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The World Bank

Report No: ICR00003283

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-74400 TF-11929 TF-94704)

ON A

LOAN
IN THE AMOUNT OF US$83.752 MILLION

AND

AUSTRALIA-WORLD BANK PHILIPPINES TRUST FUND GRANT
IN THE AMOUNT OF US$3.0 MILLION

AND A

GLOBAL ENVIRONMENTAL FACILITY GRANT
IN THE AMOUNT OF US$6.351 MILLION

TO THE

REPUBLIC OF THE PHILIPPINES

FOR A

MINDANAO RURAL DEVELOPMENT PROJECT

IN SUPPORT OF PHASE 2 OF THE MINDANAO RURAL
DEVELOPMENT PROGRAM (APL)

June 21, 2015

Agriculture Global Practice
East Asia and Pacific Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2014)

Currency Unit = Philippine Pesos
US$ 1.00 = PhP44.00

FISCAL YEAR
[January 1 – December 31]

ABBREVIATIONS AND ACRONYMS

AFMA	Agriculture and Fisheries Modernization Act
APL	Adaptable Program Lending
APL	Adjustable Program Loan
ARMM	Autonomous Region of Muslim Mindanao
AusAid	Australian Aid Program
CAF	Certificate of Availability of Funds
CAS	Country Assistance Strategy
CAS	Country Assistance Strategy
CDD	Community Driven Development
CFA	Counterpart Funding Arrangement
CFAD	Community Fund for Agriculture Development
CMBC	Coastal and Marine Biodiversity Conservation Project
CPS	Country Partnership Strategy
DA	Department of Agriculture
DA	Department of Agriculture
DENR	Department of Environment and Natural Resources
DENR	Department of Natural Resource and Environment
DFIMD	Diversified Farm Income and Market Development Project
DILG	Department of Interior and Local Government
DOF	Department of Finance
DOH	Department of Health
DPWH	Department of Public Works and Highways
DSWD	Department of Social Welfare and Development
ESMP	Environmental and Social Management Plan
FM	Financial Management
FMR	Farm to Market Road
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEF	Global Environment Facility
GEO	Global Environment Objective
GIS	Geographical Information System
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICC	Investment Coordinating Committee

ICR	Implementation Completion Report
IFR	Interim Financial Report
IGR	Investment for Governance Reform and Program Administration
IP	Indigenous People
LGC	Local Government Code
LGU	Local Government Unit
M& E	Monitoring and Evaluation
MDFO	Municipal Development Fund Office
MLGU	Municipal Local Government Unit
MRDP	Mindanao Rural Development Project
MTPDP	Medium Term Philippine Development Plan
NEDA	National Economic Development Authority
NG	National Government
NIPAS	National Integrated Protected Areas System
NPCO	National Project Coordination Office
NRM	Natural Resource Management
O& M	Operation and Maintenance
OGI	Selective on-the-ground investments
PAB	Project Advisory Board
PDO	Project Development Objective
PEMSEA	Partnership in Environmental Management of the Seas of East Asia
PhilGEPS	Philippine Government Electronic Procurement System
PLGU	Provincial Local Government Unit
PO	Peoples Organization
PPMIU	Provincial Project Management and Implementing Units
PRDP	Philippine Rural Development Project
PSO	Project Support Office
RAFMP	Regional Agriculture and Fishery Modernization Plan
RFO	Regional Field Office
RI	Rural Infrastructure
RPCO	Regional Project Coordinating Office
SIGA	Sustainable Income Generating Activities
VCA	Value Chain Analysis

Vice President:	Axel van Trotsenburg
Country Director:	Motoo Konishi
Senior GP Director	Juergen Voegele
Practice Manager:	Nathan Belete
Project Team Leader:	Carolina V. Figueroa-Geron
ICR Team Leader:	Charles Annor-Frempong

Contents

A. Basic Information

Country:	Philippines	Project Name:	Mindanao Rural Development Project - Phase 2
Project ID:	P084967,P096836	L/C/TF Number(s):	IBRD-74400,TF-11929,TF-94704
ICR Date:	12/30/2014	ICR Type:	Core ICR
Lending Instrument:	APL	Borrower:	GOVERNMENT OF THE PHILIPPINES
Original Total Commitment:	USD 83.75M,USD 6.35M, USD3.00M	Disbursed Amount:	USD 81.52M,USD 5.62M, USD2.87.
Environmental Category: B,		**Focal Area**: M	

Implementing Agencies:
Department of Agriculture

Cofinanciers and Other External Partners:
GEF Council
AusAID/DFAT

B. Key Dates

Mindanao Rural Development Project - Phase 2 - P084967

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	06/16/2005	Effectiveness:	07/03/2007	07/03/2007
Appraisal:	08/29/2006	Restructuring(s):		12/23/2009 09/09/2010 11/15/2011 02/29/2012 06/12/2012 12/14/2012 12/20/2012 12/20/2013
Approval:	03/22/2007	Mid-term Review:	03/01/2011	06/07/2011
		Closing:	12/31/2012	12/31/2014

Mindanao Rural Development Program (MRDP) Phase II - Natural Resource Management Component - P096836

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	06/16/2005	Effectiveness:	08/10/2009	10/16/2009
Appraisal:	07/28/2008	Restructuring(s):		07/27/2012
Approval:	09/17/2009	Mid-term Review:		

		Closing:	12/31/2014	12/31/2014

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes	Satisfactory
GEO Outcomes	Moderately Unsatisfactory
Risk to Development Outcome	Moderate
Risk to GEO Outcome	Moderate
Bank Performance	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance	Moderately Satisfactory	Overall Borrower Performance	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators

Mindanao Rural Development Project - Phase 2 - P084967

Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Satisfactory		

Mindanao Rural Development Program (MRDP) Phase II - Natural Resource Management Component - P096836

Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA)	None
GEO rating before Closing/Inactive Status	Moderately Unsatisfactory		

D. Sector and Theme Codes

Mindanao Rural Development Project - Phase 2 - P084967

	Original	Actual
Sector Code (as % of total Bank financing)		
Irrigation and drainage	15	7
Other social services	19	28
Rural and Inter-Urban Roads and Highways	55	52

Sub-national government administration	8	8
Water supply	3	5
Theme Code (as % of total Bank financing)		
Decentralization	25	14
Municipal governance and institution building	13	21
Other rural development	13	3
Participation and civic engagement	24	9
Rural services and infrastructure	25	53
Mindanao Rural Development Program (MRDP) Phase II - Natural Resource Management Component - P096836		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Other social services	31	31
Public administration- Agriculture, fishing and forestry	69	69
Theme Code (as % of total Bank financing)		
Biodiversity	20	20
Decentralization	20	20
Environmental policies and institutions	20	20
Land administration and management	20	20
Micro, Small and Medium Enterprise support	20	20

E. Bank Staff

Mindanao Rural Development Project - Phase 2 - P084967		
Positions	**At ICR**	**At Approval**
Vice President:	Axel van Trotsenburg	James Adams
Country Director:	Motoo Konishi	Joachim von Amsberg
Practice Manager/Manager:	Nathan M. Belete	Rahul Raturi
Project Team Leader:	Carolina V. Figueroa-Geron	Carolina V. Figueroa-Geron
ICR Team Leader:	Charles Annor-Frempong	
ICR Primary Author:	Douglas A. Forno	

Mindanao Rural Development Program (MRDP) Phase II - Natural Resource Management Component - P096836		
Positions	**At ICR**	**At Approval**
Vice President:	Axel van Trotsenburg	James Adams
Country Director:	Motoo Konishi	Bert Hofman
Practice Manager/Manager:	Nathan M. Belete	Mark C. Woodward
Project Team Leader:	Carolina V. Figueroa-Geron	Carolina V. Figueroa-Geron
ICR Team Leader:	Charles Annor-Frempong	
ICR Primary Author:	Douglas A. Forno	

F. Results Framework Analysis

Project Development Objectives

The long term APL program's purpose is to improve incomes and food security in the targeted rural communities within all of the provinces in Mindanao. The program is focused on strengthening rural public investment programs (supporting the implementation of the AFMA), reinforcing the LGC institutional framework, while ensuring close involvement of rural communities in the design and implementation of public investment programs intended to improve productivity and livelihoods. Taken together, these initiatives aim to support the GOP's key objectives of tackling poverty and ensuring food security.

The objective of the Project is to assist the Borrower in: (i) improving livelihood opportunities for targeted communities in Mindanao under the Project; and (ii) institutionalizing a decentralized system for agriculture and fishery services delivery that promotes participation, transparency, and accountability.

Revised Project Development Objectives: There were no changes

Global Environment Objectives

The GEF project shares the same overall PDO as the larger IBRD project, namely, (i) improving livelihood opportunities for targeted communities in Mindanao under the Project; and (ii) institutionalizing a decentralized system for agriculture and fishery services delivery that promotes participation, transparency, and accountability. The specific global environment objective of the Project is to assist the Recipient in conserving critical coastal and marine biodiversity, supported by sustainable land management in linked upland areas, by removing barriers to mainstreaming marine and coastal biodiversity conservation; through co-management of critical marine habitats; and by the introduction of improved, upstream land management practices that would simultaneously arrest land degradation and benefit landholders who are predominantly poor farmers, fisher folk, and/or indigenous people.

Revised Global Environment Objectives There were no changes.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Improve access to livelihood opportunities of targeted communities			
Value (quantitative or Qualitative)	Annual House-hold incomes Beneficiary Communities PhP75,630 Control Group (non-MRDP2 communities) PhP87,807	Average household incomes of beneficiary communities 20% higher than baseline and 10% higher than control group	N/A	PhP 102,759 (36% increase) PhP 96,468 (10% increase)
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: Household real income in the project areas was increased to PhP 102,759, a 36% increase in nominal terms, corresponding to a 20% real income increase. Likewise the target of increasing average household incomes by 10% above the control was also achieved. **Core indicators:** There were 1976.694 direct project beneficiaries of who 49% were women.			
Indicator 2 :	Institutionalize a decentralized system for agriculture and fisheries service delivery that promotes participation and accountability (Note-No specific PDO indicator but PAD refers to using the IGR Intermediate Indicator which is repeated here for clarity)			
Value (quantitative or Qualitative)	Service delivery largely governed by national commodity program goals	PAD IGR Intermediate Indicators: i) Target beneficiaries report significant improvements in LGU service delivery by 35% by end of project, & ii) 70% LGUs rate their ability to better plan and implement investment	N/A	System Institutionalized for DA-RFOs and LGUs in Mindanao
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: All LGUs rated their ability to plan and implement investments as satisfactory or better, due to the project. Additionally, beneficiaries reported an 87% level of satisfaction with LGU service delivery in the program areas at project completion (by 80% in non-program areas): a substantial increase over the baseline of 37%**.** LGUs in project areas were assessed as having improved their service delivery by 48% more than their counterparts in the sampled non-project areas.			

(b) GEO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Increase in fish population			
Value (quantitative or Qualitative)		30% increase in fish biomass and density in targeted areas		Fish biomass decreased from 12-29%. Fish density measurements were inconclusive
Date achieved				12/29/2014
Comments (incl. % achievement)	Not Achieved: The average fish biomass in the three sample sites ranged from 4.2-6.8 kg/500m²; a 12-29% decrease from the baseline. The average fish density in the seven sample sites ranged from 249-425 individuals/500m². The trends in average fish density are less clear, with one survey indicating a decrease of 18% while the second survey indicates an increase of 23%. Different methodologies and data sources used make it difficult to draw a final conclusion.			
Indicator 2 :	Decrease in siltation and sedimentation in coastal areas			
Value (quantitative or Qualitative)		10% decrease	This indicator was dropped	Impractical to measure
Date achieved				
Comments (incl. % achievement)	Dropped. It was agreed during the 7th Implementation Support Review (January 30-February 13, 2012) that this indicator was technically impractical to measure and it was agreed that the DA would request the indicator be dropped. The process was never formalized due to an apparent oversight.			
Indicator 3 :	Increase in live coral and sea grass cover			
Value (quantitative or Qualitative)		10% increase in coral and sea grass		Both sea grass and coral cover decreased by about 15%.
Date achieved				
Comments (incl. % achievement)	Not Achieved: The average coverage of sea-grass in the two sample sites was 34%, which represents a 15% decrease from the baseline. The average cover of live hard coral ranged from 30-35% based on two surveys (equivalent to a 16% and 14% decrease respectively).			

(c) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Participating LGUs rate their ability to better plan and implement investment programs (control systems, planning, supervision) as satisfactory			
Value (quantitative or Qualitative)	Ability to plan(52%MLGU; 56%CLGU;54%PLGU Ability to Implement (33% MLGU,56%CLGU, 62%PLGU)	70% rate ability their better because of the Project	N/A	100%
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: 100% of LGUs rated their ability to better plan and implement investment programs (control systems, planning, & supervision) as satisfactory or better, due to the project. The findings suggest that training and linking of fund releases to satisfactory program delivery provided the incentive for LGUs to improve their planning and implementation capacities.			
Indicator 2 :	Target beneficiaries report significant improvements in LGU service delivery.			
Value (quantitative or Qualitative)	37% rate LGU service delivery as satisfactory	35% by end of project	N/A	End of project: 87%
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: Beneficiaries reported an 87% level of satisfaction with LGU service delivery in the program areas at project completion (by 80% in non-program areas): A substantial increase over the baseline of 37%**.** LGUs in project areas were assessed as having improved their service delivery by 48% more than their counterparts in the sampled non-project areas			
Indicator 3 :	Increase in expenditures for agricultural investments among participating LGUs			
Value (quantitative or Qualitative)	Baseline expenditure data obtained for 25sample LGUs. Same sample used for evaluation	15% increase	N/A	Large increases in budget allocations for Agr sector investments were observed (>700% for those LGUs
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: Based on the five Municipal LGUs and six PLGUs sampled where accounting records separated expenditure sufficiently to enable a thorough analysis, there were large increases in LGU agricultural sector expenditures, ranging from almost 700 to over 1000%. The increases in expenditures were greatest in 2011 and 2012 corresponding with the peak in program implementation for RI, CFAD, and NRM subprojects under MRDP2. Based on this data and feedback from LGUs and stakeholders, there has been an upsurge in agricultural sector expenditures across the MRDP2 program areas that has been sustained though not at the same levels as in 2011 and 2012..			

Indicator 4 :	Provincial and municipal LGUs adopted resource generation, allocation, utilization and accountability measures at the end of the project			
Value (quantitative or Qualitative)	N/A	80% of LGUs	N/A	N/A
Date achieved				
Comments (incl. % achievement)	Dropped. This Indicator had been included at the request of DOF but was dropped early in the project through restructuring (12/23/2009) at the request of Government.			
Indicator 5 :	Travel time in targeted areas reduced			
Value (quantitative or Qualitative)	The average time spent before the project was 87.5 minutes (with a range of 30–300 minutes).	30% reduction	N/A	Average time spent after FMR construction was 26.75 minutes (ranging from 5–120 minutes); a 69% reduction
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: The length of time needed to reach the market by taking a ride has been reduced by 69% after the implementation of FMR subprojects compared to the time before. (**Core Indicators**: 111 km of new rural roads were constructed & 1,203km of rural roads were rehabilitated).			
Indicator 6 :	Savings in passenger and produce transport costs			
Value (quantitative or Qualitative)	Produce transport costs: PhP0.76/kg in program area PhP0.87/kg in non-program areas	10% savings in passenger and transport costs	N/A	Produce transport costs: PhP0.85/kg in program area PhP1.00/kg in non-program areas
Date achieved				12/01/2014
Comments (incl. % achievement)	Achieved: Transport cost generally increased during the project period by 12% and 15% from baseline in both project and non-project areas respectively. Savings were therefore computed by comparing the difference between the transport costs in non-project areas and project areas at baseline with those at project completion. Transport costs were cheaper by PhP0.11/kg at baseline in program areas and by PhP0.15 at end of project. There was therefore a relative cost savings of PhP0.04/ kg or 36% when compared with the relative baseline difference. These savings exceeded the target of 10%, although the actual transport cost has increased during the period under review, primarily due to general increases in the price of fuel and the adjusted passenger fare for public utility vehicles.			
Indicator 7 :	Average cropping intensity increased			
Value (quantitative or Qualitative)	129%	Intensity of 150-180% achieved	N/A	180%
Date achieved				12/29/2014
Comments (incl. %	Achieved: Average cropping intensity in the project areas increased in line with the target. The significant increase primarily benefited poor farmers cultivating			

achievement)	farms averaging around 1 ha or less. The more reliable water from communal irrigation systems (CISs) constructed/ rehabilitated under MRDP2 enabled two rice crops/ year to be produced with some farmers getting three crops. The more reliable availability of irrigation water also encouraged some farm households to put previously idle lands into production. (**Core indicators**: 2,175 ha of new area and 2,907 ha of existing irrigation land were rehabilitated and provided with irrigation and drainage. 19 Water User Associations were formed or strengthened and 24, 925 people were provided with new/rehabilitated irrigation facilities)			
Indicator 8 :	Time to fetch water reduced			
Value (quantitative or Qualitative)	Average time to fetch water: 88 minutes	65% reduction	N/A	Average time to fetch water: 29 minutes (67% reduction)
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: There was a 67% reduction in the average time to fetch water. **Core Indicator**: 104,708 people were provided with access to improved water sources (using mid-term in the absence of baseline data), an increase of 42%. 1800 community water points were constructed or rehabilitated. Feedback suggests that for some systems, communities and barangays beyond the targeted areas also benefited from the investments. The number of direct program beneficiaries is therefore believed to be conservative.			
Indicator 9 :	Reduction in number of households reporting reduced incidence of water-borne diseases			
Value (quantitative or Qualitative)	Average 29% of households reported affliction with water borne diseases.	50% reduction	N/A	Less than 5% of households reported affliction with water borne diseases.
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: Of the 1,920 households interviewed, less than 5% reported being afflicted with waterborne diseases at project completion.			
Indicator 10 :	Participating LGUs have increased their revenues			
Value (quantitative or Qualitative)	.	5% increase	Indicator Dropped	N/A
Date achieved				
Comments (incl. % achievement)	Dropped. Gov. decided through restructuring to remove; (i) the pilot testing of a performance-based grants scheme;& (ii) drop the intermediate outcome indicators related to performance-based grants shortly after loan effectiveness (12/23/2009)			
Indicator 11 :	Average household incomes of (CFAD) beneficiary communities higher.			
Value (quantitative or Qualitative)	PhP63,561 Control : PhP85,152	20% higher and 10% higher than control group	N/A	PhP 79,609 Control : PhP 95,860
Date achieved				12/29/2014

Comments (incl. % achievement)	Achieved: Household net income of CFAD beneficiaries increased from PhP 63,561 to PhP 79,609; a 35% increase. The target of increasing average household incomes by 10% above the control was also achieved. (refer PDO1-control group incomes).			
Indicator 12 :	CFAD allocations are accessed by Indigenous Peoples and women			
Value (quantitative or Qualitative)	0	30% of allocations being accessed		59%
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: IPs and women got access to about 59% of allocated resources.			
Indicator 13	Decrease in siltation and sedimentation in coastal areas as a result of better land management			
Value (quantitative or Qualitative)		10% decrease	This indicator was dropped	Impractical to measure
Date achieved				
Comments (incl. % achievement)	Dropped. It was agreed during the 7th Implementation Support Review (January 30-February 13, 2012) that this indicator was technically impractical to measure and it was agreed that the DA would request the indicator be dropped. The process was never formalized through restructuring due to an apparent oversight.			
Indicator 13	Increase in public awareness and community participation in better land management practices and coastal marine biodiversity conservation.			
Value (quantitative or Qualitative)	78% were aware of land management practices and coastal & marine biodiversity conservation. 95% of those aware reported participate in such activities	20% increase	N/A	92% reported being aware and 90% indicated participating in such activities
Date achieved				12/29/2014
Comments (incl. % achievement)	Largely Achieved: 92% reported being aware of land management practices and coastal & marine biodiversity conservation. 90% reported participating in such activities.			

(d) AusAid Indicators

Indicator 1 :	AusAid- TF011929 Indicator: Convergence of perceptions among DA RPCOs, LGUs, farmer-clients & private sector on the satisfactory selection and implementation of Subprojects;			
Value (quantitative or Qualitative)	87% satisfaction	25% increase in client satisfaction	N/A	94%
Date achieved				12/29/2014

Comments (incl. % achievement)	Largely Achieved: The level of satisfaction with selection and implementation of subprojects among DA-RPCOs, LGUs, farmer-clients and private sector increased by 7% on average. Although lower than the target (+25%), the high baseline (87%) made it impossible to achieve the target.			
Indicator 2 :	AusAid- TF011929 Indicator: Sub-projects under the Project finished in acceptable quality and within standard costs			
Value (quantitative or Qualitative)	0	80% of subprojects finished in acceptable quality and within standard costs.	N/A	95%
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: 100% of the sampled subprojects were finished in acceptable quality and within standard costs. Based on this and other feedback, a 95% level of success has been achieved			
Indicator 3 :	AusAid- TF011929 Indicator: Contractors engaged by LGUs satisfied with the fairness, transparency & efficiency by which LGU s handled processing & management of the Sub-projects			
Value (quantitative or Qualitative)	88%	50% increase in contractor satisfaction	N/A	93%
Date achieved				12/29/2014
Comments (incl. % achievement)	Largely Achieved. On average contractor satisfaction with the fairness, transparency and efficiency increased by around 5%. Although lower than the target (+50%), the high baseline made it impossible to achieve targeted growth.			
Indicator 4 :	AusAid- TF011929 Indicator: Participating LGUs satisfied with technical and other support provided by their respective RPCO & Provincial LGUs in the preparation, processing and implementation oversight of the sub-projects			
Value (quantitative or Qualitative)	Satisfaction with RPCO 85% PPMIU 84%	At least 50% of LGUs satisfied with support provided	N/A	Satisfaction with RPCO 96% PPMIU 90%
Date achieved				12/29/2014
Comments (incl. % achievement)	Largely Achieved. The satisfaction of participating LGUs with technical and other support provided by their respective RPCO and Provincial LGUs increased by 11% & 6% respectively. Although lower than the target (50%), the high baseline (84%) made it impossible to achieve the target.			
Indicator 5 :	AusAid- TF011929 Indicator: Agribusiness entrepreneurs with stronger confidence in the business environment in the target sites.			
Value (quantitative or Qualitative)	Confidence levels POs 46% Agribusiness 89%	At least 50% increase in agribusiness entrepreneur confidence.	N/A	Confidence levels POs 100% Agribusiness 100%
Date achieved				12/29/2014

Comments (incl. % achievement)	Achieved. The target for POs was achieved with 54% growth. For the Private Agribusiness Entrepreneurs, the baseline was 89%. The high baseline made it impossible to achieve targeted growth but a 100% outcome was achieved.

(e) GEF Intermediate Outcome Indicators

Indicator 1 :	NRM & GEF Indicator: Participating LGUs have NRM plans mainstreamed into their development plans and implemented based on participatory resource assessment surveys			
Value (quantitative or Qualitative)	78% were aware of land management practices and coastal & marine biodiversity conservation. 95% of those aware reported participate in such activities	At least 75% of LGUs have mainstreamed NRM plans into development plans	N/A	100%
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: All 11 GEF and the 5 sampled NRM LGUS have integrated NRM plans and implemented them through their Municipal or city development plans.			
Indicator 2 :	GEF Indicator: Participating barangays and municipal LGUs pass enabling resolutions and allocate funds in support of SLM and coastal biodiversity conservation			
Value (quantitative or Qualitative)		At least 75% of participating barangays and municipal LGUs have passed enabling resolutions and allocated funds	N/A	100%
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: All 11 GEF LGUs have passed enabling resolutions to support SLM, but only 2 LGUs have allocated a separate budget. All of the five sampled NRM LGUs passed enabling instruments in support of coastal resources and biodiversity conservation.			
Indicator 3 :	GEF Indicator: Marine and fish sanctuaries are established and effective co-managed			
Value (quantitative or Qualitative)		At least 700 ha of marine and fish sanctuaries are established and effective co-managed as confirmed by SP2 METT;		720ha established
Date achieved				12/29/2014

Comments (incl. % achievement)	Partially Achieved: 720 ha of marine and fish sanctuaries have been established. Key METT parameters of Context, Planning, Input, Process, and Output were satisfactorily achieved; an indication of effective management. However the METT parameter of Outcome was not achieved.			
Indicator 4 :	GEF Indicator: Mangrove forest is rehabilitated and protected			
Value (quantitative or Qualitative)		At least 500 ha of mangrove forest are rehabilitated and protected		449 ha rehabilitated and protected
Date achieved				12/29/2014
Comments (incl. % achievement)	Largely Achieved: 449 ha of mangrove forest or 90% have been rehabilitated and protected. (Although not a project indicator the target for the NRM component was 652.5 ha. This target was over- achieved with 696.5 ha rehabilitated and protected).			
Indicator 5 :	GEF Indicator: Degraded hilly land is rehabilitated with sustainable farming practices, multiple-use of indigenous species or assisted natural forest generation			
Value (quantitative or Qualitative)	0	At least 1,000 ha of degraded hilly land is rehabilitated with sustainable farming practices, multiple-use of indigenous species or assisted natural forest generation	N/A	994 ha of degraded hilly land rehabilitated
Date achieved				12/29/2014
Comments (incl. % achievement)	Largely achieved: 994 ha of degraded hilly land or 99% of the original target have been rehabilitated and protected. The target for the NRM component was 2,191 Ha and this was 100% achieved.			
Indicator 6 :	GEF Indicator: Average household income of SIGA beneficiaries increased			
Value (quantitative or Qualitative)	Av. household income baseline available for two sites was PhP62,108.95	20% increase in household incomes of SIGA beneficiaries.		Household incomes were PhP 72,217.59, a 16.28% increase.
Date achieved				12/29/2014
Comments (incl. % achievement)	Partially Achieved: beneficiaries from SIGA subprojects showed a 16% increase in average annual household income for the two sites where baseline data was available. Using the same baseline but for a different five sites surveyed at project completion suggests household incomes increased by some 43%. Lack of baseline for those sites however makes this result inconclusive.			
Indicator 7 :	GEF Indicator: SIGA allocations accessed by IPs and/or women in participating municipalities			

Value (quantitative or Qualitative)	0	At least 30% of SIGA allocations are accessed by IPs and/or women in participating municipalities		35% of SIGA beneficiaries were IPs and 47% were women.
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: 35% of all SIGA recipients were IPs and 47% were women.			
Indicator 8 :	GEF Indicator: Active FAMRCs, Bantay Dagat and Bantay Gubat and volunteer groups in surveillance and enforcement			
Value (quantitative or Qualitative)	0	At least 60% of LGUs have active FAMRCs, Bantay Dagat and Bantay Gubat and volunteer groups in surveillance and enforcement and linked with existing enforcement bodies	N/A	100% of LGUs have active surveillance and enforcement
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: All 11 GEF LGUs have active Bantay Dagat linked with CAFGU and PNP. In addition, San Agustin also involves FARMC and Bantay Gubat and Rizal the FARMC. Of the five (5) sampled NRM-LGUs, all of them have active FARMCs and Bantay Dagat or volunteer			
Indicator 9 :	GEF Indicator: Participating municipalities have formed partnerships with academe, scientific institutions, national agencies or other communities for monitoring activities			
Value (quantitative or Qualitative)	0	At least 60% of participating municipalities have formed partnerships with academe, scientific institutions, national agencies or other communities for	N/A	100%

		monitoring activities		
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: All 11 GEF and 24 NRM LGUs have closely collaborated with PNP, DA, BFAR, DENR and NCIP to support project activities in particular with regards to training and learning. Some LGUs have established linkages with academe, NGOs and other agencies.			
Indicator 10 :	GEF Indicator: Participants receiving training on PRA and resource assessment, environmental monitoring and IEE are applying the knowledge gained in actual work			
Value (quantitative or Qualitative)	0	At least 75% of participants receiving training on PRA and resource assessment, environmental monitoring and IEE are applying the knowledge gained in actual work		90% reported to be applying the knowledge gained
Date achieved				12/29/2014
Comments (incl. % achievement)	Achieved: A survey was conducted on the change in farming practices as a result of GEF. The vast majority of respondents indicated a range of changes in behavior, including intercropping, planting of fruit trees, use of organic fertilizer, and erosion prevention.			
Indicator 11 :	GEF Indicator: Increase in public awareness of importance of biodiversity conservation and SLM practices			
Value (quantitative or Qualitative)	78% were aware of land management practices and coastal & marine biodiversity conservation. 95% of those aware reported participate in such activities	At least 20% increase in public awareness of importance of biodiversity conservation and SLM practices as measured by sample surveys	N/A	92% reported being aware 90% reported participating in such activities
Date achieved				12/29/2014
Comments (incl. % achievement)	Largely Achieved: 92% reported being aware of land management practices and coastal & marine biodiversity conservation. 90% reported participating in such activities.			

