-harvest losses), and strengthening linkages between the agricultural and fishery value chain through clustering of farmers and fishery enterprises, the project aimed to increase the marketable surpluses of small holders. The project activities which included institutional strengthening and priority infrastructure investments, were appropriate and of adequate scale to generate a critical mass to be able to achieve the intended outcome of enhancing farm and fishery productivity and increasing the real income of beneficiaries in the targeted areas.

Outputs.

The outputs and outcomes for this Interim ICR refer to the activities that were completed as of October 31, 2020. As indicated earlier, the scheduled closing date for the AF project is May 31, 2023.



- 81 Provincial Commodity Investment Plans (PCIPs) were developed by provincial Local Government Units (LGUs). 77 provincial Local Government Units to date leveraged approximately US\$985.70 million based on these plans.
- Fifteen Provincial Investment Plans used enhanced climate risk and resilience criteria to prioritize investments, as compared to the target of sixty by May 31, 2023. Guidelines and templates for vulnerability and suitability analysis (eVSA) were provided in the operational guidelines manual and the Department of Agriculture (DA) and Local Government Staff were trained for using the manual.
- 2,114 kilometers of all-weather access granite farm-to-market rural roads were constructed, slightly short of the target of 2,300 km. The average travel time due to the improved road surface reduced by 33 percent, short of the target of 40 percent. Transport cost in the completed farm-to-market roads reduced by 20 percent, as compared to the target of 30 percent.
- 34 solar driers and warehouses, 31 infrastructure components in sub-projects. six slope protection works, three tramlines and two fish landings were completed for improving post-harvest facilities. 92 percent of the producers expressed satisfaction with the access to post-harvest services, exceeding the target of 50 percent.
- 1,586 hectares (ha) of communal irrigation systems were completed, as compared to the target of 2,600 ha.
- Potable water supply systems were constructed, representing 11 percent of the end-of-project target, but more were under construction. These are expected to be completed by May 31, 2023.
- Overall, 432 enterprise sub-projects to support start-up enterprises were completed and 203 were in various stages of processing. The enterprises included small, medium and large enterprises. The enterprises supported a wide range of agricultural, livestock and fishery-based entrepreneurial activities from production (fish, shellfish, seaweed, milk, coconuts and onions), to intermediate processing (seaweed, cacao and coffee), and end-product segments of the value chain (geo-nuts, coconut coir matting, dried/smoked fish, cheese and preserve products). The enterprise sub-projects benefitted 76,857 proponent group members, exceeding the end-of-project target of 45,000.
- 127 proponent group members were operating viable enterprises, exceeding the target of 45,000 as of October 31, 2020. 45 percent of women directly benefitted from enterprise development as compared to the target of 50%.
- A range of digital tools for science-based planning, decision making and strengthening governance were developed. This included: (i) web-based geo-mapping for digitally and virtually accessing sub-projects: and (ii) Using unmanned Aerial Vehicles to aid in evaluating sub-project proposals.
- Seven PCIPs incorporated biodiversity and coastal resources co-management features in the PCIPs by October 31, 2020, marginally short of the target of eight.
- 95 percent of the grievances were registered in the project's grievance redress system, exceeding the target of 90 percent.

Outcomes (ICR, pages 16 - 20) .

The outputs of the activities described above were expected to: (1) Increase rural incomes in the targeted areas: (2) Enhance farm and fishery productivity in the targeted communities: and (3) Strengthen the conservation and marine resource base in the targeted program areas.

The ICR (paragraph 35) notes that for this interim ICR, the outcomes were assessed based on: (i) The Independent Mid-Term Evaluation conducted in 2018,; and (2) The results of the Rapid Assessment of Emerging Benefits (RAEB), a tool developed under the project to obtain real-time feedback on the efficacy



and efficiency of sub-projects upon their completion. The outcomes realized as of October 31, 2020, are listed below.

(1) Increase rural incomes in the targeted areas:

A survey was conducted of 20 randomly sampled households (each representing a farmer or fisher household) in both the project and non-project areas. In the project area, respondents were drawn from an area accessed by a stretch of completed farm-to-market road inside the Road Influence Areas. Other respondents were drawn from the same municipality, but outside the road influence Areas.

