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E-PESO ACTIVITY

Ist Annual Report

March 18, 2015 – September 30, 2015

October 30, 2015

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ACRONYMS

| | |
|---------|--|
| 4Ps | <i>Pantawid Pamilyang Pilipino Program</i> |
| ACH | Automated Clearing House |
| AGDB | Accredited Government Depository Banks |
| ATM | Automated Teller Machine |
| ATVI | Auto Top-Up Ventures Inc. |
| BAP | Bankers Association of the Philippines |
| BSP | Bangko Sentral ng Pilipinas |
| BTCA | Better Than Cash Alliance |
| CCT | Conditional Cash Transfer |
| CDI | Cities Development Initiative |
| CEPALCO | Cagayan de Oro Electric Company |
| CICO | Cash-In/Cash-Out |
| COWD | Cagayan de Oro Water District |
| DBM | Department of Budget and Management |
| DILG | Department of Interior and Local Government |
| DOST | Department of Science and Technology |
| DSWD | Department of Social Welfare and Development |
| EFT | Electronic Fund Transfer |
| EMI | Electronic Money Issuer |
| EIU | Economist Intelligence Unit |
| FMCG | Fast Moving Consumer Goods |
| FPCD | Financial Consumer Protection Department |
| GAA | General Appropriations Act |
| G2P | Government to Person |
| GDA | Global Development Alliance |
| GOCC | Government-Owned and Controlled Corporations |
| GPH | Government of the Philippines |
| GXI | G-Xchange Inc. |
| HSF | Homeless Street Families |
| ICT | Information Communications Technology |
| ICTO | Information and Communications Technology Office |

| | |
|--------|--|
| IFAS | Inclusive Finance Advocacy Staff |
| LGU | Local Government Unit |
| M&E | Monitoring and Evaluation |
| MCCT | Modified Conditional Cash Transfer |
| MCPI | Microfinance Council of the Philippines Inc. |
| MOA | Memorandum of Agreement |
| MOU | Memorandum of Understanding |
| NATCCO | National Confederation of Cooperatives |
| NBSFI | National Baseline Study on Financial Inclusion |
| NRPS | National Retail Payment System |
| P2G | Person to Government |
| PALECO | Palawan Electric Cooperative |
| PCHC | Philippine Clearing House Corporation |
| PFG | Partnership for Growth |
| PMO | Program Management Office |
| PPCWD | Puerto Princesa Water District |
| PSA | Philippine Statistic Authority |
| PSMB | Payments System Management Body |
| RBAP | Rural Bankers Association of the Philippines |
| SIMM | Scaling Innovations in Mobile Money |
| SMI | Smart e-Money Inc. |
| SUC | State Universities and Colleges |
| USAID | United States Agency for International Development |
| ZCWD | Zamboanga City Water District |

I. PROGRAM OVERVIEW/SUMMARY

| | |
|--|--|
| Program Name: | E-PESO Activity |
| Activity Start Date And End Date: | March 18, 2015-March 17, 2020 |
| Name of Prime Implementing Partner: | Chemonics International, Inc. |
| [Contract/Agreement] Number: | AID-492-C-15-00001 |
| Name of Subcontractors/Subawardees: | Grameen Foundation MicroSave Pvt. Ltd. OpenRevolution |
| Major Counterpart Organizations | Bangko Sentral ng Pilipinas Department of Budget and Management |
| Geographic Coverage (cities and or countries) | Manila, Philippines |
| Reporting Period: | March 18 – September 30, 2015 |

The USAID E-PESO Activity is a USAID/Philippines program supporting the objectives of the U.S.-Philippines Partnership for Growth (PFG), which focuses on addressing binding constraints to achieve sustained, more inclusive economic growth. With 99% of payment transactions in the Philippines taking place through cash, promoting a shift to electronic payments (e-Payments) represents unrealized potential to promote inclusive economic growth. E-PESO will partner with and support the Government of the Philippines (GPH) and private sector partners to achieve rapid, widespread increase in electronic payment (e-Payment) adoption and usage. Through E-PESO support, e-Payments will account for 20% of retail transactions in five years' time.

To shift from a cash-based economy to electronic, E-PESO will support the development of a lasting, inclusive economic infrastructure and set the stage for new financial products to enter the market that explicitly meet the needs of those struggling to escape poverty. Enabling access to electronic transaction accounts will provide the backbone to ensure that the majority of Filipinos can use e-Payments, which are a secure and cost-effective means to access a full range of payment and financial services. This broader range of financial services can help them build assets, better withstand shocks, and participate more broadly in the formal economy. E-Payment also offers greater ability to track financial flows in line with GPH's thrust towards greater transparency and accountability in financial transactions.

E-PESO will build on the GPH leadership in promoting e-Payments as a vehicle for expanding financial inclusion. Recognized in 2014 by the Economist Intelligence Unit (EIU) as one of the global leaders in promoting financial inclusion, the Philippines' successful track record in deepening financial inclusion mirrors worldwide trends: Countries that institute national financial inclusion strategies tackle poverty at a higher rate than those that don't. Leading the charge, the *Bangko Sentral ng Pilipinas* (BSP)'s National Strategy for Financial Inclusion capitalizes on global trends and will focus heavily on ensuring that the majority of Filipinos have access to electronic transaction accounts.

Over the next five years, Filipinos will benefit from new and innovative electronic payment products, an increased number of outlets to spend electronic money, improved transparency and accountability in their transactions with government, and a strong enabling regulatory environment that protects consumers. Stimulating private sector investment, the exponential growth in electronic payments will set the stage for a more inclusive society where all adult Filipinos have access to critical financial services.

To fulfill PFG goals and E-PESO objectives, the activity focuses on four components:

- **Component 1: Rapid Adoption of e-Payments in Financial System.** Incentivizing adoption of e-Payments, the activity will support digitization of large-scale payment streams in both the private and public sectors. E-PESO will provide technical assistance to GPH agencies in improving their services by expanding the use of e-money in government-to-person (G2P) and person-to-government (P2G) payments. E-PESO will also work to bring the benefits of digital payments to targeted businesses, including businesses such as those from the fast-moving consumer goods industry that have large retail payment flows.
- **Component 2: Infrastructure for e-Payments Expanded.** To increase the value proposition to customers using e-Payment instruments, E-PESO will promote interoperability among the various digital finance products, services and players (e.g. ATMs, debit/credit and stored value cards, electronic fund transfers, working with banks, e-money issuers, payment service providers and other financial service providers). E-PESO will also support the complex array of front-end and back-end providers, backstopping them to connect users as well as reduce transaction and search costs.
- **Component 3: Enabling Environment for e-Payments Improved.** Building trust, convenience, and security in e-Payments, E-PESO will support the BSP in its initiative to establish a National Retail Payment System (NRPS) which is intended to rationalize the fragmented payments system into an interoperable and interconnected one. E-PESO will also provide technical assistance as BSP oversees the implementation of a NRPS. The activity will likewise provide technical assistance and training to support BSP in promoting digital security, consumer protection and confidence, financial inclusion, and e-Payment stability within the broader payment system.
- **Component 4 (cross-cutting): E-Payment ecosystem developed in key cities identified under USAID's Cities Development Initiative.** Promoting global knowledge sharing of emerging trends, E-PESO will also identify and address supply and demand constraints inhibiting broader e-Payment usage. E-PESO will support the expansion of electronic payment ecosystems with particular focus on key cities identified under USAID's Cities Development Initiative.

2. ACTIVITY IMPLEMENTATION PROGRESS

2.1 Progress Narrative

| Standard Indicators | Baseline FY 2015 | Year 1 Annual Target | Year 1 Annual Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|--|----------------------------|----------------------|----------------------|--|---------------|
| Desired Impact: Efficient, Transparent, and Inclusive Retail e-Payment System Contributing to Broad-based Growth | | | | | |
| Indicator 1: Increased economic opportunity, a. Number of e-Payment users (a) New Cumulative b. Percent of population 15 y.o. and above who are e-Payment users (b) | 0 10.9 million 16.1% | TBD TBD | n/a n/a | n/a n/a | |
| Desired Purpose: Scope of e-Payment Usage Reaches Tipping Point for Scale | | | | | |
| Indicator 2: e-Payments accounting for at least 20% of all retail payment transactions, Percent of e-Payments accounting for retail payment transactions (c) | 1.03% | 1.03% | TBD | TBD | |
| Indicator 3: Growth in the number of active e-Payment users to reach scale, No. of active e-Payment users (d), New Cumulative | 0 6.9 million | TBD TBD | n/a n/a | n/a n/a | |

Notes: The Results Performance Column depicts level of achievement expressed as a percentage of Actual versus Planned. It shows only Quarter 3 and 4 since the Activity started only on Quarter 3 of Year 1. On the other hand, e-Payments refer to e-money accounts, credit cards, debit cards, and mobile/internet banking subscribers. However, as of this writing, e-money will only be considered pending completion of baseline data gathering from the BSP and surveys to be commissioned. TBD refers to surveys to be done or data to be determined. For the rest, (a) e-Payment users refer to registered e-money accounts as of December 2014; (a)(d) from Inclusive Finance Advocacy Staff of BSP as of December 2014; (b) Number of e-Payment users over number of Philippine population aged 15 years old and above derived from Philippine Statistics Authority (PSA) census projections and IFAS/BSP data; and (c) based on Better Than Cash Alliance (BTCA) Philippines Country Diagnostic Study, July 2015.

USAID E-PESO is currently using proxy data to support baseline indicators requiring large segments of the population. For Indicator 1, E-PESO used data normally provided by the Inclusive Finance Advocacy Staff (IFAS) of the BSP. The data is based on the number of e-money accounts reported by electronic money issuers. This, therefore, excludes data on ownership and usage of credit cards, debit cards linked to deposit accounts, as well as prepaid cards issued by entities that are not supervised by the BSP. Indicator 2 data is derived from the Better than Cash Alliance (BTCA) Philippines Country Diagnostic Study that looked into the e-Payments transactions in the country across individuals, businesses, and government.

Lastly for Indicator 3, as a proxy figure, we will instead monitor data similar to those collected in other countries like Malaysia to track all e-money users, credit/debit cards in circulation, and all registered mobile/ internet banking subscribers. At this time, we are still discussing the collection of this data with the BSP. Current data is derived from the National Baseline Survey on Financial Inclusion (NBSFI) conducted by the BSP and the Philippine Statistics Authority (PSA) census projections. Most of the targets are to be determined (TBD) or not applicable (n/a) since the data is gathered on an annual basis through surveys with private firms and publications from the BSP.

