

Mid-Term Program Assessment of the Agriculture and Fisheries Financing Program

FINAL REPORT



SUBMITTED TO:



SUBMITTED BY:



FEBRUARY 2018



ASIAN SOCIAL PROJECT SERVICES, INC.

www.aspsiglobal.com | info@aspsiglobal.com | +6349 536 3448

3rd Floor MG Building 10001 Mt. Halcon st., Los Baños Subdivision, Los Baños, Laguna, Philippines 4030

28 February 2018

DR. JOCELYN ALMA R. BADIOLA

Executive Director

Agricultural Credit Policy Council

28F One San Miguel Avenue (OSMA) Bldg., San Miguel Ave.

Cor. Shaw Blvd. Ortigas Center

Pasig City

**Subject: Final Report for the Mid-Term Program Assessment of the
Agriculture and Fisheries Financing Program (AFFP)**

Dear Dr. Badiola:

Greetings from the Asian Social Project Services, Inc. (ASPSI)!

We are pleased to submit the attached **Final Report** for the above-mentioned project. This Report incorporates the comments and suggestions raised during the Mid-Term Program Assessment result presentation with representatives from ACPC held on February 23, 2018.

We attempted to run a probit model covering only the PCFC clients (i.e. LBP clients not included as suggested by Mr. Yedra) to examine the factors affecting repayment default. However, the model was quite poor since there were very few cases of repayment default under PCFC.

With the submission of this Final Report, ASPSI is respectfully requesting from your good office a Certificate of Satisfactory Project Completion.

Thank you very much for trusting ASPSI to conduct the Mid-Term Program Assessment of the Agriculture and Fisheries Financing Program.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Merlyne M. Paunlagui', is written over a horizontal line.

MERLYNE M. PAUNLAGUI, Ph.D.

President

Mid-Term Program Assessment of the Agriculture and Fisheries Financing Program

Final Report

ASPSI Team

Dr. Ernesto O. Brown
Lead Consultant

Ms. Anita G. Tidon
Data Management Specialist

Meliza F. Abeleda
FGD Facilitator/KII Lead Expert

28 February 2018

Table of Contents

| | |
|--|----|
| EXECUTIVE SUMMARY | 1 |
| 1. INTRODUCTION | 7 |
| 2. OVERVIEW OF AFFP | 8 |
| 3. OBJECTIVES | 10 |
| 4. REVIEW OF LITERATURE | 11 |
| 5. METHODOLOGY | 13 |
| 5.1 Theoretical Framework | 13 |
| 5.2 Analytical Procedures | 14 |
| 5.2.1 Performance Evaluation | 14 |
| 5.2.2 Probability of Repayment Default | 15 |
| 5.3 Assessing Indications of Impact | 15 |
| 5.3.1 Household Income Function | 15 |
| 5.3.2 Partial Budget Analysis | 16 |
| 5.3.3 Mean Difference Analysis | 16 |
| 6. SURVEY AREAS AND SAMPLE SIZE | 17 |
| 7. RESULTS AND DISCUSSION | 19 |
| 7.1 Program Outreach | 19 |
| 7.2 Procedures /Processes in Accessing the AFFP Funds | 25 |
| 7.3 AFFP Beneficiaries | 30 |
| 7.4 Determinants of Repayment Default | 37 |
| 7.5 Probability of Default | 39 |
| 7.6 Indications of Impact | 41 |
| 7.7 Results of Partial Budget Analysis | 41 |
| 7.8 Household Income Function | 43 |
| 7.9 Mean Difference Analysis (t-Test) | 44 |
| 7.10 Beneficiaries Perception on AFFP and How it Affected their Well-Being | 44 |
| 7.11 Insights from FGDs and KIs | 48 |
| 8. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS | 50 |
| 9. REFERENCES | 56 |

LIST OF FIGURES

| | | |
|----------|---|----|
| Figure 1 | Performance evaluation and impact assessment | 13 |
| Figure 2 | Shift in total product curve due to intervention | 14 |
| Figure 3 | Map of the Philippines highlighting the study areas (Occidental Mindoro, Oriental Mindoro, Sorsogon, Apayao, Kalinga, Romblon, Masbate, Iloilo) | 17 |
| Figure 4 | Land Bank of the Philippines | 27 |
| Figure 5 | Agricultural and Rural Development for Catanduanes Inc. (ARDCI), Saklaw Foundation Inc. (SFI) & Taytay sa Kauswagan Inc. (TSKI) | 28 |
| Figure 6 | Jose M. Honrado Foundation Inc. (JMHFI) | 29 |

LIST OF TABLES

| | | |
|----------|---|----|
| Table 1 | Provinces covered by AFFP-LBP, number of borrowers, loans and past due amount (million pesos) | 21 |
| Table 2 | Enterprise covered by the LBP loan | 22 |
| Table 3 | Number of borrowers and amount of loan by province under PCFC | 23 |
| Table 4 | List of MFIs participating in the AFFP | 25 |
| Table 5 | How the respondents were selected as beneficiary of AFFP | 31 |
| Table 6 | Average amount of loan availed of by the surveyed respondents | 32 |
| Table 7 | Credit availment before AFFP | 33 |
| Table 8 | Demographic profile | 34 |
| Table 9 | Major sources of household income | 35 |
| Table 10 | Aspirations | 36 |
| Table 11 | Interest rate and repayment rate, PCFC and LBP | 38 |
| Table 12 | Reasons for default of LBP borrowers | 39 |
| Table 13 | Result of the probit regression of the factors contributing to high default rate | 40 |
| Table 14 | Summary of partial budget analysis, PCFC covered provinces | 42 |
| Table 15 | Summary of partial budget analysis, LBP covered provinces | 42 |
| Table 16 | Result of the linear regression of the factors affecting household income | 43 |
| Table 17 | Comparison of the means of the average household income by AFFP Participation | 44 |
| Table 18 | Changes in the level of living attributed to AFFP | 45 |
| | Perception about the AFFP | 46 |

LIST OF ANNEXES

| | |
|---------|----------------------------|
| Annex A | Final Survey Questionnaire |
| Annex B | Appendix Tables |
| Annex C | Photo Documentation |

ACRONYMS

| | |
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| ACPC | Agricultural Credit Policy Council |
| AFFP | Agriculture and Fisheries Financing Program |
| AFMA | Agriculture and Fisheries Modernization Act |
| AMCFP | Agro-Industry Modernization Credit and Financing Program |
| ASPSI | Asian Social Project Services, Inc. |
| ARDCI | Agricultural and Rural Development for Catanduanes Inc. |
| CLT | Central Limit Theorem |
| DA | Department of Agriculture |
| DTI | Department of Trade and Industry |
| FGD | Focus Group Discussion |
| GAA | General Appropriations Act |
| HVCC | High Value Commercial Crops |
| HYV | High Yielding Variety |
| JMHFI | Jose M. Honrado Foundation Inc. |
| KII | Key Informant Interview |
| LBP | Land Bank of the Philippines |
| LGU | Local Government Unit |
| MAO | Municipal Agriculture Officer |
| MDG | Millennium Development Goals |
| MFI | Micro Finance Institution |
| MFO | Micro Finance Organization |
| PCFC | People's Credit and Finance Corporation |
| PSM | Propensity Score Matching |
| RSBSA | Registry System for Basic Sector in Agriculture |
| SC | Service Conduit |
| SFI | Saklaw Foundation Inc. |
| SSP | Sikat Saka Program |
| STD | Special Time Deposit |
| TSKI | Taytay sa Kauswagan Inc. |

EXECUTIVE SUMMARY

The study was originally conceived as an impact assessment of the Agriculture and Fisheries Financing Program (AFFP) using the propensity score matching and double difference approach. However, the principal, Agricultural Credit Policy Council (ACPC) decided to refocus the study to performance evaluation considering that the AFFP has just been implemented and is currently on hold. The program is currently beset with high incidence of defaults especially the loan funds retailed through the Land Bank of the Philippines (LBP). Repayment rates were better for funds retailed through the People's Credit and Finance Corporation (PCFC), but the abolition of this conduit added another complication in program implementation. The current state and performance of the program are the paramount concerns of the principal. Assessment of impact may just be limited to "indications of impact", particularly on overall household income of beneficiaries.

Of particular interest is the high rate of default and the factors affecting such default. These concerns have become even more pressing with the emerging intent of the Department of Agriculture (DA) to bring back subsidized credit through interest rates way below the market rates. Related to this, a key empirical question the principal would like investigated is the role of interest rate in the incidence of defaults.

The AFFP was designed to provide flexible credit facility for the small farmers and fisherfolks registered in the Registry System for Basic Sector in Agriculture (RSBSA). There are two conduits of the program, the LBP and PCFC. The LBP lends directly to borrowers through service conduits such as farmers' associations who act as endorsers. The PCFC, on the other hand, channels loans to Micro Finance Institutions (MFIs) for relending to final target beneficiaries who are the small farmers and fisherfolks and/or their households for agricultural production or livelihood projects. In December 2013, around ₱1 Billion was transferred by ACPC to the LBP and the PCFC as initial fund to be used by the program. In 2015, an additional ₱2 Billion was allocated to cover the entire 75 provinces listed under the RSBSA.

Before and after approach was employed in determining whether there were already some indications of impact. This approach is ideal especially for AFFP where the before and after scenarios are just a year or at most two years apart. The enterprises/livelihood projects in which the borrowers used their AFFP loans were subjected to partial budget analysis to determine if certain net income increments were achieved. In addition, a household income function was specified and estimated using AFFP participation dummy as one of the explanatory variables to investigate how participation in the program affects the level of household income. As a further validation, household income levels before and with the AFFP were subjected to mean difference analysis using t-test. To investigate the determinants of default rate, a probit model was specified and estimated using repayment status (whether on default or not) as dependent variable and various independent variables hypothesized to influence the probability of default. The study made use of primary data gathered through a survey of borrowers in four provinces under PCFC and another four provinces under the LBP.

There are to date a total of 29,599 beneficiaries of the AFFP all over the country. Particularly under the LBP, beneficiaries got access to the program since they are listed in the RSBSA or members of a service conduit (SC), which is an accredited farmers' organization. Under the PCFC however, beneficiaries were directly recruited to the program by the MFIs. The average amount of loan availed by these beneficiaries range from ₱ 10,000 to ₱ 20,000 under PCFC (through the various MFIs) and ₱ 56,000 to ₱150,000 under the LBP. Even before the AFFP however, the beneficiaries have been availing credit from both the formal and informal sources such as the MFIs and traders, respectively. The AFFP therefore served as an additional option for meeting the farmer's credit needs.

A typical AFFP beneficiary is of 46 to 56 years of age, mostly female in the case of PCFC-MFIs and mostly male in the case of LBP. The beneficiaries have 9 to 10 years of formal education and are mostly married with household of 5 to 6 members. Their major income sources are rice farming (especially those under LBP) or growing a wide variety of crops and livestock, albeit a large number especially under PCFC are engaged in non-agricultural enterprises such as sari-sari store and other buy-and-sell businesses. Their primary aspirations are to be able to send their children to school and have successful businesses for a better and stable life.

There are two distinct sets of processes in accessing the AFFP funds, one is under the LBP and the other under PCFC. The eligibility criteria under the LBP specify that the borrower should not be beyond sixty years of age, should be included in the RSBSA based on the master list provided by DA, should have no bad record in the LBP or other credit sources and should have attended the orientation on loan procedure, terms and conditions, credit worthiness and loan repayment. The documents that need to be submitted by the loan applicant include loan application form/loan proposal with picture, project description and business plan certified by the Local Government Unit-Municipal Agricultural Officer (LGU-MAO), two valid identification cards/document, savings account in LBP and notarized promissory note. The application is submitted and evaluated by the LBP Lending Center account officer. After about a month of processing (sometimes longer), approved loans are released by debiting them to the ATM account of the borrower. Repayment period is project-based, but typically six months for crops and livestock projects. Long repayment period of up to three years is allowed for machineries. Repayments are credited from the ATM account of the borrowers.

The procedures under PCFC through the various MFIs have similarities and distinct differences from that of the LBP. In addition, MFIs are independent units and are free to devise their own requirements/procedures. There were 21 MFIs which have participated in the AFFP, many of which have branches in different parts of the country. The eligibility criteria are similar to that of LBP except that there is no explicit requirement in terms of age. The documents that have to be submitted are also similar to that of LBP except for the need for promissory note and the Department of Trade and Industry (DTI) records as well as barangay and business permits for loans exceeding ₱100,000. The loan application is submitted to the Center House which in turn submits it to the MFI. It is then evaluated by the account officer/finance manager of the MFI which typically takes a week. Once approved, the loan is released to the Center House by the MFI field coordinator usually during the Center House meeting. Repayment period can be from 12 to 48 weeks depending on the project. Repayment collection is done weekly by the field coordinator during the Center House meeting. It includes the weekly amortization for the capital and interest as well as the savings and insurance attached to the loan.

The early phase of the AFFP under LBP covered nine provinces namely Kalinga, Apayao, Nueva Vizcaya, Ifugao, Abra, Cagayan, Benguet, Masbate and Romblon. The total fund released was about ₱149 million which were loaned to 1,320 farmer borrowers. However, the program suffered from very low repayment rates with more than ₱100 million in past due loans. Among others, the loans were used by borrowers to finance corn production, hog raising, palay production, marine fishing and raising of other livestock such as cattle.

The AFFP started to have a much larger outreach when the PCFC was included in the program, achieving a nationwide outreach with the total amount loaned out under this conduit reaching ₱584 million retailed through the various MFIs. When the PCFC was abolished in 2016, the number of farmer borrowers served in the program has already reached 28,279.

Regardless of whether from LBP or PCFC, the AFFP loan is generally short-term with repayment period of six months to 1 year. There were cases of repayment shorter or longer than this, but these may be considered as exceptional cases. Loans under PCFC which were generally retailed through the various MFIs bear an interest rate of about 17 percent to 53 percent per year. These approximate the market rates or could even be higher. Loans from the LBP have much lower interest rates of just about 7.5 percent to 30 percent per year.

There are a number of reasons why a loan recipient would default on agreed repayment, albeit these can be generally categorized into two namely, intentional and non-intentional. Intentional default is linked to dole-out mentality and is often associated with government sponsored programs. In such case, loan recipients have no intention to repay the loan since they view it as a form of welfare assistance from the government to which they are entitled as poor or marginalized units of society. Previous studies have long raised the concern that dole-out programs may not really be empowering since these could only breed a sense of entitlement and continued dependence on government support.

Non-intentional default on the other hand, deserves a closer examination since effective measures can be done to minimize it. Majority of default borrowers under LBP especially in Kalinga and Apayao cited the calamity (typhoon) that struck the province and pest infestation as the primary reason for defaulting while those from Romblon and Masbate admitted that the money for repayment was used to meet personal/family needs. Low income also figured prominently in all provinces as reason for default. Low income was due to a number of factors such as low harvest, low farm prices received for their produce or high input cost.

Results of the probit model showed that years of education, farm size, non-farm employment, interest rate and collateral requirement are the statistically significant variables which may affect the probability of default. The negative coefficient of the years of education variable means the higher the education the less likely the borrower will default from payment of his loan. This is consistent with a priori notion since higher education may improve the sense of responsibility and attitude towards borrowed funds.

The coefficient of farm size is also negative which means the larger the farm size the less likely the borrower will default. This is plausible considering that farm size is directly related to farm income, hence better capacity of borrowers to pay his loan. Related to this, the household income variable actually turned out to also be negative (although not statistically significant) which somehow supports the notion that the higher the income the less likely the borrower will default.

The non-farm employment variable seems to have a less intuitive result. This variable was found to be statistically significant but the direction with which it will affect the probability of repayment default seems bewildering. The positive sign of this variable suggests that as the borrower engages in more non-farm employment the higher the probability that he will default on his loan. This appears inconsistent since engaging in non-farm employment expectedly increases income, hence the higher capacity to pay a given loan. The only plausible explanation could be that since AFFP is an agricultural financing facility, those who initially borrowed from this facility but have non-farm employment as major income source may not really care to pay the loan since the loan is not secured by any collateral anyway.

The most interesting results of the probit model estimates concern the variables on collateral requirement and interest rate. These two are the most statistically significant variables in the model and both exhibited negative signs. The collateral requirement variable was a binary dummy with zero when no collateral is required and one when collateral is required. The negative sign of this variable therefore indicates that the borrower is less likely to default on his repayment if the loan is secured by collateral.

The result for the interest rate variable seems controversial, but very plausible when pondered deeply. The variable exhibited a negative sign suggesting that the higher the interest rate the less likely the borrower will default. This supports the observation of high repayment rates for loans extended through PCFC-MFIs which bears much higher interest rate than loans channeled through LBP. This makes much economic sense since high interest rate means the cost of default is high. High interest rate is therefore a disincentive to default, which probably explains the seemingly paradoxical observation in the country that repayment rates for high interest informally sourced loan (such as from loan sharks) are better compared to government subsidized low interest credit programs channeled through formal sources.

It is unreasonable to expect the full realization of sustained impact from the AFFP since the program has been implemented for only two years to date. Nevertheless, indications of impact were already evident since the loans availed by beneficiaries were short-term in nature and generally used to finance short gestating agricultural and non-agricultural livelihood projects. As found using partial budget analysis, the loans obtained from AFFP either through PCFC-MFIs or LBP enabled borrowers to obtain net income increment by using the loans to finance income generating enterprises. This was further confirmed by the results of the household income function which revealed participation in the AFFP as a positive and statistically significant determinant of the level of household income. The average household income under AFFP was significantly higher than that before the participation in this program as confirmed using mean difference analysis.

Interestingly, the results of empirical estimates indicating positive effect of AFFP on household income seem to be validated when the beneficiaries themselves were asked how the program affected their well-being. Regardless of whether under the PCFC or LBP, majority of the respondents claimed the program has somehow improved their well-being as evidenced by the fact that many of them were able to renovate their houses and were even able to buy some appliances and fixtures. Overall, their lives became relatively easier as a result of the additional income generated from the various enterprises where they invested their loans.

The beneficiaries generally expressed positive views about the AFFP. They believe the policies, terms and conditions attached to the loans were clearly explained to them by the lending conduits and the requirements were easy to comply with. They also view the interest rates as reasonable, albeit a number of borrowers in Romblon and Masbate under the LBP consider the interest rates as still high. In general, the beneficiaries expressed favorable view on the sufficiency of the amount loaned to finance their intended enterprises/livelihood projects, although speed and timeliness of loan release may have to be improved especially in the case of Masbate and Romblon.

Key informant interviews (KIIs) were carried out in all provinces involving the MFIs and service conduits, the key officers and staff of ACPC, LBP and PCFC who are knowledgeable about the AFFP. In addition, a focus group discussion (FGD) was done in each province covered in the study involving the beneficiaries themselves in order to derive insights and lessons learned from program implementation.

On Repayment Default

The LBP is currently grappling with the problem of very high incidence of default. Compared to PCFC-MFIs which are enjoying high repayment rates, this situation seems paradoxical considering that interest rates under the LBP are very much lower than those under PCFC-MFIs. Such difference in repayment performance between these two major conduits may be due mainly to two reasons. First, the LBP loan is strictly targeted for the financing of agricultural enterprises whereas that under PCFC-MFIs allows the loan to be used for non-agricultural businesses provided the borrower is a member of an agricultural household.

Indeed, many of the loans under the PCFC were used to finance sari-sari stores and buy and sell businesses which are less risky and have more viable cash flows. In the case of LBP, many of those who defaulted especially in Kalinga and Apayao claimed they were struck by calamities such as typhoons and high pest infestation which resulted to very low farm income. In Romblon, many of the borrowers defaulted when the farm price of swine went down due to oversupply since most of the borrowers invested their loans in swine raising. Second, the PCFC-MFIs have very close monitoring of their borrowers and were able to collect repayment on a weekly basis. In contrast, the LBP hardly monitors their borrowers due to limited manpower. The staff in LBP Tabuk even retorted that they should be given additional incentives since the AFFP is just an additional work to them.

On the Role of Service Conduits

Farmers Associations and cooperatives are supposed to play a key role in the administration and monitoring of AFFP loans secured from the LBP. In Kalinga and Apayao many of these conduits were interviewed such as the Macutay Farmers Association, San Pascual Farmers Association, Macutay Palao Irrigators Association, Babalag Anayup Irrigators Association, and Bangkod Alangyan Farmers Association, Saranay Multi-Purpose Cooperative, Cassava Planters Association, Malekkeg Rural Improvement Club, and Abana Farmers Association, Inc.

It was found that the role of these conduits was limited to collecting the documentary requirements from farmers for submission to the LBP and gathering the farmers in one place when the LBP calls for a meeting. It was also learned that many of the conduits were formed merely to access the AFFP loan facility. Among the various conduits, it was only the Saranay Multi-Purpose Cooperative which has direct market linkage for the produce of the members.

On Loan Ceiling and Interest Rates

Borrowers from AFFP see the need for LBP to increase the loan ceiling per commodity since the current ceiling is not even sufficient to cover the total production cost per crop or commodity cycle. The loan ceilings for rice, corn and cassava for instance are ₱ 30,000, ₱ 32,000 and ₱ 20,000, respectively. In addition, many borrowers are requesting to further lower the interest rates attached to the loan.

On Speed and Timeliness of Loan Release

The release of loan under PCFC-MFIs is generally faster and more timely compared to that under the LBP. In Romblon which is under the LBP, there were cases where it took a year before loan was released since the LBP required that all members of the service conduits be compliant first to all requirements thus, dragging unnecessarily the processing of loan applications of the other members.

On Commodity Insurance

One innovative feature of the AFFP is the provision of commodity insurance—the payment for such is already deducted from loan proceeds. Some borrowers suggest that the insurance scheme be studied more carefully to ensure that the actual risk associated with a given enterprise will really be covered. For instance in the case of swine raising, only the sows can be insured while the piglets/weanlings are the most prone to disease.

On Repayment Schedule

A number of the borrowers believe that repayment schedule should completely be project-specific. In the case of PCFC-MFIs borrowers, weekly repayment does not seem to be reasonable especially when the loan was used to finance crop or livestock enterprises since income from such could only be realized after several months. A flexible repayment schedule designed carefully to fit the nature of the project cash flow would ease the borrowers of the repayment burden.