G. Ratings of Project Performance in ISRs

-						
No.	Date ISR Archived	DO	GEO	IP	Actual Disbursements (USD millions)	
					Project 1	Project 2
1	07/26/2007	S		S	0.00	0.00
2	03/19/2009	MS		MU	4.54	0.00
3	01/12/2010	MS	S	MU	7.91	0.60
4	02/22/2010	MS	S	MU	8.26	0.60
5	12/28/2010	MS	S	MU	12.44	0.70
6	10/07/2011	MS	MS	MS	19.37	1.27
7	05/11/2012	S	MS	S	29.76	2.14
8	11/11/2012	S	MS	S	39.08	2.87
9	06/05/2013	S	MS	S	52.96	3.31
10	12/27/2013	S	S	S	60.82	4.03
11	07/01/2014	S	S	MS	68.44	4.19
12	12/18/2014	S	MU	MS	75.16	5.19

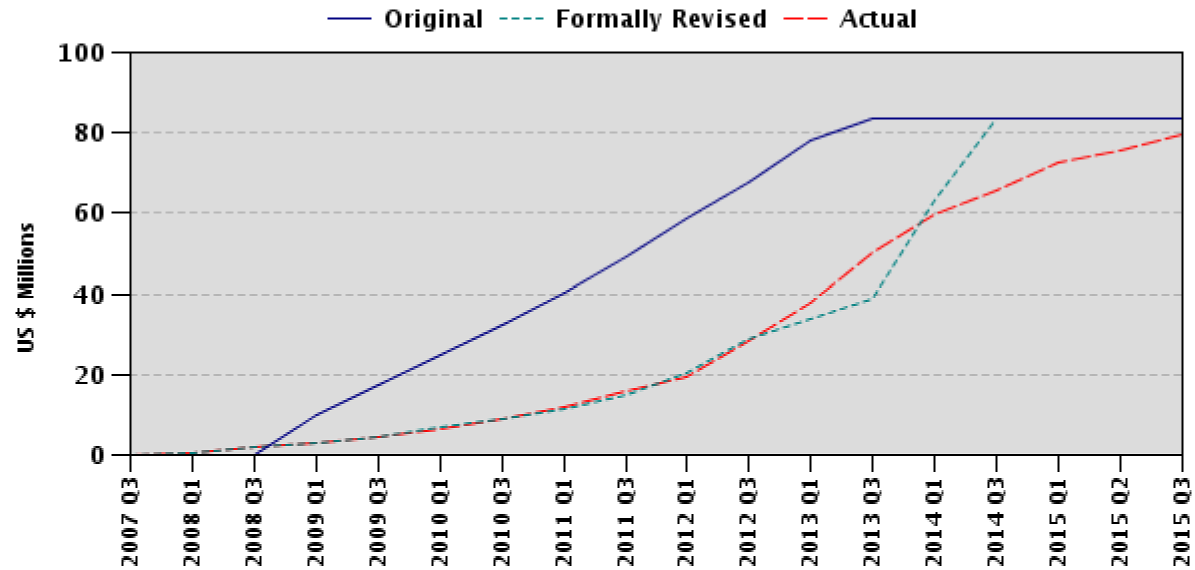
H. Restructuring (if any)								
Restructuring Date(s)			**ISR Ratings at Restructuring**			**Amount Disbursed at Restructuring in USD millions**		**Reason for Restructuring & Key Changes Made**
	PDO Change	**GEO Change**	**DO**	**GEO**	**IP**	**Project1**	**Project 2**	
12/23/2009	N		MS		MU	7.91		Gov. decision to remove; (i) the pilot testing of a performance-based grants scheme; (ii) drop the intermediate outcome indicators related to performance-based grants; and (iii) reallocate performance-based grants (US $15.752 M) to Civil Works. Category 2A increased to US$46.452 M for all categories of civil works & Category 2B increased to US$10 M for Irrigation (B2) & Potable Water (B3).
09/09/2010			MS		MU	11.44		Reallocate US$2.3M from "Rural Infrastructure" to "Investment for Governance Reform and Program Administration correct initial Borrower requirement at negotiations that the 15% allocation to this component be reduced to 3% of the loan.
11/15/2011			MS		MS	21.11		Removal of pre-review requirement for the first contract of goods and works procured in each Region

Restructuring Date(s)	Board Approved		ISR Ratings at Restructuring			Amount Disbursed at Restructuring in USD millions		Reason for Restructuring & Key Changes Made
02/29/2012			MS		MS	25.99		A US$3,000,000 Grant (TF011929) was provided by the Australia- World Bank Philippines Development Trust Fund, to co-finance Part A of the Project
06/12/2012			S		S	31.33		Infrastructure procurement, prior–review threshold, was raised by changing Section III (Procurement), Item D (b) o Schedule 2 (Project Execution) from "(b) each contract for goods or works estimated to cost the equivalent of $300,000 or more;" to "'(b) each contract for goods or works estimated to cost the equivalent of $1,000,000 or more.
07/27/2012				MS	S		2.40	GEF Grant proceeds of $200,000 were reallocated from Training and Workshops to Consultant Services (US$107,500) & Incremental Operating Costs (US$92,500)
12/14/2012			S		S	41.59		The closing date of the loan was extended to December 31, 2014.
12/20/2012			S		S	42.20		The closing date of AusAid TF011029 was extended to December 31, 2013
12/20/2013			S		S	60.65		The closing date of AusAid TF011029 was extended to December 31, 2014

	PDO Change	GEO Change	DO	GEO	IP	Project1	Project 2	
12/23/2009	N		MS		MU	7.91		Gov. decision to remove; (i) the pilot testing of a performance-based grants scheme; (ii) drop the intermediate outcome indicators related to performance-based grants; and (iii) reallocate performance-based grants (US $15.752 M) to Civil Works. Category 2A increased to US$46.452 M for all categories of civil works ,& Category 2B increased to US$10 M for Irrigation (B2) & Potable Water (B3).
09/09/2010			MS		MU	11.44		Reallocate US$2.3M from "Rural Infrastructure" to "Investment for Governance Reform and Program Administration correct initial Borrower requirement at negotiations that the 15% allocation to this component be reduced to 3% of the loan.
11/15/2011			MS		MS	21.11		Removal of pre-review requirement for the first contract of goods and works procured in each Region
02/29/2012			MS		MS	25.99		A US$3,000,000 Grant (TF011929) was provided by the Australia- World Bank Philippines Development Trust Fund, to co-finance Part A of the Project

06/12/2012			S		S	31.33		Infrastructure procurement, prior–review threshold, was raised by changing Section III (Procurement), Item D (b) o Schedule 2 (Project Execution) from "(b) each contract for goods or works estimated to cost the equivalent of $300,000 or more;" to "'(b) each contract for goods or works estimated to cost the equivalent of $1,000,000 or more.
07/27/2012				MS	S		2.40	GEF Grant proceeds of $200,000 were reallocated from Training and Workshops to Consultant Services (US$107,500) & Incremental Operating Costs (US$92,500)
12/14/2012			S		S	41.59		The closing date of the loan was extended to December 31, 2014.
12/20/2012			S		S	42.20		The closing date of AusAid TF011029 was extended to December 31, 2013
12/20/2013			S		S	60.65		The closing date of AusAid TF011029 was extended to December 31, 2014

I. Disbursement Profile



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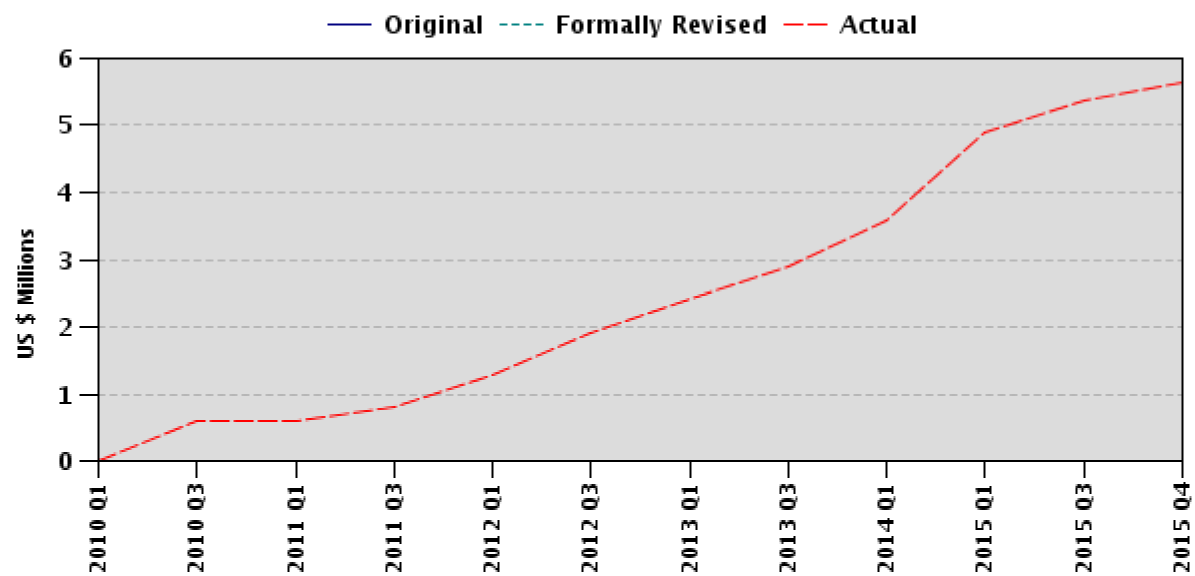

1. Project Context, Development and Global Environment Objectives Design

Context at Appraisal

1. The project was approved in May 2007 at a time when weak economic performance had constrained the country’s ability to reduce poverty and meet its development objectives. GDP growth and investment per capita were among the lowest in the region and the government was facing a significant fiscal deficit. Reversing this through sustainable economic growth and greater social inclusion was therefore at the heart of the Medium Term Philippine Development Plan (MTPDP 2004-2010) and central to the World Bank's Country Assistance Strategy 2006-2008 (CAS). The strategic goals of the MTPDP and CAS were to enhance agricultural productivity and agribusiness, asset [land] reform, responsible management of natural resources and the environment, and public sector/expenditure rationalization to improve public service delivery. Promoting poverty reduction and rural growth, specifically in the island of Mindanao where MRDP was focused, was and continues to be, central to both the Government’s and Bank’s strategic objectives, given; (i) the island’s distinct climatic and geographic advantages favor agriculture and fisheries, (ii) a large proportion (almost a third) of the country’s poor live there, and (iii) the goal of advancing peace in the region through provision of greater economic opportunities remains a high priority.

2. The CAS objectives and institutional underpinning for MRDP were also built on legislation that had been enacted to enhance the policy and institutional framework for agriculture and rural development environment including (i) the Agriculture and Fisheries Modernization Act (AFMA) of 1997 which sought to enhance the competitiveness of Philippine agriculture and (ii) the Local Government Code (LGC) of 1991 which inter alia devolved greater responsibility for agricultural service delivery to Local Government Units (LGUs). But despite the directions provided by AFMA and the LGC, at the time of MRDP2 appraisal there was still wide spread perception among stakeholders that policy and institutional distortions had not been able to address market and price signals, the inordinately high marketing costs, nor had the envisaged devolution of responsibilities for service delivery to LGUs been implemented. LGUs did not have the resources to take on agriculture service delivery responsibilities legislated through the LGC, and the Department of Agriculture (DA) remained highly centralized. The bulk of DA’s resources were delivered through commodity programs (rice, corn, sugar, high value crops, livestock and fisheries), providing fertilizers, seeds, planting material, and animal dispersal. Integration between programs was often lacking and the emphasis was on achieving production targets. Although localized plans were routinely prepared by DA Regional Field Offices (RFOs), these were often not supported through the budget process. There was little active engagement of Local Government Units (LGUs) and stakeholders in planning or implementation, and natural resource degradation, fisheries and biodiversity depletion were continuing unabated.

3. It was in this context that the first phase of MRDP was implemented from 2000-2004 as an APL and satisfactorily completed all of the triggers set for the follow-on MRDP2, which was implemented from 2007 to 2014. This was the second phase of what was envisaged to be a 15 year program of support from the Bank for rural development in Mindanao. MRDP2 expanded the support for agriculture related infrastructure and livelihood activities in Mindanao, but also included a substantial element of institutional strengthening designed to promote decentralization of the DA in programming and service delivery in line with the goals of AFMA. Similar

institutional strengthening objectives were being pursued at that time under the Diversified Farm Income and Market Development project (DFIMD, 2004-2009)1. Notably, while the institutional reforms failed to be implemented under DFIMD, they were ultimately achieved under MRDP2 along with the project's subsequent evolution into a nation-wide program under the Philippine Rural Development Project (PRDP) 2. MRDP2 was designed to include a fully blended GEF operation, but due to a change in GEF processing procedures, the activities relating to coastal and marine biodiversity conservation were approved almost 2 years later. Pending that approval, a small NRM component was incorporated in MRDP2to kick-start the GEF related activities.

1.2 Original Project Development Objectives (PDO) and Key Indicators

4. **Programmatic Objective**. The long term APL program's purpose is to improve incomes and food security in the targeted rural communities within all of the provinces in Mindanao.

5. The agreed triggers to move from APL Phase 1 to 2 were (a) APL2 Project Preparation to be initiated once about 60 percent of the APLI Loan has been disbursed, (b) Implementation evaluation of APL I to be carried out: social assessment of an initial group of eligible APL2 provinces to be carried out, (c) Institutional arrangements for implementation tested out and adapted based on experience in APL I: multisectoral committees for the Community Funds operating satisfactorily, (d) Overall satisfactory performance of APL 1, using the mid-term evaluation as a basis for assessment, (e) APL2 Loan to be approved once 80 percent of APLI Loan is disbursed, and the balance is substantially committed

6. **The Project Development Objective (PDO) MRDP 2.** The objective of the Project was to assist the Borrower in: (i) improving livelihood opportunities for targeted communities in Mindanao under the Project; and (ii) institutionalizing a decentralized system for agriculture and fishery services delivery that promotes participation, transparency and accountability.

7. The key outcome indicators that were to be measured were; (a) an increase of 20% in average household incomes of beneficiary communities over baseline and 10% over a control group; and (b) 35% of target beneficiaries report significant improvement in LGU service delivery at the end of MRDP 2. The PDO in the PAD and Loan Agreement were consistent.

8.

1.3 Original Global Environment Objectives (GEO) and Key Indicators

9. The global environment objective of the Project was to assist the Recipient in conserving critical coastal and marine biodiversity, supported by sustainable land management in linked upland areas, by removing barriers to mainstreaming marine and coastal biodiversity conservation; through co-management of critical marine habitats; and by the introduction of improved, upstream land

[1] The Diversified Farm Income and Market Development Project (DFIMD) was designed to provide catalytic support for the DA to implement reforms designed to improve efficiency & accountability, and to give greater emphasis to market-related activities, rather than production targets of major commodities. The project closed in 2009 with an unsatisfactory rating having failed to achieve the planned reforms.

[2] The Philippine Rural Development Project (PRDP), supported by a US$501.25 M Bank loan and US$ 7 M GEF Grant, was approved August 29, 2014. Its design builds on that of MRDP2 and will be rolled-out nation-wide. The Project will facilitate the integration and financing of local investments developed using a value chain approach through a consultative process with local stakeholders.

management practices that would simultaneously arrest land degradation and benefit landholders who are predominantly poor farmers, fisher folk, and/or indigenous people. The GEO was to be measured by the following indicators: (a) increase in fish population as indicated by 30% increase in fish biomass and density; (b) decrease by 10% in siltation and sedimentation in coastal areas; and (c) increase by 10% in live coral cover and sea grass cover3

1.4 Revised PDO (and Key Indicators, and reasons/justification

10. There were no revisions of the PDO or its key indicators. One Intermediate Outcome Indicator designed to measure the decrease in sedimentation and siltation due to NRM subprojects was dropped at mid-term for technical reasons [4]. Two performance-related budgetary support indicators were also dropped, as the activity was canceled by the Borrower early in project implementation. An additional five Intermediate Outcome Indicators were added with the restructuring that provided additional financing through the AusAid TF011929. These additional indicators complemented the assessment of the PDO.

1.5 Revised GEO and Key Indicators, and reasons/justification

11. There were no formal revisions of the GEO. The dropped Intermediate Outcome Indicator referred to above to measure the decrease in sedimentation and siltation, was also a GEO Outcome Indicator.

1.6 Main Beneficiaries

12. The main beneficiaries were (i) the large number of poor rural households, indigenous people, and particularly those engaged in the agriculture sector in the targeted provinces of Mindanao, (ii) DA, principally at the regional level in Mindanao (i.e., Regional Field Units now known as Regional Field Offices (RFOs)), and (iii) Provincial and Municipal Local Government Units (PLGUs and MLGUs) . The project covered 225 municipalities in all 27 provinces of Mindanao. (Under the first phase APL the coverage had been 32 municipalities in 5 provinces).

1.7 Original Components

13. The project had the same four components as MRDP I with modifications incorporating the lessons from that project, particularly in regard to strengthening capacity of LGUs and communities to manage and execute programs and to make the process of Government more transparent and accountable. Additionally, emphasis was given to improving the capacity of the

[3]The GEO indicators have been used as the basis for evaluating outcomes of the GEF supported activities in this ICR, and as discussed further in the ICR, those indicators are seen to have been overly ambitious. This somewhat common problem with ambitious and difficult-to-measure GEO indicators due to the longer-term nature of issues being addressed, has reportedly been the subject of recent discussions with GEF: the suggestion now being that GEF contributions should be measured in terms of how the PDO has been served by the GEF project.

[4] The decision to drop the indicator designed to measure the decrease in sedimentation and siltation was agreed at mid-term as it was technically not feasible. This was endorsed by the Project Advisory Board but seemingly due to an oversight, this was never formalized.

DA as a service provider working with LGUs and to be more effective in its planning and development. Details are as follows5:

A. Investment for Governance Reform and Program Administration (IGR) (total cost US$4.4 M: There were three sub-components:

i) Improving the capacity of Participating LGUs in resource management and service delivery in agriculture and fisheries

ii) Enhancing the capacity of DA to support participating LGUs' agricultural planning and development and agricultural research and extension through local community participatory process.

iii) Strengthening the capacity of participating LGUs in project implementation and coordination through the provision of technical assistance and operating support.

B. Rural Infrastructure (RI) (total cost US$83.852M): This comprised a program of sub-projects to improve access to basic rural infrastructure services and to enhance their operation and maintenance standards. Key activities were;

a) Construction and/or rehabilitation of selected farm to market roads and single lane bridges, together with a program for routine maintenance, monitoring and evaluation of their construction and rehabilitation,
b) Construction and/or rehabilitation of selected community-owned and managed run-of-river communal irrigation systems, together with a program for routine maintenance, monitoring and evaluation of their construction and rehabilitation.
c) Construction and/or rehabilitation of selected level-2 (communal faucets) rural potable water supply systems.
d) Undertaking other selected rural infrastructure projects to enhance agricultural and fisheries productivity and access to markets by rural communities, and
e) Carry out a Performance-based Grant program in the LGUs participating in infrastructure sub-projects to promote good governance and enhance local revenue generation and to assist in financing of infrastructure sub-projects (This activity was dropped during the first Restructuring of the project See Section 1.9)

C. Community Fund for Agriculture Development (CFAD) Sub-Projects (total cost US$30 M). This involved a program to address diverse investment priorities of rural communities, consisting of financing of CFAD sub-projects which met community preferences and responded to local priorities, including food security interventions, community managed livelihood and agribusiness activities, alternative income generating activities, and small infrastructure.

D. Natural Resource Management (NRM) (total cost US$ 5.4M plus US$6.351 from GEF). This supported a program to conserve upland resources, coastal and marine biodiversity. The additional GEF support significantly expanded the scope of activities eligible for financing though;

a) Strengthening the capacity of communities, Participating LGUs and national agencies involved in the conservation of upland resources, coastal and marine biodiversity[6].

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[5] There are some slight (relatively insignificant) discrepancies between the PAD and Loan Agreement in describing the components. The Loan Agreement has been used for this ICR.

[6] Referred to in the GEF Grant agreement as "Participatory NRM Planning and Policy Development"

b) Introducing and demonstrating sustainable land management practices and marine and coastal protection measures to the communities involved in the conservation of upland resources, coastal and marine biodiversity through natural resource management sub-projects[7], and
c) Increasing community awareness of direct linkages between upland natural resources management and coastal natural resources management[8].

d) In addition to the above, the GEF grant supported for CFAD type subprojects in GEF sites, referred to as Sustainable Income Generating Activities (SIGA) and Strengthening of Community Partnership in Monitoring.

1.8 Revised Components

14. There were no changes to the components. During implementation, technical assistance was provided through additional funding from AusAid, designed to enhance Components 1 and 2 by; i) strengthening the selection and implementation of subprojects, ii) facilitating the completion of subprojects to the standard and quality required, iii) strengthening governance to promote transparency, fairness and efficiency in contracting by LGUs, iv) enhancing the level of technical support being provided by Regional Program Coordinating Offices (RPCOs) to LGUs, and v) improving the business environment to encourage agri-business entrepreneurs.

1.9 Other significant changes

15. There were nine Level 2 restructurings as summarized in the Data Sheet, Section H. It was also agreed through an exchange of letters (November 20, 2012; Annex 6) to monitor some additional parameters in keeping with the Bank's introduction of "Core Indicators" as a means to obtain more effective feedback and monitoring of Bank supported projects9. The first restructuring (12-22-2009) was soon after loan approval when the Borrower requested dropping of the "Performance Grant" incentive scheme10. The removal of that incentive, as will be further discussed in this ICR, reduced LGU interest in participating in the project and resulted in an 18-month hiatus in project start-up. The second restructuring (09-9-2010) reallocated US$2.3M from the RI to IGR component reflecting the earlier appraisal estimates which had been scaled back by the Borrower during negotiations. Two subsequent restructurings (11-15-2011 & 06-26-12)

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[7] Referred to in the GEF Grant agreement as "Selective on-the-ground investments (OGI)

[8] Referred to in the GEF Grant agreement as "NRM Knowledge management program"

[9] Core Indicators agreed and subsequently measured (see ICR datasheet) were (i) number of direct project beneficiaries and (%) female, (ii) area (Ha) provided with irrigation and drainage services, (iii) number of water users provided with new/improved, (iv) number of operational water user associations created and/or strengthened, (v) roads constructed (km), (vi) roads rehabilitated (km), (vii) number of people provided with access to improved water sources, (viii) number of improved community water points constructed or rehabilitated.

[10] Performance Grants were an innovative feature under the second phase of MRDP2 introduced and DOF and designed to strengthen the incentive for LGUs to participate in the project under the Governments prevailing 50:50 (NG/LGU) cost sharing formula required for all externally funded projects. The project was designed to pilot test the performance-based grants mechanism for LGUs which would apply to the subprojects being supported under the Rural Infrastructure Component. Measures of performance were to include adherence to practices which would promote good governance and measures which would enhance local revenue generation. Based on LGU performance, an additional 20% grant from the national government would then be provided to participating LGUs for the implementation of their priority local infrastructure.

increased the levels of prior review for procurement, reflecting the considerable improvements in procurement capacity among LGUs as the project evolved. The US$3M AusAid grant (TF011929) was approved through restructuring (02-29-2012) and another restructuring (07-27-2012) was done to reallocate US$200,000 of the GEF Grant (TF094704). The other three restructurings (14-12-2012, 20-12.2012 & 12-20-2013) related to the two-year extension of the Loan and the AusAid Grant to December 31, 2014.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

16. Soundness of the background analysis: Project design was informed by the first phase of MRDP which had been implemented with from 2000-2004 and closed with a satisfactory rating. The second phase APL was conditioned on "triggers" that were achieved in implementing MRDP I. Those triggers related to achievement of satisfactory operational/disbursement targets as summarized below [11]. Preparation of MRDP2 spanned 2 years and involved broad stakeholder consultation by the DA and Bank team. Key lessons were taken into account in the design of MRDP2, i.e., (i) Institutional changes for a more decentralized and market oriented system of service delivery would take long-term and sustained Government and Bank commitment; hence the 15 year APL program, (ii) the participatory approach was important for political and social ownership, (iii) the "learning-through-doing" approach had proven to be effective, (iv) capacity building needed to be action-oriented, incentive-based and linked with local investment requirements, (iv) strengthening of grass-roots organizations was essential for meaningful development, (v) the M&E and financial reporting systems needed strengthening, and (vi) financial incentives would be needed if LGU cost sharing of investments was to be achieved.

17. Likewise, the design of the NRM component which was supported by a GEF grant, built on the lessons learned from the Coastal and Marine Biodiversity Conservation (CMBC1) project, which was implemented as part of the first phase MRDP APL, i.e., (i) local communities and Peoples Organizations (POs) must be directly involved in the management, protection and conservation of marine sanctuaries; (ii) the Fisheries Code is more efficient than the NIPAS Act in fostering local ownership and simpler procedures; (iii) the various laws (LGC, Fisheries Code, NIPAS, and Wildlife Act) need to be harmonized; (iv) more effective support to LGUs would be facilitated by having one lead agency; (v) capacity building can be better leveraged and institutionalized at the LGU and community levels; (vi) livelihood activities should be resource-based and designed to provide alternative livelihoods; and (vii) destructive agricultural practices in the upland and forest areas impact severely on recovery of mangroves, coral reefs and sea-grass beds.