As of September 2015, the E-PESO short-listed survey firms that can implement a national household survey upon USAID approval.

Component I: Rapid Adoption of e-Payments in Financial System

| Standard Indicators | Baseline FY 2015 | Year I Annual Target | Year I Annual Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|--|------------------|----------------------|----------------------|--|---------------|
| Desired Outcome 1: Rapid Adoption of e-Payment in Financial System | | | | | |
| Indicator 4: Adoption of new e-Payment services as collection/ disbursement option in five (5) national GPH agencies | | | | | |
| New | 0 | 1 | 1 | 100% | Yes |
| Cumulative | 0 | 1 | 1 | 100% | Yes |
| Indicator 5: New e-Payment implementation and adoption by 500 (small, medium, and large) businesses, No. of businesses introducing or enhancing e-Payment options as a result of E-PESO support, | | | | | |
| New | 0 | 10 | 0 | 0% | No |
| Cumulative | 0 | 10 | 0 | 0% | No |
| Indicator 6: Over 25,000 people trained (via consumer education) on the uses of e-Payments and m-Money services for improved household financial management, No. of people trained (via consumer education) on the uses of e-Payments, | | | | | |
| New | 0 | 2,400 | 229 | 9.5% | No |
| Cumulative | 0 | 2,400 | 229 | 9.5% | No |

E-PESO began fieldwork in April and established relationships with key partners such as the BSP, Department of Budget and Management (DBM), local government units (LGUs), and private sector partners. There was interest early on from various stakeholders including the Department of Social Welfare and Development (DSWD). DSWD, in partnership with Land Bank, is working to shift disbursement of payments to all beneficiaries of the *Pantawid Pamilyang Pilipino Program* (4Ps) and Modified Conditional Cash Transfer (MCCT) to e-money enabled prepaid debit cards. E-PESO was invited by

DSWD to be part of the technical working group to design training and client education materials for the prepaid card rollout. E-PESO helped develop communication materials designed to educate beneficiaries about using their new e-money enabled prepaid cards. When DSWD launched the distribution of the prepaid cards in August, DSWD staff ran an orientation and hands-on-training for the first batch of beneficiaries from the Metro Manila area using these financial education materials. An earlier training was also held in Davao del Norte.

Follow-on consumer education trainings have been planned after the launch, but these have been pushed back by DSWD. E-PESO is expected to pick up pace in Year 2 as DSWD uses the materials and rolls out the training nationwide. The GPH has allotted close to 62.7 billion pesos for conditional cash transfers (CCT) during the coming fiscal year, targeting more than 4.4 million poor households nationwide.¹

Component 2: Infrastructure for e-Payments Expanded

| Standard Indicators | Baseline FY 2015 | Year I Annual Target | Year I Annual Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|--|------------------|----------------------|----------------------|--|---------------|
| Desired Outcome 2: Infrastructure for e-Payments Expanded | | | | | |
| Indicator 7: Growth of front-end e-Payment infrastructure expanded, No. of institutions supported by E-PESO to improve and/or expand their front-end infrastructure, | | | | | |
| New | 0 | 10 | 10 | 100% | Yes |
| Cumulative | 0 | 10 | 10 | 100% | Yes |
| Indicator 8: Back-end e-Payment infrastructure strengthened, No. of institutions supported by E-PESO to improve and/or expand their back-end infrastructure, | | | | | |
| New | 0 | 10 | 10 | 100% | Yes |
| Cumulative | 0 | 10 | 10 | 100% | Yes |

E-PESO conducted preliminary discussions with front-end and back-end service providers. A research on the payments industry landscape has been completed and a directory of technology service providers is being finalized. Both resources will aid in identifying and matching key technology and payment solutions providers to support partners, as well as facilitate potential partnerships between government and private sector providers.

¹ 2016 Budget Prioritizes Poverty Alleviation, Official Gazette, Republic of the Philippines: <http://www.gov.ph/2015/10/13/2016-budget-prioritizes-poverty-alleviation/>. Accessed October 17, 2015.

For Year I, E-PESO actively supported the strengthening of front-end and back-end infrastructures in four (4) LGU partners, namely, Cagayan de Oro City, Puerto Princesa City, Pulilan (Bulacan), and Zamboanga City. E-PESO is also conducting assessments for similar strengthening activities with the Cagayan de Oro Water District (COWD), Zamboanga City Water District (ZCWD), Puerto Princesa Water District (PPCWD), Palawan Electric Cooperative (PALECO), Cagayan de Oro Electric Company (CEPALCO), PhilSmiles, and Auto Top-Up Ventures Inc. (ATVI).

E-PESO continues to collaborate with Smart through Smart e-Money, Inc. (SMI). The SMI Head for Innovation participated in the Microfinance Council of the Philippines Inc. (MCPI) Annual Conference as a panelist in a session organized by E-PESO together with other electronic payments service providers. As work by E-PESO on the government and business sectors accelerate, Smart will continue to play an important role in providing the infrastructure for e-Payments to those sectors.

Component 3: Enabling Environment for e-Payments Improved

| Standard Indicators | Baseline FY 2015 | Year I Annual Target | Year I Annual Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|---|------------------|----------------------|----------------------|--|--------------------------|
| Desired Outcome 3: Enabling Environment for e-Payments Improved | | | | | |
| Indicator 9: Financial regulation refined to manage growth of e-Payments, a. No. of circulars, regulations, and/or local ordinances refined or clarified to support e-Payment growth New Cumulative b. No. of public-private dialogues to support strengthening e-Payment environment New Cumulative | 0 0 0 0 | 3 3 1 1 | 3 3 7 7 | 100% 100% 700% 700% | Yes Yes Yes Yes |
| Indicator 10: Increased consumer awareness and trust in e-Payments (e), a. % of population 15 yo and over aware of e-Payments b. % of population 15 yo and over that trust the e-Payment system | 25.6% 52.0% | TBD TBD | TBD TBD | n/a n/a | |
| Indicator 11: Security measures in e-Payments strengthened, No. of guidelines developed and forums held that promote awareness on digital security best practices, cumulative | 0 | 2 | 0 | 0% | No |

Notes: (e) derived from National Baseline Study on Financial Inclusion (NBSFI) by the BSP with awareness and transparency rating on e-money and ATM as a proxy to awareness and trust respectively.

A decision was made to transfer the tasks and activities related to the NRPS under Component 2 to Component 3 as the activities in this component focus on supporting BSP's NRPS program.

Important progress has been made in supporting the BSP to guide implementation of the NRPS and promote interoperability across e-Payment transaction accounts. Several public-private dialogues were conducted by BSP and private sector partners with support from E-PESO to discuss next steps on the development of the NRPS and to encourage private sector players to support e-Payments. An important dialogue that took place was with the CEOs of the key banks, main e-money issuers, and some of the largest distributors in the Philippines during the visit of Queen Maxima of the Netherlands and the United Nations Secretary General Special Advocate. Following this meeting, USAID E-PESO supported the BSP during a meeting with key bank chief information officers and other executives to discuss next steps on working towards establishing the NRPS as well as another meeting with Unilever to discuss their interest following the visit by the Queen to discuss options to transition to e-Payments.

Four additional public-private dialogues were completed with the Department of Interior and Local Government (DILG), LGUs, and national government chief information officers. Three DILG Information Communications Technology ICT Forums were held throughout the country with the support of E-PESO and Microsoft, a Global Development Initiative Partner. The dialogues were held to raise awareness and capacity of LGUs to invest in e-Payments technology options and automation of government services that improves public services. Another dialogue with the chief information officers of national government agencies happened at the Chief Information Officers Forum where E-PESO shared its thrust in e-Payment adoption that improves efficiency and transparency in national government transactions.

E-PESO leveraged opportunities for sharing information and stimulating discussion about e-Payment adoption and usage in important national events and industry conventions including the Microfinance Council of the Philippines Annual Conference and the 2015 Cards & Payments Convention. E-PESO shared the most recent global trends and advantages in e-Payments and how the Philippines can realize similar benefits.

As part of the Philippine government's effort to ensure transparency and efficiency in the use of public funds, the President, through the DBM, encourages all government agencies, including Government-Owned and Controlled Corporations (GOCCs) and State Universities and Colleges (SUCs), to adopt the use of e-Payments in transactions involving the use of government funds. In discussions with DBM, E-PESO provided inputs on further pushing for the implementation of government e-Payments requirement. Once enacted, the provision becomes part of the 2016 General Appropriations Act (GAA) that contains budgetary programs and projects of each agency of the government, including appropriations for each program and project for the upcoming fiscal year.

E-PESO is currently in the process of compiling best practices on consumer protection and digital security. Together with the BSP's Financial Consumer Protection Department (FPCD), E-PESO will roll out a training program for supervised financial institutions to support consumer protection and trust in electronic payments.

Component 4: E-Payment ecosystem developed in key cities identified under USAID’s Cities Development Initiative

| Standard Indicators | Baseline FY 2015 | Year 1 Annual Target | Year 1 Annual Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|---|------------------|----------------------|----------------------|--|---------------|
| Desired Outcome 4: Gaps in Broader e-Payment Ecosystem Addressed (crosscutting) | | | | | |
| Indicator 12: SIMM city implementation to all regions of the CDI expanded and aligned, No. of SIMM Cities and CDIs that introduced or enhanced e-Payment channels, | | | | | |
| New | 0 | 2 | 3 | 150% | Yes |
| Cumulative | 0 | 2 | 3 | 150% | Yes |
| Indicator 13: Adoption of new e-Payment services as collection/ disbursement option in LGUs, No. of LGUs introducing or enhancing e-Payment options with E-PESO support, | | | | | |
| New | 0 | 3 | 3 | 100% | Yes |
| Cumulative | 0 | 3 | 3 | 100% | Yes |
| Indicator 14: Global knowledge-sharing on e-Payments promoted, | | | | | |
| a. No. of articles promoting e-Payments | | | | | |
| New | 0 | 12 | 14 | 117% | Yes |
| Cumulative | 0 | 12 | 14 | 117% | Yes |
| b. No. of global knowledge-sharing events that highlight the Philippines e-Payment environment/players | | | | | |
| New | 0 | 1 | 2 | 200% | Yes |
| Cumulative | 0 | 1 | 2 | 200% | Yes |

E-PESO continued to build upon the work completed by the USAID Scaling Innovations in Mobile Money (SIMM) project by providing support to cities and municipalities already using electronic money for financial transactions. Meetings were held with the local governments of Pulilan (Bulacan), Valenzuela, Batangas, Cagayan de Oro, Quezon City and Iloilo City to identify any new e-Payment technology needs for adoption.

