

Independent Office  
of Evaluation



Investing in rural people

Republic of the Philippines

Rural Microenterprise Promotion Programme

PROJECT PERFORMANCE EVALUATION





Independent Office  
of Evaluation



**Republic of the Philippines**  
**Rural Microenterprise Promotion Programme**  
**Project Performance Evaluation**

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Photos of activities supported by the Rural Microenterprise Promotion Programme (RuMEPP), The Philippines

Front cover: Sally Pepito, who already had a bakery, was trained to make coffee-flavoured delicacies by the Department of Trade and Industry. She was also trained in business skills, such as business planning, product packaging and labelling, pricing and costing. Her popular cookies are sold at different outlets such as bus station stores and hotels. Near Tabuk City, Kalinga Province, Cordillera Administrative Region.

Back cover:

Microentrepreneurs displaying their products – footwear made of water lilies that grow naturally and are available in abundance. Women were trained on practical skills, such as weaving, and business and marketing skills, such as product design, pricing and costing. Handicraft has become an important source of income for the women and their families. Near Butuan City, Agusan del Norte Province, Caraga Region (left).

Roland Bongtiwon, a blacksmith, at his workshop “Bongtiwon’s Farm Hand Tools Manufacturing”. He started blacksmith activities in 2004 and mainly produces knives. RuMEPP provided support for product development through a consultant from Manila. The project also sponsored his participation in a trade fair in Manila, where he was able to link with market outlets. Under the Government’s Shared Service Facility, he has recently been provided with a machine to dramatically increase his production from 60 pieces to 280 pieces a month. He now employs eight people. He has used the additional income for his children’s schooling and to buy necessities. Ifugao Province, Cordillera Administration Region (right).

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## **Preface**

*This report presents the findings of the project performance evaluation of the Rural Microenterprise Promotion Programme in the Republic of the Philippines, undertaken by the Independent Office of Evaluation of IFAD (IOE). The project, implemented between 2006 and 2013, sought to address two main areas of impediments to microenterprise development – finance; and knowledge and skills.*

*One of the programme's notable achievements is its contribution to enhancing the Government's support, in particular that of the Department of Trade and Industry, to microenterprise development in terms of approach and scale, while also linking up with other opportunities and fostering partnerships with other actors. The programme was effective in mobilizing and organizing business development services, which provided critical support to start-up microenterprises and to upgrading existing microenterprises. A major advancement was made in terms of the systematic integration of marketing-related issues to organized trainings (e.g. packaging and labelling, product design and development), as well as other types of support (e.g. facilitating linkages with market outlets).*

*The programme certainly contributed to increasing the household incomes of numerous microenterprise owners and employees, many of whom are women. Other non-project support initiatives complemented these gains. However, the magnitude and breadth of outreach are not known with certainty due to lack of data.*

*A large proportion of the programme funds was allocated for credit lines and was all disbursed through microfinance institutions, reaching numerous microenterprise borrowers. However, there was insufficient attention to how microfinance institutions' services could be strengthened to better cater for different types of clients in addition to or rather than simply injecting liquidity into the financial sector.*

*This project performance evaluation was conducted by Fumiko Nakai, IOE Senior Evaluation Officer and lead evaluator, with contributions from Michael Marx (IOE senior consultant) and Luningning Bondoc (IOE consultant). Internal peer reviewers from IOE (Fabrizio Felloni, IOE Deputy Director, and Michael Carbon, IOE Senior Evaluation Officer) and an external peer reviewer (Derek Poate, IOE senior consultant) provided comments on the draft report. Laure Vidaud, evaluation assistant, provided administrative support.*

*IOE is grateful to IFAD's Asia and the Pacific Division, the Government of the Philippines, in particular the Department of Trade and Industry, and the Small Business Corporation, for their insightful inputs at various stages of the evaluation process and the support they provided to the mission. I hope the results generated will be of use to help improve IFAD operations and development activities in the Republic of the Philippines.*



Oscar A. Garcia  
Director  
Independent Office of Evaluation of IFAD

**A worker sorting coffee beans at the back of a small processing facility of Magallaya Mountain Speciality Coffee. The business is owned by Zita B. Degay. With advisory support and training under RuMEPP, she started producing a speciality coffee known as musang coffee or civet coffee. With further project support for her participation in trade fairs, her products have become popular and her business has been growing. Near Tabuk City, Kalinga Province, Cordillera Administrative Region.**

**Photo by Chndyli Tara G. Rogel**



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## Currency equivalent and measures

### Currency equivalent

Currency unit = Philippine Peso (PHP)

US\$1 = PHP 47.7 (February 2016)

US\$1 = PHP 44 (January 2014)

US\$1 = PHP 44 (Mid-term review, December 2010)

US\$1 = PHP 56 (at appraisal, 2005)

### Measures

Metric System

## Abbreviations and acronyms


BDS	business development service
DOF	Department of Finance
DTI	Department of Trade and Industry
IFAD	International Fund for Agricultural Development
IOE	Independent Office of Evaluation of IFAD
LBP	Land Bank of the Philippines
M&E	monitoring and evaluation
MCS	microfinance credit and support (programme component)
MEPD	microenterprise promotion and development (programme component)
MFI	microfinance institution
MPC	multi-purpose cooperative
MSME	micro, small and medium scale enterprise
MTR	mid-term review
NGO	non-governmental organization
PCR	project completion report
PFI	participating financial institution
PMU	Programme management unit
PPC	programme and policy coordination (programme component)
PPE	project performance evaluation
PSR	project status report
RuMEPP	Rural Microenterprise Promotion Programme
SBC	Small Business Corporation
SDR	Special Drawing Right
SERDEF	Small Enterprise Research and Development Foundation
SKD	Strategy and Knowledge Department (IFAD)
SME	small and microenterprise



# Map of the programme area

**Republic of the Philippines**  
Rural Microenterprise Promotion Programme (RuMEPP)  
*Project performance evaluation*



 The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
IFAD Map compiled by IFAD | 23-02-2016

## Executive summary

### Background

1. The Independent Office of Evaluation of IFAD undertook a project performance evaluation of the Rural Microenterprise Promotion Programme (RuMEPP) in the Republic of the Philippines. The main objectives were to: (i) provide an independent assessment of the overall results of the programme; and (ii) generate lessons and recommendations for the design and implementation of ongoing and future operations in the country.
2. This evaluation was based on a desk review of available data and project-related documents, and a country mission from 18 January to 3 February 2016. In addition to the desk review, data collection methods included interviews with various stakeholders (Government staff, IFAD staff, programme partners, beneficiaries), group discussions and direct observations. The sites for field visits were selected based on a review of available data and in close consultation with IFAD staff and the Department of Trade and Industry (DTI), with a view to gathering information and evidence on activities, achievements and challenges in different contexts. While in the country, the team visited 7 provinces in 3 regions out of 19 provinces in 5 regions focused under the programme.

### The programme

3. The development goal of RuMEPP was “increased economic development and improved job generation resulting in reduced rural poverty among 200,000 poor rural households”, and the programme objective was “increasing numbers of new and existing rural microenterprises expanding and operating profitably and sustainably”. The underlying theory of change in RuMEPP was that providing business development services to poor rural entrepreneurs, and those with an entrepreneurial aptitude, along with improved access to microcredit, would lead to an increasing number of start-up microenterprises. In addition, existing microenterprises would expand and operate profitably and sustainably, thereby contributing to economic development and job creation.
4. Consequently, the major thrusts of the project were to support access to finance, and knowledge and skills, both seen as important bottlenecks to microenterprise development. The programme had three components: (i) microfinance credit and support, with most of the funds allocated for credit lines for wholesale lending to microfinance institutions (MFIs) through the Small Business Corporation (SBC); (ii) microenterprise promotion and development; and (iii) programme and policy coordination. DTI was the main implementing agency, while the SBC was responsible for the first component. The geographical focus of RuMEPP was 19 provinces in 5 regions, which were considered to be poorer, but the wholesale credit facility was to be made available in rural areas in the whole country outside these 19 provinces, except for Metro Manila and Cebu.
5. One of the most significant changes in the context in the later part of the project period was the decline in interest rates in the financial markets. As a consequence, the wholesale lending terms by SBC to MFIs, which had to be based on the terms of the subsidiary loan agreement between SBC and the Government, became uncompetitive, and SBC repaid most of the amount borrowed from the Government in 2015, although the repayment term was 25 years.

### Main evaluation findings

6. **Relevance.** The programme objectives and main design thrusts in two main domains for microenterprise development, i.e. knowledge/skills and finance, were relevant at a broad level, but there were some shortcomings and internal incoherence in the design. The assumption implicit in the design – that there would be MFIs with interest in on-lending to microenterprises and capacity to do so, and that the main constraint of MFIs was liquidity shortage – was not entirely valid.

Simply injecting liquidity into the system without attention to how MFI services could be strengthened to better cater for existing and potential microenterprises was not optimal.

7. There was also ambiguity in the main target group, intended beneficiaries and impact pathways. It was not entirely clear whether the focus was on: (i) lower-end of microenterprises themselves as the main target group and direct beneficiaries; (ii) helping "larger-scale microenterprises" with more potential to generate job opportunities for poor rural people, even if they themselves may also be part of the target group; or (iii) both. This also relates to the question of whether job creations were expected primarily from self-employment through the establishment of as many microenterprises as possible, or employment opportunities increased by growing businesses, or both in a balanced manner. Careful reflection on these issues and differentiated approaches and strategies to be developed accordingly were not evident.
8. **Effectiveness.** The programme objectives and expected outcomes were achieved to a certain extent, and in some cases with a significant contribution to facilitating start-ups and improving existing microenterprise business activities. It is roughly estimated that 70,000 to 80,000 people might have directly received the RuMEPP supported services in the 19 core programme provinces, provided with either business development services, credits, or both. The programme data showed close to 15,000 "convergence microenterprises" that received both credits and business development services. However, during implementation, there was an over-emphasis on having as many such "convergence" cases as possible, even if both services were not always or necessarily required by most or all microenterprises.
9. It is certain that there are cases where RuMEPP support contributed to improving business of existing microenterprises, or to starting up new enterprise activities, thereby generating incremental profits, incomes and jobs. Nonetheless, there are scarce data that would enable even an estimation of the extent of such outcomes and job creations. This relates to the overall weakness of monitoring and evaluation (M&E). There was also an absence of careful reflection on a reasonable "success rate" or "drop-out rate" for microenterprises that receive training.
10. **Efficiency.** The process from loan and grant approval to effectiveness was slow and significantly longer than the average of projects in the region. There were some issues related to disbursement pace and project management initially, but they were largely addressed before the mid-term review. Project management cost was relatively low, which may have been one of the factors that affected M&E performance.
11. **Rural poverty impact.** The impact domains with the most visible contributions by the programme were "human and social capital and empowerment" and "institutions and policies". Particularly relating to the latter, RuMEPP made a significant contribution to upgrading the Government support, in particular for DTI, to microenterprise development in scale and content, based on the approach used, experience and lessons, fostering partnerships, and linking up with various opportunities.
12. There are certainly numerous microenterprise owners and employees for whom the programme contributed to increased household incomes, often complemented by non-RuMEPP support initiatives (e.g. provision of small equipment), but the magnitude and width of such positive impact among those who were reached by the programme are not known with certainty due to lack of data.
13. **Sustainability of benefits.** Under RuMEPP, DTI gained experience and strengthened skills to support existing and potential start-up microenterprises and gained some recognition, whereas it used to be more focused on industry

development. The "Go Negosyo" Act passed in July 2014, which seeks to strengthen micro, small and medium enterprises to create more job opportunities in the country, and related initiatives developed based on the RuMEPP experience (e.g. SME Roving Academy, *Negosyo* Centres) provide venues and frameworks for continued provision of support services to microenterprises.

14. In terms of the continuity of business operations of microenterprises that benefited from RuMEPP, it is difficult to make conclusive statements due to data limitations. SBC may have gained knowledge on how to handle a microfinance on-lending window, but the prospect of its continued operations in microfinance (wholesale or retail lending) is not certain, at least at this point, given competition in the market and insufficient branch networks, among other factors.
15. **Innovation and scaling up.** The major change expected to be introduced under RuMEPP was the merger of finance and knowledge ("convergence"), but there was an over-emphasis on the need to combine, to the extent possible, these two areas under the programme. In reality, entrepreneurs only chose what they wanted and wanted to afford, rather than the whole menu. On the other hand, DTI and RuMEPP support proved to be an effective conduit for pulling together various actors and opportunities for microenterprise support. Another area where RuMEPP was innovative was the systematic integration of marketing-related aspects into most of the interventions.
16. Public support to microenterprise development has been scaled up, as shown by the launching of various initiatives in this area. Some of the Government-funded initiatives do seem to reflect the experience and lessons under RuMEPP. One of the factors for sustainability and scaling up of business development services which was not well addressed under RuMEPP is exploring ways to charge fees and recover the cost of business development services.
17. **Gender equality and women's empowerment.** The programme design did not contain any specific targets or guidelines on gender inclusiveness. Nonetheless, the proportion of women beneficiaries in all types of support remained high throughout the programme (close to 80 per cent). Many of the enterprise models supported by DTI tended to be more interesting to women, such as light food processing and handicrafts.
18. The environment for promoting gender equality and women's empowerment is relatively conducive in the Philippines. Building on such a favourable environment, RuMEPP enhanced women's access to information, knowledge, experience and finance, and facilitated the creation and ownership of new business, and the generation of incremental income for the households.
19. **Environment and natural resource management.** In general, the types and sizes of microenterprises supported were such that the likelihood of negative impacts on the environment in terms of pollution from the waste generated were relatively low. While there was no evidence of unsustainable exploitation of the local natural resource base (and there are also some positive examples of environmentally friendly technologies used), there could have been more proactive and systematic incorporation of the issues related to the environment and natural resource management into support to microenterprises.

### **Recommendations**

20. Provided below are key recommendations for consideration by IFAD and the Government of the Philippines for future investments and projects in the country for micro- and small-scale enterprises and their access to finance.
21. **Recommendation 1. Be clear on the target group, including different categories within the group, their needs, and how they will be reached and benefit.** Clarity is needed on the target group to which project support will be directed, the intended beneficiaries, and how they will be reached. It is important

to have a critical reflection on possible impact pathways to promote inclusive rural transformation and on the role of micro- and small-enterprise sector. Linked but tailored and differentiated strategies might be required according to different potentials and characteristics of the target group.

22. **Recommendation 2. Develop diversified and structured approaches to improve financial services.** The focus should shift from mere unspecific credit lines to facilitating critical reflection and learning on how to finance micro- and small enterprises and how to enhance the use of the available liquidity in the system for financing development. Structured dialogue with the financial sector could be an important entry point. Such dialogue must be specific for the type of financial institution and geared at helping the institution understand specific requirements of different types of micro- and small enterprises, and the opportunities to develop products to meet their needs. Capacity-building of financial institutions with potential to expand outreach should be carefully considered.
23. **Recommendation 3. Devise measures to enhance the relevance and quality of non-financial services.** Business development services should be designed according to needs of different types/maturity levels of micro- and small enterprises. Depending on the level of enterprise maturity, ways to charge at least part of the costs should be considered to confirm interest and commitments and to enhance sustainability. Furthermore, attention to the environment and natural resource management should be systematically incorporated in non-financial services to microenterprises.
24. **Recommendation 4. Ensure sufficient investment in and support for M&E, analytical studies and documentation.** Capacity development, and research and development geared at practical issues, are indispensable elements of a strategy to support micro- and small enterprises. These should cover various aspects, including enterprise profitability under different economic/social and organizational parameters. There should be sufficient allocation of financial and human resources to enable essential studies and surveys to be conducted, so that M&E data and such survey results can be used as a basis for project implementation and policy development.

## IFAD Management's response

1. Management welcomes the Project Performance Evaluation (PPE) of the Rural Micro-Enterprise Promotion Programme (RuMEPP). The findings and recommendations of the PPE will contribute to continued dialogue with the Government of the Philippines on programmatic support to rural small and microenterprises (SMEs), as a means to spark rural growth, create jobs and increase rural incomes.
2. Management is pleased to note the PPE's recognition of the important role played by RuMEPP in building the capabilities of the Department of Trade and Industry (DTI), the project implementing agency, and enhancing its support to SMEs. Through RuMEPP, DTI succeeded to diversify its scope of work beyond large industry and trade, particularly by rolling out new instruments and policies for assisting small scale rural enterprises. While market conditions led the Small Business Corporation (SBC) and its partner microfinance institutions to access cheaper sources of debt than RuMEPP, SBC and DTI's has continued to build on the RuMEPP experience and expand their engagement with small enterprises accordingly.
3. Overall, Management agrees to the PPE's recommendations:
  - **Recommendation 1. Be clear on the target group and their needs**  
Agreed. Management agrees that specification of the target group, including the delineation of different types of enterprises with different service requirements, allows for better tailored and differentiated interventions, and to increased efficacy. Management will support Government in adopting a more differentiated set of support services, with clearer target groups. IFAD shall focus its support to enterprises operating within value chains that are competitive, reflect comparative advantages, exhibit market growth potential, and where tangible benefits to IFAD target groups are demonstrated. Differentiation of targeted enterprises will be undertaken with Government partners, and outreach and outcomes for different categories shall be monitored accordingly.
  - **Recommendation 2. Develop diversified and structured approaches to improve financial services**  
Agreed. Management fully agrees with the recommendation to shift from credit lines, towards facilitating critical reflection and learning on how to finance micro and small enterprises utilizing liquidity available in the financial system. IFAD will assist the Government in introducing innovative approaches that improve outreach of financial services to rural SMEs with appropriate lending terms. IFAD is placing emphasis on demonstrating SME support models (including financing and business management solutions) for profitable rural enterprise growth, wherein SMEs can become attractive destinations for term loans, equity investment and other financing products.
  - **Recommendation 3. Devise measures to enhance the relevance and quality of non-financial services**  
Agreed. Management agrees to support in future programming the tailored provision of business development services (BDS) according to needs of different types and maturity levels of micro and small enterprises; options for charging part of BDS costs (depending on the level of enterprise development); as well as incorporation of environment and natural resource management in non-financial services to SMEs.

- **Recommendation 4. Ensure sufficient investment and support for M&E, analytical studies and documentation**

Agreed. Management fully concurs with the PPE's assessment that research and development (R&D), as well as capacity building are essential for improved SME support by Government. Management will ensure that future programming for SME support includes sufficient support for monitoring and evaluation (M&E) and for analytical studies.

The following ongoing corporate actions, as part of the Development Effectiveness Framework, will contribute to the implementation of the recommendation: (i) upgrading of the Results and Impact Management System (RIMS); (ii) improvement of key tools to measure and manage for results, including logical frameworks; (iii) establishment of processes to track results in real time through IT systems; and (v) use of broader impact assessments of IFAD activities to maximize learning. Moreover, through the US\$3.5 million CLEAR grant, approved by the Executive Board in September 2016, Management will sponsor systematic training and certification of project staff across IFAD's operations on M&E and impact assessment. A customized curriculum will be taught in a modularized way within a wider project management approach, as opposed to a purely technical competency, and trainings will be delivered in regional locations (including three locations in the Asia and the Pacific region).

4. Management remains committed to implement the recommendations of the PPE and to ensure that the learning generated informs ongoing and future operations in the Philippines.

**Women engaged in the production of turmeric granules through the Danlag Women's Association. Tampakan, South Cotabato Province, SOCCKSARGEN Region.**

**Photo by Chndyli Tara G. Rogel**





# Republic of the Philippines

## Rural Microenterprise Promotion Programme

### Project Performance Evaluation

#### I. Evaluation objectives, methodology and process

- 1. Background.** The Independent Office of Evaluation of IFAD (IOE) undertakes project performance evaluations (PPEs) for a number of selected completed projects.<sup>1</sup> The Rural Micro-Enterprise Promotion Programme (RuMEPP) in the Philippines was selected for a PPE based on a number of considerations, in particular to provide inputs to the country strategy and programme evaluation (CSPE) for the Philippines undertaken in 2016.
- 2. Objectives and focus.** In general terms, the main objectives of PPEs are to:  
(i) provide an independent assessment of the overall results of projects; and  
(ii) generate lessons and recommendations for the design and implementation of ongoing and future operations within the country. Amongst others, this PPE focused on selected key issues that emerged from desk review, including:  
(a) programme's contribution to improving access to credit by microenterprises and their business growth; (b) targeting, outreach and coverage; (c) programme impact; (d) sustainability of programme benefits; and, in more general terms (e) the RuMEPP contribution and IFAD positioning in the microfinance/microenterprise sector and IFAD's 2009 country strategy.
- 3. Methodology.** The PPE follows the IFAD's Evaluation Policy,<sup>2</sup> the IFAD/IOE Evaluation Manual (second edition)<sup>3</sup> and the Guidelines for Project Completion Validation and Project Performance Evaluation.<sup>4</sup> It adopts a set of internationally recognised evaluation criteria (see annex IV) and a six-point rating system (annex I, footnote a). The evaluation was based on a desk review of available data and documents<sup>5</sup> and a country mission for two weeks including field visits. As normally the case with PPEs, given the time and resource constraints, no extensive primary data collection or a survey was undertaken. Data collection methods included interviews with various stakeholders (government staff, IFAD staff, programme implementation partners, beneficiaries, and key informants), group discussions and direct observations (e.g. premises of microenterprise beneficiaries, assets, products and business records). The sites for field visits were selected based on a review of available data and in close consultation with the IFAD country programme officer and the DTI, with a view to gathering information and evidence on activities, achievements and challenges in different contexts (e.g. differences in the level of micro-lending activities).
- 4. Process.** The PPE mission<sup>6</sup> was undertaken from 18 January to 3 February 2016. Following initial meetings with stakeholders in the capital (Manila) upon arrival, the team visited 7 provinces in 3 regions<sup>7</sup> out of 19 provinces in 5 regions focused under the programme. In the field, the team met with representatives of local government units, regional and provincial staff of DTI, representatives of the SBC, business development service providers (BDS providers), financial institutions

<sup>1</sup> The selection criteria for PPEs include: (i) synergies with forthcoming or ongoing IOE evaluations; (ii) novel approaches; (iii) major information gaps in PCRs; and (iv) geographic balance.

<sup>2</sup> <http://www.ifad.org/pub/policy/oe.pdf>.

<sup>3</sup> [http://www.ifad.org/evaluation/process\\_methodology/doc/manual.pdf](http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf).

<sup>4</sup> [http://www.ifad.org/evaluation/process\\_methodology/doc/pr\\_completion.pdf](http://www.ifad.org/evaluation/process_methodology/doc/pr_completion.pdf). See annex IV for an extract from the guidelines, "Methodological note on project performance assessments".

<sup>5</sup> Including supervision mission reports, mid-term review report, project completion report, baseline survey, outcome surveys, impact evaluation, and RuMEPP database on beneficiary profiles. See also annex XI for bibliography.

<sup>6</sup> The mission consisted of Fumiko Nakai (lead evaluator and IOE senior evaluation officer), Michael Marx (IOE senior consultant) and Luningning Bondoc (IOE consultant).

<sup>7</sup> Agusan del Norte, Surigao del Norte and Surigao del Sur in Caraga Region (Region 13, 20-22 January 2016); Ifugao and Kalinga provinces in the Cordillera Administrative Region (24-26 January 2016); and Sarangani and South Cotabato in SOCKSARGEN Region (Region 12, 27-29 January 2016).

(mainly rural banks and multi-purpose cooperatives), and beneficiaries of project support measures. In total, the team interacted with about 15 financial institutions, approximately 60 beneficiaries engaged in microenterprise activities and 10 BDS providers. The beneficiaries met included individual business owners (sole proprietors), those engaged in business as a group (often cooperatives), as well as employees. See Annex VI for the list of key people met and interviewed.

5. At the end of the mission, on 3 February 2016, a meeting was organized at DTI head office in Manila for the PPE team to share its preliminary findings with project stakeholders and IFAD. Following the mission, further analysis of the data and findings was conducted to prepare the draft PPE report. The draft report was first subjected to a peer review within IOE. It was thereafter shared with IFAD's Asia and the Pacific Division and the Government of the Philippines for comments before being finalized.
6. **Data availability and limitations.** The programme management unit (PMU) at DTI and SBC collected and kept data in areas such as loan disbursement to MFIs, loans to microenterprises to some extent, profiles of microenterprise beneficiaries, BDS/training activities and microenterprise participants. There is a database on all microenterprise beneficiaries supported with BDS by province. As for the credit activities outside the 19 core programme provinces, which were substantial in terms of the proportion of the credit funds channelled, there is hardly any data available apart from the funds disbursed to MFIs and the number of borrowers. In general, there is lack of reliable data on outcomes and impact. This is also due to the absence of well-defined indicators corresponding to outcomes and objectives, as well as lack of clear definition of indicators and common approach to their measurement. Two outcome surveys and an impact evaluation were conducted, but all of these have had some methodological shortcomings (see section on rural poverty impact, table 10 and annex VIII).
7. For this PPE, data and information from different sources were reviewed, analysed and triangulated to assess project performance and to obtain evidence or indications in support of (or to challenge) the findings and conclusions in the Project Completion Report (PCR) and other reports. Nonetheless, these limitations of data availability and reliability (especially for outcomes and impact) should be kept in mind.