[11] The triggers for moving from APL 1 to APL 2 were met, i.e., Preparation for APL 2 started when 60 percent of the APL 1 Loan was disbursed; completion of the Social Assessment of the next group of provinces, which expressed interest to participate; approval of APL2 Loan upon 80 percent disbursement of APL l Loan; testing out and adoption of institutional arrangements for implementation, based on experience; satisfactory operationalization of the multi-sectoral committees; overall satisfactory performance at mid-term; improved arrangements for routine road maintenance sourced from increased budgetary allocations by LGUs; completion of at least 60 percent of proposed infrastructure program in a particular province for its continued involvement in APL2; improved rural development planning and allocation o f budgetary resources by LGUs, with community involvement; and greater integration of DA programs into LGU RD plans, synchronized through the regular planning and budgeting process and schedules.

i) Assessment of the project design**;** There was no formal Quality at Entry (QAG) review of the project. To the extent the project had the same four components as MRDP I and incorporated the lessons from that project, the design had a solid foundation. The focus on strengthening of LGUs and communities to manage and execute programs, and on strengthening the DA as a decentralized service provider were also well founded and in accordance with both the Local Government Code (1991) and the overarching goals of the Agriculture and Fisheries Modernization Act of 1997 (AFMA). The choice of the DA as the lead agency was appropriate since at the time of project preparation, the DA was the main agency undertaking rural development, land management and livelihood support in Mindanao. The design of the project was flexible enough to accommodate changes during implementation such as the reduced role of the DA in social formation and basic livelihood activities as this role expanded under the Department of Social Welfare and Development (DSWD)[12] and as NRM-"Ridge-to-Reef" leadership shifted to DENR, with DA providing a supporting (convergence) role. Such flexibility proved to be crucial and the basis for even more far-reaching reforms in the DA and its ways of doing business that are now being pursued under the follow-on PRDP. That said, the design of the project did not initially provide for adequate staffing at the Regional Project Coordinating Office (RPCO) level to oversee safeguard issues and no funding was provided for conduct of social and environmental assessments. This proved to be a problem in the early years of implementation until staffing was strengthened. As experienced with other Bank assisted projects in the Philippines, procurement capacity of LGUs was quite weak requiring considerable inputs from the Bank team during the start-up years. The technical assistance provided by AusAid TF011029 in February 2012, which had been discussed during the design of the project, proved to be a valuable factor in facilitating implementation.

An apparent deficiency in the design and an important lesson for future operations was the manner in which NRM (Ridge-to-Reef) and GEF linked interventions were designed. Outcomes were only weakly linked to achievement of the PDO, and NRM-GEF interventions were implemented independently from CFAD and Rural Infrastructure investments. Compounding this weakness was the overly ambitious GEO (see Section 3.2 and footnote 3) relative to the small size of the amounts invested (NRM US 4.6 M; 3.6% and GEF US$5.3M; 4% of project cost), the disparate nature of implementation over 24 LGUs, inadequate provision for technical support and interagency collaboration, and minimal ownership in the DA for the interventions, as NRM is the core mandate of DENR. The lead role assigned to DA was therefore somewhat at odds with what would normally have been a support role, e.g., in provision of seedlings and technology for agro-forestry. Despite these shortcomings, the IGR, RI and CFAD components which together comprised 94% of the Loan and 100% of the AusAid TA grant, were well designed and closely linked with the achievement of the PDO as subsequently borne out during implementation. On balance therefore, it would seem that a moderately satisfactory rating for quality at entry is appropriate.

ii) Assessment of Risks and Adequacy of Government's Commitment: At appraisal the project was identified as having Moderate Risk based on the successful experience in implementing the first phase of the APL. All risks were identified as Moderate (M) and were the same for the Bank Loan and GEF grant[13]. The assessment of risks and measures built into the design for their

[12] DSWD social programs developed during the project included KALAHI-CIDDS, ARMM Social Fund, and Mindanao Trust Fund.

[13] Risks identified were: i) Deterioration in peace and order which it was felt could be accommodated through provisions to make changes under which LGUs participated, (ii) frequent changes in LGU officials which it was felt could be mitigated through building of capacity and local ownership, (iii) risks that LGUs would not follow-through on commitments, for which it was felt the national government commitment for infrastructure

mitigation were for the most part adequate. Peace and order did not deteriorate and while the anticipated changes in LGU officials did occur to varying degrees, the focus on establishing and monitoring transparent processes and accountability served the project well. DA-Regional field units were strengthened and supported under the project, backed-up by the efficient management and functioning of the Project Support Office (PSO).

18. The political risks for the project were however underestimated. While a fiscal study done during preparation confirmed that most LGUs had the capacity to cost-share, the policy of cost sharing was a matter of considerable debate and the time. At appraisal cost sharing was envisioned to be on basis of 80% (loan) and 20% (LGU). Subsequently, the Borrower determined that the cost sharing should be 50:50 and introduced a system of "Performance Grants" to provide LGUs an incentive to participate in the project. Within months of Loan effectiveness, the policy on cost sharing was changed and the Borrower requested a restructuring to remove "Performance Grants". This left the project without adequate incentive for LGU participation (see footnote 15). Also underestimated was the commitment of the DA to implement the decentralization of its service delivery (refer PDO2). At project appraisal there had only been limited implementation of the AFMA Act (1997) and the LGC (1991) which embodied principles of decentralization. The risks were recognized at appraisal, but DA management's reluctance to actively pursue the reforms was not fully appreciated given the active participation of the DA staff in preparing the project. This, together with the experience with failed reforms under DFIMD, provides a lesson, that, at least in the Philippine context, agreement on reforms and even instructions to that effect from management, does not automatically translate into implementation unless such reforms are actively promoted by the Oversight Agencies and fully accepted by the staff of the implementing units within the Agency. In the case of both the decentralization of services and the "performance-based grant scheme", this level of support was lacking.

19. That said, the project design and APL lending instrument did correctly recognize that the institutional reforms being pursued were a long-term objective (15 years) requiring sustained Government and Bank commitment. Under MRDP2, that process benefited greatly from the fortuitous change in agriculture sector policy and leadership of the DA around mid-term in project implementation. As discussed further in this ICR, those policy and strategic changes expanded upon the reforms embedded in AFMA (Act 1997) and the LGC (1991), and ultimately led to the successful outcomes of the project.

2.2 Implementation

20. The project was implemented over 7.5 years, including a two year extension in closing to December 31, 2014. The goal of implementing the project in 225 municipalities in all 27 provinces of Mindanao was achieved. The allocation of loan proceeds between components agreed at negotiations remained largely unchanged except for the increase in the IGR component agreed through restructuring (see Section 1.9). Overall project costs remained close to appraisal estimates

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subprojects of an additional 20% through Performance Grants would be an adequate incentive, (iv) untimely funding due to tight fiscal constraints were to be overcome by requiring LGUs to provide "up-front" counterpart funds, and (v) the concern that DA-Regional Field Units might be unable to provide coordination and oversight of LGU implementation was addressed by changing the role of the Regional Program Coordinating Office from "coordinating" to "supporting" the DA-RFOs under MRDP2, and issuance of a Special Order to that effect.

(Annex 1)14. The GEF Grant for US$6.351M which had been planned at appraisal to support the NRM component was signed two years later on October 16, 2009. But because of the delay in start-up of the project, the timing of approval of the GEF Grant did not have any significant impact on project implementation to that point. The design of the project as discussed below was sufficiently flexible to allow for refinements through Level 2 restructurings as implementation evolved. The participatory approach and partnership arrangements pursued with LGUs proved to be a key design factor in the achieving the project PDOs. The Technical assistance provide through AusAid TF011029 was effectively integrated and contributed significantly to the ultimate achievement of the project's objectives.

21. Implementation had two distinct phases; before mid-term (2007-mid 2010) when implementation was very slow and after mid-term (2010-2014) when implementation accelerated and ultimately resulted in successful outcomes. There were several lessons from this implementation experience that seemingly have been recognized and taken into account in the design of the follow-on PRDP.

22. First Phase: Within months of signing the Loan Agreement, the Borrower reversed its decision under the Loan to pilot test the use of "Performance Grants" and requested a restructuring. This innovation had been included in the project design at the suggestion of the Department of Finance (DOF) as a means to provide a financial incentive for LGUs to participate under the project, given the Borrower's decision to adopt a 50: 50 (National Government-Local Government (NG-LGU)) cost sharing under the project (for MRDP1 it had been 90:10)15. The Bank had reservations about the removal of this incentive and before agreeing to restructure, undertook an assessment as to whether sufficient LGUs would still participate. Although that assessment indicated the project would still be implementable, this proved to be overly optimistic as LGUs continued to voice reluctance to participate and disbursements remained low. By the end of 2009, 18 months after Loan Effectiveness, project implementation was rated MU and disbursements were only at 9.4% compared with the 21% estimated at appraisal. Nevertheless throughout this period, there was continued strengthening of safeguards, procurement and financial management by the PSO and Regional Field Offices of the DA (RFOs).

[14] While indicative targets were set for RI infrastructure targets at appraisal, these were based on unit costs at the time. Subsequently design standards and unit costs were changed by DPWH to improve climate resilience and reduce O& M, notably through concreting of farm to market roads and associated engineering upgrades.

[15] Underpinning the decision to drop the "Performance Grants" were practicality concerns on issuance of "Certificates of Performance". This coupled with a looming water crisis (el Nino effects) caused Government to reprioritize the $3m allocated to "Performance Grants" to supporting water supply and irrigation. The NG-LGU Cost-Sharing Policy was also in a state of flux at the time in that the policy provided for only 50:50 cost-sharing for the least developed class of LGU. It was much less generous for more developed LGUs. At the Bank's urging, a 50:50 cost sharing was agreed for MRDP2 irrespective of "LGU class". A fiscal study done during project preparation supported the view that 50: 50 was insufficient incentive for LGUs to participate, hence the Bank's acceptance of the "Performance Grant" incentive scheme. With its dropping through restructuring, the project entered a period of inadequate incentive for LGU participation. Arguments for re-examining the policy have often been made. While there have been some adjustments, they have been piecemeal, e.g., in regard to solid waste, wastewater and sanitation. A key argument for changing the policy has been that it is inconsistently applied. Only loan-funded projects involving the LGUs that use the MDFO as fund conduit or cashier are covered. Projects which are locally-funded or funded through bilateral grants are not subjected to the policy. As such the policy holds sway over only a fraction of the public funds intended for similar purposes. (Note: the Bank's Implementation Completion Report (ICR) for DFIMD also points to the cost-sharing policy as a major implementation bottleneck).

23. The Mid-term review was delayed by 15 months to June 2011 at the request of Government, given the delay in start-up. At that time only 20% of the loan had been disbursed, implementation progress was rated as MU, and the PDO was still optimistically MS. The GEO was rated as S, largely because the GEF Grant had only recently been approved. Noteworthy is that to this point, the project PDO of achieving a "decentralized system of service delivery" was encountering considerable resistance within the DA as an institutional reform to be implemented more broadly across the DA. The mid-term review done by consultants hired by the DA was found to be lacking in that it did not provide any new insights as to how project implementation might be accelerated. A somewhat independent review done by the Bank proved far more valuable and the recommendations from that review paved the way for subsequent implementation refinements that ultimately contributed to successful outcomes.

21. Second phase: Coincident with the mid-term review (2011), institutional support for the project changed dramatically when, as discussed in Section 1.1, the incoming Aquino Administration (mid-2010) realigned the agriculture sector strategy in accordance with the AFMA Act (1997) (on which MRDP2 had also been designed). The most significant factor was the recognition by the incoming DA Management of how the operational "know-how", experience and institutional capability that had been developed under MRDP2, could be used to implement the new agricultural sector strategy. With this leadership and a number of mid-term refinements in the project design, the pace of implementation of MRDP2 began to accelerate. At the same time, MRDP2 implementation procedures and processes became the basis on which the design of the follow-on, nation-wide PRDP was designed. Key factors that underpinned this acceleration of implementation were*:*

a) *Resolution of the Incentive Framework for LGU participation*: The NG-LGU cost sharing impasse was resolved when, for DA's 2010 budget (calendar year), some PhP 256 M (US$ 5.6 M) was provided under an arrangement that provided for cost-sharing of 50% loan, 40% DA budget and 10% LGU (50:40:10) to support the construction of Farm to Market Roads (FMRs) under the project. This Counterpart Funding Arrangement (CFA) proved to be successful and was expanded in subsequent years to include all investments under MRDP2[16].
b) *Refocusing of CFAD investments*: The livelihood subprojects as originally designed (e.g., to. provide livestock, seed dispersal, technical assistance etc), often in areas with limited agricultural potential, were refocused on supporting People's Organizations (POs) and cooperatives with a view to building more sustainable income earning livelihood activities and micro-enterprises. This brought the design more in-line with DA's mandate, especially since at the time the Department of Social Welfare and Development (DSWD) was increasingly providing livelihood support for more vulnerable groups in keeping with that agency's mandate.
c) *Refinement of DA's role in supporting LGUs:* The "Investment for Governance Reform (IGR)" component was designed to support LGUs and "bottom-up" selection and design of infrastructure and CFAD subprojects. At mid–term, however, it was recognized that inadequate attention was being given to how locally identified subprojects linked with provincial, regional and national sector plans. It did not provide for overlaying strategic productivity objectives, such as vertical integration of production and marketing through value chains, or targeting of production support based on climate or crop suitability. Nor were adequate strategic considerations taken into account as to where infrastructure investments were made, or how linkages were made with other road networks or private sector initiatives.

16 CFAD cost sharing was 50 (loan); 30(DA): 20 (LGU)

The design of the IGR component was therefore reoriented to help the DA deliver more strategically focused programs through and in partnership with LGUs. This reorientation was facilitated by the US$3 M Technical Assistance grant from AusAid approved in February 2012[17].

d) *Process/Capacity Strengthening:* Implementation was facilitated though; (i) assignment of more staff to the PSO and RPCOs, ii) more devolution of authority to RFOs, iii) strengthening of the PSO-Safeguard unit, iii) introduction of geo-tagging to enhance monitoring of construction and O &M, iv) regular contractors meeting to clarify procedures and expedite procurement, v) active engagement by the Project Advisory Board (PAB), vii) special studies improve the cost-effectiveness of specific investments (Annex 6), viii) new base line studies to overcome earlier methodological problems, and ix) improvements to expedite the disbursements to LGUs.

e) *Training and Coaching:* The PSO, together with technical assistance facilitated by the Bank through FAO and the AusAid TF, embarked on an extensive program of training and coaching to address skill gaps identified in writing project proposals, community mobilization, participatory planning, procurement financial management, operations and maintenance, monitoring and the use of geo-tagging. This led to significant improvements in LGU capacity for which they have expressed much appreciation.

22. During this period (2010-2014), there was continued evolution of the procedures and institutional strengthening, along with a ground-swell of support from within the DA for a decentralized service delivery approach18. A revised work program was put in place and actively pursued. In reality, during the last two years of project implementation, there was something of a "blurring" between the implementation of MRDP2 and the pilot testing and preparation for PRDP. This however was appropriate and in keeping with the decision to roll-out a nation-wide program. Accordingly, by the time of loan closing, some US$12M of infrastructure works for retroactive financing under PRDP had been developed by the MRDP2-PSO.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

23. M&E Design. Key design elements comprised a detailed results monitoring framework, studies to define the baseline for the Results Framework, several subcomponent studies on quality and implementation aspects, as well as mid- and end-term evaluations. The M & E system was integrally linked with DA's overall management information system and this linkage was strengthened as the project progressed and served the project well. That said, the design relied on completing a "baseline study" for the Results Framework as part of the project. As commonly

[17] A prior AusAid Technical assistance grant had developed governance criteria for O& M of infrastructure investments and this was also factored into the project, particularly in the preparation of Operational Manuals

[18] Key refinements in the design in preparing for PRDP were: (i) preparation of a harmonized Infrastructure Operation Manual for application across all DA Programs, (ii) enhanced decentralized planning through preparation of Regional Agriculture and Fishery Modernization Plans (RAFMPs), (iii) Vulnerability and Suitability assessments along with Value Chain Analyses (VCA) were developed to improve the targeting of investments, (iv) CFAD subprojects focused on the value chain strengthening and enterprise development, rather than livelihoods *per se*, (v) FMRs were better integrated with the overall road network, while design and implementation procedures were improved and standardized, and vii) geo-tagging was mainstreamed to facilitate procurement and overall M& E of investments.

occurs when not done prior to project approval, contractual delays and the need to repeat some surveys meant that the baseline was not established until 2010, two years into implementation. However, in this case, since the project start-up was delayed by 18 months, the delay in establishing the baseline had less consequence in terms of being able to measure performance than otherwise would have been the case. Importantly the same methodology and sampling frame was used for both the baseline and end of project analysis.

24. There were 5 PDO/GEO indicators and 27 Intermediate Outcome Indicators covering the Loan, GEF grant and AusAid Trust Fund. Two indicators were dropped prior to mid-term (on LGU Resource Generation and on Siltation & Sedimentation). Another eight intermediate (Bank Core) indicators were agreed with the DA through an exchange of letters (see section 1.9). Although this was never formalized through restructuring, these core indicators were monitored and collectively provide a good basis on which to assess the project's outcomes.

25. M&E Implementation and Utilization: The Project Support Office (PSO) was responsible for M&E in collaboration with Regional Project Coordination Offices (RPCOs). They routinely collected information and Progress Reports were submitted monthly to DA-Management through the PSO. Such information would appear to have been used effectively by management in providing guidance and in ensuring training and resources were adequate. Given the focus on "catching-up" the 18 month delay in project start-up, the emphasis was largely on meeting annual plans and disbursement targets. More focus on monitoring progress towards achieving performance indicators for the project would have been helpful in keeping the focus on outcomes in addition to achievement of physical and disbursement targets. There were also weaknesses in the measurement of the GEF-NRM indicators that made an assessment of outcomes difficult, with different methodologies being used at different times. A series of studies were however undertaken (Annex 6) to review qualitative aspect of the investments and these provided valuable feedback which was acted upon. An important innovation which is now required for all investments by the DA, is the use of geo-tagging. This cost-effective and simple-to-use tool provides an unprecedented level of transparency and helps ensure good governance. Overall the M&E system for the project would seem to have been effective and staffed with a dedicated and competent team.

2.4 Safeguard and Fiduciary Compliance

26. Environment and Social Safeguards: The Project triggered World Bank policies on Environmental Assessment (OP/BP 4.01), Pest Management (OP/BP 4.09), Involuntary Resettlement (OP/BP 4.12) and Indigenous Peoples (OP/BP 4.10). Environmental and Social Assessments of Mindanao's Indigenous Peoples were conducted to develop Frameworks and Guidelines for the project. These served the project well and the overall implementation of the Safeguard policies was satisfactory. All RI, NRM and big ticket CFAD subprojects underwent internal safeguard reviews by either the RPCO or PSO. Some 20 of the largest RI subprojects were pre-reviewed for safeguards compliance by the Bank. The RPCOs and PSO inspected 90% of the RI subprojects, 47% of NRM subprojects and 7% CFAD subprojects. Bank Implementation Support Reviews also inspected 30 RI, 5 NRM and 20 CFAD subprojects. To enhance participation by IPs and women, a 30% target allocation was set for their engagement in preparing Barangay Development Plans. This proved to be effective in that some 24% CFAD beneficiaries were members of the indigenous communities of whom 45% were women. Overall women accounted for 47% of CFAD beneficiaries.

27. As previously discussed, difficulties were initially encountered as the design did not provide funding for social and environmental assessments. This together with limited capacity in

the LGUs made it difficult in the early years to produce good quality Environmental and Social Management Plans (ESMPs), land acquisition documentation etc. During the first two years of implementation, safeguard compliance was also not pre-requisite for subproject approval and a number of infrastructure subprojects were approved with incomplete safeguards documents. The PSO was also focusing more on the adequacy of documentation rather than providing qualitative assistance, such that ESMPs contained only generic measures and many were inconsistent with the subproject's Feasibility Study and the Detailed Engineering Design. To the Bank Review team and PSO's credit, this was addressed early in the project's implementation and resulted in a Social and Environmental Safeguards unit being created.

28. Procurement under the project was rated moderately satisfactory throughout the implementation period and satisfactory at project completion. Close Bank oversight was maintained through a combination of prior reviews, post reviews, site visits, virtual site visits through geo-tagging (since 2010) and regular meetings with the PSO staff. Procurement arrangements for MRDP2 were based on the lessons from the first phase of MRDP, including the need to harmonize with Government procedures as recommended in the Country Procurement Assessment Report[19]. At project start-up there were already some 36 subprojects (US$5 million) ready for award and almost 100 community livelihood subprojects were at an advanced stage of processing. Based on the satisfactory supervision by the PSO as well as reasonably good compliance with procurement procedures by the LGUs, the initial prior review threshold of US$300,000 for the RI was subsequently increased to US$1,000,000.

29. Significant procurement related innovations, for which considerable credit is due to both the Bank and PSO staff, were; i) regular meetings with Contractors to clarify procedures and provide feedback on how procedures could be streamlined, ii) electronic downloading of the bidding documents from the MRDP2 website[20] and iii) introduction of geo-tagging as a means to improve efficiency and transparency. This tool has been mainstreamed to cover all DA-financed sub-projects and is being increasingly adopted nationally and internationally. Specific benefits from geo-tagging include; i) improved monitoring including publically accessible information and images on all contracts involving infrastructure, ii) improved governance[21], iii) greater competition with the average number of bidders for each sub-project increasing about three-fold, iv) enhanced quality control with LGUs and contractors required to submit geo-tagged photos showing that the required works were accomplished, and (v) citizen engagement in monitoring.

30. Financial Management: Throughout the project, financial management was mostly rated as moderately satisfactory. Financial covenants included the submission of the quarterly Interim Financial Reports (IFR) and annual audited project financial statements. In 23 out of the 26 instances, the IFRs were submitted either by the due date or within 30 days. All IFRs were found to be acceptable to the Bank. Of the six audited project financial statements, three were received by the due dates with unqualified audit opinions while the latest three reports were received within 2 months of the due date and with qualified audit opinions. The main reasons for qualification

[19] The Country Procurement Assessment Report provides for procurement by the LGUs to be undertaken in accordance with the Philippine Procurement Law (RA 9184) and the Local Government Code. All procurement, other than International Competitive Bidding, uses the Government's own procedures, with the exception of eight provisions in the national law which are not acceptable to the Bank.

[20] RA9184 provides for the electronic posting of the Invitation to Bid (PhilGEPS).

[21] By way of example, the tool alerted DA officials to a 9 km road where geo-tagged photos revealed that the first 3 and final 1.2 km had been financed under a separate program. In another case geo-tagging revealed inflated costs as the area was reported as mountainous whereas geo-tagging revealed that area was flat.

were i) CY2012 non-recognition of foreign exchange loss in the foreign currency denominated cash at year-end and failure to conduct actual physical count of property, plant and equipment and (ii) CY2011 and 2010 unrecorded deposits and withdrawals from a current account; un-reconciled difference in accounting records and inventory reports of Property, Plant and Equipment; and non-performance of physical count for its reported current year-end balance. Other issues included in the audit observations and recommendations were (i) delayed submission by LGU of Statement of Receipts and Disbursements and Certificates of Fund Status; (ii) delayed submission by Partner Agencies of monthly financial reports; and (iii) Property, Plant and Equipment without the corresponding Acknowledgement Receipt of Equipment forms. All audit issues were subsequently addressed adequately.

31. Financial management of the GEF grant was also rated as moderately satisfactory throughout the project. There was compliance with financial covenants in regard to submission of the quarterly Interim Financial Reports (IFR) and the annual audited project financial statements. Of the 16 IFRs submitted, all were submitted on time or with less than 30 day delays. All were found to be acceptable. The audit reports were unqualified. For both the Bank Loan and the GEF Grant, internal financial controls were found to be generally sufficient. Actions arising from FM implementation reviews were addressed and largely resolved before the next review mission.

2.5 Post-completion Operation/Next Phase

32. The next phase of MRDP2 is already underway at project completion, albeit on a much larger scale than originally envisaged. At the time of appraisal of the first MRDP, it was expected that the program of investments in Mindanao would span some 15 years. Four phases of Bank support through and APL were planned. MRDP2 therefore included a set of “Triggers”, much as had been done under MRDP I, through which a third phase APL would be considered for approval. With the change in Government Administration and leadership in the DA in mid-2010, the design and implementation of MRDP2 was seen as offering a platform through which the DA could roll-out its broader agenda, based on an updated Agriculture and Fisheries Modernization Plan (AFMP). The close match between what was being promoted under MRDP2 and the DA’s revised strategy (both having been based on the AFMA Act), coupled with the institutional experience, Operational Manuals and active participation of LGUs under MRDP2 provided the design and operational capability to rollout a far more ambitious program of rural development nation-wide. The originally planned third phase APL was therefore replaced by the PRDP which builds on DA’s updated AFMP (2010-16) to raise rural incomes, create employment and improve the competitiveness of the agriculture and fisheries sector. The strategy to achieve this will be through a value-chain, market-oriented and integrated service delivery approach in partnership with LGUs, expanding on the approach developed through MRDP2.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation *(Relevance Rating: High)*

33. Relevance of Objectives: The PDO remains relevant and fully consistent with Government priorities to promote inclusive growth and reduce poverty. It is also consistent with the AFMA (1997) and the LGC (1991). MRDP2 and its successor PRDP are in line with the overall goals of the Philippine Country Partnership Strategy (CPS) for FY15-18 and the updated Philippine Development Plan. Specifically MRDP2 through the follow-on PRDP is linked to the CPS through: Engagement Area 3 on Rapid, Inclusive and Sustained Economic Growth, particularly in terms of helping increase economic growth, productivity and jobs in rural areas; Engagement Area 4: Resilience to climate change, environment, and disaster risk management, particularly on resilience to climate change impacts, improved natural resource management and sustainable development; and Engagement Area 5: Peace, institution building, and social and economic opportunity, especially on supporting economic development in conflict-affected regions. The Philippines' GEF National Programmatic Framework Document is also fully anchored in the Philippine Development Plan and prioritizes the objectives of the Biodiversity Focal Area, as well as supporting the International Waters Focal Area. MRDP2 goals and activities remain fully consistent with those focal areas. Follow-on GEF Grant activities under PRDP would support the "Scaling-up Partnership Investments for Sustainable Development of the Large Marine Ecosystems of East Asia and their Coasts" (GEF Program ID: 4635) aimed at supporting the commitments made by PEMSEA Country Partners.

34. Relevance of Design and Implementation: MRDP2 was designed on the experience gained in implementing a first phase MRDP. Design refinements around mid-term were both timely and key to the achievement of the project's outcomes. The emphasis given to strengthening local level planning and building partnerships between LGUs and the Department of Agriculture were consistent with the AFMA Act, which although approved in 1997, had not been effectively implemented. MRDP2 through its design was instrumental in building consensus and support for the decentralized reforms of both AFMA and the LGC. The effectiveness of this "learning-through-doing" approach is an important lesson from the project (Section 6). The relevancy of the design is further highlighted by the fact that MRDP2 has provided the platform through which the "Next Phase" of MRDP2 is already underway in the form of a national program under PRDP. Although the APL approach was abandoned in the formulation of the national PRDP, the triggers in the design of MRDP2 for a Phase 3 APL (see para 5) correctly focused on the importance of having strong LGU participation and commitment to rural development; a key factor in the design of the PRDP. Importantly, the project investments supporting rural infrastructure and sustainable livelihood/enterprise activities were critical and mutually reinforcing to the achievement of the PDO in substantially raising household incomes achieved under the project. That said, and as previously discussed, the relevancy of the relatively small GEF-NRM investments could have been improved if more integrally linked with the infrastructure and enterprise development investments. To some extent this was an issue of implementation rather than design, but it does present an important lesson in that NRM is a complex undertaking where incentives, livelihoods, cultural, social and political aspects need to be addressed, along with technical considerations. The design did not adequately allow for this, or the key role of DENR in NRM (see Section 6).