1. INTRODUCTION

The study was originally conceived as an impact assessment of the Agriculture and Fisheries Financing Program (AFFP) using the propensity score matching and double difference approach. However, the principal (i.e. Agricultural Credit Policy Council or ACPC) decided to refocus the study to performance evaluation considering that the AFFP has just been implemented and is currently on hold. The program is currently beset with high incidence of defaults especially the loan funds retailed through the Land Bank of the Philippines (LBP). Repayment rates were better for funds retailed through the People's Credit and Finance Corporation (PCFC), but the abolition of this conduit added another complication in program implementation. The current state and performance of the program are the paramount concerns of the principal. Assessment of impact may just be limited to "indications of impact", particularly on overall household income of beneficiaries.

Of particular interest is the high rate of default and the factors affecting such default. These concerns have become even more pressing with the emerging intent of the Department of Agriculture to bring back subsidized credit through interest rates way below the market rates. Related to this, a key empirical question the principal would like investigated is the role of interest rate in the incidence of defaults.

The Asian Social Project Services, Inc. (ASPSI) was commissioned by the ACPC to conduct this assessment from June to December 2017.

The report is divided into nine sections. The first four sections provide the introduction of the study, brief overview of the AFFP, study objectives and review of related literature. The review of literature was included to put the current evaluation within the context of established concepts and approaches in microfinance assessment. The fifth and sixth sections dealt with the methodology which consists of the conceptual framework, analytical procedures and data collection procedures, survey areas and sample size. The last three sections discussed the findings as well as summary and recommendations and list of references.

2. OVERVIEW OF AFFP

Credit provision to farmers is mandated under Republic Act 8435 or the Agriculture and Fisheries Modernization Act (AFMA) of 1997. This policy aims to establish an efficient, responsive and sustainable credit or financial system for small farmers, fisherfolks, those engaged in food and non-food production, processing and trading, cooperatives, farmers and fisherfolk organizations, and small and medium-scale enterprises. To this end, the Agro-Industry Modernization Credit and Financing Program (AMCFP) was created as the umbrella program and is lodged at the ACPC.

There are two modalities adopted under the AMCFP: the wholesale-retail approach and the depository scheme. The first approach entails a partnership with a government financing institution, who acts as the wholesaler, and who will lend to the rural-based credit retailers. These retailers are private banks, farmer cooperatives or non-government organizations, and serve as the final loan conduit to eligible small farmers and fisherfolks. The depository scheme, on the other hand, is one where special time deposits (STDs) are placed directly in partner cooperative banks (ACPC, 2015).

There are currently six credit programs under the AMCFP: (1) Cooperative Bank Agri-Lending Program which was started in 2011 for rice, corn, high value commercial crops (HVCC), livestock, poultry, fish and farm implements, with 57,564 beneficiaries as of 2015; (2) Agricultural Microfinance Program which was started in 2009 targeted for small farming and fishing households and has already served 76,024 beneficiaries as of 2015; (3) Sikat Saka Program (SSP) targeting rice and corn farmers which has reached out to 9,298 as of 2015; (4) Calamity assistance which has served 5,924 beneficiaries; (5) Agriculture and Fisheries Financing Program (AFFP) started in 2014 and as of 2015 has a current loan placement of ₱1.0 billion and served 34,763 as of September 2016; and (6) Value Chain Financing Program.

The AFFP was conceived to provide flexible credit facility for the small farmers and fisherfolks registered in the Registry System for Basic Sector in Agriculture (RSBSA). The AFFP provides loans to those engaged in the production of coconut, sugarcane, HVCC, livestock and fisheries (aquaculture and marine municipal fishing) except rice and corn since these are already covered by the SSP.

There are two conduits of the AFFP, the Land Bank of the Philippines (LBP) and the People's Credit and Finance Corporation (PCFC). The LBP lends directly to borrowers through service conduits such as farmers' associations who act as endorsers. The PCFC, on the other hand, channels loans to microfinance institutions (MFIs) for lending to final target beneficiaries who are the small farmers and fisherfolks and/or their households for agricultural production or livelihood projects. In December 2013, around ₱1 Billion was transferred by ACPC to the LBP and the PCFC as initial fund to be used by the program. In 2015, an additional ₱2 Billion was allocated to cover the entire 75 provinces listed under the RSBSA.

LBP service provinces include Abra, Apayao, Kalinga, Ifugao, Benguet, Ilocos Norte, Cagayan, Isabela, Nueva Vizcaya, Zambales, Aurora, Romblon and Masbate. PCFC, on the other hand serves 59 of the remaining provinces nationwide. As of September 2016, two years since the launching of the AFFP in 2014, a total of 29,599 small farmers and fisherfolk nationwide have availed ₱877.79 Million worth of loans. On the downside, however, the program posted an accumulated outstanding loans of ₱556.49 Million from both Land Bank and PCFC.

The PCFC was abolished recently, which makes the LBP as the sole conduit of the AFFP funds from ACPC. In addition, the program is experiencing high rate of default, which prompted ACPC to put the program implementation on hold. The present study is therefore necessary to take stock and assess program performance thus far, and to identify possible constraints that may hinder the program's successful implementation.

3. OBJECTIVES

The general objective of the study is to determine the program accomplishments vis-a-vis its component targets/objectives.

The specific objectives are:

1. Determine the performance of the program in terms of outreach, that is, the amount of loans granted and the number of farmer borrowers (including new borrowers), as well as funds leveraging, adherence to General Appropriations Act (GAA) provisions and compliance of conduits with the program's guidelines such as, eligibility criteria for borrowers, agreed-on interest rate and repayment performance;
2. Assess to what extent the AFFP has contributed to (a) increasing agricultural productivity and income; and (b) improving the quality of life (e.g., living conditions, access to basic services, among others) of small farming households;
3. Review duties and responsibilities of key players (e.g., Land Bank, PCFC, MFIs, Service conduits, Provincial and Municipal Focal Persons) and credit delivery procedures followed;
4. Assess the efficiency of partner banks/conduits in terms of speed of processing, timeliness of loan releases, ease of documentary requirements, etc;
5. Determine the success factors and operational bottlenecks and problems encountered; and
6. Provide recommendations on how to further strengthen the delivery of credit services to small farmer households and effecting efficiency in the utilization of program funds including the plowed back funds of PCFC under AFFP.

4. REVIEW OF LITERATURE

Formative and summative evaluations are the two types of program evaluation. The former is carried out at several points in the program cycle to align the program activities with the program goals. A summative evaluation assesses the program's success. Impact assessment can be considered synonymous with summative evaluation.

For micro-finance programs, formative evaluation begins at the start of the program and continues throughout the program duration. It generally consists of two parts (Germanov, et.al, undated): implementation evaluation and progress evaluation. The purpose of an implementation evaluation is to assess whether the program is being implemented as planned. On the other hand, progress evaluation is an interim outcome measurement. Typically, a progress evaluation will measure a series of indicators that are designed to show progress towards program goals. Financial performance indicators are a critical component of a microfinance organization's (MFO's) formative evaluation.

Summative evaluation or impact assessment of a microfinance program examines the program against a set of economic and social parameters. Among the important impact areas examined in previous studies include poverty reduction, employment creation and income (Kondo, 2007); self-confidence, skills and social awareness (Singh and Singh, 2008); the attainment of the millennium development goals (MDGs) (Setboonsarng and Parpiev, 2008).

The methodology for formative evaluation is fairly straightforward and generally involves an examination of the process being employed gauged against certain performance parameters such as outreach (number of beneficiaries covered so far), speed of loan processing, ease of documentary requirements and the appropriateness of the procedures being employed, among others (Brown, et. al, 2015).

However, impact assessment requires a more empirical approach and may vary considerably depending on the particular context and circumstances of the program being assessed. The most important consideration though regardless of the approach used is the attribution issue. Necessarily, impact assessment studies either compare the treatment groups with the control group (with or without approach) or the condition of the treatment group before and after the intervention (before and after approach) (Duvendack et. al., 2011; Kondo, 2007; and Khandker, 2000). Other studies however, combined both approaches for more rigorous analysis (Brown, et. al., 2015).

While mostly used in impact assessment of microfinance, the with/without approach often suffers from placement and selection biases. Microfinance programs generally employ a set of criteria in the selection of beneficiaries. Comparing these beneficiaries with non-beneficiaries during impact assessment is marked by a certain bias since their basic characteristics may not even be the same in the first place. In other words, individuals select themselves into the program (Khandker, 2000), but this can be addressed by certain methods of analysis (Duvendack et. al., 2011). Brown, et. al., 2015 used with-without and before-after analysis to assess the impact of the ACPC Microfinance Program following the procedures employed by Todd (2000) which assessed the impact of the ASHI Microfinance Program. Others used propensity score matching (PSM) (Setboonsarng and Parpiev 2008) to address selection bias.

Generally, microfinance programs target the income pathway in order to affect impact on the beneficiaries. The idea is that provision of loan at flexible terms enables the beneficiaries to pursue at least small livelihood activities or complement existing livelihoods for added income. Invariably, impact assessment studies involved the examination of household income as the major outcome variable (Kondo, 2007; Setboonsarng & Parpiev, 2008; Singh & Singh, 2008; Brown, et. al., 2015). Others used asset as proxy variable for income (Todd, 2000). Other studies went beyond economic empowerment in the investigation of the impact of microfinance programs. Social empowerment was also considered measured typically in terms of education and health (Kondo, 2007; Setboonsarng & Parpiev, 2008; and Singh & Singh, 2008). Singh & Singh (2008) made a more in-depth assessment and included self-confidence, skills, social awareness and recognition as among the variables.

5. METHODOLOGY

5.1 Theoretical Framework

The AFF program was subjected to both formative evaluation and impact assessment. However, as mentioned earlier, the major focus is performance evaluation while impact assessment was limited to mere examination of whether there are already some indications of impact.

The assessment was guided by the input-process-outcome-impact framework depicted in **Figure 1**. Performance evaluation examines the inputs, processes and outputs of the program while impact assessment focuses on the translation of outputs to outcome and impact.

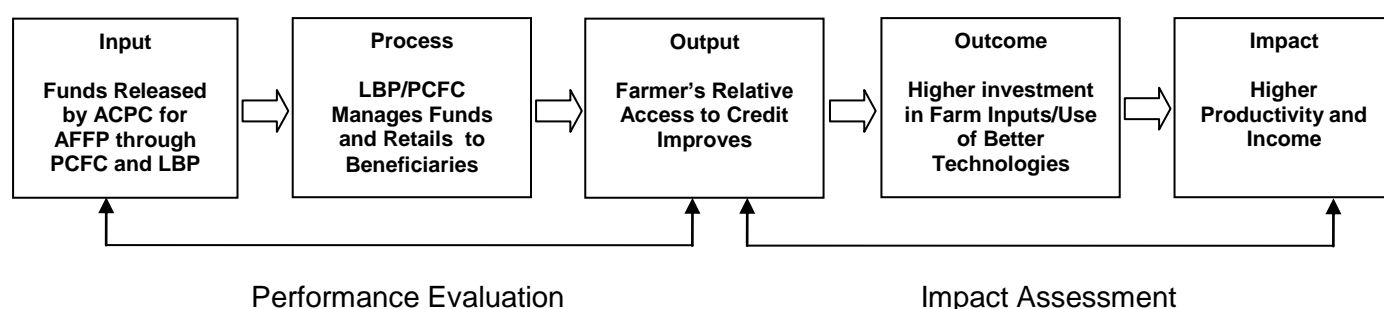


Figure 1. Performance evaluation and impact assessment

The input consists mainly of the funds released by ACPC to its wholesale conduits, namely PCFC and LBP. The conduits employ a certain process in managing the funds for retailing to MFIs and ultimately to the beneficiaries. The MFIs likewise use a certain process in retailing the funds. Formative evaluation involved an assessment of the processes employed by ACPC, PCFC, LBP and the various MFIs in managing and extending the funds to the ultimate beneficiaries as well as the outputs generated from such processes.

The loans extended to borrowers may be hypothesized to improve the beneficiaries' relative access to credit. Even before the AFF, the borrowers have certain level of access to both formal and informal credit. The concept of improvement in relative access is that the AFF is able to provide an additional opportunity for beneficiaries to source their needed capital. This additional opportunity may then be translated by beneficiaries in terms of investment in new livelihood activities or rural enterprises or in the improvement of existing enterprises, such as when fertilizers or other farm inputs are bought and applied to improve the productivity of existing crop enterprise. The pursuit of new enterprises or the improvement in existing ones may result to higher income for the households which consequently lead to economic empowerment. Depending on the process employed by the MFIs, social empowerment may improve especially when the process involves some capacity building for the beneficiaries.

While formative evaluation (i.e. performance evaluation) is focused mainly on the input, process and output of the program, impact assessment examines the outcome and impact which the program has generated so far among the beneficiaries. Impact was examined along the productivity and income pathway. The former is particularly appropriate when the borrowed funds were used by beneficiaries to invest in inputs (e.g. fertilizer for crop enterprise) or use of new technologies (e.g. HYVs) which improve the productivity of existing enterprises (e.g. crop production) (**Figure 2**). Such productivity improvement then translates

to higher farm income due to higher yield or lower cost of production. However, when the funds are used by beneficiaries to engage in new enterprises or livelihood activities then the impact pathway will be in terms of expansion in income opportunities, consequently leading to higher income for the beneficiaries and their households.

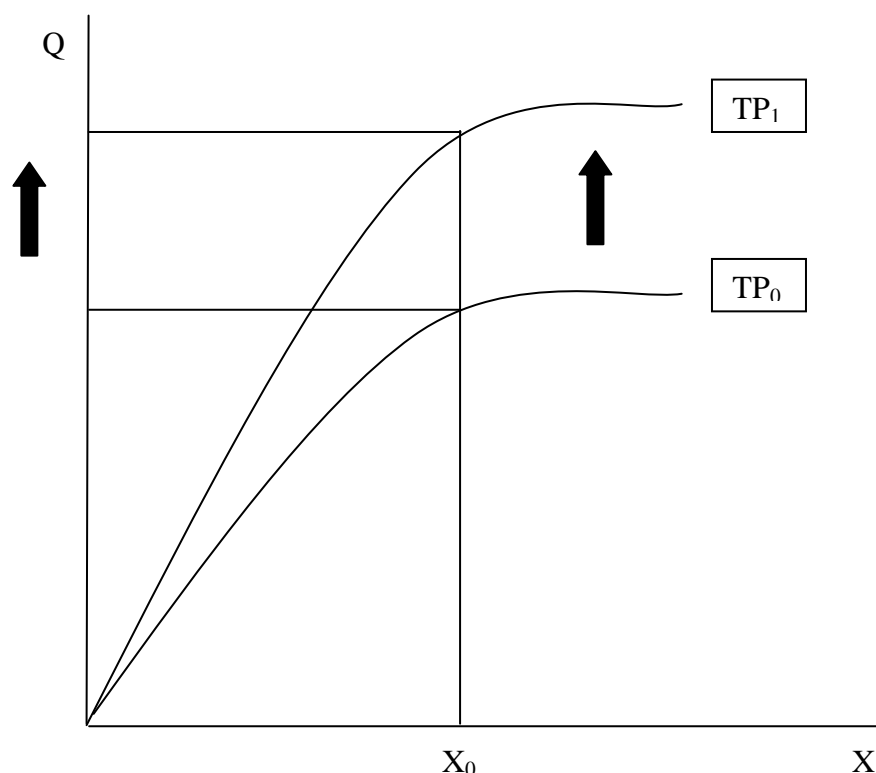


Figure 2. Shift in total product curve due to intervention

5.2 Analytical Procedures

5.2.1 Performance Evaluation

Performance evaluation involved the documentation and analysis of the inputs (i.e. amount of funds) used in the program thus far, the processes employed by ACPC in extending the funds to its conduits, the processes employed by the wholesale conduits to manage and extend the funds to their retail conduits (i.e. MFIs) and the processes used by MFIs to extend the funds to beneficiaries. The important performance parameters include the program outreach, that is, the amount of loans granted and the number of farmer borrowers (including new borrowers), as well as funds leveraging, adherence to GAA provisions and compliance of conduits with the program's guidelines such as, eligibility criteria for borrowers, agreed-on interest rate and repayment performance. The efficiency of the partner banks/conduits was also examined in terms of speed of processing, timeliness of loan releases and ease of documentary requirements. In addition, the duties and responsibilities of key players (e.g., Land Bank, PCFC, MFIs, Service conduits, Provincial and Municipal Focal Persons) and credit delivery procedures used were reviewed paying particular interest to success factors and lessons learned in the implementation of the program.

5.2.2 Probability of Repayment Default

As mentioned, the AFFP is currently beset with high default rate. As part of performance evaluation, the factors contributing to this problem was examined by estimating a probit model of the following specification:

$$RS = f(\text{HHI, Educ, HHS, FSize, Ctype, NFE, AmtL, LPurpose, IntR, Pmode, DistRC, CollatD, Source})$$

| | |
|----------|--|
| RS | = Repayment Status (0 if on time; 1 if on default) |
| HHI | = Monthly Household Income |
| Educ | = Years of education |
| HHS | = Household Size |
| FSize | = Farm Size |
| Ctype | = Commodity type dummy (0 if traditional; 1 if high value) |
| NFE | = Non-Farm Employment (0 if none; 1 if with non-farm employment) |
| AmtL | = Amount of loan |
| LPurpose | = Purpose of loan (0 if agricultural; 1 if non-agricultural) |
| IntR | = Interest Rate |
| Pmode | = Mode of Repayment (categorical variable) |
| DistRC | = Distance from Repayment Center |
| CollatD | = Collateral dummy (0 if no collateral; 1 with collateral) |
| Source | = Source dummy (0 if LBP; 1 if PCFC) |

5.3 Assessing Indications of Impact

As mentioned earlier, the study was originally formulated to employ the double difference approach and propensity score matching in impact assessment. These approaches are robust analytical techniques and are commonly used in impact studies, albeit requiring considerable primary data gathering especially in establishing the counterfactual. However, since the AFFP has just started and is currently placed on hold due to some operational problems particularly the high rate of default, it was decided to deemphasize the impact assessment component of the study in favor of a more exhaustive evaluation of program performance. The impact assessment component may therefore be considered as a preliminary attempt and is limited to mere determination of indications of impact.

Before and after approach was employed in determining whether there were already some indications of impact. This approach is ideal especially for AFFP where the after scenario is just a year or at most two years apart.

5.3.1 Household Income Function

The effect of AFFP on household income of the beneficiaries was investigated by estimating the following household income function:

$$\text{HHI} = f(\text{Age, Educ, FSize, Ctype, NFE, HHS, PD})$$

Where:

| | |
|-----------|--|
| HHI | = Monthly Household income |
| Age | = Age of program participant |
| Educ | = Educational attainment |
| Farm Size | = Farm Size |
| Ctype | = Commodity type dummy (0 if traditional; 1 if high value) |
| NFE | = Non-farm employment dummy (0 if none; 1 otherwise) |
| HHS | = Household Size |
| PD | = Program participation dummy (0 before; 1 after) |

5.3.2 Partial Budget Analysis

Partial budget analysis was employed to examine the incremental income effect of specific improvement made in the farm and non-farm enterprises for which the loan obtained from the AFFP had been used. The approach captured both the productivity and price improvement achieved as a result of said specific changes. For instance, if the loan was used to procure additional fertilizer for crop enterprise, then this should have resulted to better yield and consequently added income assuming the output price remained the same. The fertilizer however, entails an added cost thus, the incremental income may be estimated by simply obtaining the net income effect by subtracting the added cost from added income. Similar analysis had been done for output quality improvement resulting from interventions funded from the loan, but this time the added income was due to price improvement associated with better quality output.

There were also a number of cases where the loan had been used to fund non-farm enterprises such as the increase in merchandise in the case of sari-sari stores (a common non-farm enterprise among beneficiaries). Partial budget analysis was used in examining the added income and added cost associated with such increase.

5.3.3 Mean Difference Analysis

Mean difference analysis using t-test was also employed to examine statistically significant differences in the variables of interest before and after participating in the AFFP. Among others, mean difference in household income and farm productivity (e.g. yield) was examined using this method.

$$t = \frac{(\bar{x}_1 - \bar{x}_2)}{\sqrt{\left(\frac{s_p^2}{n_1} + \frac{s_p^2}{n_2}\right)}}$$

Where t is the computed t-statistic, \bar{x}_1 is the value after participation, \bar{x}_2 is the value before participation, while s^2 and n_1 and n_2 are the respective variances and sample sizes, respectively.

6. SURVEY AREAS AND SAMPLE SIZE

The study used both secondary and primary data as well as descriptive and quantitative procedures in the analysis. Secondary data/information were obtained from available documents and reports. Primary data were collected thru a cross-section survey of program beneficiaries.