## II. The project<sup>8</sup>

### A. Project context

8. At the time of programme design (mainly during 2003-2004), about 92 per cent or 736,000 of the 800,000 enterprises in the Philippines then were microenterprises and about 440,000 of them (60 per cent) were considered to be "under-performing due to lack of management / business support and poor access to finance".<sup>9</sup> Microenterprises were and are defined in the Philippines as enterprises with assets worth less than PHP 3 million ( $\approx$  US\$60,000) and with not more than nine employees. In the absence of exact data on the poverty situation of microenterprises, it was assumed that many, or most of the microenterprises were from the poorer segments of the rural population, and that a programme addressing the above two main constraints would have a major positive impact on poverty alleviation and income generation.
9. The project design considered the policy and support framework for the microenterprise sector - including the "Magna Carta for Small Enterprises" (2003), the Small and Medium Enterprise (SME) Development Plan (2004-2010) and the Barangay Micro Business Enterprises Act (2002) - to be comparatively accommodating to supporting the sector. According to the RuMEPP appraisal report, the main constraints for promoting microenterprise development were seen as follows: (i) insufficient focus on microenterprises, against a predominant focus on SMEs; (ii) lack of resources allocated to microenterprise development; (iii) inadequate access to financial services, in particular credit; and (iv) allocation bias to more developed regions, as against the poorer and less dynamic regions.
10. While the appraisal report regarded the regulatory and institutional framework as favourable overall, outreach of institutional microfinance was seen as very limited. At the time of appraisal, total lending by MFIs was reported to be 0.5 per cent of the portfolio of banks.<sup>10</sup> Even rural banks only had 6-7 per cent of their loans in the microfinance category. Total outreach of all microfinance services covered less than a quarter of poor households. The total microfinance portfolio was estimated to satisfy at best 10 per cent of the total (rapidly growing) demand.
11. Prior to RuMEPP, IFAD cofinanced the Rural Micro-Enterprise Finance Project (with a loan of approximately US\$14.7 million) with the Asian Development Bank, which provided US\$20 million and supervised the project. The project was implemented between 1996 and 2002. IOE (at that time called the Office of Evaluation) conducted an interim evaluation in 2002 to provide recommendations for a subsequent project supporting the sector. RuMEPP was this subsequent project, although the final design was not so much of a "second phase" being with different implementing partners and with somewhat different approach, with no explicit focus on the Grameen Bank approach<sup>11</sup> that was at the core of the previous project.
12. RuMEPP was conceptualized as a poverty-alleviation intervention in support of the Philippine Government's "Medium Term Development Plan 2004-2010". This Plan had a target of creating ten million new jobs. Most of these jobs were expected to be generated from the growth of micro, small and medium scale enterprises (MSMEs). RuMEPP intended to offer improvements in the two main domains of

<sup>8</sup> RuMEPP carries the name of a programme, but it would have been more appropriate for it to be classified as a project, rather than as a programme. This report uses both terms interchangeably.

<sup>9</sup> RuMEPP appraisal report, January 2005. RuMEPP President's Report (EB 2005/84/R.15/Rev.2).

<sup>10</sup> RuMEPP appraisal report, Working Paper 1, paragraphs 2-3.

<sup>11</sup> The Grameen Bank approach, as a way to deliver microcredits to the poor, originates from the Grameen Bank established in 1976 in Bangladesh. A typical (and original) approach involves organizing the poor (mostly women) into groups, normally of five members, weekly group meetings (with the presence of a credit officer from MFI), microloans offered to group members with collective liability, and weekly repayment. The original Grameen approach has been replicated by numerous MFIs in different countries and has also been modified and adapted in different ways, for example, modified repayment schedules, or individualized liabilities for default while maintaining the group structure for other purposes.

microenterprises' needs: access to information, knowledge and skills through BDS and access to finance. RuMEPP was to complement the DTI's flagship "One Town, One Product" programme, aimed at creating opportunities for microentrepreneurs by strengthening the development and promotion of products or services that were identified as having a comparative advantage.

13. **Partner institutions.** During the design process, proposed implementation arrangements went through several iterations. The Land Bank of the Philippines (LBP) and the People's Credit and Finance Corporation were the main institutions in the predecessor project - the former as the "official depository and trustee bank for project funds", and the latter as the executing agency responsible for extending credits to partners that would provide financial services to rural poor replicating the Grameen Bank approach. Initially, it was proposed that also under RuMEPP, LBP be responsible for handling the lending to MFIs for on-lending to microenterprises, as well as to wholesale lending financial institutions such as the People's Credit and Finance Corporation, but this proposal was discarded since LBP was in the process of overhauling its operations in the micro-finance sector, hence, was not in a position to be involved in the programme.<sup>12</sup>
14. In the end, the Small Business Guarantee and Finance Corporation (later renamed as SBC), a government corporate body, was identified as a wholesale lender to MFIs, as an alternative option to the LBP. SBC was selected given that it is an agency attached to DTI which had been identified as the main RuMEPP implementing agency, and in view of its role as potential wholesale financier of the SME sector, and the interest and intention to build its capacity in this domain, rather than on its track records and financial capacity. Contrary to the much larger and better established LBP, SBC wanted a new business role as wholesaler and needed additional liquidity for lending, unlike the LBP, which had been over-liquid for many years.
15. Compared to the previous project, RuMEPP had a clearer focus on microenterprise development with a distinctive component on non-financial services. In this regard, DTI was selected as lead implementing agency being the prime government mandated agency for micro and small enterprise development. DTI was a new entry to IFAD-supported operations. Until then the main implementing agencies for IFAD-financed projects were limited to Department of Agriculture, Department of Agrarian Reform and Department of Environment and Natural Resources.
16. **Programme objectives and outcomes.** The development goal of RuMEPP was "increased economic development and improved job generation resulting in reduced rural poverty among 200,000 poor rural households".<sup>13</sup> The programme objective was "increasing numbers of new and existing rural micro-enterprises expanding and operating profitably and sustainably". There were three expected outcomes: (i) SBC and MFIs provide better financial services to microenterprises; (ii) microenterprises receive effective and responsive BDS; and (iii) microenterprises benefit from the programme-promoted improved policy environment. These outcomes basically corresponded to three programme components: (a) microfinance credit and support (MCS), with most of the funds allocated for credit lines for wholesale lending to MFIs through SBC; (b) micro-enterprise promotion and development (MEPD); and (c) programme and policy coordination (PPC). The narrative of objectives and outcomes and indicators in the logical framework (revised at mid-term review [MTR]) are contained in annex VII.
17. **The underlying theory of change** in RuMEPP, derived from the stated programme objectives, outcomes and components, was that providing business

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<sup>12</sup> Note of Understanding, RuMEPP Formulation Mission 20 April – 24 May 2003; Note of Understanding, RuMEPP Pre-Appraisal Mission, 16-23 July 2003; Excerpts from the highlights of the Inter-Agency Meeting on the IFAD-RuMEPP, 20 August 2004.

<sup>13</sup> According to the President's Report EB 2005/84/R.15/Rev.2. The financing agreement also had the goal formulated in a very similar manner.

development services to entrepreneurial poor in rural areas along with improved access to microcredits will lead to an increasing number of start-up microenterprises and existing microenterprises expanding and operating profitably and sustainably, thereby contributing to economic development and job creation. More detailed presentation of the theory of change developed based on the design document is contained in annex VIII.

18. **Programme area and target group.** The geographical focus of RuMEPP was in the five poorest regions of the country (table 1),<sup>14</sup> covering 19 out of the 26 provinces in these five regions. The total population of these 19 provinces at design stage was about 11 million, with substantial differences as regards occurrence of poverty and population size. While these provinces were selected as a core programme area, the wholesale credit facility was to be made available also in rural areas in the whole country, outside these 19 provinces, except for Metro Manila and Cebu.

Table 1

**List of 19 core provinces covered by RuMEPP**

<i>Region</i>	<i>Province</i>
Cordillera Administrative Region	Abra, Ifugao, Kalinga
V (Bicol)	Albay, Camarines Sur, Catanduanes, Masbate, Sorsogon
VIII (Eastern Visayas)	Biliran, Eastern Samar, Leyte, Northern Samar, Western Samar
XII (SOCCKSARGEN)	Sarangani, South Cotabato
XIII (Caraga)	Agusan del Norte, Agusan del Sur, Surigao del Norte, Surigao del Sur

19. The programme financing agreement defined the **target group** as "new and expanding microenterprises with assets worth less than PHP 3 million with one to nine employees ". Three maturity levels for enterprise development were recognized at design stage: (i) enterprise formation level ("level 1"), ranging from emerging enterprises with minimal assets to those whose assets will often be in the form of inventory or small equipment (possibly up to PHP 50,000); (ii) enterprise expansion level ("level 2"), covering those that have developed into relatively stable businesses and want to expand, with assets between PHP 50,000 and 300,000; and (iii) enterprise transformation level ("level 3"), which includes more mature microenterprises with assets of up to PHP 3 million, up to nine employees and the potential to develop into small enterprises.
20. **Changes in the context.** One of the most significant changes in the context was the decline of interest rates in the past 3-4 years in the financial markets. As a consequence, the wholesale lending terms by SBC to MFIs, which were determined based on the terms of the subsidiary loan agreement between SBC and the Government and other margins, became uncompetitive and the demand for RuMEPP credit funds through SBC reduced significantly.<sup>15</sup> Out of an amount received of PHP 626 million, SBC therefore repaid an amount of PHP 600 million in

<sup>14</sup> According to the appraisal report, these provinces were selected based on "the poverty incidence published by the National Statistics Bureau and ratified by the National Poverty Alleviation Commission (NAPC)". All selected provinces had a poverty incidence greater than the national average of 34 per cent (population below the poverty line).

<sup>15</sup> For example, one of the main competitors to SBC, LBP reduced its wholesale lending rate from 8-11 per cent to 4-6 per cent per annum for rural banks, MFIs and multipurpose cooperatives (MPCs), which is about 4-5 per cent points lower than what SBC could grant. Under the subsidiary loan agreement between SBC and the Government, SBC had cost of funds of already 4.75 per cent per annum, including the service charge of IFAD of 0.75 per cent, a hedging fee of 3 per cent against the devaluation of the Peso as charged by the Department of Finance, and a guarantee fee of 1 per cent to cover loan losses. Even assuming there were no loan losses, SBC had to add a margin of at least 4 per cent to cover its operating costs. As its clients under the wholesale lending facility refrained from borrowing and moved to LBP, which also offered comparable terms and conditions, but at lower interest rates, SBC had a high-cost liability in its portfolio for which there was substantially reduced demand. As the facility could not be invested otherwise, SBC saw no other option but to repay the loan to the Department of Finance.

early 2015, even though the repayment term had been specified as 25 years in the subsidiary loan agreement. The remaining balance is expected to be repaid in 2016.

21. Another important development in later years of programme implementation was increased level of complementary support initiatives for microenterprise development. These include (but are not limited to): the Shared Service Facilities Project by DTI, Small Enterprise Technology Upgrading Program (SETUP) by the Department of Science and Technology, support by the Department of Labour and Employment, and Bottom-Up Budgeting initiative through local government units. These included support for the provision of small machinery and equipment, either to groups or individuals and either on a loan or grant basis. The database of microenterprises supported under RuMEPP provided entry points for beneficiary identifications for other initiatives, thus enabling the combination of BDS under RuMEPP with material assistance for the same beneficiaries.
22. Finally, the typhoon Yolanda in November 2013 caused devastating damage to some of the RuMEPP areas, in particular to Region VIII (Eastern Visayas).

## B. Project implementation

23. **Timeframe.** A loan in the amount of SDR 12.35 million<sup>16</sup> and a grant of SDR 340,000 were declared effective on 31 October 2006. The programme was completed on 31 December 2013 and the loan and grant accounts were closed on 12 May 2015.
24. **Project financing.** The total actual cost was approximately US\$25.2 million (table 2), of which IFAD financed 76.7 per cent. The disbursement rates for the IFAD loan and grant at closing were 98.5 and 100 per cent, respectively. Of the IFAD loan, over 70 per cent was allocated to credit lines. The actual cost more or less followed the initial budget, with domestic cofinancing larger than originally envisaged. The comparison with the initial budget is presented in annex XI.

Table 2

### Actual project financing by component and financier (US\$'000)

Component	IFAD loan	IFAD grant	Government (DTI)	Government (SBC)	MFIs	Total	%
Microfinance credit and support	14 428			2 299	2 394	19 121	75.8
Microenterprise promotion and development	3 238	522	764			4 524	17.9
Programme and policy coordination	1 185		411			1 596	6.3
<b>TOTAL</b>	<b>18 851</b>	<b>522</b>	<b>1 175</b>	<b>2 299</b>	<b>2 394</b>	<b>25 241</b>	<b>100</b>

Source: RuMEPP project completion report.

25. **Implementation arrangements.** DTI had the overall responsibilities for programme implementation and coordination. While SBC was responsible specifically for the MCS component, DTI was responsible for the MEPD and PPC components. A programme steering committee was established at national level to provide overall strategic direction.
26. In the field, additional programme staff, called RuMEPP Provincial Officer (RPO), was hired for each province. RPOs were placed at the provincial DTI office and were charged with coordination and implementation. In addition, each DTI regional office assigned a RuMEPP Regional Coordinator to monitor and coordinate activities at the regional and provincial levels. The DTI Regional Director, together with the concerned DTI Provincial Directors, assumed overall responsibility for implementation in the areas under her/his area of work which included the

<sup>16</sup> The loan amount negotiated and approved by the Board was SDR 14.05 million. The PPE team was not able to trace any documentation to explain why the amount was reduced to SDR 12.35 million.

identification and development of BDS activities for targeted microenterprise beneficiaries.

27. **Amendment to the loan agreement.** Two amendments to the financing agreement were made as follows: (i) reflecting the change to direct supervision and new procurement guidelines and adding a sub-category to allow the use of the grant proceeds for MFIs capacity building (8 June 2009); and (ii) loan reallocation between categories (1 June 2011), shifting some resources from the credit funds to the MEPD component (e.g. BDS) and staff costs and allowances.
28. **Component 1: Microfinance credit and support (MCS).** The *Microenterprise Credit Facility* under this component was the largest cost item in RuMEPP. Through this facility, the funds for wholesale lending were provided to SBC that would then lend to MFIs for on-lending to microenterprises. The Department of Finance lent funds to SBC at 4.75 per cent p.a., whereas SBC lent to MFIs at market rates (8-10.5 per cent). MFIs were allowed to use their own criteria and procedures for appraising loan applications and extending loans (including both individual and group-based lending methodologies), as long as sub-borrowers were in line with the RuMEPP target group. SBC assigned microfinance account officers to handle wholesale microfinance at its head office, while additional desk offices were set-up in selected provinces<sup>17</sup> to market the facility.
29. Over 90 MFIs<sup>18</sup> borrowed from SBC under the project ("participating financial institutions", PFIs) in the 19 core provinces and outside (see paragraph 18), including national financial institutions operating as banks, rural banks, multipurpose cooperative societies (MPCs) with savings and credit functions, and non-governmental organization (NGO)-type MFIs. The IFAD funds utilized for the Microenterprise Credit Facility was about PHP 626 million (US\$14.3 million).<sup>19</sup> The total amount of loans funds that were made available, including "reflows" of the IFAD funds and cofinancing by SBC and PFIs, is estimated around PHP 2.1 billion. While the project design already provided a space for channelling the credit funds outside the 19 core provinces, it was only after the MTR that other provinces were actually brought on board. For the "first generation" funds extended to MFIs, about 36 per cent was channelled outside the 19 provinces but when the "reflows" are also taken into consideration, 61 per cent was disbursed for the credit operations outside the core provinces.
30. There were large disparities in the volume of loan funds between MFIs and provinces. Forty-four per cent of the IFAD funds (including reflows) were passed through only five MFIs<sup>20</sup> and only three MFIs received more than 5 per cent of the credit funds. Although about 50 per cent of MFIs were cooperatives (mostly multi-purpose cooperatives), less than 20 per cent of the credit funds (including the reflows) were channelled to cooperatives, of which 80 per cent was disbursed to cooperatives *outside* the 19 programme provinces. According to the data in the PCR (working paper prepared by SBC), CAR and SOCCKSARGEN regions combined received less than 1 per cent, against Bicol, for example, which absorbed 35.4 per cent, but this analysis seems to be based only on the first generation funds and therefore the proportion of the final amount of credit funds made

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<sup>17</sup> In CAR (Baguio City), Region V (Naga City), Region VIII (Palo, Leyte), Region XII (General Santos City) and Region XIII (Butuan City).

<sup>18</sup> 95 MFIs according to the PCR, 92 according to SBC data, 8 of which received the credit funds for both within and outside the 19 core provinces.

<sup>19</sup> For the credit facility outside the 19 provinces, there were cases where loans were granted to persons in the Manila and Cebu regions, which were ineligible, and thus had to be reversed later on, and similarly, some loans had been included in the lists as a result of the 2012 supervision mission. As regards loan amounts from the imprest account (i.e. the first round of use of the IFAD loan proceeds for lending), the differences in loan amounts were PHP 633.742 million as reported under the statement of expenditure vs. PHP 626.242 million (final amount after adjustments) and 58,857 vs. a final number of 57,330 borrowers.

<sup>20</sup> Namely, Agribusiness Rural Bank, CARD Bank, Green Bank, Lamac Multi-Purpose Cooperative, Tulay Sa Pag-Unlad, Inc. The first three had operations in one or more provinces in the 19 core provinces and the latter two cooperatives operated outside the 19 core provinces.

available including the reflows would differ. Such large disparities were mainly because of different levels of presence of relatively mature MFIs that could be accredited by SBC and have the capacity to borrow, as well as their interest. In order to allow the use of the IFAD grant funds for capacity building support to help potential MFIs to be accredited, the financing agreement between IFAD and the Government was amended in 2009.<sup>21</sup> This was an adjustment made in efforts to have accredited MFIs in all 19 provinces.

Table 3  
**Microenterprise Credit Facility – key figures**

<i>Indicators</i>	<i>Achievement</i>	<i>Source</i>
IFAD loan "expended" on for the Microfinance Credit Facility (A)	PHP 626 million	SBC records
Estimated amount of loan funds extended to microenterprises with the first generation funds including SBC and PFI cofinancing (B)	PHP 870 million	PPE computation with inputs from SBC
Number of borrowers <sup>a</sup> from the first generation funds (estimated at PHP 870 million) (C)	57 330	SBC/DTI records
<ul style="list-style-type: none"> <li>• In 19 core provinces</li> <li>• Outside 19 core provinces</li> </ul>	<ul style="list-style-type: none"> <li>• 36 787 (=64 per cent)</li> <li>• 20 543 (=36 per cent)</li> </ul>	
Average loan size per borrower (from the first generation funds) (B/C)	PHP 15 170 (approximately US\$330)	PPE computation with inputs from SBC
Loan funds (financed by IFAD) extended to MFIs including the first generation funds and reflows	PHP 1.526 billion (61 per cent outside 19 core provinces)	SBC data and PPE computation
Estimated amount of loan funds extended to microenterprises including "reflows" of the IFAD funds and cofinancing by microenterprises and PFIs	PHP 2.1 billion	PPE computation with inputs from SBC

<sup>a</sup> SBC indicated that the figures were the number of borrowers and not the number of loans issued. It is however not entirely clear how repeater loans were calculated.

31. Although the data on disbursement up to the level of MFIs are reasonably available, the analysis of the credit activities are hampered by a number of factors, such as inconsistencies in definitions (e.g. "existing" vs. "potential" microenterprises),<sup>22</sup> lack of a common reporting framework by PFIs, especially between those receiving funds for outside or within the 19 core provinces, the use of and reporting on reflows into the imprest account and the interest received on the imprest account, how to record "recycling" at MFIs' level or how to record repeater borrowers. Based on the project database and clarifications provided by SBC and DTI at request of the PPE team, some key figures are presented in table 3 and annex X, while keeping in mind the above-mentioned limitations. There is little data and discussion on the performance of borrowers (microenterprises) or MFIs in the supervision mission reports or MTR, with no trace of systematically tracking and reporting on key indicators related to portfolio quality or other standard indicators on MFIs,<sup>23</sup> even with the recognition that the credit funds from RuMEPP were generally a marginal proportion to the MFIs' portfolios.<sup>24</sup>

<sup>21</sup> According to the initial design, only the accredited MFIs were to be eligible for grant assistance for capacity building.

<sup>22</sup> For example, M&E outreach data indicated that 2,424 "potential" microenterprises got both loans and BDSs; it is however not conceivable that a person who has not undertaken any microenterprise activity would have taken a loan for business purpose. According to the clarifications provided by DTI in response to the PPE mission inquiry, apparently, in such cases, "potential" microenterprises meant start-ups. But the term "potential microenterprises" was actually also used to indicate those individuals that received training/BDS and but have not started business activities.

<sup>23</sup> The rare referencing to such indicators is found in the 2011 supervision mission report indicating the average repayment rate (by microenterprises) as 95 per cent and the portfolio at risk as 6.5 per cent. The PCR reported portfolio at risk to be "only 7.91 per cent". The industry's best practice standard for MFIs is 5 per cent.

<sup>24</sup> For the top borrowers under RuMEPP, the credit funds from RuMEPP were calculated to be about 4-5 per cent of the loan portfolio of respective institutions. (PPE calculation based on the MIX market data and RuMEPP data).



32. Based on the number of borrowers and the estimated loan funds from the first generation funds, the average loan size *per borrower* was PHP 15,170 (approximately US\$330, table 3). Since the magnitude of repeater loans/borrowers is unknown, it is not possible to estimate the average size of *each loan*. Various sources indicate the average loan size by MFIs in the Philippines of a wide range between around PHP 5,000-6,000<sup>25</sup> and PHP 30,000-40,000.<sup>26</sup> These data indicate that the profiles of the majority of RuMEPP borrowers are likely to have been comparable to average microcredit borrowers in the country, although the SBC/DTI database indicate a wide range of loan sizes by borrowers under RuMEPP (PHP 4,000 to PHP 50,000). According to the available data, of the total number of loans from the first generation funds, 45.4 per cent were for production, processing and manufacturing, 39.5 per cent for trade, 6.7 per cent for other services and 8.4 per cent for different combination of these, mostly with trade.
33. Under the MCS component, there were also two other small sub-components: one on institutional strengthening of MFIs through loans and grants, and the other one on strengthening of SBC's microfinance capacity. As regards MFI capacity building, the investment made under RuMEPP was very small:<sup>27</sup> about US\$60,000 in loans to 4 MFIs and about US\$66,700 in grant for 7 MPCs. The grant-funded capacity building activities, implemented at the later stage of the project around 2013-2014, were mostly geared to financial and credit portfolio management including delinquency policies, risk management, market research, development of policies and procedures, strategic planning, human resources management, and leadership and governance.
34. The sub-component on strengthening SBC's microfinance capacity was to support the establishment of a wholesale microfinance-lending unit headed by a vice president of SBC. The envisaged functions of the unit included the evaluation of MFIs, and the disbursement, collection and monitoring of loan funds. Such organizational unit did not come into existence. SBC did not consider it justifiable to create a unit solely dedicated to moving the funds specifically for a project and according to the Corporation management, its microfinance operations were mainstreamed into its structure.<sup>28</sup>
35. **Component 2: Micro-enterprise promotion and development (MEPD).** This component aimed at providing efficient, cost-effective and demand-responsive BDS to existing and potential rural microenterprises in the 19 target provinces. The BDS facility was managed by the PMU together with the DTI regional and provincial offices. This component also sought to develop the outreach capacity of SME Centres, a unit in DTI provincial offices that supports the development of SMEs, through the provision of multi-media equipment, information, education and communication materials, and marketing support.
36. BDS was provided by about 76 contracted service providers in a vast area of expertise, such as starting a business, technical skills, enterprise development and management techniques, organizational strengthening, product development, market research, market linkages, packaging and labelling, costing and pricing, record keeping and accounting, and relevant food safety standards. Products and services covered included food processing, coffee roasting, preservation techniques, rattan and bamboo processing, fish processing, trading, cut flower arrangements, among many others.

<sup>25</sup> Among others, Asian Development Bank 2007 (indicating the average loan size of PHP 5,500 for *rural microlending*), Giné and Karlanb 2013 (PHP 6,033), PinoyME website (<http://www.pinoyme.com/about-microfinance>) (PHP 5,000).

<sup>26</sup> United States Agency for International Development 2013, an annex documenting interviews with various MFIs.

<sup>27</sup> Four PFIs (two MPCs and two rural banks) used the loan facility at a reduced interest rate of 4 per cent p.a. for a total amount of PHP 2.63 million (approximately US\$60,000) and seven MPCs were provided with grant-funded capacity-building support through business development service providers at the cost of PHP 3 million or US\$66,700.

<sup>28</sup> PCR working paper by SBC.

37. According to DTI data, a total of 32,318 beneficiaries<sup>29</sup> were provided with BDS (see table 4) and over 80 per cent of them were not registered, although the DTI database did not distinguish those operating business with or without registration and those not operating business yet, most likely recorded as "level 1". Out of 20,546 microenterprises that were recorded as existing, most of them (87 per cent) were classified as level 1 microenterprises (table 5). Fifty-five per cent of 32,318 BDS beneficiaries received training support only once, 11 per cent twice, 2 per cent thrice, 3 per cent four times and 1 per cent five times.<sup>30</sup> It was reported that 46 per cent of them (14,965 microenterprises) were also provided with credit (so-called "convergence" microenterprises).

Table 4

**Number of microenterprises provided with BDS**

	Male		Female		Total	
Existing microenterprises	3 952	19%	16 594	81%	20 546	64%
Potential microenterprises*	2 879	24%	8 893	76%	11 772	36%
<b>TOTAL</b>	<b>6 831</b>	<b>21%</b>	<b>25 487</b>	<b>79%</b>	<b>32 318</b>	<b>100%</b>

Source: DTI data.

\* The DTI brief on the project achievements defined "potential microenterprises" as microenterprises that participated in BDS activities but have not or were not engaged in actual entrepreneurial activities as of project completion in 2013. It therefore seems that some of microenterprises classified as "existing" may have been new and not operating before the project support, but their proportion is not clear, i.e. how many microenterprises (and what proportion) were assisted in starting up their businesses.

Table 5

**Categories of "existing" microenterprises provided with BDS**

	Level 1 (asset size <PHP 50,000)	Level 2 (asset size PHP 50,000-300,000)	Level 3 (asset size PHP 300,000-3 million)	Total
Number	17 939	2 149	458	20 546
Percentage	87.3	10.5	2.2	100

Source: DTI data.