3.2 Achievement of Project Development Objectives and Global Environment Objectives (Rating of PDO Outcomes: Satisfactory; Rating of GEO Outcomes: Moderately Unsatisfactory)

35. The PDO for the project had two elements; (i) PDO1; to improve livelihood opportunities for targeted communities in Mindanao; and (ii) PDO 2; to institutionalize a decentralized system for agriculture and fishery services delivery that promotes participation, transparency and accountability. Investments under the project in rural infrastructure (RI) and micro-enterprise development (CFAD) were directly supportive of income and employment generation under PDO 1, while the institutional reforms under the IGR component were directly linked with achievement of PDO2 as illustrated in Annex 2, Tables 1 to 3 and discussed below. This assessment finds the PDO was satisfactorily achieved. On the other hand, the conservation aspects of the NRM component, being long-term in nature were supportive of the GEO (Annex 2, Table 4). As also discussed below, this assessment finds those objectives to have been overly ambitious and the outcome Moderately Unsatisfactory.

36. PDO 1: Improve access to livelihood opportunities of targeted communities: The Performance Indicator of increasing average household incomes of beneficiary communities by 20% and 10% higher than a control group was achieved, i.e.,

- Household income in the project areas was increased to PhP102759; a 36% increase in nominal terms, or a 20% real increase[22]. Likewise the target of increasing average household incomes by 10% above the control was also achieved. Control group real incomes increased to PhP96468, a 10% increase compared with the 36% increase in the project areas. The baseline for the control group, which enabled a "with and without" project analysis, was 16% above the baseline for the project areas. Household incomes grew more rapidly for project areas and significantly overtook income levels of the control group.

37. Key results and intermediate outcomes from project interventions that contributed to achieving PDO1 are detailed in Annex 2. The methodology is also detailed in Annex 2 and primarily involved household surveys following the same methodology used to establish the baseline. A total of 1,920 respondents were interviewed encompassing beneficiaries from all interventions under the project, providing a 97% confidence level. Just as the average household incomes increased significantly under the project, the number of beneficiaries impacted was also substantial with the total number estimated to be 1,969,895. Of these, 49% were women and 32% IPs.

38. The sources of household income at project completion came from the following activities: non-farm (58%), on–farm (39%) and off-farm (3%). Likewise, the main sources of growth in household incomes came from non-farm (67%) and from on-farm (15%). There was a decline of 40% in off-farm activities as a source of income. The large increase in non-farm household income can be particularly attributed to the rapid increase in passenger and produce transport services (mainly from tricycles) that followed improvements under the project in providing all–weather road access. By contrast the fall in off-farm activities as a source of household income was found to be

[22] Neither the Project Appraisal Document nor the Loan Agreement specified whether the target was in real or nominal terms. In either case the 20% targeted increase was achieved.

due in large part to the drop in seasonal farm labor, as people moved to more profitable, non-farm and on-farm activities that developed as a result of the project.

39. Analysis of the significant increase in household incomes shows the benefits came largely from investments in rural infrastructure and from CFAD sub-projects. Together these investments accounted for 89% of the project costs. With improved road access, there have been increased and better paying employment opportunities as well as significant household cost savings from a 36% decrease in relative freight charges, along with a 69% decrease in time needed to reach markets. Such reduced freight charges and better vendor penetration into previously inaccessible areas have resulted in higher prices and returns for commodities, as this has improved quality and reduced post-harvest losses that previously resulted from having to transport produce and goods over very rough and often impassable tracks to markets.

40. Productivity increases and better employment opportunities leading to increased household incomes have also resulted from the construction and rehabilitation of community irrigation systems and potable water supplies. Cropping intensity increased from 129% to 180%, as a result of more reliable and timely irrigation water supply in the 2,907 ha of irrigated land rehabilitated and 2,175 ha of new land brought under irrigation. The installation of potable water supplies has significantly freed-up household time for other income earning activities by reducing time spent fetching water (by 67%) and by reducing morbidity due to water borne diseases (from 29% to less than 5%). While a disaggregation of data in terms of how much each of these improvements contributed to raising household income was not possible, the collective benefits undoubtedly underpinned the 36% (20% real) increase in household incomes under the project.

41. Household incomes of CFAD direct beneficiaries were analyzed separately and again showed an increase of around 35%, with the main source of such incomes coming from i) an increase in production (42%), ii) an increase in volume of products marketed (24%), iii) an increase in the price of products sold (31%), and iv) training and adoption of technology (3%). Factors rated by the farmers in the order of importance in contributing to production increase were (i) support services (29%), ii) better quality outputs (26%), iii) technology (28%), and iv) good weather (16%); providing further anecdotal evidence of benefits that can be attributed to the project. Some 4,058 CFAD sub-projects, were supported of which 3,488 (86%) were considered as livelihood support activities (e.g., livestock and crop production), while 570 (14%) supported micro-enterprise development (e.g., agro-processing, coconut net production, fish ponds). Overall there were 180,285 direct beneficiaries from the CFAD projects and some 28,406 jobs were created (e.g., haulers, mixers, drivers, construction workers, facility operators, caretakers and laborers).

42. Given the significant increase in household incomes in project areas along with considerable and the mutually reinforcing benefits from the main investments, a satisfactory rating for PDO1 would seem well justified..

43. PDO 2: Institutionalize a decentralized system for agriculture and fisheries service delivery that promotes participation, transparency and accountability, The Results Framework did not specifically provide a PDO indicator, but it was noted in the PAD that this PDO would be assessed against outcome indicators for Component I (IGR). Those indicators were achieved i.e.,

- Beneficiaries reported an 87% level of satisfaction with LGU service delivery in the program areas at project completion: a substantial increase over the baseline of 37%**.** LGUs in project areas were assessed as having improved their service delivery by 48% more than their counterparts in the sampled non-project areas.[23] But there was also an 80% improvement recorded in satisfaction levels with service delivery in non-project areas. This may be a reflection of the decentralized system of service delivery implemented by the DA through its RFOs in Mindanao which would have benefited all LGUs, whether or not they received investment support under MRDP2.

- At project completion 100% LGUs rated their ability to plan and implement investments as satisfactory or better, due to the project (the target was a 70% improvement).
- Based on the five Municipal LGUs and six PLGUs sampled where accounting records separated expenditure sufficiently to enable a thorough analysis, there were large increases in LGU agricultural sector expenditures, ranging from almost 700 to over 1000%. The increases in expenditures were greatest in 2011 and 2012 corresponding with the peak in program implementation for RI, CFAD, and NRM subprojects under MRDP2. Based on this data and feedback from LGU and stakeholders there has been an upsurge in agricultural sector expenditures in the MRDP2 program areas. (Target was a 15% increase in expenditure)

44. While these were positive outcomes, since “the institutionalization of a decentralized system of service delivery” is a process, it was felt that the above indicators were insufficient to assess the extent to which decentralization has in fact taken place. The assessment of PDO2 was therefore subjected to further analysis to determine; i) whether decentralized planning and budget allocations are being made and actually implemented, ii) if LGUs and other stakeholders have an effective role in determining the needs and types of service delivery provided by the DA and/or from other sources based on economic and technical consideration, iii) that accountability for quality of service delivery is being applied, and iv) that systems are in place to support and sustain the decentralized approach. The findings, based on these additional assessment criteria provide compelling evidence that MRDP2 can be credited with much of what has been achieved and that a satisfactory rating is justified. It is also noteworthy that the institutional strengthening of LGUs which was achieved under the project, particularly in terms of their planning and investments support for rural development, were key MRDP2 triggers for what would have been a Phase 3 APL. The significant strengthening achieved has provided the underpinning for the much larger, follow-on national PRDP. It is also noteworthy that the significant institutional strengthening of LGUs which was achieved under the project, particularly in terms of their planning and investments support for rural development, were key MRDP2 triggers for a Phase 3 APL, but which that in fact has provided the underpinning for a much larger, national PRDP. Supporting evidence is summarized below and detailed in Annex 2.

a) Decentralization of DA functions through the devolution of authority and responsibilities to each of the Regional Field Offices (RFOs) has been quite extensive under the project. Regional Executive Directors have been delegated authority and autonomy for planning, budgeting, technical content of programs and nature of service delivery. While certainly this devolution reflects the change in way of doing business across the DA implemented

[23] The higher than expected baseline of (37%) compared with the 35% target set at appraisal clearly underestimated perceptions as to levels of satisfaction with service delivery and could perhaps be attributed to other government programs including MRDP1. Nevertheless, feedback from stakeholders suggests the strategy under MRDP2 of bringing the subproject planning process down to the barangay level and the targeting of disadvantaged and vulnerable groups) contributed to the increased and focused delivery of services.

by the DA's management which assumed office around mid-term in the project, the Operational Procedures (Manuals) and implementation experience that had already been built under MRDP2 can be credited with accelerating the pace and comprehensiveness with which the decentralization process was implemented in Mindanao. Accordingly, RFOs in Mindanao have been more advanced that other regions in effectively coordinating the technical programs and inputs provided through DA-national Bureaus, Agencies and Commodity programs that were previously largely provided "top-down". Through this devolution, LGU technical and infrastructural requirements are now being planned and delivered in Mindanao in accordance with joint DA-LGUs planning/ agreements that actively involve stakeholders at the local level and are reflected in greatly strengthened LGU rural development plans and investments. This is not institutionalized in other Regions not covered by MRDP2. The *"MRDP way"*, as it has become known, has therefore become a cornerstone of DA's institutional reform process which will be rolled out nation-wide under PRDP.

b) Transparency, participation and accountability in the decentralization of service delivery have been substantially strengthened as a result of the project. This is reflected by several factors attributable to MRDP2 interventions, especially the extensive training and on-the job capacity building supported through the IGR component with AusAid TF assistance (e.g., in planning, M&E, procurement, safeguards, financial management systems, feasibility study preparation, supervision of works, contract management, O &M & geo-tagging). Of note is that while many LGUs initially lacked the capacity and/or governance requirements to participate in MRDP2 (including the need to have the DILG "Seal of Good House Keeping"), with assistance provided under the project they were quite rapidly able to build capacity and meet project participation criteria. Another, *albeit* anecdotal reflection of transparency and accountability, is that what is often referred to by politicians, contractors, LGUs etc, as "*the MRDP2 way*", has become synonymous with "doing works the clean or proper way". Confidence in the transparent and fair competitive process established under the project is further evidenced by the fact that early in project implementation, only two bids/bid invitation were being received from contractors, whereas by the end of the project the average was 6 bids/ bid invitation, and

c) Institutionalization of the decentralized approach to service delivery has been formalized though adoption of detailed Technical and Operational Manuals developed under MRDP2. Collectively they specify all procedural, technical, financial and monitoring requirements for planning, implementation and O&M. Institutionalization of the process and its sustainability has been reinforced by the required strict adherence to the guidelines and protocols in the Operational Manuals. EVSA, VCA and geo-tagging tools[24] developed and piloted under MRDP2 (in preparation for PRDP) have further consolidated the institutional reforms by ensuring that the technical basis underpinning local plans for investments and services are based on scientific criteria and follow well defined standards. The approval (December 2014) under MRDP2 of a harmonized manual for DA-LGU Engagement on Agriculture Support Infrastructure that, beginning CY2016, will cover all DA programs, is a further reflection of the degree to which the decentralized service delivery reforms under MRDP2 have been institutionalized.

[24] See Annex 2 footnote 32

45. The Global Environment Objective was to assist in conserving critical coastal and marine biodiversity, supported by sustainable land management in linked upland areas, by removing barriers to mainstreaming marine and coastal biodiversity conservation. The key indicators in the Results Framework for the GEO were not achieved as indicated below:

- The Target of 30% increase in fish biomass and density in targeted protected areas was not achieved. Average fish biomass per site ranged from 4.2-6.8 kg/500m^2 (equivalent to a 12-29% decline using two different surveys). Average fish density per site ranged from 249 to 425 individuals/500m^2. The trends in average fish density are less clear, with one survey indicating a decrease of 18% while the second survey indicating an increase of 23%. Different methodologies and data sources used for the analysis make it difficult to draw definitive conclusions other than that the targets were not achieved.
- The Target of 10% decrease in siltation and sedimentation could not be measured. It was agreed during the 7th implementation support mission that this indicator was impractical to measure. Although identified for restructuring, it was never formally dropped.
- The Target of 10% increase in coral and sea-grass cover was not achieved. Average coverage of sea-grass species per site was 34% (equivalent to a 15% decrease). The average cover of live hard coral per site ranged from 30-35% based on two surveys (equivalent to a 16% and 14% decrease respectively).

46. The GEO outcomes were highly ambitious given the relatively small scale of the interventions and the unrealistically short timeframe in which to bring about attitude changes and fishing practices. The time frame was also short for having measurable improvements in coral growth, fish stocks and biomass, especially since the critical mass of fish stock, coral and sea-grass in these sites was at a low level from the outset of the project. Compounding this, the median size of marine sanctuaries was quite small, ranging from 12 to 80 Ha, and the area was also reportedly severely affected by Typhoon Pablo in 2013. Some LGUs reported having difficulties managing the fish sanctuaries, with poaching and dynamite fishing continuing in some areas. By contrast, the three GEF sites that set up larger marine sanctuaries (almost twice the size of the overall average), experienced significant improvements in their coral cover (improved from poor to fair). The difficulties dealing with the complex technical and social issues largely account for only 89% disbursement of the GEF grant at loan closing. Despite the failure to meet GEO outcomes, there was a substantial achievement of NRM Project Intermediate Outcome Indicators for both the Loan and GEF grant as summarized in Annex 2, Table 4. Taking those achievements into consideration a moderately unsatisfactory rating for the GEO-NRM aspects of the project seems fair.

3.3 Efficiency (Rating: Substantial)

47. The base case Economic Rate of Return (ERR) of the project is estimated at 28% (ex-ante the ERR was 22%). The base case net present value of the project's net economic benefit stream (ENPV), discounted at 15% is positive at US$ 40.9 million, compared with the ex-ante ENPV estimated of around US$ 25 million. The analysis shows that the project, both by component and as a whole, is economically viable and has generated more economic benefit than was expected at appraisal. The same methodology was used for both the ex-ante and ex-post analyses, while also taking into account other benefits that accrued under the project. Details of the economic analysis are provided in Annex 5. Benefits of the key investments that together comprised 89% of project costs are summarized below:

a) <u>Farm-to-Market Roads (FMRs):</u> 1,203 km of farm-to-market roads were rehabilitated and 111 km newly constructed. Additionally, 688 lineal meters of bridges were built. Benefits resulting from improved road surfaces and all weather access include improved market linkages, transport services, reduced transportation costs, time savings, improved health services as a result of health units being built and serviced in previously inaccessible areas, and improved school attendance. The *ex post* ERR for FMRs was determined to range from 13% (for one case) to 59%, with an overall average of 32%.

b) Communal Irrigation Subprojects (CIS): 2,907 hectares of irrigated land were rehabilitated and 2,175 hectares of new land were brought under irrigation. Some 24,925 people were provided with new or improved irrigation and drainage services. Agricultural productivity was enhanced through increased yields and cropping intensity. The ERR for these investments is estimated to be 21%.

c) Potable Water Systems (PWS): Some 1800 community water points were rehabilitated or constructed, providing improvements in domestic water supply for some 104,708 people. Benefits were derived from time savings in fetching water and reduced incidence of waterborne diseases. ERRs are in the range of 19% to 36% with an average of 25%.

d) Community Fund for Agricultural Development (CFAD**): S**ome 4,059 subprojects were undertaken, of which 3,488 (86%) were considered as livelihood support activities, while 570 (14%) supported micro-enterprise development. 85% of sub projects were found to have sustained financial viability. There were 180,285 direct beneficiaries and some 28,406 jobs were created with average income increases of 35%. Incomes of CFAD direct beneficiaries also increased by around 35%. The financial analysis of a sample of CFAD subprojects showed returns (IRR) to be in the range of 30% to 73%.

48. Unquantifiable benefits resulting from the project have also accrued from increased economic activities coming from trade and employment as a result of strengthening rural enterprises and supporting value chain development. Additionally, LGUs have become more economically self-reliant through the substantial institutional development and capacitation that accompanied the devolved delivery of agricultural services, accompanied by business process enhancements. With regard to the relatively small NRM-GEF component (7.5% of project cost), the key indicators of increasing fish biomass, coral and sea grass growth were not achieved and reliable quantification of benefits from the investments is not feasible . Nevertheless, it is reasonable to expect some economic benefits under the project resulting from strengthening joint LGU and community management of critical biodiversity areas, and from the promotion of technologies for conserving, rehabilitating and utilizing natural resources in coastal, marine and terrestrial habitats.

49. GEF-Economic Analysis: While the GEF support for the project was "fully blended" a separate analysis was conducted in light of the somewhat different nature of the investments and ambitious, longer-term nature of the GEO in regard to increasing seaweed and coral cover and fish biomass. Essentially, the GEF supported investments sought to reverse the ecosystem degradation in coastal, marine and upland areas, Overall, the GEF-NRM support which accounted for 7.8% of project costs, had an EIRR of 16.87% at project completion. This was slightly lower than the modest EIRR estimated at appraisal of 17.55%.

3.4 Justification of Overall Outcome and Global Environment Outcome Rating

Overall Project Rating: Satisfactory
Overall GEO Rating: Moderately Unsatisfactory

50. The project substantively achieved or exceeded the PDO indicators and those outcomes have been substantiated through other quantitative, anecdotal and stakeholder feedback. In terms of relevance, the outcomes were fully consistent with Government priorities to promote inclusive growth and reduce poverty. Likewise from an efficiency perspective, the economic analysis for the project shows a significant overall ERR of 28%, with significant benefits accruing from each of the main investment categories under the project; i.e., Rural Roads (ERR 32%), Community Irrigation Systems (ERR 21%), Potable Water Systems (ERR 25%) and livelihood and enterprise subprojects (IRR 30+%). The outcome of raising rural household incomes for some 1.96 million people (46% women) to levels that substantially exceeded appraisal estimates is a significant achievement. The decentralized institutional reform and service delivery aspects of the project are part of a reform process that has only begun to show benefits during the latter half of the project. Being a process, there is much that still needs to be done, particularly in regard to systematizing the delivery of agricultural technical services. That, however, will take time pending further reforms across the DA's many technical agencies, though clearly this was beyond the scope of MRDP2. Importantly, the sustainability of the reform process has been secured through the follow-on PRDP, now under implementation. A Satisfactory rating for the Overall Project (PDO) is therefore justified.

51. The GEO on the other hand was not achieved. The outcomes were highly ambitious given the relatively small scale of the interventions and the unrealistically short timeframe in which to bring about attitude changes in regard to conservation and fishing practices needed to underpin the expected increase in biomass of fish, corals and sea-grass. Counterbalancing this poor performance in terms of expected outcomes, it should be acknowledged that substantial progress was made in establishing marine sanctuaries, regenerating coastal mangroves and hillsides and in getting LGUs focused and committed to invest in protection and enforcement of natural resources. These limited outcomes, while demonstrating what can be done, also point to the need for such future investments to have a stronger institutional and governance focus, provide more resources for alternative and sustainable livelihoods, and take account of the need for sustained support over the longer term if significant impact is to be achieved. On balance a Moderately Unsatisfactory GEO rating seems appropriate.

3.5 Overarching Themes, Other Outcomes and Impacts *(Rating: Satisfactory)*

(a) Poverty Impacts, Gender Aspects, and Social Development

52. The project and particularly the CFAD component were designed to "target disadvantaged and vulnerable sectors in order to provide opportunities for increased incomes from agriculture and fishery production". While the disaggregation of data based on gender and indigenous people assisted was not included in the indicators at appraisal, this data was in fact collected by the PSO-M&E unit in accordance with the agreement to make use of core Bank Indicators (see section 2.3). The results show considerable social formation and strengthening of POs in enterprise development for the 180,285 CFAD beneficiaries. The participation of women in CFAD subprojects accounted

for 36% of beneficiaries, while that of Indigenous People (IP) was 19%. Overall, for the 1.96 million project beneficiaries, some 49% were women. This suggests the targeting of women and IPs under the project was effective. In terms of poverty impact, and as discussed in section 3.2, income levels were increased by some 36% in nominal terms, 16 percentage points above a control group with similar characteristics.

(b)Institutional Change/Strengthening

53. This was a key PDO for the project which has been addressed under Section 3.2. As already noted, significant institutional reform of both the DA and LGUs has been catalyzed through the pilot testing and implementation of a range of decentralized innovations in partnering with LGUs, strengthening planning, budgeting, technical design, feasibility study preparation, O&M, and M&E. These various institutional reforms have already begun to impact on the way of doing business across the DA. The predominantly top-down production focus of the past is now being complemented by strategies designed to support LGU identified infrastructural and technological interventions needed to underpin the transformation of the sector's large number of small-scale producers to become more market-oriented and vertically-integrated with agri-business.

(c) Other Unintended Outcomes and Impacts (positive or negative)

54. The main point to note is that whereas MRDP2 was seen at appraisal as the second phase of what would need to be a 15 year APL program, that program has now been replaced and expanded into a nation-wide program under PRDP. MRDP2 has in effect become the first phase of a national rural development program. Another significant impact which was not fully anticipated was the pace of capacity and institutional development that occurred among LGUs participating under the project. Whereas the project had been designed to implement a decentralization process, this in effect catalyzed “bottom–up" capacitation and institutionalization by LGUs as they responded to the financial incentives under the project. Collectively, these were significant and satisfactory outcomes. Finally, although observed in other projects, the extent to which economic activity was generated through provision of all-weather road access, coupled with the benefits from ensuring such roads are linked to national highways, has greatly influenced the DAs approach to supporting farm to market roads. As a result, geo-spatial, web-based tools are now being made available under PRDP to assist local planners in selecting and designing roads to support and optimize economic growth and job creation.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

55. A stakeholder workshop was conducted with the ICR team during the last Implementation Review for the project[25]. Significant feedback, apart from that of DA staff reporting on implementation experiences, was as follows:

[25] The Stakeholder Consultation (September 26-28, 2014) involved a broad spectrum of stakeholders under the project. Discussions were held with separate groups of stakeholders as well as in plenary sessions in which results and outcomes were presented and discussed. LGU mayors were strongly represented along with the Governor of Davao del Norte. Likewise all DA Regional Executive Directors attended along with other agency and DA project staff.

- LGUs were highly appreciative of the support received under MRDP2. Mayors uniformly commented on how the project had not only capacitated them through training and technical assistance, but also “shown them” how to go about getting resources for development that previously they had considered “un-accessible”. Collectively they expressed a sense of empowerment from the project and pointed to numerous cases of where development under MRDP2, particularly rural road construction, has led to other benefits, e.g., DOH support for construction of Rural Health Centers, improved school attendance, reduced transport costs through increased competition, improved drainage leading to higher crop yields, and the ability of LGUs to access other program resources.

- Regional Executive Directors (REDs) of the DA expanded on the significant changes they had experienced due to the project and how the “MRDP2 Model” was now referred to as the way forward for the DA as it sought to change from “rowing” (or implementing programs), to “steering” (providing financial and technical support for LGU implementation). MRDP2 was reported as having provided the operational procedures and experience they needed to implement a decentralized system of service delivery. Enabling this was the increased level of authority now vested in them by the Secretary of Agriculture to plan, coordinate and direct activities, as well as supportive DBM budget processes that provides for the downloading of budget directly to the RFOs.

4. Assessment of Risk to Development Outcome and Global Environment Outcome

Project Development Outcome Rating: Moderate
Global Environment Outcome Rating: High

56. With the follow-on US$ 501.25 M PRDP already under implementation, there is reason to be cautiously optimistic that the institutional reforms supporting decentralized service delivery by the DA will be sustained. Importantly the institutional reforms are also backed-up by the AFMA legislation of 1997, the Local Government Code of 1991, and significant budget reforms instituted by DBM to support the decentralized planning and budgeting process and accountability. While experience with the process of institutional reform, especially in the DA, has at times experienced “roll-back’, notably to periods of “top-down” and “production oriented targeting”, the current Government Administration will be in office until 2016. That provides time to consolidate the institutional reforms started under MRDP2 through the follow-on PRDP. Importantly, PRDP was designed to cross Administrations26, thereby providing for a continuum of implementation in the interest of sustaining the reforms. Experience from implementing MRDP2 has shown there have been no instances of where political changes at the local or provincial level have had anything but a positive impact on project implementation and the sustainability of the investments. A further reinforcing factor has been the approval of the DA’s Rationalization Plan in 2013 which provides for a number of organizational and administrative reforms that should, if implemented well, collectively strengthen the decentralized and devolved way of doing business in the DA.

57. The risk to sustaining the GEO outcomes is high, given the failure to achieve the GEO indicators and the fact that the activities financed under the NRM and GEF component are not part of the core mandate of the DA. There is a reasonable chance that some of the intermediate outcomes will be sustained, given that all municipalities have integrated their NRM Plans into the Municipal

[26] Philippine Administrations are limited to a six-year, non-re-electable term.

Development Plans and some have set aside a separate budget. Several LGUs have also used the MRDP2 resources to leverage additional funds from NGOs and other Government programs to expand their mangrove rehabilitation and plantation programs. Behavioral changes have also been observed in some targeted areas, including intercropping, planting of fruit trees, use of organic fertilizer and practices to prevent erosion. The SIGA activities, on the other hand, were often very small and are unlikely to develop into viable business enterprises.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry
Rating: Moderately Satisfactory

58. Preparation of the project spanned about two years, with MRDP I finishing in 2004 and MRDP2 being approved in May 2007. Project preparation was built on the successful design and outcomes of MRDP1 which also included a number of “triggers” that had been set by the Bank as conditions for a second phase. Attention was given by the Bank preparation team to strengthening the management structure for the project through the PSO by ensuring sufficient and qualified staffing from the outset and a shift in its role from oversight to providing support. Concomitantly the MRDP2 design correctly provided for the strengthening of the Regional Program Coordinating Offices (RPCOs). The early discussions with AusAid which led to complementary TA support for the institutional reforms, as well as with GEF for NRM strengthening was also well conceived. The Bank’s role in designing and pursuing institutional reforms under the project in line with the AFMA Act and Local Government Code was particularly commendable, despite experience under the DFIMD project at the time where there had been back-tracking by the DA on similar reforms. In that regard it is evident that the lessons of MRDP 1 were well addressed.