The work of E-PESO helped to expand this list to two Cities Development Initiative (CDI) partners, Puerto Princesa City and Zamboanga City. The LGUs released key local ordinances and executive orders supporting the adoption of e-Payments as well as the formation of technical working groups to implement e-Payment services.

Activities to promote the adoption and usage of e-Payments took place at a rapid pace in Year I with multiple high level presentations at the annual general meetings of the Rural Bankers Association of the Philippines (RBAP), the Microfinance Council of the Philippines, and with other key industry groups including the American Chamber of Commerce, and NATCCO (an umbrella organization of cooperatives in the Philippines). E-PESO also highlighted the adoption of e-Payments through presentations at global conferences including the joint Philippines Cards & Payments, E-Commerce Conferences, as well as the G-20 supported 2015 Responsible Finance Forum in Antalya, Turkey and the Global Payments Summit in Singapore.

2.2 Implementation Status

Component I: Rapid Adoption of e-Payments in Financial System



Training of 4Ps officers on how to cascade information on debit card usage.

E-PESO supports the shift of CCT to e-money accounts through its partnership with DSWD.

The DSWD's 4Ps is a human development program that invests in the health and education of poor households, particularly of children aged 0-18 years old. The program operates in the country's 17 regions and covers 4.5 million households. Under the MCCT, DSWD expanded coverage to include homeless street families (HSF) and indigenous people. In partnership with Land Bank, DSWD is now working to transition all 4Ps and MCCT beneficiaries to receive their transfers electronically through e-money enabled prepaid debit cards. Currently, beneficiaries receive their cash benefits via cash cards or cash distributed by accredited Land Bank conduits (including previously GCASH Remit, Smart Money, rural banks, and cooperatives).

With the introduction of this new mode of disbursement, beneficiaries will need to be familiarized on the prepaid card's mechanism and uses, and how to use it to get their cash grants. DSWD's 4Ps National Program Management Office partnered with Land Bank of the Philippines, e-money issuer Omnipay, and E-PESO to set up a technical working group to develop education and communication materials to accompany the roll-out of the first batch of e-money enabled prepaid debit cards. The E-PESO team provided technical input and hired a graphic designer to design these materials.

In June, the DSWD and Land Bank distributed prepaid debit cards to 309 MCCT beneficiaries from three (3) barangays in Talangod, Davao del Norte. The distribution was part of an inter-government agency

activity, the Serbisyo Caravan, which was mobilized to deliver basic services to the municipality. DSWD community facilitators were trained on how to deliver the training tools that E-PESO helped develop. Moving forward, the facilitators will train the beneficiaries during the regular family development sessions.

Following this, DSWD launched the distribution of prepaid cards to about 203 HSF beneficiaries and ran an orientation using the training and communication tools. A hands-on training on using the ATM to withdraw cash was also provided.

Component 2: Infrastructure for e-Payments Expanded

E-PESO, together with Microsoft, a USAID Global Development Alliance (GDA) partner, and other local companies supported the Island-Wide Forum on ICT held in Luzon, Visayas and Mindanao. The forum aimed to raise awareness and capacity of LGUs to invest in ICT including e-Payment technology options and automation of government services that will improve public services. E-PESO conducted an e-Payment readiness survey of LGUs in these regional dialogues, as well as one-on-one meetings to determine specific payment technology needs.

E-PESO is also monitoring the progress of Department of Science and Technology (DOST) through its Information and Communications Technology Office (ICTO) in their development of an aggregated electronic payment platform for government agencies, and will provide inputs to improve the design and implementation of the platform.

In addition, E-PESO has been engaging various providers to support the work of promoting e-Payments adoption and usage. A directory of key payment aggregators and gateways is being compiled as a resource for private sector companies.

Component 3: Enabling Environment for e-Payments Improved

National Retail Payments System

The work of the BSP on the NRPS is an important agenda for E-PESO. E-PESO supported the BSP and United Nations in the preparations for a high level event in June. Serving as the “soft launch” of the NRPS initiative, Queen Maxima of the Netherlands and the United Nations Secretary General’s Special Advocate for financial inclusion, attended the event, as well as selected participants in the payment system including banks, electronic money issuers, and some of the country’s largest distributors.

Situational Assessment Report

A situational assessment_report has been completed. It describes the roles, technology, standards, and security of back-end infrastructure providers such as switches/clearing operators (Bancnet/Megalink), settlement facilities (RTGS), payment gateways, and card processors. An achievement in implementing the glide path was the merger in principle of Bancnet and Megalink, with a Memorandum of Understanding (MOU) signed in January 2015.

The direction and strategy for the NRPS achieved clarity with BSP’s decision to follow a private sector led self-governing model for the NRPS under BSP oversight. The BSP will bestow power to a PSMB, which will establish the rules of participation and policies that will govern the automated clearing houses (ACHs) grouped according to the “payment stream” e.g. cards-based transactions, debit electronic fund transfer (EFT), etc. This model, patterned after that of South Africa, is considered to be a best fit for the Philippines.

Indicators and Measurement of Progress

To monitor e-Payments growth, E-PESO is proposing a tracking system with indicators at the macro, institution, business, and household level, and standard reportorial tables that track e-Payments by type, volume, and value of transactions.

Apart from looking at non-banks, E-PESO is working with the BSP to track all regulated financial players offering payment services. By retrieving the data consolidated, tabulated, and made available, policymakers can reference objective data to support the crafting of policies and regulations that improve the adoption of e-Payments in financial services and other industries. This will also help the BSP and greater industry to set realistic targets to transition the country to e-Payments and track this progress over time. Also, a study on the e-Payments landscape is undergoing internal review.

Currently, shifts in e-Payments awareness, usage, and trust at the household and business levels are also being proposed for tracking through regular surveys. While data from existing household surveys, including the 2015 BSP financial inclusion baseline survey, are being mined, E-PESO has done groundwork for the possible fielding of a survey within the last quarter of 2015. Among other related components, the survey will gather appropriate data to establish the baseline for the indicators per the E-PESO contract, to wit: (i) growth in the number of active e-Payment users to reach scale; and (ii) Increased consumer awareness and trust in e-Payments.

Component 4: E-Payment ecosystem developed in key cities identified under USAID's Cities Development Initiative

Important work has been carried out to further enhance and expand e-Payment adoption in multiple local government units.

E-PESO conducted workshops and informant interviews with key personnel of six LGU partners: Batangas City, the Municipality of Pulilan, Quezon City, Iloilo City, Cagayan de Oro City, and Valenzuela City. The field visits provided E-PESO with updates on the progress of mobile payment services currently offered by the six LGUs, surfaced challenges encountered, and provided inputs for proposed measures to address the identified challenges. In addition, rapid market assessments of e-Payment opportunities and e-Payment readiness assessments of the LGUs were completed. In line with E-PESO's ecosystem approach, the team also met with identified cash-in/cash-out (CICO) agents in the community, local businesses, and community leaders.

In parallel with conducting a baseline assessment of partners with active electronic payment services, E-PESO completed the initial phase of electronic payment adoption with new partners Zamboanga City and Puerto Princesa City. Executive orders formalizing adoption of electronic payment channels for LGU collection and disbursements were issued by the Chief Executives of Zamboanga City and Puerto Princesa. The executive orders also authorized the creation of a technical working group as a counterpart to E-PESO to work on the transition to electronic payments for government services.

Working with the DILG, E-PESO supported three regional legs of the Forum on Information and Communications Technologies (ICT). The dialogues were held to raise awareness and capacity of LGUs

to invest in ICT including e-Payment technology options and automation of government services that improve public services.

E-PESO has started working with local businesses through the chamber of commerce and other related associations such as the National ICT Confederation of the Philippines. These businesses include distributors of fast-moving consumer goods (FMCG), utility companies such as electricity, water, cable and internet, manufacturing and trading firms. In coordination with the LGUs, E-PESO conducted dialogues and forums with business groups and large businesses to discuss and agree upon strategies in expanding the use of electronic money and e-Payment channels. In September, E-PESO held sessions on payments technology and innovations for the city government of Puerto Princesa and local businesses, in which a number of digital finance service providers/practitioners presented their e-Payment solutions. These sessions are designed to help businesses and other organizations enhance their productivity and efficiency, widen their client base, and expand their product/service offerings.



Payment service providers presented their technology solutions and services to officers of the Puerto Princesa LGU.

2.3 Implementation Challenges

Component I: Rapid Adoption of e-Payments in Financial System

The transition to electronic transfers as the mode of benefits disbursement for DSWD's CCT Program should be closely monitored and carefully phased because of the profile of its target beneficiaries, who may have minimal numeric and/or literacy skills, and may not be familiar with the use of ATMs or POS machines. The training and communication tools designed with support from E-PESO are intended help address financial literacy challenges and further promote e-Payment adoption.

Currently, the e-Payment facilities of Accredited Government Depository Banks (AGDB), the banks in which Government entities are encouraged to deposit their funds and maintain depository accounts, are only available to their respective depositors. Two state-owned banks dominate the field.



Component 2: Infrastructure for e-Payments Expanded

One of the key challenges in e-Payment adoption for government and businesses has been the lack of automated back-end systems that can readily integrate with e-Payment platforms. Over the last decade, the number of e-Payment options available in the market has greatly increased, making it more difficult for government agencies and businesses to choose the most appropriate solutions for their needs.

In this regard, E-PESO will work with the DOST through its ICTO to review the use of its PhPay, an internet-based e-Payment facility that allows disbursement for government transactions through various online delivery channels, including ATM accounts, bank and non-bank over-the-counter payments, mobile wallets (SMS) and mobile banking, among others.

Component 3: Enabling Environment for e-Payments Improved

To support the dialogue with the private sector and re-activate the conversation on the NRPS, E-PESO collaborated with the BSP in conducting a series of meetings for a situational assessment of achievements made in the glide path since July 2014, including actions taken, progresses made, an analysis of the gaps, and recommendations in moving forward.² Aside from the BSP, the meetings included five major banks, two non-bank EMIs (GXI and SEMI), Bankers Association of the Philippines (BAP), Bancnet, and PCHC.