38. **Component 3: Programme and policy coordination (PPC).** A small PMU was established initially within the Cottage Industry Technology Centre of DTI, but was later moved under the Regional Operations Group. The PMU at the DTI head office collaborated with the regional and provincial DTI offices and with other DTI units to coordinate M&E activities, procurement and financial management. There was a high turn-over of programme managers in initial years: MTR indicated five programme managers in three years.
39. The Small Enterprise Research and Development Foundation (SERDEF) was engaged in 2009 to review existing policies on microenterprise development and microfinance services, identify key policy issues and advise on RuMEPP. This culminated in the preparation and submission of recommendations to the government. Furthermore, DTI documented the RuMEPP experiences and drew some lessons in its publication "More Than Cash".
40. **Targeting and outreach.** Apart from geographical targeting based on the initial decision on the core 19 provinces (while leaving the room for channelling the credit funds outside these provinces), the following factors were relevant to targeting: (i) "self-selection" (expressed interest by MFIs) combined with eligibility-based

<sup>29</sup> In the various programme-related reports (and in this PPE report), "microenterprise" and "microentrepreneur" are used somewhat interchangeably. Strictly speaking, the latter is a person/individual, while the former is not, although often in many cases microenterprises are operated by the sole proprietors and hence the distinction may be blur.

<sup>30</sup> Based on the analysis of DTI database by province.

selection for MFIs (accreditation by SBC); (ii) assessment of microenterprises' creditworthiness by MFIs; (iii) readiness and interest of microenterprises to borrow from the SBC accredited MFIs or previous relationships with these MFIs; (iv) microenterprises' registration status; and (v) awareness of microenterprises about RuMEPP. Thus, targeting was largely driven by interest, access to information and capacity (actual or potential) of MFIs and microenterprises.

41. The implementation pace of the MCS component was faster compared to the MEPD component in the initial years.<sup>31</sup> Earlier supervision mission reports show that the linkage between these two components and increasing the cases of "convergence" (microenterprise beneficiaries served by both components) were a primary concern of IFAD and the Government right from the beginning. Hence, a two-prong strategy was adopted as early as 2008: "track 1" under which microenterprises borrowers under MCS component would be endorsed to DTI to receive BDS; and "track 2", under which microenterprises selected to receive BDS would be endorsed to MFIs as potential borrowers.

Figure 1

**RuMEPP outreach to microenterprises through credit and business development services**

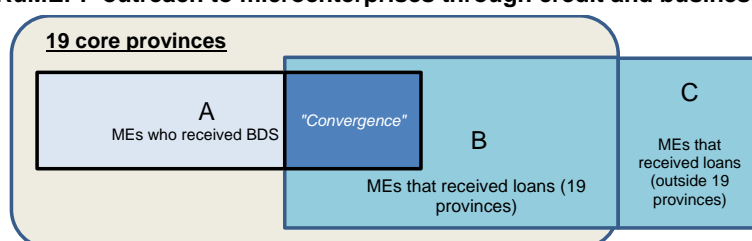


Table 6

**RuMEPP outreach to potential and existing microenterprises**

(not including borrowers from recycled funds)

Type of intervention (reference to figure above)	"Potential" microenterprises	Existing microenterprises	Total microenterprises
Credit only (19 provinces) (A minus "convergence")	0	21 822	21 822
Credit + BDS ("convergence") 19 provinces (A&B overlap)	2 424 (start-ups)	12 541	14 965 (84% female)
BDS only (without credits) – 19 provinces (B minus "convergence")	9 348*	8 005	17 353
<i>Beneficiaries in 19 provinces</i>	<i>11 722</i>	<i>42 368</i>	<i>54 140</i>
Credit only (outside 19 provinces) (C)	0	20 543	20 543
<b>Total</b>	<b>11 722</b>	<b>62 911</b>	<b>74 683</b>

Source: RuMEPP/DTI.

\* It is not clear whether start-up microenterprises have been consistently included under "potential" or "existing" microenterprises.

42. For the microenterprise selection under the MEPD component, in some cases, DTI provincial offices started with those microenterprises already registered with them under previous programmes and initiatives. In other cases, the offices involved local government units to identify microenterprises or conduct road shows and community-based meetings to identify potential/new microenterprise beneficiaries. In the end, reportedly existing microenterprises constituted 64 per cent of the beneficiaries in the BDS provision, but as mentioned earlier, it is not clear whether

<sup>31</sup> For example, February 2009 supervision mission recorded 19,752 borrowers under the MCS component and 688 microenterprises covered under the MEPD component. However, it appears that "19,752" may have been the number of loans issues rather than the number of microenterprises who borrowed, since lack of such distinction was pointed out in August 2009 supervision mission report, which reported "34,613 microenterprise borrowers" and at MTR the number went down to 16,622.

those new microenterprises that did not operate before were counted as "existing" or "potential" in the end-of-programme data. Figure 1 and table 6 summarize the data on the outreach reported under RuMEPP.

43. The total number of beneficiaries was reported in the PCR as 74,683 persons (table 6). As for the borrowers under MCS component, the actual figures are likely to be higher given that they do not reflect borrowers from reflows of the credit funds. It should also be noted that the intensity of support and any contribution to microenterprise development varied greatly. For example, a majority of BDS beneficiaries received BDS provision only once, while some microenterprises received BDS 3 or 4 times (paragraph 37).
44. Of the 14,965 microenterprises served with both credit and business development services in the 19 provinces (cases of "convergence") against the target of 15,000, 89 per cent were classified as "track 1 microenterprises" (i.e. microenterprises provided with credit before receiving BDS) and 11 per cent as "track 2 microenterprises" (i.e. those provided with business development services before credit). As indicated earlier, out of microenterprises categorized as "existing" (20,546 microenterprises), 87 per cent were level 1 microenterprises (table 5).

#### **Key points**

- The major thrusts of the project were to support access to finance and knowledge and skills, both seen as important bottlenecks for microenterprise development. About 75 per cent of the project cost was for credit lines and SBC acted as a wholesale lender for MFIs. DTI was the main implementing agency.
- RuMEPP follows the Rural Micro-Enterprise Finance Project financed by IFAD and the Asian Development Bank implemented between 1996 and 2002. While supporting the same sub-sector and thematic area, the approach and implementation arrangements changed somewhat in RuMEPP, also with new implementing partners (SBC and DTI).
- The geographical focus was 19 of the poorer provinces, but in fact over 60 per cent of the credit funds (combining the first generation funds and the reflows) were extended also outside those 19 provinces. Uptake of credit was unevenly distributed across the accredited MFIs and provinces.
- One of the most significant changes in the context in the later part of the project period was the decline of interest rates in the financial markets. As a consequence, the wholesale lending terms by SBC to MFIs, which had to be based on the terms of the subsidiary loan agreement between SBC and the Government, became uncompetitive and SBC repaid most of the amount borrowed from the government in 2015, although the repayment term was 25 years.
- There is lack of reliable data on outreach of credit activities, especially for outside the 19 provinces. For the beneficiaries in the 19 provinces, either with credit, BDS or both, the intensity of support varied greatly. About 15,000 microenterprises reportedly received both services in the 19 provinces.

### III. Main evaluation findings

#### A. Project performance and rural poverty impact Relevance

45. **Relevance of objectives.** Project objectives were in line with the policies and priorities of the Government of the Philippines, as manifested in, inter alia, the Medium-Term Development Plan (MTDP) for 2004-2010 and the Philippines Development Plan for 2011-2016. The MTDP that was in force when the project was designed emphasized the importance of MSME development for employment generation and poverty reduction and it aimed "to create three million microenterprises and provide them with credit, technology and marketing support". On the side of IFAD, the project objectives were in line with the IFAD Strategic Frameworks of 2002-2006 and 2007-2011, both of which covered access to finance and strengthening of capacity of the poor in the strategic objectives.
46. **Relevance of design.** Two broad areas of programme support for microenterprise development, i.e. knowledge and finance, were relevant in principle. However, there were some shortcomings and internal incoherence in the design. Based on the reconstructed theory of change (annex VIII), it is noted that there were a number of assumptions that did not hold true. First examples are the assumptions that the MFIs were interested in financing microenterprises but the main constraint was the shortage of liquidity, hence, as long as they have access to more liquidity, this would lead to improved access to credits by existing or potential microenterprises. In reality, simply injecting liquidity into the system without attention to how MFIs, their services and products could be strengthened to better cater for existing and potential microenterprises was not optimal. The RuMEPP design did not demonstrate that lack of access to loan capital was the predominant constraint for MFIs and did not provide a clear rationale for allocating a large proportion of the project funds for credit lines, even though such financing pattern seems to have been also due to the Government's preference.<sup>32</sup> The evaluation of the previous project (Rural Micro-Enterprise Finance Project) included recommendations concerning capacity building of financial institutions and appropriate financial services for microentrepreneurs among other. Even though RuMEPP turned out to be not really a "second phase", the principles of many recommendations would have been still valid, and yet, not adequately reflected.
47. The project design left a space for the wholesale lending to be expanded to outside the 19 target provinces, presumably due to the expectation of insufficient demand and absorption capacity within the core provinces. But the expected outcomes and impact relative to the programme objective as a result of channelling credit funds outside the core provinces were not made clear, nor was any reflection made on how to track progress.
48. The assumptions that there are MFIs in the 19 provinces with interest and capacity to channel credits to microenterprises and that these MFIs would be interested in the wholesale credits made available under RuMEPP also proved to be erroneous. According to SBC, finding the proper match of qualified MFIs and microenterprises targeted by RuMEPP in the core programme provinces turned out to be a challenge. As for the MFIs' interest in the wholesale credits from RuMEPP, even though it may have been hard to predict the development in the financial market conditions that eventually made the RuMEPP funds through SBC less attractive, earlier supervision missions<sup>33</sup> observed insufficient interest of some MFIs because they had own funds or had other sources of funds. This observation was made with particular reference to the challenges in linking the BDS activities and the RuMEPP funded credits.

<sup>32</sup> For example, the minutes of the meeting in 2003 between IFAD and government agencies, including NEDA, DTI and SBC indicate the Government's intention to renegotiate on the then proposed ratio of resource allocation between technical support to microenterprises (60 per cent) and credit (40 per cent).

<sup>33</sup> For example, August 2009 supervision mission report para 13.

49. At the retail lending level, a number of supervision missions also discussed less-than- envisaged demand for credit by microenterprises provided with RuMEPP-sponsored BDS, since having microenterprises that receive both services ("convergence microenterprises") was one of the primary concerns from the beginning.<sup>34</sup> Possible reasons given in supervision mission reports included: (i) lack of MFI services/products that meet the needs of microenterprises; and (ii) lack of willingness or readiness of microenterprises still with low levels of cash flows to take the risk of loans. In some cases, microenterprises also already had access to finance from other sources, including non-SBC accredited MFIs, or had access to other public support (e.g. provision of equipment on a grant or loan basis, individually or groups)<sup>35</sup> especially in later years, thus they did not have immediate need for RuMEPP credit funds. This indicates that an emphasis on having more convergence microenterprises may have been more "supply-driven" by project designers and implementers.
50. Summing up, some symptoms of design issues were discussed from the initial years but opportunities to effectively address them by adjusting the design, for example, by directing more attention to improving MFIs' capacity, services and products to better cater the needs of microenterprises, whose maturity levels, types and profiles are diverse, were not systematically and fully taken up.<sup>36</sup>
51. Secondly, in the design and implementation, it was not made entirely clear who the main intended beneficiaries were, and how they were going to be reached. Most of the references to the main target group in the design (e.g. appraisal report main report, president's report) related to level 1 and 2 microenterprises or "lower and poorer end of the scale" of a wide spectrum of those who are defined as "microenterprises", even though larger microenterprises would *not* be excluded. At the same time, there was also an indication in the design (appraisal report working paper 1) that "potential larger-scale microenterprises" who would employ others would be the main target group.<sup>37</sup> Comments by supervision missions and MTR were also ambivalent; some recommending a focus on level 1, others suggesting more attention to support "larger-scale microenterprises" and even level 3 microenterprises,<sup>38</sup> even though the preference for their linkage with level 1 and 2 microenterprises was also mentioned.
52. Consequently, it was somewhat ambiguous whether the focus was on: (i) lower-end of microenterprises themselves as the main target group and direct beneficiaries, who may also be in a position to provide economic opportunities to others later on (but as secondary benefits and not on an extended scale); (ii) helping "larger-scale microenterprises" with more potential to generate job opportunities for poor rural people, even if they themselves may also be part of the target group; or (iii) both. Either case would have required a differentiated approach and strategy. This also relates to the extent of validity of the assumed impact pathways from "more microenterprises" and/or "growth of microenterprises

<sup>34</sup> For example, supervision missions in January-February 2009 and August 2009.

<sup>35</sup> "Linking credit and BDS in RuMEPP", an article by Chris Wheatley in DTI publication "More Than Cash" (2013).

<sup>36</sup> For example, it was the MTR which encouraged the channeling of the credit funds to outside 19 provinces in line with such provision in the design, most likely in view of the targets and for more utilization of the funds allocated for credit lines, but without the rationale and clarifying what was expected to be achieved from this. In the end, a significant proportion of the credit funds was channeled outside 19 provinces (see also paragraph 29).

<sup>37</sup> In particular, a working paper of the appraisal report. "The provision of this type of support, aimed largely at Grameen Bank Approach replicators, worked well under the RMFP [previous project], but it did not effectively address potential larger-scale micro-enterprise sub-borrowers, needing loans of PHP 25,000-150,000 and who would be likely to run businesses employing others as well as themselves. This programme aims to fill that gap."

<sup>38</sup> The MTR represented the first clear such shift, in order to "generate employment at faster rate" (para 19, MTR report). The MTR stated that "RuMEPP was designed to fill the perceived financing gap for larger-scale microenterprises needing loans of PHP 25,000 to PHP 150,000. If RuMEPP were to reach these target market through MFIs, the sub-borrowers were likely to be clients of the MFIs for at least three years and may be on their 5<sup>th</sup> or higher loan cycles. It is extremely rare for MFIs to grant MF loans of PHP 25,000 and above to new borrowers". The MTR also indicated that "MFIs utilizing RuMEPP funds were lending to lower level microenterprises in greater proportion compared to higher-level MEs [microenterprises]" and that "this has limited the scale of operation of microenterprises and consequently constricted the employment and income generation".

to higher development levels" to "economic development and job generations for rural poverty reduction" (theory of change, annex VIII).

53. Based on relevance of objectives but some weaknesses in design, relevance is rated moderately satisfactory (4). The rating of highly satisfactory by PCR does not seem to reflect the narrative of the PCR main report, which is generally positive but raises some questions (e.g. on the approach to beneficiary selection and the target group). The relevance assessment by PCR also overlooks some of the fundamental and critical issues with the design as discussed above.

### **Effectiveness**

54. Project effectiveness is assessed by examining to what extent the intended project objectives were achieved at the time of evaluation. The assessment in this section takes the objective of RuMEPP ("increasing numbers of new and existing rural micro-enterprises expanding and operating profitably and sustainably") and expected outcomes corresponding to each programme component (see paragraph 16) as a basis. It should be noted, however, that the indicators to assess the extent of achievements on the objective and outcomes in the logical framework were largely inadequate, even after the revision at MTR.
55. **Expected outcome 1: better financial services to microenterprises.**<sup>39</sup> Available data is concentrated on the outreach, i.e. number of MFIs, number of microenterprises that borrowed and the volume on-lent. The injection of credit funds (a total of about US\$14 million) into the financial system would have made more funds available for microcredits<sup>40</sup> and more microenterprise borrowers, but there was a general growth trend in the microfinance sector (in terms of the number of savers, borrowers, and loan portfolio)<sup>41</sup> and it is not clear whether and to what extent these additional funds facilitated access to credits for microenterprises who would have encountered challenges otherwise. An earlier supervision mission (August 2009) flagged the need for collecting data on microenterprises' access to credit, including whether they were first-time or repeat borrowers, but in the end, they were not systematically collected and analysed. Another question is whether RuMEPP contributed to improving *the quality of financial services* for microenterprises, but this was not systematically pursued as a main focus.
56. In the core provinces, especially where the presence of MFIs that could have been accredited by SBC was lacking, RuMEPP provided MFI capacity building support (grants and loans), but the investment in this respect was minimal (see paragraph 34). Grant-funded support focused mainly on improving potential MFIs' operational and financial systems so that they could be accredited by SBC. Some supervision mission reports discussed the lack of appropriate loan products that would be more responsive to microenterprises' needs,<sup>42</sup> but often the attention of supervision missions and MTR was more on making efforts to have accredited MFIs in all

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<sup>39</sup> This outcome was phrased as "SBGFC [Small Business Guarantee and Finance Corporation] and MFIs better able to provide financial services to microenterprises" in the original logical framework. The revised logical framework at MTR stated as follows "increased access of microenterprises to better financial services of SBGFC and MFIs".

<sup>40</sup> The MTR reported that the SBC microfinance portfolio then (2010) was about 9 per cent of PHP 11.6 billion of a combined loans outstanding loans to MFIs of LBP, People's Credit and Finance Corporation, SBC, Development Bank of the Philippines and National Livelihood Development Corporation.

<sup>41</sup> Loans outstanding in the microfinance sector was reported to be PHP 21 billion in 2011, a significant increase from PHP 6.3 billion in 2004 and PHP 13 billion in 2007. The number of borrowers increased from 2.1 million to 3.6 million in 2011. It was noted that not all cooperatives and NGOs were represented in these datasets. (Asian Development Bank 2012).

<sup>42</sup> For example, the supervision mission in November 2011 indicated two types of microenterprises that may not have been catered sufficiently by available loan products with frequent repayment instalments over a short period, i.e. non-trading type of enterprises and larger-scale microenterprises. The issue of lack of MFIs' financial products suited to rural microenterprise was also identified in the DTI publication "More Than Cash" (2013, an article "Linking credit and BDS in RuMEPP"). Furthermore, a general stakeholder conference on microfinance and microenterprise development in the Philippines in 2010 highlighted the need for a broad range of financial products for different segments of the poor and "capacity building for MFIs to enable them to become more effective in serving the financial needs of the poor" (PinoyME et al, 2010).

provinces and how the number of "convergence" cases, i.e. the number of microenterprises served with both credits and BDS, could be increased. Furthermore, over 60 per cent of the credit funds (the first generation funds and the reflows, see also table 6) were channelled *outside* the 19 core provinces, but there is virtually no data on microenterprises and credits disbursed, apart from the volume, number of MFIs and microenterprises.

57. There were however, cases where the programme facilitated some adjustments in the MPCs' conditions and procedures so that they lend to non-members, i.e. microenterprises supported through BDS (for example, the case of a cooperative of college employees in Kalinga). In this case, no other MFI existed in the province that were interested in RuMEPP support and that could be accredited. This was a case where the programme facilitated financial services which were not available to the RuMEPP microenterprise beneficiaries in this specific location before. The cooperative met by the PPE team mentioned that they intend to continue serving the non-members supported by RuMEPP but do not intend to expand further. In a few other cases, MFIs adopted a number of microenterprises as customers, or funded new types of enterprises, but overall, there was inadequate attention on this aspect and structured approach by RuMEPP to induce such change.
58. Whether the quality of SBC microfinance-related services improved or not owing to access to RuMEPP credit lines and support is relatively immaterial because the Corporation stopped the services using the RuMEPP funds two years after the end of the project following the repayment of the credit funds to the government (paragraph 20, footnote 17). Unless SBC gets access to much cheaper resources, its ability to act as wholesaler remains doubtful under the current settings. As long as SBC does not have a full banking license, it cannot attract deposits. Given its limited outreach facilities through branches and its cost structure, its ability to serve microenterprises in the future also remains unclear.
59. **Expected outcome 2: microenterprises receive effective and responsive business development services.** It was reported that 32,318 microenterprises (of which one third were "potential" microenterprises) received BDS, many of them just once (paragraphs 37, 43). The issues here are to what extent were the services effective and responsive, and to what extent were they effective in promoting start-up microenterprises or improving the existing microenterprises' business undertakings.
60. There is insufficient evidence to answer these questions. One source of data is the outcome survey conducted in 2012, which included a question on the level of adoption of learning from BDS training events. The survey reported that the rate of respondents who stated that they adopted the learning from BDS training exceeded 80 per cent for most of the topics and that their "adoption rates"<sup>43</sup> ranged from 80-93 per cent. Caution is required to interpret these reported results,<sup>44</sup> but a rapid analysis of raw data for this survey from selected provinces indicates that most of respondents found BDS satisfactory or excellent. The main area needing some improvement was generally thought to be post training follow-up.
61. According to the PPE team discussions with microenterprises in the field, microenterprises indeed expressed in general their high appreciation for the BDS that they received. At the same time, in some cases, the issue of capacity of BDS providers was also mentioned, as documented in the records of stakeholder consultations in the PCR. Among the training and services indicated as the most

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<sup>43</sup> Respondents were asked to rate between 0 and 50 per cent if there was no to low level of adoption, and between 51 and 100 per cent for high level of adoption.

<sup>44</sup> The report does not indicate how such percentages were computed. A quick review of the raw data in Excel files shows that in most cases, responses to the questions on adoption of training contents were left blank, even those respondents who presumably received BDS. Therefore, if there were only 10 respondents (out of over 500) who indicated that they received BDSs and said they adopted the learning, it showed as "100% adoption".



useful and effective were those on entrepreneurship skills training, labelling and packaging, product development, according to the outcome survey results and the discussions by the PPE team.

62. From the accounts of microenterprise beneficiaries met by the PPE team, practical application of skills and knowledge acquired from BDS trainings seems to have been enhanced by supplementary material support. RuMEPP-supported BDS covered the provision of "a starter kit" to participants, though apparently not in all cases. Starter-kits consisted of small material support, for example, an initial set of labels and packaging materials following the training on this subject. For unknown reasons, there is hardly any information on this aspect documented in RuMEPP reports. Since such support was part of the contracts with BDS providers, no data is available on how many microenterprises may have received such material support or the costs for this purpose. Other complementary support that was reported to be effective was sponsoring of potential microenterprises' participation in trade fairs. In other cases, linkages were established with ongoing public support initiatives for microenterprise development by other agencies (paragraph 21), such as provision of small equipment or machinery to groups or individuals on a grant or interest-free loan basis. The occurrence and prominence of such linkages has been documented in the supervision mission reports, PCR, as well as the DTI publication "More Than Cash".
63. As regards the role of DTI in promoting and supporting non-financial services to microenterprises, the provision of mobility and additional budgets enabled their provincial offices to improve their outreach to remote areas and communities. The provision of additional capacity at the regional and provincial level, opportunities for regular consultations and reviews also helped in improving outreach and quality of interventions.
64. **Expected outcome 3: microenterprises benefit from the programme-promoted improved policy environment.** It is plausible that the programme contributed to this outcome. This will be discussed in detail in the section on rural poverty impact.
65. **Programme objective: increasing numbers of new and existing rural microenterprises expanding and operating profitably and sustainably.** The indicators and targets to assess the achievement of these objectives, as contained in the revised logical framework<sup>45</sup> (revised by MTR in 2010) were as follows: (i) 50,000 new jobs generated; (ii) 10,000 of the assisted microenterprises show increased profitability; (iii) 10,000 of the assisted microenterprises generated additional employment; and (iv) 10,000 microenterprises assisted are still operational after 3 years. Putting aside the question on the basis of these indicators and targets and whether and how they might be reliably measured, this section discusses the programme's contribution to establishing new microenterprises and expanding existing microenterprises. An assessment of profitability and sustainability of microenterprises will also be provided in later sections.
66. It is hard to even estimate how many or what percentage of the beneficiaries covered have become more profitable and sustainable due to the project support. It is plausible that many of close to 15,000 "convergence microenterprises" (microenterprises provided with both credit and BDS) have actually operated business activities. Given that 89 per cent of them were reported to be "track 1" microenterprises, i.e. microenterprises who had access to credit first under the MCS component then received BDS, it is likely that many of them already operated enterprise activities and they already had a credit history. The available data and interviews with DTI and BDS providers indicate that the provision of BDS to those who were not in business before did not necessarily lead to the establishment of

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<sup>45</sup> Presented in the project completion report and noted as revised at MTR in 2010.

new enterprises by the majority or many. It would also not be reasonable to expect most of those who expressed interest in setting up a new business and receiving BDS to actually make it; not everyone can be an entrepreneur. The question here is what "success rate" or "attrition rate" should be considered reasonable, for which there is no target/benchmark or an informed estimate. There have been indeed many cases of successful – and even impressive - new microenterprises or expanding microenterprises that were documented or met by the PPE team, but their numbers and the combination of different types of RuMEPP support (BDS only, credit only, or convergence) are undocumented and not known with certainty.

Table 7  
Data on jobs created reported in PCR and 2013 outcome survey

<i>Number of jobs created (A) (Source)</i>	<i>Number of self-employed microenterprises or existing employees(B)</i>	<i>Incremental full-time jobs created (C)</i>	<i>Incremental part-time jobs created (D)</i>	<i>PPE comment</i>
"Direct" – 74 683 (reported in PCR)	51 718 (computed A-C-D)	11 557	11 345	Likely over-counting by counting microenterprises themselves or existing employees as "job created", especially when most of them were existing. If "part-time" is counted as 0.5, it would be 17,230 full-time jobs equivalent.
50 227 (2013 outcome survey)	NA	25 516	24 712	Estimate based on the average increase and the percentage of respondents. If "part-time" is counted as 0.5, it would be 37,872 full-time jobs equivalent.

Source: PCR and DTI database.

Table 8  
Data on number of full-time and part-time workers with BDS beneficiary microenterprises

<i>Total number of workers with BDS beneficiary microenterprises</i>	<i>Full-time workers (A)</i>	<i>Part-time workers (B)</i>	<i>Data source</i>	<i>PPE comment</i>
31,524 (A+B) or 25,799 full-time job equivalent	20 073	11 451	DTI database (A, B)	The database shows the number of workers at the time of reporting (2013) and it does not indicate incremental jobs created.

Source: DTI database.

