

Republic of the Philippines
Rural Microenterprise Promotion Programme (RuMEPP)
(Project number 1253, loan number 661-PH, grant number 782-PH)

Project Performance Evaluation
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 (about 10 in a given year)¹.
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 (see paragraph 7), 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, 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

¹ 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.

worth less than PhP3 million² with one to nine employees or as agreed between 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 Corporation³; (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 SDR12.5 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 (PMPC).** The component was to support programme coordination, monitoring and evaluation (M&E), and policy issues /policy dialogue. A programme management unit (PMU) was to be established under the DTI and located at the Cottage Industry Technology Centre (CITC) of DTI.
8. **Project financing.** The programme budget and actual cost are shown below. The programme cost estimates vary somewhat between different documents.

² 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; 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.

³ 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)

Component	IFAD loan	IFAD grant	Govt (DTI)	Govt (SBC)	MFIs	TOTAL
Appraisal report (dated Jan 2005)						
MSC	14,811			1,645	1,759	18,215
MEPD	2,562	975	368	208	44	4,157
PMPC	1,521		275			1,797
TOTAL	18,895	975	643	1,853	1,803	24,169
President's Report (Apr 2005)						
MSC	17,248	411		2,126	2,098	21,882
MEPD	2,916	784	411			4,110
PMPC	1,038	198	244			1,479
TOTAL	21,201^a	1,392^b	655	2,126	2,098	27,471
^a The President's report submitted to the Executive Board (April 2005) indicated a loan of SDR14.05 million which was equivalent to US\$21.2 million. However, the financing agreement was signed (in November 2005) for a loan of SDR12,35 million, less than what was approved by the Executive Board.						
^b The President's Report indicated that out of US\$1,392 million budgeted for IFAD grant financing, USD500,000 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 SDR340,000) as per the original financing agreement.						
Actual cost (PCR)						
MSC	14,428			2,299	2,394	19,011
MEPD	3,238	522	764			4,524
PMPC	1,185		411			1,596
TOTAL	18,851	522	1,175	2,299	2,394	25,241
Disb. rate (IFAD financing in SDR)	98.5%	100%				

10. **Timeframe.** For financing RuMEPP, the Board approved on 20 April 2015 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). The programme financing agreement (for both the loan and the grant) signed on 11 November 2005 was for a loan in the amount of SDR 12.35 million although the Board approval was for a higher amount. 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.
11. 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.
12. **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 located 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.
13. 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.
14. According to the design, a Programme Steering Committee (PSC) 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.

15. **Supervision arrangements.** Initially, the United Nations Office for Project Services (UNOPS) 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.
16. **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. This 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 moved to support 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. This was based on the general inclination under the programme towards having more cases of "convergence", i.e. microenterprises supported with BDS having access to credit, than less.
17. **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

18. The PPE exercise will be undertaken in accordance with the IFAD's Evaluation Policy⁴ and the IFAD Evaluation Manual (second edition, 2015). Analysis in the PPE will be assisted by a review of the theory of change of the project.
19. **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 a desk review of PCR and other key project documents and interviews at the IFAD headquarters. During the PPE mission, additional evidence and data will be collected to verify available information and each an independent assessment of performance and results.
20. **Evaluation criteria.** In line with the IOE's Evaluation Manual (2015), the key evaluation criteria applied in PPEs in principle 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

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

productivity; and (iv) institutions and policies. A composite rating will be provided for the criterion of "rural poverty impact" but not for each of the impact domains.

- (ii) **Relevance**,⁵ 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.
21. **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).
22. **Data collection.** The PPE will be built on the initial findings from a review of the PCR and other documents. In order to 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

⁵ An average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits will the project performance rating.

programme's monitoring and evaluation (M&E) system. Triangulation will be applied to verify findings emerging from different information sources.

23. **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

24. 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 around 19 January – 3 February 2016. 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 and/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.
25. **Tentative timetable** for the PPE process is as follows:

Date	Activities
Dec 2015 – Jan 2016	Desk review
19 Jan – 3 Feb 2016	Mission to the Philippines
Feb – April 2016	Preparation of draft report
April 2016	IOE internal peer review
May 2016	Draft PPE report sent to APR and Government for comments
July 2016	Finalisation of the report
August 2016	Publication and dissemination

E. Specific issues for this PPE

26. **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. It is also noted that at the time the programme was designed, there was no specific attention on this agenda.
27. **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 SBC-accredited MFIs or lack thereof in particular in selected provinces (in terms of geographical coverage, specifically for the MSC component); (b) eligibility/ qualification criteria (for borrowing microenterprises) and rules and procedures for lending 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 consequently, 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 has indeed contributed 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 (coordinated by the Strategy and Knowledge Department). Unfortunately, the exercise was not completed before the PCR preparation. It is however 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 its results during field visits.
- (v) **RuMEPP and IFAD positioning in microfinance/microenterprise sector and country strategy.** In light of the CSPE to be conducted after this 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 need to take into consideration the state of rural/microfinance and microenterprise sector, their relevance to the rural poor in general and the IFAD target group in the Philippines, support by other development partners and IFAD's comparative advantage.

D. Evaluation Team

28. 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 Mr Michael Marx (rural/microfinance and enterprise specialist, IOE consultant) and possibly a national consultant. Ms Laure Vidaud, IOE Evaluation Assistant, will provide research and administrative support.

E. Background Documents

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

RuMEPP project specific documents

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

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 (2002-2006), Rural Finance, Rural Enterprise, Targeting, Gender Equity and Women's Empowerment
- Rural Micro-Enterprise Finance Project (RuMEPP's predecessor project) – Interim evaluation report, June 2003