- The average household income grew by 36 percent in the project areas (from Philippine Peso 132,999 at the baseline in 2014 to Philippine Peso 180,775) by mid-term evaluation. This exceeded the end of project target of 30 percent. There is no indication in the ICR of the non-treatment group's income change, but the approach to compiling real income increases is rigorous and well designed.
- The average real household income of beneficiaries involved in enterprise development increased from Philippine Peso 78,628 at the baseline in 2014 to Philippine Peso 167,448), by mid-term evaluation. This exceeded the target of 30 percent increase.

(2) Enhance farm and fishery productivity in the targeted communities.

- The average real value of marketed output of beneficiaries from the completed enterprise sub-projects increased by 51 percent (from Philippine Peso 13,463 at the baseline in 2014 to Philippine Peso 22,216) by mid-Term evaluation. This exceeded the target of 41 percent.
- There was a twenty percent increase in the number of farmers and fisherfolk with improved access to the Department of Agriculture services (371,926 beneficiaries as of this Interim ICR, as compared to the 600,000 end-of-project target).

(3) GEO of strengthening the conservation and marine resource base in the targeted program areas.

- The Management Effectiveness Assessment Tool (MEET) and a Philippine tool called the Management Effectiveness Assessment Tool (MEAT) was used for monitoring effectiveness of the GEO. Original targets were that by end-of-project, 20 Marine Protected Areas (MPAs) would achieve a MEET/ MEAT of 15 -40 points, eight would achieve 41 -65 points and six would achieve 66 -85 points. All 33 MPAs achieved MEET scores of at least 66 points, and 23 achieved MEAT scores of at least 66 points.

Given that three of the four indicators have already been achieved and there are indications that all objectives will be fully achieved or exceeded by the closing date of May 31, 2023, efficacy is rated as substantial.

Rating
Substantial



OVERALL EFFICACY

Rationale

Given that three of the four outcomes were achieved or achieved, and the trajectory suggests achievement of the PDO indicators is likely to be confirmed and exceeded in all covered regions when the project formally closes, overall efficacy is rated as substantial.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic analysis. An economic analysis was done to quantify the economic impact of *the completed sub-projects* (for activities associated with infrastructure investments and enterprise development activities). This component accounted for about 92 percent of the total project costs. The project benefits were assumed to come from: (i) improved rural infrastructure for those engaged in agriculture-related activities (such as benefits due to savings in vehicle operating costs, savings in agricultural hauling costs, savings in hauling cost of production inputs, savings in travel time of commuters, benefits from new agricultural areas, savings in transport losses, increased cropping intensity and increased yield of irrigation areas due to the communal irrigation systems); (ii) Increasing the marketable value of produce due to investments in warehouses, cold storages and fish landings; and (iii) value-adding activities along the value chain. The Economic Internal of Return (EIRR) was 18.6 percent, greater than the prevailing social discount rate of 10 percent. The Net Present Value (NPV) discounted at 10 percent was about 19,989,094 million Philippine Peso, and the Benefit-Cost Ratio was 1.47 (implying a rate of return of 1.47 Philippine Peso for every peso investment of the project). A comparison of the ex post indicators with the ex ante indicators revealed that the project exceeded its projected impacts at appraisal. The original loan and AF1 loan indicators had EIRR of 31.2 percent, NPV of Philippine Peso 6,492,089 Peso and Benefit-Cost Ratio of 1.27 all discounted at 15 percent discount rate.

Cost effectiveness. The cost effectiveness analysis showed that the sub-projects were implemented close to the least-cost pathways assumed in the original and AF1 project. While the costs of farm-to-gate roads had slight unit cost overruns of three percent (for newly constructed roads) and five percent for the rehabilitated roads, the Communal Irrigation System, the potable water supply system and other infrastructure systems were completed better than projected with underspending per unit of six percent, twenty percent and forty nine percent respectively.