59. On the other hand it would seem that in terms of risks, the commitment to the reform objectives of the project were underestimated by the Bank in light of difficulties being encountered in implementing the DFIMD project (2004 to 2009). There was also an ongoing debate at the time among Oversight Agencies surrounding NG: LG cost sharing that effectively resulted in an 18 month hiatus in project start-up. As previously noted it was therefore fortuitous that through a change in Administration and agriculture sector strategy around mid-term, that the pace of implementation accelerated. The design issues previously discussed through the inclusion of a small NRM component (3.6% of the Loan) has important lessons for future operations. The component had the appearance of being “tacked-on”. Being conservation based with long-term objectives, it was only peripherally linked to achieving the PDO and not integrated with other project components except the GEF. NRM investments were also too widely spread and inadequately funded to have significant impact. Given, however, that the main design of the project was sufficiently robust to enable satisfactory outcomes to be achieved, albeit with a two year delay, a Quality at Entry rating of Moderately Satisfactory seems fair.

(b)Quality of Supervision
Rating: Moderately Satisfactory

60. Project Supervision was managed by staff from the Philippine Country Office. Implementation Reviews were done twice yearly throughout the project and correctly identified and documented the implementation issues in a timely manner. Aide Memoires shared with Government were comprehensive and direct in highlighting concerns and issues needing follow-

up. The Aide Memoires were agreed with DA-Management and provided detailed monitoring and assessments of technical achievements and issues under each component vis-à-vis agreed targets as well as monitoring of procurement, FM and safeguard aspects. “Management Action Matrices” defining specific areas needing action were regularly incorporated in Aide Memoires and reflected in Bank management letters to the DA Secretary after each review mission. The 18 month delay in project start-up certainly contributed to a preoccupation with “catching-up” and tended to focus Bank attention more on “disbursements and achievement of annual physical targets than on reporting of progress towards achievement of outcomes. ISRs and Aide Memoirs were lacking in that regard. That said, the necessary data collection and quite a number of special studies were undertaken to enable a sound and timely evaluation of the project. While there was strong technical oversight of the relatively small NRM-GEF linked component, stronger institutional/ management oversight of that component should have identified the overly ambitious outcome expectations. In retrospect, it would seem the NRM-GEF component design should have been restructured to be more narrowly focused, with perhaps better outcomes. That aside, restructurings were done as required except for the oversight in not formally “dropping” the technically non-feasible measurement of an intermediate outcome indicator for NRM on levels of siltation and sedimentation. The input by the Bank at mid-term and the recommendations emanating from that review were critical in reshaping the project and building ownership in the DA.

61. Beyond the above mostly good supervision practices, the Bank can be credited with supporting project implementation in additional ways that certainly contributed to the evolution of the project and the ultimate achievement of satisfactory outcomes. These included; i) extensive on-the job training by Bank staff for the PSO, RPCOs and LGU staff, especially in regard to financial management and procurement, ii) effective use made by the Bank through locally hired experts to assist project implementation that enabled issues identified through Supervision missions to be quickly addressed and coaching provided as necessary (e.g., in feasibility report preparation, safeguards, engineering design aspects etc.), iii) special studies were facilitated by the Bank (e.g., through FAO) to provide timely interim assessments and recommendations on various implementation aspects, iv) the geo-tagging innovation developed by the Bank under MRDP2, that has been internationally recognized as good practice, greatly strengthened the transparency of interventions and has enabled monitoring of investments at levels not previously possible, and iv) the close working relationship maintained between the Bank team and the Project Management (PSO) was undoubtedly a key factor behind the proactive approach of the PSO throughout implementation in seeking solutions and in facilitating the evolution of the project from a second phase APL, to the forerunner of a nation-wide program under PRDP. On balance, a Moderately Satisfactory rating is warranted.

(c) Justification of Rating for Overall Bank Performance
Rating: Moderately Satisfactory

62. The Bank’s long-term commitment to the reform process based on AFMA and the LGC which it supported through two phases of MRDP, and subsequently through PRDP, is in itself commendable. Although the AFMA Act and LGC were enacted in 1997 and 1991 respectively, this well formulated legislation had never been fully embraced nor resourced appropriately by the responsible national agencies. Institutional reforms in the DA linked to AFMA and the LGC had also been unsuccessful through the Bank’s support for the DFIMD project. However, under MRDP2, the Bank’s perseverance in supporting the goals of AFMA and the LGC have paid off with the DA’s adoption of what is now commonly known as the “MRDP2 way” in implementing investments through and in partnership with LGUs. The Bank’s considerable experience was effectively brought to bear in helping to guide and support the DA management throughout this process. Particularly noteworthy has been the supervision support given to strengthening safeguard

provisions and monitoring in feasibility studies, strengthening of financial management, particularly by LGUs, and the considerable training provided in planning, financial management, preparation of feasibility studies and procurement, together with introduction of groundbreaking geo-tagging. The attention given to developing operational procedures and design standards applicable to all DA programs has also forged the way for this to be mainstreamed in the DA through the PRDP. The close working relationships between the DA and the Bank Team in the Manila office has been commendable. This very satisfactory performance notwithstanding, there were some design issues in regard to the small NRM & GEF linked component that were overly ambitious and given the limited resources and time frame available could well have been restructured to be more narrowly focused, with perhaps better outcomes. On balance a Moderately Satisfactory rating is well deserved.

5.2 Borrower Performance

(a) Government Performance
Rating: Moderately Satisfactory

63. The project was appraised at a time of fiscal constraints and commodity price shocks that tended to accentuate the Administration and DA leadership focus on achieving production targets of major commodities, principally rice and corn. As a result, those nationally controlled commodity programs overrode what had been the more market oriented and decentralized agricultural service delivery goals of AFMA (1997) and the devolution of functions to Local Governments required under the LGC (1991). Prior to mid-term of MRDP2, there was little support for internalizing the decentralized reforms of either AFMA or the LGC that were in fact central to the design of MRDP2. The debate over appropriate NG: LGU cost sharing levels also remained an unresolved issue for the first two years of the project. A clear policy on this is still in abeyance at project completion. The inclusion of the DOF inspired "Performance Grant" scheme in the project as an incentive for LGU revenue generation had to be retracted within months of loan approval. On the other hand, following the change in Administration in 2010, Borrower27 support for the project increased as the benefits of the devolved planning and investment became apparent and there was strong support from the Borrower for the two-year extension of the Loan closing to compensate for the delays in project start-up. That proved to be crucial for the attainment of the project's objectives. The Borrower oversight agencies are also to be credited for supporting the sustainability and further institutionalization of reforms initiated under MRDP2, through their support and approval of the follow-on PRDP. On balance therefore, a Moderately Satisfactory rating for the Government performance seems fair.

(b) Implementing Agency or Agencies Performance
Rating: Satisfactory

64. Implementation, as previously discussed, had two distinct phases corresponding to the change in Administrations in July 2010. From project effectiveness in 2009 to June 2010, implementation of MRDP2 was slow. Although due mainly to uncertainties created by debates surrounding the NG: LG costs sharing, DA management at the time was also insufficiently proactive in trying to resolve the issue and there remained little appetite in the DA to follow-through

[27] Principally the Oversight Agencies: DOF, NEDA, and DBM

on the decentralization reforms that were at the core of the MRDP2 design. That said it was the CFA arrangement developed by DA Management at the time which ultimately broke the cost-sharing impasse, although it was not until after the change in Administration when the required budget was allocated by the incoming leadership of the DA. Under that new leadership, a strong commitment was made to the Bank that every effort would be made to turn the project implementation around, given that the revised policies and strategies of the DA were aligned with AFMA, which also underpinned the design of MRDP2. Thereafter the CFA was funded, staff constraints in RPCOs were addressed, authority of RFO was strengthened, devolved implementation in partnership with LGUs was pursued, and the project became a central focus of the DA management as the instrument for achieving their ambitious vision of a nation-wide rural development program that in fact has eventuated through PRDP. Also commendable is that throughout implementation, the PSO was proactive in organizing and conducting training for RFO and LGU staff; e.g., in planning, geo-tagging, feasibility study preparation and analysis, FM, and procurement. Particularly notable has been the transparency and good governance followed throughout implementation, as reflected by there being no significant mis-procurement or related incidences, public posting on the MRDP2 website of all procurement supported by geo-tagging, including list of contractors "blacklisted for poor performance. The management of the project's PSO participated actively in the design and preparation of the follow-on PRDP project, thereby achieving a seamless transition from MRDP2 to the national program. Overall, giving due weight to the development impact attributable to the Implementing agencies performance, than to start-up implementation issues, an overall Satisfactory rating for the DA's performance would seem appropriate.

(c) Justification of Rating for Overall Borrower Performance
Rating: Moderately Satisfactory

65. From the foregoing assessment, the success of the project owes much to; (i) the commitment and professionalism of the PSO in implementing the project, and (ii) to the DA management support and commitment to follow-through on the approach and reforms. Since the change in leadership in mid-2010, the DA management has been proactive in finding solutions to difficult issues and in recognizing the opportunities for harmonizing procedures and approaches across the DA. At the same time the approval of the oversight agencies of the follow-on PRDP under the same CFA arrangement, without formally addressing the long standing issues surrounding the NG/LGU cost sharing formula for externally funded projects, remains a policy issue that needs to be resolved. On balance a Moderately Satisfactory rating would seem to be appropriate.

6. Lessons Learned

i) <u>Institutional Reform.</u> MRDP2 provides a good example of both the considerable time it can take to bring about significant institutional reform and the importance for the Bank of maintaining the engagement through dialogue, sector work and projects as appropriate over the longer term. In that same context, MRDP2 also demonstrates how progress on institutional reform can at times be more effectively pursued through smaller projects that build a ground-swell of support within the institution, rather than through national programs that can be seen as more threatening by vested interests. The success of MRDP2 in contributing to broad based institutional reform, whereas DFIMD failed when focused at the national level during the same time period, is a case in point.

ii) LGU Capacity. Within the Philippine socio-political context, an important lesson relates to the capacity of LGUs, particularly those in poor rural areas which are broadly believed among national agencies, notably the Oversight Agencies, to be weak and incapable of undertaking detailed planning, feasibility studies, procurement, financial management and the like. The evidence from MRDP2 shows that when confronted with the appropriate financial incentives and provided with clear direction and support, such LGUs can quite quickly come up to speed in strengthening their capacity and procedures. Moreover, experience from the project has shown that, once capacitated and "shown-the-way", the level of motivation and effectiveness in seeking out other programs and resources, even by poor LGUs, should not be underestimated.

iii) The nexus of "bottom-up" and Strategic Objectives. The merits of CDD have been well demonstrated and the approach is central to many Bank supported projects in the Philippines, e.g., though Kalahi-CIDDS, ARMM Social Fund, and Mindanao Trust Fund. This was also a central element in the design of MRDP2 and the means to facilitate the implementation of subprojects responding to local demand. The approach has been particularly effective in addressing the needs of poor and vulnerable groups. However as MRDP2 has demonstrated in the case of the DA, the agency charged with ensuring national food security and development of a modern and competitive agriculture sector, the CDD approach needs to also incorporate and overlay of National and Regional strategic objectives to ensure the cost-effectiveness of programs. Examples from MRDP2 highlight this point, e.g., development of rural roads at the request of communities that do not link to main arteries or markets and requests for support for enterprises or crops that are not particularly suited to the area. The design of MRDP2 was refined at mid-term to reflect this learning and the design of PRDP has further expanded on the experience. The process now provides for national and regional strategic objectives to be integrated at the provincial level with local plans and stakeholder inputs to better balance strategic objectives and comparative advantage, with locally "felt-needs".

iv) Natural Resource Management-issues for implementation. Under MRDP2, NRM subprojects, with the support of GEF, were designed and implemented as "free standing" activities. Several lessons come from this experience. Firstly, as implementation proceeded it became evident that NRM-GEF goals, particularly in regard to "marine protected areas" adjacent to populated coastal areas could not have any hope of being achieved without greater attention to alternative and sustainable income generating activities. Secondly, rather than implement NRM-GEF subprojects as "free-standing" activities, they could have been more effective if integrated as part of other components (CFAD and RI). Thirdly, the limited loan funding allocated to the NRM-GEF activities, coupled with the wide-spread selection of NRM sites in 24 LGUs, overly diluted the ability to have a meaningful impact with the available resources, and: Fourthly, NRM is a complex undertaking where incentives, livelihoods, cultural, social and political aspects need to be addressed, along with technical considerations. These take significant periods of sustained effort and the associated institutional issues can be complex and depend very much on sustained local incentives and commitment. The failings of the largely technological approach pursued under this small component of MRDP2, coupled with overly ambitious objectives, provide important project design lessons.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

66. The Borrower was provided with a copy of the draft ICR and has commented that "After thorough perusal of the aforementioned report, we would like to signify that we have no further comments or suggestions on the said report. Thus, we are forwarding our official letter of acceptance of the ICR report of World Bank External Evaluation Team for the abovementioned study".

(b) Cofinanciers

67. The project was co-financed through a fully blended GEF grant of US$6.351 Million and an AusAid Technical Assistance Grant in the amount of US$3 M for the purpose of supporting the IGR component. This latter grant proved to be a valuable contribution both in achieving the objectives of the project and in designing the institutional aspects of the follow-on PRDP. No comments were received from AusAid on the draft ICR.

(c) Other partners and stakeholders

There were no other partners or stakeholders

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Mindanao Rural Development Project - Phase 2 - P084967			
Components	**Appraisal Estimate (USD millions)**	**Actual/Latest Estimate (USD millions)**	**Percentage of Appraisal**
1. Investment for Governance Reforms & Program Administration	4.400	9.790	223
2. Rural Infrastructure	83.852	82.436	98
3. Community Subprojects	30.000	30.237	101
4. Natural Resource Management	5.400	4.600	85
Total Baseline Cost	**123.652**	127.253	103
Physical Contingencies	0.00		
Price Contingencies	0.00		
Total Project Costs	123.652	127.253	103
PPF	0.00		
Front-end fee IBRD	0.00		
Total Financing Required	**123.652**	127.253	103

Mindanao Rural Development Program (MRDP) Phase II - Natural Resource Management Component - P096836 GEF Grant			
Components	**Appraisal Estimate (USD millions)**	**Actual/Latest Estimate (USD millions)**	**Percentage of Appraisal**
Natural Resource Management	6.351	5.62	89
Total Baseline Cost	**6.351**	5.62	89
Physical Contingencies	0.00		
Price Contingencies	0.00		
Total Project Costs	6.351	5.62	89
PPF	0.00		
Front-end fee IBRD	0.00		
Total Financing Required	**6.351**	5.62	89

(b) Financing

P084967 - Mindanao Rural Development Project - Phase 2				
Source of Funds	**Type of Financing**	**Appraisal Estimate (USD millions)**	**Actual/Latest Estimate (USD millions)**	**Percentage of Appraisal**
Borrower		40.57	36.57	90
International Bank for Reconstruction and Development	Loan	83.75	81.52	97

Australia WB Trust Fund for Philippines Development	Grant	3.00	2.87	96
P096836 - Mindanao Rural Development Program (MRDP) Phase II - Natural Resource Management Component				
Source of Funds	**Type of Financing**	**Appraisal Estimate (USD millions)**	**Actual/Latest Estimate (USD millions)**	**Percentage of Appraisal**
Borrower		0.67	0.67	100
Global Environment Facility (GEF)		6.35	5.62	89

Annex 2. Outputs by Component and Overall Project Assessment

1. The project was implemented over 7.5 years, including a two year extension from its effectiveness July 3, 2007, to its closing on December 31, 2014. The goal of implementing MRDP2 across 26 provinces and 225 municipalities was achieved. The results directly attributable to investments[28] under the project were extensive and included:

- 1,976,694 direct project beneficiaries of whom 49% were women.
- 111 km of new rural roads were constructed
- 1,203km of rural roads were rehabilitated
- 688 linear meters of single lane bridges were constructed
- 2,175 ha of new irrigation were developed and 2,907 ha of irrigation and drainage were provided with improved irrigation and drainage services
- 19 Water used associations formed or strengthened. Some 24,925 people were provided with new/improved irrigation and drainage services of whom 7,098 (28%) were women.
- 104,708 people provide with access to improved water sources
- 1800 community water points constructed or rehabilitated
- 4,059 CFAD (livelihood & micro-enterprise) sub projects were undertaken involving 180,285 beneficiaries. Of those 46% were women and 24% were IPs. Among the IPs some 45% were women
- 720 ha (GEF) and 1,031 ha (NRM) of marine and fish sanctuaries have been established
- 449 ha (GEF) and 697 (NRM) of mangrove forest have been rehabilitated and protected, and
- 994 ha (GEF) and 2,191 (NRM) of agro-forest or 96% of the original target have been rehabilitated and protected.

2. In terms of outcomes, as discussed below, the PDOs for the project were achieved while a moderately unsatisfactory outcome was achieved for the GEO. Nevertheless, there was substantial achievement of virtually all Loan and GEF Intermediate Outcomes. Notably, while the project was a second phase of what was projected to be 15 year program (APL), the approach and institutional reforms supported by the project evolved at a more rapid pace than originally envisaged. The project has provided the platform on which a much larger and nation-wide rural development program has been launched under the Philippine Rural Development Project (PRDP)[29].

Project Development Objectives

3. The PDO for the project had two elements; (i) PDO1; to improve livelihood opportunities for targeted communities in Mindanao; and (ii) PDO 2; to institutionalize a decentralized system for agriculture and fishery services delivery that promotes participation, transparency and accountability. Investments under the project in rural infrastructure (RI) and micro-enterprise

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[28] Monitored through Core Bank Indicators added in agreement with the Bank, November 2012

[29] The Philippine Rural Development Project (PRDP), supported by a US$501.25 M Bank loan and US$ 7 M GEF Grant, was approved August 29, 2014. Its design builds on that of MRDP2 and will be rolled-out nation-wide. The Project will promote more inclusive rural development by supporting smallholders and fishers to increase their marketable surpluses, and their access to markets. Also supported are changes in the planning, resource programming & implementation practices of the DA. It will facilitate the integration and financing of priority local investments derived from the DA's AFMA plans which have been developed using a value chain approach, and through a consultative process with local stakeholders.

development (CFAD) were directly supportive of income and employment generation under PDO 1 (Table 1) while the institutional reforms under the IGR component were directly linked with achievement of PDO2. The conservation aspects of the NRM component, being long-term in nature, were more supportive of the GEO. This assessment finds the PDO for the project was satisfactorily achieved as discussed below.

4. PDO 1: Improve access to livelihood opportunities of targeted communities: The Performance Indictor of increasing average household incomes of beneficiary communities by 20% and 10% higher than a control group was achieved. Overall, the results show the following at project completion:

- Household real income in the project areas was increased to PhP102,759;a 36% increase in nominal terms, equivalent to a 20% real increase. Likewise the target of increasing average household incomes by 10% above the control was also achieved. Control group real incomes increased to PhP96,468, a 10% increase compared with the 36% increase in the project areas. The baseline for the Control group was 16% above the baseline for the project areas, but household incomes grew more rapidly for project areas and significantly overtook income levels of the control group.

The total number of beneficiaries is estimated to be 1,976,614, of whom 49% are women (Table 2).

Table 1. Key outputs and outcomes from investments supporting achievement of PDO1: Improvement of livelihood opportunities for targeted communities in Mindanao.

RI & CFAD investment	Outputs	Key outcome contributing to achievement of PDO 1
FMRs rehabilitated	1,203 km	- 69% reduction in travel time coupled with improved access, economic and social benefits. - Cropping intensity significantly increased to an average of 180%. - Time to fetch water reduced by 67%. - Water-borne disease incidents decreased from 29% to less than 5%.
FMRs constructed	111 km	
Single lane bridge	688 lm	
Irrig, rehab	2,907 ha	
Irrig. new	2,175 ha	
Communal Water points	1,800	
CFAD livelihood/ micro-enterprise sub projects	4,058sub projects	180,285 beneficiaries of whom 46% were women and 24% IPs. Among the IPs, 45% were women 85% viability of enterprises

Table 2. MRDP2 beneficiaries by component and gender.

COMPONENT	Total Beneficiaries			% Women Beneficiaries
	Male	Female	Total	
Rural Infra (RI)				
FMR/Bridges	824,382	820,500	1,644,882	50%
Irrigation	22,015	7,098	29,113	24%
PWS	57,243	46,835	104,078	45%
Subtotal (RI)	903,640	874,433	1,778,073	49%
CFAD	96,336	83,989	180,325	47%

NRM	11,438	6,778	18,216	37%
Grand Total	1,011,414	965,200	1,976,614	49%

5. A summary of the methodology followed in evaluating the project outcomes is provided below[30] and detailed in the Consultant's report (ref. Annex 6, report viii). The results reflect end 2013 data. Household Surveys were the primary data collection method used to compare beneficiary conditions at project completion with equivalent baseline data. Mindanao-wide, the annual average nominal household income in areas covered by the project was 6.5% higher in 2013 than the annual average income of families in non-project areas of Mindanao. This reflects a significant change since 2010 (MRDP2 baseline survey), when nominal household incomes were higher in non-project areas (i.e., Project areas; PhP67589 (PhP13518 per capita income) and Non-project areas PhP78471 (PhP15,694 per capita income). Nevertheless, at that time both project and non-project per capita incomes were below the country's poverty threshold of PhP16,871 (2009). Four years later, annual average nominal household incomes across Mindanao were PhP102759 and PhP96,468 for the project areas and non-project areas, respectively. In per capita terms this corresponds to PhP20552 and PhP19294 for project and non-project areas, whereas the 2012 annual per capita poverty threshold for the country was PhP18,935. This reflects a significant reversal of the average household economic condition, especially in project areas. The household nominal income of target communities in MRDP2 areas rose by 36%, while that in non-MRDP2 areas it grew by 10% (using CPI 2006 as base year and an 11.9% increase in commodity prices from 2010–2013).

6. A disaggregation of the data shows considerable Regional and minority group differences. Target beneficiaries in Region 10 recording the highest average increase in household nominal income (45%) over baseline, followed by Region 12 (20%), Region 13 (17%) and Region 11 (2%). There was negative increase recorded for Regions 9 (-6%) and ARMM (-25%), although target beneficiaries in ARMM reported a two-fold increase in on-farm income, from PhP15,743 to

[30] The evaluation used the same five data collection methods as for the Baseline Survey i.e., Household Surveys, Focus Group Discussions, Key informant interviews, and LGU Survey questionnaires. Secondary data was collected on (i) physical outputs and expenditures (ii) institutional processes and strategies adopted by DA-RFOs, LGUs, and beneficiaries, governance reforms, (iii) profiles of community organizations established and, (iv) listing of LGUs that participated in each component of the project. For both the baseline and Project Completion evaluation, Household Surveys were the primary source of data. Half of the respondents were drawn from program areas, with the other half comprising a control group from non-program areas. Using the Fisher (1989) and Kish (1975) formulas for determining sample size, a total of 960 households were estimated for each group, providing a 97% confidence level. Respondents were randomly selected beneficiaries of the RI, CFAD, and NRM components based on unequal-multi-stage cluster sampling. In the non-program areas, households were randomly selected based on barangay listings. The selection of control municipalities was based on the similarities of their characteristics with the target municipalities in terms of poverty incidence, absence of foreign-assisted projects, population of women and IPs, as well as distance from each other. The evaluation measured: (i) regional differences in on-farm, off-farm, nonfarm, and total household income; (ii) incomes of female-headed households; and (iii) incomes of IP households. (On-farm: income derived from farmer's own farm (i.e., rice, corn, fish, livestock, etc.); Off-farm: income derived from other farms i.e. labor wage, rent of farm, equipment/animals, or any service fee from working in other farms); and Non-farm: income derived from sources not related to farming activities (all other incomes not counted in on-farm and off-farm).

PhP39,944. Noteworthy also is that while there was a significant 36% increase in average annual household incomes for MRDP2 project areas as a whole that per capita incomes in project areas are still roughly on par with the national per capita poverty threshold levels of PhP 18,904 for most regions. For Region 10 per capita incomes in the project areas were significantly lower at PhP 14,613. These results notwithstanding, the focus of MRDP2 on areas where poverty and the existence of vulnerable groups were more pervasive could account for the relatively low per capita income levels, despite the significant gains that can be attributed to the project. Likewise, average per capita incomes for IPs at PhP16,915 were also lower than the annual average per capita poverty threshold level..

7. The main sources of household income at project completion were from on-farm (39%), off-farm (3%), and non-farm (58%)[31]. Household incomes from on-farm activities rose by 15%, and from non-farm activities, by as much as 67%. The significant increase in non-farm incomes is attributed in part to the benefits from CFAD subprojects, as well as from improved road conditions that have led to more people having motorcycles which they use for transporting passengers and produce. Income from agricultural production has shifted somewhat to non-farm activities perceived as providing more attractive income source. By contrast, off-farm household incomes dropped by about 40% due in part at least to the shift in work from seasonal farm labor to on-farm or non-farm activities.

8. PDO 2: Institutionalize a decentralized system for agriculture and fisheries service delivery that promotes participation and accountability. The Results Framework did not provide a PDO indicator, but it was noted in the PAD that this PDO would be assessed against outcome indicators for Component I (IGR). Those indicators were achieved i.e.:

- Beneficiaries reported an 87% level of satisfaction with LGU service delivery in the program areas at project completion: a substantial increase over the baseline of 37%**.** LGUs in project areas were assessed as having improved their service delivery by 48% more than their counterparts in the sampled non-project areas.[32] But there was also an 80% improvement recorded in satisfaction levels with service delivery in non-project areas. This may also be a reflection of the decentralized system of service delivery implemented by the DA through its RFOs in Mindanao which would have benefited all LGUs, whether or not they received investment support under MRDP2.
- At project completion 100% LGUs rated their ability to plan and implement investments as satisfactory or better, due to the project (the target was a70% improvement).

[31] On-farm: income derived from farmer's own farm (i.e., rice, corn, fish, livestock, etc.); Off-farm: income derived from other farms i.e. labor wage, rent of farm equipment/animals, or any service fee from working in other farms); and Non-farm: income derived from sources not related to farming activities (all other incomes not counted in on-farm and off-farm).

[32] The higher than expected baseline of (37%) compared with the 35% target set at appraisal clearly underestimated perceptions as to levels of satisfaction with service delivery and could perhaps be attributed to other government programs including MRDP1. Nevertheless, feedback from stakeholders suggests the strategy under MRDP2 of bringing the subproject planning process down to the barangay level and the targeting of disadvantaged and vulnerable groups) contributed to the increased and focused delivery of services.

- Based on the five Municipal LGUs and six PLGUs sampled where accounting records separated expenditure sufficiently to enable a thorough analysis, there were large increases in LGU agricultural sector expenditures, ranging from almost 700 to over 1000%. The increases in expenditures were greatest in 2011 and 2012 corresponding with the peak in program implementation for RI, CFAD, and NRM subprojects under MRDP2. Based on this data and feedback from LGU and stakeholders there has been an upsurge in agricultural sector expenditures in the MRDP2 program areas. (Target was a 15% increase in expenditure)

9. Given the process involved in institutionalizing a decentralized system of service delivery, the above indicators did not enable the extent to which decentralization has taken place to be evaluated. For this ICR therefore, the methodology used was to assess; i) whether decentralized planning and budget allocations made were effectively implemented?, ii) do LGUs and other stakeholders have an effective role in determining the needs and types of service delivery provided by the DA and/or from other sources?, iii) is accountability for quality of service delivery is being applied?, and iv) are systems in place to support and sustain the decentralized approach?. Based on this methodology, the evaluation shows that MRDP2 can be credited with much of what has been achieved and that an institutionalized and decentralized system for agriculture and fisheries service delivery is well accepted and quite advanced among DA-RFOs in Mindanao. A Satisfactory rating of this indicator is therefore warranted.