As agreed during the inception meeting, there were eight provinces included in the survey: four provinces under the PCFC and four provinces under Land Bank of the Philippines. The sample size was 36 per province which were drawn randomly from the top three municipalities (in terms of number of beneficiaries). Such sample size is considered large enough using the Central Limit Theorem (CLT) and in some provinces almost constitute a third already of the population under consideration. The provinces covered were:

Under PCFC

Mindoro Occidental
Mindoro Oriental
Sorsogon
Iloilo

Under Land Bank of the Philippines

Apayao
Kalinga
Romblon
Masbate

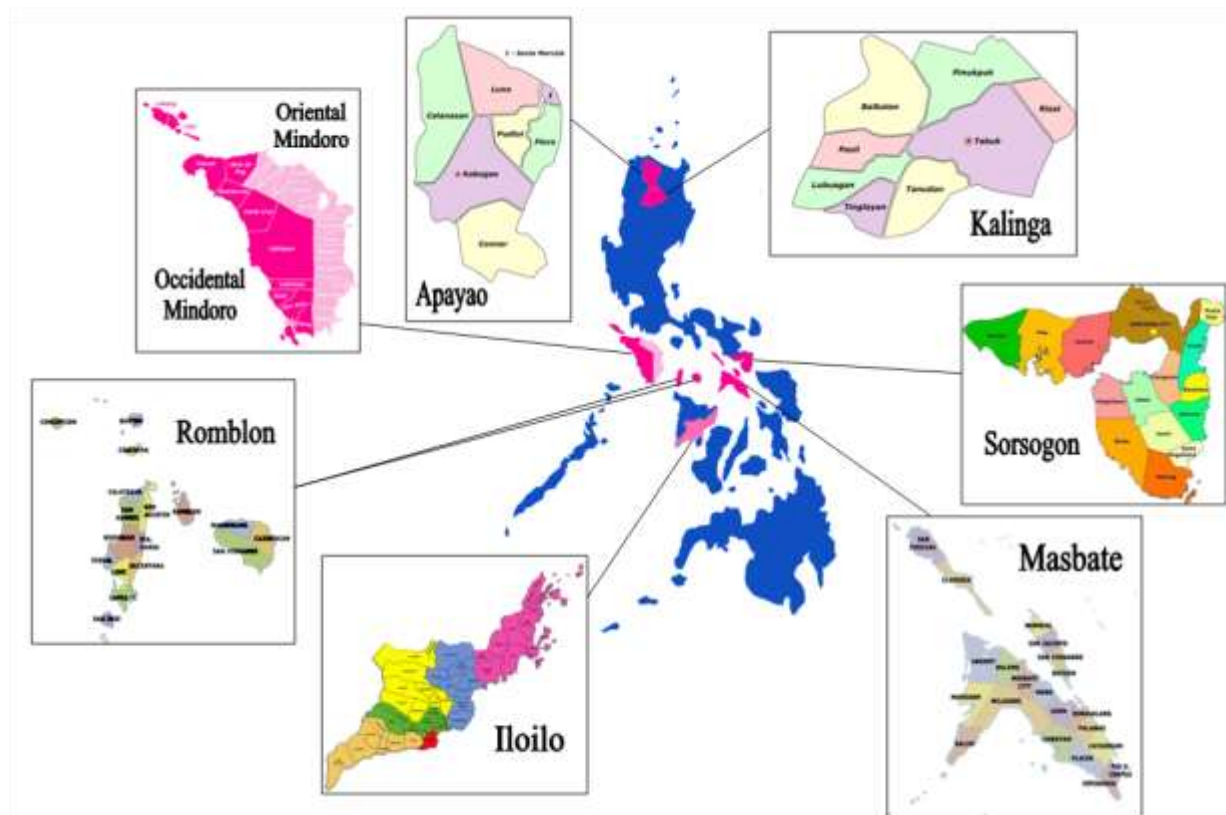


Figure 3. Map of the Philippines highlighting the study areas (Occidental Mindoro, Oriental Mindoro, Sorsogon, Apayao, Kalinga, Romblon, Masbate, Iloilo)

Survey instruments were used in the study in gathering data from the borrowers (**Annex A**). Focus group discussion (FGD) and key informants interview (KII) were also conducted to supplement and validate data from the survey. Among the data collected include borrower characteristics, loan application perception, loan utilization, household members and

expenditures, housing conditions, education and health indicators which served as measures of income improvement and consequently poverty reduction. Productivity was determined through data on farm characteristics such as crops grown, livestock raised, farm inputs, technology, among others. Inputs and outputs of the non-farm enterprises were also collected. In addition, data on MFIs characteristics such as lending policies, application process, credit facilities, loan requirements, interest rates, repayment terms, and loan purpose were also gathered as input in the program process documentation phase to assess the improvement in access to credit of farmers.

On the other hand, secondary data such as applicant's information and list of MFI beneficiaries and clients were obtained from ACPC, LBP, and DA.

7. RESULTS AND DISCUSSION

7.1. Program Outreach

The goal of the program is to increase the productive capacity and raise the income of small farming and fishing households in the country's poorest provinces that include the following:

- | | |
|-----------------------|-------------------------|
| 1. Abra | 11. North Cotabato |
| 2. Agusan del Sur | 12. Northern Samar |
| 3. Apayao | 13. Romblon |
| 4. Camarines Sur | 14. Sarangani |
| 5. Davao Oriental | 15. Siquijor |
| 6. Eastern Samar | 16. Sultan Kudarat |
| 7. Ifugao | 17. Surigao del Norte |
| 8. Kailnga | 18. Surigao del Sur |
| 9. Masbate | 19. Western Samar |
| 10. Mountain Province | 20. Zamboanga del Norte |

Potential beneficiaries of the program are those listed in the RSBSA totaling 1,080, 420 farmers and fisherfolks as follows:

| | |
|-------------------|---------|
| Palay Farmers: | 252,063 |
| Coconut Farmers: | 200,195 |
| Corn Farmers | 134,043 |
| HVCC Farmers | 355,749 |
| Livestock Raisers | 21,002 |
| Fisheries | 99,651 |

Excluding rice and corn farmers, the target beneficiaries of AFFP should be 676,597 farmers and fisherfolks.

While implemented for only two years, the AFFP already achieved a considerable outreach in terms of total number of beneficiaries served and loan granted. The program started with LBP as the only conduit and quickly expanded with the adoption of a wholesale-retail scheme involving PCFC as wholesaler and the various MFIs all over the country as retailers. With the recent abolition of PCFC however, the LBP became once again the sole conduit of the AFFP funds.

The early phase of the AFFP under LBP covered nine provinces namely Kalinga, Apayao, Nueva Vizcaya, Ifugao, Abra, Cagayan, Benguet, Masbate and Romblon (Table 1). The total fund released was about ₱149 million which were loaned to 1,320 farmer borrowers. However, the program suffered from very low repayment rates with more than 100 million pesos in past due loans. The loans were used by borrowers to finance corn production, hog raising, palay production, marine fishing and raising of other livestock such as cattle (Table 2). The total number of borrowers who used their loans to finance these enterprises is more than 80 percent already of the total number of farmer borrowers served by the program.

The AFFP started to have a much larger outreach when the PCFC was included in the program. As shown in Table 3, the AFFP achieved nationwide outreach under PCFC with the total amount loaned out under this conduit reaching ₱584 million pesos retailed through the various MFIs. When the PCFC was abolished in 2016, the number of farmer borrowers served in the program has already reached 28,279.

LBP and PCFC borrowers combined, the AFFP had served a total of 29, 599 beneficiaries or 4.4 percent of the target beneficiaries and covered a total of 48 provinces. Commodity coverage was diverse and can be rated satisfactory.

Table 1. Provinces covered by AFFP-LBP, number of borrowers, loans and past due amount (million pesos)

| Lending Center | Province Covered | No. of Service Conduits | No of Borrowers | Total | | | | Per Borrower | | | |
|----------------|-------------------------------|-------------------------|-----------------|----------------|-----------------|---------------------|----------------|---------------|-----------------|---------------------|--------------|
| | | | | Approved Loan | Amount Released | Outstanding balance | Past Due | Approved Loan | Amount Released | Outstanding balance | Past Due |
| CAR | Kalinga | 27 | 167 | 22.052 | 21.912 | 9.279 | 9.305 | 0.132 | 0.131 | 0.056 | 0.056 |
| | Apayao | 8 | 54 | 6.593 | 6.553 | 3.901 | 3.926 | 0.122 | 0.121 | 0.072 | 0.073 |
| Ilocos Sur | Abra | n.s. | 5 | 0.450 | 0.450 | 0.418 | 0.418 | 0.090 | 0.090 | 0.084 | 0.084 |
| Cagayan | Cagayan | 18 | 335 | 22.646 | 31.342 | 19.899 | 19.940 | 0.068 | 0.094 | 0.059 | 0.060 |
| La Union | Benguet | 19 | 87 | 14.855 | 13.497 | 12.325 | 12.325 | 0.171 | 0.155 | 0.142 | 0.142 |
| Nueva Viscaya | Nueva Viscaya 1/ Ifugao 2/ | 5 | 175 | 20.460 | 20.460 | 20.236 | 20.236 | 0.116 | 0.116 | 0.1150 | 0.115 |
| | | 5 | 254 | 31.086 | 31.086 | 29.798 | 29.798 | 0.122 | 0.122 | 0.117 | 0.117 |
| Batangas | Romblon | 14 | 143 | 17.866 | 17.703 | 16.758 | 16.758 | 0.125 | 0.124 | 0.117 | 0.117 |
| Albay | Masbate | 10 | 100 | 6.191 | 5.981 | 5.537 | 5.537 | 0.062 | 0.060 | 0.055 | 0.055 |
| | | | 1320 | 142.199 | 148.982 | 118.151 | 118.243 | 0.108 | 0.113 | 0.090 | 0.090 |

1/ Five service conduits were reported by 10 borrowers; the rest were not specified

2/ Five service conduits were reported by 110 beneficiaries; the rest were not specified

Table 2. Enterprises covered by LBP loan

| Enterprise | Kalinga | | Apayao | | Cagayan | | Nueva Viscaya | | Benguet | | Romblon | | Masbate | | Abra | | Ifugao | | All | |
|----------------------|---------|----|--------|-----|---------|----|---------------|----|---------|-----|---------|----|---------|----|------|-----|--------|----|------|----|
| No. of borrowers | 167 | | 54 | | 335 | | 175 | | 87 | | 143 | | 100 | | 5 | | 254 | | 1320 | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Crops production | 160 | 96 | 54 | 100 | 309 | 92 | 68 | 39 | 72 | 82 | 26 | 18 | 16 | 16 | - | - | 158 | 62 | 863 | 65 |
| Fish production | - | - | - | - | - | - | 11 | 6 | 93 | 107 | 6 | 4 | 4 | 4 | - | - | 9 | 4 | 123 | 9 |
| Livestock production | 7 | 4 | 0 | - | 26 | 8 | 96 | 55 | 6 | 7 | 92 | 64 | 76 | 76 | 5 | 100 | 78 | 31 | 386 | 29 |
| Other enterprises | 0 | - | 0 | - | - | - | 1 | 1 | 9 | 10 | 14 | 10 | 4 | 4 | - | - | 6 | 2 | 34 | 3 |

Notes:

- Multiple response
- Other enterprises include agricultural machinery, greenhouse, mango flower induction, agriculture supplies trading, broom making and organic fertilizer production
- Details are in Appendix Table 1

Table 3. Number of borrowers and amount of loan by province under PCFC.

| Province | No. of Borrowers | Total Amount of Loan | Micro Finance Institution |
|--------------------|------------------|----------------------|--|
| Region 1 | | | |
| Pangasinan | 88 | 1,253,000 | Kazama Grameen, Inc. |
| Region 111 | | | |
| Bataan | 25 | 422,000 | Kazama Grameen, Inc. |
| Pampanga | 5 | 80,000 | Kazama Grameen, Inc. |
| Nueva Ecija | 65 | 2,316,001 | LFCI-Kasanib sa Pag Abot ng Pangarap, Inc. |
| Region IV-A | | | |
| Quezon | 848 | 16,646,500 | ARDCI Katipunan Bank (ZN), Inc. |
| Batangas | 456 | 4,695,980.74 | Taytay sa Kauswagan, Inc. |
| Quezon | 114 | 674,000 | Taytay sa Kauswagan, Inc. |
| Laguna | 437 | 3,378,485.41 | Taytay sa Kauswagan, Inc. |
| Region IV-B | | | |
| Marinduque | 1,490 | 22,770,500 | ARDCI Katipunan Bank (ZN), Inc. |
| Mindoro | 839 | 58,510,000 | ARDCI Katipunan Bank (ZN), Inc. |
| Mindoro | 1,817 | 364,000 | ARDCI Katipunan Bank (ZN), Inc. |
| Palawan | 6 | 38,000 | Taytay sa Kauswagan, Inc. |
| Oriental Mindoro | 1,293 | 17,148,000 | Saklaw Foundation, Inc. |
| Region V | | | |
| Camarines Sur | 1,465 | 25,019,000 | Simbag sa Pag Asenso, Inc. |
| Camarines Sur | 664 | 21,492,000 | ARDCI Katipunan Bank (ZN), Inc. |
| Camarines Sur | 74 | 616,000 | JM Honrado Foundation, Inc. |
| Camarines Sur | 41 | 1,891,500 | Camarines Sur Multipurpose Cooperative |
| Camarines Norte | 4 | 54,000 | ARDCI Katipunan Bank (ZN), Inc. |
| Camarines Norte | 11 | 605,000 | Kaguruan Multi-Purpose Cooperative |
| Sorsogon | 1,692 | 37,120,400 | ARDCI Katipunan Bank (ZN), Inc. |
| Sorsogon | 1,374 | 25,911,610.39 | JM Honrado Foundation, Inc. |
| Albay | 127 | 2,332,239.74 | JM Honrado Foundation, Inc. |
| Region VI | | | |
| Capiz | 42 | 614,670.89 | Taytay sa Kauswagan, Inc. |
| Iloilo | 3,958 | 46,014,307.94 | Taytay sa Kauswagan, Inc. |
| Region VII | | | |
| Siquijor | 261 | 2,298,800 | Paglaum Multi-Purpose Cooperative |
| Southern Leyte | 53 | 1,480,800 | Libagon Area Multipurpose Coop. |
| Cebu | 615 | 15,433,000 | Katipunan Bank (ZN), Inc (1) |
| Cebu | 624 | 29,713,200 | Katipunan Bank (ZN), Inc (2) |
| Cebu | 510 | 12,113,500 | Gabay sa Kalamboan Micro Finance Cooperative |
| Cebu | 81 | 597,470 | Coolway Multi-Purpose Cooperative |
| Bohol | 24 | 314,000 | Taytay sa Kauswagan, Inc. |
| Region VIII | | | |
| Southern Leyte | 21 | 133,000 | Taytay sa Kauswagan, Inc. |
| Leyte | 146 | 3,296,740.98 | Fatima Multi-Purpose Cooperative |
| Leyte | 246 | 3,589,000 | Omaganhan Farmers Agrarian Reform Cooperative |
| Northern Samar | 9 | 135,000 | Agric. Dev't Workers and Employees Multipurpose Coop |

Table 3. Number of borrowers and amount of loan by province under PCFC (cont'd)

| Province | No. of Borrowers | Total Amount of Loan | Micro Finance Institution |
|---------------------|------------------|----------------------|--|
| Region IX | | | |
| Zamboanga del Norte | 159 | 2,016,700 | Paglaum Multi-Purpose Cooperative |
| Zamboanga del Norte | 315 | 4,597,000 | Katipunan Bank (ZN), Inc (1) |
| Zamboanga Del Norte | 467 | 24,151,900 | Katipunan Bank (ZN), Inc (2) |
| Zamboanga del Sur | 456 | 7,902,500 | Paglaum Multi-Purpose Cooperative |
| Zamboanga del Sur | 798 | 12,463,000 | Katipunan Bank (ZN), Inc (1) |
| Zamboanga del Sur | 387 | 12,882,300 | Katipunan Bank (ZN), Inc (2) |
| Zamboanga Sibugay | 153 | 2,383,000 | Katipunan Bank (ZN), Inc (1) |
| Zamboanga Sibugay | 204 | 12,038,200 | Katipunan Bank (ZN), Inc (2) |
| Region X | | | |
| Misamis Oriental | 28 | 164,000 | Taytay sa Kauswagan, Inc. |
| Misamis Oriental | | 3,855,100 | Peoples Bank of Caraga, Inc |
| Misamis Oriental | 2 | 110,000 | Cantilan Bank, Inc |
| Misamis Oriental | 7 | 140,900 | Paglaum Multi-Purpose Cooperative |
| Misamis Occidental | 30 | 2,698,500 | Katipunan Bank (ZN), Inc (2) |
| Misamis Occidental | 146 | 1,978,600 | Peoples Bank of Caraga, Inc |
| Misamis Occidental | 643 | 10,372,850 | Paglaum Multi-Purpose Cooperative |
| Misamis Occidental | 7 | 130,000 | Katipunan Bank (ZN), Inc (1) |
| Bukidnon | 59 | 406,000 | Taytay sa Kauswagan, Inc. |
| Bukidnon | 51 | 3,602,000 | Bukidnon Cooperative Bank |
| Bukidnon | 15 | 440,000 | Cantilan Bank, Inc |
| Lanao del Norte | 14 | 72,000 | Katipunan Bank (ZN), Inc (1) |
| Lanao del Norte | 4 | 60,000 | Katipunan Bank (ZN), Inc (2) |
| Region XI | | | |
| Compostela Valley | 53 | 695,700 | Peoples Bank of Caraga, Inc |
| Compostela Valley | 5 | 95,000 | Cantilan Bank, Inc |
| Davao del Sur | 1,026 | 14,310,100 | Peoples Bank of Caraga, Inc |
| Davao del Sur | 52 | 357,000 | Taytay sa Kauswagan, Inc. |
| Davao Oriental | 465 | 5,967,000 | Peoples Bank of Caraga, Inc |
| Davao Oriental | 3 | 110,000 | Cantilan Bank, Inc |
| Davao del Norte | 62 | 1,887,500 | Cantilan Bank, Inc |
| Davao del Norte | 12 | 100,000 | Taytay sa Kauswagan, Inc. |
| Region XII | | | |
| South Cotabato | 27 | 125,000 | Taytay sa Kauswagan, Inc. |
| Region XIII | | | |
| Agusan del Norte | 1,148 | 24,016,600 | Peoples Bank of Caraga, Inc |
| Agusan del Norte | 5 | 179,500 | Cantilan Bank, Inc |
| Agusan del Sur | 750 | 22,717,300 | Peoples Bank of Caraga, Inc |
| Agusan del Sur | 227 | 11,172,500 | Cantilan Bank, Inc |
| Surigao del Sur | 323 | 12,417,200 | Peoples Bank of Caraga, Inc |
| Surigao del Sur | 596 | 25,688,750 | Cantilan Bank, Inc |
| Surigao del Norte | 10 | 353,000 | Cantilan Bank, Inc |
| Surigao del Norte | 43 | 2,068,000 | Tanariz Fisherment Multi-Purpose Cooperative |
| No Province | 2 | 8,000 | Taytay sa Kauswagan, Inc. |
| Total | 28,279 | 583,804,407 | |

Overall, there were 21 MFIs which have participated in the AFFP, many of which have branches in different parts of the country.

Table 4. List of MFIs participating in the AFFP

| |
|---|
| PEOPLES BANK OF CARAGA, INC. (A RURAL BANK) |
| CANTILAN BANK, INC. |
| PAGLAUM MULTI-PURPOSE COOPERATIVE |
| SIMBAG SA PAG-ASENSO, INC. (SEDP) |
| LIBAGON AREA MULTI-PURPOSE COOPERATIVE |
| ARDCI KATIPUNAN BANK (ZN), INC. |
| KATIPUNAN BANK, INC. (1) |
| KATIPUNAN BANK, INC. (2) |
| JM HONRADO FOUNDATION, INC. |
| TAYTAY SA KAUSWAGAN, INC. |
| KAGURUAN MULTI-PURPOSE COOPERATIVE |
| FATIMA MULTI-PURPOSE COOPERATIVE |
| GABAY SA KALAMBOAN MICRO FINANCE COOPERATIVE |
| TANARIZ FISHERMEN MULTI-PURPOSE COOPERATIVE |
| KAZAMA GRAMEEN, INC. |
| OMAGANHAN FARMERS AGRARIAN REFORM COOPERATIVE |
| AGRCIULTURAL DEVELOPMENT WORKERS AND EMPLOYEES MULTI-URPOSE COOPERATIVE |
| CAMARINES SUR MULTI-PURPOSE COOPERATIVE |
| SAKLAW FOUNDATION, INC. |
| LFCI-KASANIB SA PAG-ABOT NG PANGARAP, INC. |
| BUKIDNON COOPERATIVE BANK |
| COOLWAY MULTIPURPOSE COOPERATIVE |

7.2. Procedures/Processes in Accessing the AFFP Funds

There are two distinct sets of processes in accessing the AFFP funds, one is under the LBP and the other under PCFC. The eligibility criteria under the LBP specify that the borrower should not be beyond sixty years of age, should be included in the RSBSA based on the masterlist provided by DA, should have no bad record in the LBP or other credit sources and should have attended the orientation on loan procedure, terms and conditions, credit worthiness and loan repayment (**Figure 4**). The documents that need to be submitted by the loan applicant include loan application form/loan proposal with picture, project description and business plan certified by the MAO, two valid identification cards/document, savings account in LBP and notarized promissory note. The application is submitted to and evaluated by the LBP-LC account officer. After about a month of processing (sometimes longer), approved loans are released by debiting them to the ATM account of the borrower. Repayment period is project-based, but typically six months for crops and livestock projects. Long repayment period of up to three years is allowed for machineries. Repayments are credited from the ATM account of the borrowers.

The procedures under PCFC through the various MFIs have similarities and distinct differences from that of the LBP. In addition, MFIs are independent units and are free to device their own requirements/procedures. The procedures for at least four MFIs, namely the Agricultural and Rural Development for Catanduanes Inc. (ARDCI), Saklaw Foundation Inc. (SFI), Taytay sa Kauswagan Inc. (TSKI) and Jose M. Honrado Foundation Inc. (JMHFI) are shown in **Figures 5 and 6**. The eligibility criteria are similar to that of LBP except that there is no explicit requirement in terms of age. The documents that have to be submitted are also similar to that of LBP except for the need for promissory note and DTI records as well as barangay and business permits for loans exceeding Php 100,000. The loan application is submitted to the Center House which in turn submits it to the MFI. It is then evaluated by the account officer/finance manager of the MFI (this typically takes a week). Once approved the loan is released to the Center House by the MFI field coordinator usually during the Center House meeting. Repayment period can be from 12 to 48 weeks depending on the project. Repayment collection is done weekly by the field coordinator during the Center House meeting. It includes the weekly amortization for the capital and interest as well as the savings and insurance attached to the loan.