67. The data on new jobs generated are also not clear and inconsistent between different sources, but likely to be lower than the initial target of 50,000. The PCR reported that 74,683 jobs were generated (table 7), but this figure seems to have been inflated. There are methodological issues here in how "new jobs created" have been computed. First, logically an existing enterprise is already run by at least one person, and it appears that in many cases, those existing microenterprises were also counted as "new jobs generated".<sup>46</sup> Second, given the standard practice to count a part-time job as equivalent to 0.5 full-time jobs, the total estimated number reported in the PCR should have been 17,230 incremental full-time job equivalents. The 2013 outcome survey reported the higher figure for incremental jobs (50,227) but this would be 37,872 full-time jobs equivalent. Furthermore, no distinction was made between family and non-family workers.
68. Another source of data which add further inconsistencies is a database of microenterprise beneficiaries maintained by DTI with the number of workers. Table 8 shows that there were about 26,000 workers (full-time equivalent) employed by the BDS beneficiaries, but there are no data on what was incremental. There are

<sup>46</sup> See footnote 19 in PCR, which indicates that "one microenterprise provided with credit or with BDS under RuMEPP is counted as one job generated". In the case of existing microenterprises, it would not be consider them as "jobs generated". In fact, the data by the different provinces shows that some provinces did not include the number of existing microenterprises in the number of new jobs created.

also no such data on provinces outside the 19 core provinces where only credit activities took place.

69. The 2011 and 2013 outcome surveys reported some increase in full-time and part-time workers employed. The 2011 survey reported an average increase from 1.6 to 1.9 for full-time employees (valid responses being less than half of the whole sample) and from 2.6 to 4.1 for part-time employees (valid responses about 20 per cent of the whole sample). The 2013 survey reported that 24 per cent of the respondents reported an increase in the full-time employees with an average increase of 2.3. Given that this average is across a minority of the sampled respondents, even though new jobs may have been generated, the increase may not have been too significant.
70. **Summary – effectiveness.** The programme objectives and expected outcomes were achieved to a certain extent, and in some cases with some significant contribution to facilitate start-ups and improving existing microenterprises' business activities. Nonetheless, data are scarce and support only moderate numbers of outreach and jobs generated. Consequently, effectiveness is rated moderately satisfactory (4).

### Efficiency

71. **Timeline.** The process from the loan and grant approval to effectiveness was rather slow and significantly longer than the average of projects in APR (table 9). The programme was completed as originally scheduled on 31 December 2013.

Table 9  
RuMEPP timeline from approval to effectiveness

	Approval	Signing	Effectiveness	Approval-signing (months)	Signing-effectiveness (months)	Approval-effectiveness (months)
RuMEPP	20/04/04	11/11/05	31/10/06	6.87	11.80	18.67
APR average*	NA	NA	NA	4.60	8.55	13.14

Source: IFAD database Grants and Investment Projects System.

\* For projects in APR approved between 2000 and 2007.

72. **Disbursement.** Initially, disbursement was slow. The first disbursement from IFAD for the credit lines (US\$1 million) was made only in February 2008, 15 months after the loan effectiveness, due to the conditions precedent to withdrawal for the MCS component – subsidiary loan agreement between the Government and SBC, and SBC staffing for microfinance. In IFAD's periodical project status reports (PSRs) on RuMEPP, disbursement performance was rated as "unsatisfactory" and "moderately unsatisfactory" up to 2010. However, at least for MCS component, the IFAD loan disbursement pace then was not necessarily a reflection of the pace of implementation: early supervision mission reports indicated that even before accessing the IFAD funds, SBC started extending wholesale lending to MFIs in the programme provinces for retail lending to microenterprises with own funds.
73. **Implementation and management process.** There were some implementation delays in initial years, partly caused by the high turn-over of the programme staff and manager at DTI and issues with procurement processes.<sup>47</sup> Especially the MEPP component lagged behind the MCS component up to MTR. The issue with staff turn-over was effectively addressed by the time of MTR. As for the procurement process, it was originally centralized at the DTI head office and caused considerable delays. This issue was addressed by allowing decentralized procurement after 2010, in particular for BDS providers, but the project still faced some procurement

<sup>47</sup> RuMEPP PCR.

delays,<sup>48</sup> initially due to the need for familiarization and orientation by stakeholders at regional level on procurement procedures.

74. In periodical PSRs, while the quality of project management was rated "satisfactory" throughout the project period except for the initial years, M&E was rated "moderately satisfactory" for most years (sometimes "moderately unsatisfactory"). While according to APR these ratings were based on the standard descriptors for the PSR ratings,<sup>49</sup> based on the review of the available M&E data, the PPE observed notable limitations and weaknesses in the overall M&E performance.
75. The PCR provides a detailed analysis of the processing of withdrawal applications and disbursements. The average total processing time - from the time of withdrawal application submission up to the issuance of "Notice of Cash Allocation" by the Department of Budget Management - was 60.19 days, which was close to the indicative lead time provided by IFAD and the Government (62 days).
76. **Project management cost.** The cost of the PPC component was 6.3 per cent of the total project cost, and the incremental operating costs category was also 6.3 per cent of the IFAD loan. This indicates that the cost for project management and administration was notably low compared to the common range,<sup>50</sup> but it should be noted that projects with a large proportion of funds allocated for credit lines tend to have relatively low project administration costs.<sup>51</sup> In the case of RuMEPP, about 75 per cent of the project cost was for the credit lines, that were administered and managed by SBC and MFIs with little direct management cost to PMU. The low project management cost may also have been the results of underestimation of staffing requirement,<sup>52</sup> which affected the implementation progress especially in initial years and under-investment in M&E.
77. **Benefits.** The PCR presented a recalculation of the fiscal impact that had been projected at the appraisal stage, factoring in the debt service by the government, repayment by SBC to government, taxes on programme expenditures and gross receipt tax levied on SBC's interest income. In the PCR, the net present value of the fiscal impact was re-computed as PHP 789 million against the projection at appraisal stage of PHP 878 million, a lower figure mainly due to the initial delays in the disbursement to SBC. However, given the early repayment of most of the loan by SBC to the government, the PCR recalculation would not be valid and the figure would be much smaller.
78. The combined cost of MEPD and PPC components was US\$6.12 million. Based on the number of BDS beneficiaries (32,318), the cost per microenterprise comes to US\$189. Common enterprise models seen in the field (e.g. light food processing, mat weaving, trading) indicate that net profits can vary greatly, in the range of US\$300-1,000 per annum or even more, but it is difficult to make an informed estimation on the level of *incremental* net profits contributed by project support compared to without-project scenario, also given that a majority of the microenterprise beneficiaries were those that existed already. There is also no

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<sup>48</sup> MTR, 2011 supervision mission report.

<sup>49</sup> IFAD guidelines for portfolio review (different years). The ratings of "moderately satisfactory" and "moderately unsatisfactory" are described as follows, respectively: "The M&E system has some shortcomings, reporting limited to outputs and activities. Managers make some use of M&E information for planning or decision-making." (moderately satisfactory); "The M&E system reports on progress only at the level of physical targets" and "managers make little use of M&E information for planning and/or decision-making. Acceptable measures being taken to address these issues" (moderately unsatisfactory).

<sup>50</sup> The IFAD publication, "Effective project management arrangements for agricultural projects: A synthesis of selected case studies and quantitative analysis (IFAD 2014)" indicated that "IFAD's overall project management costs generally ranged between 8-24 per cent of programme costs". The Annual Report on Results and Impact 2014 by IOE included a learning theme of "project management" and indicated that "project management costs average approximately 10 per cent of total project costs in the projects reviewed".

<sup>51</sup> For example, 2 per cent of the total project cost for the Microfinance for Marginal and Small Farmers Project in Bangladesh (project performance assessment, 2013).

<sup>52</sup> RuMEPP PCR.

estimation on the success/attrition rate among the beneficiaries. As a general point, the investment in microenterprises capacity building and BDS could have been more efficient if there had been a systematic approach to: (i) proactively motivating start-up microenterprise candidates and identifying and supporting those with interest and more potential than less; and (ii) assessing the quality of BDS and assessing post-training adoption rates. The former would have reduced the unit cost per successful ME, while the latter would have influenced curricula, BDS approaches and enterprise models propagated.

79. Taking into consideration some issues experienced with the process (delays in loan effectiveness, initial disbursement and procurement) but at the same time other indications of reasonable cost-effectiveness, efficiency is rated moderately satisfactory (4).

#### **Rural poverty impact**

80. Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions. These shall be assessed in four impact domains: (i) household income and net assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; and (iv) institutions and policies.
81. There is lack of reliable and conclusive data to inform the assessment of rural poverty impact, in particular, with regard to household income and net assets, and food security and agricultural productivity. This was found to be the case even though a number of surveys were conducted under the programme, specifically, two outcome surveys (2011 and 2013) and an impact evaluation. The impact evaluation was commissioned to a university in the Philippines by IFAD's Strategy and Knowledge Department (SKD) under the IFAD9 Impact Assessment Initiative.<sup>53</sup> In anticipation of this exercise, the RuMEPP team refrained from undertaking its own impact assessment study before/at the programme completion. Unfortunately, the timing of the SKD impact evaluation was significantly delayed thus could not inform the PCR. Furthermore, the final output from the RuMEPP impact evaluation was limited to a brief note prepared by SKD based on its re-elaboration and analysis of data collected by the university.<sup>54</sup> A brief description of these surveys and some comments thereon are provided in table 10 and annex IX.

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<sup>53</sup> This was a corporate initiative as part of the commitment and investment made under the the Ninth Replenishment of IFAD's Resources (IFAD9). The objectives of this initiative were to: (i) explore methodologies to assess impact; (ii) measure – to the degree possible – the results and impact of IFAD-financed activities; and (iii) summarize lessons learned and advise on rigorous and cost-effective approaches to attributing impact to IFAD interventions. Twenty-four projects were selected for impact assessments by external parties and RuMEPP in the Philippines was selected as one of them.

<sup>54</sup> The draft report by the university was shared for review and comments by in-country stakeholders and IFAD, but it is understood that the note prepared by SKD, which was the only final output released by SKD, was not shared.

Table 10

**Summary of RuMEPP outcome and impact assessments conducted**

<i>Survey title, date<sup>a</sup> (author)</i>	<i>Sample size, sampling method</i>	<i>Key results reported</i>	<i>Comments</i>
Outcome survey. Report dated November 2011, (Larry N. Digal)  (based on the reference to this survey in MTR, it appears that the survey conducted around Sep 2010)	550 RuMEPP microenterprise beneficiaries in three groups types (MCS, MEPD and both) in all 19 provinces. Two-stage stratified random sampling method  327 MCS 173 MEPD 60 both	Based on 297 respondents with "complete data before and after implementation", on average: <ul style="list-style-type: none"> <li>• 62% profit increase (PHP 82 999 to PHP 134 165);</li> <li>• Number of full time employees increased from 1.6 to 1.9, part-time employees from 2.6 to 4.1.</li> </ul> <p>The question on BDS adoption for various training topics: adoption rates ranges between "96-100%".</p>	On the business performance, uses memory recall "before" and "after" RuMEPP. Based on the data presented in tables, the numbers of responses with "before" and "after" data on business performance indicators are much smaller than the sample size. For example, for 327 MCS respondents, only 193 responses, and out of 173 MEPD respondents, only 64. It is not clear why this was the case.  The maximum number of responses registered is 167. For 18 out 22 training topics, the number of responses is less than 100, and for 13 topics, less than 20 responses. In these cases, reporting 100% adoption rate where only a few responses were provided would be questionable.
Outcome survey. Reported dated March 2013 (Enrique E. Lozari)	597 RuMEPP microenterprise beneficiaries in three groups types (MCS, MEPD and both) in 19 provinces. Two-stage stratified random sampling method  269 MCS 184 MEPD 144 both	<ul style="list-style-type: none"> <li>• 55.2% reported improved profitability.</li> <li>• Average profit increased by 152% (from PHP 97 261 to 249 492).</li> <li>• 67.7% of those reported increased profits attributed the change to RuMEPP.</li> <li>• 24.1% of the respondents reported an increase in the full-time employees (average increase 2.3).</li> <li>• 73% reported an increase in business asset size.</li> <li>• Respondents who adopted BDS training ranged from 67 to 100%</li> </ul>	Questionnaire used largely followed the previous outcome survey.  Unlike the previous survey report, the number of valid responses for different questions is not provided in the report. Therefore, it is not clear how reported % figures were generated and whether the number of valid responses was sufficiently large.
RuMEPP impact evaluation (a brief note released 2016 by IFAD Strategy and Knowledge Department)	1 517 (775 RuMEPP beneficiaries but only those that received both MCS and MEPD support, 742 control households)	<ul style="list-style-type: none"> <li>• None of business profits, sales, assets or employee counts improved among RuMEPP beneficiaries.</li> <li>• Only commercial land ownership improved.</li> <li>• The only income channels that were improved are waged employment and "other sources" which include rent and remittances.</li> <li>• Livestock assets increased</li> </ul>	The De La Salle University conducted the survey and prepared the report but the end product officially made available is only a 6-page brief prepared by SKD/IFAD based on the re-analysis of the raw data.  Only "estimates of the average treatment on the treated effects" reported. No absolute figures on any parameters (e.g. income).

<sup>a</sup> Two outcome survey reports are dated but they do not specify when the survey was conducted.

<sup>b</sup> The report did not indicate how the sampling was done but the 2013 report indicated that it followed the 2011 survey sampling method and specified two-stratified sampling method.

82. **Household income and net assets.** In addition to the challenge of data availability, it is also important to recognize that there have been a number of complementary initiatives from other agencies (such as the provision of small equipment and machinery for microenterprises), and thus it is even more difficult to assess the level of contribution by RuMEPP to impact on household incomes and assets.
83. The 2016 impact evaluation indicated that none of business profits, sales, assets or employee counts showed significant improvements among beneficiaries compared

to the control group, but that commercial land ownership improved. On the other hand, two outcome surveys administered by RuMEPP provided more positive pictures based on "before" and "after" situations with memory recalls, even though there may have been methodological issues also with these surveys.<sup>55</sup>

84. Most of the microenterprises the PPE team interacted with in the field were those who were able to start their microenterprise activities and now have additional (or diversified) sources of income, or to improve and expand the business activities they already had. It should be kept in mind that they are not likely to be representative of the whole population of project beneficiaries, since the PPE team did not have adequate interaction with "drop-outs", the percentage of which is not clear. For the new microenterprises met, they had had either odd jobs or had not been gainfully engaged in any productive activities or employment previously. The stories presented by such microenterprises themselves, BDS providers and DTI staff tally with direct observations made by the PPE team, such as products well-labelled, packaged and sold at stores, well-designed products, the evidence of increased orders and production, sales records, licenses issued by the Food and Drug Authority which enable microenterprises to sell their products at established shops. The linkage between these business improvements, the BDS provided, and other support rendered by DTI was quite evident. In fact, such positive impact was often also due to other complementary (non-RuMEPP) support (paragraphs 21, 62), but RuMEPP and DTI played an important role in linking actors and available opportunities.
85. Despite the shortcomings in data, there is some consistency in reported results from supervision missions, surveys and the PPE field visit indicating that increases in income and profitability of beneficiary microenterprises are likely to have occurred, and so are increases in resulting job opportunities. Common microenterprise models, such as light food processing (e.g. banana chips, vegetable noodles), trade (sari-sari stores) or weaving, indicate the potential of net profit could be in the range of US\$300-1,000 per annum. The extent of project contribution to such positive change is difficult to know, due to multiple factors, including other complementary support, varied intensity of RuMEPP support (e.g. only a small proportion of BDS beneficiaries participated in multiple training events, for many RuMEPP-funded credits were the only support), readiness and maturity of microenterprises at the time of RuMEPP support. It is also not clear what may have been the magnitude and depth of such impact among the whole population of microenterprises touched by RuMEPP (be it BDS, credit or both): among the estimated 54,000 beneficiaries in the 19 provinces, what was the percentage of successful microenterprises that experienced positive changes? The 2013 outcome survey reported that 55 per cent of microenterprises surveyed indicated increased profits (with an average increase of 156 per cent); this on the other hand implies that 45 per cent of the surveyed microenterprises had not yet increased their profits. The same outcome survey reported that of those microenterprises who reported increased profits, 68 per cent attributed this to RuMEPP.
86. According to the 2013 outcome survey, 73 per cent of the respondents reported increased asset sizes compared with baseline levels, while the 2016 impact evaluation indicated that there was no increase in assets apart from commercial land ownership. Most of the microenterprises met by the PPE team reported increased business assets, but often this was due to other complementary initiatives (e.g. small equipment for food processing, see also paragraph 21). There were also some cases of increased business assets based on own investment from

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<sup>55</sup> For example, there are many questions on "before" and "after" RuMEPP, such as average annual sales, operating costs, cost of working capital, but the extent to which responses could be accurate may be doubtful. The 2011 outcome survey also indicated that the number of responses with "before" and "after" data were significantly less: for example, only about half of the respondents apparently provided valid responses to these questions. One of the questions that seem to be difficult to answer in the 2013 outcome survey is on what is called "business lifespan", "how many years do you think would your firm be operational?"

their profits (e.g. expanding or upgrading the business premise or processing facilities).

87. According to numerous interviews in the field, one of the priorities for use of additional incomes was children's schooling, rather than acquiring household assets.
88. Successful and growing microenterprises led to job creation, full-time or part-time, although the extent of this is unclear (paragraphs 67-69). Those jobs created, in particular for non-family members, have contributed to increased incomes for them – either in terms of better pay, more regularity in pay, new or diversified income sources.
89. In summary, there are inconsistencies between the results of surveys, all of which had some methodological issues, but case documentations and testimonies from the field indicate that there are certainly cases where the programme contributed to increased economic opportunities and household incomes of the rural poor who were able to improve their existing business, to start new enterprise activities, and/or to engaged in employment. The extent of this, however, is difficult to assess due to limited reliable data. Information about creation of assets is unclear.
90. **Human and social capital and empowerment.** This impact domain concerns the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity.
91. RuMEPP's contributions in this impact domain derived from three different types of interventions. First, DTI offered access to basic training sessions for persons who are engaged in microenterprise already or thinking about becoming an entrepreneur (a total of over 32,000, one third of whom were potential microenterprises), which combined motivation, conditions, attitudes and values of entrepreneurship, and often motivated participants to actually start their new businesses.
92. Second, the project enabled these microenterprises to learn a range of practical skills needed for their new occupation, in technical/vocational domains as well as in managerial, accounting and marketing aspects. According to the 2011 outcome survey, among the 21 types of training conducted, generally, a high number of respondents were exposed to the following training and 96-100 per cent indicated that they adopted the learning: entrepreneurship training, business management, packaging and labelling, skills training/upgrading, financial management, pricing and costing.<sup>56</sup> The PPE team's interaction with microenterprises in the field also indicated positive impact of skills development support.
93. Third, an important assistance was the coaching and post-training support, when microenterprises are confronted with single issues or problems, and where the mentoring, guidance, linkages and material support assisted them in a practical manner to get around and move on. It is the package of these support services, and offering support as and when needed, which in sum provided for the empowerment of many poor rural people. Many of the microenterprises met in the field had been more or less excluded from the economic development process before, and had taken their conviction and self-confidence from the support offered to them by DTI.
94. The impact on social capital from the RuMEPP interventions could have been greater, if a proper post-training impact assessment, including the adoption rates, had been introduced and regularly implemented. There are indications that many

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<sup>56</sup> The 2012 outcome survey report has only the percentage of respondents who said they adopted the learning but does not show how many got the corresponding training. The 2011 survey report shows that, for example, if 2 people responded that they adopted the learning from the training on a particular topic and there was no one who indicated no-adoption, then 100 per cent adoption was reported. This could be misleading.



microenterprises participated in training on management, pricing and accounting, but did not fully apply the training contents. In some cases seen in the field, microenterprises attended training on record keeping and kept their records in accordance with the recommended formats, but did not find the energy to add up the columns at the end of the month and subsequently analyse them. A proper assessment system could have brought such issues to the attention of designers, BDS providers and local DTI staff, to be reflected in possible adjustments in curricula or follow-up supports.

95. **Food security and agricultural productivity.** This impact domain concerns the changes in food security in terms of availability, stability, affordability and access to food and stability of access; changes in agricultural productivity are measured in terms of yields; and nutrition relates to the nutritional value of food and child malnutrition.
96. Food security and agricultural productivity were not the focus of RuMEPP. The programme goal referring to "rural poverty reduction" was not associated with food security and there was no any relevant indicator in this regard.<sup>57</sup> RuMEPP was relevant in terms of food security only in the sense that its interventions enabled the microenterprises supported to increase their incomes, which permits households to purchase food rather than produce and consume it. In a few selected cases, members of cooperatives engaged in cassava production were linked to marketing arrangements, and the participation in the value chain then led to increases in productivity.
97. **Institutions and policies.** This impact domain concerns changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor. The assessment covers DTI and SBC as actors and beneficiaries of changes, as well as MFIs.
98. As for **DTI**, the project and the available resources helped the department to advance the depth and width of its own trials related to microenterprise support. One of the changes facilitated by RuMEPP as mentioned by DTI staff was that it pushed the Department to more actively look into microenterprise development and providing support to existing and potential microenterprises for start-ups, whereas it used to be more focused on industry development before. The staff recruited for the programme could concentrate on microenterprise development. Many of these provincial-level coordinators recruited under the programme were retained and absorbed by the DTI structure after the project.
99. There are a number of activities initiated and the results achieved by DTI under RuMEPP which are apparently influencing ongoing and increased public support for microenterprise development, for example: (i) development of various business models and approaches to enhance product quality, appearance and sales for many different products; (ii) networking with private BDS providers and mobilizing their services to assist microenterprises when needed; and (iii) the development of a database on microenterprises, which has been used extensively also to provide entry points for other complementary initiatives by DTI and other government agencies.
100. Under the RuMEPP policy component, the SERDEF was engaged for an assessment of the prevailing policy environment for microenterprise development and the eventual need for reforms. The findings and recommendations of the SERDEF, also based on the RuMEPP experience, reportedly provided inputs to inform "the deliberation of the Senate Committee on Trade, Commerce and Entrepreneurship that would encourage the growth and development of the MSME sector in the

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<sup>57</sup> Only the baseline survey in line with the methodology under the IFAD results and impact management system (RIMS) included the aspect of child nutrition.

country,"<sup>58</sup> which led to the so-called "Go *Negosyo*" Act<sup>59</sup> passed in July 2014. The causality between the SERDEF report and the passing of the Act is difficult to establish based on the review of these or other documents, but according to DTI, its Bureau of Small and Medium Enterprise Development (including the former RuMEPP programme manager, who is currently director of the bureau) was closely engaged with the office of the chair of the Senate Committee on Trade, Commerce and Entrepreneurship in the process leading to the passing of the *Go Negosyo* Act and it would be fair to assume that the RuMEPP experience and the SERDEF study played a role.

101. Based on the earlier reports and the accounts by DTI management and staff, it appears that the programme made a contribution to enhancing DTI's approach to microenterprise development. DTI refers to interactions with policy makers in government, parliament and senate to present its experience with microenterprise support under RuMEPP. In implementing the Shared Service Facility Project<sup>60</sup> since 2013, DTI adds its experience and at times the support of the BDS providers to such packages. There is a clear linkage between the RuMEPP approaches and experience and the *Negosyo* Centres in municipalities, provinces and regions, from where the support to microenterprises and other types of entrepreneurs are provided in a structured manner. DTI now also operates the "SME Roving Academy" on a module-based approach over a period of time, for which the network of private BDS providers and partnerships with other actors such as local government units and chamber of commerce developed under RuMEPP are being utilized.
102. In comparison to DTI, the impact on the **SBC** is less clear. The programme design included a sub-component on strengthening SBC's microfinance capacity through support to establishing a separate microfinance group/unit to handle wholesale microfinance lending within the Corporation. By the time of the mission, SBC had repaid almost fully the loan received under RuMEPP and reduced its portfolio accordingly (see paragraph 20, footnote 17). According to the information provided by SBC to the PPE team,<sup>61</sup> the outstanding balance of wholesale microfinance portfolio increased from PHP 692 million in 2008 to about PHP 2 billion (2013 and 2014) and somewhat decreased to PHP 1.86 billion in 2015,<sup>62</sup> thus not yet showing a drastic reduction. At the same time, SBC also mentions its intention to increase direct/retail lending, recognizing "the downward trend in the wholesale lending portfolio".<sup>63</sup> The prospect of profitability of wholesale and retail lending is not certain at least at this point: the former because of the lower demand as a result of cheaper funds accessible in the market, and the latter because of the insufficient branch network, products and staff experienced in retail lending.
103. It is difficult to establish the profitability of SBC's microfinance activities funded by RuMEPP. SBC did not establish the microfinance activities as a profit centre and no detailed transaction cost studies of the profitability of the microfinance window were undertaken or made available to the general public or partners.

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<sup>58</sup> A letter dated 10 March 2014 from DTI Undersecretary Zenaida C. Maglaya to Senator Paolo Benigno Aquino IV who was chair of the Senate Committee.

<sup>59</sup> Republic Act 10644: An Act Promoting Job Generation and Inclusive Growth through the Development of Micro, Small and Medium Enterprises. The highlights of this Act include: the establishment of "*Negosyo* Centers" in all provinces, cities and municipalities to promote "ease of doing business and facilitate access to services for MSMEs within its jurisdiction; promotion of technology transfer, production and management training, and marketing assistance for MSMEs; establishment of a Philippine Business Registry Databank under DTI to serve as a database of all business enterprises in the country; establishment of a Start-up Fund for MSMEs "to provide financing for the development and promotion of MSMEs in priority sectors.

<sup>60</sup> Shared Service Facility Project provides equipment and machinery to a group of like-minded microenterprises to conserve and/or process their primary products, with costs above what an individual microenterprise would want to shoulder, and with a capacity that an individual microenterprise could hardly use fully.

<sup>61</sup> SBC comments by the draft PPE report (22 July 2016).

<sup>62</sup> The data by SBC submitted to IOE in their comments on the draft PPE report.

<sup>63</sup> <http://www.sbgfc.org.ph/index.php/about-us/corporate-profile/agency-performance> Accessed in September 2016.