10. MRDP2 can be credited with establishing the systems, operational procedures and confidence within the DA to pursue a decentralized system more widely across its commodity programs and bureaus nation-wide. That undoubtedly will take time and be a graduated process under PRDP, given the diversity of agencies and entrenched “ways of doing business”. The process is however underway with the decision to roll-out decentralized processes under PRDP; a significant step being the recent approval of a harmonized Manual for DA-LGU Engagement prepared under MRDP2 which standardizes protocols and procedures for infrastructure investments across all DA programs.

11. With the decentralized system developed under MRDP2, DA-RFOs have reported substantial improvements in their capacity, operational experience, Procurement, FM, Safeguard and MIS procedures. They also reported significant improvements in their ability to plan and coordinate technical services formerly provided “top-down” by DA line agencies. Likewise LGUs reported having gained significant benefits from the decentralized approach to service delivery that has given them the responsibility for implementing DA programs and enabled them to determine the type and nature of technical services needed; drawing upon DA line agencies, state universities, NGOs and the private sector. LGUs have established their own systems to accommodate this new way of doing business by the DA. The degree to which even relatively weak LGUs have been able to respond under MRDP2 is something that is seemingly not well appreciated by National Government agencies, It provides an important lesson, at least in the Philippine context that i.e., “LGUs perceived as having weak governance and capacity, can quite rapidly find mechanisms through training, outsourcing etc., to prepare quality feasibility studies, fulfill processing requirements, and contract for other services as needed, once given the right incentives”; of the type provided by MRDP2. Key results and intermediate outcomes from project interventions that contributed to achieving this PDO are summarized in Table 3.

Table 3. Key outputs and outcomes from investments supporting achievement of PDO 2: Institutionalize a decentralized system for agriculture and fisheries service delivery that promotes participation and accountability.

IGR investment	**Outputs**	**Key outcome contributing to achievement of PDO 2**
LGU and RPCO training and technical assistance in Agricultural Investment Planning and implementation	Agricultural Investment plans strengthened in 225 Municipalities across 26 provinces and all DA regions in Mindanao	➢ Regional Agricultural and Fishery Modernization Plans (RAFMPs) now prepared through a process that has made the DA and the LGUs genuine partners in development. ➢ DA national programs and services now planned and coordinated in accordance with a decentralized approach to service delivery through RFOs in Mindanao, with implementation conducted in partnership with the LGUs. ➢ An effective incentive framework is operational for harnessing LGU participation and engagement in development of the agriculture sector in their areas. ➢ Localized Service Delivery (technical, financial and capacitation) being organized at Provincial level through Technical Working Groups drawing upon local expertise (Provincial, State Universities, DA line agencies etc).
LGU & RPCO Procurement and Financial Management on-the-job coaching and training	Procurement capacity of some 225 LGUs strengthened in Mindanao	➢ Streamlined procedures for contractors are facilitating procurement and more efficient contract implementation. ➢ Efficiencies in procurement are being achieved through electronic downloading of the bidding documents from the MRDP2 website. ➢ Overall capacity and governance improved as evidenced by higher levels of prior-procurement review
Up-grading, and climate proofing of infrastructure construction standards and O&M.	Improved and Standardized Procurement, FM and Operational Manuals prepared	➢ A technical, criteria-based system is now being implemented for identifying and selecting rural infrastructure investments using upgraded DPWH engineering standards, ➢ A comprehensive series of standardized Operational, Procurement, FM and M&E Manuals are being widely used ➢ A harmonized Infrastructure Operation Manual is in the process of being rolled-out to provide a common set of procedures and standards across DA programs nationally.
Geo-tagging Development and Training	Geo-tagging mainstreamed for all investments	➢ A GIS-based tool is being implemented enabling enhanced project supervision, procurement, and citizen engagement in monitoring public investments. ➢ The GIS tool has been adopted as best practice and is being increasingly adopted nationally and internationally.
Safeguard Training and capacity building	Safeguard facilitation capacity strengthened	➢ Effective compliance with Safeguards requirements being effectively achieved and monitored. ➢ Enhanced participation by IP and women being achieved through deliberate targeting (30% of fund allocation) to ensure their engagement in preparing Barangay Development Plans.

Global Environment Objective (GEO)

12. The GEF-NRM support provided under the project was to assist in conserving critical coastal and marine biodiversity, supported by sustainable land management in linked upland areas, by removing barriers to mainstreaming marine and coastal biodiversity conservation. Based on the assessment in sites where comparison with baseline (2010 study) was possible[33], the key outcome indicators in the Results Framework for the GEO were not achieved as indicated below:

- The Target of 30% increase in fish biomass and density in targeted protected areas was not achieved. The average fish biomass in the three sample sites ranged from 4.2-6.8 kg/500m²; a 12-29% decrease from the baseline. The average fish density in the seven sample sites ranged from 249-425 individuals/500m². The trends in average fish density are less clear, with one survey indicating a decrease of 18% while the second survey indicates an increase of 23%. Different methodologies and data sources used make it difficult to draw a final conclusion.
- The Target of 10% decrease in siltation and sedimentation could not be measured. It was agreed during the 7th implementation support mission that this indicator was impractical to measure. Although identified for restructuring, it was never formally dropped.
- The Target of 10% increase in coral and sea-grass cover was not achieved. The average coverage of sea-grass in the two sample sites was 34%, which represents a 15% decrease from the baseline. The average cover of live hard coral ranged from 30-35% based on two surveys (equivalent to a 16% and 14% decrease respectively). These computations exclude "outlier data" from two sites that showed an increase of 150% and 96% respectively.

13. The GEO outcomes were highly ambitious given the relatively small scale of the interventions, the unrealistically short timeframe in which to bring about changes in attitude and fishing practices, and because the coastal reefs selected were prone to sedimentation. The time frame was also short for having measurable improvements in coral growth, fish stocks and biomass, especially since the critical mass of fish stock, coral and sea-grass in these sites was at a low level from the outset of the project. Compounding this, the median size of marine sanctuaries was quite small, ranging from 12 to 80 ha, and the area was also reportedly severely affected by Typhoon Pablo in 2013. Some LGUs reported having difficulties managing the fish sanctuaries, with poaching and dynamite fishing continuing in some areas. By contrast, the three GEF sites that set up larger marine sanctuaries (almost twice the size of the overall average) experienced significant improvements in their coral cover (improved from poor to fair). Despite the failure to meet GEO

[33] An assessment was done by consultants (July to September 2014) using an enhanced line intercept transect approach (a photo transect was used for greater accuracy). Difficulties resulted from the lack of comparable baseline information in most of the sites. A validation exercise was done in October 13 to 24, 2014 in some sites to strengthen the accuracy of the findings. A joint BFAR-DA-LGU-SDS team conducted the re-assessment in five sites using a simple line intercept transect method. The results generally confirmed the initial results, except for change in fish density. While the initial assessment showed a significant decrease, the validation showed a significant increase. The difference was mainly attributed to the different methods used and inclusion of some "outlier" data. The validation exercise used a qualitative approach log-scale method, which relied more on stakeholder perception, as opposed to the photo enhanced line intercept transect used in the initial assessment. Clear deficiencies are apparent in how sites were delineated and sampled, as well as how the processes by which the fish biomass, coral and sea grass baseline was measured, subsequently monitored and assessed at project completion. This led to considerable variation in the data and controversy as to the accuracy and interpretation of the data. That said, an analysis of the orders of magnitude from the various data sets support the overall assessment that the GEO was not achieved.

outcomes, there was a substantial achievement of NRM Project Intermediate Outcome Indicators for both the Loan and GEF grant as summarized in Table 4.

Table 4. Key outputs and outcomes from investments supporting the GEO: Improvement of livelihood opportunities for targeted communities in Mindanao.

NRM & GEF investment	Outputs	Key outcome contributing to the GEO
Marine and fish sanctuaries established	720 ha (GEF) & 1,031 ha (NRM)	All 11 GEF and 5 sampled NRM LGUS have integrated NRM plans with Municipal or city development plans All 11 and 5 sampled NRM GEF LGUs have passed enabling resolutions to support SLM and coastal biodiversity conservation but only 2 allocated a separate budget. 35% of all SIGA recipients were IPs and 47% women All 11 GEF and 5 sampled NRM LGUs have active Bantay Dagat linked with CAFGU and PNP. All 11 GEF and 5 sampled NRM LGUs have closely collaborated with DA, BFAR, DENR and NCIP to support project activities in particular with regards to training and 92% of beneficiaries in GEF &NRM sites are aware of land management practices and coastal & marine biodiversity conservation. 90% reported participating in such activities.
Mangrove forest rehabilitated & protected	449 ha (GEF) & 696.5 (NRM)	
Degraded hilly land rehabilitated and protected	994 ha (GEF) & 2,191 (NRM)	

Project Intermediate Outcomes

14. The indicators against which the project was to be monitored and evaluated were modified on three occasions. A fourth revision was proposed but not formalized in the second to last (i.e.11th) Implementation Review Mission for the project[34]. The first formal change was the dropping of the indicator on LGUs adoption of accountability measures linked to the Performance-based grants. The second change was the addition of ‘Core Indicators” although this was not formalized through restructuring. The third change followed the approval of the AusAid supported technical assistance grant (TF011929) which expanded the monitoring of Component 1 (Investment for Governance Reform and Program Administration (IGR)). The following summarizes the main outputs by component.

[34] The March 2014 Bank Review mission recommended restructuring to improve assessment of outcomes, but this did not occur. It was suggested some indicators should be elevated to the level of the PDO as they measured PDO outcomes while some ‘intermediate’ indicators were dropped or replaced as they were actually results, rather than the more appropriate output indicators. Coming late in the project’s implementation, this recommendation was never formally adopted.

Component 1: Investment for Governance Reform and Program Administration (IGR) (Estd. Cost at Appraisal; US$4.4 M plus $3M grant (TF 011929). Actual cost at project completion; US$ 9.79 M (223%) of appraisal).

15. The three sub-components were designed to:

i) Improve the capacity of Participating LGUs in resources management and service delivery in agriculture and fisheries to perform the full range of functions assigned to them under the LGC and AFMA. The approach was to be through a "Learning-by-doing" which proved to be effective during MRDP1.
ii) Enhance the capacity of DA to support participating LGUs' agricultural planning and development and agricultural research and extension through local community participatory process. and,
iii) Strengthen the capacity of participating LGUs in the project implementation and coordination. At the LGU level, training and non-training interventions on project support and coordination were designed to target staff from the planning and financial management offices, plus those coming from the offices of the LGU agriculturist and engineers assigned project facilitation roles. For DA, capacity-building was to be directed at officially-designated personnel of the RFUs and key service units at the DA central office, particularly those for planning, field operations, and financial management, and
iv) Program Support and coordination.

16. The above activities were subsequently complemented through the AusAid TA which sought to:

i) Strengthen the ability of the Municipal LGUs to identify, select and implement infrastructure, livelihood and natural resource subprojects; enhance complementary ability of Provincial LGUs, DA Regional Field Units (RFUs, RPCOs & PSO)to provide the MLGUs with enabling support all throughout the subproject cycle, and
ii) Establish a platform for Public-Private Partnerships (PPP) to further enhance the process of agriculture and fishery services and investments delivery emphasizing the value chain approach in selected MRDP 2 sites.

17. The achievements vis-a-vis the Performance Indicators set for Component 1 (IGR) were fully met as summarized below and in the Results Framework (see ICR Datasheet). The complementary outcomes supported by the AusAid- TF011929 are summarized in Table 5.

- At project completion, 100% of LGUs rated their ability to better plan and implement investment programs (control systems, planning, supervision) as satisfactory or better, due to the project (target was 70%).
- Beneficiaries reported an 87% level of satisfaction with LGU service delivery in the program areas at project completion (by 80% in non-program areas): a substantial increase over the baseline of 37%**.** LGUs in project areas were assessed as having improved their service delivery by 48% more than their counterparts in the sampled non-project areas (The target was 35% although this proved to be below the baseline of 37%). (See additional discussion above under PDO2).
- Based on the five Municipal LGUs and six PLGUs sampled where accounting records separated expenditure sufficiently to enable a thorough analysis, there were large increases in LGU agricultural sector expenditures, ranging from almost 700 to over 1000%. The increases in expenditures were greatest in 2011 and 2012 corresponding with the peak in program

implementation for RI, CFAD, and NRM subprojects under MRDP2. Based on this data and feedback from LGU and stakeholders there has been an upsurge in agricultural sector expenditures across the MRDP2 program areas. (The target was for a 15%increase in investment)

- Level of satisfaction with selection and implementation of subprojects among DA-RPCOs, LGUs, farmer-clients and private sector increased by 7% on average which is lower than the target (+25%). However, the baseline was already very high (88% on average) making it impossible to achieve targeted growth. Taking it into account as well as recognizing the fact that the project's activities managed to increase it up to 94% on average, this outcome is assessed as largely achieved.
- All studied subprojects were finished in acceptable quality and within standard costs. This result exceeds targeted 80%.
- On average LGUs' satisfaction with the fairness, transparency and efficiency increased by around 5% each. This result is lower than the target (+50%). However, the baselines were already very high making them impossible to achieve targeted growth. Taking it into account as well as recognizing the fact that the project's activities managed to increase satisfaction with fairness, transparency and efficiency up to 92%-93%, this outcome is assessed as largely achieved.
- As for satisfaction of participating LGUs with technical and other support provided by their respective RPCO and Provincial LGUs in the preparation, processing and implementation oversight of the sub-projects, it is also achieved target (although the baseline was already very high exceeding the target).
- Agribusiness entrepreneurs with stronger confidence in the business environment in the target sites. Target: at least 50% increase in agribusiness entrepreneur confidence.
- Target for POs in terms of stronger confidence in the business environment is achieved with 54% growth. As for the Private Agribusiness Entrepreneurs, their baseline was identified as high as 89% making it impossible to achieve targeted 50% growth. Taking it into account and recognizing the fact that the project's activities managed to increase it up to 100%, this outcome is assessed as largely achieved.

18. As also discussed in relation to PDO 2 above, these indicators do not capture the full range of institutional developments attributable to the project which occurred though an evolution in the approach and scope of activities. Whereas the original design sought to "improve the capacity of LGUs to perform the full range of functions assigned to them under the LGC and AFMA", this was refined at mid-term to focus more on strengthening the partnership between the DA and LGUs in planning and implementation of subprojects that, while responding to local demands, were also linked with DA regional and national strategic objectives. As the project evolved, it became clear that while there were merits in supporting agricultural development in a decentralized manner through community (bottom-up) participation, there was also a need to be more strategic in how such investments were made. In particular, the need to be more strategic in a) which agricultural or fishery products to support, based on their regional and ecological comparative advantage, and b) the strengthening of linkages between production and marketing (value chains). This refinement was underpinned by the development and piloting under MRDP2 of three innovative tools, developed largely through the assistance provided by the AusAid TF i.e., i) the Vulnerability and Suitability Assessment (VSA)[35] tool which facilitated prioritization by modeling factors such as

[35] Under the PRDP, the targeting of interventions to raise incomes of poor farmers and fishers has been strengthened through an Expanded Vulnerability and Suitability Assessments (EVSA) which are GIS–based and take account of socio-economic conditions, agricultural and fishery productive capacity as well as agronomic and fishery vulnerability and suitability. This is then used to enhance the GIS-based targeting of

land suitability for crop and fishery production; frequency of extreme weather events and adaptive capacity of municipalities based on income and infrastructure levels, ii) Value Chain Analysis (VCA) to identify regional agricultural and fishery commodity priorities and opportunities, and iii) the use of the geo-tagging technology to help ensuring regular monitoring and supervision of sub-projects, even in hard to reach areas, as well as an adjunct to the procurement process. Collectively, the workshops, training, studies, preparation and pilot testing of manuals provided under MRDP2 in the application of these tools, provided the basis on which the much larger follow-on PRDP program was developed[36].

19. Another "evolution" in approach under MRDP2 was in ways to foster Public-Private Partnerships (PPPs). Whereas the initial focus under the AusAid TA was through skills workshops to train and support LGU initiatives to attract private sector agricultural and fishery investments, this led to and facilitated a refinement in ways to strengthen public-private partnerships based on value chain analysis and particularly through support for small agricultural and fishery enterprise development. This refinement has led to the new focus of DA under the follow-on PRDP which is to (a) to provide catalytic investments to spur economic development through critical rural infrastructure that have constrained the development of value chains; and (b) to support the clustering and vertical integration of small-scale producer groups and associations with those already involved in agro-processing and marketing.

Table 5: Component 1: Investment for Governance Reform and Program Administration (IGR) Targets *vis-a-vis* Intermediate Outcome Indicators (AusAid grant (TF011929)

<table>
<tr><th>AusAid- TF011929
Intermediate Indicator</th><th>Status of Intermediate Outcome</th></tr>
<tr><td>Convergence of perceptions among DA RPCOs, LGUs, farmer-clients & private sector on the satisfactory selection and implementation of Subprojects;</td><td><u>Target:</u> At least 25% increase in client satisfaction with selection and implementation of subprojects.
<u>Largely achieved:</u> On average client satisfaction increased by 7% which is lower than the target. However, the baseline was already very high (88% on average) making it impossible to achieve 25% growth. Taking it into account as well as recognizing the fact that the project's activities managed to increase it up to 94% on average, this outcome can be assessed as largely achieved.
<table>
<tr><th></th><th>Baseline</th><th>EOP</th><th>% Increase</th></tr>
<tr><td>RI</td><td>87%</td><td>93%</td><td>6%</td></tr>
<tr><td>CFAD</td><td>88%</td><td>95%</td><td>7%</td></tr>
<tr><td>NRM</td><td>91%</td><td>96%</td><td>6%</td></tr>
<tr><td>Average</td><td>88%</td><td>94%</td><td>7%</td></tr>
</table></td></tr>
</table>

interventions and to tailor strategies to enhance climate resiliency of production. The EVSA tool takes account of socio-economic indicators such as poverty magnitude, poverty incidence, number of farmers and fishers, size of production area, etc. Poverty maps have been prepared to help target interventions under the project. The strategies and targeting of income generating interventions through the EVSA is further refined through Value Chain Analysis (VCA); an analytical tool that focuses on identifying priority commodity value chains, gaps and needs for particular areas.

[36] PRDP (US$501.25M Loan US$7M GEF) seeks to: (a) link national food security and commodity goals with support responding to localized agricultural suitability, vulnerability and comparative advantage; (b) raise productivity; and (c) facilitate the vertical integration of groups involved in agricultural, livestock and fishery production, with those involved in processing and marketing to enhance value chain efficiencies and value-adding

<table>
<tr><th>AusAid- TF011929
Intermediate Indicator</th><th>Status of Intermediate Outcome</th></tr>
<tr><td>Sub-projects under the Project finished in acceptable quality and within standard costs</td><td>Target: At least 80% of subprojects finished in acceptable quality and within standard costs
Achieved: All studied subprojects were finished in acceptable quality and within standard costs.
<table>
<tr><th></th><th>Baseline</th><th>EOP</th><th>% Completed</th></tr>
<tr><td>FMR
CIS
CFAD</td><td>4
1
27</td><td>4
1
27</td><td>100%
100%
100%</td></tr>
</table></td></tr>
<tr><td>Contractors engaged by LGUs satisfied with the fairness, transparency & efficiency by which LGU s handled processing & management of the Sub-projects</td><td>Target: 50% increase in contractor satisfaction
Largely achieved: On average LGUs' satisfaction with the fairness, transparency and efficiency increased by 5.4%, 5.2% and 5.5% respectively. These results are lower than the target. However, the baselines were already very high making them impossible to achieve 50% growth. Taking it into account as well as recognizing the fact that the project's activities managed to increase them up to 93.1%, 92.9% and 92.0% for fairness, transparency and efficiency respectively, this outcome can be assessed as largely achieved.
<table>
<tr><th></th><th>Baseline</th><th>EOP</th><th>% Increase</th></tr>
<tr><td>Fairness
Transparency
Efficiency</td><td>88.3%
88.3%
87.2%</td><td>93.1%
92.9%
92.0%</td><td>5.4%
5.2%
5.5%</td></tr>
</table></td></tr>
<tr><td>Participating LGUs satisfied with technical and other support provided by their respective RPCO & Provincial LGUs in the preparation, processing and implementation oversight of the sub-projects</td><td>Target: at least 50% of LGUs satisfied with support provided
Achieved: Target is reached. However it should be noted that the baseline was already exceeding the target. This raises a question about quality of outcome formulation and target setting.
<table>
<tr><th></th><th>Baseline</th><th>EOP</th><th>% Increase</th></tr>
<tr><td>RPCO
PPMIU</td><td>85.3%
83.5%</td><td>96.0%
90.0%</td><td>12.5%
7.8%</td></tr>
</table></td></tr>
<tr><td>Agribusiness entrepreneurs with stronger confidence in the business environment in the target sites.</td><td>Target: at least 50% increase in agribusiness entrepreneur confidence.
Largely achieved: Target for POs is achieved with 54% growth. As for the Private Agribusiness Entrepreneurs, their baseline was identified as high as 89% making it impossible to achieve 50% growth. Taking it into account and recognizing the fact that the project's activities managed to increase it up to 100%, this outcome can be assessed as largely achieved.
<table>
<tr><th></th><th>Baseline</th><th>EOP</th><th>Increase</th></tr>
<tr><td>POs</td><td>46%</td><td>100%</td><td>54%</td></tr>
<tr><td>Private Agribusiness Entrepreneurs</td><td>89%</td><td>100%</td><td>11%</td></tr>
</table></td></tr>
</table>

Component 2: Rural Infrastructure (RI) (Estd cost at Appraisal US$83.852M. Actual cost at project completion; US$82.4 M (98%) of appraisal).

20. This supported a program of sub-projects to improve access to basic rural infrastructure services by rural communities and to enhance these rural infrastructures operation and maintenance standards, as well as monitoring and evaluation of their construction and rehabilitation. Investments were planned in;

i) Construction and/or rehabilitation of selected farm to market roads and single lane bridges,
ii) Construction and/or rehabilitation of selected community-owned and managed run-of-river communal irrigation systems,
iii) Construction and/or rehabilitation of selected level-2 (communal faucets) rural potable water supply systems, and
iv) Other selected rural infrastructure projects to enhance agricultural and fisheries productivity and access to markets by rural communities.

21. At appraisal it was anticipated that infrastructure support would be provided to some 225 municipalities over 26 provinces and this was achieved. Collectively some 469 subprojects were completed. The success of the RI component was facilitated by the substantial training provided during the initial stages of the project for technical personnel of the PSO, RPCOs, PLGUs and MLGUs in regard to feasibility studies, engineering designs, procurement, contract management & supervision, materials quality testing, geo-tagging, financial management and O&M. Quality assurance and quality control were strengthened as a result of the project with the RPCO conducting regular supervision and monitoring activities of the detailed engineering plan and technical specifications. The geo-tagging technology introduced under the project greatly facilitated this process.

22. While indicative targets were set for RI infrastructure targets at appraisal, these were based on the loan allocation and unit costs at the time. Subsequently design standards and unit costs were changed by DPWH to improve climate resilience and reduce O& M, particularly through concreting of farm to market roads and upgrading of gravel roads to concrete paved roads and the re-designing of drainage facilities to provide for a minimum diameter of cross-drains of 900 mm, including the adjustment of interval for drainage manholes. .

23. All Intermediate Outcome indicators were achieved as summarized below;

- The Target of a reduction of 30% reduction in travel time was achieved. The length of time needed to reach the market by some form of vehicle was reduced by 69% after the implementation of FMR subprojects. Likewise, the length of time needed to reach the market by walking is considerably reduced in the FMR areas, by 56%. The basic reference point was the distance from production areas to markets. The average time spent before the project was 87.5 minutes (with a range of 30–300 minutes). This estimate was compared with the average time spent of 26.75 minutes (ranging from 5–120 minutes) after the program intervention, for a significant reduction in travel time of around 60 minutes, on average, or a significant 69% reduction in travel time from baseline. Apart from the improved road surface condition of mainly upgraded gravel FMRs, the participants cited the concreting of uphill stretches of road sections as a major contribution and good practice of the MRDP2. This reduced both travel time and the number of road accidents gave the beneficiaries a better sense of security while traveling even at night. This reportedly also contributed to greater benefits to farmers in terms of higher prices of their commodities in view of the higher quality of products for delivery to markets

- The Target of a 10% savings in passenger and transport costs was achieved. Passenger and produce transport costs were at PhP0.85/kg and PhP1.00/kg in the program and non-program areas, respectively, by project completion. This means that the transport costs generally increased, instead of decreased, by 12% and 15% from baseline of PhP0.76/kg and PhP0.87/kg in both areas, respectively. Savings were computed by taking the difference between the transport cost in non-program areas and program areas. The computed savings were PhP0.11/kg at baseline and PhP0.15 at project completion, resulting in an increase in savings of PhP0.04/ kg or 36.36% from baseline. These savings exceeded the target of 10%, although the actual transport cost has increased during the period under review, primarily due to general increases in the price of fuel and the adjusted passenger fare for public utility vehicles.

- The Target for increased cropping intensity was 150-180%. This was achieved with average cropping intensity in the project areas significantly increasing to 180%. The increase in cropping intensity primarily benefited the poor farmers cultivating farms averaging around 1 ha or less. The more reliable water from communal irrigation systems (CISs) constructed/ rehabilitated under MRDP2 enabled two rice crops/ year to be produced with some farmers getting three crops. The more reliable availability of irrigation water also encouraged some farm households to put previously idle lands into production. There was also some increase in cropping intensity in non-program areas to 173% at project completion due to the development of irrigation systems under other government projects.

- The Target of a 65% reduction in the time to fetch water was reduced by 67%. The number of people with access to improved water sources (using mid-term in the absence of baseline data) increased by 42%. Feedback suggests that for some systems, communities and barangays beyond the targeted areas benefited from the investments in potable water. The number of direct program beneficiaries is therefore believed to be conservative. The Target of a 50% reduction in reported water-borne disease incidents was achieved. Of the 1,920 households interviewed less than 5% reported being afflicted with waterborne diseases at project completion. Feedback indicates that the installation of potable water supply systems resulted in a considerable number of families transferring residence to have access to the improved water supply.

Component 3: Community Fund for Agriculture Development (CFAD) Sub-Projects (Estd. Cost at Appraisal US$30 M). Actual cost at project completion; US$ 30.237 M (101%) of appraisal).

24. This continued the mechanism established under the first phase of MRDP through which funds were made available to address diverse investment priorities of rural communities, consisting of financing sub-projects which meet community preferences and responded to local priorities (e.g., food security interventions, community managed livelihood and agribusiness activities, alternative income generating activities, and small infrastructure). The DA and the LGUs were to be responsible for providing technical advice and other support services. Cost-Sharing was based on an 80% (60% Loan Proceeds and 20% DA), and 20% LGU contribution. For income-generating and livelihood expansion subprojects, CFAD beneficiaries were required to have equity equivalent to 25 % of the total subproject cost. For small infrastructure subprojects, CFAD beneficiary's equity was equivalent to 10 % of the total subproject cost, either in cash or in-kind. In conflict-affected areas of Mindanao where capacity was limited there was provision for Service Providers. Project Outcomes vis-à-vis the targets set at appraisal were substantially achieved and directly attributable to the project.