Figure 4. Land Bank of the Philippines

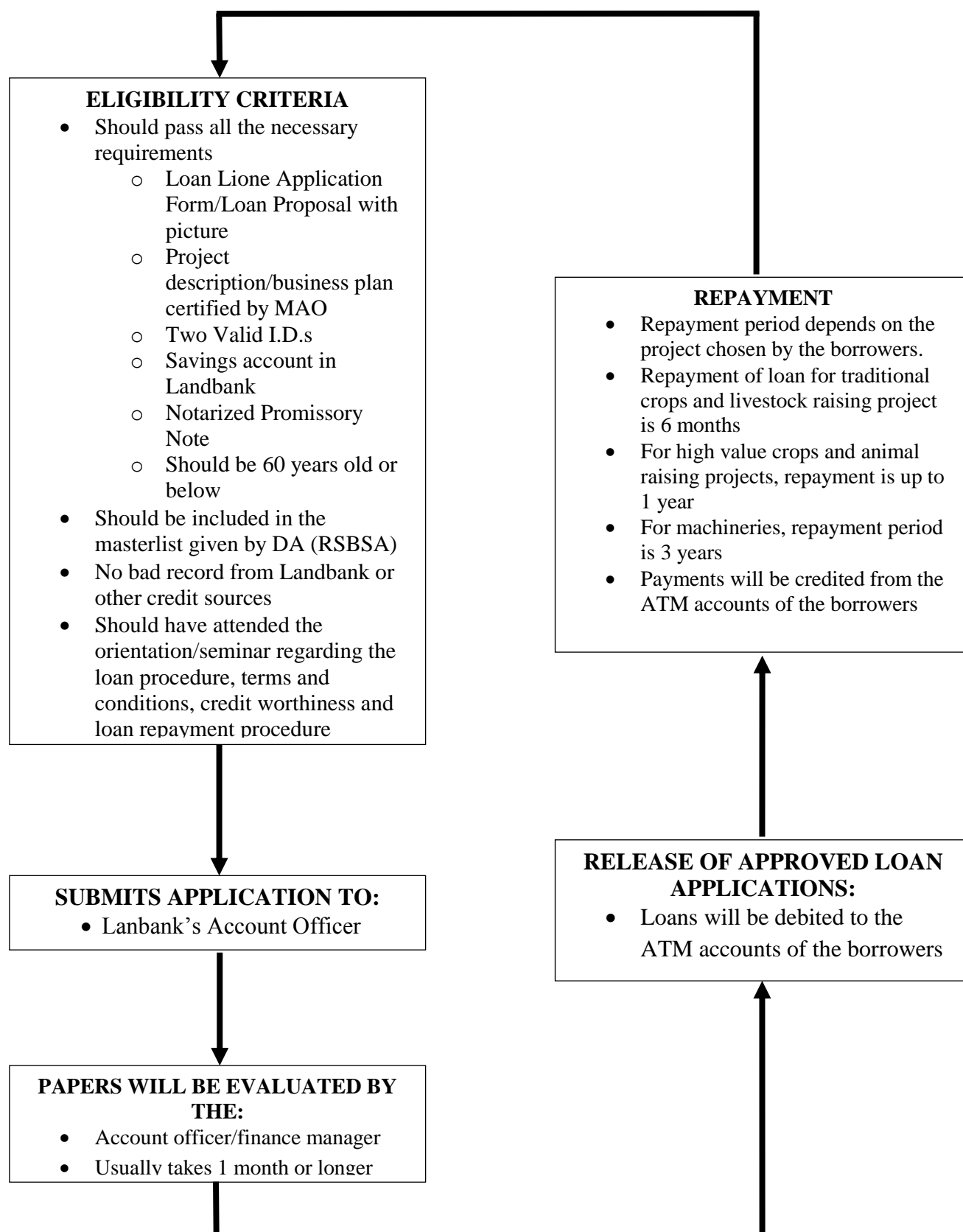


Figure 5. Agricultural and Rural Development for Catanduanes Inc. (ARDCI), Saklaw Foundation Inc. (SFI) & Taytay sa Kauswagan Inc. (TSKI)

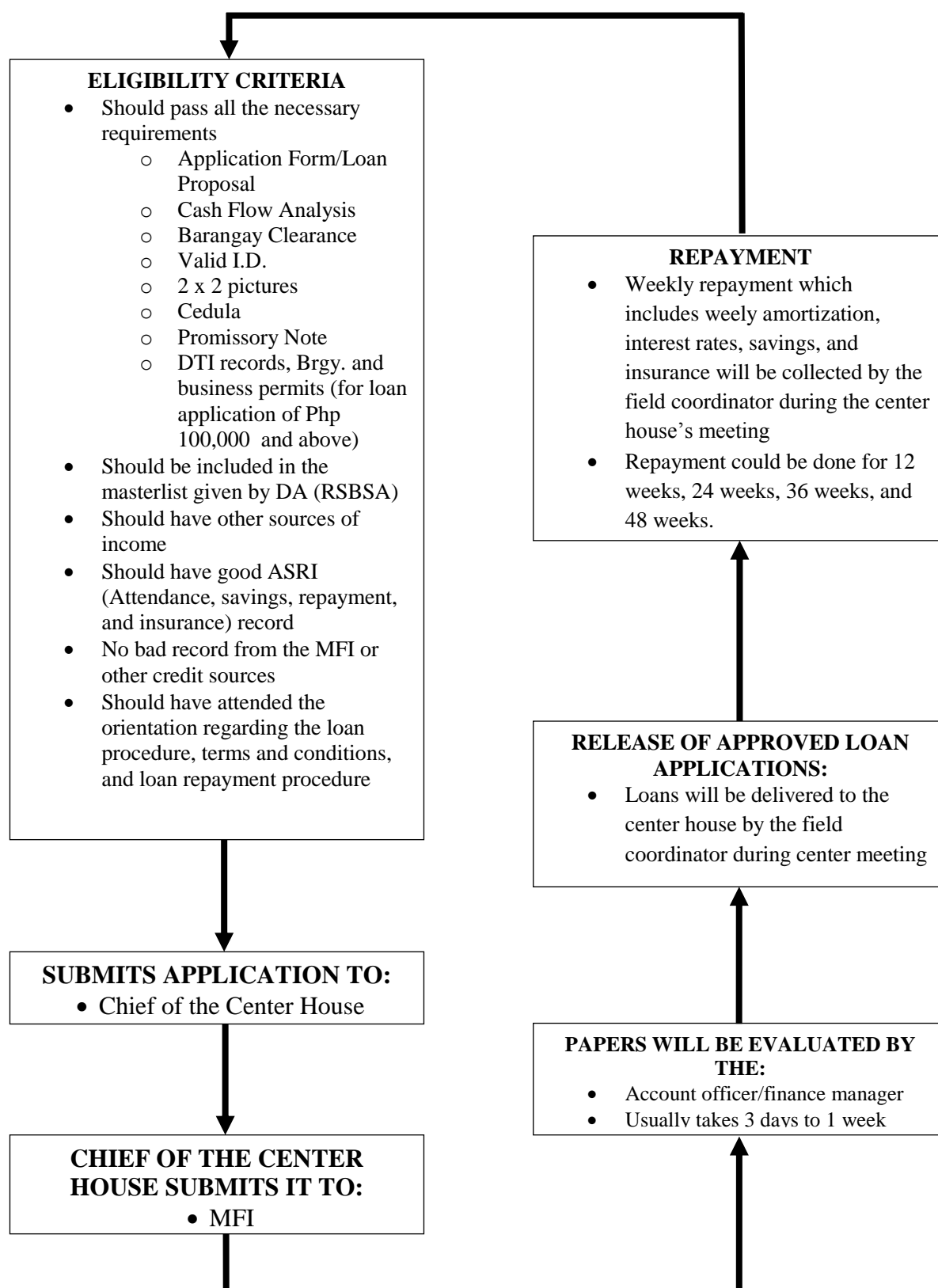
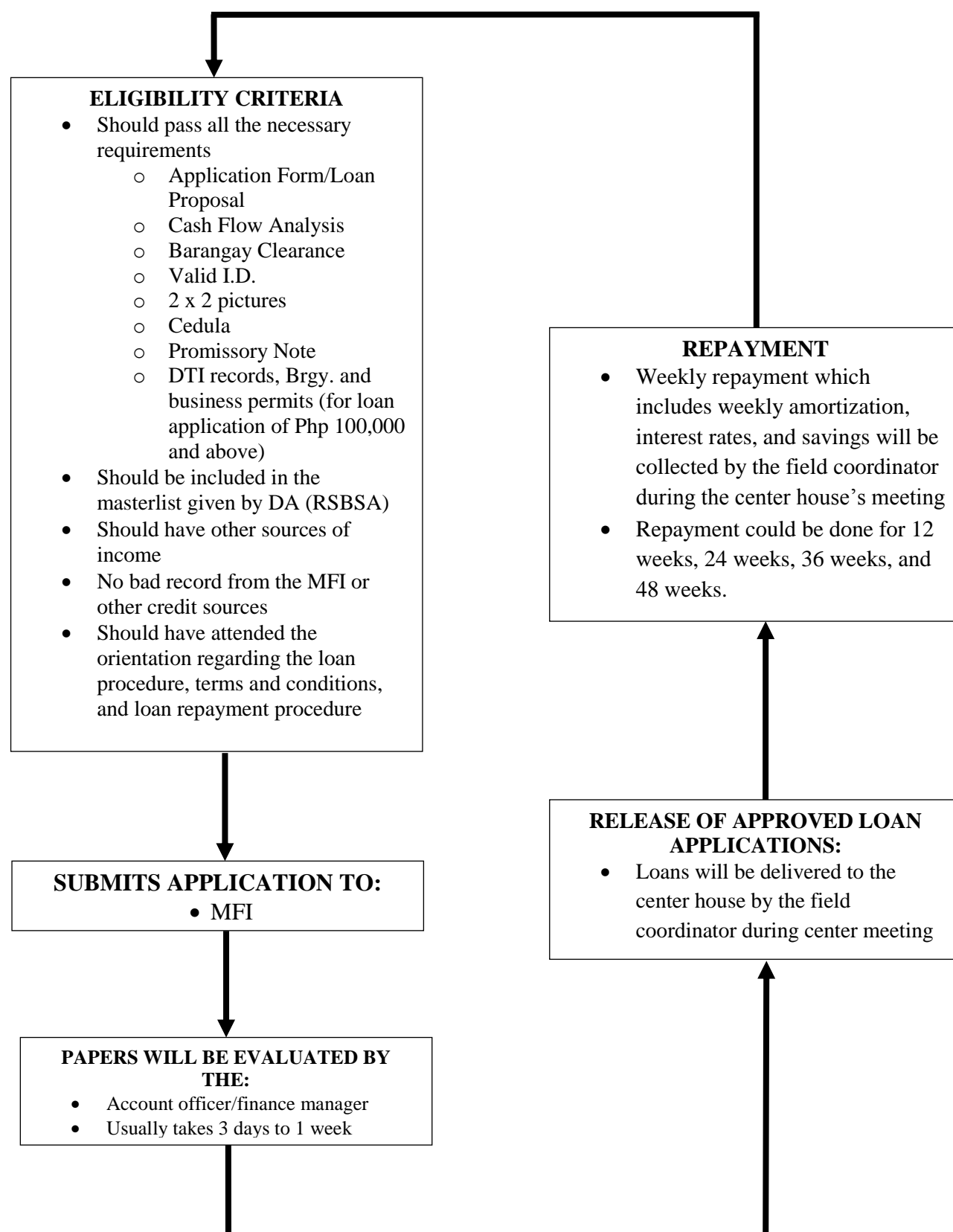


Figure 6. Jose M. Honrado Foundation Inc. (JMHFI)



7.3. AFFP Program Beneficiaries

As earlier indicated, there are to date a total of 29,599 beneficiaries of the AFFP all over the country. Particularly under the LBP, beneficiaries got access to the program since they are listed in the RSBA or members of a service conduit (SC), which is an accredited farmers organization (**Table 5**). Under the PCFC however, beneficiaries were directly recruited to the program by the MFIs. The average amount of loan availed by these beneficiaries range from ₱10,000 to ₱ 20,000 under PCFC (through the various MFIs) and ₱ 56,000 to 150,000 under the LBP (**Table 6**). Even before the AFFP however, the beneficiaries have been availing credit from both the formal and informal sources (**Table 7**) such as the MFIs and traders, respectively. The AFFP therefore served as an additional option for meeting the farmer's credit needs.

A typical AFFP beneficiary is of 46 to 56 years of age, mostly female in the case of PCFC-MFIs and mostly male in the case of LBP (**Table 8**). The beneficiaries have 9 to 10 years of formal education and are mostly married with household of 5 to 6 members. Their major income sources are rice farming (especially those under LBP) or growing a wide variety of crops and livestock, albeit a large number especially under PCFC are engaged in non-agricultural enterprises such as sari-sari store and other buy and sell businesses (**Table 9**). Their primary aspirations are to be able to send their children to school and have successful businesses for a better and stable life (**Table 10**).

Table 5. How the respondents were selected as beneficiary of AFFP

| Response | PCFC | | | | | Land Bank | | | | | Both |
|--|-------------------------------|----------------|----------|--------|------|-----------|--------|---------|---------|------|------|
| | Mindoro Occ. | Mindoro Or. | Sorsogon | Iloilo | All | Kalinga | Apayao | Romblon | Masbate | All | |
| No. of Respondents | 36 | 36 | 36 | 36 | 144 | 36 | 36 | 36 | 36 | 144 | 288 |
| | <u>Percent of Respondents</u> | | | | | | | | | | |
| Through recruitment | 47 | 75 | 86 | 22 | 57.6 | 6 | 6 | 3 | 3 | 4.2 | 30.9 |
| Application | 3 | 3 | 3 | 78 | 21.5 | 6 | - | - | - | 1.4 | 11.5 |
| Attended the orientation regarding the program | 47 | 22 | 11 | - | 19 | 17 | 7 | 3 | - | 6.9 | 13.2 |
| Included in the RSBSA | - | - | - | - | - | 13 | 6 | 63 | 75 | 39.6 | 19.8 |
| Member of a service conduit or an organization | - | - | - | - | - | 58 | 81 | 31 | 22 | 47.9 | 24.0 |
| Has business and good records | 3 | - | - | - | 0.7 | - | - | - | - | - | |

Table 6. Average amount of loan availed of by the surveyed respondents

| | Amount of Loan Requested | Amount of Loan Granted | Amount Paid | Outstanding Balance | Total Amount to be Paid |
|------------------|-------------------------------------|-----------------------------------|--------------------|----------------------------|------------------------------------|
| PCFC | | | | | |
| Occ. Mindoro | 20,250 | 19,306 | 11,676 | 11,162 | 22,849 |
| Or. Mindoro | 21,629 | 20,771 | 12,135 | 15,118 | 24,388 |
| Sorsogon | 9,722 | 9,667 | 5,837 | 5,914 | 11,482 |
| Iloilo | 10,222 | 10,222 | 2,010 | 10,052 | 12,062 |
| Land Bank | | | | | |
| Kalinga | 56,556 | 56,556 | 12,584 | 54,085 | 66,668 |
| Apayao | 72,556 | 72,556 | 4,111 | 81,272 | 85,383 |
| Romblon | 148,389 | 148,389 | 9,986 | 190,311 | 200,297 |
| Masbate | 58,139 | 57,306 | 4,861 | 71,361 | 76,223 |

Table 7. Credit availment before AFFP

| Item | PCFC | | | | | | | | | | Land Bank | | | | | | | | | |
|----------------------|--------------|----|-------------|----|----------|-----|--------|-----|-----|----|-----------|-----|--------|----|---------|-----|---------|----|-----|----|
| | Mindoro Occ. | | Mindoro Or. | | Sorsogon | | Iloilo | | All | | Kalinga | | Apayao | | Romblon | | Masbate | | All | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Credit availment | | | | | | | | | | | | | | | | | | | | |
| Availed of credit | 27 | 75 | 23 | 64 | 21 | 58 | 1 | 3 | 72 | 50 | 33 | 92 | 23 | 64 | 8 | 22 | 5 | 14 | 69 | 48 |
| Did not avail | 9 | 25 | 13 | 36 | 15 | 42 | 35 | 97 | 72 | 50 | 3 | 8 | 13 | 36 | 28 | 78 | 31 | 86 | 75 | 52 |
| Sources of credit | | | | | | | | | | | | | | | | | | | | |
| Formal | 24 | 89 | 20 | 87 | 17 | 81 | 1 | 100 | 62 | 86 | 2 | 6 | 10 | 43 | 8 | 100 | 3 | 60 | 23 | 33 |
| Informal ** | 3 | 11 | 3 | 13 | 4 | 19 | - | - | 10 | 14 | 31 | 94 | 13 | 57 | - | - | 2 | 40 | 46 | 67 |
| Formal credit source | | | | | | | | | | | | | | | | | | | | |
| Bank | 4 | 17 | 9 | 45 | - | - | - | - | 13 | 21 | 2 | 100 | 1 | 10 | - | - | - | - | 3 | 13 |
| MFI | 19 | 79 | 11 | 55 | 17 | 100 | 1 | 100 | 48 | 77 | - | | 1 | 10 | 1 | 12 | 2 | 64 | 4 | 17 |
| Coop | - | - | - | - | - | - | - | - | - | - | - | | 8 | 80 | 5 | 63 | 1 | 36 | 16 | 70 |
| Venture | 1 | 4 | - | - | - | - | - | - | 1 | 2 | - | | - | | 2 | 25 | - | - | 2 | 9 |

Note: 36 respondents per province

** Traders, local money lenders, relatives, neighbors and friends, pawnshop

FINAL REPORT**Table 8. Demographic profile**

| Item | PCFC | | | | | | Land Bank | | | | | |
|-----------------------------|--------------|-------------------------|----------|--------|-------|---------|-----------|-------------------------|---------|---------|-------|---------|
| | Mindoro Occ. | Mindoro Or. | Sorsogon | Iloilo | All | Percent | Kalinga | Apayao | Romblon | Masbate | All | Percent |
| Age (Years) | | | | | | | | | | | | |
| Average | 47.4 | 45.9 | 49.8 | 46.5 | 47.4 | - | 46.8 | 51.8 | 47.3 | 55.6 | 50.4 | - |
| Range | 31-66 | 28-68 | 32-68 | 27-68 | 27-68 | - | 27-69 | 37-77 | 27-60 | 40-82 | 27-82 | - |
| Sex (no. reporting) | | | | | | | | | | | | |
| Male | 4 | 2 | - | - | 6 | 4.0 | 35 | 12 | 36 | 35 | 118 | 81.9 |
| Female | 32 | 34 | 36 | 36 | 138 | 95.8 | 1 | 24 | - | 1 | 26 | 18.1 |
| Civil Status (no reporting) | | | | | | | | | | | | |
| Single | 2 | 2 | - | 2 | 6 | 4.2 | 3 | - | 3 | 1 | 7 | 4.9 |
| Married | 30 | 31 | 35 | 29 | 125 | 86.8 | 33 | 36 | 31 | 35 | 135 | 93.8 |
| Widow/er | 4 | 3 | 1 | 4 | 12 | 8.3 | - | - | 2 | - | 2 | 1.4 |
| Separated | | | | 1 | 1 | 0.7 | - | - | - | - | - | - |
| Education | | | | | | | | | | | | |
| Years in school | | <u>number reporting</u> | | | | | | <u>number reporting</u> | | | | |
| 1-6 | 3 | 1 | 1 | - | 5 | 3.5 | 3 | 2 | 1 | - | 6 | 4.2 |
| 7-10 | 11 | 8 | 18 | 10 | 47 | 32.6 | 18 | 10 | 4 | 19 | 51 | 35.4 |
| 11-15 | 22 | 27 | 17 | 26 | 92 | 63.9 | 15 | 24 | 31 | 17 | 87 | 60.4 |
| Average years in school | 10 | 11 | 9 | 11 | 10 | - | 10 | 11 | 12 | 10 | 11 | - |
| Household size | 5.5 | 5.9 | 7 | 4.7 | 5.8 | - | 5.7 | 4.9 | 5.4 | 6.3 | 5.6 | - |
| Number of dependents | 2.7 | 2.6 | 2.1 | 1.7 | 2.3 | - | 2.1 | 1.5 | 2.1 | 2 | 1.9 | - |

Table 9. Major sources of household income

| Major Sources of Household Income | PCFC | | | | | Land Bank | | | | | Both |
|-----------------------------------|--------------|-------------|----------|--------|-------|-----------|--------|---------|---------|-------|-------|
| | Mindoro Occ. | Mindoro Or. | Sorsogon | Iloilo | All | Kalinga | Apayao | Romblon | Masbate | All | |
| <u>Percent Reporting</u> | | | | | | | | | | | |
| Agriculture | 27.8 | 44.4 | 36.1 | 16.7 | 31.3 | 100.0 | 97.2 | 44.4 | 44.4 | 71.5 | 51.4 |
| Employment & Remittances | 8.3 | - | 13.9 | 13.9 | 9.0 | - | 2.8 | 47.2 | 44.4 | 23.6 | 16.3 |
| Non Agriculture | 63.9 | 55.6 | 50.0 | 69.4 | 59.7 | - | - | 8.3 | 11.1 | 4.9 | 32.3 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Note: 36 respondents per province; details in Appendix Table 2

Table 10. Aspirations

| Aspiration | PCFC | | | | | Land Bank | | | | | Both |
|--|-----------------|----------------|----------|--------|-----|-----------|--------|---------|---------|-----|------|
| | Occ. Mindoro | Or. Mindoro | Sorsogon | Iloilo | All | Kalinga | Apayao | Romblon | Masbate | All | |
| <u>Percent Reporting</u> | | | | | | | | | | | |
| None | 6 | - | - | - | 1 | - | - | - | 3 | 1 | 1 |
| Send children to school | 72 | 75 | 83 | 75 | 76 | 72 | 67 | 61 | 64 | 66 | 71 |
| Have a new business/Expand the business | 11 | 36 | 28 | 53 | 32 | 22 | 17 | 17 | 8 | 12 | 21 |
| Have a life insurance/savings/better life | 17 | 28 | 3 | 42 | 22 | 39 | 22 | 25 | 17 | 5 | 14 |
| Better house/Renovate the house/buy a lot | 6 | 19 | 3 | - | 7 | - | - | - | 8 | 2 | 4 |
| Own a vehicle (tricycle, 4-wheel, motorcycle, banca) | 14 | 14 | - | 3 | 8 | 3 | 11 | 11 | - | 6 | 7 |

Note: 36 respondents per province, multiple response, details in Appendix Table 3

7.4 Determinants of Repayment Default

As earlier mentioned, the AFFP is beset with the problem of considerably high incidence of default, particularly for funds retailed through the LBP. Loans initially retailed through the PCFC and its various conduit MFIs had much better repayment rates. With the abolition of PCFC however, LBP stands to be the sole conduit of the AFFP funds.

Repayment rate is the most important success measure in any credit program, be it by the government or private financial institutions. Extending financing assistance is one thing while retrieving at least the capital component of the loan extended is quite another. The magnitude and spread by which a loan program has been extended to intended clients refer to the outreach of such program. On the other hand, the capacity of the program to retrieve the extended funds is measured using repayment rates. Obviously, outreach and repayment rates are highly intertwined. A credit program with good repayment rates would likely have a larger outreach since when loans are repaid, these can be used to finance succeeding demands for loanable funds.

There are a number of reasons why a loan recipient would default on agreed repayment, albeit these can be generally categorized into two namely, intentional and non-intentional. Intentional default is linked to dole-out mentality and is often associated with government sponsored programs. In such case, loan recipients have no intention to repay the loan since they view it as a form of welfare assistance from the government to which they are entitled as poor or marginalized units of society. Previous studies have long raised the concern that dole-out programs may not really be empowering since these could only breed a sense of entitlement and continued dependence on government support.