The assessment noted the merger of Bancnet and Megalink, a development that the BSP encouraged, to integrate the two ATM switches into a single entity. Formalized with the signing of the Memorandum of Agreement (MOA) in January, the merger signaled an initial step by the banking sector in rationalizing a NRPS. BSP also completed a study on the different national payments system models from other jurisdictions.

A formally established BSP core team, headed by Mr. Raymond Estioko, Assistant Director, Office of Deputy Governor for Supervision and Examination Sector of BSP, will focus on the NRPS concerns and sustaining activities. E-PESO continues to work with the BSP by supporting them to conduct meetings and

² The reference period July 2014 followed the workshop on NRPS, which was conducted in June 2014 under the former USAID-supported SIMM project. The teams from BSP, E-PESO, and the technical advisor met with participants in the said workshop.

provide advisors to help in the BSP work planning and share research results and lessons learned from around the world. With the BSP leading, meetings with various sectors involved in the payment system value chain will further inform the process of establishing the NRPS.

Component 4: E-Payment ecosystem developed in key cities identified under USAID's Cities Development Initiative

LGU partners with electronic money collection services for government fees all report low usage and adoption rates. Consultation with the respective LGU teams point to lack of awareness of existing e-Payment options among end users.

Another factor contributing to the slow adoption of existing e-Payment options is the seasonal nature of government transactions. Field visits revealed that payment of local taxes or permits does not occur frequently within a year, thus making it difficult to nurture familiarity and confidence in the payment channels. The LGU may be influential and have the power to convene others to use e-Payment services; however, when the services remain unused by the broader payment ecosystem (i.e., the private sector and businesses, utility companies, etc.) uptake and usage of e-Payment options for infrequent LGU collections will most likely be limited. While local government services play an important role in supporting e-Payment ecosystems in the cities and municipalities, the main engine for driving e-Payment adoption will still rest with broader "strategic alliances" within the community. In this regard, E-PESO, while supporting LGUs to set up electronic payment services, will also target the local private sector and utility services with high frequency payments in promoting the adoption of e-Payment and collection for various types of financial transactions.

For new partner CDI cities, many factors/issues can affect the degree of success of e-Payment solution adoption and implementation. Each LGU poses a unique challenge, which can involve the presence of poor infrastructure, lack of coordination, and policies that hinder e-Payments adoption.

- **Multi-level Organizational Commitment:** The initiative for e-Payment adoption is a potentially trailblazing effort in an LGU. This often involves the Mayor as a champion and supported by the City Council. The Mayor and LGU ensure that this process is endorsed to the Administrator/Chief of Staff, and implemented by a committed project team composed of key LGU departments (IT, Treasurer, Assessor, and the Business Permit Licensing Officer - BPLO). Working together, this becomes a driving force for positive change within the LGU and a testament to innovation in public services.
- **Hardware and System Upgrade:** LGUs need to invest in hardware facilities and system upgrades to avoid downtimes, improve performance, stability, and security of applications. Reliable hardware and software facilities are prerequisites for e-Payment portals to connect with the LGU. Key elements include:

| | |
|---------------------------|--|
| LGU Website | One way to broaden the reach of the city government and provide constituents the option to perform LGU transactions remotely is to improve the city's official website by adding online registration and other interactive features. This will allow the city website to quickly share updates, allow interaction, and permit online registration of residents and local businesses. With online registration, target constituents will have direct access to the LGU forms, eliminating the need to manually fill-out and submit forms. As a by-product of this functionality, the LGU will be able to obtain and collect constituent information (e.g., full name, address, contact numbers, etc.) with less effort. |
| Internet connection | Establishing a new system online, which includes electronic payment, will require higher Internet bandwidth. Internet redundancy – a second Internet Service Provider (ISP) is recommended to be compliant with “business as usual” policy of a service institution. |
| Secure socket layer (SSL) | This is to secure all transactions that will be done on the web. SSL is a standard security technology for establishing an encrypted link between a web server and a browser. This link ensures that all data passed between the web server and browsers remain private and integral. The SSL certification will provide a trusted environment where potential online taxpayers can feel confident and secure in making electronic payments to the LGU. This vetting service is required by any electronic payment service provider in order for the LGU to enable any mode of electronic payment. |
| Firewall Installation | LGUs may need to install a more secure firewall system to avoid any intrusion or virus affecting the city local area network, especially if payment transactions will already be included. A firewall is a network security system that monitors and controls the incoming and outgoing network traffic based on predetermined security rules. A firewall typically establishes a barrier between a trusted, secure internal network and another outside network, such as the Internet, that is assumed to be not secure or trusted. |
| Hardware | Investments in hardware facilities will ensure operability and prevent excessive downtime in the system. |

2.4 PMP Update

During the course of completing the Monitoring and Evaluation (M&E) Plan, the following major indicators have baseline values but only use proxy data:

Indicator 1: Increased economic opportunity,

- a. Number of e-Payment users 15 years old and above, new and cumulative
- b. Percent of population 15 y.o. and above who are e-Payment users

Indicator 2: e-Payments accounting for at least 20% of all retail payment transactions, Percent of e-Payments accounting for retail payment transactions

Indicator 3: Growth in the number of active e-Payment users to reach scale, Number of active e-Payment users, new and cumulative

Indicator 10: Increased consumer awareness and trust in e-Payments,

- a. % of population 15 y.o. and over aware of e-Payments
- b. % of population 15 y.o. and over that trust the e-Payment system

The data are currently not available from partners, and must therefore be gathered through surveys or incorporated into current data gathering activities of partners. In addition, E-PESO is working on the DevResults system to allow for more automated and systematic data gathering of performance or activity results using online tools.

Moving forward, revisions or additions to indicators are anticipated as E-PESO maps out the e-Payments industry, and the involvement of the private sector becomes clearer and more defined. In particular, contextual indicators to measure private sector adoption and use of e-money, availability of vendor acceptance points for e-money measured against size of population, and availability of e-money agents as a percentage of population will be studied.

3. INTEGRATION OF CROSSCUTTING ISSUES AND USAID FORWARD PRIORITIES

3.1 Gender Equality and Female Empowerment

Two members of the E-PESO Activity were sent to USAID's Annual Gender Action Planning Workshop in June at the US Embassy in Manila. During the planning workshop they were oriented to USAID's gender policies and reporting templates required by the GPH for all donor partners. As a result, the Gender Action Plan and Gender Issues Table were submitted after the event. Furthermore, E-PESO achieved a 'B' classification or 'gender sensitive' score of 10.88 out of 20 during the Project Development Stage.

The project classification by gender responsiveness is based on the Harmonized Gender and Development Guidelines (HGDG) checklist scores, where the ratings are:

- A (gender-responsive)= 15-20 points;
- B (gender sensitive)=8.0-14.9;
- C (project has promising gender prospects)=4.0-7.9; and,
- D (gender and development is invisible)=0-3.9.

The HGDG for Project Development, Implementation, Monitoring, and Evaluation is a gender assessment tool developed by gender specialists of donor agencies, including USAID/Philippines, Philippine Commission of Women, and the National Economic and Development Authority (USAID's principal bilateral government partner in the Philippines). The HGDG tool harmonizes the various gender assessment procedures of donors and the GPH.

To implement E-PESO's Gender Action Plan, E-PESO has incorporated sex-disaggregated data into its monitoring, evaluation, and learning processes. Survey tools require the use of data disaggregation to track results for both males and females.

In addition, a review of related literature illustrates there is a higher proportion of female (versus male) adult population that are aware and use e-Payment instruments and channels.³ E-PESO will continue to monitor this trend through the survey to be implemented in Year 2. This data will disaggregate survey results by sex, along with rural and urban locale, socio-economic classification, region, and educational attainment of the population. Once subsequent data is gathered, E-PESO will use its gender analysis tool to yield insights on e-Payments usage and adoption from a gender lens.

3.2 Policy and Governance Support

Support for BSP to convene technical working groups

With progress made in consultation and study of the NRPS, E-PESO continued to support the BSP in organizing public-private dialogues and to assist BSP's NRPS technical working group tasked with developing the rationale, framework, and policies supporting electronic payments in the Philippines.

Support to DILG to roll out the ICT Forum

E-PESO and Microsoft, a GDA partner, provided technical and financial resources to implement the nationwide, roll-out of an ICT Forum for all LGUs. The objective is to enhance awareness and benefits of electronic processes and payment technologies to improve efficiency and transparency of public services. Technology partners were introduced to these events, so that LGUs have a wider and more competitive array of suppliers to implement electronic governance in their local operations.

³ 2015 National Baseline Study on Financial Inclusion (NBSFI), Bangko Sentral ng Pilipinas (BSP).

4. STAKEHOLDER PARTICIPATION AND INVOLVEMENT



USAID E-PESO Chief of Party John Owens addresses audience consisting of Chief Information Officers of government agencies at the Chief Information Officers Forum in September.

E-PESO shared its objectives and strategies to promote broad-based growth through e-Payments to the BSP, DBM, DILG, DOST, DSWD, the National Confederation of Cooperatives (NATCCO), and other private companies and groups. Managing expectations and establishing agreements on short-term activities were made to establish a work plan through the end of Year 1. In addition, E-PESO engaged industry associations that have a broad reach in the Philippine countryside and can become ideal partners in e-Payments, particularly in rural provincial areas. The Chief of Party (COP) shared the E-PESO project with key financial and private sector players in the following events, namely:

- Regular American Chamber of Commerce meeting (May 2015);
- NATCCO ;
- Microfinance Council of the Philippines Inc. (MCPI) Annual Conference (July 2015);
- Cards & Payments Philippines 2015 (September 2015);
- E-Commerce Conference, Manila (September 2015);
- G-20 Responsible Finance Forum (September 2015);
- Internet Mobile and Marketing Association of the Philippines (IMMAP) Summit (September 2015);
- Chief Information Officers Forum last September 2015; and,
- DILG ICT Regional Forums, September 2015.

The Deputy Chief of Party (DCOP) also presented to NATCCO and the RBAP during their national conferences last May 2015.