- The Target of a raising household incomes by 20% and 10% higher than control group was achieved. Incomes of CFAD direct beneficiaries increased by around 35% , with the main source of such incomes coming from i) increase in production (42%), ii) increase in volume of products marketed (24%), iii) increase in the price of products sold (31%), and iv) training and the adoption of technology (3%).

- The Target of_30% of CFA allocations being accessed by women and indigenous people was achieved. Data show that IPs and women got access to about 59% of allocated resources.

25. Under the project some 4,059 sub projects were undertaken involving 180,285 beneficiaries. Of those 46% were women and 24% were IPs. Among the IPs some 45% were women. In terms of viability, a review undertaken in 2013 found the financial viability of CFAD subprojects to be about 85% on average. Non-viability averaging 15% was higher (around 50%) in those regions (11 & 13) which had suffered from the extreme effects of Typhoon Pablo in 2013. Lack of market outlets, low prices and high transportation cost were reported as major factors contributing to low viability; a finding that has reinforced the direction in which MRDP2 has evolved in seeking to better link infrastructure investments with value chain analysis and support.

26. CFAD subprojects were initially capped at PhP 250,000 each and supported food security interventions, community–managed sustainable agri-based livelihood, and small infrastructure support. The decision at mid-term was to move away from such small livelihood projects that were proving unsustainable by giving greater emphasis to establishing viable businesses and micro-enterprises, as a means to increase productivity, sustainable incomes and employment generation. More stringent selection criteria were introduced to qualify for CFAD subprojects that required the target communities to be formally organized and registered with appropriate government accreditation agencies and giving membership priority to target disadvantaged and vulnerable groups, particularly poor farmers and fishers, women, IPs, and out of-school youth. Existing functional community-based organizations such as women and IP associations, as well as multipurpose cooperatives were also recognized and supported with technical and business advisory services. This had the effect of both building ownership in the DA by aligning the CFAD approach with DA's core mandate and by improving the financial viability of the subprojects supported. Associated with this change in focus, the level of financing for subproject increased to PhP 250,000 to PhP 10,000,000. The experience from supporting micro-enterprises has provided the basis for developing the operational procedures on which the follow-on PRDP has been designed.

27. Over the period from mid-term to loan closing, some 4,058 CFAD sub-projects, were supported of which 3,488 (86%) were considered as livelihood support activities, while the 570 (14%) supported micro-enterprise development. Overall there were 180,285 direct beneficiaries from the CFAD projects and some 28,406 job were created. As illustrated in Table 6, the average number of jobs created ranged from 6 to 15 depending on the type of enterprise supported, with agro-processing ventures generally providing the largest number of permanent jobs.

Table 6. Summary of employment/job generation per sub-project category.

Sub-project Classification	**Types Jobs/ Employment Generated**	**Average No. of Jobs Generated**	**Duration of Engagement**
Food Security Interventions	Farm laborer	6	Seasonal – short term. Only during planting and harvesting season
Community-Managed Sustainable Agri-Based Livelihood and other Agri-business investments	Farm laborer	8	Seasonal – short term. Only during planting and harvesting season
Small Infrastructure Support to Agriculture Development	Construction workers	10	During project construction 2 months depending on POW

	Facility operator, caretaker, laborer	4	Throughout project life – as long as the facility is running
Agro-Processing Facilities and Expanded Agri-business Activities	Construction workers, Facility operator, processors, driver, plant manager, helper, laborer, marketing officer, caretaker, cook	10-15 13	During project construction 2 months depending on POW Throughout project life – as long as the facility is running

28. A wide variety of subprojects were supported encompassing crop, livestock and fisheries production, as well as integrated farming and pre- and postharvest storage, packaging and processing facilities. Incomes of CFAD direct beneficiaries increased by around 35%, with the main source of such incomes coming from i) increase in production (42%), ii) increase in volume of products marketed (24%), iii) increase in the price of products sold (31%), and iv) training and the adoption of technology (3%). The largest average increase in income (45%) was from livelihood subprojects which were focused on the most vulnerable groups (Table 7). Incomes of CFAD direct beneficiaries increased by around 35%, with the main source of such incomes coming from i) an increase in production (42%), ii) an increase in volume of products marketed (24%), iii) an increase in the price of products sold (31%), and iv) training and adoption of technology (3%). In relation to the volume of produce marketed, beneficiaries of subprojects involving small infrastructure had the highest increase of 117%, with beneficiaries of agro-processing next (46%), followed by community-managed sustainable agri-based livelihood (43%). Understandably beneficiaries of food security interventions registered the lowest increase in volume of produce marketed of 20%. Factors rated by the farmers in the order of importance in contributing to production increase were (i) support services (29%), ii) better quality outputs (26%), iii) technology (28%), and iv) good weather (16%).

Table 7. Average increase in income per sub-project category.

Sub-project Classification	Income before the project (PhP)		Income after the project (PhP)		% Increase
	Gross Income	Net Income	Gross Income	Net Income	
Food Security Interventions	46,182.10	31,032.40	68,705.59	44,928.65	45%
Community-Managed Sustainable Agri-Based Livelihood and other Agri-business investments	47,910.43	32,270.40	56,107.01	42,402.81	31%
Small Infrastructure Support to Agriculture Development	72,047.01	52,501.88	89,839.68	71,142.83	36%

Component 4: Natural Resource Management (total cost US$ 5.4M plus US$6.351 from GEF. Actual cost at project completion; US$ 4.60 M (85%) of appraisal excluding GEF).

29. This supported a program to conserve upland resources, coastal and marine biodiversity. The NRM goals were supported through the complementary GEF grant and were designed to support:

i) Institutionalization of participatory NRM Planning and Policy Development
ii) Establishment and co-management of marine sanctuaries and/or protected areas between communities, local government and national agencies
iii) Introduction and demonstration of sustainable land management practices benefiting land users and fisher-folk.
iv) Establishment of stream-bank stabilization measures that minimize soil erosion that drains to coastal areas.
v) Provision of Sustainable Income Generating Activities (SIGA) to relieve pressure on the natural resources while also reducing poverty.
vi) Development and mainstreaming of knowledge management systems that on a large-scale basis, increase awareness of stakeholders on the direct linkages between upland management and downstream impacts to coastal ecosystems;

30. Despite the shortfalls in achieving the GEO outcome indicators discussed previously, the project was successful in achieving and often over-achieving the NRM and GEF results indicators as shown in Table 9:

<u>NRN Intermediate Outcome</u>

- The target of 10% decrease in siltation and sedimentation and in coastal areas was not possible to measure. This indicator was recognized as being technically too difficult to measure under the project at mid-term and was to be dropped through restructuring. A letter was sent to Government confirming this but it would seem that due to an oversight, the restructuring was never formalized, and
- The target of at least 20% increase in public awareness of importance of biodiversity conservation and SLM practices as measured by sample surveys was achieved: 91.6% reported being aware of land management practices and coastal & marine biodiversity conservation. 90% reported participating in such activities (at mid-term).

<u>GEF-NRM Project Outcomes</u>

- Household incomes of beneficiaries from SIGA subprojects showed a 16% increase in average annual household income over the baseline due largely to growth in on-farm and non-farm incomes
- The Target of at least 75% of LGUs having mainstreamed NRM plans into development plans was achieved. All 11 LGUS have integrated NRM plans and implemented with their Municipal or city development plans.
- The Target of at least 75% of participating barangays and municipal LGUs have passed enabling resolutions and allocated funds was largely achieved: All 11 GEF LGUs have passed enabling resolutions to support SLM and coastal biodiversity conservation for which 55% have allocated funds. Of the five (5) sampled NRM LGUs all of them passed enabling instruments

in support of coastal resources and biodiversity conservation and have allocated funds in support of their implementation, but only two allocated separate funds.

- The Target that at least 700 ha (GEF) {and 1,031 ha (NRM)} of marine and fish sanctuaries should be established and effective co-managed as confirmed by SP2 METT was largely achieved. Some 720 ha (GEF) {and 1,031 ha (NRM)} of marine and fish sanctuaries have been established. Management effectiveness has not been measured.
- The Target that at least 500 ha (GEF) {and 652.5 ha (NRM)} of mangrove forest would be rehabilitated and protected was largely achieved: Some 449 ha (GEF) and 696.5 (NRM) of mangrove forest or 99% of the original target have been rehabilitated and protected. 10 additional hectares are to be implemented under a round two OGI GEF to be completed before the end of project.
- The target that at least 1,000 ha (GEF) {and 2,191 ha (NRM)} of degraded hilly land is rehabilitated with sustainable farming practices, multiple-use of indigenous species or assisted natural forest generation; was largely achieved. Some 887 ha (GEF) and 2,191 (NRM) of mangrove forest, or 96% of the original target have been rehabilitated and protected. 284 additional ha are to be implemented under a round two OGI GEF to be completed before the end of project.
- The target that at least 30% of SIGA allocations are accessed by IPs and/or women in participating municipalities was achieved. More than 35% of all SIGA recipients were IPs and 47% were women.
- The Target that at least 60% have active FAMRCs, *Bantay Dagat* and *Bantay Gubat* and volunteer groups in surveillance and enforcement and linked with existing enforcement bodies was largely achieved. All 11 GEF LGUs have active *Bantay Dagat* linked with CAFGU and PNP. In addition, San Agustin also involves FARMC and *Bantay Gubat* and Rizal the FARMC. Of the five (5) sampled NRM LGUs all of them have active FARMCs and *Bantay Dagat* or volunteer groups.
- The target that at least 60% of participating municipalities have formed partnerships with academe, scientific institutions, national agencies or other communities for monitoring activities was achieved. All 11 LGUs have closely collaborated with DA, BFAR, DENR and NCIP to support project activities in particular with regards to training and learning. In addition, 2 LGUs have established linkages the academe, 1 with NGOs and 1 with the academe, NGOs and agencies such as DPWH and NIA.
- The target that at least 75% of participants doing training on PRA and resource assessment, environmental monitoring and IEE are applying the knowledge gained in actual work was largely achieved. Based on a survey conducted on the change in farming practices as a result of GEF, the vast majority of respondents indicated a range of changes in behavior, including intercropping, planting of fruit trees, use of organic fertilizer, erosion prevention methods etc.
- (Same as for NRM) The target of at least 20% increase in public awareness of importance of biodiversity conservation and SLM practices as measured by sample surveys was achieved: 91.6% reported being aware of land management practices and coastal & marine biodiversity conservation. 90% reported participating in such activities.

Table 9: Component 4: Natural Resource Management and GEF grant supported activities. Targets and Accomplishments.

	Activities	Physical Target (ha)	Physical Accomplishment (ha)
NRM	Agro-forestry	2,190.5	2,190.5
	Riverbank Stabilization	534.4	484.4
	Watershed Rehabilitation	100	100
	Fish Sanctuary	1,030.92	1,030.92
	Mangrove Rehabilitation	652.5	696.5
	SALT	5	5
	Forest Plantation	72	72
	Central Nursery	0.2	0.2
GEF	Agro-forestry	1,000	886.82
	Riverbank Stabilization	0	0
	Watershed Rehabilitation	0	0
	Fish/Marine Sanctuary	700	719.8
	Mangrove Rehabilitation	500	449.82

31. The above achievements have a reasonable chance of being sustained, given that all municipalities have their NRM Plans integrated into the Municipal Development Plans and some set aside a separate budget. Several LGUs have also used the MRDP 2 resources to leverage additional funds from NGOs and other Government programs to expand their mangrove rehabilitation and plantation programs). In particular, the project effectively supported the mainstreaming of NRM plans into local development plans in all GEF sites. The LGUs encompassing those sites also passed the necessary resolutions and enabling instrument to support SLM and coastal biodiversity conservation. Importantly, behavioral changes have been observed in the targeted areas, including intercropping, planting of fruit trees, use of organic fertilizer and practices to prevent erosion. The SIGA activities, on the other hand, were often very small and are thus unlikely to develop into viable business enterprises.

32. A key observation is that the activities financed under the NRM and GEF component are not part of the core mandate of the DA and thus rely on the support and technical advice and guidance provided by BFAR, DENR and NCIP. Limited coordination mechanism currently exists to ensure effective collaboration between these agencies. To ensure that these activities are continued and possibly scaled up it will be critical to transfer the responsibilities to these partner agencies to ensure full ownership and support.

Annex 3. Economic and Financial Analysis

1. An ex-ante economic and financial analysis was conducted at the project appraisal. It estimated the overall economic benefits of the project that as expected would mainly be derived from (i) the rehabilitation of farm to market roads and the subsequent savings in traveling time and reduction in vehicle operating costs; (ii) communal irrigation schemes which will generate an increase in farm productivity; (iii) improvements in the supply of potable water resulting in increased time savings from collecting water and reduced incidence of water-borne related sickness and disease; and (iv) community-based development through the availability of community funds. The analysis was undertaken for the investments in infrastructure and the community subproject components, from which quantifiable benefits can be estimated.

2. As recommended by the WB ICR Guidelines, this ex-post economic and financial analysis was conducted using the same methodologies and approaches that have been used in the ex-ante analysis. However, it also took into account not only those benefits that have been identified during the preparation of the project, but other benefits that have not been addressed previously. In addition, this analysis was based on actual costs and data that became available upon completion of the project implementation.

3. **Farm-to-Market Roads (FMRs):** The project rehabilitated 1,203 km and constructed 111 km of farm-to-market roads. Additionally, 688 lineal meters of bridges were also built. By rehabilitating these roads which were already part of an existing network of roads, the overall use and value of the rural road network is increased. By ensuring that these roads are passable on a year-round basis, greater benefits are generated in terms of: (i) reducing the cost of transporting people, (ii) transporting agricultural produce to the market and (iii) transporting non-agricultural produce.

4. The ex-ante analysis of FMR component was based only on the results of one typical FMR subproject, based on which the feasibility of the investment in FMR component was assessed. The current ex-post analysis was based on modeling of 14 FMR subprojects implemented in the various project areas. Financial and economic models have been developed for these sub-projects. These models were based on the following assumptions:

- *Road Condition:* The models were based on the actual costs incurred during the implementation of the project. The costs mainly included the purchase of materials and equipment as well as labor costs. Thus, roughly 91% of FMR subprojects were targeted on rehabilitation of existing roads, while the remaining 9% of subprojects was focused on construction of the new roads. As it was expected at the project appraisal, the typical farm-to-market roads identified by the project had gravel or packed earth surface and were in very bad or bad condition. Most project roads had stretches that were impassable and therefore required major reconstruction. The rehabilitation of rural roads under the project brought the typical project gravel road to a good condition.
- *Rehabilitation/Routine Maintenance costs:* Actual investment costs of rural road rehabilitation varied from PhPl.4 million/km to PhP3.5 million/km depending on the region and subproject condition, with an average cost in the amount of PhP2.3 million/km. Actual investment cost of rural road construction is a bit higher than that of road rehabilitation and varied from PhPl.3 million/km to PhP3.7 million/km depending on the region and complexity of construction, with an average cost at around PhP2.6 million/km.
- A routine maintenance cost per year equivalent of PhP41,904/km on average was also applied. Additional costs relate to the investments in capability enhancements for the local staff to

implement routine maintenance works to ensure that the rehabilitated roads remain in a good condition.

- *Investment Period:* A 10-year life-span for newly constructed and rehabilitated rural roads regularly maintained by labour-based methods was assumed. Investments in road construction and rehabilitation start in Year 1 and routine maintenance in Year 2. Benefits were estimated and accrued as soon as the project FMR is constructed or improved.
- *Vehicle Operating Cost (VOC) Savings:* The analysis of the per kilometer cost associated with operating of each type of motorized and non-motorized vehicle traveling on the rural roads in the Philippines is conducted by the Department of Public Works and Highways (DPWH) on a regular basis. According to DPWH, VOC differences for gravelled roads were set as follows: Jeepney- 7.35 Php/km, Car/Van - 6.38 Php/km, Motorcycle - 1.06 Php/km, Tricycle - 5.52 Php/km, Truck -18.38 Php/km.
- *Value of Time (VOT) Savings.* The impact assessment survey conducted for the evaluation of the rural roads for MRDP-2, showed time savings from 20 to 140 minutes of travel time among the beneficiaries as compared to the baseline. According to the National Statistics Office's Labour Force Survey (as of January 2013) an average wage rate is PhP14.16 per hour and this rate was used in computing the value of the time saved.
- *Standard Conversion Factor (SCF):* To convert financial cost to economic, a standard conversion factor of 0.80 was applied to investment, O&M and VOC costs, and a CF of 0.60 was applied to the value the time savings.

6. Based on the assumptions and parameters above, the ERR for FMR subprojects is estimated in the range of 13.30% to 58.74% depending on the subprojects with an average at 32.33%. The average ERR is well above an alternative cost of capital set at 15% and it is comparable to the ERR estimated in the ex-ante economic analysis for traffic roads (used daily) at 20% and for development roads (used seasonally) at 33.5%.
The ex-post analysis also shows that almost all FMR subprojects have positive ENPV making on average PhP 7,168.43. Average Benefit-Cost Ratio of the FMR subprojects in economic terms is greater than 1 and is equal to1.7 (see Table 1 below).

Table 1. ENP, ERR and BCR of Analysed FMR Subprojects

Name of Subproject	Region	Province	ENPV	ERR	BCR
Rehab of Baluran FMR	9	Zambuanga Sibugay	11,136.90	31.74%	1.65
Rehab of Labrador-Villacastor FMR	9	Zamboanga Sibugay	18,442.41	29.77%	1.56
Rehab of Sabangan to Abyawan FMR	10	Bukidnon	21,559.34	53.94%	2.58
Rehab of La Libertad, Pulang Yuta-Tipolo FMR	10	Lanao del Norte	5,121.19	24.80%	1.36
Upgrading of Guinalaban FMR	10	Misamis Oriental	5,345.30	46.09%	2.25
Construction of Prk5-Prk1 Mangalcal FMR	11	Davao del Norte	10,062.88	58.74%	2.90
Rehab of Prk9 Pob - Prk6 Del Pilar FMR w/ Bridge	11	Davao del Norte	3,020.45	20.90%	1.22
Rehab of LUTAGBU FMR	11	Davao del Sur	2,963.89	27.35%	1.45
Improvement and Construction of Sagrada-Cabudian FMR	12	South Cotabato	2,509.46	18.69%	1.14

Name of Subproject	Region	Province	ENPV	ERR	BCR
Rehab of Poblacion-Puti FMR	12	South Cotabato	13,017.92	48.39%	2.40
Concreting of National Highway Jct.-Polonuling FMR	12	South Cotabato	2,985.06	22.62%	1.29
Rehab/Construction of Cambuayon FMR	13	Surigao del Norte	2,350.13	21.41%	1.25
Rehab of Maasin-Candavao FMR	13	Agusan del Sur	(245.42)	13.30%	0.94
Construction of Cubo-Poblacion FMR	13	Agusan del Sur	2,088.44	34.88%	1.74
		Estimated Ave	**7,168.43**	**32.33%**	**1.70**

7. Results of the sensitivity analysis suggest that a 10% reduction in benefits would bring down the ERR to the considerably lower level (10%) for only one subproject out of all analysed FMR subprojects. However, the average ERR of all analysed FMR subprojects would still remain quite high – 28% (see Table 2), ENPV would be still positive and BCR would be still greater than 1.

Table 2. Results of Sensitivity Analysis of FMR Subprojects

Name of Subproject	Benefits – 10%		
	ENPV	**ERR**	**BCR**
Rehab of Baluran FMR	8,304	28%	1.82
Rehab of Labrador-Villacastor FMR	13,332	26%	1.73
Rehab of Sabangan to Abyawan FMR	18,037	48%	2.84
Rehab of La Libertad, Pulang Yuta-Tipolo FMR	3,192	21%	1.50
Upgrading of Guinalaban FMR	4,383	41%	2.48
Construction of Prk5-Prk1 Mangalcal FMR	8,527	53%	3.21
Rehab of Prk9 Pob - Prk6 Del Pilar FMR w/ Bridge	1,365	18%	1.35
Rehab of LUTAGBU FMR	2,010	24%	1.59
Improvement and Construction of Sagrada-Cabudian FMR	453	16%	1.26
Rehab of Poblacion-Puti FMR	10,787	43%	2.66
Concreting of National Highway Jct.-Polonuling FMR	1,654	19%	1.43
Rehab/Construction of Cambuayon FMR	1,167	18%	1.39
Rehab of Maasin-Candavao FMR	-636	10%	1.04
Construction of Cubo-Poblacion FMR	1,599	31%	1.91
	5,298	**28%**	**1.87**

8. **Communal Irrigation Subprojects:** Agricultural productivity in the project areas improved since the project supported small-scale communal irrigation by rehabilitating existing gravity schemes which were no longer operational or were inefficient and constructing new ones. In total 2,907 hectares of irrigated land were rehabilitated and 2,175 hectares of land were brought under irrigation. All together 26 CIS subprojects were completed by the end of the project and 24,925 people were provided with new/improved irrigation and drainage services.

9. The rehabilitation of existing schemes supported farmers in shifting from unimproved irrigation to improved irrigation hence increasing crop yields and cropping intensity as compared to the before-project farming situation. The following benefits were considered in the analysis: (a) an overall increase in cropping intensity as greater area of land was brought under irrigated agriculture; (b) an improvement in farm productivity as adequate amounts of water are made available in a timely manner; and (c) crop diversification (i.e., vegetable growing).
Financial Analysis: Representative crop budgets have been prepared based on the actual data of two CIS subprojects, with key parameters and assumptions for crop budgets and farm income analysis outlined below:

- *Incremental benefits* are assessed by comparing the net benefit (after all costs) from without- to with-intervention scenarios. Only benefits accrued to the farm area brought from unimproved to improved irrigation are considered under the analysis that focuses on project rehabilitation. All agricultural area falling within the influence area of a newly constructed scheme is considered in the assessment of new construction.
- *Agricultural Seasons*: While the Mindanao region as a whole is classified as having rainfall more or less evenly distributed throughout the year, farmers recognize two distinct agricultural seasons, a wet season which spans May to September and a dry season which spans October to April. Moreover, wet season irrigation is more productive with yields around 10% greater than those dry season yields in this region.
- *Cropping Intensity*:-The model assumes that with project (WP) there will be 100% cropping in the wet season and 100% cropping in the dry season; in the without project (WoP) scenario, the cropping intensity is assumed to be 100% in the wet season and 50% in the dry season.
- *Full development benefits:* Full development benefits for newly-constructed and rehabilitated communal irrigation systems are accrued in the year immediately following construction and rehabilitation works.

10. The estimated investment costs for rehabilitation of existing irrigation systems and construction of a new system were PhP 52,000 and PhP 122,000 per hectare, respectively. Recurrent cost per annum is estimated at PhP12,000 per hectare per year. Project lifespan is pegged at 20 years.

11. Based on the above the incremental farm income is estimated at PhP66,500 on average once the irrigation construction and improvement works are completed. This is based on the farm income analysis which depicts the average income improving substantially from PhP50,500 per year under the WOP scenario to PhP79,500 per year under the WP scenario.
Economic Analysis: The financial prices were converted into economic prices using the CFs as defined below: (a) For converting construction costs of new schemes and rehabilitation of existing schemes, the Standard Conversion Factor (SCF) of 0.8 was applied; and for the major tradable goods (paddy), the parity prices were used; (b) for agricultural labor, a conversion factor of 0.60 is used in assessing the ERR for the entire irrigation subproject; and (c) a conversion factor of zero is applied to irrigation user fees and land tax since they are considered as transfer payments.

12. Based on the above assumptions, the ERR for the communal irrigation subprojects is estimated in to be in the range of 20.7% to 21.8% with positive ENPV and BCR greater than 1. Sensitivity to a 20% reduction in benefits reveal that these CIS subprojects would still yield an acceptable ERR (at around 16%-17%).

13. **Improvement of Water Supply Systems:** The project supported improvements of domestic water supply for the upland and lowland communities in the participating LGUs. By the

end of the project implementation 54 communal water faucets or 1800 community water points were rehabilitated and constructed. Some104,708 people are provided with an access to improved water sources. The total capital expenditure amounted to USD 7.14 million with an average cost of USD132,260 per unit for either Level 1 or Level 2 water system. The unskilled labor and raw materials and supplies required for the annual operation and maintenance of the systems were provided by the beneficiary barangay.
The analysis of this component was based on the analysis of six different water supply subprojects selected as the most representative subprojects. It is based on benefits generated by the project with the following assumptions:

- The economic analysis for the water supply subprojects considered only the benefits derived from time savings for fetching potable water as these could be used for income generating activities by the beneficiary households. The savings in time according to the subprojects data was from 18 to 25 minutes per day per household. The assumed wage rate that was used in subprojects' financial and economic models was in the range of PhP200 to PhP250 per day which was converted into economic price by using 0.6 – a conversion factor for unskilled labour.
- The benefits of avoidance of waterborne diseases were also estimated, including the savings of working time due to morbidity reduction, reduced economic loss due to decreased premature death and savings in medical expenses.
- Non-quantified benefits include increases in beneficiary household productivity as a result of the availability of water as an input for household activities and other social benefits.

14. The analysis showed that the economic rate of return of the analyzed water supply subprojects is in the range of 18.7% to 35.8% with an average at 25.2%, which is well above the discounting rate of 15% (see Table 3). The economic NPVs for all subprojects are positive and BCR ratios are greater than 1. This means that all subprojects generate sufficient amounts of benefits and are economically viable. Sensitivity analysis showed that the economic viability of analysed subprojects is not threatened by a 20% decline in benefits and it does not have a significant impact on the subprojects' ERR and ENPV.

Table 3. ENP, ERR and BCR of Analyzed Water Supply Subprojects

Name of Subproject	ENPV	ERR	BCR
Bobon, Mati City, Reg11 PWS	1,294	22.7%	1.31
Cabuaya, Mati City, Reg11 PWS	3,629	35.8%	1.84
Kasilak, Panabo City, Reg11 PWS	969	19.4%	1.17
Malimono,Surigao del Norte, Reg13 PWS	3,015	31.9%	1.68
Panabo City, Reg11 PWS	1,739	22.6%	1.30
Tamisan, Mati City, Reg11 PWS	339	18.7%	1.14
Average	1,831	25.2%	1.41

15. **Community Fund for Agricultural Development (CFAD) Subprojects:** The CFAD subprojects were to address diverse investment priorities of rural communities and to meet their preferences and responded to local priorities, including food security interventions, community managed livelihood and agribusiness activities, alternative income generating activities and small infrastructure.

Cost-Sharing was based on an 80% (60% Loan Proceeds and 20% DA), and 20% LGU contribution. For income-generating and livelihood expansion subprojects, CFAD beneficiaries were required to have equity equivalent to 25 % of the total subproject cost. For small infrastructure subprojects, CFAD beneficiary's equity was equivalent to 10 % of the total subproject cost, either in cash or in-kind.

16. Under the project some 4,059 subprojects were undertaken involving 180,285 beneficiaries. In terms of viability, a review undertaken in 2013 found the financial viability of CFAD subprojects to be about 85% on average. CFAD subprojects were initially capped at PhP 250,000 each and supported food security interventions, community–managed sustainable agri-based livelihood, and small infrastructure support. After the mid-term the level of financing for subproject increased to PhP 250,000 to PhP 10,000,000.