104. In summary, SBC tried in good faith to expand its services and outreach and RuMEPP provided an opportunity to SBC to learn and deepen the business, but the eventual impact on the organization's microfinance capacity was lower than it was hoped for. It needs to be recognized, though, that at design, it was hardly possible for any actor to foresee the drastic market changes, which made it difficult for SBC to compete in the market. The collaboration under RuMEPP enabled SBC to learn the wholesale trade, develop instruments and procedures, but these turned out to be redundant as the market changed.
105. With regard to impact on the services, quality and performance of **MFIs**, there is little evidence that the mere availability of more funds for micro-lending in the financial market improved access to finance for first-time borrowers or for other microenterprises who would not have had access due to the shortage of funds for lending by MFIs, or that the programme induced the introduction of new and improved financial products that better suit the needs of diverse microenterprises. On the other hand, there have been some cases of positive changes, on a case-by-case basis.
106. In terms of the financial performance of MFIs, SBC attempted to assess the profitability of PFIs in the context of the PCR, namely in terms of return on assets, return on equity and net interest margin. As per the SBC assessment of 26 MFIs which received the funds from SBC for three consecutive years, there were no significant changes in these dimensions. In any case, it would have been difficult to link any change to the credit funds due to the limited scale of support. More comprehensive institutional assessments and subsequent capacity development embedded in a strategic dialogue with owners and managers of the MFIs would have been required to have more meaningful impact. It is however noted that there were a small number of cases – specifically with MPCs – where the RuMEPP funds and capacity building support made a visible contribution to MFIs' capacity and outreach.<sup>64</sup>
107. **Summary assessment on rural poverty impact.** The impact domains with the most visible contribution by the programme are "human and social capital and empowerment" and "institutions and policies", although the latter impact is rather mixed depending on the aspects. While it is evident that the programme made a significant contribution to household incomes of microenterprises (and possibly employees) in some or many cases, often in combination with other support initiatives, the magnitude and width of such positive impact among those who were reached by the programme are not known with certainty. Overall, the assessment of rural poverty impact is moderately satisfactory (4).
108. The PCR provided "satisfactory" rating for each of the different impact domains:<sup>65</sup> (i) household income and assets; (ii) food security; (iii) human and social capital and empowerment; and (iv) institutions and policies. The PPE considers it difficult to justify "satisfactory" rating for rural poverty impact, given, among others, lack of reliable data that indicate the extent of contribution of RuMEPP on household income and assets among the whole beneficiary population.

#### **Sustainability of benefits**

109. This evaluation criterion relates to the likelihood of continuation of benefits generated by a development intervention.

<sup>64</sup> For example, one of the benefiting institutions visited by the mission, Malapatan MPC, stated that the support received was highly appreciated, was offered in a professional manner, led to the expansion of services to a new area (Malungon) and caused subsequent improvements in general management and loan management. However, the representatives were not able to quantify impact on the cooperative society.

<sup>65</sup> Following the adoption of the IOE evaluation manual second edition from 2016, the PPE provides an aggregated rating for the criterion of rural poverty impact. The PCR discusses or rates also other impact domains: (i) agricultural productivity – not rated; (ii) access to markets – satisfactory; (iii) natural resource and the environment – moderately unsatisfactory; and (iv) climate change adaptation – satisfactory.

110. *Microenterprise business operations.* According to the DTI data, out of 12,727 microenterprises who received BDS by 2010, (i) 7,515 (59 per cent) were considered "existing" microenterprises (though not clear whether these included "start-ups"); and (ii) 7,379 of them were still operating a business at the end of the project, but without distinguishing how many of them were new microenterprises. Based on this, DTI reported a 74 per cent achievement rate (7,379 microenterprises) against the target of "10,000 microenterprises still operational after three years". However, such indicator would have made more sense if it were confined to new/start-up microenterprises and not those that already existed.
111. Microenterprises that had just started operating have had a few years of experience, or have only recently expanded, are often fragile and vulnerable. It is evident that such microenterprises, which have been initially supported under RuMEPP, continue to need occasional or regular access to finance, and access to information, experience, training and coaching to remain in business. With the increased capacity of the provincial DTI units, and the creation of the *Negosyo* Centres as providers of such services, some important steps have been made. In the absence of careful analyses of the capacity of microenterprises to handle, absorb and manage crises or shocks, and more insights and data on the expansion rates, financial reserves created, strength of ties with financial institutions, and membership in protective schemes, associations and networks, it is difficult to make conclusive statements on the sustainability of microenterprises business operations, but it can be said that encouraging supporting structure and elements are there.
112. *SBC's microfinance operations.* SBC was not able to make significant improvements as regards its microfinance lending window, given the decline in competitiveness of its resources. The corporation may have gained knowledge on how to handle such a window, but does not have the low-cost financial resources to continue to do so. The prospect of sustainability of benefits in terms of SBC's enhanced microfinance capacity, if any, is thus not certain.
113. *DTI's role and capacity to support microenterprise development.* DTI gained some recognition for the work done, and improved its experience and skills to support microenterprises under difficult conditions. The provincial and regional units retained in many cases the staff that had handled the RuMEPP, even though these had been recruited under temporary work contracts. According to DTI it has been logical to retain these staff because of their competence and experience, and in order to be able to provide good quality services. It is the creation of the *Negosyo* Centres that provides the venue and framework for the sustainable provision of support services.
114. Based on the foregoing, sustainability of benefits is rated moderately satisfactory (4).

## **B. Other performance criteria**

115. **Innovation and scaling up.** This evaluation criteria concerns assessment of the extent to which the RuMEPP interventions: (i) introduced innovative approaches to rural poverty reduction; and (ii) have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies.
116. *Innovations.* The major change expected to be introduced under RuMEPP was the merger of finance and knowledge under one 'hand'. This materialized for part of the beneficiaries (reported as about 20 per cent), but this seemingly low proportion is not so much due to poor implementation performance, but rather due to the initial over-emphasis on the need to combine, to the extent possible, these two areas of programme support to microenterprises (paragraph 49). One third of the borrowers of the first generation funds and over 60 per cent of the borrowers

including those from the reflows were outside the 19 target provinces, hence, those who accessed only credits. Many microenterprises, especially those existing ones, already had access to finance and were not interested in changing to new service providers, which is logical especially if there was few innovative financial products and services by SBC accredited PFIs. The opportunities to promote innovative products and services by MFIs were largely missed out in this programme.

117. However, DTI and RuMEPP support proved to be an effective conduit for "convergence" in a broader sense: a conduit for pulling together various actors and opportunities for support and markets, such as local government units, Department of Science and Technology, Department of Labour and Employment, Department of Agriculture, BDS providers, potential market outlets, tourism industry, use of a small space in the DTI's *Negosyo* centres to display microenterprises' products, sponsoring of microenterprises' participation in trade fairs.<sup>66</sup> The value of non-financial services to microenterprises, grounded on proper needs assessment, came to be well-recognized and different service providers with different expertise were mobilized (such as DTI staff themselves, chamber of commerce, private consultants, and NGOs).
118. Another area where RuMEPP was innovative was the systematic integration of marketing-related aspects into much or most of the interventions. The project helped numerous microenterprises to improve the packaging and labelling, which increased shelf life, attractiveness of the products and sales.
119. *Scaling up*. Based on the available information, public support to microenterprise development has been scaled-up, as shown by the launching of various initiatives focused on microenterprise (or MSME) development under various government agencies, also due to the strong interest by the Government. Some of the government funded initiatives do seem to reflect the experience and lessons under RuMEPP, for example, planning for and provision of BDS support, the use of microenterprise database, etc.
120. The scaling up of the provision of BDS for microenterprises would require a continuous allocation of funds for the purpose by the Government. To what extent the Government may be in a position to continue financing these is not certain, as most of the services were procured from the private sector and through service contracts. One of the factors for sustainability and scaling-up of BDS which was not well addressed under RuMEPP is exploring ways to charge fees and recover cost of BDS. This was envisaged in the design<sup>67</sup> and was also raised in early supervision missions, but in the end never implemented.
121. Another potential for scaling-up BDS would have been in new service arrangements and products offered by the financial sector, but this potential remained untapped in the absence of a more structured dialogue and more extensive support to financial institutions under the project. In the end, even the crude line of credit between SBC and PFIs as adopted under RuMEPP did not work out as a result of the dramatic decline in interest rates in the sector, which led to the premature repayment and closure of the facility, thus a scaling down, not a scaling up.
122. Based on the above, the PPE rating on innovation and scaling up is moderately satisfactory (4).
123. **Gender equality and women's empowerment.** This evaluation criterion concerns the extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to

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<sup>66</sup> Based on supervision mission reports (e.g. 2012, 2013), interviews and direct observations by the PPE team in the field.

<sup>67</sup> The appraisal report stated that "services provided directly to micro-entrepreneurs (such as management training) would be fee-based (progressive, ranging from minimal contribution for start-up enterprises to full cost recovery for larger more profitable micro-enterprises)."

and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.

124. The programme design did not contain any specific targets or guidelines on gender inclusiveness, but the proportion of women beneficiaries in all types of support (BDS and credit) remained high throughout the programme. Many of the enterprise models supported by DTI tended to be more interesting to women than to men, such as light food processing and handicrafts, while there were also some enterprises supported that attract men more such as blacksmith. Among BDS beneficiaries, 79 per cent of them (25,479 out of 32,318) were women. Similarly, 44,442 or 77 per cent of all borrowers from the first round of lending (excluding the reflows) were women. Most of the women micro-entrepreneurs the PPE team met indicated that their husbands were very supportive of their business activities and some actively participate and provide labour. Such type of cooperation between wives and husbands for household welfare was also noted in the DTI publication on RuMEPP experience ("More Than Cash").
125. It is also important to note that the environment for promoting gender equality and women's empowerment is relatively conducive in the Philippines. Various global assessment reports on gender equality places the Philippines relatively high.<sup>68</sup> Women are able to make their independent decisions related to their businesses without the formal consent of their husbands. Many DTI staff are also women: the first supervision mission report noted that 42 per cent of the 19 RPOs were women then.
126. Building on such favourable environment, RuMEPP enhanced women's access to information, knowledge, experience and finance, and facilitated the creation and ownership of new business, and the generation of incremental income for the households. It is evident that the creation and expansion of microenterprises requires an enormous engagement and commitment on the side of the entrepreneur, and is as such likely to increase their work loads. While no data are available on the work load balance, the discussions with women on this point did not reveal any point of concern; rather, women were pleased to spend their time in a more productive manner. They stated that their husbands and children had been very supportive, which in fact reduced the burden and time to spend on business for them.
127. The PPE rating on gender equality and women's empowerment is satisfactory (5).
128. **Environment and natural resources management.** This evaluation criterion assesses the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment.
129. No mechanism was put in place to systematically assess and report on actual or potential impacts (positive, negative or neutral) of microenterprises' activities on the environment and natural resource base. In general, the types and sizes of microenterprises supported (e.g. light food processing, trading) were such that the likelihoods of negative impact on the environment in terms of pollution from the waste generated were relatively low. In terms of the risk of over-extraction of natural resources, possible risk was flagged and discussed by supervision missions.<sup>69</sup> In a few cases observed in the field, cassava processing was not done with water, but through sun drying, which reduces significantly the water pollution

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<sup>68</sup> For example, the Philippines was ranked 7<sup>th</sup> out of 145 countries in terms of the Global Gender Gap index (World Economic Forum, Global Gender Gap Report 2015). It was ranked 58<sup>th</sup> out of 160 countries for the Social Institutions and Gender Index (OECD report, 2014).

<sup>69</sup> Including, for example, microenterprises dependent on natural resources such as handicrafts (made of anahaw and karagumoy, which beneficiaries started planting), fish, crab, pottery (quarrying of clay). "As most of the enterprises developed are part of the One Town, One Product programme, various other agencies are engaged in ensuring that the products are developed in a sustainable way. For example, DENR regulates production of rattan and quarrying of clay and BFAR regulates the fish catch used for processed fish and they are currently addressing the concern about the seasonality of the supply of crabs used for crab paste." (supervision mission report 2013).

of the process. In other cases observed, DTI introduced solar dryers instead of power-driven ventilators to minimize electricity charges, and taught microenterprises to use rice husks and coco shells as fuel for drying, which was much appreciated by the clients.

130. The PCR rated this criterion as moderately unsatisfactory pointing out the need to better raise the level of awareness of beneficiaries on the proper harvest and utilization techniques, while it also indicated that the project did not result in any unsustainable exploitation on local natural resource base. Despite some positive examples seen in the field, in absence of evidence of proactive and systematic incorporation of the issues related to environment and natural resource management into support to microenterprises, the PPE agrees with the assessment by PCR and rates this criterion as moderately unsatisfactory (3).
131. **Adaptation to climate change.** This evaluation criterion concerns the contribution of the project to increase climate resilience and increase beneficiaries' capacity to manage short- and long-term climate risks. This dimension was not intended at all under the project. Furthermore, none of the interventions had climate change adaptation as a goal. As a consequence, this shall not be assessed.

### **C. Overall project achievement**

132. The two main thrusts of RuMEPP were the provision of credits and BDS to microenterprises and these were pursued effectively. On the surface, the credit model would appear to have worked at first: more than 57,000 microenterprises borrowed from the first generation funds, most of them level 1 microenterprises, and over time, close to over 90 financial institutions participated, even though most of them only small amounts and the SBC credit facility was in the end short-lived due to the financial market conditions.
133. It is roughly estimated that 70,000-80,000 persons (including microcredit borrowers from reflows of the credit funds) might have directly received the RuMEPP supported services in the 19 core programme provinces, either provided with BDS, credits or both. The programme data showed close to 15,000 "convergence microenterprises", but there was an over-emphasis on having more "convergence" microenterprises, even if both services were not always or necessarily required by most or all microenterprises.
134. As regards the BDS, DTI did well in identifying and promoting various enterprise models suitable for microenterprises, and business approaches to enhance their competitiveness, sales and profitability. A major advancement was the systematic integration of marketing-related issues to organized training, as well as other types of support (e.g. packaging and labelling, product design and development, support to obtaining a license from the Food and Drug Administration, support to linkage with market outlets).
135. It is certain that there are cases where RuMEPP support contributed to improvement of business by existing microenterprises or starting up of new enterprise activities, thereby generating incremental profits, incomes and generating jobs. There are many testimonies documented (e.g. brochures on successful microenterprise cases, a DTI publication compiling case stories and articles, supervision mission reports, as well as the discussions with the PPE team). Nonetheless, it is difficult to know whether these successful cases are a majority and representative, or rather a minority, or somewhere in the middle. This relates to the overall weakness of M&E. There was also not a careful reflection on a reasonable "success rate" or "drop-out rate", e.g. whether it would have been considered good if 40 or 70 per cent of the BDS beneficiaries who already had business improved their profit (by what percentage?), or how many "start-ups" can be expected out of, say, 100 candidates trained and what should be the benchmark.

136. RuMEPP made important contribution to upgrading the government support to microenterprise development in scale and content, based on the approach used, experience and lessons, fostering partnerships and linkage with various actors and opportunities.
137. Based on the positive indications but at the same time, lack of reliable data that indicates the depth and extent of achievements and benefits, the PPE's rating for the project's overall achievement is moderately satisfactory (4).

#### **D. Performance of partners**

138. **Performance of the Government of the Philippines.** The main implementing agency **DTI** was new to IFAD supported operations in the country and has proved to be a valuable partner in supporting rural microenterprises. The historical PSR ratings on the criteria of the quality of project management were consistently "satisfactory" except for the first PSR. Initially, the implementation was affected by high staff turn-over, especially for the programme manager position, but this issue was addressed relatively early, by MTR. Generally good performance of DTI was noted at central, regional and provincial levels. There have been notable efforts to support microenterprises within or beyond the realm of RuMEPP, by, for example, developing a larger number of enterprise models, addressing marketing-related issue (e.g. appearance and attractiveness of products), the marketability of products facilitating linkages with buyers/market outlets and other opportunities. As noted earlier, partnerships with other actors, such as local government units and other departments, were positive. On the other hand, there are two main aspects where DTI's performance was not optimal, as also reflected in the PSR ratings: M&E and fiduciary aspects, the latter mainly due to delays in submission of audit reports and annual work plan and budgets.
139. The **National Economic Development Authority (NEDA)** which is responsible for the country's economic planning and development, participated practically in all supervision missions. Most of the time two members of the supervision missions were from NEDA, taking on responsibilities in each team in specific areas such as M&E, institutional issues, procurement, etc. This is an exemplary practice indicating strong ownership by the Government. It is noteworthy that IFAD and NEDA signed a general memorandum of understanding on 12 March 2008 to promote collaboration in areas such as policy dialogue, knowledge sharing and learning events, supervision and implementation support and M&E. The practice of NEDA participation in supervision missions for RuMEPP (and other projects) follows this agreement.
140. **SBC** has accomplished most of what it was expected to do. The Corporation entered into agreements with some 90 financial institutions for onlending of the RuMEPP resources, and monitored the performance of these PFIs throughout the process. The changes in interest rates ultimately led to the lack of attractiveness of the terms and conditions of the line of credit offered by SBC. As the Department of Finance insisted on hedging against devaluation and guarantee coverage to preserve the value of the funds received, and as SBC, as a relatively small financial institution, needed a certain mark-up on costs of funds and risks to cover its operating expense, the corporation could not compete with the much larger LBP, which was able to recently offer credit lines at 4-6 per cent p.a.
141. Under a regime of narrowing margins, it is understandable that SBC did not make extensive efforts to assess the performance of PFIs under the project, but was content to see that PFIs complied with the minimum set of performance criteria. Furthermore, given the size of the funds allocated for MFI capacity development, and the terms and conditions under which these were granted (mostly as low interest rate loans), it is understandable that these initiatives did not show the results expected by the designers. The main shortcoming of SBC, and of project



management, was not to have paid enough attention to the quality of the services provided by PFIs.

142. Albeit weaknesses in M&E, given that this is a common challenge across IFAD-supported projects and in development projects and reflecting other very positive elements as discussed above (in particular, the performance of DTI and NEDA), the performance of the Government is rated satisfactory (5) by the PPE.
143. **Performance of IFAD.** The original financing agreement envisaged the United Nations Office for Project Services as a cooperating institution, but given that its signing and effectiveness occurred at the time of IFAD's shift to direct supervision, IFAD took up direct supervision responsibilities from the beginning and the financing agreement amended accordingly later on. IFAD in collaboration with NEDA fielded supervision missions regularly (at least once a year, except for 2009 where two missions were fielded), as well as follow-up visits in between, mainly performed by the IFAD country programme officer. Supervision reports are generally very informative, often accompanied by technical working papers. At the same time, the implementer also shared its view with the PPE team that frequent changes in the supervision mission team composition at times made it difficult to ensure the continuity and consistency of missions' priorities and recommendations, even though there would also have been advantage of having fresh eyes.
144. There were two areas where IFAD could have performed better. First, as discussed in the relevance section, there were some inconsistencies and lack of clarity in the design, for example, with respect to the main target group and impact pathways, or insufficient attention to the quality of financial services. Even though the project design is a joint exercise by IFAD and the Government, IFAD could have provided more inputs to enhance the design relevance, reflecting its accumulated experience in supporting micro and rural finance services elsewhere. In the end, RuMEPP turned out to be not so much of a "second phase" of the previous project (paragraph 11), but the principles outlined in the recommendations by the interim evaluation would have been still valid and yet not fully incorporated, for example, the recommendation on supporting capacity building of financial institutions and their diversification of financial products. Opportunities to redirect attention to the quality of financial services during implementation were largely missed out.
145. Second, IFAD could have provided better guidance and support on the M&E system in design and during the implementation. The indicators for progress monitoring, both at design and revised after MTR, were not adequate. Some supervision missions<sup>70</sup> recommended the introduction of indicators that might have been more useful, such as those related to first time borrowers, progressive loan sizes of repeater borrowers, or jobs generated with a clearer definition, but these recommendations do not seem to have been fully implemented and insisted on. There was hardly any indicator tracked in relation to the performance of MFIs.
146. Based on the above, the performance of IFAD is rated as moderately satisfactory (4). The PCR rating was satisfactory, but not adequately supported by the narrative. The PCR provided positive assessment on the alignment with government priorities, supervision and implementation support and the role of IFAD country office, but at the same time also pointed out the issue of insufficient consultation with stakeholders at provincial and regional levels and a long time lag between formulation and effectiveness.<sup>71</sup>

## **E. Assessment of the quality of the Project Completion Report**

147. The PCR is found to be overall a solid piece of work. It suffers from the same lack of data on several intervention domains as this PPE, especially at the common area

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<sup>70</sup> For example, August 2009 supervision mission.

<sup>71</sup> On the latter, the available record shows that the project inception was towards the end of 2002, indicating the lapse of more than two years to the Board approval, and about four years to the effectiveness.

of overlap between BDS and credit, the outreach of the credit programme outside the core 19 provinces, and most importantly, on outcomes and impact.

148. The scope of the report is largely comprehensive. In particular, appendix 12 of the PCR covering the results of the stakeholder workshops is excellent, as it shows in breadth and depth the different views in a clear language and with many fine details. This extensive piece of documentation enabled the PPE mission to approach the RuMEPP much faster, with a good picture of a wide range of issues.
149. The analysis presented and lessons drawn in the PCR are largely good but there could have been further critical reflection on the internal coherence of the design. The weakest part of the PCR is the absence of a decisive attempt to gather and analyse data on the entire outreach of the project, or an attempt to close the data gaps with some assumptions. Some of the data presented are not used consistently in the report. Where issues were rightly identified, the assessment was frank, for example, the issue of beneficiary profiles in relation to the targeting approach taken and programme management issues, but the ratings provided were not always matching the narrative.
150. In summary, the quality of the PCR is rated as follows for standard criteria: scope – satisfactory (5); quality – moderately satisfactory (4); lessons – satisfactory (5); and candour – moderately satisfactory (4).

#### **Key points**

- The programme design supporting two main domains for microenterprise development, i.e. knowledge/skills and finance, was relevant at a broad level, but there were some shortcomings, in particular related to the provision of credit funds without focused attention to opportunities to improve MFIs' services and products, an over-emphasis on having "convergence" microenterprises. There was also ambiguity in the main target group, intended beneficiaries and impact pathways.
- The programme objectives and expected outcomes were achieved to a certain extent, and in some cases with significant contribution to facilitate start-ups and improving existing microenterprises' business activities. Nonetheless, there are scarce data that would enable even an estimation of the extent of such outcomes and job creations.
- There were some issues related to disbursement pace and project management initially, but they were largely addressed prior to MTR. Project management cost was relatively low, which on the other hand may have been one of the factors that affected the quality of M&E.
- The rural poverty impact domains with the most visible contributions by the programme are "human and social capital and empowerment" and "institutions and policies". There are numerous microenterprises (and their employees) for whom the programme contributed to increased household incomes, often complemented by other support initiatives, but the magnitude and breadth of outreach are known with certainty.
- RuMEPP enhanced women's access to information, knowledge and finance, and facilitated the generation of incremental incomes for households.

## IV. Conclusions and recommendations

### A. Conclusions

151. **The underlying assumption of the programme that both knowledge and finance are among the most critical impediments for microenterprise development was and is valid.** Given the relatively low penetration rates of microfinance, the relatively high cost of loans, and the inadequate financial product range, a mere focus on business knowledge would not have helped large numbers of microenterprises. The project design aimed at improving access to both finance and knowledge by existing microenterprises and other potential micro-entrepreneurs.
152. **At the same time, there was an over-emphasis on generating a larger number of microenterprises receiving both credits and BDS from the project ("convergence").** Throughout project implementation, the issue of convergence was discussed as one of the preoccupations of IFAD and the Government. Supervision missions made extensive recommendations so that both types of services would be provided to as many microenterprises as possible by the project. In reality, entrepreneurs only chose what they wanted and wanted to afford, rather than the whole menu. Only those microenterprises obtaining RuMEPP-sponsored BDS who did not yet have access to finance were in principle interested in RuMEPP-funded credit lines, and among these, only those who could not get finance at lower interest rates from elsewhere.
153. **The assumption implicit in the design – that there would be MFIs with interest in on-lending to microenterprises and capacity to do so, and that the main constraint of MFIs was liquidity shortage – was not entirely valid.** More pertinent issue would have been how to encourage MFIs to innovate in such a way that would improve the availability and accessibility of financial services and products that are responsive to the needs of different levels/types of microenterprises, rather than simply channelling the credit funds through MFIs. Important aspects which would have merited more attention include, for example, the quality of the services provided by the financial sector, the cost of these services, the capacity to appraise loan applications for business purposes, and the ability and willingness of financial institutions to significantly reduce their operating costs. Mere lines of credit would not have significant impact on the institutions and their clients nor remove or address the underlying weaknesses of the system. The rationale of channelling the credit funds outside the 19 core provinces (by design and implementation) and intended impact were even less clear, and there is little data on what is it that it has achieved, except for the number of borrowers from the first generation funds.
154. In general, it is understandable if governments prefer to allocate a large proportion of external loans for the credit lines, which would be a safe way to ensure returns and repayments to IFAD. Whether such inclination was behind the RuMEPP design or not, additional or alternative interventions that would facilitate changes in the microfinance sector and system could have brought farther-reaching impact and contributed better to the overall goal. Opportunities to raise interest among financial institutions in microenterprise lending, and in exploring effective and efficient approaches for different types of clients under different economic and socio-cultural environments were not strategically explored.
155. **RuMEPP was effective in mobilizing and organizing BDS for microenterprises which contributed to start-up microenterprises and improving existing microenterprises' business undertakings.** Initially slow pace due to procurement issues but in the end, this part of the programme performed fairly well. DTI mobilized external service providers (e.g. private consultants, NGOs), where they did not have sufficient in-house knowledge and experience. Efforts were made on BDS quality management, including by deploying

staff to the training sessions to ensure discipline and quality, and ask for reports by the service providers.