Non-intentional default on the other hand, deserves a closer examination since effective measures can be done to minimize it. Factors contributing to non-intentional default are varied and may include force-majeure, lack of capacity to pay, failed leveraging strategies, cumbersome repayment schemes, security attached to the loan (i.e. with or without collateral) and the viability of the enterprise in which the loan was invested, among others. Understanding the reasons for non-intentional default can go a long way in devising successful credit programs that could be empowering to poor farmers and fisherfolks and would have the greatest possible outreach and excellent repayment rates.

The repayment period and interest rates for AFFP funds loaned through the LBP and PCFC are shown in **Table 11**. Regardless of whether from LBP or PCFC, the loan is generally short-term with repayment period of six months to 1 year. There were cases of repayment shorter or longer than this, but these may be considered as exceptional cases. Loans under PCFC which were generally retailed through the various MFIs bear an interest rate of about 34 percent per year. These approximate the market rates or could even be higher. Loans from the LBP have much lower interest rates of just about 7.5 percent for six months to 15 percent per year. The PCFC and the MFIs are engaged in a wholesale-retail scheme, where the former serves as wholesaler while the latter as retailers. As wholesaler, PCFC charges 4.5 percent interest rate per year for funds extended to the MFIs. The MFIs then retail the funds to the borrowers at an interest rate that approximate the market rates. In contrast, the LBP directly retails the funds to the borrowers, hence the lower interest rates. Surprisingly though, the repayment performance under the PCFC through its various MFI retailers is far better than that under the LBP.

A more detailed examination of the reasons for the high default rate of LBP borrowers is shown in **Table 12**. Majority of default borrowers in Kalinga and Apayao cited the calamity (typhoon) that struck the province and pest infestation as the primary reason for defaulting while those from Romblon and Masbate admitted that the money for repayment was used to meet personal/family needs. Low income also figured prominently in all provinces as reason for default. Low income was due to a number of factors such as low harvest, low farm prices received for their produce or high input cost.

Table 11. Interest rate and repayment rate, PCFC and LBP

| Province | Conduit | Interest Rate (%) / Annum | Repayment Rate (%) |
|--------------------|---|---------------------------|--------------------|
| PCFC | | | |
| Mindoro Occidental | Agricultural and Rural Development for Catanduanes Inc. (ARDCI) | 34 | 100 |
| Mindoro Oriental | Agricultural and Rural Development for Catanduanes Inc. (ARDCI) | 34 | 100 |
| | Saklaw Foundation Inc. (SFI) | 34 | 100 |
| Sorsogon | Agricultural and Rural Development for Catanduanes Inc. (ARDCI) | 34 | 100 |
| | Jose M. Honrado Foundation Inc. (JMHFI) | 34 | 96 |
| Iloilo | Taytay sa Kauswagan, Inc. (TSKI) | 34 | 92 |
| LBP | | | |
| Kalinga | Babalag Annayup Irrigators Association | 15 | 48.62 |
| | Bangkod Alangyan Farmers Association | 15 | 3.48 |
| | Macutay Farmers Association | 15 | 10.03 |
| | Macutay Palao Irrigators Association | 15 | 36.99 |
| | San Pascual Farmers Association | 15 | 21.18 |
| Apayao | Abana Farmers Association, Inc. | 15 | 55.13 |
| | Cassava Planters Association | 15 | 7.94 |
| | Malekkeg Rural Improvement Club | 15 | 0.70 |
| | Saranay Multi-Purpose Cooperative | 15 | 0.97 |
| Romblon | Arya CF Multi-Purpose Cooperative | 15 | 18.43 |
| | Tabobo-an Farmers Association | 15 | 0.81 |
| | Tulay Farmers Association | 15 | 2.46 |
| Masbate | Cataingan Municipal Officials & Employees Cooperative | 15 | 2.02 |
| | Mauswagong Credit Cooperative | 15 | 20.34 |
| | Quenscup ARB & Marginal Farmers Cooperative | 15 | 2.38 |

Table 12. Reasons for default of LBP borrowers

| Reasons for Default | Provinces | | | |
|---|--------------------------------|-------------------------------|--------------------------------|--------------------------------|
| | Kalinga (Percent Defaulted) | Apayao (Percent Defaulted) | Romblon (Percent Defaulted) | Masbate (Percent Defaulted) |
| Struck by Calamity (either typhoon or pest infestation) | 85 | 64 | 17 | 23 |
| Money for Repayment Used for Personal/Family Needs | 15 | 15 | 18 | 42 |
| Low Income (either due to poor harvest, poor farm prices or high input costs) | | 21 | 65 | 32 |
| Too Short Repayment Period | | | | 3 |

7.5 Probability of Default

A more empirical investigation of the factors affecting repayment default was made by estimating a probit model of the following specification:

$$RS = f(HHI, Educ, HHS, FSize, CType, NFE, AmtL, LPurpose, IntR, Pmode, DistRC, CollatD, Source)$$

| | |
|----------|--|
| RS | = Repayment Status (0 if on time; 1 if on default) |
| HHI | = Monthly Household Income |
| Educ | = Years of education |
| HHS | = Household Size |
| FSize | = Farm Size |
| Ctype | = Commodity type dummy (0 if traditional; 1 if high value) |
| NFE | = Non-Farm Employment (0 if none; 1 if with non-farm employment) |
| AmtL | = Amount of loan |
| LPurpose | = Purpose of loan (0 if agricultural; 1 if non-agricultural) |
| IntR | = Interest Rate |
| Pmode | = Mode of Repayment (categorical variable) |
| DistRC | = Distance from Repayment Center |
| CollatD | = Collateral dummy (0 if no collateral; 1 with collateral) |
| Source | = Source dummy (0 if LBP; 1 if PCFC) |

Results of the estimation are shown in **Table 13**. Years of education, farm size, non-farm employment, interest rate and collateral requirement are the statistically significant variables which may affect the probability of default. The negative coefficient of the years of education variable means the higher the education the less likely the borrower will default from payment of his loan. This is consistent with a priori notion since higher education may improve the sense of responsibility and attitude towards borrowed funds.

The coefficient of farm size is also negative which means the larger the farm size the less likely the borrower will default. This is plausible considering that farm size is directly related to farm income, hence better capacity of borrowers to pay his loan. Related to this, the household income variable actually turned out to also be negative (although not statistically significant) which somehow supports the notion that the higher the income the less likely the borrower will default.

The non-farm employment variable seems to have a less intuitive result. This variable was found to be statistically significant but the direction with which it will affect the probability of

repayment default seems bewildering. The positive sign of this variable suggests that as the borrower engages in more non-farm employment the higher the probability that he will default on his loan. This appears inconsistent since engaging in non-farm employment expectedly increases income, hence the higher capacity to pay a given loan. The only plausible explanation could be that since AFFP is an agricultural financing facility, those who initially borrowed from this facility but have non-farm employment as major income source may not really care to pay the loan since the loan is not secured by any collateral anyway.

The most interesting results of the probit model estimates concern the variables on collateral requirement and interest rate. These two are the most statistically significant variables in the model and both exhibited negative signs. The collateral requirement variable was a binary dummy with zero when no collateral is required and one when collateral is required. The negative sign of this variable therefore indicates that the borrower is less likely to default on his repayment if the loan is secured by collateral.

The result for the interest rate variable seems controversial, but very plausible when pondered deeply. The variable exhibited a negative sign suggesting that the higher the interest rate the less likely the borrower will default. This supports the observation of high repayment rates for loans extended thru PCFC-MFIs which bears much higher interest rate than loans channeled thru LBP. This makes much economic sense since high interest rate means the cost of default is high. High interest rate is therefore a disincentive to default, which probably explains the seemingly paradoxical observation in the country that repayment rates for high interest informally sourced loan (such as from loan sharks) are better compared to government subsidized low interest credit programs channeled through formal sources.

Table 13. Result of the probit regression of the factors contributing to high default rate

| Item | Regression Coefficient | Standard Error | Z | P-Value |
|---------------------------|------------------------|----------------|-------|---------|
| Intercept | 2.526848 | 1.189233 | 2.12 | 0.034 |
| Household Income | -0.00000292 | 0.00000492 | -0.59 | 0.553 |
| Years of Education | -0.0964644* | 0.051991 | -1.86 | 0.064 |
| Household Size | 0.1609809 | 0.1025513 | 1.57 | 0.116 |
| Farm Size | -0.2556818** | 0.1262904 | -2.02 | 0.043 |
| Non-Farm Employment | 0.6980279* | 0.3638743 | 1.92 | 0.055 |
| Amount of loan | 0.000000470 | 0.00000614 | 0.08 | 0.939 |
| Interest Rate | -12.09101** | 5.593481 | -2.16 | 0.031 |
| Mode of Payment quarterly | 2.875406 | 2.272399 | 1.27 | 0.206 |
| Collateral Requirement | -1.552015*** | 0.4840523 | -3.21 | 0.001 |

Log Likelihood = -41.820521; Pseudo R² = 0.2876; LR Chi-square = 33.77;

Probability > Chi-square = 0.0001; Number of observations = 88

***significant at 1% probability level

**significant at 5% probability level

*significant at 10% probability level

7.6 Indications of Impact

It is unreasonable to expect the full realization of sustained impact from the AFFP since the program has been implemented for only two years to date. Nevertheless, indications of impact may already be evident since the loans availed by beneficiaries were short-term in nature and generally used to finance short gestating agricultural and non-agricultural livelihood projects. For instance, an AFFP loan used to finance successful backyard swine raising may have already contributed to improvement in household income within the two-year duration of AFFP since swine raising is a short gestating livelihood project. Similarly, an AFFP loan used to finance a non-agricultural livelihood project such as expansion of merchandize in the case of a “sari sari store” may have already contributed to increases in household income.

Indications of impact were examined by simply investigating any household income increment that may be attributed to the program. This entailed examining first in what livelihood project the loan was used, how it was used and how such use affected the cost and income structure and profitability of the livelihood project. This part of the analysis made use of the partial budget as analytical tool. The second approach was to estimate a household income function to see whether participation in the program is indeed positively affecting the level of household income. As complementary test, comparison of means of household income before and after participation in AFFP (using t-Test) and whenever relevant and possible comparison of productivity before and after AFFP participation were also employed.

7.7 Results of Partial Budget Analysis

The loans obtained from AFFP either through PCFC-MFIs or LBP enabled borrowers to obtain net income increment by using the loans to finance income generating enterprises (**Tables 14 and 15, Appendix Tables 4 to 30**). In Iloilo which is under PCFC and where the major MFI was the Taytay sa Kauswagan, Inc. (TSKI), the borrowers used the loan to finance swine raising, fish vending, buy and sell of assorted items and sari-sari stores. These enterprises generated positive net income increment ranging from ₱ 2,500 to ₱11,800 depending on the operating cycle of the enterprise.

In Mindoro Occidental, the major MFI was the Agricultural and Rural Development for Catanduanes Inc. (ARDCI). The interest rate charged by this conduit is around 17 percent per annum. The major enterprises/livelihood projects for which the borrowers used the loan include the improvement in palay production using hybrid seeds, broiler production, seaweeds culture, fish vending, expansion of sari-sari store and buy and sell business. Except for broiler production, partial budget analysis of these enterprises showed that the borrowers were able to derive substantial income increment ranging from ₱ 5,000 to ₱17,000 depending on the enterprise.

The two major MFIs in Oriental Mindoro which retailed the AFFP funds in the province were the ARDCI and the SFI. The borrowers used the loan to finance palay production, swine raising, fish vending, sari-sari store and in buy and sell businesses. Positive net income increments were generated from these enterprises except in the case of palay production. Positive net income increments were also achieved by borrowers in Romblon which used the loan to finance palay production and in renting out farm machineries. However, the buy and sell business incurred some losses.

Positive net income increments were also obtained by borrowers of AFFP funds retailed through the LBP (**Table 15**). The borrowers used the loans to finance crop and livestock production, fishing, fish vending and in putting up sari-sari stores or expanding existing ones. Net income increments ranged from ₱ 2,000 to ₱ 37,000 in Sorsogon; ₱ 11,000 to ₱ 25,000 in Kalinga and close to ₱ 26,000 in Apayao.

Table 14. Summary of partial budget analysis, PCFC covered provinces

| Enterprise/Livelihood by Province | Increase in Income (Pesos) | Increase in Cost (Pesos) | Net Income Increment (Pesos) |
|--|-----------------------------------|---------------------------------|-------------------------------------|
| Iloilo | | | |
| Swine Raising | 30,875 | 19,075 | 11,800 |
| Fish Vending | 12,000 | 6,000 | 6,000 |
| Sari-Sari Store | 12,730 | 10,200 | 2,530 |
| Buy and Sell | 16,625 | 9,417 | 7,208 |
| Mindoro Occidental | | | |
| Palay Production Using Hybrid Seeds | 67,259 | 49,809 | 17,450 |
| Broiler Production | 14,840 | 21,512 | -6,672 |
| Seaweeds Culture | 9,900 | 4,260 | 5,640 |
| Fish Vending | 20,500 | 4,833 | 15,667 |
| Sari-Sari Store | 16,500 | 5,000 | 11,500 |
| Buy and Sell | 20,750 | 4,416 | 16,333 |
| Mindoro Oriental | | | |
| Palay Production Using Hybrid Seeds | 34,113 | 39,309 | -5,196 |
| Swine Raising | 47,395 | 33,466 | 13,929 |
| Fish Vending | 8,750 | 2,250 | 6,500 |
| Sari-Sari Store | 18,450 | 12,300 | 6,150 |
| Buy and Sell | 17,500 | 8,667 | 8,833 |
| Romblon | | | |
| Palay Production Using Hybrid Seeds | 57,453 | 33,950 | 23,503 |
| Agricultural Machine Renting | 43,200 | 24,050 | 19,150 |
| Buy and Sell | 90,000 | 100,000 | -10,000 |

Table 15. Summary of partial budget analysis, LBP covered provinces

| Enterprise/Livelihood by Province | Increase in Income (Pesos) | Increase in Cost (Pesos) | Net Income Increment (Pesos) |
|--|-----------------------------------|---------------------------------|-------------------------------------|
| Sorsogon | | | |
| Crop Production | 59,000 | 22,110 | 36,890 |
| Fish Vending | 8,625 | 4,000 | 4,625 |
| Livestock Raising | 21,214 | 18,107 | 3,107 |
| Buy and Sell | 4,525 | 2,604 | 1,921 |
| Sari-Sari Store | 11,045 | 6,500 | 4,545 |
| Masbate | | | |
| Crop Production | 53,014 | 27,613 | 25,401 |
| Fishing | 12,000 | 1,450 | 10,550 |
| Buy and Sell | 124,000 | 103,333 | 20,667 |
| Kalinga | | | |
| Crop Production | 80,693 | 55,156 | 25,537 |

7.8 Household Income Function

The effect of AFFP on household income of the beneficiaries was investigated by estimating the following household income function:

$$HHI = f(\text{Age, Educ, FSize, Ctype, NFE, HHS, PD})$$

Where:

| | |
|-----------|--|
| HHI | = Monthly Household income |
| Age | = Age of program participant |
| Educ | = Educational attainment |
| Farm Size | = Farm Size |
| Ctype | = Commodity type dummy (0 if traditional; 1 if high value) |
| NFE | = Non-farm employment dummy (0 if none; 1 otherwise) |
| HHS | = Household Size |
| PD | = Program participation dummy (0 before; 1 after) |

The estimation results for the household income function are shown in Table 16. Farm size, household size and participation in the AFFP were found to be the statistically significant determinants of household income. Larger farm size results to higher household income, which is consistent with the a-priori notion about how this variable affects household income. Larger farm size offers greater income opportunity for farm-dependent households. The variable on household size also has a positive sign which means that larger household will tend to have higher household income. This is again expected especially in an agriculture based economy since larger households have larger agricultural manpower which can be used as family labor or labor that can be rented out to other farms. The most interesting result however, is about the AFFP participation variable which turned out to be positive and statistically significant. This means participation in the AFFP resulted to higher household income.

Table 16. Result of the linear regression of the factors affecting household income

| Item | Regression Coefficient | Standard Error | T | P-Value |
|-----------------------|------------------------|----------------|-------|---------|
| Age | -366.936 | 236.3047 | -1.55 | 0.121 |
| Years of Education | 817.2526 | 729.8793 | 1.12 | 0.264 |
| Farm Size | 9226.253*** | 1314.223 | 7.02 | 0.000 |
| Commodity type | -4800.352 | 9314.31 | -0.52 | 0.607 |
| Non-farm employment | -2409.677 | 4670.145 | -0.52 | 0.606 |
| Household Size | 2185.902* | 1156.396 | 1.89 | 0.060 |
| Program Participation | 37010.57*** | 4366.783 | 8.48 | 0.000 |

$R^2 = 0.2705$; adjusted $R^2 = 0.2565$;

Probability > F = 0.0000; Number of observations = 374

***significant at 1% probability level

**significant at 5% probability level

*significant at 10% probability level

7.9 Mean Difference Analysis (t-Test)

Mean difference analysis using t-test was also employed to examine statistically significant difference in household income before and after participating in the AFFP. Results showed that household income of borrowers when they participated in the AFFP was on average much higher than that before participation (Table 17).

The results of the partial budget analysis, household income function and mean-difference analysis using t-Test all suggest that there is strong indication that participation in the AFFP improved the household income of borrowers. As mentioned earlier though, results can only be interpreted as indication of impact considering that the program has merely been in place for only two years.

Table 17. Comparison of the means of the average household income by AFFP Participation

| AFFP Participation | Mean Input | Std. Error | Std. Dev. | t | Df |
|---------------------------|------------|------------|-----------|--------|-----|
| During AFFP Participation | 45,957.15 | 2972.125 | 50438.63 | 9.6490 | 574 |
| Before AFFP Participation | 14,464.81 | 1348.67 | 22887.68 | | |
| Difference | 31,492.34 | 3263.807 | | | |

7.10 Beneficiaries Perception on AFFP and How It Affected their Well-Being

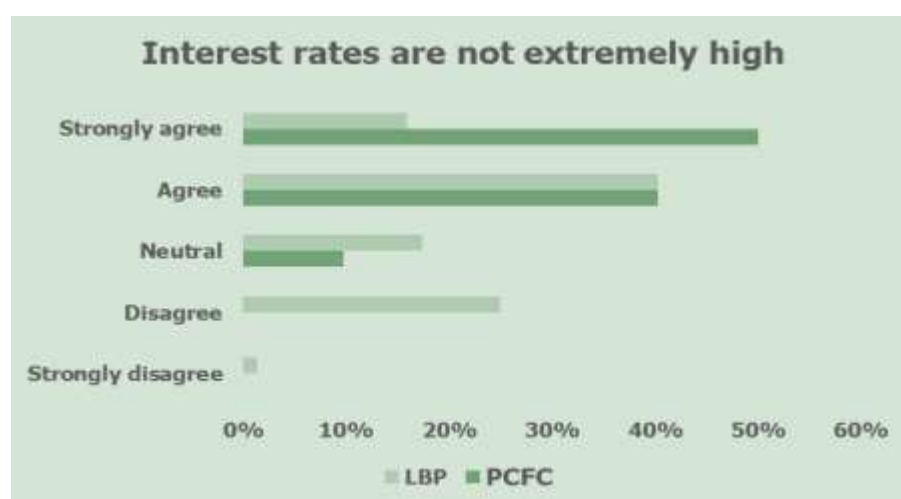
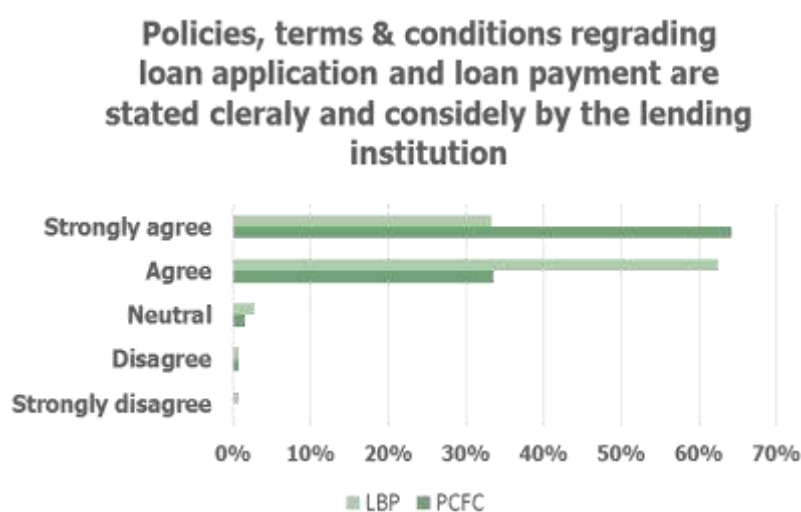
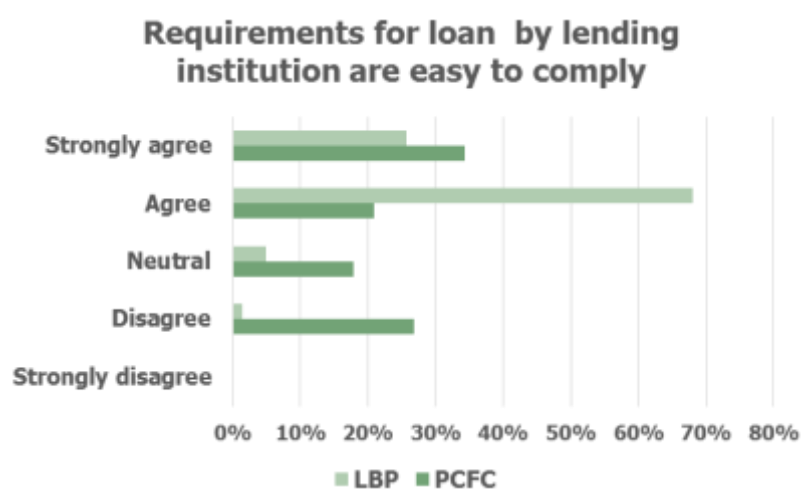
Interestingly, the results of empirical estimates indicating positive effect of AFFP on household income seem to be validated when the beneficiaries themselves were asked how the program affected their well-being (**Table 18 and Appendix Table 31**). Regardless of whether under the PCFC or LBP, majority of the respondents claimed the program has somehow improved their well-being as evidenced by the fact that many of them were able to renovate their houses and were even able to buy some appliances and fixtures. Overall, their lives became relatively easier as a result of the additional income generated from the various enterprises where they invested their loans.