17. In total 4,058 CFAD subprojects were supported by the project, of which 3,488 (86%) were considered as livelihood support activities, while the 570 (14%) supported micro-enterprise development. Overall there were 180,285 direct beneficiaries from the CFAD projects and some 28,406 job were created. Incomes of CFAD direct beneficiaries increased by around 35% , with the main source of such incomes coming from i) an increase in production (42%), ii) an increase in volume of products marketed (24%), iii) an increase in the price of products sold (31%), and iv) training and adoption of technology (3%).

18. In relation to the volume of produce marketed, beneficiaries of small infrastructure support category had the highest estimated percentage increase of 117%. The second place was taken by the beneficiaries of agro-processing (46%), followed by the community-managed sustainable agri-based livelihood (43%). Beneficiaries of food security interventions registered the lowest increase with 20%. Factors rated by the farmers in the order of importance in contributing to production increase were (i) support services (29%), ii) better quality outputs (26%), iii) technology (28%), and iv) good weather (16%). According to the CFAD impact assessment study, CFAD sub-projects that are engaged in production registered an increase in the volume of production by 45% on average. In relation to the volume of produce marketed, beneficiaries of small infrastructure support category have the highest estimated percentage increase of 117%. The second are the beneficiaries of agro-processing (46%), followed by the community-managed sustainable agri-based livelihood (43%), while the beneficiaries of food security interventions registered the lowest increase with 20%.

19. In general, the sub-projects under CFAD had generated an average of seven jobs. Among these jobs are haulers, mixers, drivers, construction workers, facility operators, caretakers and laborers. Based from the result of the survey interview of the sample household beneficiaries, their income had increased by 35% on the average. The financial analysis of several CFAD subprojects showed that the financial investment return (IRR) of such subprojects is quite high and it is in the range of 29.8% to as high as 72.7%. The financial NPV of the CFAD subprojects is also positive and BCR is greater than 1 (minimum 1.23). This means that CFAD subprojects are financially viable and give good financial return. According to economic analysis of the CFAD subprojects costs and benefits, they would generate about USD 36 million of net economic benefits over next 20 years after the project completion.

20. **GEF-Economic Analysis:** While the GEF support for the project was "fully blended" a separate analysis was conducted in light of the somewhat different nature of the investments and ambitious, longer-term nature of the GEO in regard to increasing seaweed and coral cover and fish biomass. Essentially, the GEF supported investments sought to reverse the ecosystem degradation in coastal, marine and upland areas, Overall, the GEF-NRM support which accounted for 7.8% of

project costs, had an EIRR of 16.87% at project completion. This was slightly lower than the modest EIRR estimated at appraisal of 17.55%. Financial analyses were calculated for both upland and coastal livelihood SIGA activities, and showed FIRRs ranging from 25% (eggplant production) to around 40% for fish cage and seaweed production. Farm incomes from coastal livelihood activities supported through the GEF were roughly double those obtained in upland areas (PhP 59.632 (coastal) vs Php 32,934 (upland); The difference being attributed to greater diversification and market outlet opportunities in coastal areas compared with upland, often infertile areas with limited access. Farm incomes as a result of the project varied greatly, ranging from 3%-58%.

21. **Overall economic analysis of the project:** Given the above benefit and cost streams, the base case Economic Rate of Return (ERR) of the project is estimated at 28.3% (ex-ante ERR was estimated at 21.5%). The base case net present value of the project's net economic benefit stream, discounted at 15%, is positive and it is USD 40.9 million (ex-ante ENPV was estimated at around USD 25 million). The analysis shows that the project, either by component or as a whole is economically viable and it would generate more economic benefits than it was expected at the project appraisal.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Andrew Garcia Mendoza	Investigative Assistant	INTOP	Program Assistant
Carolina V. Figueroa-Geron	Lead Rural Development Special	GFADR	Task Team Leader
Cesar Umali	Consultant	EASPS - HIS	Economist
Cyprian F. Fisiy	Director	SDV - HIS	Planning Specialist
Dominic Reyes Aumentado	Senior Procurement Specialist	GGODR	Procurement Specialist
Esperanza Sadiua	Program Assistant	IEGCS	Program Assistant
Gilbert Magno Braganza	Consultant	GFADR	Natural Resource Mgt. Specialist
Jose Tiburcio Nicolas	Operations Officer	EASSO - HIS	Project Development
Josefo Tuyor	Senior Environmental Specialis	OPSOR	Safeguards Specialist
Joseph G. Reyes	Financial Management Specialis	EAPDE	Financial Management
Maria Ines Pinat-Bagadion	Institutional Dev. Spec.	TWIWA - HIS	Institutional Development
Marie-Helene Collion	Lead Agriculturist	LCSAR - HIS	Agriculturalist
Mary P. Judd	Consultant	GSURR	Social Scientist
Mei Wang	Senior Counsel	LEGAM	Legal
Ronald D. Zweig	Consultant	AFTN2 - HIS	Fishery Specialist
Sally L. Burningham	Country Manager	EACLF	Management/ oversight
Salvador Jiao	Consultant	EACSB	Engineer
Samuel G. Wedderburn	Sr Natural Resources Mgmt. Spe	EASER - HIS	Environmental Specialist
Supervision/ICR			
Agnes Albert-Loth	Sr Financial Management Specialist	GGODR	Financial Management
Andrew Garcia Mendoza	ProgramAssistant	INTOP	Program Assistant
Dominic Reyes Aumentado	Senior Procurement Specialist	GGODR	Procurement
Fabrizio Bresciani	Senior Agriculture Economist	GFADR	Economist
Felizardo Jr K. Virtucio	Operations Officer	GFADR	Task Team Leader
Jonas Garcia Bautista	Consultant	GENDR	Safeguards Specialist
Joseph G. Reyes	Financial Management Specialist	EAPDE	Financial management

Luningning J. Bondoc	Local Consultant ST	EASPS - HIS	Institutional Planning Specialist
Mary P. Judd	Consultant	GSURR	Social Scientist
Noel Sta. Ines	Senior Procurement Specialist	GGODR	Procurement Specialist
Salvador Jiao	Consultant	EACSB	Engineer
Tomas JR. Sta.Maria	Financial Management Specialist	GGODR	Financial Management
Victoria Florian S. Lazaro	Operations Officer	GSURR	Social safeguards Specialist
Mildren Penales	Program Assistant	EACPF	Program Assistant
Reinaluz Ona	Team Assistant	EACPF	Program assistant

(b) Staff Time and Cost

Stage of Project Cycle	**Staff Time and Cost (Bank Budget Only)**	
	No. of staff weeks	**USD Thousands (including travel and consultant costs)**
Lending		
FY04	6.41	11.183
FY05	14.27	27.195
FY06	33.75	85.094
FY07	27.10	78.830
FY08	2.35	13.021
Supervision/ICR		
FY07	1.52	17.649
FY08	8.82	33.794
FY09	13.49	34.350
FY10	26.58	81.347
FY11	33.72	143.563
FY12	31.07	91.797
FY13	7.29	53.072
FY14	2.53	37.806
FY15	4.72	40.805
Total:	213.62	534.183

Annex 5. Summary of Borrower's ICR and/or Comments on Draft ICR

1. The Borrower was provided with a copy of the World Bank's draft ICR. Their comments on that report were as follows: "After thorough perusal of the aforementioned report, we would like to signify that we have no further comments or suggestions on the said report. Thus, we are forwarding our official letter of acceptance of the ICR report of World Bank External Evaluation Team for the abovementioned study".

Summary of Borrowers Completion Report[37]

I. Program Costs & Expenditure

2. As of February 28, 2015, total financial disbursements (including advances to respective Designated Accounts) amounted to US$81.517 Million or 97.33% out of the US$83.752 Million WB Loan Proceeds, while the GEF fund accounted a total disbursement of US$5.26 Million or 82.82% of the US$6.351 Million grant, and AusAID grant amounted to US$2.87 Million or 95.67% of the US$3 Million TA grant. (see Table 1)

3. In terms of cost per Component, the breakdown is as follows: IGRPA (6.09%), RI (62.91%), CFAD (24.16%) and NRM (5.24%). For the RI component, Farm to Market Road (FMR) got the biggest share of investment accounted to 73.69%, followed by communal irrigation systems (13.11%), potable water supply (7.32%), bridges (5.33%), and other infra (0.55%). (see Table 2)

4. Overall expenditure for the six covered regions amounted to PhP5.136 Billion or 83% compared to the total Certificate of Availability of Funds (CAF) amounting to PhP6.169 Billion as of February 28, 2015.

5. The Program provided financial assistance to partner National Government Agencies (NGAs) in support to the implementation of NRM and IGR projects and activities. Total fund support accumulated as of February 28, 2015 amounted to PhP240 Million of which PhP79.59 Million was drawn from the WB loan proceeds, PhP29.78 Million from GEF grant, PhP13.95 Million from the AusAID grant and PhP116.68 Million from GOP fund. Partner NGAs include DA-RFOs, DAF-ARMM, DENR, NCIP, BSWM, BFAR, PADCC and Office for Southern Central Commission (OSCC).

II. Physical Accomplishments

6. The overall physical accomplishment of MRDP2 is 100%. (see Table 1).

[37] Summarized from the Borrowers Completion Report. Full document available in the project file (Annex 9)

Table1. Program-wide Physical Accomplishment as of 31 Decembe2014

Component	Original Cost Allocation (USD M)	Component Weight (%)	Accomp (%)	Weighted Accomp (%)
IGR PA	4.447	3.59%	100.00%	3.59%
RI	84.133	67.89%	100.00%	67.89%
CFAD	29.87	24.10%	100.00%	24.10%
NRM	5.477	4.42%	100.00%	4.42%
Grand Total	**123.926**	Overall Physical Progress ->		100.00%

Source: Project Data

7. The RI component rehabilitated 1,119.23 kilometers of farm to market roads; and constructed 111.34 kilometers of new roads. There were 25 bridge subprojects constructed with 687.85 linear meters. For irrigation, 2,175 hectares were constructed under the new scheme, while 2, 907 hectares rehabilitated. 54 units of potable water supply, and 24 units of other infra subprojects such as: solar dryers with warehouses, motor trails and rock cause ways. (see Table 2)

Table 2. Rural Infrastructure physical accomplishment as of 31 December 2014

SP Category	Actual Physical Accomplishment		Cost (PhP)
	Qty	Unit	
FMRs	1,230.57	Km	3,058,019,035.76
Bridges	687.85	Lm	231,917,515.47
Irrigation	5,082	Ha	525,608,277.49
PWS	54	unit	321,406,039.04
Other infra	24	No	24,073,286.88
Total			4,161,024,154.64

Source: Project Data

8. Under the CFAD component, a total of 4,059 subprojects were completed under the following categories: food security interventions, community managed sustainable agri-based livelihood and other agri-business investments, small infra support to agriculture development, and agro-processing expanded agri-business activities. (see Table 3)

Table 3. CFAD subprojects per region as of 31 December 2014

Region	Completed	
	# of SP	Cost (PhP M)
9	555	147.50
10	810	252.50
11	628	240.00
12	875	300.00
13	715	282.50
ARMM	476	187.50
Total	4,059	1,410.00

Source: Project Data

9. For the NRM component, 90 On the Ground Investments (OGIs) such as establishment of Fish Sanctuary, Mangrove Rehabilitation, Riverbank Stabilization and Agroforestry sub-projects were already completed. (see Table 4)

Table 4 . NRM subprojects per region as of 31 December 2014

Region	**Completed**	
	Unit	**Cost (PhP M)**
9	16	28.00
10	14	28.00
11	14	27.93
12	12	28.00
13	16	28.00
ARMM	18	28.00
Total	90	167.93

Source: Project Data

III. Project Benefits

10. The average net annual household incomes of all direct beneficiaries increased by as much as 36%, from Php 75,630 to PhP 102,759, exceeding the target of 20% increase over baseline, and 10% over the control group by the end of the Program was achieved. (see Table 5)

Table 5. Household Incomes (PhP) in MRDP2

	Baseline	Adjusted Values based on CPI 2006	End-of-Project	Growth
MRDP2 areas	67, 589.00	75, 630.00	102, 759.00	36%

Source: End of Project Evaluation by Primex

11. Both MLGUs and PLGUs rated their ability to plan and implement investment programs as better or higher. This is especially true for the CFAD subprojects as the beneficiaries felt that these were primarily designed for their benefit.

12. The bottom-up planning of the BDP preparation made the beneficiaries, especially the women and the IPs more involved in the Program. The BDPs were also incorporated in the bigger scale which was the Annual Investment Plans of the MLGUs and the PLGUs.

13. MRDP2 conducted capability building activities (trainings, workshops) and subproject planning process not just to P/MLGUs but also to the barangay level and even the People's Organizations (POs). These activities contributed to a 35% increase of beneficiaries who reported significant improvement in the LGUs' delivery of services from midterm to EOP. The frequent interactions between the LGU and the beneficiaries resulted in fast action of feedbacks/complaints, constant guidance, monitoring, and provision of technical advice, which contributed to the success of the subprojects.

14. Eighty nine (89) percent of individual who used walking as method of fetching water was reduced to 28% while the 10% of the people have water delivered/piped in to their respective houses increase to 72%. Overall, time to fetch water in program areas was reduced by reduced by 69% from 87.50 minutes to 28.75 minutes. (see Tables 6 & 7)

Table 6. Time to Fetch Water in MRDP2 Areas

	Target Reduction	Baseline (minutes)	End of Project (minutes)	% Time Reduction
FGD Results	65%	87.50 min	28.75 min	69.4%

Source: End of Project Evaluation by Primex

Table 7. Method of Fetching Water

Period	Method of Fetching Water		
	Walk	Ride	Have Water Delivered/ Piped-In
Before	89%	1%	10%
After	28%	0%	72%*

Source: 12th World Bank Implementation Support Mission

15. There was an increase of 38% in the number of people with access to improved water sources. The construction of potable water supply (PWS) also resulted in a greater number of water users than the number of direct beneficiaries. Neighboring barangays were able to access the established water supply systems. The PWS was also being used for other economic activities (i.e. gardening, livestock raising) which added to the income of the households. The time to fetch water was also reduced by 69.4%. In addition, only a very small number of beneficiaries reported to have been afflicted with waterborne diseases. (see Table 8)

Table 8. Number of People with Access to Potable Water Supply

	Midterm	End of Project	Growth
MRD2 Areas	85,194	117,848	38%

Source: End of Project Evaluation by Primex

16. The construction and rehabilitation of roads made the travel time for the beneficiaries from the production areas to markets reduced from 55 minutes in average to 36 minutes or 35%. The reduced travel time was important to the farmers as they were able to sell good quality produce in the market, thus enabling them to sell at a higher price. Improved roads also gave the beneficiaries additional safety and security when traveling. (see Table 9)

Table 9. Travel Time in MRDP2 Areas (from production areas to markets)

	Target Reduction	Baseline (minutes)	End of Project (minutes)	% Time Reduction
HHS Results	30%	55 min	36 min	35%

Source: 12th Final release of the World Bank Implementation Support Mission Aide Memoire

17. The irrigation systems increased the cropping intensity from 129% (baseline) to 191-237%. The irrigation system which has become more dependable and efficient enabled the farmers to put their lands into a more productive use. Some of them were able to produce more than one crop of paddy rice in a year, which was not possible before the program.

18. Through massive and constant IEC activities, community involvement, and trainings for community organizations, there was a positive achievement in the level of community awareness and community participation in the need to protect and monitor globally significant endangered marine animal species, considering the geophysical condition and political climate in the NRM municipalities. Some of the MLGUs were able to established fish sanctuaries to conserve coral reefs, sea grasses, and mangroves that serve as habitats for these species.

19. The participating MLGUs under the NRM component were able to pass enabling instruments and allocate funds in support of coastal resources and biodiversity conservation. These MLGUs also have operational and active FARMCs and Bantay Dagat or volunteer Coast Watch groups.

IV. Performance of the Borrower and the Executing Agencies

20. The Department of Agriculture has satisfactorily performed its task of providing overall supervision of the Program. Although there were problems encountered at the start of the Program, particularly the small number of takers for RI subprojects, the DA was able to come up with a resolution. There was an adjustment made in the cost-sharing policy for RI subprojects, which reduced the LGUs' counterpart from 50% to 10%. This cost sharing arrangement was crucial and viewed by the beneficiaries to be of great value. Immediate response to the concerns of the Program, catch-up plans, and the commitment to the rural development of Mindanao resulted in the satisfactory overall performance of the Program.

V. Performance of the Bank

21. Overall Bank performance was satisfactory. During supervision missions, drawing of component activities and strategies were integrated into one Program's composite plan.

VI. Conclusions

22. Generally, MRDP APL1 has satisfactorily achieved its purpose of putting in place the institutional, financial and community-based planning and management systems for supporting rural development within the targeted agricultural and fishing communities in the 25 provinces and 225 municipalities. Although it went through an arduous process, the stakeholders remained committed to the program, which brought back the implementation progress into the right track after suffering initial start-up problems due to the 50:50 NG: LGU sharing scheme. Catch-up plans

were crafted and successfully implemented that resulted in the consistent "Satisfactory" performance rating given by the World Bank starting Year 2011 and throughout the remaining years of APL2. Below are the major findings, lessons learned and insights in the implementation.

VII. Lessons Learned

1. Lessons learned during the overall implementation of the project are worth considering in the Philippine Rural Development Project (PRDP) and with other similar undertakings. The weaknesses in this project can subsequently be prevented while its strengths duplicated in order to achieve the ultimate goal of developing the countryside, reducing poverty and increasing the income of our farmers and fisherfolks.

2. The MRDP1 provided important lessons that were proven to be valuable in the APL2. The strong will and commitment of the implementing agencies like the World Bank, DA, MRDP-PSO, DA RFUs, and LGUs and the close coordination with relevant partner agencies has attained a satisfactory level of well-defined and harmonized delivery of services that were able to address the needed interventions in the communities and initiating strong.

3. The different components were able to adapt to the needs and priorities of the communities. Various development approaches and strategies were implemented to ensure the smooth coordination, adaptability and relevance to the beneficiaries of the different sub-projects. These consisted of (1) participatory planning processes; (2) integrated programs; (3) decentralization of functions; (4) demand/community driven projects; (4) convergence of MSCs; (5) social preparation; (6) social mobilization; and (7) institutionalization of the various stakeholder organizations and groups.

4. Through the convergence of MRDP implementers and other stakeholders, like the MSCs, CFAD prioritize projects towards intended beneficiaries such as marginalized farmers IPs and women. The LGUs role in development planning and project management was also strengthened. The participatory processes of the POs led to community empowerment and gender equity (more women were involved in the projects).

5. The coordination and collaboration from the regional level down to the beneficiaries involving the various sectors greatly benefited the harmonious and congruent delivery of services especially in institutional support, appropriate technology, monitoring and evaluation of the projects. A significant outcome of this process led to the maturity and growth of many POs.

6. The capability skills of the LGUs were greatly enhanced in the following: participatory governance, project development and management system. The valuable result of their expanded roles led to demand driven projects and a stronger partnership between LGU and the communities.

7. Regular reflection workshops with various key stakeholders paved the way in eliciting and sharing various concerns and challenges encountered in the course of operation which led the program management to improve the implementation approaches and strategies appropriate to the situation.

8. Adoption of contractor's billing as the basis for releasing of funds to LGUs instead of tranching scheme minimizes the problem on liquidation of funds by the LGUs.

9. Concreting of sloped areas of rural roads was a strategy that the target communities because of the resulting reduction in reported road accidents and the lower maintenance costs of motorcycles and other vehicles.

10. MRDP2's attempt to introduce results monitoring at the project level was a worthy initiative to bring local stakeholders' focus and effort on "planning for results" and "managing projects for results," as well as to measure the contribution of project outputs to the achievement of desired outcomes.

11. The bottom-up planning approach, which generated subprojects from the BDPs and the incorporation of BDPs' priorities in the AIPs of MLGUs and PLGUs, as a precondition for MRDP2 assistance, achieved two important outcomes. First, it brought the LGUs at all levels to work closely to get subproject support from MRDP2 and ensured that subprojects addressed the communities' priority needs. Second, this approach increased the sense of ownership of the subproject by the target community/beneficiaries who participated in the identification of the subproject. In effect, MRDP2 was able to use program funds as a leveraging mechanism, not only to mobilize local resources, but also to enable key local stakeholders to talk, plan,and act together.

12. The Program has been successful in collaborating with participating LGUs as active partners in the implementation of MRDP subprojects. This milestone triggered the DA to commission the Program, through the IGR component, to spearhead the harmonization of DA-LGU engagement in the thrust to achieve a standardized process in making transactions with LGUs. Close coordination with the DA, through its Agri-Pinoy Commodity Programs, in the harmonization of technical standards, procurement process and M&E using the MRDP as the operational platform was facilitated. To date, a harmonized Operations Manual on Rural Infrastructure has been finalized while the Implementation of Livelihood Projects Operations Manual are being finalized.

Program Enhancement and Innovations

13. Social and Environmental Safeguards. From its introduction and integration in the formulation of RI investment proposals, the SES is now encompasses all the project components to ensure that people and the environment are not adversely affected by the subproject implementation. It conforms to the existing environmental laws of the government, the World Bank and the policies on protecting indigenous people, women and the poor communities.

14. MRDP2 website. The Program has established its own website, *www.damrdp.net*, in 2009 to live up to the advancement of information and communications technology while securing broader and stronger influence in project implementation.

15. Procurement Procedures. The Program has espoused harmonized procurement guidelines, which are now being used in the implementation of rural infrastructure subprojects. The harmonized procedures serves also as transparency measure which has improved bidder's participation in subproject implementation. All bid opportunities under RI component are being posted in PhilGEPs and downloadable bidding documents are made available for bidders in MRDP website.

16. Geotagging. In 2011, the Program launched its innovative strategy in enhancing subproject supervision using the Global Positioning System (GPS). The technology is an initiative to further strengthen its established transparency in project implementation. It illustrates the overall development impact of subprojects and relationships to existing infrastructures and influence areas. Geotagging now forms part of the requirement in the procurement and implementation processes.

17. This innovative tool was a vital tool for MRDP2 in promoting transparency in implementing sub-projects under the program. Thus, this was integrated in all Program's systems such as: procurement system, subproject validation, progress monitoring system, contract management system and Operation and Maintenance of completed subprojects.

18. Applied Geotagging Tool was now utilized by the prospective bidders to have a virtual visit of the project site. Moreover, relative to procurement and contract management systems, this tool is now part of the requirement for contractors to get paid for their work. The contractors are required to take actual photos that commensurate to their Statement of Work Accomplished (SWA). Hence, geotagged photos of the sub-project prove its existence.

VIII. **Recommendations**

1. Co-management arrangements for coastal and marine biodiversity conservation should be formally established through MOAs and LGU ordinances, and intensive community-based IEC activities must continue in order to sustain the already high level of community awareness and understanding of the need for coastal and marine resources and biodiversity conservation.

2. For greater program impact, DA should manage the NRM, CFAD, and RI components in a more integrated manner, and not as distinct subprograms. This means that planning for NRM subprojects should consider functional and spatial connectivity's with CFAD and RI subprojects, and vice versa, to achieve economic objectives without sacrificing environmental integrity.

3. Role of LGUs and POs post-MRDP2. MLGUs should integrate the MRDP2 Sustainability Plans into the municipal and barangay development plans and in the Municipal AIPs. For this purpose, it is important that the MLGUs are able to secure local ordinances or legislative resolutions, which may include realignment or adjustment of the functions of the planning officers (MPDCs) and/or MAs so that they could synchronize their efforts and harmonize support for the continued operation of MRDP2 activities after phase-out.

4. The innovative process of drawing subprojects based on priorities identified in BDPs must be replicated in future rural development programs. However, the integration of program components at the project/subproject level must be initiated at the planning stage to ensure resource complementation among stakeholders and better achieve the program outcomes and impact.

Republic of the Philippines
Department of Agriculture
MINDANAO RURAL DEVELOPMENT PROGRAM
Program Support Office
Alvarez Bldg., A. Angliongto Sr. Avenue, Davao City
Tel. No.: (082) 235-8664 / 234-4744; Fax 235-8665

4 May 2015

CAROLINA V. GERON
Senior Operations Officer
The World Bank
26th Floor, One Global Place
5th Avenue corner 25th Street
Bonifacio Global City
Taguig City

PHILIPPINES: 2nd Mindanao Rural Development Program (LN7440-PH)
Subject: Acceptance Final Implementation Completion Report (ICR) prepared by World Bank External Evaluation Team for the conduct of MRDP2 Implementation Completion Review

Dear **Ms. Geron**:

After thorough perusal of the aforementioned report, we would like to signify that we have no further comments or suggestions on the said report. Thus, we are forwarding our official letter of acceptance of the ICR report of World Bank External Evaluation Team for the abovementioned study.

Very truly yours,

LEALYN A. RAMOS
Program Director

Improving People's Lives.
Reaching Farther and Wider.

Annex 6. Comments of Cofinanciers and Other Partners/Stakeholders

No specific comments were received from AusAid on the Bank's ICR.

Annex 7. List of Supporting Documents

Key studies conducted during the Project providing analysis and recommendations used in the preparation of the ICR are:

(i) Technical and Institutional Review Mission of Irrigation Works under MRDP2 (CP-FAO 2012),

(ii) CFAD subproject Financial Viability Assessment -Dr. Aragon 2013.

(iii) M& E Evaluation (FAO-CP 2012),

(iv) Impact Assessment of Selected MRDP2 Rural Road Projects. Department of Agriculture 2013.

(v) Enhancing Agricultural Services/Investments Delivery and Productivity through the Value Chain FAO-CP 2013)

(vi) Baseline Study Report of Mindanao Wide Baseline Study (Sustainable Development Solutions 2011).

(vii) Conduct of MRDP2 Mid-Term Rapid Assessment: Final Report. Resources, Environment and Economics Center for Studies Inc. (REECS) July 2014.

(viii) Review of MRDP2 CFAD Sub-Projects' Contribution to Employment, Income, Productivity Enhancement and/or Value Chain Strengthening: An Impact Assessment Study

(ix) Mindanao Rural Development Program-Adaptable Program Loan Phase 2. Conduct of End-of-project Evaluation (Loan # 7440-PH). Pacific Rim Innovation and Management Exponents Inc. (PRIMEX), December 2014.

(x) Conduct of Project Completion Evaluation and Assessment (PCEA) for the Global Environment Facility (GEF) Supported Activities and Investment. Department of Agriculture-Second rural Development program (MRDP2). Sustainable Development Solutions, December 2014.

(xi) Conduct of End of Project Evaluation for the WB-AusAid Technical Assistance Grant to MRDP2, Institute for Socio-Economic Development Initiatives. October, 2014.

(xii) World Bank Letter, November 20, 2012. Philippines Loan 7440-PH. Second Mindanao Rural Development Project –Core Sector Indicators.

(xiii) Mindanao Rural Development Project (APL2): Borrowers Completion Report (December 2014)

(xiv) May 4, 2015. Letter from Department of Agriculture to the World Bank confirming acceptance of Bank's ICR

The Map of the Project Areas