156. There is room for increasing BDS relevance, quality and efficiency and sustainability. There are a couple of interlinked issues. First, a systematic approach to post-training impact assessment would have been helpful, through which actual adoption rates could have been measured. Beyond the obvious aspect of monitoring, this might have produced deeper insights into what elements of the training were more or less effective, economical and feasible for microenterprises of different levels/types, and subsequent adjustments in approaches and curricula. Second, based on the appreciation that running business operations require a certain set of aptitude that not everyone is endowed with, it could have been useful to actively motivate start-up microenterprise candidates and identify those with interest and more potential before providing a series of training on various skills, while establishing an acceptable attrition rate. Third, microenterprises, especially start-ups or new ones, would require more than one-off training and follow-up support. Fourth, the issue of recovering BDS costs as was envisaged in the design, even partially and according to the maturity of microenterprises, should have been given more attention.
157. **There was some ambiguity on who the main target group and intended beneficiaries were and how their businesses and livelihoods were expected to improve.** The target group was defined as "new and expanding microenterprises with assets worth less than PHP 3 million with one to nine employees" and support to them was expected to lead to "increased economic development and improved job generation for rural poverty reduction". The way the target group was defined can cover a widely different range of persons and enterprises, from those with virtually no experience of running business to others that are more or less established and mature. Different types of enterprises/businesses would have different needs. There is also a question on whether job creations were expected primarily from self-employment through the establishment of as many microenterprises as possible, or more from employment opportunities increased by growing businesses, or both with a two-pronged strategy. Careful reflection on these issues and differentiated approach and strategy to be developed accordingly were not evident.
158. **The major shortcoming was the lack or inadequacy of data collection and analysis,** With inconsistent findings of different surveys and insufficient data, even if it is certain that there are cases of successful microenterprises supported by the project, it is difficult even to estimate how many or what percentage of the BDS beneficiaries (32,318) or convergence microenterprises (close to 15,000) are achieving (or gained the potential to achieve) business profitability and incremental incomes and to what extent they may have generated employment. Lack of data has also left the department not adequately-equipped with evidence as regards the discussions with policy makers and other stakeholders.

## **B. Recommendations**

159. Provided below are key recommendations for consideration by IFAD and the Government of the Philippines for future investments and projects in the country for micro and small-scale enterprises and their access to finance.
160. **Recommendation 1. Be clear on the target group, including different categories within the group, their needs, and how they will be reached and benefit.** Clarity is needed on the target group to whom project support will be directed, the intended beneficiaries and how they will be reached. It is important to have a critical reflection on possible impact pathways to promote inclusive rural transformation and on the role of microenterprise and/or MSE sector therein. Linked but tailored and differentiated strategy might be required according to

different potential and characteristics of the target group, for example, possibly different pathways for creating jobs.

161. **Recommendation 2. Develop diversified and structured approaches to improve financial services.** The focus should shift from mere unspecific credit lines to facilitate critical reflection and learning on how to finance micro and small enterprises and how to enhance the utilization of the available liquidity in the system for financing development. The injection of credit lines should be directed at where there is a shortage of liquidity, if any. Structured dialogue with the financial sector could be an important entry point, instead of credit lines. Such dialogue must be specific for the type of financial institution<sup>72</sup> and geared at helping them understand specific requirements of different types of MSEs and opportunities to develop products to meet the needs. Capacity building of financial institutions with potential to expand the outreach should be carefully considered, which may include training of loan officers, product development, and standardized and general appraisal methods for MSE lending.
162. **Recommendation 3. Devise measures to enhance the relevance and quality of non-financial services.** BDS should be designed according to needs of different types/maturity levels micro and small enterprises. The support services should be targeted and consistent. Ways to charge at least part of BDS costs (set at realistic level depending on the level of enterprise development) should be considered for confirming interest and commitments and enhancing sustainability. Furthermore, attention to the environment and natural resource management should be systematically incorporated in non-financial services to microenterprises. This could be in terms of monitoring and managing any potential negative impact on the environment, as well as encouraging microenterprises engaged to be efficient in resource use.
163. **Recommendation 4. Ensure sufficient investment and support for M&E, analytical studies and documentation.** Capacity development, and research and development geared at practical issues are indispensable elements of a successful MSE support strategy. These should go beyond the number of beneficiaries or volume of borrowing, but should cover other various aspects such as enterprise profitability under different economic/social and organizational parameters. There should be sufficient allocation of financial and human resources accordingly, to enable essential studies and surveys to be conducted, the need for which emerges as a result of proper data capturing and analysis of field practice, and to use M&E data and such survey results as a basis for project implementation and policy development.

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<sup>72</sup> Lessons can be learned from the Microfinance Development Programme financed by the Asian Development Bank, which had a focus on credit unions. An evaluation by the Independent Evaluation Department of the Asian Development Bank is available.

## Basic project data

			Approval (US\$ m)		Actual (US\$ m)	
Region	Asia and the Pacific	Total project costs	27.47**		25.24	
Country	Republic of the Philippines	IFAD loan and percentage of total	21.2	77.2	18.85	74.7
Loan number	661-PH	IFAD grant	0.5	1.8	0.5	2.1
Type of project (subsector)	Credit	Borrower	0.66	2.4	1.18	4.7
Financing type	IFAD-initiated	Cofinancier 1 (Small Business Corporation)	2.13	7.7	2.30	9.1
Lending terms*	Highly concessional	Cofinancier 2 (Microfinance institutions)	2.1	7.6	2.39	9.5
Date of approval	4 Apr 2005	To be mobilized (second IFAD grant)***	0.89	3.2	NA	
Date of loan signature	11 Nov 2005					
Date of effectiveness	30 Oct 2006					
Loan amendments	Twice	Number of beneficiaries: (if appropriate, specify if direct or indirect)	200,000 (direct + indirect)		Direct: 74,683 (PCR) Indirect: not clear	
Loan closure extensions	Not Applicable					
Country programme managers	Sana F.K. Jatta Youqiong Wang	Loan closing date			12 May 2015	
Regional director(s)	Erik Martens (Officer-in-Charge) Thomas Elhaut	Mid-term review			December 2010	
Project performance evaluation reviewer	Fumiko Nakai	IFAD loan disbursement at project completion (%)			98.5%	
Project performance evaluation quality control panel	Fabrizio Felloni Derek Poate	Date of project completion report			19 Feb 2015	

Source: President's Report, Appraisal Report, Project Completion Report.

\* There are four types of lending terms: (i) special loans on highly concessional terms, free of interest but bearing a service charge of three fourths of one per cent (0.75%) per annum and having a maturity period of 40 years, including a grace period of 10 years; (ii) loans on hardened terms, bearing a service charge of three fourths of one per cent (0.75%) per annum and having a maturity period of 20 years, including a grace period of 10 years; (iii) loans on intermediate terms, with a rate of interest per annum equivalent to 50 per cent of the variable reference interest rate and a maturity period of 20 years, including a grace period of five years; (iv) loans on ordinary terms, with a rate of interest per annum equivalent to one hundred per cent (100%) of the variable reference interest rate, and a maturity period of 15-18 years, including a grace period of three years.

\*\* According to the president's report. The amount of the IFAD loan approved by the Executive Board was SDR 14.05 million (equivalent of US\$21.2 million) but the programme financing agreement was for a loan of SDR 12.35 million. It is not clear why the loan amount reduced.

\*\*\* A grant amount of SDR 340,000 (equivalent of US\$500,000) was approved by the Executive Board. The president's report indicated the intention of submitting another grant of US\$890,000 for the Board approval in a later year, but this did not materialize.

## Definition and rating of the evaluation criteria used by IOE

Criteria	Definition *	Mandatory	To be rated
<b>Rural poverty impact</b>	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.	X	Yes
	<i>Four impact domains</i>		
	<ul style="list-style-type: none"> <li>Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition.</li> </ul>		No
	<ul style="list-style-type: none"> <li>Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.</li> </ul>		No
<b>Project performance</b>	Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits.	X	Yes
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted.	X	Yes
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.	X	Yes
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.	X	Yes
Sustainability of benefits	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.	X	Yes
<b>Other performance criteria</b>			
Gender equality and women's empowerment	The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods.	X	Yes
Innovation and scaling up	The extent to which IFAD development interventions: <ul style="list-style-type: none"> <li>(i) have introduced innovative approaches to rural poverty reduction; and</li> <li>(ii) have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies.</li> </ul>	X	Yes
Environment and natural resources management	The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide.	X	Yes
Adaptation to climate change	The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures	X	Yes

<i>Criteria</i>	<i>Definition</i> <sup>*</sup>	<i>Mandatory</i>	<i>To be rated</i>
<b>Overall project achievement</b>	This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation and scaling up, as well as environment and natural resources management, and adaptation to climate change.	X	Yes
<b>Performance of partners</b>			
• IFAD	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.	X	Yes
• Government		X	Yes

\* These definitions build on the OECD/DAC Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.



## Rating comparison

<i>Criteria</i>	<i>IFAD-PMD rating<sup>a</sup></i>	<i>PPE rating<sup>a</sup></i>	<i>Rating disconnect</i>
<b>Rural poverty impact</b>	5	4	-1
<b>Project performance</b>			
Relevance	6	4	-2
Effectiveness	5	4	-1
Efficiency	4	4	0
Sustainability of benefits	4	4	0
<b>Project performance<sup>b</sup></b>	4.75	4	-0.75
<b>Other performance criteria</b>			
Gender equality and women's empowerment	6	5	-1
Innovation and scaling up	5	4	-1
Environment and natural resources management	3	3	0
Adaptation to climate change	5	n.p.	n.a.
<b>Overall project achievement<sup>c</sup></b>	<b>5</b>	<b>4</b>	<b>-1</b>
<b>Performance of partners<sup>d</sup></b>			
IFAD	5	4	-1
Government	5	5	0
<b>Average net disconnect</b>			<b>-0.7</b>

<sup>a</sup> Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

<sup>b</sup> Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.

<sup>c</sup> This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender, innovation and scaling up, environment and natural resources management, and adaptation to climate change.

<sup>d</sup> The rating for partners' performance is not a component of the overall project achievement rating.

### Ratings of the project completion report quality

	<i>PMD rating</i>	<i>IOE PCR V rating</i>	<i>Net disconnect</i>
Scope	n.a.	5	
Quality (methods, data, participatory process)	n.a.	4	
Lessons	n.a.	5	
Candour	n.a.	4	

Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.a. = not applicable.

## Approach paper

### A. Background

1. For completed investment projects financed by IFAD, its Independent Office of Evaluation (IOE) undertakes: (i) validation of project completion reports (PCRs) for all projects, based on a desk review of project completion reports (PCRs) and other documents; and (ii) project performance evaluations (PPEs) involving country visits for a number of selected projects.<sup>1</sup>
2. A PPE is conducted after a desk review of the PCR and other available documents, with the aim of providing additional evidence on project achievements and validating the conclusions of the PCR. In general terms, the main objectives of PPEs are to: (i) assess the results of the project; (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country; and (iii) identify issues of corporate, operational or strategic interest that merit further evaluative work.
3. The Rural Microenterprise Promotion Programme (RuMEPP) in the Republic of the Philippines (implemented between 2006 and 2013) has been selected for a PPE, among others, to feed into the planned country strategy and programme evaluation (CSPE). Both PPE and CSPE are scheduled for 2016.

### B. Programme overview

4. **Programme area.** Of the two technical programme components, one (microfinance credit and support component) had a national coverage (i.e. all rural areas of the country), whereas the other (microenterprise promotion and development) was to focus on 19 selected provinces in five of the poorest regions of the country: Cordillera Administrative Region (CAR), Bicol (Region V), Eastern Visayas (Region VIII), SOCCSKSARGEN (Region XII) and Caraga (Region XIII). According to the RuMEPP appraisal report, the five regions (which contain 26 provinces) first and then 19 provinces therein were selected based on poverty incidence data. The total population of the 19 provinces was estimated at about 11 million people, with considerable diversity in size of provincial populations and in the level of poverty incidence.
5. **Programme objectives.** The programme was conceived based on the recognition of a very high proportion of microenterprises (92 per cent of all 800,000 registered enterprises) in the country that were "under-performing" and yet was considered to have a potential to contribute to rural poverty reduction. With the development goal of increased economic development and improved job generation resulting in reduced rural poverty for, the programme objective was "increasing numbers of new and existing rural micro-enterprises expanding and operating profitably and sustainably". The expected outcomes of the programme were provided as follows: (i) Small Business Corporation (SBC) and microfinance institutions (MFIs) are better able to provide financial services to micro-enterprises; (ii) micro-enterprises receive effective and responsive business development services; and (iii) micro-enterprises benefit from the Programme-promoted improved policy environment.
6. **Target group and targeting approach.** In the programme financing agreement, the target group was defined as "new and expanding microenterprises with assets worth less than PHP 3 million<sup>2</sup> with one to nine employees or as agreed between

<sup>1</sup> The selection criteria for PPE include: (i) information gaps in PCRs; (ii) projects of strategic relevance that offer enhanced opportunities for learning; (iii) a need to build evidence for forthcoming corporate level evaluations, country strategy and programme evaluations or evaluation synthesis reports; and (iv) a regional balance of IOE's evaluation programme.

<sup>2</sup> Based on the exchange rate at the time of appraisal, approximately US\$52,300. According to the appraisal report, the definitions of micro, small and medium enterprises, as provided in the government policy, were as follows:

(i) microenterprises with total assets of PHP 3 million or less and the indicative number of employees between 1 and 9; (ii) small enterprises with total assets of PHP 3-15 million with the indicative number of employees between 10 and 99;

the Borrower [Government] and the Fund from time to time". Three maturity levels for enterprise development were recognized at design stage: (i) enterprise-formation level, ranging from emerging enterprises with minimal assets to those whose assets will often be in the form of inventory or small equipment (possibly up to PHP 50,000); (ii) enterprise-expansion level covers those that have developed into relatively stable businesses and want to expand, with assets between PHP 50,000 and 300,000; (iii) enterprise-transformation level includes more mature microenterprises with assets of up to PHP 3 million, up to nine employees and the potential to develop into small enterprises. The programme design envisaged a main focus of RuMEPP to be on the first two levels. It was expected that approximately 200,000 poor rural households would benefit from the programme.

7. **Programme components.** The programme comprised three components as follows:
- (i) **Microfinance credit and support (MSC).** The component aimed at increasing the volume of finance available for microenterprises with three sub-components: (a) microenterprise credit facility for wholesale lending to MFIs (for onlending to microenterprises in rural areas) through the Small Business Corporation;<sup>3</sup> (b) institutional strengthening of MFIs through access to loans and grants for capacity building; and (c) strengthening SBC's microfinance capacity for the establishment of a unit within SBC to deal with wholesale lending for microfinance. About 80 per cent of the total programme cost was for this component and 81 per cent of the IFAD loan (SDR 10 million out of a total of SDR 12.5 million) was allocated for the credit lines. Under the first sub-component, it was envisaged that about 40,000 loans would have been disbursed (not taking into account reflows from loan repayment) and
  - (ii) **Microenterprise promotion and development (MEPD).** The component was aimed at "providing efficient, cost effective and demand-responsive business development services to rural micro-enterprises". Under this component, the programme was to facilitate the provision of business development services (BDS) to "existing and prospective microenterprises in rural areas with potential for growth and employment generation", by various service providers (e.g. NGOs, private sector, Department of Trade and Industry (DTI), etc.). This component was to be implemented with a focus on 19 target provinces, but the programme design still left the room for the activities to be undertaken in other provinces in conjunction with the programme's support for credit provision (under component 1, which had a national coverage). It was estimated that 17,000 microenterprises would be supported through BDS (including those also receiving loans under the MSC component. This target was revised to 15,000 at MTR.
  - (iii) **Programme and policy coordination (PPC).** The component was to support programme coordination, monitoring and evaluation (M&E), and policy issues /policy dialogue. A PMU was to be established under the DTI and located at the Cottage Industry Technology Centre of DTI.
8. **Project financing.** The programme cost estimates vary somewhat between different documents as shown below.

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and (iii) medium enterprises with total assets of PHP 15-100 million with the indicative number of employees between 100-199. There were some 744,000 microenterprises registered.

<sup>3</sup> SBC used to be called Small Business Guarantee and Finance Corporation (SBGFC).

Table 1  
**Planned and actual programme financing by component and financier (US\$ '000)**

<i>Component</i>	<i>IFAD loan</i>	<i>IFAD grant</i>	<i>Government (DTI)</i>	<i>Government (SBC)</i>	<i>MFIs</i>	<i>TOTAL</i>
<b>Appraisal Report (dated Jan 2005)</b>						
MSC	14 811			1 645	1 759	<b>18 215</b>
MEPD	2 562	975	368	208	44	<b>4 157</b>
PPC	1 521		275			<b>1 797</b>
<b>TOTAL</b>	<b>18 895</b>	<b>975</b>	<b>643</b>	<b>1 853</b>	<b>1 803</b>	<b>24 169</b>
<b>President's Report (Apr 2005)</b>						
MSC	17 248	411		2 126	2 098	<b>21 882</b>
MEPD	2 916	784	411			<b>4 110</b>
PPC	1 038	198	244			<b>1 479</b>
<b>TOTAL</b>	<b>21 201<sup>a</sup></b>	<b>1 392<sup>b</sup></b>	<b>655</b>	<b>2 126</b>	<b>2 098</b>	<b>27 471</b>
<sup>a</sup> The President's Report submitted to the Executive Board indicated a loan of SDR 14.05 million which was equivalent to US\$21.2 million. However, the financing agreement was signed for a loan of SDR 12.35 million, less than what was approved by the Executive Board. <sup>b</sup> The President's Report indicated that out of US\$1,392 million, US\$500,000 would be funded by the IFAD grant programme for 2005 and the remainder would be allocated from subsequent country allocations. Actual IFAD grant financing was only for US\$500,000 (or SDR 340,000) that was included in the original financing agreement.						
<b>Actual</b>						
MSC	14 428			2 299	2 394	<b>19 011</b>
MEPD	3 238	522	764			<b>4 524</b>
PPC	1 185		411			<b>1 596</b>
<b>TOTAL</b>	<b>18 851</b>	<b>522</b>	<b>1 175</b>	<b>2 299</b>	<b>2 394</b>	<b>25 241</b>
Disbursement rate (IFAD financing)	98.5%	100%				

9. **Timeframe.** The IFAD loan for RuMEPP was approved by the Executive Board on 19 April 2005. The Board approval was for a loan in the amount of SDR 14.05 million (equivalent to US\$21.2 million) and a grant in the amount of SDR 340,000 (equivalent to US\$500,000), but the programme financing agreement signed on 11 November 2005 was for a loan of SDR 12.35 million and a grant of SDR 340,000. The loan and the grant became effective on 31 October 2006. The programme was completed on 31 December 2013 and the loan and the grant closed on 30 June 2014 as per schedule.
10. At the time of the loan/grant closing, the disbursement rate was 98.5 per cent (about SDR 12.17 million) for the loan account and 100 per cent for the grant account.
11. **Implementation arrangements.** The Department of Trade and Industry (DTI) was designated as a lead programme agency. The PMU responsible for day-to-day programme implementation responsibilities was to be composed of programme manager, micro-enterprise specialist, M&E specialist, finance/accounts officer. The PMU professional staff were to be appointed based on an open competitive recruitment process. The PMU was to be established within the Cottage Industry Technology Centre of DTI. The MEPD component was to be implemented through DTI's provincial offices under the PMU supervision, although PMU/CITC had responsibilities for contract management.

12. SBC was responsible for managing the MCS component, on the basis of a memorandum of understanding with DTI/CITC detailing roles and responsibilities of DTI and SBC. The government was to enter into a subsidiary loan agreement with SBC (signed on 14 September 2007), in accordance with which part of the IFAD loan proceeds were to be transferred to SBC as a wholesale loan for on-lending. SBC was expected to provide 10 per cent of whole lending as matching contribution. The establishment of a revolving fund by SBC was planned so that revenues from the whole sale lending operations could be deposited and reused for further lending operations.
13. A Programme Steering Committee was to be established to provide guidance to the programme implementation, including DTI secretary, Secretary General of the National Anti-Poverty Commission, SBC Chairperson, and the President of the League of Municipalities of the Philippines.
14. **Supervision arrangements.** Initially, the United Nations Office for Project Services was appointed as a cooperating institution responsible for administering the financing and supervising the programme (as per an agreement letter dated 20 December 2005). However, with an overall corporate shift to direct supervision, IFAD took over the responsibilities from the first supervision mission that was fielded in November 2007.
15. **Adjustments during implementation.** According to the PCR, there were some adjustments made during the implementation, including the following. First, the PMU was moved to be under the supervision of DTI's Regional Operations Group, which was in charge of DTI regional and provincial offices, to facilitate coordination between the PMU and the DTI field offices. Staffing levels were also adjusted (increased) at regional and provincial levels to ensure adequate implementation capacity. Second, implementation procedures and decision-making process was decentralized (in particular, financial management, procurement), following the MTR which identified the centralized procedures as a major bottleneck. Third, according to the initial design, only the accredited MFIs were going to be eligible for grant assistance for capacity-building. Initially this had prevented SBC to support those non-accredited but potential MFIs, especially given that there were provinces without an accredited MFI for a period. This approach was changed at the MTR and the programme supported capacity building of MFIs for them to be accredited by SBC. Fourth, in addition to facilitating access to credit for those microenterprises who have received BDS, the programme facilitated access to BDS by microenterprises who were already borrowing.
16. **Amendments to the financing agreement.** The financing agreement was amended three times: (i) reflecting the change to direct supervision and new procurement guidelines (8 June 2009); (ii) loan reallocation between categories (1 June 2011); and (iii) changes in the minimum withdrawal amounts from the IFAD loan/grant accounts (10 April 2013). The loan reallocation between the categories was effected to shift resources to the MEPD component (e.g. BDS services) and staff costs and allowances.

### C. PPE scope and methodology

17. The PPE exercise will be undertaken in accordance with the IFAD's Evaluation Policy<sup>4</sup> and the IFAD Evaluation Manual (second edition, 2015).<sup>5</sup>
18. **Scope.** In view of the time and resources available, the PPE is generally not expected to undertake quantitative surveys or to examine the full spectrum of project activities, achievements and drawbacks. Rather, it will focus on selected key issues. The PPE will take account of the preliminary findings from the review and validation of PCR based on a desk review and interviews at IFAD headquarters.

<sup>4</sup> <http://www.ifad.org/pub/policy/oe.pdf>.

<sup>5</sup> [http://www.ifad.org/evaluation/process\\_methodology/doc/manual.pdf](http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf).

During the PPE mission, additional evidence and data will be collected to verify available information and each an independent assessment of performance and results.

19. **Evaluation criteria.** In line with the evaluation criteria outlined in IOE's Evaluation Manual (2015), the key evaluation criteria applied in this PPE will include the following:

- (i) **Rural poverty impact**, which is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a results of development interventions. Four impact domains are employed to generate a composite indication of rural poverty impact: (i) household income and assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; and (iv) institutions and policies. A composite rating will be provided for the criterion of "rural poverty impact" and not for each of the impact domains.
- (ii) **Relevance**, which is assessed both in terms of alignment of project objectives with country and IFAD policies for agriculture and rural development and the needs of the rural poor, as well as project design features geared to the achievement of project objectives.
- (iii) **Effectiveness**, which measures the extent to which the project's immediate objectives were achieved, or are expected to be achieved, taking into account their relative importance.
- (iv) **Efficiency**, which indicates how economically resources/inputs (e.g. funds, expertise, time, etc.) are converted into results.
- (v) **Sustainability of benefits**, indicating the likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
- (vi) **Gender equality and women's empowerment**, indicating the extent to which IFAD's interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making work loan balance and impact on women's incomes, nutrition and livelihoods.
- (vii) **Innovation and scaling up**, assessing the extent to which IFAD development interventions: (a) have introduced innovative approaches to rural poverty reduction; and (b) have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and other agencies.
- (viii) **Environment and natural resource management**, assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resource and the environment.
- (ix) **Adaptation to climate change**, assessing the contribution of the project to increase climate resilience and increase beneficiaries' capacity to manage short- and long-term climate risks.
- (x) **Overall project achievement** provides an overarching assessment of the intervention, drawing upon the analysis and ratings for all above-mentioned criteria.
- (xi) **Performance of partners**, including the performance of IFAD and the Government, will be assessed on an individual basis, with a view to the partners' expected role and responsibility in the project life cycle.

20. **Rating system.** In line with the practice adopted in many other international financial institutions and UN organizations, IOE uses a six-point rating system,

where 6 is the highest score (highly satisfactory) and 1 being the lowest score (highly unsatisfactory).

21. **Data collection.** The PPE will be built on the initial findings from a review of the PCR and other documents. For obtain further information, interviews will be conducted both at IFAD headquarters and in the country. During the in-country work, additional primary and secondary data will be collected in order to reach an independent assessment of performance and results. Data collection methods will mostly include qualitative participatory techniques. The methods deployed will consist of individual and group interviews with project stakeholders, beneficiaries and other key informants and resource persons, and direct observations. The PPE will also make use – where applicable – of additional data available through the programme’s monitoring and evaluation (M&E) system. Triangulation will be applied to verify findings emerging from different information sources.
22. **Stakeholders’ participation.** In compliance with the IOE Evaluation Policy, the main project stakeholders will be involved throughout the PPE. This will ensure that the key concerns of the stakeholders are taken into account, that the evaluators fully understand the context in which the programme was implemented, and that opportunities and constraints faced by the implementing institutions are identified. Regular interaction and communication will be established with the Asia and the Pacific Division (APR) of IFAD and with the Government. Formal and informal opportunities will be explored during the process for the purpose of discussing findings, lessons and recommendations.