The beneficiaries generally expressed positive views about the AFFP (Figures on Perceptions and **Appendix Table 32**). They believe the policies, terms and conditions attached to the loans were clearly explained to them by the lending conduits and the requirements were easy to comply with. They also view the interest rates as reasonable, albeit a number of borrowers in Romblon and Masbate under the LBP consider the interest rates as still high. In general, the beneficiaries expressed favorable view on the sufficiency of the amount loaned to finance their intended enterprises/livelihood projects, although speed and timeliness of loan release may have to be improved especially in the case of Masbate and Romblon.

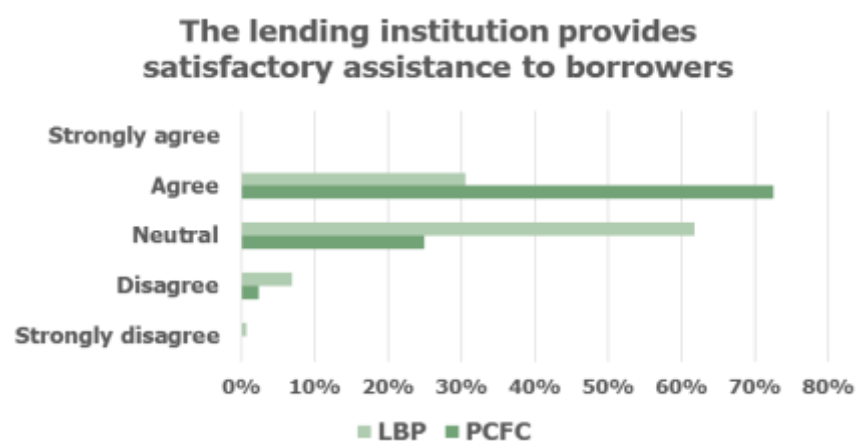
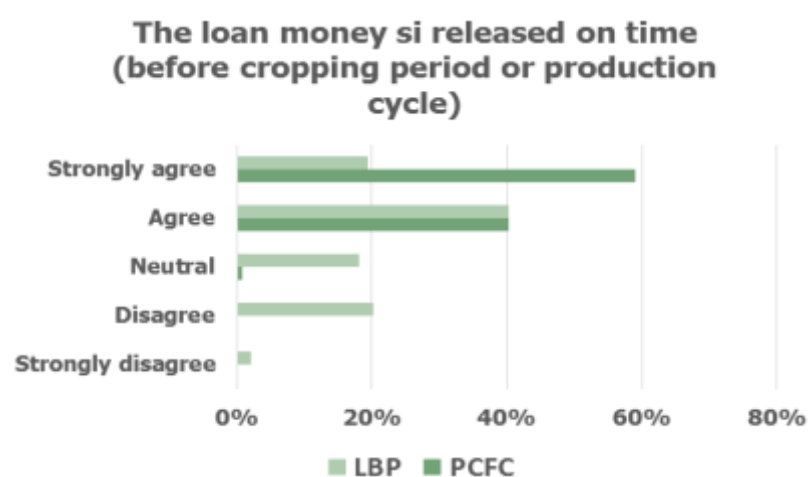
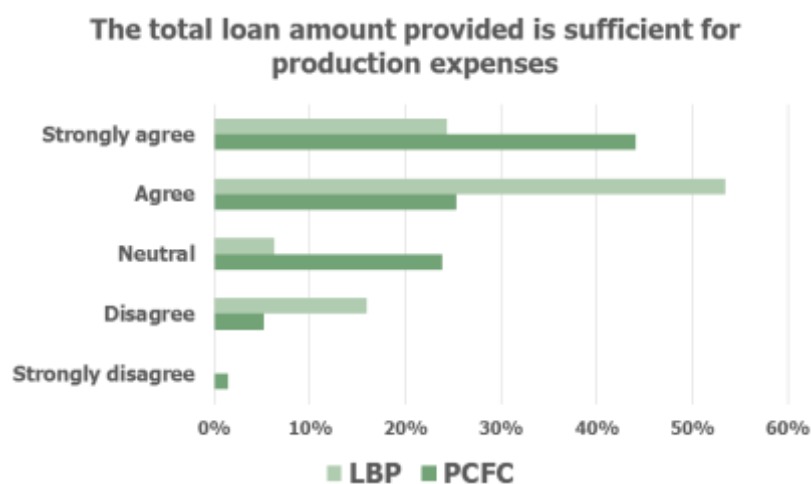
Table 18. Changes on the level of living.

| Item | PCFC | | | | | | | | | | LAND BANK | | | | | | | | | | Both | |
|--|--------------|----|-------------|----|----------|----|--------|-----|-----|----|-----------|----|--------|----|---------|----|---------|-----|-----|------|------|------|
| | Mindoro Occ. | | Mindoro Or. | | Sorsogon | | Iloilo | | All | | Kalinga | | Apayao | | Romblon | | Masbate | | All | | | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| Buy new applicances, gadgets and vehicle | 22 | 61 | 22 | 61 | 25 | 69 | 15 | 42 | 84 | 58 | 14 | 39 | 35 | 97 | 15 | 42 | 9 | 25 | 73 | 50.7 | 157 | 54.5 |
| Improved standard of living | 19 | 53 | 20 | 56 | 35 | 97 | 36 | 100 | 110 | 76 | 28 | 78 | 34 | 94 | 30 | 83 | 37 | 103 | 129 | 89.6 | 239 | 83.0 |
| Able to provide for children's education | 1 | 3 | 1 | 3 | - | - | - | - | 2 | 1 | - | - | - | - | 1 | 3 | - | - | 1 | 0.7 | 3 | 1.0 |
| Establishment and expansion of business | 4 | 11 | 4 | 11 | 1 | 3 | 9 | 25 | 18 | 13 | 2 | 6 | 5 | 14 | 6 | 17 | 1 | 3 | 14 | 9.7 | 32 | 11.1 |
| No improvement | 4 | 11 | 2 | 6 | - | - | - | - | 6 | 4 | 5 | 14 | 1 | 3 | 1 | 3 | 1 | 3 | 8 | 5.6 | 14 | 4.9 |

Figures on Perceptions about AFFP



Figures on Perceptions about AFFP (cont'd)



7.11 Insights from FGDs and KIs

Key informant interviews were carried out in all provinces involving the MFIs and service conduits, the key officers and staff of ACPC, LBP and PCFC who are knowledgeable about the AFFP. In addition, FGD was done in each province covered in the study involving the beneficiaries themselves in order to derive insights and lessons learned from program implementation.

On Repayment Default

The LBP is currently grappling with the problem of very high incidence of default. Compared to PCFC-MFIs which are enjoying high repayment rates, this situation seems paradoxical considering that interest rates under the LBP are very much lower than those under PCFC-MFIs. Such difference in repayment performance between these two major conduits may be due mainly to two reasons. First, the LBP loan is strictly targeted for the financing of agricultural enterprises whereas that under PCFC-MFIs allows the loan to be used for non-agricultural businesses provided the borrower is a member of an agricultural household. Indeed, many of the loans under the PCFC were used to finance sari-sari stores and buy and sell businesses which are less risky and have more viable cash flows. In the case of LBP, many of those who defaulted especially in Kalinga and Apayao claimed they were struck by calamities such as typhoons and high pest infestation which resulted to very low farm income. In Romblon, many of the borrowers defaulted when the farm price of swine went down due to oversupply since most of the borrowers invested their loans in swine raising. Second, the PCFC-MFIs have very close monitoring of their borrowers and were able to collect repayment on a weekly basis. In contrast, the LBP hardly monitors their borrowers due to limited manpower. The staff in Landbank, Tabuk even retorted that they should be given additional incentives since the AFFP is just an additional work to them.

On the Role of Service Conduits

Farmers Associations and cooperatives are suppose to play a key role in the administration and monitoring of AFFP loans secured from the LBP. In Kalinga and Apayao many of these conduits were interviewed such as the Macutay Farmers Association, San Pascual Farmers Association, Macutay Palao Irrigators Association, Babalag Anayup Irrigators Association, and Bangkod Alangyan Farmers Association, Saranay Multi-Purpose Cooperative, Cassava Planters Association, Malekgeg Rural Improvement Club, and Abana Farmers Association, Inc.

It was found that the role of these conduits was limited to collecting the documentary requirements from farmers for submission to the LBP and gathering the farmers in one place when the LBP calls for a meeting. It was also learned that many of the conduits were formed merely to access the AFFP loan facility. Among the various conduits, it was only the Saranay Multi Purpose Cooperative which have direct market linkage for the produce of the members.

On Loan Ceiling and Interest Rates

Borrowers from AFFP see the need for LBP to increase the loan ceiling per commodity since the current ceiling is not even sufficient to cover the total production cost per crop or commodity cycle. The loan ceilings for rice, corn and cassava for instance are PhP 30,000, PhP 32,000 and PhP 20,000, respectively. In addition, many borrowers are requesting to further lower the interest rates attached to the loan.

On Speed and Timeliness of Loan Release

The release of loan under PCFC-MFIs is generally faster and more timely compared to that under the LBP. In Romblon which is under the LBP, there were cases when it took a year before loan was released since the LBP required that all members of the service conduits be compliant first to all requirements thus, dragging unnecessarily the processing of loan applications of the other members.

On Commodity Insurance

One innovative feature of the AFFP is the provision of commodity insurance—the payment for such is already deducted from loan proceeds. Some borrowers suggest that the insurance scheme be studied more carefully to ensure that the actual risk associated with a given enterprise will really be covered. For instance in the case of swine raising, only the sows can be insured while the piglets/weanlings are the most prone to disease.

On Repayment Schedule

A number of the borrowers believe that repayment schedule should completely be project-specific. In the case of PCFC-MFIs borrowers, weekly repayment does not seem to be reasonable especially when the loan was used to finance crop or livestock enterprises since income from such could only be realized after several months. A flexible repayment schedule designed carefully to fit the nature of the project cash flow would ease the borrowers of the repayment

8. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study was originally conceived as an impact assessment of the AFFP using the propensity score matching and double difference approach. However, ACPC decided to refocus the study to performance evaluation considering that the AFFP has just been implemented and is currently on hold. The program is currently beset with high incidence of defaults especially the loan funds retailed through the LBP. Repayment rates were better for funds retailed thru the PCFC, but the abolition of this conduit added another complication in program implementation. The current state and performance of the program are the paramount concerns of the principal. Assessment of impact may just be limited to “indications of impact”, particularly on overall household income of beneficiaries.

Of particular interest is the high rate of default and the factors affecting such default. These concerns have become even more pressing with the emerging intent of the Department of Agriculture to bring back subsidized credit through interest rates way below the market rates. Related to this, a key empirical question the principal would like investigated is the role of interest rate in the incidence of defaults.

The AFFP was designed to provide flexible credit facility for the small farmers and fisherfolks registered in the RSBSA.

There are two conduits of the program: the LBP and the PCFC. The LBP lends directly to borrowers through service conduits such as farmers’ associations who act as endorsers. The PCFC, on the other hand, channels loans to MFIs for relending to final target beneficiaries who are the small farmers and fisherfolks and/or their households for agricultural production or livelihood projects. In December 2013, around ₱1 Billion was transferred by ACPC to the LBP and the PCFC as initial fund to be used by the program. In 2015, an additional ₱2 Billion was allocated to cover the entire 75 provinces listed under the RSBSA.

LBP service provinces include Abra, Apayao, Kalinga, Ifugao, Benguet, Ilocos Norte, Cagayan, Isabela, Nueva Vizcaya, Zambales, Aurora, Romblon and Masbate. PCFC, on the other hand serves 59 of the remaining provinces nationwide. As of September 2016, two years since the launching of the AFFP in 2014, a total of 29,599 small farmers and fisherfolk nationwide have availed ₱725,003,400 worth of loans. On the downside, however, the program posted an accumulated outstanding loans of ₱556.49 Million from both Land Bank and PCFC. The PCFC was abolished recently, which makes the LBP as the sole conduit of the AFFP funds from ACPC. In addition, the program is experiencing high rate of default, which prompted ACPC to put the program implementation on hold.

Before and after approach was employed in determining whether there were already some indications of impact. This approach is ideal especially for AFFP where the before and after scenarios are just a year or at most two years apart. The enterprises/livelihood projects in which the borrowers used their AFFP loans were subjected to partial budget analysis to determine if certain net income increments were achieved. In addition, a household income function was specified and estimated using AFFP participation dummy as one of the explanatory variables to investigate how participation in the program affects the level of household income. As a further validation, household income levels before and with the AFFP were subjected to mean difference analysis using t-test. To investigate the determinants of default rate, a probit model was specified and estimated using repayment status (whether on default or not) as dependent variable and various independent variables hypothesized to influence the probability of default. The study made use of primary data gathered thru a survey of borrowers in four provinces under PCFC and another four provinces under the LBP.

FGD and KIIs were also conducted to supplement and validate data from the survey. Among the data collected include borrower characteristics, loan application perception, loan utilization, household members and expenditures, housing conditions, education and health indicators which served as measures of income improvement and consequently poverty reduction. Productivity was determined through data on farm characteristics such as crops grown, livestock raised, farm inputs, technology, among others. Inputs and outputs of the non-farm enterprises were also collected. In addition, data on MFIs characteristics such as lending policies, application process, credit facilities, loan requirements, interest rates, repayment terms, and loan purpose were also gathered as input in the program process documentation phase to assess the improvement in access to credit of farmers. On the other hand, secondary data such as applicant's information and list of MFI beneficiaries and clients were obtained from ACPC, LBP, and DA.

There are to date a total of 29,599 beneficiaries of the AFFP all over the country. Particularly under the LBP, beneficiaries got access to the program since they are listed in the RSBA or members of a service conduit (SC), which is an accredited farmers organization. Under the PCFC however, beneficiaries were directly recruited to the program by the MFIs. The average amount of loan availed by these beneficiaries range from Php 10,000 to Php 20,000 under PCFC (through the various MFIs) and ₱ 56,000 to 150,000 under the LBP . Even before the AFFP however, the beneficiaries have been availing credit from both the formal and informal sources such as the MFIs and traders, respectively. The AFFP therefore served as an additional option for meeting the farmer's credit needs.

A typical AFFP beneficiary is of 46 to 56 years of age, mostly male in the case of PCFC-MFIs and mostly female in the case of LBP. The beneficiaries have 9 to 10 years of formal education and are mostly married with household of 5 to 6 members. Their major income sources are rice farming (especially those under LBP) or growing a wide variety of crops and livestock, albeit a large number especially under PCFC are engaged in non-agricultural enterprises such as sari-sari store and other buy and sell businesses. Their primary aspirations are to be able to send their children to school and have successful businesses for a better and stable life.

There are two distinct sets of processes in accessing the AFFP funds, one is under the LBP and the other under PCFC. The eligibility criteria under the LBP specify that the borrower should not be beyond sixty years of age, should be included in the RSBSA based on the masterlist provided by the Department of Agriculture (DA) , should have no bad record in the LBP or other credit sources and should have attended the orientation on loan procedure, terms and conditions, credit worthiness and loan repayment. The documents that need to be submitted by the loan applicant include loan application form/loan proposal with picture, project description and business plan certified by the MAO, two valid identification cards/document, savings account in LBP and notarized promissory note. The application is submitted to and evaluated by the LBP-LC account officer. After about a month of processing (sometimes longer), approved loans are released by debiting them to the ATM account of the borrower. Repayment period is project-based, but typically six months for crops and livestock projects. Long repayment period of up to three years is allowed for machineries. Repayments are credited from the ATM account of the borrowers.

The procedures under PCFC through the various MFIs have similarities and distinct differences from that of the LBP. In addition, MFIs are independent units and are free to device their own requirements/procedures. There were 21 MFIs which have participated in the AFFP, many of which have branches in different parts of the country. The eligibility criteria are similar to that of LBP except that there is no explicit requirement in terms of age. The documents that have to be submitted are also similar to that of LBP except for the need for promissory note and DTI records as well as barangay and business permits for loans exceeding ₱100,000. The loan application is submitted to the Center House which in turn

submits it to the MFI. It is then evaluated by the account officer/finance manager of the MFI (this typically takes a week). Once approved the loan is released to the Center House by the MFI field coordinator usually during the Center House meeting. Repayment period can be from 12 to 48 weeks depending on the project. Repayment collection is done weekly by the field coordinator during the Center House meeting. It includes the weekly amortization for the capital and interest as well as the savings and insurance attached to the loan.

The early phase of the AFFP under LBP covered nine provinces namely Kalinga, Apayao, Nueva Vizcaya, Ifugao, Abra, Cagayan, Benguet, Masbate and Romblon . The total fund released was about ₱149 million which were loaned to 1,320 farmer borrowers. However, the program suffered from very low repayment rates with more than ₱100 million in past due loans. The loans were used by borrowers to finance corn production, hog raising, palay production, marine fishing and raising of other livestock such as cattle.

The AFFP started to have a much larger outreach when the PCFC was included in the program, achieving a nationwide outreach with the total amount loaned out under this conduit reaching 584 million pesos retailed thru the various MFIs. When the PCFC was abolished in 2016, the number of farmer borrowers served in the program has already reached 29,599.

The AFFP is beset with the problem of considerably high incidence of default, particularly for funds retailed through the LBP. Loans initially retailed through the PCFC and its various conduit MFIs had much better repayment rates. Repayment rate is the most important success measure in any credit program, be it by the government or private financial institutions. Extending financing assistance is one thing while retrieving at least the capital component of the loan extended is quite another.

There are a number of reasons why a loan recipient would default on agreed repayment, albeit these can be generally categorized into two namely, intentional and non-intentional. Intentional default is linked to dole-out mentality and is often associated with government sponsored programs. In such case, loan recipients have no intention to repay the loan since they view it as a form of welfare assistance from the government to which they are entitled as poor or marginalized units of society. Previous studies have long raised the concern that dole-out programs may not really be empowering since these could only breed a sense of entitlement and continued dependence on government support.

Non-intentional default on the other hand, deserves a closer examination since effective measures can be done to minimize it. Factors contributing to non-intentional default are varied and may include force-majeure, lack of capacity to pay, failed leveraging strategies, cumbersome repayment schemes, security attached to the loan (i.e. with or without collateral) and the viability of the enterprise in which the loan was invested, among others. Understanding the reasons for non-intentional default can go a long way in devising successful credit programs that could be empowering to poor farmers and fisherfolks and would have the greatest possible outreach and excellent repayment rates.

Regardless of whether from LBP or PCFC, the AFFP loan is generally short-term with repayment period of six months to 1 year. There were cases of repayment shorter or longer than this, but these may be considered as exceptional cases. Loans under PCFC which were generally retailed through the various MFIs bear an interest rate of about 17 percent to 53 percent per year. These approximate the market rates or could even be higher. Loans from the LBP have much lower interest rates of just about 7.5 percent to 30 percent per year.

Majority of default borrowers UNDER LBP especially in Kalinga and Apayao cited the calamity (typhoon) that struck the province and pest infestation as the primary reason for defaulting while those from Romblon and Masbate admitted that the money for repayment was used to meet personal/family needs. Low income also figured prominently in all provinces as reason for default. Low income was due to a number of factors such as low harvest, low farm prices received for their produce or high input cost.

Results of the probit model showed that years of education, farm size, non-farm employment, interest rate and collateral requirement are the statistically significant variables which may affect the probability of default. The negative coefficient of the years of education variable means the higher the education the less likely the borrower will default from payment of his loan. This is consistent with a priori notion since higher education may improve the sense of responsibility and attitude towards borrowed funds.

The coefficient of farm size is also negative which means the larger the farm size the less likely the borrower will default. This is plausible considering that farm size is directly related to farm income, hence better capacity of borrowers to pay his loan. Related to this, the household income variable actually turned out to also be negative (although not statistically significant) which somehow supports the notion that the higher the income the less likely the borrower will default.

The non-farm employment variable seems to have a less intuitive result. This variable was found to be statistically significant but the direction with which it will affect the probability of repayment default seems bewildering. The positive sign of this variable suggests that as the borrower engages in more non-farm employment the higher the probability that he will default on his loan. This appears inconsistent since engaging in non-farm employment expectedly increases income, hence the higher capacity to pay a given loan. The only plausible explanation could be that since AFFP is an agricultural financing facility, those who initially borrowed from this facility but have non-farm employment as major income source may not really care to pay the loan since the loan is not secured by any collateral anyway.

The most interesting results of the probit model estimates concern the variables on collateral requirement and interest rate. These two are the most statistically significant variables in the model and both exhibited negative signs. The collateral requirement variable was a binary dummy with zero when no collateral is required and one when collateral is required. The negative sign of this variable therefore indicates that the borrower is less likely to default on his repayment if the loan is secured by collateral.

The result for the interest rate variable seems controversial, but very plausible when pondered deeply. The variable exhibited a negative sign suggesting that the higher the interest rate the less likely the borrower will default. This supports the observation of high repayment rates for loans extended thru PCFC-MFIs which bears much higher interest rate than loans channeled thru LBP. This makes much economic sense since high interest rate means the cost of default is high. High interest rate is therefore a disincentive to default, which probably explains the seemingly paradoxical observation in the country that repayment rates for high interest informally sourced loan (such as from loan sharks) are better compared to government subsidized low interest credit programs channeled through formal sources.

It is unreasonable to expect the full realization of sustained impact from the AFFP since the program has been implemented for only two years to date. Nevertheless, indications of impact were already evident since the loans availed by beneficiaries were short-term in nature and generally used to finance short gestating agricultural and non-agricultural livelihood projects. As found using partial budget analysis, the loans obtained from AFFP either through PCFC-MFIs or LBP enabled borrowers to obtain net income increment by using the loans to finance income generating enterprises. This was further confirmed by the

results of the household income function which revealed participation in the AFFP as a positive and statistically significant determinant of the level of household income. The average household income under AFFP was significantly higher than that before the participation in this program as confirmed using mean difference analysis.

Interestingly, the results of empirical estimates indicating positive effect of AFFP on household income seem to be validated when the beneficiaries themselves were asked how the program affected their well-being. Regardless of whether under the PCFC or LBP, majority of the respondents claimed the program has somehow improved their well-being as evidenced by the fact that many of them were able to renovate their houses and were even able to buy some appliances and fixtures. Overall, their lives became relatively easier as a result of the additional income generated from the various enterprises where they invested their loans.

The beneficiaries generally expressed positive views about the AFFP. They believe the policies, terms and conditions attached to the loans were clearly explained to them by the lending conduits and the requirements were easy to comply with. They also view the interest rates as reasonable, albeit a number of borrowers in Romblon and Masbate under the LBP consider the interest rates as still high. In general, the beneficiaries expressed favorable view on the sufficiency of the amount loaned to finance their intended enterprises/livelihood projects, although speed and timeliness of loan release may have to be improved especially in the case of Masbate and Romblon.

