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Financial Markets International, Inc.

**MICRO ENTERPRISE ACCESS TO BANKING
SERVICES IN MINDANAO
(MABS-M)**

MID TERM EVALUATION

SUBMITTED TO
USAID/Manila

By

FINANCIAL MARKETS INTERNATIONAL, Inc.

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EXECUTIVE SUMMARY

I. BACKGROUND

In January 1988, USAID and the Rural Bankers Association of the Philippines initiated the Micro Enterprise Access to Banking Services in Mindanao (MABS-M) Program. The (MABS-M) Program is intended to provide micro entrepreneurs in Mindanao with greater prospects for profitability and growth by facilitating access to efficient, reasonably priced financial services. The Program hopes to remove the constraint to more widespread economic growth of Mindanao by providing greater access to formal financial services to the small producers and microenterprises who have traditionally relied on expensive informal credit sources.

The Program was designed for operation through the unique system of Rural Banks and Cooperative Rural Banks (BB/CRB) that operate throughout the country, including in most areas of Mindanao. MABS-M was implemented in coordination with the Rural Bankers Research and Development Foundation Incorporated (RBRDFI), the Rural Bankers Association of the Philippines (RBAP) and the Office of the Presidential Assistant for Mindanao (OP-MIN). Program design included extensive training and technical assistance to participating banks to prepare them to provide services profitably to the micro enterprise sector. MABS-M was also expected to demonstrate the profitability of well-managed financial services to micro businesses, thereby encouraging other banks to enter the market as well. MABS-M support provided to participating banks is mainly technical assistance and training. Some limited commodity support and software is also provided. No lending funds or capital contributions are provided to participating banks.

Under the Program, at least 20 Rural Banks in Mindanao are receiving assistance enabling them to profitably provide services to the microenterprise sector. It is hoped that these rural banks will adopt these lending services as a regular part of their business and that other Rural Banks to expand their services to the microenterprise sector. At this point, the Program is about midway through its planned four-year life.

Chemonics International was contracted by USAID to implement and manage the MABS-M. Several specific performance results and tasks were included in the contract, but the definition of implementation strategy and methodology was left to the discretion of the contractor. The Chemonics "MABS-M Team" began operations in January 1998 from offices arranged by the RBAP/RBRDFI in Davao City, Mindanao. The MABS-M Chief of Party was expected to work closely with the Executive Director of the RBRDFI to plan key implementation activities. Other working relationships included the establishment of an Activity Steering Committee to provide overall policy guidance and a Management Committee to provide guidance/support in connection with implementation matters.

MABS-M anticipated results included preparing at least 20 participating banks to profitably provide financial services involving micro loan portfolios totaling at least

8,000 new borrowers and at least 15,000 new depositors. The Program was also expected to result in full integration of micro financial services with the main course of business of at least one-half of the participating banks. Other contracted tasks included assisting RBAP to develop the institutional capacity to provide ongoing technical assistance to its rural bank members, cooperation with USAID sponsored policy reform and other efforts, and the development of a micro enterprise related database for monitoring the progress of all USAID micro enterprise programming.

II. EVALUATION SCOPE OF WORK AND APPROACH

At the mid-term of the project in March 2000 USAID contracted the services of Financial Markets International, Inc.(FMI) to "...assess the progress of the MABS-M Program and identify areas where the Program might be strengthened or otherwise modified.

FMI consultants determined that progress and effectiveness of the MABS-M Program could best be evaluated by assessing:

- The progress toward satisfying the specific performance targets and tasks;
- The impact that the Program is having on beneficiaries; and,
- The sustainability of Program accomplishments.

During three weeks in Mindanao and several days in Manila, the evaluators reviewed documents, conducted extensive interviews, attended MABS training events, and formally surveyed participating banks and micro entrepreneur beneficiaries.

III. FINDINGS

MABS-M is well managed. Having recovered from the management problems that delayed the initial stages of implementation, MABS-M is generally on, or ahead of, schedule toward satisfying the project objectives. The Project managers have followed an aggressive strategy of program strengthening that has resulted in a strong-and well-focused program

- MABS-M has been efficiently managed through a system of specific work plans that have facilitated the development and deployment of programs of technical assistance and training to participating banks.