5. MANAGEMENT AND ADMINISTRATIVE ISSUES

One week after the contract was awarded in March 2015, the E-PESO start-up team arrived in Manila to begin the operational and technical launch of the project. The team focused on on-boarding of personnel, the selection and fit-out of a permanent office space, and the completion and submission of required deliverable reports, such as the Year 1 annual work plan, the branding and marking plan, and the M&E plan.

Of the four key personnel, the Deputy Chief of Party was on board by month 2, and the Chief of Party was on board in month 3. The other two key personnel start dates were delayed (Component 1 and Component 3). Also, the Component 2 team leader had to be replaced due to the original candidate's notification of non-availability. The E-PESO team renegotiated the Component 1 team leader's start date, and submitted a qualified candidate for Component 2 to USAID on May 2, week six of the contract.

Since the Component 3 team leader was not available, USAID E-PESO provided support through short-term consultancies and direct involvement of the COP and DCOP to ensure that work with the regulators was kept on track.

During the start-up phase, USAID E-PESO hired highly-qualified short-term consultants, which allowed the project to accomplish key activities and submit deliverables within 90 days of award.

By month five, the Component 1, 2 and 3 team leaders were approved and on-boarded. By the end of month six (Year 1), all key personnel and other personnel necessary for E-PESO Year 1 activities were hired and on board, and working from our permanent office space in Makati City.

6. LESSONS LEARNED

Component 1: Rapid Adoption of e-Payments in Financial System

Lack of information about e-Payment players and services has limited the development of e-Payments in the Philippines. To address this, the project is conducting a study and survey to develop information on the e-Payment ecosystem and available options across the value chain. In addition, lessons from other markets indicate that the uptake of e-Payments often coincided with sufficient agent networks and touch points that allow customers to make better use of e-Payments. Compared to markets where e-Payments have taken off, the Philippines has a very low density of agents to population. In order to assist the BSP and other partners to understand the role and potential of agent networks, E-PESO is now preparing to tap MicroSave to conduct a Philippine Agent Network Assessment report followed by a Philippine Agent Network Accelerator course starting in Year 2.

Component 2: Infrastructure for e-Payments Expanded

The challenges for infrastructure expansion in e-Payments include poor connectivity, relatively high-cost of transaction devices, and inadequate back-end systems to accept and track payment transactions. Nevertheless, working with channel managers of agent networks and enabling them with mobile phones and m-POS expand the potential for e-Payments to more areas of the Philippines previously unreachable

or under-reached. Ordinary citizens can have the option to transact electronically with a neighborhood agent.

For E-PESO, cataloguing these options for LGUs and enterprises by the following quarter will allow partners to understand how to apply these solutions to their operations and improve their services to the public. Identifying and working with technology partners also improves the capability of E-PESO to give stakeholders a wider choice for adopting technology fit to their requirements.

Component 3: Enabling Environment for e-Payments Improved

Full-scale engagement of project teams working on reforming the payments system is critical to reaching next steps, and ensuring that interest among participants remains high. Maintaining clarity of intention and communication will be key for the development of national policies and initiatives. It is also important to listen to and understand the concerns of the private sector players in light of this major policy shift.

Component 4: E-Payment ecosystem developed in key cities identified under USAID's Cities Development Initiative

Peer Learning and mentorship

Often, the most useful guidance can be obtained from colleagues and peers that have already transitioned to e-Payments in other LGUs. To allow new LGU partners to interact and learn from LGU partners that have successfully transitioned to e-Payment services, E-PESO designed and organized a study tour for the Zamboanga City technical working group to visit Quezon City. The tour helped promote goodwill and foster buy-in among the members of the project team of the LGU/CDI partner and build trust in technology and innovation for LGU financial transactions. It also promoted camaraderie, strengthened mentor-mentee relationship among E-PESO partner CDI cities, and nurtured a close-knit community of practitioners.

Collaboration and partnership to promote e-Payment ecosystems

The main engine for driving e-Payment adoption rests with broader “strategic alliances” within the community. The LGU may be influential and have the power to convene others to use and promote e-Payments, but local players are key to promoting and building an e-Payment ecosystem.

E-PESO conducted an exploratory meeting with officers of the local water and electric utility companies in Cagayan de Oro City to discuss how to work together to shift collection services to electronic platforms. In Valenzuela City, E-PESO held a consultation meeting with the Cooperative Development Office (CDO) to better understand and map the e-Payments use case for both inflow and outflow for local cooperatives and businesses.

7. PLANNED ACTIVITIES FOR NEXT QUARTER INCLUDING UPCOMING EVENTS

Component 1: Rapid Adoption of e-Payments in Financial System

Pre-test results will be assessed and used to make appropriate modifications to the training tool. During Year 2, E-PESO will monitor the transitioning of CCT disbursements to electronic prepaid debit cards and work with DSWD, Land Bank, and OmniPay to make ongoing adjustments to the training tool, in preparation for the full-scale rollout nationwide by Year 2.

Component 2: Infrastructure for e-Payments Expanded

By the First Quarter of Year 2, E-PESO shall be able to complete assessment of the PhPay system and other major payment aggregators that have a creditable track record in supporting both the front-end and back-end infrastructure for e-Payments. The series of one-on-one meetings with these main players shall be continued to determine the business model, internal processes, and fees of each provider to be able to devise an e-Payment infrastructure landscape mapping that will be available to all E-PESO partners by the Year 2.

Component 3: Enabling Environment for e-Payments Improved

In Year 2, E-PESO will continue its work with the BSP, based on the BSP's existing work plan moving forward. The expectations are that the draft charter for the PSMB and draft standard ACH agreement would be completed, with the private sector leading the drafting and coordination responsibility by the BSP. E-PESO shall provide necessary technical assistance to the BSP and private sector groups.

In addition, E-PESO shall provide some research support on business cases for NRPS. E-PESO will research policy and regulations (BSP, and national agency regulations) that hinder e-Payment implementation in the public and private sectors.

Component 4: E-Payment ecosystem developed in key cities identified under USAID's Cities Development Initiative

E-PESO and the LGU project teams are currently crafting a communications plan intended for launch in January 2016 – in time for the payment period of real property taxes and business permit renewals/applications. E-PESO will be coordinating with e-Payments service providers for resource sharing for the marketing and communications drive.

Additionally in Year 2, a series of road shows shall be completed that will provide opportunity for ICT providers to meet with CDI cities and potential key segments of the business and private sector in these areas. These will be held in Metro Manila, Iloilo, Cagayan de Oro, and Davao City.

ANNEX I: Summary of Results to Date

| Standard Indicators | Baseline FY 2015 | Year I Annual Target | Year I Annual Actual | Q3 FY15 Actual | Q4 FY15 Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|---|----------------------|-------------------------|----------------------------|----------------------|----------------------|--|---------------------|
| Desired Impact: Efficient, Transparent, and Inclusive Retail e-Payment System Contributing to Broad-based Growth | | | | | | | |
| Indicator 1: Increased economic opportunity, a. Number of e-Payment users (a) New Cumulative | 0 10.9 million | TBD | n/a | n/a | n/a | n/a | |
| b. Percent of population 15 y.o. and above who are e-Payment users (b) | 16.1% | TBD | n/a | n/a | n/a | n/a | |
| Desired Purpose: Scope of e-Payment Usage Reaches Tipping Point for Scale | | | | | | | |
| Indicator 2: e-Payments accounting for at least 20% of all retail payment transactions, Percent of e-Payments accounting for retail payment transactions (c) | 1.03% | 1.03% | TBD | n/a | n/a | TBD | |
| Indicator 3: Growth in the number of active e-Payment users to reach scale, No. of active e-Payment users (d), New Cumulative | 0 6.9 million | TBD TBD | n/a n/a | n/a n/a | n/a n/a | n/a n/a | |
| Desired Outcome 1: Rapid Adoption of e-Payment in Financial System | | | | | | | |
| Indicator 4: Adoption of new e-Payment services as collection/ disbursement option in five (5) national GPH agencies New Cumulative | 0 0 | I I | I I | 0 0 | I I | 100% 100% | Yes Yes |

| Standard Indicators | Baseline FY 2015 | Year I Annual Target | Year I Annual Actual | Q3 FY15 Actual | Q4 FY15 Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|---|---------------------|-------------------------|----------------------------|----------------------|----------------------|--|---------------------|
| Indicator 5: New e-Payment implementation and adoption by 500 (small, medium, and large) businesses, No. of businesses introducing or enhancing e-Payment options as a result of E-PESO support, New Cumulative | 0 0 | 10 10 | 0 0 | 0 0 | 0 0 | 0% 0% | No No |
| Indicator 6: Over 25,000 people trained (via consumer education) on the uses of e-Payments and m-Money services for improved household financial management, No. of people trained (via consumer education) on the uses of e-Payments, New Cumulative | 0 0 | 2,400 2,400 | 229 229 | 0 0 | 229 229 | 9.5% 9.5% | No No |
| Desired Outcome 2: Infrastructure for e-Payments Expanded | | | | | | | |
| Indicator 7: Growth of front-end e-Payment infrastructure expanded, No. of institutions supported by E-PESO to improve and/or expand their front-end infrastructure, New Cumulative | 0 0 | 10 10 | 10 10 | 0 0 | 10 10 | 100% 100% | Yes Yes |
| Indicator 8: Back-end e-Payment infrastructure strengthened, No. of institutions supported by E-PESO to improve and/or expand their back-end infrastructure, New Cumulative | 0 0 | 10 10 | 10 10 | 0 0 | 10 10 | 100% 100% | Yes Yes |

| Standard Indicators | Baseline FY 2015 | Year I Annual Target | Year I Annual Actual | Q3 FY15 Actual | Q4 FY15 Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|---|------------------|----------------------|----------------------|------------------|------------------|--|--------------------------|
| Desired Outcome 3: Enabling Environment for e-Payments Improved | | | | | | | |
| Indicator 9: Financial regulation refined to manage growth of e-Payments, a. No. of circulars, regulations, and/or local ordinances refined or clarified to support e-Payment growth New Cumulative b. No. of public-private dialogues to support strengthening e-Payment environment New Cumulative | 0 0 0 0 | 3 3 1 1 | 3 3 7 7 | 0 0 0 0 | 3 3 7 7 | 100% 100% 700% 700% | Yes Yes Yes Yes |
| Indicator 10: Increased consumer awareness and trust in e-Payments (e), a. % of population 15 yo and over aware of e-Payments b. % of population 15 yo and over that trust the e-Payment system | 25.6% 52.0% | TBD TBD | TBD TBD | TBD TBD | TBD TBD | n/a n/a | |
| Indicator 11: Security measures in e-Payments strengthened, No. of guidelines developed and forums held that promote awareness on digital security best practices, cumulative | 0 | 2 | 0 | 0 | 0 | 0% | No |
| Desired Outcome 4: Gaps in Broader e-Payment Ecosystem Addressed (crosscutting) | | | | | | | |
| Indicator 12: SIMM city implementation to all regions of the CDI expanded and aligned, No. of SIMM Cities and CDIs that introduced or enhanced e-Payment channels, New Cumulative | 0 0 | 2 2 | 3 3 | 0 0 | 3 3 | 150% 150% | Yes Yes |