#### **D. Evaluation process**

23. Following a desk review of PCR and other project key project documents, the PPE will involve following steps:
  - **Country work.** The PPE mission is scheduled for 19 January – 2 February 2015. It will interact with representatives from the government and other institutions, beneficiaries and key informants, in Manila and in the field. At the end of the mission, a wrap-up meeting will be held in Manila to summarize the preliminary findings and discuss key strategic and operational issues. The IFAD country programme manager or country programme officer for the Philippines is expected to participate in the wrap-up meeting.
  - **Report drafting and peer review.** After the field visit, a draft PPE report will be prepared and submitted to IOE internal peer review for quality assurance.
  - **Comments by APR and the Government.** The draft PPE report will be shared simultaneously with APR and the Government for review and comment. IOE will finalize the report following receipt of comments by APR and the Government and prepare the audit trail.
  - **Management response by APR.** A written management response on the final PPE report will be prepared by the Programme Management Department. This will be included in the PPE report, when published.
  - **Communication and dissemination.** The final report will be disseminated among key stakeholders and the evaluation report published by IOE, both online and in print.

#### **E. Specific issues for this PPE**

24. **Evaluation criteria in this PPE.** Among the standard evaluation criteria mentioned in paragraph 19, based on the preliminary review of the project documents and PCR, the criterion for "adaptation to climate change" may not be rated unless the PPE mission reveals any relevant programme contribution worthwhile noting – positive or negative – in this regard. At the time the programme was designed, there was no specific attention on this agenda.

25. **Key issues for PPE investigation.** A PPE is a project evaluation with a limited scope and resources. As such, PPEs are not expected to investigate all activities financed under the project or to undertake in-depth impact assessment. Key selected issues to be reviewed closely identified based on the initial desk review are presented in the below. These may be fine-tuned based on further considerations or information availability, consultation with APR and the Government.
- (i) **Programme contribution to improving access to credit by microenterprises and their business growth.** The rationale behind the programme, according to the appraisal report, was that while microenterprise development was seen to have a potential to contribute to rural poverty reduction, this was constrained by lack of management skills in microenterprises, limited business development services and limited access to finance. The PPE will seek to assess the extent of programme contribution in terms of facilitating access to credit by microenterprises that otherwise might not have had access to finance for investment and working capital. This would require an assessment on the extent to which the provision of credit lines to MFIs through SBC combined with business development services facilitated by the programme were relevant and effective in addressing the bottleneck in microenterprise development.
  - (ii) **Targeting, outreach and coverage.** There were three issues that had bearings on outreach of the programme services: (a) the presence of accredited MFIs or lack thereof in selected provinces (geographical coverage – especially for the MSC component); (b) eligibility/ qualification criteria (for microenterprise) and rules and procedures of each participating MFI (MSC component); and (c) modalities of selecting participating microenterprises in the RuMEPP activities (e.g. for MPED component – whether participants were identified by DTI provincial offices or self-selected by those who would apply for programme assistance). According to the PCR, there were some geographical areas (out of 19 selected provinces) that lacked the presence of accredited MFIs and the programme expanded its institutional support to those potential MFIs that had not been accredited. Taking into account various issues, the PPE will assess the extent to which the programme strategy/approach (including resource allocation) was effective in enhancing the outreach of programme services and provided benefits to the target group in light of the programme scope and objectives.
  - (iii) **Sustainability of programme benefits.** Among different aspects of sustainability, the PPE will pay attention to institutional impact on financial service providers (i.e. SBC and participating MFIs) and influence on their strategy and business plans, positioning of microfinance services in their portfolios, portfolio size, product mix, and clientele characteristics. In other words, if the programme did indeed contribute to improving access to finance by microenterprises, would this likely to be sustained and extended to other microenterprises as part of their regular businesses without additional injection of credit funds? For example, the PCR noted "profound impact" on SBC "in terms of expansion of its coverage, accreditation of new MFIs, growth of its financial portfolio and number of beneficiaries".
  - (iv) **Programme impact.** An impact assessment study has been carried out as part of the IFAD corporate initiative. Unfortunately, the exercise was not completed before the PCR preparation. It is understood that the report is being finalized and is expected to be available by the time of the PPE. The PPE team will review the methodology and data quality and will seek to triangulate the results during field visits.
  - (v) **RuMEPP positioning in microfinance/microenterprise development and country strategy.** In light of the CSPE to be conducted after the PPE, the PPE will seek to assess the contribution of RuMEPP to the sector development and the



2009 country strategy (which included "agribusiness and value chain development, coupled with micro and small enterprise promotion" as one of the three strategic objectives). This will take into consideration the state of rural/microfinance and microenterprise sector, their relevance to the IFAD target group, support by other development partners and IFAD's comparative advantage.

## **F. Evaluation team**

26. Ms Fumiko Nakai, IOE Evaluation Officer has been designated as lead evaluator for this PPE and will be responsible for delivering the final report. She will be assisted by Dr Michael Marx (IOE senior consultant) and Ms Luningning Bondoc (IOE national consultant). Ms Laure Vidaud, IOE Evaluation Assistant, will provide research and administrative support.

## **G. Background documents**

27. The key background documents for the exercise will include the following:

### **IFAD documents - project specific**

- RuMEPP – Appraisal Report (2005)
- RuMEPP – IFAD President's Report (2005)
- RuMEPP – Mid-term review report (2011)
- Programme Financing Agreement (2005) and Amendments
- Supervision Mission Aide Memoire and Reports
- RuMEPP – Project completion report (2015)
- Ex-post impact evaluation of RuMEPP – to be finalized

### **General and others**

- IFAD (2015). Evaluation Manual – Second Edition
- IOE (2012). Guidelines for the Project Completion Report Validation (PCR) and Project Performance Assessment.
- IFAD (2011). IFAD Evaluation Policy.
- Various IFAD Policies and Strategies, in particular, Strategic Framework (2007-10), Rural Finance, Rural Enterprise, Targeting, Gender Equity and Women Empowerment
- Rural Micro-Enterprise Finance Project – Interim evaluation report, June 2003

## List of key persons met

### **Manila (19 January 2016)**

#### **Department of Trade and Industry (DTI), Bureau of Small and Medium Enterprise Development**

Jerry Clavesillas, Officer in Charge, Director, Bureau of Small and Medium Enterprise Development (former RuMEPP Programme Manager)

Maricar Roco, Trade-Industry Development Analyst, Bureau of Small and Medium Enterprise Development

Chndyli Tara Rogel, Trade-Industry Development Analyst, Bureau of Small and Medium Enterprise Development

#### **Small Business Corporation**

Josephine Flores, Head, Small Business Corporation (SBC)

### **Caraga Region (20-22 January 2016)**

#### **Surigao City, Surigao del Norte Province (20 January 2016)**

Dennis Solis, Trade-Industry Development Specialist, Department of Trade and Industry (DTI), Caraga Region

Rennel Dalagan, Trade-Industry Development Specialist, DTI, Surigao City

Melody Viste, Small Business Corporation, Butuan City

Rubilya Cellna, Owner, Rubie's Food Products, Silop, Surigao City

Catalino Rivas, Chairman, CAFIFACECE, Cabugao, Surigao City

Nilo Merlin, Administrative Officer, Cantillan Bank, Surigao City

Gary Leva, CPO, Rural Bank Placer, Surigao City

Perla Gregada, Human Resource Analyst, Surigao Economic Development Foundation, Inc., Surigao City

Cely Digao, Staff, Surigao Economic Development Foundation, Inc., Surigao City

Cresol Mantong, Surigao Chamber of Commerce and Industry, Surigao City

Bernadette Manuel, Seon Kris Food Products, Surigao Del Norte

Flordeliza Dela Cruz, Chairwoman, Mabua Coop, Surigao City

J. Samarca, AS, Rural Bank Placer, Surigao City

Fely Beltran, Owner, FMBEE, Mainit, Surigao Del Norte

Lilibeth Arce, Chairwoman, Trinidad Farmers Agra Multi-Purpose Cooperative, Surigao City

Marilyn Acedo, Owner, Lovely Pasalubong, Surigao City

Catalino Rivas, Chairman, Cabugao First Farmers Consumers Cooperative, Surigao City

Jun Piong, Consultant, Surigao Chamber of Commerce and Industry, Surigao City

Sammy Cambaya, President, Ocean Bounties, Surigao City

Joemar Ramirez, Socorro Empowered People's Cooperative, Surigao City

**San Francisco, Agusan del Sur (21 January 2016)**

Alicia Badajos, Owner, Shalom Trading, San Francisco, Agusan del Sur  
Alma Pejano, Agusan del Sur  
Sarah Mendez, Agusan del Sur  
Leovino Cabrera, D'Patch, San Francisco, Agusan del Sur  
Ruperto Bacudan, Chairman, Tugpan Tribal Farmers Producer Cooperative, Veruella, Agusan del Sur  
Freddie Maero, President, Agusan Del Sur Chamber of Commerce and Industry, San Francisco, Agusan del Sur  
Paulita Ong, Trade-Industry Development Specialist, DTI Regional Office, Agusan del Sur  
Jimmy Barbarona, Loans Officer, Cantillan Bank, San Francisco, Agusan del Sur  
Blandina Rufilla, President, Alegria Coco BISCHOCHO, Alegria, Agusan del Sur  
Mark Steven Rufila, Member, Alegria Coco BISCHOCHO, Alegria, Agusan del Sur  
Esther Florida, Member, Alegria Coco BISCHOCHO, Alegria, Agusan del Sur  
Glydel Cabodbod, Marketing Officer, Agusan del Sur  
Divina Hernan, President, Cutflowers Assn, Pinaglaan, Agusan del Sur  
Reonel Aninca, Trade-Industry Development Specialist, DTI, Agusan del Sur  
Sarah Mosqueti, SAMS, People's Bank of Caraga, Agusan del Sur  
Deona Leyson, Admin/Finance Officer, Agusan del Sur  
Berny Amoy, Assistant Project Director, Microfinance, People's Bank of Caraga  
Luzviminda Lapinig, Chief Risk Officer, Vice Chairperson of the Board, People's Bank of Caraga, Agusan del Sur  
Arnold Arbutante, Micro-Agri Program Officer, People's Bank of Caraga, Agusan del Sur

**Butuan City, Agusan Del Norte (22 January 2016)**

Indalecia Calo, President, Rural Improvement Club, Mahay, Butuan City  
Paulino Getongo, Owner, Den's Aqua Farm, Libertad, Butuan City  
Maria Clara Sacro, Owner, Kathreese Arts and Crafts, Butuan City  
Maria Elena Mercado, Managing Consultant, Quitesoona Training, Butuan City  
Luxmi Auxilo, General Manager, Baug CARP Beneficiaries MPC, Magallanes, Agusan Del Norte  
Arnold Suaybaguio, Operations Manager, Baug CARP Beneficiaries MPC, Magallanes, Agusan del Norte  
Valentina Rose Orbita, Trade-Industry Development Specialist, DTI, Agusan del Norte  
Cenaco Tutor, Farmer, Maayong Magbalantay Farm, RTR, Agusan del Norte  
Maylene Cuta, Owner, Cuta's Handicraft, Agusan del Norte  
Vivian Alejo, Owner, Gin's Handicraft, Agusan del Norte  
Luther Ajoc, Head, PBC Inc. Arts & Crafts, Cabadbaran, Agusan del Norte  
Gay Tidalgo, Provincial Director, DTI, Agusan del Norte  
Ramabe Mantille, Trade-Industry Development Specialist, DTI, Butuan City  
Gemma Clarin, Senior Trade-Industry Development Specialist, DTI, Butuan City

Myrna Luz Gavero, Senior Trade-Industry Development Specialist, DTI, Butuan City

Luisa Ogor, Senior Trade-Industry Development Specialist, DTI, Butuan City

Joselyn Ordonia, Senior Trade-Industry Development Specialist, DTI, Butuan City

Alvin Arante, DTI, Butuan City

Terry Tidalao, Bottoms Up Budget Staff, DTI, Butuan City

Guilbert Dorico, Bottoms Up Budget Staff, DTI, Agusan del Norte

Liezl Simocan, DTI, Butuan City

Laurence Enoc, DTI, Agusan del Norte

Abegael Caza, DTI, Agusan del Norte

### **Cordillera Administrative Region (24-26 January 2016)**

#### **Kalinga Region (24-25 January 2016)**

Grace Baruyaw, Provincial Director, DTI Kalinga

Aurelia A. Sanet, Trade and Industry Specialist (ex-RuMEPP Programme Officer)

Juanita Perez, microentrepreneur (Nitz Nutri-Snack Veggie Noodle)

Imelda Manzano, worker at Thess Veggie Noodles (enterprise by Theresa Angadol)

Helen D. Rueco, Manager, BIBAK Multi-Purpose Cooperative

John E. Fermin, Account Officer, BIBAK Multi-Purpose Cooperative

Reyma V. Leonen, BIBAK Multi-Purpose Cooperative, ex-chairperson, Board of Director

Norfredo M. Dulay, BDS provider

Zita B. Degay, owner/proprietor, Magallaya Mt Specialty Coffee

Sally Pepito, owner/proprietor, Sally's Bakery

#### **Ifugao province (26 January 2016)**

Valentin A. Baguidudol, Provincial Director, DTI Ifugao province

Lovelyn Grace Cayapa, DTI representative

Marcelina Lunag, Officer-in-Charge, Manager, Piwong Multi-Purpose Cooperative

Irene Binohlan, Loans Operations Manager, Lagawe Bank

Roland Bongtiwon, Bongtiwon's Farm Hand Tools Manufacturing (blacksmith)

John N. Bolla, Manager, Ifugao Federation of Development Cooperatives (BDS provider)

### **Region 12 (28-29 January 2016)**

#### **City of Koronadal, South Cotabato – January 28, 2016**

Eddie De Asis, DTI, Sarangani

Omarshariff Salik, DTI, Sarangani

Warren Jay Nantes, DTI, South Cotabato

Jerry Cabonegro, Malapatan MFI, Malapatan, Sarangani

Jonathan Salvacion, Kiamba MFI, Kiamba, Sarangani

Josephine Caliat, President, Women in National Development of Sarangani-Lomuyon (WINDS-Lomuyon), Kiamba, Sarangani

Dennies Dumalagan, Kiamba, Sarangani

Violeta Jocson, Violy's Pottery, Tantangan, South Cotabato  
Meriam Pregua, Pregua Pottery, Tantangan, South Cotabato  
Jether Brigale, DTI, Sarangani  
Virginia Bausan, Danlag Women's Association, Tampakan, South Cotabato  
Amelita Lagunday, South Cotabato,  
Riza Nacar, Philippine Statistical Association, Gen. Santos City  
Rona Halli Ortiz, Polomolok, South Cotabato  
Olimpio Pactes, Manager, Shared Service Facility Project, Malapatan, Sarangani  
Sally Booc, President, Kawas Seaweeds Processors Association, Alabel, Sarangani  
Jose Regilda Del Carmen, DTI, South Cotabato  
Ruel Ladio, Quezon City  
Sharven Doronio, Koronadal City  
Elbert Capeccio, DTI, South Cotabato  
Flora Gabunales, DTI, South Cotabato  
Marissa Dela Cruz, Mindanao State Univ MPC, Gen Santos City  
Eleuterio Caminos, DTI, South Cotabato  
Jingerito Plenos, Koronadal City  
Leonardo Flores, DTI, Region XII

**Tampakan, South Cotabato (29 January 2016)**

Rea Jagonia, BKR, Food Products Tampakan, South Cotabato

**Kiamba, Sarangani (29 January 2016)**

Jocelyn Sepalon, Women in National Development of Sarangani-Lomuyon (WINDS-Lomuyon), Lomuyon, Kiamba  
Marissa Ibasan, WINDS-Lomuyon, Lomuyon, Kiamba  
Ludivina Saclanas, WINDS, Lomuyon, Kiamba  
Loreta Apitas, WINDS, Lomuyon, Kiamba  
Josephine Callat, WINDS Lomuyon, Kiamba

**Participants at wrap-up meeting (3 February 2016)**

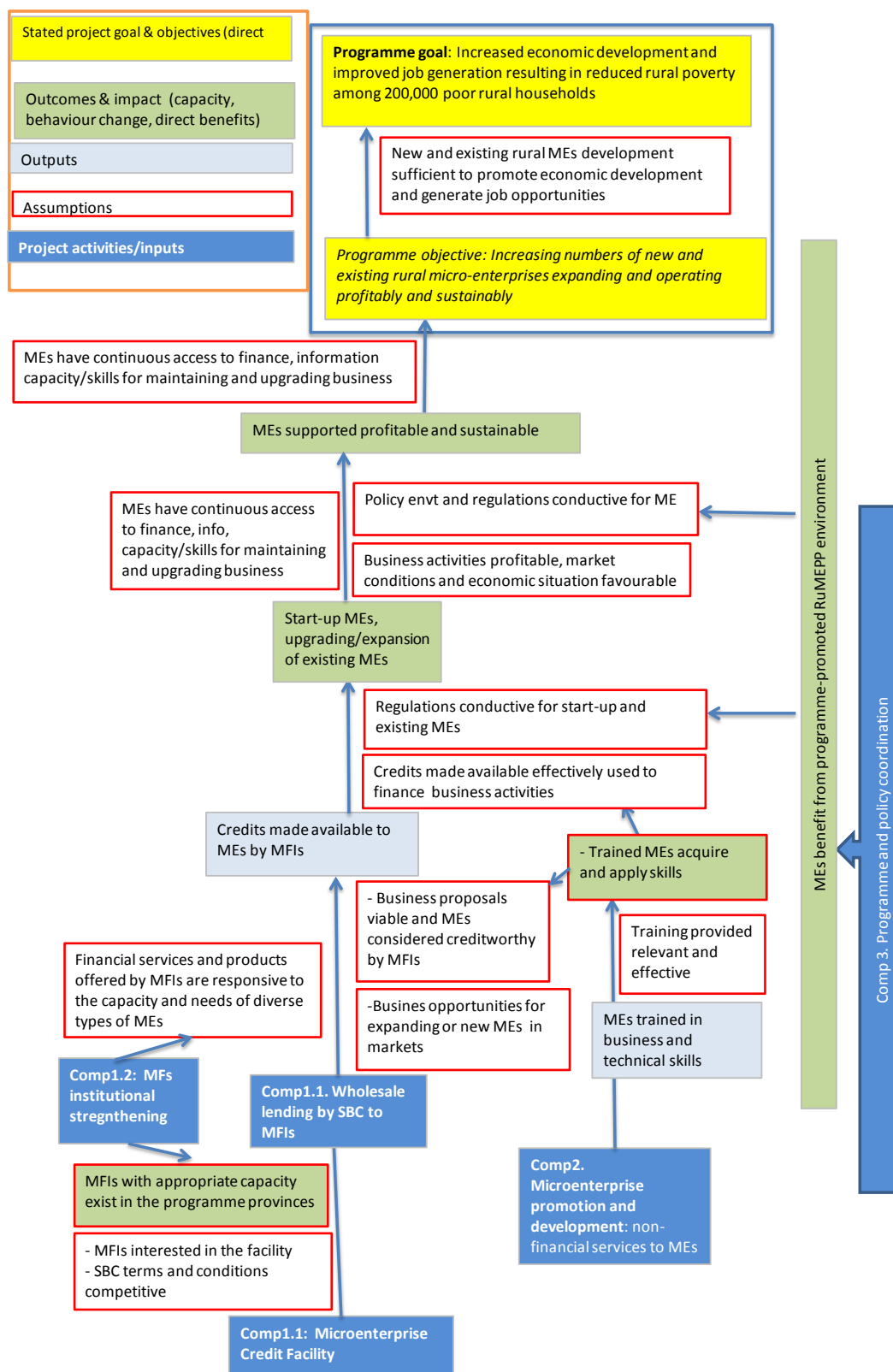
Zenaida Cuison Maglaya, Undersecretary, Regional Operations Group  
Jerry T. Clavesillas, Director III, Bureau of Small and Medium Enterprise Development  
Elvira P. Tan, Division Chief, Bureau of Small and Medium Enterprise Development  
Aralyn C. Buenafrancisca, Director, Resource Generation Management Services  
Maricar Roco, Bureau of Small and Medium Enterprise Development  
Chndyli Tara Roger, Bureau of Small and Medium Enterprise Development  
Josephine Flores, Group Head, Fund Sourcing and Management Group  
Yolando Arban, IFAD Country Programme Officer

## RuMEPP objectives and expected outcomes

<i>Development goal</i>	<i>Target indicators</i>
Decreased rural poverty in targeted areas through increased economic development and improved job creation	<p>By the end of the programme, in areas where programme-supported micro enterprises are operating, there will be:</p> <ul style="list-style-type: none"> <li>• 100% of the 200 000 households experiencing increase in their household assets</li> <li>• 20% decrease in incidence of child (boys and girls) malnutrition in target areas</li> <li>• 5% increase in literacy rate of men and women in target areas</li> </ul>
<b>Programme objective</b>	
Increased numbers of new and existing rural micro enterprises operating profitably and sustainably	<ul style="list-style-type: none"> <li>• 50 000 new jobs generated</li> <li>• 10 000 of the assisted micro enterprises show increased profitability</li> <li>• 10 000 of the assisted micro enterprises generated additional employment</li> <li>• 10 000 micro-enterprises assisted will still be operational after three years</li> </ul>
<b>Outcomes</b>	
1. Increased access of micro enterprises to better financial services of SBC & MFIs	<ul style="list-style-type: none"> <li>• 75 MFI conduits have lent to 35 000 new micro enterprise borrowers</li> <li>• 40 MFIs have improved their operational efficiency (MAPS ratings increase over time)</li> <li>• 10 MFIs have improved productivity level after seven years</li> <li>• 10 MFIs have improved lending performance after seven years</li> </ul>
2. Participating micro enterprises are better managed and are providing goods and services that the market readily absorbs	<ul style="list-style-type: none"> <li>• 80% of micro entrepreneurs trained adopt the business development service training given them</li> <li>• 15 000 micro enterprises advance from their baseline level to the next higher level</li> <li>• 10% annual increase in number of new micro enterprises developed/registered in target areas</li> <li>• 5% annual increase in sales of micro enterprises</li> </ul>
3. Programme is well managed	<ul style="list-style-type: none"> <li>• At least 80% of the annual physical and financial targets are met</li> <li>• Incentive-focused policy for micro enterprises in every target province is adopted</li> </ul>

Source: PCR (appendix 4: programme logical framework – as revised by MTR 2010).

## RuMEPP reconstructed theory of change\*



\* The theory of change was not fully elaborated in the design but this was reconstructed based on: (i) design document; (ii) supervision mission reports, MTR and PCR; (iii) discussions in the field by the PPE; and (iv) empirical evidence from elsewhere.