The Program has made substantial progress toward satisfying all the results that are specifically targeted in the MABS-M contract. By the scheduled end of the project in September 2001, it is probable that all targets will have been satisfied or surpassed.

- Twenty banks have received MABS-M training and technical assistance. Fourteen banks are providing financial services to a growing number of micro entrepreneurs, and six additional banks will begin lending in June 2000. It is anticipated that the

Program will prepare a total of 32 banks and bank branches to service micro entrepreneurs by September 2001.

- Nearly 3,000 new micro borrowers and 12,000 new depositors were generated by the project by March 2000. MABS-M is projected to reach at least 10,000 new borrowers by September 2001.
- All 20 participating banks are projecting significant micro finance service profitability and are in the process of incorporating micro finance as major component of their businesses.
- Implementation of the technical assistance, training and other activities has proceeded efficiently and on schedule. On-going technical assistance is helping to maintain a "micro finance culture" within the banks that have already completed their initial T.A. and training.
- Bank survey results indicate complete satisfaction among bank owners and staff with MABS technical assistance and training. They credit training in the MABS methodology with health of their new micro loan portfolios. All participating banks are experiencing virtually no delinquency with their MABS lending.
- The Program is providing positive demonstration effect on non-participating banks in Mindanao. RBAP has received numerous requests for Program participation, and many non-participating banks are attempting to install aspects of the Program methodology on their own.
- The "MABS Approach" and "best practices methodologies" that are being promoted by the Project have been fully adopted by participating banks. Interviews with bankers showed no indication of dissatisfaction. Several of the surveyed bank managers are incorporating the techniques that they have learned through MABS training and technical assistance in their non-micro lending operations.

MABS-M has made satisfactory progress with RBAP institutional development planning efforts. The Program has sponsored several planning activities intended to facilitate RBAP institutional development, including the development of a Strategic Development Plan. Although there is little evidence to date of institutional strengthening, RBAP leadership enthusiastically supports MABS-M programming and recognizes that RBAP must prepare its organization to provide ongoing support for the micro finance services of its membership.

- Extensive review of MABS-M files, discussions with MABS-M staff and interviews with managers of other USAID supported activities reveal that reasonable effort has been made to coordinate MABS-M implementation with other specific USAID supported micro finance related activities.

MABS-M reporting procedures and other program documentation are complete and accessible. The program management information system continues to be a work-in-progress. The level of effort required for development and installation of a comprehensive MIS has proven far greater than anticipated. The new system is expected to be operational in February 2001. Interim reporting arrangements with Participating Banks are functioning satisfactorily.

IV. RECOMMENDATIONS

Increase the level of MABS-M funding during the balance of the current contract term.

- USAID should allocate sufficient increased funding to enable the Program to continue operating at its current level of effort through the September 30, 2001 completion date.
- The recommended increased funding would significantly increase impact by providing ongoing support for current Participating Banks in order to assure that their long-term commitment to the MABS Approach is thoroughly institutionalized.
- An updated plan and budget should be developed for MABS-M operation through September 2001 that would accommodate any changes that are determined to be necessary, including those that may be made as a result of this evaluation.

MABS-M should place stronger emphasis on preparing RBAP to assume responsibility for long-term Program continuity.

- One of the major tasks assigned to the MABS-M Program is to develop the capabilities of RBRDFI/RBAP to mount its own program of assistance to RBs/CRBs to help them to develop the capability to profitably provide services to micro enterprises. MABS-M management should develop a specific work plan to complete and implement RBAP institutional development plans.

MABS-M should strengthen its policy dialogue participation with Credit Policy Improvement Program (CPIP).

- CPIP management has indicated interest in engaging MABS-M and RBAP as partners in its policy dialogue efforts with the Philippine government. MABS-M management should incorporate specific coordination with CPIP into its work plans for promoting a micro finance agenda with the Central Bank.

MABS-M management should continue to refine, standardize and reduce the cost of the "MABS Approach".