| Standard Indicators | Baseline FY 2015 | Year I Annual Target | Year I Annual Actual | Q3 FY15 Actual | Q4 FY15 Actual | Annual Performance Achieved to the End of Reporting Period (%) | On Target Y/N |
|--|------------------|----------------------|----------------------|----------------|----------------|--|---------------|
| Indicator I3: Adoption of new e-Payment services as collection/ disbursement option in LGUs, No. of LGUs introducing or enhancing e-Payment options with E-PESO support, | | | | | | | |
| New | 0 | 3 | 3 | 0 | 3 | 100% | Yes |
| Cumulative | 0 | 3 | 3 | 0 | 3 | 100% | Yes |
| Indicator I4: Global knowledge-sharing on e-Payments promoted, | | | | | | | |
| a. No. of articles promoting e-Payments | | | | | | | |
| New | 0 | 12 | 14 | 2 | 12 | 117% | Yes |
| Cumulative | 0 | 12 | 14 | 2 | 14 | 117% | Yes |
| b. No. of global knowledge-sharing events that highlight the Philippines e-Payment environment/players | | | | | | | |
| New | 0 | 1 | 2 | 0 | 2 | 200% | Yes |
| Cumulative | 0 | 1 | 2 | 0 | 2 | 200% | Yes |

Notes: The Results Performance Column depicts level of achievement expressed as a percentage of Actual versus Planned. It shows only Quarter 3 and 4 since the Activity started only on Quarter 3 of Year 1. On the other hand, e-Payments refer to e-money accounts, credit cards, debit cards, and mobile/internet banking subscribers. However, as of this writing, e-money will only be considered pending completion of baseline data gathering from the BSP and surveys to be commissioned. TBD refers to surveys to be done or data to be determined. For the rest, (a) e-Payment users refer to registered e-money accounts as of December 2014; (a)(d) from Inclusive Finance Advocacy Staff of BSP as of December 2014; (b) Number of e-Payment users over number of Philippine population aged 15 years old and above derived from Philippine Statistics Authority (PSA) census projections and IFAS/BSP data; (c) based on Better Than Cash Alliance (BTCA) Philippines Country Diagnostic Study, July 2015; and, (e) derived from National Baseline Study on Financial Inclusion (NBSFI) by the BSP with awareness and transparency rating on e-money and ATM as a proxy to awareness and trust respectively.

ANNEX 2: Press Coverage and Mentions

Philippines pushing for cashless society, but it's a long way off

April 25, 2015 | techinasia.com

https://www.techinasia.com/philippines-cashless-society/?utm_source=search&utm_medium=web&utm_campaign=%2Fphilippines-cashless-society%2F

MVP pushes digital payments to fast-track financial inclusion in Philippines

July 27, 2015 | The Philippine Star (philstar.com)

<http://www.philstar.com/business/2015/07/27/1481268/mvp-pushes-digital-payments-fast-track-financial-inclusion-philippines>

USAID, LGU to launch E-PESO activity

August 3, 2015 | Daily Zamboanga Times

<http://zamboangatimes.ph/top-news/15657-usaid-lgu-to-launch-e-peso-activity-.html>

Smart cites digital payment's relevance

August 11, 2015 | The Daily Tribune

<http://www.tribune.net.ph/business/smart-cites-digital-payment-s-relevance>

Prepaid cards for cash transfer distributed to street families, indigenous people, etc.

August 12, 2015 | philnews.com

http://philnews.com/headlines/2015/headline_news_0813ag.htm

More convenient: Prepaid cards distributed to CCT beneficiaries

August 13, 2015 | moveon.ph

<http://www.moveon.ph/more-convenient-prepaid-cards-distributed-to-cct-beneficiaries/>

Beng, USAID launch e-PESO system in ZC

August 28, 2015 | Daily Zamboanga Times

<http://zamboangatimes.ph/top-news/15930-beng-usaid-launch-e-peso-system-in-zc.html>

Zambo, USAID launch E-PESO program

August 28, 2015 | Zimnet New

<http://www.zimnet.com/archives/1195-Zambo-USAID-launch-E-Peso-program.html>

Zamboanga Mayor Beng Climaco lauded for dynamic leadership

August 28, 2015 | Mindanao Examiner

<http://mindanaoexaminer.com/zamboanga-mayor-beng-climaco-lauded-for-dynamic-leadership/>

Program to help PH achieve 20-fold increase in e-Payments

August 31, 2015 | Mindanao Times

<http://mindanaotimes.net/program-to-help-ph-achieve-20-fold-increase-in-e-payments/>

USAID cites Zambo's role as engine of growth

September 1, 2015 | Zamboanga Today Online

<http://www.zamboangatoday.ph/index.php/top-stories/20938-usaid-cites-zambos-role-as-engine-of-growth-.html>

USAID launches E-PESO project in Zambo

September 2, 2015 | pia.gov.ph (Philippine News Agency)

<http://news.pia.gov.ph/article/view/2831441184029/usa-id-launches-e-peso-project-in-zambo>

'E-PESO Activity" in Zamboanga

September 22, 2015 | The Manila Times Online

<http://www.manilatimes.net/e-peso-activity-in-zamboanga/220104/>

ULAP co-organizes conduct of LGU ICT FORUM Mindanao Leg in Cagayan de Oro City

September 2015 | ulap.net.ph

<http://ulap.net.ph/index.php/en/program-updates/news-updates/379-ulap-co-organizes-conduct-of-lgu-ict-forum-mindanao-leg-in-cagayan-de-oro-city-with-dilg-bldg-dost-icto-and-dti>

ANNEX 3: WEEKLY HIGHLIGHTS REPORT

Weekly Report | June 22, 2015

Provide E-PESO Activity overview to rural banking sector

On May 19, 2015, USAID E-PESO Activity gave an overview of its objectives, vision, and strategies to support the Philippines in facilitating the shift from cash to e-payments.

The presentation was one of the sessions of the Rural Banker's Association of the Philippines (RBAP) 62nd Annual National Convention. More than 500 rural bankers from across the Philippines gathered for the May 18-19 convention held in Manila. Selecting the theme "New Vision, One



RBAP President Jose Misael B. Moraleda, USAID Program Management Specialist Teresita Espenilla, BSP Head of Inclusive Finance Advocacy Pia Ramon Tayag, and E-PESO Deputy Chief of Party Anthony Petalcorin at the 62nd RBAP Annual National convention.

Direction, Stronger Organizations," the sessions focused on the crossroads that the rural banking industry currently faces, as well as a key opportunity ahead- the shift from cash to electronic payments (e-payments). Encouraging rural banks to reach out to underserved towns and cities, Bangko Sentral ng Pilipinas (BSP) emphasized the transformative opportunity that e-payments can play in improving financial inclusion. Since 2010, e-payment transactions have steadily increased, but still represent only 1% of all retail transactions in the Philippines.

Overviewing the National Financial Inclusion Strategy to be launched in July 2015, the BSP also discussed the central role that e-

payments can play in expanding financial inclusion. A centerpiece of the BSP's strategy is the creation of a National Retail Payments System, which will allow funds from any bank deposit or electronic money (e-money) account to any bank deposit or e-money account in an efficient, affordable, convenient, electronic and interoperable way. The growth of e-payments will also transform society by enabling all adult Filipinos to have access to an electronic payment account.

Provide E-PESO Activity Overview to the cooperative sector

USAID E-PESO Activity gave a briefer on its objectives and strategies during the 38th NATCCO General Assembly and the 2nd NATCCO-PFCCO Joint Educational Forum. The presentation emphasized E-PESO's objective to support the Bangko Sentral ng Pilipinas' (BSP) thrust to promote financial inclusion through the adoption of e-payments and expansion of access to electronic payment accounts.

Close to 900 members of cooperatives belonging to two confederations - the National Confederation of Cooperatives (NATCCO) and the Philippine Federation of Credit Cooperatives (PFCCO) - gathered for the twin events, held from May 22 to 24, 2015 in Davao City. This is only the second time in a decade that the two confederations held a joint assembly. The collaboration mirrors the theme of the event, "*Way Forward: Integration of Cooperative Networks*". Cooperative networks recognize that consolidation is key towards sustainability, and are now laying the groundwork towards integration.

Cooperative Development Authority (CDA) enjoined cooperatives to live up to their mandate of being implements of social equality and development by building their capability and harnessing new technology to their advantage. Being one of the "pillars of society", cooperatives are at the heart of a typical Filipino town's social and economic life and are ideal last-mile financial services delivery channel.



E-PESO Deputy Chief of Party Anthony Petalcorin, NATCCO Network Chief Executive Officer Sylvia Paraguya, and Smart e-Money Inc. Vice President and Head for Innovation, Digital Ecosystem, and Alliance at the 38th NATCCO General Assembly.

Electronic money provider Smart e-Money Inc. (SEMI) announced the launch of the country's first mobile-based financial service for cooperatives, the PinoyCoop Mobile. Powered by Smart Money technology, *PinoyCoop* Mobile is a secure and convenient mobile banking service that enables NATCCO's primary cooperatives to offer mobile financial services to their members, allowing them to receive loan disbursements and make loan payments, deposit to their savings account, make inter-coop fund transfers, and do airtime top-ups. By offering mobile financial services,

NATCCO primary cooperatives can potentially reduce operating costs, increase revenues, promote transparency in cash receipts and disbursement, and expand outreach to areas that are otherwise cost-inefficient to reach.