## Description of baseline and impact surveys under RuMEPP

Prepared by Title (date)	Survey methodology	Sample size and sampling approach	Areas/themes	Note/comments
Baseline study (April 2010)	<ul style="list-style-type: none"> <li>Anchored on the Logical Framework developed by the Programme and the IFAD Results and Impact Management System (RIMS);</li> <li>Multi-pronged data gathering approach within the Participatory Resource System Appraisal (PRSA) framework to generate primary baseline information supplemented by secondary data available cutting across concerned stakeholders - households, microenterprises, microfinance institutions (MFIs) and business development service (BDS) providers. These included the household surveys using structured questionnaire and focus group discussions, key informants interview and secondary data survey for the microenterprises, MFIs, and BDS providers;</li> <li>Use of simple analytical tools putting emphasis on triangulation/iteration and establishing relationship of various data sets in consonance with the analytical framework;</li> <li>The entire Baseline Study although undertaken by stages was iterative in terms of process.</li> </ul>	<p>1 057 households; 5 273 households' members (2 622 males and 2 651 females).</p> <p>Five priority regions covering 19 provinces.<sup>a</sup></p> <p>The sampling design was finalized after impact municipalities and industry clusters had been fully identified (bamboo, processed food, GHD, coffee, marine and indigenous peoples' crafts).</p> <p>The households were randomly chosen and surveyed by doing the random walk method, though a slight modification was introduced.<sup>b</sup></p>	<p>Main areas covered:</p> <ul style="list-style-type: none"> <li><i>Literacy</i>;</li> <li><i>Housing</i> (main material of the dwelling floor; Average number of sleeping rooms);</li> <li><i>Drinking Water Supply and Sanitation</i> (main source of drinking water; Toilet facility of households);</li> <li><i>Food security</i> (experienced 1st and 2nd hungry seasons; duration of each hungry season; average duration of hungry seasons);</li> <li><i>Household assets</i> (electricity and ownership of common appliances; ownership of vehicle/transportation; ownership of poultry/livestock; average number of poultry/livestock; type of fuel used for cooking; Involvement in farming and tools for cultivating).</li> </ul> <p><i>Anthropometric measurements</i> of children to assess the level of nutrition of children in the family.</p>	<p>IFAD Results and Impact Management System (RIMS) survey methodology used. Child nutrition included accordingly, but there was no follow-up on this parameter.</p>
Analysis of RUMEPP Mid-Term Outcome Survey Results (Nov. 2011)  Larry N. Digal, Consultant	<ul style="list-style-type: none"> <li>Survey conducted using a questionnaire;</li> <li>Methods used in the paper to analyse effects on performance indicators before and after RUMEPP implementation at midterm include: (i) Comparison of frequency counts and means/averages; (ii) Test on significance of means (differences in means/averages e.g. t-test); (iii) Relating factors affecting performance through cross tabulations, correlation and regression analysis.</li> </ul>	<p>Survey conducted among 550 recipients from the six regions and 19 provinces.</p> <p>In identifying survey respondents for MCS, microenterprises that have availed of microfinance loans from SBC accredited MFI for at least two cycles of borrowing were given the highest priority. For MEPD, the highest priority was given to microenterprises who have participated in at least two BDS activities/trainings. Convergence respondents who have borrowed for two cycles and participated in at least two BDS activities/trainings were given the highest priority.</p>	<p>Main items covered in the questionnaire:</p> <ul style="list-style-type: none"> <li><i>General Information</i> (Sector; Nature of business; Level of development; Date when the business was established; Business registration details);</li> <li><i>Measures of Business Activity</i> (Average annual sales; average annual costs of sales; average annual operating/overhead costs; business assets size; market for products; number of women employed);</li> <li><i>BDS particulars</i>;</li> <li><i>Extent of BDS adoption</i> (reasons or constraints for the non – adoption, or low level of adoption of the BDS concepts/technologies acquired from trainings);</li> </ul>	<p>Survey conducted around Sep 2010. On the business performance, uses memory recall "before" and "after" RuMEPP. Doubts on accuracy of data.</p>



Prepared by	Survey methodology	Sample size and sampling approach	Areas/themes	Note/comments
			<ul style="list-style-type: none"> <li>• <i>Effects of BDS on firm's business;</i></li> <li>• <i>General evaluation of the conduct of BDS;</i></li> <li>• <i>Training/activities by the providers;</i></li> <li>• <i>Credit particulars;</i></li> <li>• <i>Credit affordability and effect on business;</i></li> <li>• <i>General credit awareness.</i></li> </ul>	
<p>Analysis of End-of-Program Outcome Survey Results (March 2013)</p> <p>Enrique E. Lozari, Consultant</p>	<ul style="list-style-type: none"> <li>• Using a modified pre-test/post-test evaluation design,<sup>c</sup> the survey was undertaken to determine whether RuMEPP made a difference in the lives of its target microenterprises by comparing the state of some of their known attributes before they obtained assistance from the programme against their current status;</li> <li>• The survey design was meant to assess specific outcomes identified in the RuMEPP logical framework matrix;</li> <li>• While there was no control groups to be examined, findings from a supplementary qualitative survey to be administered to RuMEPP's client microenterprises were used to understand the extent to which RuMEPP contributed to changes in the outcome indicators affecting its target groups (see annex 1);</li> <li>• The survey did not cover all outcome statements included in the RuMEPP logical framework matrix. The excluded parts were to be assessed at some later time using statistics obtained from public records or from internal records maintained by the RuMEPP.<sup>d</sup></li> </ul>	<p>A sample of 597 microenterprises were selected from the list of RuMEPP's microenterprise clients (which totalled 45 873 microenterprises).</p> <p>The survey was administered to microenterprises that have received MCS, MEPD and both MCS and MEPD services from RuMEPP since the start of the programme.</p> <p>Sample microenterprises were selected from the list of RuMEPP's microenterprise clients using a two-stage stratified random sampling method.</p> <p>The stratifications were done on the basis of the microenterprises' location (RuMEPP reaches 19 provinces all of the country) and type of services received, i.e. MCS, MEPD or both MCS and MEPD.</p>	<ul style="list-style-type: none"> <li>• The survey instrument included questions meant to elicit the respondents' opinion as to the degree by which changes in their operations can be attributed to the assistance by RuMEPP. These questions, which the author believed could generate more effective measures of attribution, were analysed in lieu of the econometric approach used in previous studies. The outcome study measured changes vis-à-vis the baseline situation in key indicators of the Programme logical framework and of the Results and Impact Management System (see annex 1);</li> <li>• The standard questionnaire covered the following main areas/themes: (i) General Information; (ii) Measure of Business Activity (e.g. average annual sales; volume and sales value; average annual direct cost of sales; average annual indirect costs; asset size; marketing outlets or branches); (iii) BDS Particulars (e.g. evaluation of BDS; reasons or constraints for non-adoption or low level of adoption of the concepts or technologies imparted by the RuMEPP BDS events; effects of adopting them to firm's business? (iv) Credit particulars (e.g. the effect of RuMEPP's credit on business).</li> </ul>	Same as above.
<p>Impact evaluation (2016)</p> <p>IFAD, Strategy and Knowledge Department</p>	<p>Based upon the econometric analysis of primary household survey data from project and control enterprise owners, collected by De La Salle University in 2015.</p> <p>The analysis of data collected by De La Salle University was re-elaborated by adopting a different methodology compared to the previous study. In particular, the following criticalities were found in the methodology by the De La Salle University:</p>	<p>Based on the sampling design, 775 RuMEPP beneficiaries (treatment group) were randomly selected and 742 for non-RuMEPP respondents (control group). The survey was conducted in 4 regions covering 14 provinces.<sup>e</sup></p> <p>The sampling of the survey used the program beneficiary list as the frame for selecting the respondents.</p>	<p>Main items covered by the survey include the following:</p> <ul style="list-style-type: none"> <li>• <i>Identification;</i></li> <li>• <i>Household demographics ;</i></li> <li>• <i>General information</i> (general business information);</li> <li>• <i>BDS</i> (types of BDS);</li> </ul>	<p>A grant agreement signed between IFAD and the De La Salle University in December 2014. The survey was conducted by the university but the end product is a six-page brief</p>

Prepared by	Survey methodology	Sample size and sampling approach	Areas/themes	Note/comments
Title (date)	<ul style="list-style-type: none"> <li>The sampling strategy involved randomly selecting districts from within each region stratum, and randomly selecting municipalities from within each district stratum. From within each municipality, barangays (villages) were selected with probability proportional to their number of registered microenterprises;</li> <li>With regard to the project participants, these were only selected from those registered as participating in both project components;</li> <li>There were a large amount of project beneficiaries that did not engage with both of the project components, meaning that this sample is not fully representative of the project population;</li> <li>Few control households could be found that had owned a microenterprise during the baseline period but did not own one at the time of data collection. This meant that no appropriate counterfactual are available for similar households whose business had ceased during the project's lifetime, leading to 214 of the sampled project households being dropped from analysis and only current business owners being retained for comparison. This leaves a final sample of 1 303.</li> </ul>	A complex stratified multi-stage design was used for sampling. <sup>f</sup>	<ul style="list-style-type: none"> <li><i>Enterprise</i> (rationale for getting into business; credit sources; costs sales, volumes and profits; business assets; enterprise employment;</li> <li><i>Household assets, housing, water supply, sanitation, food security;</i></li> <li><i>Household income and expenses;</i></li> <li><i>Shocks.</i></li> </ul>	<p>prepared by IFAD's Strategy and Knowledge Department.</p> <p>The treatment group was selected <u>only</u> from the beneficiaries of both MCS and MEPD, which was reported to be only about 20% of the total beneficiaries, hence issue on the representativeness.</p>

<sup>a</sup> CAR (Abra, Kalinga, Ifugao); Bicol (Albay, Camarines Sur, Catanduanes, Masbate and Sorsogon); Eastern Visayas (Biliran, Eastern Samar, Leyte, Northern Samar and Samar); Caraga (Agusan del Norte, Agusan del Sur, Surigao del Norte and Surigao del Sur) and SOCCSKSARGEN (Sarangani and South Cotabato).

<sup>b</sup> Instead of taking adjacent households as members of the sample, a few houses were skipped in sampling, by say two or three houses. The choice was arbitrary, but skipping two houses when the sample size needed is only 10 would have already required an enumerator to walk an entire stretch of 30 houses. The modification was introduced to avoid having respondents that all come from the same family.

<sup>c</sup> A typical pretest-posttest survey is done at two periods: (i) before the start of intervention, where respondents are assessed for baseline information, and (ii) after the intervention, where program recipients are assessed for outcomes. In this current survey, the respondents were asked to recall their baseline information at the same time they were asked to provide their current status. The process was guided, supervised and validated by RuMEPP provincial coordinators to mitigate recall bias.

<sup>d</sup> For example, outcome statements such as "10% annual increase in the number of new, registered microenterprises in the Programme areas" are better assessed using actual records available from local governments as not all microenterprises are covered by RuMEPP. An annual increase of total microenterprises could not be measured in this survey, therefore. Nevertheless, this issue was taken into account in the methodology. Using an abbreviated version of the questionnaire-experiment method, the study randomly selected 120 non-registered microenterprises from the sample and added questions in their survey forms to elicit the respondents' possible motivating factors for registering their businesses. The set of 120 microenterprises was divided into four subsets representing one control and three experiment groups. The microenterprises were given a set of possible reasons why they would apply for a business permit and asked to force-rank them based on the reasons' relevance to them.

<sup>e</sup> Due to the devastating effect of super typhoon Yolanda, Region 8 was excluded from the survey.

<sup>f</sup> Detailed information on the development of the sampling method is specified in the document (pages 7-10).

**IOE observations on impact evaluation of RuMEPP**

Did the programme have any impact on the incomes of participating households? If it did, to what extent? In order to answer this question,<sup>a</sup> a national university was given a grant of US\$240,000 by IFAD to undertake this task, a quasi-experimental evaluation was designed and data collected in the field in 2015. The analysis concluded that the only types of income that were improved by the project were wage employment and 'other income sources' that include rent and remittances. Even business profits, sales, assets or employee counts were not improved amongst beneficiaries. The study did not provide any insights as to why benefits had been so few and so little, compared with other impact surveys on microenterprise and microcredit in similar environments.

These findings also run contrary to observations and perceptions of project implementing staff, to an outcome survey conducted by the project in 2012, and to reported evidence from interviews during the PPE. How can such opposing findings have emerged?

The SKD impact evaluation design used a counterfactual model in which data from participants are compared with similar people or households who did not participate in the project. The ideal way to carry out that type of study is by assigning target beneficiaries to participate or not, at random. In that way, there is no difference between the participants and the non-participants. But if this approach would have been adopted, it would have to be done at the outset of the project to be methodologically valid. This, however, would raise an ethical problem, as some potential beneficiaries would have been denied the chance to join the programme and benefit from the services offered.

An alternative approach would be a quasi-experimental design, where participants are matched with non-participants after the project by using statistical techniques. This is very difficult to accomplish in practice. The simple question: "What are the characteristics of a potential or future beneficiary?" is hard to answer ex ante. Measurable features such as gender, age, household size or education level may be identified, but how could intangible traits such as appetite for risk or entrepreneurial enthusiasm be identified?

The study faced challenges in creating a sample and ended only with those beneficiaries who had a business at the end of the project and had participated in both microfinance and training. In fact, it is estimated that approximately 80 per cent of participants in the core project area only participated in either training or microfinance, not both. The sample covered finally thus does not represent the majority of cases supported in reality.

Experimental evaluation design work best when individuals or households can be selected at random, individuals are independent, the effects are at a single level and the system is closed. A number of authoritative studies have highlighted the difficulties of measuring impact from microfinance, arguing that most impact studies suffer from weak methodologies and inadequate data<sup>b</sup> and that counterfactual analysis needs to be combined with other non-experimental evaluation techniques to understand what works where and why.<sup>c</sup>

It is not clear from this impact study what income benefits were gained, let alone what did or did not work in RuMEPP's design.

<sup>a</sup> RuMEPP was selected as one of the thirty projects for which impact evaluations were to be conducted by IFAD, under its corporate-level "IFAD9 Impact Assessment Initiative" managed by the IFAD's Strategy and Knowledge Department (SKD).

<sup>b</sup> Duvendack M, Palmer-Jones R, Copestake JG, Hooper L, Loke Y, Rao N (2011) What is the evidence of the impact of microfinance on the well-being of poor people? London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London. ISBN: 978-1-907345-19-7.

<sup>c</sup> Jonathan Bauchet, Cristobal Marshall, Laura Starita, Jeanette Thomas, and Anna Yalouris (2011) Latest Findings from Randomized Evaluations of Microfinance. Consultative Group to Assist the Poor/World Bank.

## Selected data on RuMEPP implementation

### Key figures on results

	<i>Indicator</i>	<i>Achievement</i>	<i>Source</i>
A	IFAD loan expended on for MSC component	PHP 626.24 million	SBC record
B	Number of PFIs to which the first generation loan funds were extended	46	SBC record
	In 19 core provinces	25	
	Outside 19 core provinces	21	
C	Estimated amount of loan funds extended to microenterprises with the first generation funds including SBC and PFI cofinancing	PHP 870 million	PPE computation in consultation with SBC
D	Number of borrowers based on the first generation funds (PHP 870 million)	57 330	SBC/DTI record
	In 19 core provinces	36 787 (64 per cent)	
	Outside 19 core provinces	20 543 (36 per cent)	
E	Average loan size per borrower	PHP 15 170 (US\$328)	PPE computation in consultation with SBC
F	Loan funds extended to PFIs including reflows of IFAD funds and SBC cofinancing	PHP 1 695.65 million	PPE computation with inputs from SBC
G	Total number of PFIs to which the loan funds were extended including reflows	95 (PCR) 92 (SBC data, 8 received the funds for both within and outside the 19 core provinces)	SBC/DTI record
H	Estimated loan funds made available to microenterprises, including PFI's cofinancing of 20 per cent, but not including reflows at PFI level	PHP 2 119.57 million	PPE computation with inputs from SBC
I	Estimated total number of borrowers (19 provinces and outside, including convergence microenterprises in 19 provinces)	Between 90 000-100 000 *	PPE computation with inputs from SBC

\* Due to lack of data on reflows of loan funds and the extent of repeated borrowing by the same clients, it is only possible to give a range.

**List of MFIs borrowing under RuMEPP (Imprest and Succeeding Funds)**

<i>No.</i>	<i>Microfinance institutions</i>	<i>Loan amount in PHP</i>	<i>Geographical scope</i>	<i>In % of total</i>
1	AAKAY ANG MILAMDEC MICROFINANCE FOUNDATION	6 426 000	National	0.4%
2	AGRIBUSINESS RURAL BANK, INC.	291 372 411	Provincial	19.1%
3	AGRICULTURAL AND RURAL DEVELOPMENT FOR CATANDUANES	3 600 000	Provincial	0.2%
4	ALFONSO LISTA MPC	5 850 000	National	0.4%
5	ALICIA LOCAL GOVERNMENT EMPLOYEES COOPERATIVE	2 700 000	National	0.2%
6	ASIA LINK FINANCE CORPORATION	21 150 000	National	1.4%
7	BAAY FARMERS MULTIPURPOSE COOPERATIVE	225 000	National	0.0%
8	BABA'S FOUNDATION INCORPORATED	427 500	National	0.0%
9	BANGKO NUESTRA SEÑORA DEL PILAR	900 000	National	0.1%
10	BASAK LAYOG AGRICULTURAL MPC	7 290 000	Provincial	0.5%
11	BIATUNGAN MPC	967 500	National	0.1%
12	BIBAK MPC	6 750 000	Provincial	0.4%
13	BINNAYAN IGOROT CREDIT COOPERATIVE	1 336 500	National	0.1%
14	BUKIDNON GOVERNMENT EMPLOYEES MPC	11 250 000	National	0.7%
15	BULANAO MPC	450 000	National	0.0%
16	CAMIGUIN DENR EMPLOYEES MPC	695 250	National	0.0%
17	CAMIGUIN PROVINCIAL GOVERNMENT EMPLOYEES MPC	3 144 375	National	0.2%
18	CANTILAN BANK	14 400 000	National	0.9%
19	CARD RURAL BANK	45 000 000	National	2.9%
20	CARD BANK	117 336 345	Provincial	7.7%
21	COOPERATIVE RURAL BANK OF BULACAN	65 342 912	National	4.3%
22	D' ASIAN HILLS BANK	21 825 000	National	1.4%
23	DUMANJUG MULTI-PURPOSE COOPERATIVE	4 050 000	National	0.3%
24	ENTERPRISE BANK	26.573.589	National	1.7%
25	FATIMA MPC	6 750 000	Provincial	0.4%
26	FCB FOUNDATION	4 500 000	National	0.3%
27	FREE PLANTERS COOPERATIVE/FREE PLANTERS PRODUCERS COOPERATIVE	669 600	National	0.0%

No.	Microfinance institutions	Loan amount in PHP	Geographical scope	In % of total
28	GABAY SA KALAMBOAN MICROFINANCE COOPERATIVE	270 000	National	0.0%
29	GATA DAKU MULTI-PURPOSE COOPERATIVE	9 000 000	National	0.6%
30	GOODWILL CREDIT COOPERATIVE	1 737 000	National	0.1%
31	GOODWILL CREDIT COOPERATIVE	1 260 000	Provincial	0.1%
32	GREEN BANK	112 307 608	Provincial	7.4%
33	GULF BANK (RURAL BANK OF LINGAYEN)	4 770 000	National	0.3%
34	KAMAYO MINDANAO FOUNDATION	450 000	National	0.0%
35	KAPAMILYA SAVINGS AND CREDIT COOPERATIVE	392 808	National	0.0%
36	KASAPI MICROFINANCE AND RURAL DEVELOPMENT	7 110 000	National	0.5%
37	KATIPUNAN BANK	61 699 500	National	4.0%
38	KAUSWAGAN EMPLOYEES MPC	450 000	National	0.0%
39	KILUSANG LIMA PARA SA LAHAT MPC	1 170 000	National	0.1%
40	KPS SMALL ENTERPRISES & ECONOMIC DEVELOPMENT	260 462	Provincial	0.0%
41	LAGAWE HIGHLANDS RURAL BANK	3 600 000	Provincial	0.2%
42	LAMAC MULTI-PURPOSE COOPERATIVE	73 498 360	National	4.8%
43	LANANG MPC	4 500 000	Provincial	0.3%
44	LAOANG MUNICIPAL EMPLOYEES MPC	1 350 000	Provincial	0.1%
45	LEON SMALL COCONUT FARMERS MPC	7 155 000	National	0.5%
46	LIBERCON MULTI-PURPOSE COOPERATIVE	630 000	National	0.0%
47	LIBERCON MPC	360 000	Provincial	0.0%
48	LIVELIHOOD ASSISTANCE FOR COMMUNITY DEVELOPMENT	1 431 000	National	0.1%
49	LORENZO TAN MULTI-PURPOSE COOPERATIVE	27 276 750	National	1.8%
50	MALAPATAN MPC	225 000	National	0.0%
51	MALINGAO COMMUNITY SERVICES MPC	450 000	National	0.0%
52	MARANDING WOMEN INVESTORS MPC	2 426 994	National	0.2%
53	MARIA AURORA DEVELOPMENT COOPERATIVE	16 650 000	National	1.1%
54	METRO BAGUIO IFUGAO DEVELOPMENT COOPERATIVE	270 000	National	0.0%
55	METRO ORMOC COMMUNITY COOPERATIVE	18 900 000	Provincial	1.2%

No.	Microfinance institutions	Loan amount in PHP	Geographical scope	In % of total
56	MOUNT CARMEL RURAL BANK	4 500 000	National	0.3%
57	NUEVA SEGOVIA CONSORTIUM OF COOPERATIVES	15 750 000	National	1.0%
58	OMAGANHAN FARMERS AGRARIAN REFORM COOPERATIVE	720 000	National	0.0%
59	PAG-INUPDANAY	10 800 000	National	0.7%
60	PAGLAUM MPC	6 300 000	National	0.4%
61	PAVIA ENTREPRENEURS MPC	540 000	National	0.0%
62	PEOPLES BANK OF CARAGA	54 900 000	National	3.6%
63	PEOPLES BANK OF CARAGA	2 434 500	Provincial	0.2%
64	PEOPLES ECO-TOURISM AND LIVELIHOOD (PETAL) FOUNDATION	4 338 000	National	0.3%
65	PHILIPPINE RESOURCES SAVINGS BANKING CORPORATION	65 000 000	National	4.3%
66	PINILI DEVELOPMENT COOPERATIVE	3 690 000	National	0.2%
67	PIWONG MPC	1 332 000	National	0.1%
68	PROGRESSIVE BANK	5 400 000	National	0.4%
69	QUIRINO FARMERS CREDIT COOPERATIVE	589 500	National	0.0%
70	RADIOWEALTH FINANCE COMPANY	58 050 000	National	3.8%
71	RANGTAY SA PAGRANG-AY INC. EMPLOYEES MPC	769 500	National	0.1%
72	RANGTAY SA PAGRANG-AY	21 600 000	National	1.4%
73	RURAL BANK OF MONTEVISTA (DAVAO DEL NORTE)	17 449 453	National	1.1%
74	RURAL BANK OF PLACER	5 400 000	Provincial	0.4%
75	RURAL BANK OF PRES. M.A. ROXAS	13 858 200	National	0.9%
76	RURAL BANK OF RIZAL (ZAMBOANGA DEL NORTE)	4 500 000	National	0.3%
77	RURAL BANK OF SIPOCOT (CAMARINES SUR)	2 700 000	Provincial	0.2%
78	SACRED HEART SAVINGS COOPERATIVE	4 050 000	National	0.3%
79	SAMAHANG PANGKABUHAYAN NG RIVERSIDE MPC	1 264 500	National	0.1%
80	SAMAHANG PANGKABUHAYAN NG RIVERSIDE MPC	611 928	Provincial	0.0%
81	SAMAL ISLAND MPC	14 200 875	National	0.9%
82	SAMAR CENTER FOR RURAL EDUCATION AND DEVELOPMENT	1 620 000	National	0.1%

No.	Microfinance institutions	Loan amount in PHP	Geographical scope	In % of total
83	SAMAR CENTER FOR RURAL EDUCATION AND DEVELOPMENT	1 977 369	Provincial	0.1%
84	SAN ANTONIO ISLAND MPC	360 000	National	0.0%
85	SAN ISIDRO DEVELOPMENT COOPERATIVE	225 000	National	0.0%
86	SAN ISIDRO DEVELOPMENT COOPERATIVE	360 000	Provincial	0.0%
87	SEEDFINANCE CORPORATION	28 530 000	National	1.9%
88	SIARGAO BANK	4 230 000	Provincial	0.3%
89	SOCORRO EMPOWERED PEOPLE'S COOPERATIVE	3 330 000	National	0.2%
90	ST. LUCY MPC	1 125 000	National	0.1%
91	STA. CRUZ SAVINGS AND DEVELOPMENT COOP.	9 720 000	National	0.6%
92	STAR	450 000	National	0.0%
93	TALACOGON AGRO INDUSTRIAL MPC	1 287 000	National	0.1%
94	TALACOGON AGRO INDUSTRIAL MPC	1 080 000	Provincial	0.1%
95	TAYTAY SA KAUSWAGAN	37 800 000	National	2.5%
96	TRIPLE DIAMOND MICRO LENDING CORPORATION	3 763 575	National	0.2%
97	TUBOD PEOPLE'S COOPERATIVE	900 000	National	0.1%
98	TULAY SA PAG-UNLAD	71 897 990	National	4.7%
99	VISION BANK	5 020 000	Provincial	0.3%
100	ZARAGOSA AGRARIAN REFORM COOPERATIVE	1 080 000	National	0.1%
	<b>TOTAL (including reflows)</b>	<b>1 526 086 853</b>		<b>100.0%</b>
	- Of which with national scope	926 636 230		
	- Of which with provincial scope	599 450 623		



## Project cost and IFAD disbursement data

### Planned and actual programme financing by component and financier (US\$ '000)

<i>Component</i>	<i>IFAD loan</i>	<i>IFAD grant</i>	<i>Government (DTI)</i>	<i>Government (SBC)</i>	<i>MFI</i>	<i>TOTAL</i>
<b>Appraisal Report (dated Jan 2005)</b>						
MSC	14 811			1 645	1 759	<b>18 215</b>
MEPD	2 562	975	368	208	44	<b>4 157</b>
PPC	1 521		275			<b>1 797</b>
<b>TOTAL</b>	<b>18 895</b>	<b>975</b>	<b>643</b>	<b>1 853</b>	<b>1 803</b>	<b>24 169</b>

<b>President's Report (Apr 2005)</b>						
MSC	17 248	411		2 126	2 098	<b>21 882</b>
MEPD	2 916	784	411			<b>4 110</b>
PPC	1 038	198	244			<b>1 479</b>
<b>TOTAL</b>	<b>21 201<sup>a</sup></b>	<b>1 392<sup>b</sup></b>	<b>655</b>	<b>2 126</b>	<b>2 098</b>	<b>27 471</b>

<sup>a</sup> The President's report submitted to the Executive Board (April 2005) indicated a loan of SDR 14.05 million which was equivalent to US\$21.2 million. However, the financing agreement was signed (in November 2005) for a loan of SDR 12.35 million, less than what was approved by the Executive Board.

<sup>b</sup> The President's Report indicated that out of US\$1,392 million budgeted for IFAD grant financing, US\$500,000 would be funded by the IFAD grant programme for 2005 and the remainder would be allocated from subsequent country allocations. Actual IFAD grant financing was only for US\$500,000 (or SDR 340,000) as per the original financing agreement.

<b>Actual cost (PCR)</b>						
MSC	14 428			2 299	2 394	<b>19 011</b>
MEPD	3 238	522	764			<b>4 524</b>
PPC	1 185		411			<b>1 596</b>
<b>TOTAL</b>	<b>18 851</b>	<b>522</b>	<b>1 175</b>	<b>2 299</b>	<b>2 394</b>	<b>25 241</b>

IFAD funds original allocation (SDR)	12 350	340
IFAD funds disbursed	12 168	340
Disbursement rate (IFAD financing in SDR)	98.5%	100%

### IFAD loan and grant allocation and disbursement

<i>Amounts in SDR</i>	<i>Original allocation</i>		<i>Amendment</i>		<i>Actual disbursement</i>		<i>Disbursement in % of revised allocation loan and grant</i>
	<i>Loan</i>	<i>Grant</i>	<i>June 2011</i>		<i>Loan</i>	<i>Grant</i>	
<i>Category</i>	<i>Loan</i>	<i>Grant</i>	<i>Loan</i>	<i>Grant</i>	<i>Loan</i>	<i>Grant</i>	
I. Credit	10 000 000		9 300 000		9 291 890		99.9%
II. Goods	120 000		110 000		106 241		96.6%
III. Consultant services							
(a) for BDS	1 280 000	240 000	1 970 000	180 000	1 818 765	175 467	92.3%
(b) Strengthening of MFIs		NA		60 000		57 856	
(c) Planning		100 000		100 000		106 421	
IV. Studies and workshops	110 000		160 000		148 290		92.7%
V. Incremental operating costs							
(a) Staff and allowances	300 000		560 000		566 754		101.2%
(b) Operating costs	340 000		190 000		169 719		89.3%
VI. Unallocated	200 000		60 000		66 581		111.0%
<b>Total</b>	<b>12 350 000</b>	<b>340 000</b>	<b>12 350 000</b>	<b>340 000</b>	<b>12 168 239</b>	<b>339 744</b>	<b>98.5%</b>

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International Fund for Agricultural Development  
Via Paolo di Dono, 44 - 00142 Rome, Italy

Tel: +39 06 54591 - Fax: +39 06 5043463

E-mail: [evaluation@ifad.org](mailto:evaluation@ifad.org)

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