- MABS-M is now in a position to consolidate the impressive progress that it has made with the development of the MABS methodology. Long-term sustainability of the MABS-M initiative will depend heavily on the ease with which the "MABS Approach" can be assimilated by increasing numbers of RBs/CRBs.

USAID should fund the MABS-M program for an additional two years.

Objectives for Program extension include:

- Maximum emphasis on RBAP institutional development and the appropriate and efficient transfer of the "MABS Approach" methodology to RBAP.
- Continue to provide "maintenance" support, as necessary, to Participating Banks.
- Expand to new Participating Banks and branches, particularly in areas not currently served, in Mindanao and, perhaps, in other parts of the Philippines.

Initiate an assessment of the potential for expanding the program beyond Mindanao.

USAID managers have indicated interest in possible MABS-M expansion, and RBAP leadership has expressed strong interest in expanding the Program into the Visayas and Luzon. Having invested considerable resources in the development of the MABS-M Program model, it would also be appropriate to consider potential for its introduction in other countries. Program expansion during the balance of the current contract will require additional funding. Any initiative to expand the Program beyond Mindanao should be led by RBAP with relatively limited technical support from the contractor.

MICRO ENTERPRISE ACCESS TO BANKING SERVICES IN MINDANAO (MABS-M)

MID TERM EVALUATION

I. BACKGROUND

After years of lagging seriously behind the rest of the country, the Mindanao economy is showing signs of more rapid economic growth. Mindanao GDP is growing at rates similar to, or faster than, the country as a whole. The Philippine government has increased its investment attention to Mindanao, and there are indications of increased confidence in the region by domestic and foreign investors. There is widespread concern, however, that the poorer segments of the population will not share the benefits of Mindanao's growth.

Given the importance of micro entrepreneurial activity to the economy of Mindanao, a healthy micro enterprise sector is considered essential to the economic well being of the region. However, the majority of micro enterprises in Mindanao have no access to financial services from the formal banking system. Most surveys indicate that less than 10% of micro entrepreneurs have ever utilized the services of a bank. Micro enterprises generally borrow from private moneylenders, lending investors and pawnshops at interest rates of 20% or more per month. This lack of access to reasonably priced, high quality financial services poses a significant constraint to accelerating the region's economic growth, and puts micro enterprises at a disadvantage to larger businesses.

RURAL BANKS AND COOPERATIVE RURAL BANKS

Of particular interest to micro enterprise development efforts is the uniquely Philippine system of privately owned and locally managed Rural Banks (RBs) and Cooperative Rural Banks (CRBs). These banks, of which there are over 800 nationwide and 130 in Mindanao, have extensive experience with the provision of financial services to small borrowers and savers. It was determined that, because of their experience and position in the marketplace, the RBs and CRBs represented the most promising vehicles for developing efforts to provide services to the micro enterprise sector of Mindanao.

II. INTRODUCTION

The Micro Enterprise Access to Banking Services in Mindanao (MABS-M) Program was designed for implementation in coordination with the Rural Bankers Research and Development Foundation Incorporated (RBRDFI), the Rural Bankers Association of the Philippines (RBAP) and the Office of the Presidential Assistant for

Mindanao (OP-MIN). MABS-M was intended to expand banking services (both lending and savings) to micro enterprises in Mindanao through RBs and CRBs. The Program design included extensive training and technical assistance to Participating Banks to prepare them to provide services profitably to the micro enterprise sector. MABS-M was also expected to demonstrate the profitability of well-managed financial services to micro businesses, thereby encouraging other banks to enter the market as well.

The USAID / Chemonics contract assigned specific performance results and tasks, but left most of the definition of implementation strategy and methodology to the discretion of the contractor. Chemonics established and staffed offices in Davao City in Mindanao. The "MABS-M Team" began operations in January 1998 from offices arranged by the RBAP/RBRDFI. The contractor's Chief of Party was expected to work closely with the Executive Director of the RBRDFI to plan key implementation activities. Other working relationships included the establishment of an Activity Steering Committee to provide overall policy guidance and a Management Committee to provide guidance/support in connection with implementation matters.