Weekly Report | June 29, 2015

E-PESO conducts assessments visits in Batangas City and Pulilan

E-PESO conducted workshops and informant interviews with key personnel of local government unit (LGU) partners - the City Government of Batangas and Municipality of Pulilan – on June 23-24 and June 25-26. The field visits aim to give an update on the progress of mobile payment services

currently offered by the LGUs, surface challenges encountered and propose measures to address the identified challenges, conduct a rapid market assessment of e-payment opportunities, and assess the e-payment readiness of the LGU. In line with the E-PESO Activity's ecosystem approach, the team also met with identified cash-in/cash-out (CICO) agents in the community, local businesses, and community leaders. The E-PESO team will be processing the information gathered during the field visit and presenting the results to the LGU heads by mid-July.

Batangas City currently offers mobile money and debit cards payment options for business tax and license fees. Adoption rate has been low, which points to the need for a comprehensive communications campaign and a broader approach to e-payment options. Despite the low adoption rate, the team identified strong use cases for setting up e-payment channels for real property tax (RPT) payments. Online and credit card payment options for RPT will serve property owners who reside or work abroad⁴. Moreover, there is an expansive mobile money ecosystem in Batangas City, with five local cooperatives serving as CICO agents and one cooperative (Soro-Soro Ibaba Development Inc.) disbursing loans via mobile money.



Staff of the Office of the City and Agricultural Services providing inputs during a workshop session

Pulilan LGU employees currently receive their salaries via mobile money and water concessionaires can pay their water bills to the local water supply system via mobile money. Most of the mobile money CICIO outlets are, however, based in the municipality's commercial center and do not service far-flung barangays. Residents of remote barangays currently spend PHP120 (round trip) for tricycle fares to pay their water bills, which averages only PHP150/month. The following have been identified as priority tasks: expanding the CICO agent network, increasing demand and more value added use cases for mobile money and broader e-payment services, and conducting a comprehensive information drive.



Annie Navarro, owner of a sari-sari store in Poblacion Pulilan, Bulacan also serving as a BankO partner outlet, being interviewed.

Weekly Report | July 13, 2015

E-PESO conducts assessments visits in Cagayan de Oro City

E-PESO teams conducted workshops, informant interviews, and consultation with key personnel and private sector representatives of local government unit (LGU) partner - the City Government of Cagayan de Oro on July 8-10, 2015. The field visit aims to give an update on the progress of mobile payment services currently offered by the LGU, surface challenges encountered and propose measures to address the identified challenges, conduct a rapid market assessment of e-payment

opportunities, and assess the e-payment readiness of the LGU. In line with the E-PESO Activity's ecosystem approach, the team also met with identified cash-in/cash-out (CICO) agents in the community, local businesses, and community leaders. The E-PESO team will be processing the information gathered during the field visit and presenting the results to the LGU heads by mid-July. Cagayan de Oro City currently offers mobile payment services for real property and business taxes, business permits, and miscellaneous local fees like market stall and traffic violation fees.



COCWD's main officer serves an average 3,000 concessionaires daily for bills payment. This crowded waiting area is an everyday occurrence.

As a strategy to boost usage and drive demand of person-to-government (P2G) electronic payment services, E-PESO will engage with local utilities and businesses to discuss electronic bills payments solutions. The team met with local utilities Cagayan de Oro City Water District (COCWD) and Cagayan Electronic Power and Light Company, Inc. (CEPALCO) and multi-purpose cooperative First Community Cooperative (FICCO). COCWD – with an 86,000-concessionaire base, has an existing biller contract with mobile money provider G-Xchange Inc. for bills payment via mobile. Preliminary plans to provide technical assistance for their integration into the GCASH biller menu and drafting of a communications plan to promote the new payments services were discussed. CEPALCO, which serves 120,000 concessionaires, is open to assistance to set up electronic payment services. E-PESO will work with the electric utility's engineers for the integration of electronic

payment services into the design of the new billing system. FICCO currently disburses microloans via mobile money to 10,000 of its 200,000 members and plans to shift all disbursements to electronic channels. E-PESO discussed support for staff and client training with officers of FICCO.

Weekly Report | August 24, 2015



(Above) Working with Puerto Princesa City

E-PESO consultation with Puerto Princesa City LGU

USAID E-PESO conducted informant interviews and consultation with key personnel from the local government unit (LGU) of Puerto Princesa City last August 17-19, 2015. The field visit conducted a preliminary assessment of the city's potential and readiness for use of electronic payments (e-payments) in its operations and program payment streams. E-PESO representatives also met with entrepreneurs and managers from local businesses to explore requirements for e-payments.

Key LGU participants from the consultation meetings included City Administrator Elena M. Vergara-Rodriguez and Acting Assistant City Administrator Carlos Abogado. They were joined by personnel from the City Treasurer's Office, City Tourism Office, Puerto Princesa Subterranean River National Park Management Office, City Management Information System Division, City Information Office, City Planning & Development Office, and the Business Permits and Licensing Office. Representatives of the Palaweno ICT Association (PICTA), which is a council composed of institutions, organizations and professionals from private sectors, academe and government agencies, were also participants during consultations with the private sector. PICTA aims to strengthen Puerto Princesa and Palawan's viability in the ICT-enabled and IT-BPM (Information Technology – Business Process Management) industries.

Based on the consultative meetings, Puerto Princesa City is in the process of migrating to a new tax revenue assessment and collection system that shall be completed by November 2015. The city government currently does not offer any electronic payment service but is interested to expand their payment channels. In particular, online payments are explored for tourism-related fees. With tourism as the lifeblood of the city economy, the Puerto Princesa Subterranean River National Park (PPSRNP), commonly known as the Puerto Princesa Underground River, is a large revenue contributor to city coffers. It is a top tourist destination that receives more than 1,000 daily visitors and already generates entrance fees amounted to more than P31,585,015, all paid in cash, from collections as of June 2015. Various personnel interviewed recognized the potential benefit of offering alternative payment channels, particularly acceptance of credit/debit cards and mobile payments, since tourists are already inquiring about it.

E-PESO presents E-Payments Landscape to BSP

Last 19 August 2015, Findings of the research on the E-Payments Landscape were presented by USAID E-PESO to different units of the Bangko Sentral ng Pilipinas (BSP). The BSP is the one of the primary partners to the USAID E-PESO Activity. Apart from the E-PESO team, participants of the learning session from the BSP included heads and staff of the offices of the Inclusive Finance Advocacy Staff (IFAS), Core Information Technology Specialist Group (CITSG), Office of the Deputy Governor, Core Team for the National Retail Payment System (NRPS), Payment System Office (PSO), the Anti-Money Laundering (AML) Office, and the Legal Department.



(Above) E-PESO learning sessions with the BSP.

Major findings from the presentation include the following:

- (i) There is no definite center of gravity in the development and direction of the landscape for e-payments;
- (ii) The payments service provider sub-sector in the retail payment system is the one that has been growing fast, but they do not come under the purview of any regulator. Therefore, it maybe necessary to review and formulate regulation covering these institutions following tiered principles, especially for payments service providers that handle money from the public;
- (iii) Data tracking is an area that needs attention. Whilst the BSP is requiring reporting of credit card transactions from banks and other credit card issuing companies, statistical information have not been made available. This is an area that E-PESO can work on in collaboration with the BSP.
- (iv) Moreover, a big data gap exists in the deposit account linked to debit card transactions, and "on-us" transactions that are not reported to the BSP. To help establish the

baseline on the latter two items, BSP could conduct a survey of banks to request for such information.

The presentation and learning session was conducted at the BSP Complex at Roxas Boulevard, Pasay City.

Weekly Report | August 31, 2015

Launch of Zamboanga City USAID E-PESO Partnership



Acting USAID Deputy Mission Director Roger Carlson and Zamboanga City Mayor Maria Climaco hold up signed Executive Order supporting the City's support to shift to electronic payments

Zamboanga City Mayor Maria Isabelle Climaco signed an Executive Order for the local government unit (LGU) to collaborate with USAID E-PESO on shifting LGU payment streams to electronic payments. The official signing ceremony on August 27, 2015 included Acting USAID Deputy Mission Director, Roger Carlson and USAID Project Management Specialist Teresita Espenilla along with various members of the Zamboanga City Council, the local chamber of commerce and representatives of local utility providers.

"The lesson we want to learn is how to capacitate Zamboanga City so we can have opportunities for growth and development through the utilization and embracing new challenges through the use of

electronic payments,” the mayor said in her message citing the benefits that the city can attain out of the partnership. Zamboanga City is part of the Cities Development Initiative (CDI) Program of USAID/Philippines that supports the objectives of the US-Philippines Partnership for Growth (PFG).

Weekly Report | September 4, 2015

National Retail Payment System Highlighted in the Cards & Payments Philippines Conference

With support from the USAID E-PESO team, the organizers of the inaugural Cards & Payments Philippines Conference agreed to highlight the BSP’s National Retail Payment System (NRPS) and the plans for shifting the Philippines from a cash-based country to e-payments. Held last September 2-3, 2015 at the SM Mall of Asia Convention Center, this event brings together more than 400 CEO’s and senior professionals from across the banking and payments system landscape, as well as some of the most innovative new fintech (financial technology) players in the Philippines.

The two-day conference discussed the evolving payments landscape, the challenges around shifting from cash to electronics payments, financial inclusion opportunities and the importance of ensuring security across the payments system. The event also provided an opportunity to discuss ways that the industry and public sector could join together to encourage information sharing on a national level to continue promoting e-payments.



(Left) USAID E-PESO Chief of Party John Owens sharing USAID’s thrust to promote e-payments in the Philippines. (Right) A packed audience listening to the USAID E-PESO presentation.

USAID E-PESO highlighted a possible roadmap that all players can support for mass adoption of e-payments in the Philippines by focusing on access, usage, and quality services. E-PESO also explained the role that agents play to make this happen through proper selection, training, and support by channel aggregators. This e-payments trend has already begun with the Philippine Government shifting to e-payments (disbursements & collections) and the Bangko Sentral ng Pilipinas (BSP) as well as the Department of Trade and Industry (DTI) crafting the appropriate regulatory and policy enabling environment.

After the E-PESO presentation, Mr. Raymond Estioko, Assistant Director of the BSP, also shared the BSP's role in making an interoperable e-payments system a reality by explaining the rationale and strategy for the creation of a National Retail Payments System (NRPS). The NRPS is envisioned to support the growth of e-payments by providing an interoperable back-end infrastructure that facilitates electronic transactions to all e-payments players.