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It was found that the role of these conduits was limited to collecting the documentary requirements from farmers for submission to the LBP and gathering the farmers in one place when the LBP calls for a meeting. It was also learned that many of the conduits were formed merely to access the AFFP loan facility. Among the various conduits, it was only the Saranay Multi Purpose Cooperative which have direct market linkage for the produce of the members.

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Borrowers from AFFP see the need for LBP to increase the loan ceiling per commodity since the current ceiling is not even sufficient to cover the total production cost per crop or commodity cycle. The loan ceilings for rice, corn and cassava for instance are ₱ 30,000, ₱ 32,000 and ₱ 20,000, respectively. In addition, many borrowers are requesting to further lower the interest rates attached to the loan.

On Speed and Timeliness of Loan Release

The release of loan under PCFC-MFIs is generally faster and more timely compared to that under the LBP. In Romblon which is under the LBP, there were cases when it took a year before loan was released since the LBP required that all members of the service conduits be compliant first to all requirements thus, dragging unnecessarily the processing of loan applications of the other members.

On Commodity Insurance

One innovative feature of the AFFP is the provision of commodity insurance—the payment for such is already deducted from loan proceeds. Some borrowers suggest that the insurance scheme be studied more carefully to ensure that the actual risk associated with a given enterprise will really be covered. For instance in the case of swine raising, only the sows can be insured while the piglets/weanlings are the most prone to disease.

On Repayment Schedule

A number of the borrowers believe that repayment schedule should completely be project-specific. In the case of PCFC-MFIs borrowers, weekly repayment does not seem to be reasonable especially when the loan was used to finance crop or livestock enterprises since income from such could only be realized after several months. A flexible repayment schedule designed carefully to fit the nature of the project cash flow would ease the borrowers of the repayment burden.

9. REFERENCES

Agricultural Credit Policy Council, Resolution No. 2, S.2013. Establishment of the Agri-Fishery Financing Program (AFFP) and Approval of its Guidelines and Fund Allocation Among Participating Financing Institutions

Agricultural Credit Policy Council. Revised Implementing Guidelines of the Agriculture and Fisheries Financing Program

Land Bank of the Philippines. Executive Order No. 062. S. 2014. Implementing Guidelines of the Agricultural and Fisheries Financing Program (AFFP)

Joint DA-ACPC-LandBank Memorandum Circular No. __, S. 2014. Implementing Rules and Regulations (IRR) of the Agricultural and Fisheries Financing Program (AFFP)

Annex A

Final Survey Questionnaire



**Mid-Term Program Assessment of the Agriculture and Fisheries
Financing Program (AFFP)
Questionnaire**

Place: _____

Date: _____

Interviewer: _____

Commodity: _____

1. GENERAL INFORMATION AND SOCIO DEMOGRAPHIC PROFILE

| ITEM | | ITEM | |
|----------------------|--|---------------------------------|--|
| Name of Farmer: | | Sex ¹ : | |
| Home Address: | | Civil Status ² : | |
| Landline/Mobile No.: | | Highest Educational Attainment: | |
| Age: | | | |

¹Sex: 1 = Male 2 = Female

²Civil Status: S = Single M = Married C = Common law W = Widow/Widower P = Separated
O = Others, specify: _____

Membership in any Organization

| Name of Organization | Type of Organization | Date of Membership | Position | Status ^a | Benefits | Problems Encountered |
|----------------------|----------------------|--------------------|----------|---------------------|----------|----------------------|
| | | | | | | |
| | | | | | | |

^aStatus: 1 = Active 2 = Inactive 3 = Organization is no longer existing

1. HOUSEHOLD INFORMATION

Household Size: _____

Number of dependents: _____

Major sources of household income:

| Source | Monthly Income (PhP) |
|---|----------------------|
| [] Farming, specify: | |
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| [] Fishing | |
| [] Fish vending | |
| [] Employment, specify: _____ | |
| [] Remittances | |
| [] Jeepney/Tricycle Driving | |
| [] Sari-sari store/grocery store operation | |
| [] Others, specify: | |
| 1. | |
| 2. | |

2. TRAININGS ATTENDED DUE TO PARTICIPATION IN AFFP

| Training Topics | Venue | Year Attended |
|-----------------|-------|---------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

3. ENTERPRISE PROFILE

| ITEM | |
|--------------------------------------|--|
| Farming | |
| Farm size | |
| Commodity | |
| Years in Farming | |
| Land Tenure Status ¹ | |
| No. of croppings or production cycle | |
| | |
| Fishing | |
| Kind of fishing gear | |
| Size of fishing gear | |
| Ownership of fishing gear | |
| Ownership of banca | |
| | |
| Fish Vending | |
| Type: Market retailing operation | |
| Street vending operation | |
| Market retailing | |
| Daily average volume bought | |
| Daily average volume sold | |
| | |
| | |
| Sari store operation | |
| Average daily sale | |
| | |
| Others, specify: | |
| 1. | |
| 2. | |
| 3. | |
| 4. | |

¹Land Tenure Status: 1 = Owned 2 = Tenanted 3 = Leased 4 = Others,
specify: _____

4. RELATIVE ACCESS TO CREDIT

BEFORE AFFP

1. What is your most frequent source of financing?

☐ Formal

☐ Banks

☐ MFIs

☐ Coops

☐ Others

☐ Informal

☐ Trader

☐ Local Money Lender

☐ Relatives

☐ Others

2. Average Amount of Loan: _____

3. Loan Terms

| ITEM | |
|--|--|
| Interest | |
| Repayment Period | |
| Mode of Payment | |
| Collateralized? <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Type and Value | |
| | |
| | |
| | |

4. Speed of Loan Release

☐ Very fast

☐ Fast

☐ Very slow

☐ Slow

AFTER AFFP

1. Are you aware of AFFP? ☐ Yes ☐ No

2. Did you avail of loan from AFFP? ☐ Yes ☐ No

3. Loan

| Loan Cycle | Amount of Loan Requested | Amount of Loan Granted | Speed of Release ^{a/} | Timeliness of release ^{b/} | Interest rate /Yr. | Collateral/other req'ts. | | Amount Paid | Outstanding Balance | Schedule of Payment ^c | Mode of payment ^d |
|------------|--------------------------|------------------------|--------------------------------|-------------------------------------|--------------------|--------------------------|--------------------------|-------------|---------------------|----------------------------------|------------------------------|
| | | | | | | Type of Collateral | Book Value of Collateral | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |

^a/Speed of release:

1 = Slow

2 = Very Slow

3 = Fast

4 = Very Fast

^b/Timeliness of release:

1 = Timely

2 = Late

^c/Schedule of Payment:

1 = Daily

2 = Weekly

3 = Monthly

4 = Quarterly

5 = In time of harvest
Specify

6 = Yearly

7 = Others,

4. Ease of documentary requirements

☐ Easy

☐ Very Easy

☐ Difficult

☐ Very Difficult

Cite reasons for difficult or very difficult answer:

5. CREDIT UTILIZATION

6.1. What was the intended use for the loan?

Farm business (Specify)

Non - farm business (Specify)

- 5.2. What was the actual utilization?
(indicate percentage for multiple use)

Farm business (Specify) _____%

Non - farm business (Specify) _____%

Others (Specify) _____%

- 5.3. Do you think that with the program it is now easier for you to access credit?
☐ Yes ☐ No

- 5.4. How much do you think your access to credit has improved as a result of the program?
☐ Improved ☐ Slight Improvement
☐ Much Improved ☐ No Improvement

6. REPAYMENT PERFORMANCE (WITH REFERENCE TO ITEM 3)

- 7.1. Have you defaulted on your payment? ☐ Yes ☐ No
Reasons for loan default:

- 7.2. Have you defaulted before because of difficulty in adequately meeting the principal and interest requirement associated with the loan?
☐ Yes ☐ No

- 7.3. Have you defaulted before because of physical accessibility constraints?
☐ Yes ☐ No

7. FACTORS AFFECTING REPAYMENT PERFORMANCE (FOR BOTH BENEFICIARY)

8.1. Please answer the following questions:

An easy-to-pay loan is one with:

(1 – Strongly Disagree; 2 – Disagree; 3 – Neutral; 4 – Agree; 5 – Strongly Agree)

- ☐ Low interest rate
- ☐ Long repayment period
- ☐ Amortization well-spread over time
- ☐ Physically accessible payment/collection centers
- ☐ Others, specify:

8.2. Factors affecting ease of access:

An easy-to-access loan is one with:

(1 – Strongly Disagree; 2 – Disagree; 3 – Neutral; 4 – Agree; 5 – Strongly Agree)

- ☐ Well disseminated information about the loan window
 - ☐ Minimal documentary requirements
 - ☐ Assistance provided for the access of the loan (e.g. service conduits)
 - ☐ Accessible when there are no unreasonable cap on the loan amount (amount is in relation to the project requirement)
 - ☐ Physically accessible lending centers
 - ☐ Others, specify:
-

8. OUTCOME

BEFORE AFFP

| PRODUCTIVITY | | | |
|--------------|-----------------------------|-------------------------------------|---------------------------------|
| Commodity | Area Planted/Used (Hectare) | Total Harvest (kg) / Total Produced | Price/kg (PhP) / Price per Unit |
| | | | |
| | | | |
| | | | |

| NON - FARM | | |
|--|--|--|
| Sari-sari Store: | Fish Vending: | Others, specify: _____ |
| • How much is the capitalization? PhP: _____ | • How much is the capitalization? PhP: _____ | • How much is the capitalization? PhP: _____ |
| • How much is your net income per day? PhP: _____ | • How much is your net income per day? PhP: _____ | • How much is your net income per day? PhP: _____ |

*What do you think is the reason for the improvement of your enterprise, if there is any?

AFTER AFFP

| PRODUCTIVITY | | | |
|--------------|-----------------------------|-------------------------------------|---------------------------------|
| Commodity | Area Planted/Used (Hectare) | Total Harvest (kg) / Total Produced | Price/kg (PhP) / Price per Unit |
| | | | |
| | | | |
| | | | |
| | | | |

| NON - FARM | | |
|--|--|--|
| Sari-sari Store: | Fish Vending: | Others, specify: _____ |
| • How much is the capitalization? PhP: _____ | • How much is the capitalization? PhP: _____ | • How much is the capitalization? PhP: _____ |
| • How much is your net income per day? PhP: _____ | • How much is your net income per day? PhP: _____ | • How much is your net income per day? PhP: _____ |

*What do you think is the reason for the improvement of your enterprise, if there is any?

1. In what aspect of your enterprise did you use your loan? Specify (e.g. purchase of tractor/equipment; purchase of additional inputs such as fertilizers)
2. What was the improvement in output (volume/ha, sales per month, etc) as a result of your investment?
3. What was the per unit price of output?
4. Acquisition cost (for equipment), purchase cost for intermediate output
5. Savings for labor or other inputs as a result of the investment made
6. Additional cost (e.g. labor) associated with applying or using the practices adopted related to the investment

9. PROBLEMS ENCOUNTERED

BEFORE AFFP

| Problems Encountered | Recommendation |
|--|----------------|
| <i>Loan availment from other credit sources</i> | |
| <input type="checkbox"/> Hard to comply with requirements | |
| <input type="checkbox"/> Excessive requirements | |
| <input type="checkbox"/> High application fee | |
| <input type="checkbox"/> Accessibility of lending institution | |
| <input type="checkbox"/> Unclear procedures | |
| <input type="checkbox"/> High interest rates | |
| <input type="checkbox"/> Late release of loan | |
| <input type="checkbox"/> Insufficient loan amount for credit needs | |
| Others (specify): | |
| 1. | |
| 2. | |
| 3. | |
| <i>Loan Repayment</i> | |
| <input type="checkbox"/> Willful default | |
| <input type="checkbox"/> Pest infestation | |
| <input type="checkbox"/> Calamity | |
| <input type="checkbox"/> Low income due to poor yield | |
| <input type="checkbox"/> Late planting due to late release of loan | |
| Others (specify): | |
| 1. | |
| 2. | |
| 3. | |
| <i>Production</i> | |
| <input type="checkbox"/> High cost of inputs | |
| <input type="checkbox"/> Lack of capital | |
| <input type="checkbox"/> Pest and diseases | |
| <input type="checkbox"/> Calamity | |
| <input type="checkbox"/> Poor soil condition | |
| <input type="checkbox"/> No access to irrigation source (e.g. canal, dams, pump) | |
| Others (specify): | |
| 1. | |
| 2. | |
| 3. | |

AFTER AFFP

| Problems Encountered | Recommendation |
|--|----------------|
| Membership in AFFP | |
| <input type="checkbox"/> Hard to comply with requirements | |
| <input type="checkbox"/> Excessive requirements | |
| <input type="checkbox"/> High application fee | |
| <input type="checkbox"/> Accessibility of office | |
| <input type="checkbox"/> Unaccommodating personnel/staff | |
| Others (specify): | |
| 1. | |
| 2. | |
| 3. | |
| Loan Repayment | |
| <input type="checkbox"/> Willful default | |
| <input type="checkbox"/> Pest infestation/Diseases | |
| <input type="checkbox"/> Calamity | |
| <input type="checkbox"/> Low income due to poor yield/production | |
| <input type="checkbox"/> Late planting/cycle due to late release of loan | |
| Others (specify): | |
| 1. | |
| 2. | |
| 3. | |
| Production | |
| <input type="checkbox"/> High cost of inputs | |
| <input type="checkbox"/> Lack of capital | |
| <input type="checkbox"/> Pest and diseases | |
| <input type="checkbox"/> Calamity | |
| <input type="checkbox"/> Poor soil condition | |
| <input type="checkbox"/> No access to irrigation source (e.g. canal, dams, pump) | |
| Others, specify: | |
| 1. | |
| 2. | |
| 3. | |
| Others (specify): | |
| 1. | |
| 2. | |
| 3. | |

10. PERCEPTION ABOUT THE PROGRAM (IN RELATION TO AFFP)

Please indicate your level of agreement with the following statements:

(1 – Strongly Disagree; 2 – Disagree; 3 – Neutral; 4 – Agree; 5 – Strongly Agree)

| Statement | 1 | 2 | 3 | 4 | 5 | Reason if the answer is 1, 2, or 3 |
|--|---|---|---|---|---|------------------------------------|
| Requirements for loan application of lending institution are easy to comply with. | | | | | | _____ _____ _____ |
| Policies/terms/conditions regarding loan application and loan payment are stated clearly and concisely by the lending institution. | | | | | | _____ _____ _____ |
| Interest rates are not extremely high. | | | | | | _____ _____ _____ |
| The total loan amount provided is sufficient for production expenses. | | | | | | _____ _____ _____ |
| The loan money is released on time (before cropping period/production cycle). | | | | | | _____ _____ _____ |
| The lending institution provides satisfactory assistance to borrowers. | | | | | | _____ _____ _____ |
| Collateral requirements are relatively adequate to loan amount. | | | | | | _____ _____ _____ |
| Trainings/seminars provided are effective to have sufficient knowledge rice farming. | | | | | | _____ _____ _____ |

11. EFFICIENCY MEASURES

1. What do you know about the program, its objectives and expected outputs? Do you think the objectives were met?
2. How were you selected as a beneficiary of the program?
3. What ensued after you were selected as a beneficiary, e.g. attended seminars, trainings, etc.?
4. What is your overall impression of the different credit conduits in implementing this program?
5. What can you suggest to further improve the program?

12. PERFORMANCE EVALUATION

1. Are you happy for being part of the AFF program? What are the changes in the level of living which you can attribute to the project, e.g. able to buy new appliances, house and lot, etc.?
2. What are your aspirations and how did this program help you reach that?

Annex B

Appendix Tables



Appendix Table 1 . Enterprise covered by the LBP loan.

| Enterprise | Kalinga | Apayao | Cagayan | Nueva Viscaya | Benguet | Romblon | Masbate | Abra | Ifugao |
|------------------------------------|---------|--------|---------|------------------|---------|---------|---------|------|--------|
| No. of borrowers | 167 | 54 | 335 | 175 | 87 | 143 | 100 | 5 | 254 |
| | | | | number reporting | | | | | |
| corn production | 81 | 4 | 292 | 1 | - | 22 | - | - | 118 |
| hog raising | 7 | - | 26 | 70 | 6 | 83 | - | 5 | 44 |
| palay production | 74 | 23 | 17 | 10 | - | 1 | - | - | 10 |
| marine fishing | - | - | - | - | 93 | 5 | 3 | - | - |
| livestock raising | - | - | - | - | - | - | 76 | - | - |
| cattle fattening | - | - | - | 22 | - | 2 | - | - | 34 |
| potato production | - | - | - | - | 43 | - | - | - | - |
| tomato production | - | - | - | 31 | - | - | - | - | 7 |
| cassava production | - | 27 | - | - | - | - | - | - | - |
| tilapia production | - | - | - | 10 | - | - | - | - | 9 |
| crop production | - | - | - | - | 1 | - | 16 | - | - |
| cabbage production | - | - | - | 2 | 10 | - | - | - | 4 |
| purchase of agric machinery | - | - | - | - | - | 13 | 2 | - | 1 |
| goat production | - | - | - | 3 | - | 7 | - | - | - |
| greenhouse | - | - | - | - | 9 | - | - | - | - |
| ginger production | - | - | - | 3 | - | - | - | - | 6 |
| multi-HVC production | - | - | - | 1 | - | - | - | - | 8 |
| ginger production | 5 | - | - | 1 | 1 | - | - | - | - |
| potato and cabbage production | - | - | - | - | 7 | - | - | - | - |
| broiler production | - | - | - | - | - | 5 | - | - | 1 |
| carrot production | - | - | - | - | 3 | - | - | - | 1 |
| pineapple production | - | - | - | 4 | - | - | - | - | - |
| mango flower induction | - | - | - | - | - | - | - | - | 4 |
| agricultural supplies trading | - | - | - | - | - | 1 | 2 | - | - |
| squash production | - | - | - | 3 | - | - | - | - | - |
| pepper production | - | - | - | 1 | - | - | - | - | 2 |
| ginger and cabbage production | - | - | - | - | 2 | - | - | - | - |
| broccoli production | - | - | - | 1 | 1 | - | - | - | - |
| vegetable production | - | - | - | - | - | 2 | - | - | - |
| fishpond | - | - | - | 1 | - | - | 1 | - | - |
| eggplant production | - | - | - | 2 | - | - | - | - | - |
| plastic sili production | - | - | - | 2 | - | - | - | - | - |
| pepper and string beans production | - | - | - | 2 | - | - | - | - | - |
| beans and palay production | - | - | - | - | - | - | - | - | 2 |
| sayote production | - | - | - | - | 1 | - | - | - | - |
| bell pepper production | - | - | - | - | 1 | - | - | - | - |
| carrot and potato production | - | - | - | - | 1 | - | - | - | - |
| carrot, cabbage and potato | - | - | - | - | 1 | - | - | - | - |
| peanut production | - | - | - | - | - | 1 | - | - | - |
| milkfish production | - | - | - | - | - | 1 | - | - | - |
| cattle fattening/hog breeding | - | - | - | 1 | - | - | - | - | - |
| soft broom making | - | - | - | 1 | - | - | - | - | - |
| sayote production | - | - | - | 1 | - | - | - | - | - |
| strawberry production | - | - | - | 1 | - | - | - | - | - |
| cucumber production | - | - | - | 1 | - | - | - | - | - |
| cauliflower production | - | - | - | 1 | - | - | - | - | - |
| organic fertilizer production | - | - | - | - | - | - | - | - | 1 |
| sweet peas production | - | - | - | - | - | - | - | - | 1 |
| cattle/corn/fish | - | - | - | - | - | - | - | - | 1 |

Appendix Table 2. Major sources of household income

| Major Sources of Household Income | PCFC | | | | Land Bank | | | |
|--|--------------|-------------|----------|--------|-----------|--------|---------|---------|
| | Mindoro Occ. | Mindoro Or. | Sorsogon | Iloilo | Kalinga | Apayao | Romblon | Masbate |
| Seaweeds gathering | - | - | 2 | - | - | - | - | - |
| Rice farming | 6 | 8 | 2 | - | 26 | 22 | 3 | 7 |
| Corn farming | 1 | - | - | - | 9 | 3 | - | 2 |
| Vegetable production | - | 3 | - | - | 1 | - | - | - |
| Piggery | - | 4 | 7 | 6 | - | - | 9 | 4 |
| Poultry | 1 | - | - | - | - | - | 2 | 3 |
| Fishing | 1 | 1 | 4 | - | - | - | 2 | - |
| Fish Vending | 3 | 3 | 6 | 1 | - | - | 1 | - |
| Employment | 3 | - | 4 | 3 | - | 1 | 15 | 12 |
| Remittances | - | - | 1 | 2 | - | - | 2 | 4 |
| Van/Tricycle Driving | 6 | 3 | 1 | - | - | - | - | - |
| Sari-sari Store/Grocery Store Operation | 5 | 8 | 3 | 12 | - | - | 1 | 2 |
| Buy & Sell | 6 | 3 | 5 | 12 | - | - | 1 | 2 |
| Pedicab | - | 1 | - | - | - | - | - | - |
| Door-to-Door | 1 | - | - | - | - | - | - | - |
| Handicraft | - | - | 1 | - | - | - | - | - |
| Rice and corn | 1 | - | - | - | - | 10 | - | - |
| Rice and fish vending | 1 | - | - | - | - | - | - | - |
| Fishing and fish vending | 1 | - | - | - | - | - | - | - |
| Tricycle driving and sari sari store operation | - | 1 | - | - | - | - | - | - |
| Bakery operation | - | 1 | - | - | - | - | - | - |
| Total | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 |