Administrative and operational issues. The ICR (paragraph 51) notes that the project had a rapid start due to the existing portfolio of unfinanced sub-projects remaining at the close of the prior Bank-financed Mindanao Rural Development Program. The hiring of incremental staff, assignment of office space and purchase of equipment proceeded without delays due to the Department of Agriculture's (DA's) familiarity with the Bank's fiduciary procedures. The main issue that undermined efficiency in the first three years of the project were the delays in processing times for enterprise subprojects, due to the unfamiliarity of the DA and Local Government Units with Business Plan preparation and evaluation. However, this was rectified in the latter years, with improvements in processing time.



Given the substantial ex post EIRR and the cost effectiveness analysis, efficiency is rated as substantial.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	31.20	91.00 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	18.60	92.00 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of the PDO to the Government and Bank strategies is highly rated. Efficacy of the PDO - to increase real incomes and enhance farm and fishery productivity in the targeted areas- is rated as substantial, given that three of the four outcomes were achieved or mostly achieved, and the trajectory suggests achievement of the PDO indicators is likely to be confirmed when the project formally closes. Efficiency is rated as substantial. Taking these ratings into account, overall outcome is rated as satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Government commitment. The risk to development outcome from Government commitment is low, given that the project focus on raising productivity and incomes of farmers and fishers through enterprise development has to date evolved into the overarching government framework for bringing about the transformation of the Philippine Agri-fishery sectors. Importantly, the local commitment and utilization of the assets is also illustrative of an ongoing commitment to O&M given the benefits returned to farmers and fisher folk.

Institutional risks. The risks associated with maintaining operation and maintenance of infrastructure investments, given that operation and maintenance requirements, especially for farm-to-gate roads are included in Memorandum of Understanding and implementation Management Agreements with the Local Government Units (LGUs) and followed through a web-based monitoring tool developed under this project.



8. Assessment of Bank Performance

a. Quality-at-Entry

The project was prepared based on the experiences from the prior Bank-financed rural development projects in the Philippines (Mindanao Rural Development Projects 1 and 2), and from the Bank's experience with similar interventions supporting agricultural development with community (bottom-up) participation in Brazil, India, China and Indonesia. Lessons incorporated at design, included supporting infrastructure investments that were based on local development plans, and entrusting Local Government Units (LGU) to implement project activities. The implementation arrangements were appropriate. Given that the project activities were implemented nationwide, the implementation arrangements, included a National Program Coordination Office based in the Department of Agriculture's central office and additional program support offices in other parts of the country, and a Provincial Program Management and Implementing unit (PPMU) in each of the participating Local Government Units (PAD, page 54). Several risks were identified at appraisal, including substantial risks with stakeholders, weak capacities of the implementing agencies and governance risks (PAD, page 15). Mitigation measures incorporated at design, included establishing Program Support Offices and the Regional Program Coordination Office, and training relevant staff on fiduciary issues. Even with the mitigation measures, overall project risk was rated as substantial at appraisal, in view of the nationwide coverage of the project. Appropriate arrangements were made at appraisal for monitoring and evaluation (discussed in section nine) and safeguards and fiduciary compliance (discussed in section ten).

There were minor shortcomings at Quality-at-Entry. The construction/rehabilitation of farm-to-market roads was underestimated, partly due to the Government's decision early during implementation that all roads should be concrete.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

Supervision missions were held twice a year as per the norm and task team leaders were based in the Philippines. The support provided by the supervision team aided in safeguards and fiduciary compliance (discussed in section 10). The supervision missions included extensive field visits to discuss issues and this aided in resolving implementation difficulties. In the face of more than expected demand for infrastructure investments, the supervision team reallocated additional funding for such investments (from enterprise development activities) through a project restructuring. Special care was taken by the team to address the issues affected by the Boho earthquake (October 2013) and the Typhoon Yolanda. Despite COVID - 19 travel restrictions, virtual Bank oversight was maintained by the supervision team. According to the clarifications provided by the team, the continuity of leadership was maintained, with three Task Team Leaders (TTLs) during the lifetime of the project, and that for the most part, the TTLs were located in Philippines.



Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The results framework was clear and the key outcome indicators - increase in real incomes in the targeted areas, increase in incomes for the targeted beneficiaries in enterprise development, increase in value of marketed output and increase in the number of farmers and fisherfolk with improved access to the Department of Agriculture (DA) services, were appropriate and attributable to the project activities. The M&E framework for the project built on the system that was already in place for a previous Bank project. Under this framework, the Department of Agriculture's (DA) Regional Coordination Offices (RPCOs) were responsible for collecting information from their own subprojects and from the Provincial Project Management and Implementing Units (PAD, paragraph 46).

b. M&E Implementation

The ICR (paragraph 62) notes that by the second year of implementation, a fully functional web-based Management and Information System (MIS) was established. The MIS - M&E Unit was complemented by a Geo-Mapping and Governance Unit (GGU) that contributed through various digital innovations to enhance the quality and timelines of feedback and evaluation on the performance of all project activities. The key innovative instruments were: (i) Web-based geo mapping through which projects can be digitally and virtually accessed, their status validated and monitored using the Geotagging tool: (ii) Application of Unmanned Aerial Vehicles to aid in evaluation of sub-project proposals: (iii) A Citizens monitoring mechanism for implementation of sub projects: (iv) A web-based grievance redressal system: (iv) A web-based system to monitor compliance with Operation and Maintenance of completed infrastructure facilities: and An Enterprise Assessment Tool (EAT) to assess the extent to which completed enterprise sub-projects require additional supports (such as assessing markets or financing or linkages with other service providers).

c. M&E Utilization

The M&E system provided regular management reports and a platform for real-time project monitoring of the project implementation from budget allocation through to execution (including operations and maintenance). The ICR (paragraph 62) notes that that the MIS-M&E system developed under the project has been of a high standard and recognized internationally as best practice both across government departments of the Philippines and internationally, as well as within the Bank.



M&E Quality Rating

High

10. Other Issues

a. Safeguards

The project was classified as a Category B (partial assessment) project under World Bank safeguard policies. Seven safeguard policies were triggered at appraisal: Environmental Assessment (OP/BP 4.01): Natural Habitats (OP/BP 4.04): Forests (OP/BP 4.36): Pest Management (OP/BP 4.09): Indigenous Peoples (OP/BP 4.10): Involuntary Resettlement (OP/BP 4.12): and Safety of Dams (OP/BP 4.37). (PAD, pages viii and ix). No new safeguard policies were triggered with the AF for the project.

Environmental Assessment, Natural Habitats, Forests, Pest Management and Safety of Dams. The PAD (paragraph 46) notes that based on the experience of the Bank executed Mindanao Rural Development Projects, the direct environmental effects of on-the-ground activities (construction of small to medium-scale public infrastructure and support to agribusiness enterprises), were expected to be short-term, localized and reversible. The PAD notes that the environmental and social management frameworks of the Mindanao Rural Development Project two was updated and consolidated into an Integrated Environmental and Social Safeguards Framework (IESSF) and publicly-disclosed to address the safeguard issues mentioned above.

The ICR (paragraph 66) notes that compliance with environmental safeguards was satisfactory during implementation. According to the clarifications provided by the team, there was compliance with the safeguards on natural habitats, forests, pest management and safety of dams.

Indigenous Peoples and Involuntary Resettlement. The PAD (paragraph 44) notes that there were indigenous people in some provinces of project activities. To address indigenous peoples issues, the Indigenous Peoples Policy Framework (IPPF) developed under the Mindanao Rural Development Project was updated at appraisal. The PAD (paragraph 45) notes that sub-projects under the infrastructure development component could entail land acquisition. The Land Acquisition, Resettlement and Rehabilitation Framework (LARRF) prepared under the Mindanao Rural Development Projects were updated and publicly-disclosed at appraisal to address involuntary resettlement issues.