E-Payments Discussed at Mindanao leg of DILG ICT Forum



DILG Undersecretary Austere Panadero during the 1st DILG ICT Forum held on 18 June 2014.

One of the program area focus of the Department of Interior and Local Government (DILG) is the Business-Friendly and Competitive LGUs to help LGUs in achieving the national agenda towards inclusive growth. Business-Friendly and Competitive LGUs (BFCL) is a condition where LGUs spur sustainable economic and inclusive growth by engaging the business sector, promoting local/trade business, and generating employment. This can be easily attained when LGUs bring about an environment where economic development and technology combine to create development impact.

To this end, DILG partnered with USAID E-PESO, the National ICT Confederation of the Philippines (NICP), Microsoft, and other partners from the private sector to support the LGU island-wide forum on ICT that will take place across all three regions of the country in September which started with the Mindanao Forum in Cagayan de Oro last September 3, 2015. The event showcased different innovations in information technology to promote the use and importance of ICT by delivering more efficient and better services of local government units (LGUs), thereby making their cities and towns more attractive to investors.

Following the recent DILG e-readiness survey to gauge LGUs readiness on the adoption of new technologies, USAID's E-PESO team conducted an e-payment readiness survey of LGUs during the forum and in succeeding events. The event also highlighted the benefits of shifting from cash and check-based collections and disbursements to e-payments with a particular focus on the early success of key cities under USAID's Cities Development Initiative (CDI).

Weekly Report | September 11, 2015

USAID E-PESO Participates in Panel Discussion at IMMAP Summit

USAID E-PESO participated in a panel discussion during the IMMAP Summit held last September 11, 2015 at the SM Aura Premier SMX Convention Center, Taguig City, Philippines. The IMMAP Summit is the most prestigious local digital marketing event held every year by the Internet Mobile and Marketing Association of the Philippines (IMMAP). Gathering over 500 delegates across a broad range of industries, it convenes players and decision makers from fields as diverse as Internet, Content, Media, Creative, Fast Moving Consumer Goods, and anyone/everyone interested to deepen their understanding of all things digital.



(Left picture) Audience settles down to listen to the panel discussion. (Right picture) USAID E-PESO Chief of Party John Owens (center) shares about e-payments as fellow panelists Phillips Yu of Lovable Commerce (left) and Oliver Segovia of AVA looks on (right).

USAID E-PESO was invited to participate as a panelist on the topic “The Convenience Economy: Exponential Growth of E-Commerce” together with high profile e-commerce and technology companies such as Lovable Commerce and Voyager Innovations. E-PESO shared the activities of the Bangko Sentral ng Pilipinas (BSP) on the National Retail Payments System (NRPS) to facilitate e-payments in the Philippines and inter-operability among financial institutions. Besides, e-payments, the panel discussion also highlighted e-commerce growth as a result of increased smartphone usage and a dynamic business start-up scene enthusiastic in pushing new e-commerce business models.

USAID E-PESO Invited to 6th Responsible Finance Forum in Turkey

The Financial Times organized the 6th Responsible Finance Forum in Turkey last September 7-9, 2015, which is entitled “Evidence and Innovation for Scaling Responsible Digital Finance”. USAID E-PESO was invited to share USAID/Philippine's work in the area of financial inclusion, payments, and digital finance. In particular, E-PESO discussed contributed to the global conversation on inclusive financial services.

[Weekly Report | October 5, 2015](#)

USAID E-PESO Stimulates Discussion on E-Payments at Chief Information Officers Forum



(Above) USAID E-PESO COP John Owens addresses audience at CIOF Conference-Meeting.

USAID E-PESO Activity joined 50 incumbent chief information and technology officers of national government agencies and local government units at the Chief Information Officers Forum (CIOF) 3rd 2015 General Membership Conference-Meeting held last 30 September at the Crowne Plaza Manila Galleria in Ortigas Center. CIOF advocates promotion of transparent, efficient, and responsive implementation of technology-related policies and processes that impact the performance of government and improve public services.

With the theme "Digital Reforms: Digitizing the National Retail Payment System," the forum presented the challenges of adoption of electronic payments in government, particularly on transparent policies and processes that enable e-payment as an option. USAID E-PESO is seen as a catalyst to increase awareness about the need for inter-agency coordination towards a holistic approach to e-payments in government.

Consultation Meetings with Puerto Princesa City Electric and Water Utility Providers

As part of its continuing effort to support CDI-partner Puerto Princesa City, USAID E-PESO held separate consultation meetings with the Palawan Electric Cooperative (PALECO) and the Puerto Princesa Water District (PPWD) to assess their payment streams and readiness for e-payments. These consultations were done over from 14 – 18 September 2015 at Puerto Princesa City. Discussions revealed that both the city's electric and water utilities have already started tapping bank and non-bank agents for their monthly collections and are interested to explore other electronic payment channels. Both utilities have also been working with a number commercial banks and Palawan Pawnshop since 2012.



(Left) Meeting with the Puerto Princesa Water District. (Right) Consultations with PALECO.

USAID E-PESO worked with Mr. Ronnie Fernandez, Acting Assistant General Manager for Administration and Finance, and Mr. Walter Laurel, Acting Department Manager for Accounting and Finance, of the Puerto Princesa Water District. On the other hand, the team met Mr. Ric Zambales, Sr., Acting General Manager, of Palawan Electric Cooperative.

National Retail System Working Group Formed

With the assistance of USAID E-PESO, the Bangko Sentral ng Pilipinas (BSP) presented on 21 September the National Retail Payment System (NRPS) Framework to senior officers of banks and non-bank EMIs (electronic money issuers) at the BSP Complex in Pasay City. Notable companies present were MetroBank, BPI, Security Bank, Asia United Bank, LandBank, UnionBank, BDO, RCBC, Smart E-Money Inc. (SEMI) and G- Exchange, Inc. (GXI).

The NRPS Framework contains the vision and rationale for a national retail payment system governed by a private sector-driven, non-stock, and not-for-profit juridical entity, called the Payment System Management Body (PSMB). PSMB includes a nine-member council, with representation from big and medium-sized banks, EMIs and other small payments system participants. It is representative of all private sector players of an interoperable electronic retail payment system. A working committee has been organized to draft the charter of the PSMB. The USAID E-PESO Activity provided technical support for the development of the Framework.



(Above) NRPS Framework launch together with the BSP, USAID E-PESO, and representatives of the banking and financial technology industry.

Puerto Princesa City Mayor Issues Executive Order Forming Technical Working Group to support USAID E-PESO

Last 21 September 2015, the Mayor of Puerto Princesa City, Mr. Lucilo Bayron, issued Executive Order 16 Series of 2015 causing the formation of a Technical Working Group (TWG) as a counterpart to USAID E-PESO in helping the city adopt electronic payments for government services. The City TWG shall be composed of the City Administrator, City Planning and Development Head, City Treasurer, City Assessor, MIS Head, and the various units under them such as business taxes, permits and licensing.

The executive order opens a clear path by the local government towards the planning and adoption of electronic payment options starting with payment of city business taxes, real property taxes, and renewal of business permit applications.

E-Payments Highlighted at Visayas DILG ICT Forum

The Department of the Interior and Local Government (DILG), in partnership with USAID E-PESO,

National ICT Confederation of the Philippines (NICP), Microsoft Philippines and other partners from both the government and private sector, conducted the third batch of the island-wide forum on ICT for Visayas local government units (LGUs) last 22 September 2015 at Punta Villa Resort, Santo Niño Sur, Villa Arevalo District, Iloilo City. More than a hundred LGUs attended the forum wherein USAID E-PESO conducted a short survey on readiness of LGUs to accept electronic payment for taxes and fees.

Puerto Princesa LGU and Businesses Introduced to E-Payments Services



(Above) Representatives from Globe Fintech Innovations (left) and PayInTech-Mybee Ph (right) presenting their electronic payment solutions to officers of the Puerto Princesa LGU

37 representatives from the Puerto Princesa LGU, businesses, and other stakeholders attended separate meetings on 29 and 30 September with eight service providers/practitioners of electronic payment solutions. USAID E-PESO organized these meetings to introduce and familiarize them with electronic payment technologies, an initial step towards transition.

The lightning talks provided an open playing field for various service providers to explore partnerships with government and private sector actors in Puerto Princesa. The participating electronic payment service providers included the Development Bank of the Philippines, G-Xchange, Inc. (GCASH), Ipay88, Land Bank of the Philippines, NEXTix Inc., Palawan Pawnshop, Payintech/Mybee, and Payswitch.

BSP, Bank CEOs agree on components of NRPS



(Above) Presidents of several Philippine banks listen to a presentation on NRPS.

The Bangko Sentral ng Pilipinas, led by Deputy Governor for the Supervision and Examination Sector Nestor A. Espenilla Jr., met with the CEOs of key Philippine banks on October 16 at the BSP to agree on the objectives, principles and other components of the National Retail Payment System (NRPS) and the organization of the Payment System Management Body (PSMB).

The banks represented at the meeting included Asia United Bank, Banco de Oro (BDO), Bank of the Philippine Islands (BPI), China Bank, and Metrobank.

USAID E-PESO gives technical assistance to DOST's PhPay



(Above) The E-PESO team discussed the technical issues being encountered by PHPay project team, represented by Jops Josef, Component Team Lead for Systems Integration of the iGovPhil project.

During the September 30 Chief Information Officers Forum, Inc. General Membership Conference-Meeting, the Department of Science and Technology – Information and Communications Technology Office (DOST-ICTO) mentioned that the pilot testing of PhPay has encountered challenges due to several issues. PhPay is a government online payment system under the Integrated Government Philippines (iGovPhil) Project. It is an internet-based electronic payment facility and gateway that will enable citizens and businesses to electronically remit payments to government agencies through various delivery channels, such as debit instructions (ATM accounts), credit instructions (credit cards) and mobile wallets (SMS).

USAID E-PESO has done previous research on matters identified by DOST-ICTO and invited the PhPay project team last October 15 to discuss technical details and initial findings. Some of the discussion points covered at the meeting included comparison of PhPay’s business model with those of other e-payment services used by government agencies, government policies that are affecting implementation, and PhPay’s value proposition.

Another meeting is being planned to determine the necessary assistance that E-PESO can provide the DOST-ICTO project team for a successful implementation of the PhPay project.

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