Appendix Table 3. Aspirations

| Response | PCFC | | | | Land Bank | | | |
|----------------------------------|-------------------------|----------------|----------|--------|-----------|--------|---------|---------|
| | Occ. Mindoro | Or. Mindoro | Sorsogon | Iloilo | Kalinga | Apayao | Romblon | Masbate |
| | <u>number reporting</u> | | | | | | | |
| None | 2 | - | - | - | - | - | - | 1 |
| Send children to school | 26 | 27 | 30 | 27 | 26 | 24 | 22 | 23 |
| Have a new business | 2 | 4 | 10 | 19 | 7 | 3 | 5 | 2 |
| Have a life insurance | 1 | 7 | 1 | 7 | 5 | 1 | - | 1 |
| Have a better life | - | - | - | 7 | 9 | 7 | 9 | 5 |
| Better house/Renovate the house | 2 | 4 | 1 | - | - | - | - | 3 |
| Business expansion | 1 | 5 | - | - | - | 1 | - | - |
| Own a tricycle | 2 | 2 | - | - | - | - | - | - |
| To buy a lot | - | 3 | - | - | - | - | - | - |
| Own a motor | 1 | 1 | - | - | - | - | - | - |
| Own new vehicle | - | 1 | - | 1 | 1 | 4 | 4 | - |
| To build a new house | - | 2 | - | - | - | - | - | - |
| Pay other loans | 1 | - | - | - | - | - | - | - |
| Own a 4-wheel vehicle | 1 | - | - | - | - | - | - | - |
| Own a vehicle | 1 | - | - | - | - | - | - | - |
| Have a new banca | - | 1 | - | - | - | - | - | - |
| Have a new water pump | - | 1 | - | - | - | - | - | - |
| Finance for child's marriage | 1 | - | - | - | - | - | - | - |
| Additional appliance | 1 | - | - | - | - | - | - | - |
| Have a mini grocery | 1 | - | - | - | - | - | - | - |
| Have money for emergency purpose | 1 | - | - | - | - | - | - | - |
| To plant plenty of vegetables | 1 | - | - | - | - | - | - | - |
| To raise cattle and pigs | - | 1 | - | - | - | - | - | - |
| To build stock room and stall | - | 1 | - | - | - | - | - | - |
| To eat in a restaurant | - | 1 | - | - | - | - | - | - |
| To remedy health issues | - | 1 | - | - | - | - | - | - |
| Have a better way of living | - | 1 | - | - | - | - | - | - |
| To own a rice mill | - | 1 | - | - | - | - | - | - |
| To buy more farm equipment | - | - | - | - | 1 | 2 | 1 | 1 |
| To have savings | - | - | - | 1 | - | - | - | - |

Note: 36 respondents per province

Appendix Table 4. Partial budget analysis, swine raising financed thru AFFP loan, Iloilo

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|---------------------------------|-----------------|
| Added Returns Sales | 30,875 | Added Costs Piglets Feeds | 5,250 13,825 |
| Total Added Returns | 30,875 | Total Added Costs | 19,075 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 30,875 | Sub – Total (B) | 19,075 |
| Net Change in Profit (A-B): | | 11,800 | |

Appendix Table 5. Partial budget analysis, fish vending financed thru AFFP loan, Iloilo

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|--------------|
| Added Returns Sales | 12,000 | Added Costs Fish | 6,000 |
| Total Added Returns | 12,000 | Total Added Costs | 6,000 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 12,000 | Sub – Total (B) | 6,000 |
| Net Change in Profit (A-B): | | 6,000 | |

Appendix Table 6. Partial budget analysis of expansion of sari-sari store financed thru AFFP loan, Iloilo

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|---------------|
| Added Returns Sales | 12,730 | Added Costs Merchandise | 10,200 |
| Total Added Returns | 12,730 | Total Added Costs | 10,200 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 12,730 | Sub – Total (B) | 10,200 |
| Net Change in Profit (A-B): | | 2,530 | |

Appendix Table 7. Partial budget analysis, buy and sell business financed thru AFFP loan, Iloilo

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|-----------------|
| Added Returns Sales | 16,625 | Added Costs Merchandise | 9,416.67 |
| Total Added Returns | 16,625 | Total Added Costs | 9,416.67 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 16,625 | Sub – Total (B) | 9,416.67 |
| Net Change in Profit (A-B): | | 7,208.33 | |

Appendix Table 8. Partial budget analysis, use of hybrid seeds in palay production financed thru AFFP, Occidental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|------------------|---|------------------|
| Added Returns Sales | 67,258.97 | Added Costs Chemicals | 5,566.83 |
| | | Fertilizer | 10,794.44 |
| | | Hybrid Seeds | 14,900 |
| | | Labor | 7,537.50 |
| | | Tractor Rent | 1,416.67 |
| | | Seeds | 4,593.33 |
| Total Added Returns | 67,258.97 | Total Added Costs | 44,808.78 |
| Reduced Costs | | Reduced Returns | |
| | | Reduced Sales due to decrease in yield | 5,000 |
| Total Reduced Costs | 0 | Total Reduced Returns | 5,000 |
| Sub – Total (A) | 67,258.97 | Sub – Total (B) | 49,808.78 |
| Net Change in Profit (A-B): | | 17,450.19 | |

Appendix Table 9. Partial budget analysis of broiler production financed thru AFFP loan, Occidental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|------------------|
| Added Returns Sales | 14,840 | Added Costs Chicks | 6,000 |
| | | Feeds | 11,012.50 |
| | | Piglets | 4,500 |
| Total Added Returns | 14,840 | Total Added Costs | 21,512.50 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 14,840 | Sub – Total (B) | 21,512.50 |
| Net Change in Profit (A-B): | | -6,672.50 | |

Appendix Table 10. Partial budget analysis of seaweeds culture financed thru AFFP loan, Occidental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|--------------|------------------------------|--------------|
| Added Returns Sales | 9,900 | Added Costs Labor Rope | 160 4100 |
| Total Added Returns | 9,900 | Total Added Costs | 4,260 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 9,900 | Sub – Total (B) | 4,260 |
| Net Change in Profit (A-B): | | 5,640 | |

Appendix Table 11. Partial budget analysis of fish vending financed thru AFFP loan, Occidental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|-----------------|
| Added Returns Sales | 20,500 | Added Costs Fish | 4,833.33 |
| Total Added Returns | 20,500 | Total Added Costs | 4,833.33 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 20,500 | Sub – Total (B) | 4,833.33 |
| Net Change in Profit (A-B): | | 15,666.67 | |

Appendix Table 12. Partial budget analysis of sari-sari store expansion financed thru AFFP loan, Occidental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|--------------|
| Added Returns Sales | 16,500 | Added Costs Merchandise | 5,000 |
| Total Added Returns | 16,500 | Total Added Costs | 5,000 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 16,500 | Sub – Total (B) | 5,000 |
| Net Change in Profit (A-B): | | 11,500 | |

Appendix Table 13. Partial budget analysis of buy and sell business financed thru AFFP loan, Occidental Mindoro.

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|-----------------|
| Added Returns Sales | 20,750 | Added Costs Merchandise | 4,416.67 |
| Total Added Returns | 20,750 | Total Added Costs | 4,416.67 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 20,750 | Sub – Total (B) | 4,416.67 |
| Net Change in Profit (A-B): | | 16,333.33 | |

Appendix Table 14. Partial budget analysis of palay production using hybrid seeds financed thru AFFP loan, Oriental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|------------------|------------------------------|------------------|
| Added Returns Sales | 34,112.67 | Added Costs Chemicals | 2,975.36 |
| | | Fertilizer | 8,237.86 |
| | | Labor | 6,666.67 |
| | | Seeds | 4,429 |
| | | Water Pump and Machine | 17,000 |
| Total Added Returns | 34,112.67 | Total Added Costs | 39,308.88 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 34,112.67 | Sub – Total (B) | 39,308.88 |
| Net Change in Profit (A-B): | | -5,196.21 | |

Appendix Table 15. Partial budget analysis of providing additional feeds for swine financed thru AFFP loan, Oriental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|---------------|
| Added Returns Sales | 47,395 | Added Costs Feeds | 33,466 |
| Total Added Returns | 47,395 | Total Added Costs | 33,466 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 47,395 | Sub – Total (B) | 33,466 |
| Net Change in Profit (A-B): | | 13,929 | |

Appendix Table 16. Partial budget analysis of fish vending financed thru AFFP loan, Oriental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|--------------|------------------------------|--------------|
| Added Returns Sales | 8,750 | Added Costs Fish | 2,250 |
| Total Added Returns | 8,750 | Total Added Costs | 2,250 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 8,750 | Sub – Total (B) | 2,250 |
| Net Change in Profit (A-B): | | 6,500 | |

Appendix Table 17. Partial budget analysis of expansion of sari-sari store financed thru AFFP loan, Oriental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|---------------|
| Added Returns Sales | 18,450 | Added Costs Merchandise | 12,300 |
| Total Added Returns | 18,450 | Total Added Costs | 12,300 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 18,450 | Sub – Total (B) | 12,300 |
| Net Change in Profit (A-B): | | 6,150 | |

Appendix Table 18. Partial budget analysis of buy and sell business financed thru AFFP loan, Oriental Mindoro

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|-----------------|
| Added Returns Sales | 17,500 | Added Costs Merchandise | 8,666.67 |
| Total Added Returns | 17,500 | Total Added Costs | 8,666.67 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 17,500 | Sub – Total (B) | 8,666.67 |
| Net Change in Profit (A-B): | | 8,833.33 | |

Appendix Table 19. Partial budget of buy and sell business finance thru AFFP loan, Romblon

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|----------------|
| Added Returns Sales | 90,000 | Added Costs Merchandise | 100,000 |
| Total Added Returns | 90,000 | Total Added Costs | 100,000 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 90,000 | Sub – Total (B) | 100,000 |
| Net Change in Profit (A-B): | | -10,000 | |

Appendix Table 20. Partial budget analysis, palay production financed thru AFFP loan, Romblon

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|------------------|---------------------------------------|--------------|
| Added Returns Sales | 57,453.33 | Added Costs Carabao (Depreciation) | 3,000 |
| | | Chemicals | 17,010 |
| | | Labor | 5,220 |
| | | Seeds | 4,340 |
| | | Hose | 3,000 |
| | | Machine (Depreciation) | 1,000 |
| | | Sprayer (Depreciation) | 380 |
| Total Added Returns | 57,453.33 | Total Added Costs | 33950 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 57,453.33 | Sub – Total (B) | 33950 |
| Net Change in Profit (A-B): | | 23503 | |

Appendix Table 21. Partial budget analysis, agricultural machine renting financed thru AFFP loan, Romblon

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|--|---|
| Added Returns Rent | 43,200 | Added Costs Gas Hand Tractor Machine Thresher Trailer | 5,000 4550 4,000 6,500 4000 |
| Total Added Returns | 43,200 | Total Added Costs | 201,820 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 43,200 | Sub – Total (B) | 24050 |
| Net Change in Profit (A-B): | | 19,150 | |

Appendix Table 22. Partial budget analysis, sari-sari store finance thru AFFP loan, Sorsogon

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|------------------|----------------------------------|--------------|
| Added Returns Sales | 11,045.45 | Added Costs Merchandise | 6,500 |
| Total Added Returns | 11,045.45 | Total Added Costs | 6,500 |
| Reduced Costs | | Reduced Returns Reduced Sales | |
| Total Reduced Costs | 0 | Total Reduced Returns | |
| Sub – Total (A) | 11,045.45 | Sub – Total (B) | |
| Net Change in Profit (A-B): | | 4545 | |

Appendix Table 23. Partial budget analysis, buy and sell business financed thru AFFP loan, Sorsogon

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|--------------|------------------------------|-----------------|
| Added Returns Sales | 4,525 | Added Costs Merchandise | 2,604.17 |
| Total Added Returns | 4,525 | Total Added Costs | 2,604.17 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 4,525 | Sub – Total (B) | 2,604.17 |
| Net Change in Profit (A-B): | | 1,920.83 | |

Appendix Table 24. Partial budget analysis, additional feeds for swine financed thru AFFP loan, Sorsogon

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|------------------|------------------------------|------------------|
| Added Returns | | Added Costs | |
| Sales | 21,214.29 | Feeds | 18,107.14 |
| Total Added Returns | 21,214.29 | Total Added Costs | 18,107.14 |
| | | | |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| | | | |
| Sub – Total (A) | 21,214.29 | Sub – Total (B) | 18,107.14 |
| Net Change in Profit (A-B): | | 3,107.14 | |

Appendix Table 25. Partial budget analysis, crop production finance thru AFFP loan, Sorsogon

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|------------------------------|---------------|
| Added Returns | | Added Costs | |
| Sales | 59,000 | Chemicals | 5,910 |
| | | Fertilizer | 6,800 |
| | | Labor | 7,400 |
| | | Seeds | 2,000 |
| Total Added Returns | 59,000 | Total Added Costs | 22,110 |
| | | | |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| | | | |
| Sub – Total (A) | 59,000 | Sub – Total (B) | 22,110 |
| Net Change in Profit (A-B): | | 36,890 | |

Appendix Table 26. Partial budget analysis of fish vending financed thru AFFP loan, Sorsogon

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|--------------|------------------------------|--------------|
| Added Returns | | Added Costs | |
| Sales | 8,625 | Fish | 4,000 |
| Total Added Returns | 8,625 | Total Added Costs | 4,000 |
| | | | |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| | | | |
| Sub – Total (A) | 8,625 | Sub – Total (B) | 4,000 |
| Net Change in Profit (A-B): | | 4,625 | |

Appendix Table 27. Sari-sari store business financed thru AFFP loan, Masbate

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|-------------------------------------|------------------|
| Added Returns Sales | 124000 | Added Costs Merchandise Store | 83,333 20,000 |
| Total Added Returns | 124000 | Total Added Costs | 103,333 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 124000 | Sub – Total (B) | 103,333 |
| Net Change in Profit (A-B): | | 20667 | |

Appendix Table 28. Partial budget analysis of fish capture financed thru AFFP loan, Masbate

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|--|-------------------|
| Added Returns Sales | 12,000 | Added Costs Fishnet Machinery Kawil | 500 600 350 |
| Total Added Returns | 12,000 | Total Added Costs | 1450 |
| Reduced Costs | | Reduced Returns | |
| Total Reduced Costs | 0 | Total Reduced Returns | 0 |
| Sub – Total (A) | 12,000 | Sub – Total (B) | 1450 |
| Net Change in Profit (A-B): | | 10550 | |

Appendix Table 29. Partial budget analysis of crop production financed thru AFFP loan, Masbate

| Gains (A), PhP | | Losses (B), PhP | |
|--|-----------------|--|--|
| Added Returns Sales | 37,423 | Added Costs Carabao Fertilizer Seeds Chemicals Tractor repair Hand Tractor Dike | 2500 3,963 4,500 1,500 3,900 4250 7000 |
| Total Added Returns | 37,423 | Total Added Costs | 211,363 |
| Reduced Costs Labor Tractor rent | 3,500 12,091 | Reduced Returns | |
| Total Reduced Costs | 15,591 | Total Reduced Returns | 0 |
| Sub – Total (A) | 53,014 | Sub – Total (B) | 27613 |
| Net Change in Profit (A-B): | | 25401 | |

Appendix Table 30. Partial budget analysis of crop production financed thru AFFP loan,
 Kalinga

| Gains (A), PhP | | Losses (B), PhP | |
|------------------------------------|---------------|--|--------------|
| Added Returns Sales | 64,101 | Added Costs Seeds | 5,000 |
| | | Fertilizer | 5,968 |
| | | Chemicals | 2,572 |
| | | Labor | 26,383 |
| | | Sprayer (Depreciation) | 220 |
| | | Tractor (Depreciation) | 3125 |
| | | Tractor rent | 2,000 |
| | | Water pump (Depreciation) | 1650 |
| | | Thresher | 3700 |
| Total Added Returns | 64,101 | Total Added Costs | 50618 |
| | | | |
| Reduced Costs Labor | 16592 | Reduced Returns Reduced sales due to decrease in yield and market price | 4,538 |
| Total Reduced Costs | 16592 | Total Reduced Returns | 4,538 |
| | | | |
| Sub – Total (A) | 80693 | Sub – Total (B) | 55156 |
| Net Change in Profit (A-B): | | 25537 | |

Appendix Table 31. Changes in the level of living attributed to AFFP

| Response | PCFC | | | | Land Bank | | | |
|--|-----------------|-------------------------|----------|--------|-----------|-------------------------|---------|---------|
| | Occ. Mindoro | Or. Mindoro | Sorsogon | Iloilo | Kalinga | Apayao | Romblon | Masbate |
| No. of Respondents | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 |
| | | <u>number reporting</u> | | | | <u>number reporting</u> | | |
| Able to buy new appliances and fixtures | 15 | 14 | 24 | 13 | 11 | 27 | 10 | 7 |
| Renovated the house | 17 | 11 | 20 | 1 | 10 | 13 | 4 | 5 |
| Easy living | | 8 | 9 | 32 | 18 | 20 | 24 | 32 |
| Additional income | 1 | 1 | 5 | 6 | - | 1 | 2 | - |
| Established a new business | 2 | 2 | - | 7 | - | - | 5 | - |
| Expanded/Improved the business | 2 | 2 | 1 | 2 | 2 | 5 | 1 | 1 |
| Bought new tricycle | 2 | 4 | - | - | 1 | 4 | 3 | 1 |
| Bought new motor | 3 | 3 | - | - | 1 | 3 | 2 | 1 |
| Able to buy a cellphone | 2 | 1 | 1 | 2 | 1 | 1 | - | - |
| Purchased a new house | - | 2 | 1 | - | - | - | - | - |
| Repaired the banca | 1 | - | 1 | - | - | - | - | - |
| Able to provide for children's education | 1 | 1 | - | - | - | - | 1 | - |
| Have food allowance for grandchildren | 1 | - | - | - | - | - | - | - |
| Repaired machine and water pump | - | 1 | - | - | - | - | - | - |
| Purchased new clothes | - | - | - | - | 1 | - | - | - |
| Purchased farm equipment | - | - | - | - | 1 | 1 | 3 | 2 |
| Purchased new kitchen utensils | - | - | - | - | 1 | - | - | - |
| Able to finance health needs | - | - | - | - | - | 1 | 1 | 3 |
| Purchased farm animals | - | - | - | - | - | - | 1 | - |
| Purchased fishing equipment | - | - | - | - | - | - | 4 | - |
| None | 4 | 2 | - | - | 5 | 1 | 1 | 1 |

note: multiple responses

Mid-Term Program Assessment of the Agriculture and Fisheries Financing Program (AFFP)
FINAL REPORT

Appendix Table 32. Perception about the AFFP

| | PCFC | | | | Land Bank | | | |
|--|-----------------|----------------|----------|--------|-----------|--------|---------|---------|
| | Occ. Mindoro | Or. Mindoro | Sorsogon | Iloilo | Kalinga | Apayao | Romblon | Masbate |
| <u>Requirements for loan application of lending institution are easy to comply with</u> | | | | | | | | |
| Strongly disagree | - | - | - | - | - | - | - | - |
| Disagree | - | - | - | - | - | - | 1 | 1 |
| Neutral | - | - | - | - | - | 2 | 5 | - |
| Agree | 16 | 15 | 24 | 20 | 21 | 25 | 28 | 24 |
| Strongly agree | 20 | 21 | 12 | 6 | 15 | 9 | 2 | 11 |
| <u>Policies/terms/conditions regarding loan application and loan payment are stated clearly and concisely by the lending institution</u> | | | | | | | | |
| Strongly disagree | - | - | - | - | - | - | - | 1 |
| Disagree | - | - | 1 | - | - | - | 1 | - |
| Neutral | - | - | 2 | - | - | 1 | 3 | - |
| Agree | 8 | 6 | 22 | 9 | 20 | 22 | 26 | 22 |
| Strongly agree | 28 | 20 | 11 | 27 | 16 | 13 | 6 | 13 |
| <u>Interest rates are not extremely high</u> | | | | | | | | |
| Strongly disagree | - | - | - | - | - | - | - | 2 |
| Disagree | - | - | - | - | 1 | 2 | 22 | 11 |
| Neutral | - | 1 | - | 13 | 5 | 10 | 4 | 6 |
| Agree | 13 | 8 | 19 | 18 | 19 | 16 | 9 | 14 |
| Strongly agree | 23 | 27 | 17 | 5 | 11 | 8 | 1 | 3 |
| <u>The total loan amount provided is sufficient for production expenses</u> | | | | | | | | |
| Strongly disagree | 1 | - | - | 1 | - | - | - | - |
| Disagree | 1 | - | 2 | 4 | 1 | 18 | - | 4 |
| Neutral | 24 | 1 | 1 | 6 | - | 2 | 3 | 4 |
| Agree | 10 | 4 | 14 | 6 | 19 | 9 | 30 | 19 |
| Strongly agree | - | 21 | 19 | 19 | 16 | 7 | 3 | 9 |
| <u>The loan money is released on (before cropping period/production cycle)</u> | | | | | | | | |
| Strongly disagree | - | - | - | - | 3 | - | - | - |
| Disagree | - | - | - | - | 13 | 3 | 7 | 6 |
| Neutral | 1 | - | - | - | 5 | 11 | 10 | - |
| Agree | 10 | 4 | 21 | 19 | 6 | 19 | 16 | 17 |
| Strongly agree | 25 | 22 | 15 | 17 | 9 | 3 | 3 | 13 |
| <u>The lending institution provides satisfactory assistance to borrowers</u> | | | | | | | | |
| Disagree | - | - | - | - | 1 | - | - | - |
| Neutral | - | - | 3 | - | - | 3 | 7 | - |
| Agree | 11 | 5 | 3 | 12 | 23 | 22 | 22 | 22 |
| Strongly agree | 25 | 21 | 20 | 24 | 12 | 11 | 7 | 14 |
| <u>Collateral requirements are relatively adequate to loan amount</u> | | | | | | | | |
| Disagree | - | - | - | - | 5 | - | - | - |
| Neutral | - | - | - | - | - | - | - | - |
| Agree | - | - | - | - | 7 | - | - | - |
| Strongly agree | - | - | - | - | - | - | - | - |
| <u>Trainings/seminars provided are effective to have sufficient knowledge in farming</u> | | | | | | | | |
| Neutral | - | - | - | - | 2 | - | - | - |
| Agree | 1 | - | - | - | 20 | 6 | - | 2 |
| Strongly agree | 1 | 13 | - | - | 14 | 13 | - | 9 |

Annex C

Photo Documentation





Survey of borrowers in Mindoro Province (Occidental and Oriental Mindoro)



Survey of borrowers in Sorsogon





Survey of borrowers in Kalinga Province



Survey of borrowers in Apayao Province



Survey of borrowers in Romblon



Survey of borrowers in Masbate



Survey of borrowers in Iloilo



Focus group discussion in Sorsogon



Focus group discussion in Kalinga



Focus group discussion in Apayao



Focus group discussion in Romblon



Focus group discussion in Masbate



Focus group discussion in Iloilo



Key Informant Interview with ARDCI Sorsogon



Key Informant Interview with LBP Lending Center in Batangas



Key Informant Interview with Taytay sa Kauswagan, Inc. and their main office



Key Informant Interview with Jose M. Honrado Foundation Inc. and their office