The ICR (paragraph 88) notes that impacts on indigenous peoples were adequately managed during implementation. The ICR notes that Indigenous Plans (IPs) prepared for 30 sub-projects were implemented, in accordance with Operational Manual requirements. Regarding involuntary resettlement, some 11,845 holdings were affected by land acquisition for activities associated with Farm to Market Road (FMR) and other infrastructure investments. Only about one percent of these holdings required physical displacement, and the affected people were compensated in accordance with operations manual procedures.

b. Fiduciary Compliance

Financial Management. A financial management assessment of the Department of Agriculture (DA), the Mindanao Program Support Office (PSO) and selected regional offices was conducted at appraisal. The



financial management risk was rated as High but reduced to substantial with the mitigating measures (PAD, paragraphs 34 -36). The major financial risks identified at appraisal was due to the nationwide coverage of the project, and difficulties associated with financial management. The mitigation measures incorporated at design, included preparation of a financial manual to formalize the control processes specific to the project.

The ICR (paragraph 70) notes that financial management was moderately satisfactory to satisfactory throughout implementation. The audited financial project financial statements were submitted in a timely fashion, and no overdue unaudited financial reports when the project closed. The team clarified that the consolidated audited project financial statements since inception to present (2015-2019) were mostly qualified. Reasons for qualifications, included errors, omissions and misclassifications. The team also clarified that these qualifications were reported and monitored in the succeeding audits by the Commission on Audit (COA).

Procurement management. A procurement capacity assessment conducted at appraisal, concluded that the relevant entities for the most part, had adequate procurement capacity and experience (PAD, paragraph 39). The assessment however identified the lack of experience of non-Mindanao Department of Agriculture (DA) Regional Field Offices (DFOs) and Local Government Units (LGUs). Mitigation measures incorporated at design, included training relevant officials during implementation, involving civil society organizations and procurement audits. The procurement risk was reduced from substantial to moderate with the mitigating measures (PAD, paragraph 41).

The ICR (paragraph 72) notes that the implementation of procurement was satisfactory throughout implementation and that procurement proceeded through online activity in the wake of the COVID - 19 pandemic.

c. Unintended impacts (Positive or Negative)

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	High	High	
Quality of ICR	---	High	

12. Lessons



The ICR draws the following lessons from the experience of implementing this project, with some adaptation of language:

1. Reforms that are not imposed from the top, but based on the experiences of subnational entities can aid in securing stakeholder commitment. This project departed from the earlier projects in the Philippines in that Local Government Units (LGUs) were involved in prioritizing the infrastructure investments that could best further their interests. This helped in securing their commitment. Further the incentive framework through attractive cost sharing between the Department of Agriculture was central in encouraging the participation of LGUs.
2. Having comprehensive and publicly-accessible (web-based) Operations Manuals which were validated and understood by field level staff can be helpful in facilitating project startup. The experience from this project technical/managerial follow up service support needs to be built into project design to help ensure the sustainability of newly established enterprise.
3. The strict adherence to all-weather standards in the construction of farm-to-market roads and subsequent Operations and Maintenance, while substantially more expensive to construct than gravel roads, can be useful in countries that are vulnerable to natural disasters (such as typhoons).

In addition, IEG adds the following lesson:

1. A well-designed and implemented M&E system that produces regular meaningful results is extremely helpful in tracking high level outcomes that determine the trajectory and priorities of projects. Where this is done well, the justification for further funding and component priorities becomes easier and the impact is amplified. Using multiple approaches to triangulate results amplifies where there are successful investments and areas where changes might be made. This is extremely useful in very large programs across multiple regions.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The Interim ICR is clear, well laid out and makes a cohesive argument on the achievements of the project. The theory of change provided in the ICR provides a good picture of the causal links between project activities, outputs and outcomes that were attributable to the project activities. It candidly discusses the issues associated with enterprise development activities and acknowledges the role played by the Department of Agriculture in facilitating the outcomes. The ratings provided in the ICR are consistent with the guidelines.

Importantly, the ICR seeks to align the various threads of evidence to the performance story of the intervention. This comes through strongly and there is an interesting and candid narrative that plays out in the section on Bank performance and that carries through to the factors affecting project performance. The team deserves



credit for the way the document holds together. Given these features and the adherence to the guidelines, the ICR is highly rated.

a. Quality of ICR Rating
High