A. ANTICIPATED MABS-M RESULTS

MABS-M Program designers anticipated that the Program would achieve the following specific results by the end of the Program in September 2001:

- At least 20 Rural Banks/Cooperative Rural Banks were expected to receive assistance through the MABS-M Activity;
- Each of the 20 Participating Banks was expected to have an outstanding loan portfolio of at least 500 micro loans;
- A total of at least 8,000 micro loans were expected to be outstanding;
- Each of the Participating Banks was expected to have enrolled about 1,000 new micro enterprise depositors, and a total of at least 15,000 depositors was expected among all 20 Participating Banks
- At least half of the Participating Banks were expected to have decided to make micro enterprise services a continuing and significant part of their portfolios, and to have taken steps necessary to properly and profitably serve the micro enterprise market.

The contractor was also expected to accomplish the following major tasks:

- Task 1: Following the development of appropriate procedures and criteria, at least 20 banks were expected to be selected to participate in MABS-M Activity and agreements would be drawn up between the MABS-M and the Participating Banks in which specific obligations and expectations would be established for each party. The agreements were intended to state the commitments made by the Participating Banks and the contractor's contribution toward helping banks to profitably deliver services to the market.
- Task 2: The contractor was expected to design and implement training, technical assistance and other programs for the Participating Banks (intended to help

develop the capabilities of Participating Banks to profitably service a micro enterprise market).

- Task 3: The contractor was expected to develop the capability of the RBRDFI/RBAP to mount its own continuing Program of assisting RBs/CRBs to develop the capability to profitably service a micro enterprise market.

The following related subtasks were also included in the contract:

- Become familiar with other micro finance activities supported by USAID;
- Identify and assist with the creation of affiliation arrangements among Participating Banks and other RBs/CRBs that would be helpful in the overall effort to enable banks to profitably provide micro financial services;
- Provide advice and assistance needed by several (AID identified) NGOs to convert themselves into banks; and,
- Collect regular data on financial services provided in Mindanao to micro enterprises and lower socio-economic groups as needed by USAID to measure MABS-M and USAID Strategic Objectives progress and for other purposes.

B. MABS-M "PILOT PHASE" EVALUATION

In recognition of the experimental nature of the Program and the dynamic condition of the Philippine financial sector and related legal/regulatory environment, USAID determined that the first year of MABS-M implementation would be viewed as a pilot phase. Following the first year, a formal review was scheduled to determine if the activity should be continued and, if so, what modifications might be required.

The scheduled review of the MABS-M Pilot Phase was completed in March 1999. The review noted that major management problems had plagued the first two quarters of the Program implementation. At the request of USAID Manila, Program leadership had changed hands repeatedly before the current Chief of Party was identified in the third quarter of 1998. The reviewer concluded that, although the leadership problems had resulted in serious implementation delays, the new management had put the Program back on an appropriate course and that the targets established for the activity were attainable. Based on this conclusion, USAID determined to continue to provide support for the implementation of the MABS-M Program.

III. MID TERM EVALUATION

A. SCOPE OF WORK

MABS continued to show significant progress through 1999. Encouraged by reports of progress, USAID contracted the services of Financial Markets International, Inc (FMI) in March 2000 to "...assess the progress of the MABS-M Program and identify areas where the Program might be strengthened or otherwise modified. The Scope of

Work (Annex A) for the evaluation requires FMI to address the following specific questions:

- Are the objectives of the Program realistic?
- Is the approach that is being used by the MABS-M sensible?
- Are the criteria used in selection of Participating Banks appropriate?
- Are the “micro finance best practices” that are being endorsed for use by the Participating Banks appropriate?
- Should the Program be promoting any particular minimum or maximum level of micro enterprise clientele as ideal for Participating Banks?
- Is MABS-M adequately informing non-Participating Banks of the results being obtained by participating Rural Banks?
- Are institutional strengthening efforts focused on the RBAP adequate?

B. EVALUATION METHODOLOGY AND ACTIVITIES

In response to the Scope of Work FMI mobilized Senior Consultants William Phelps and Reese Moyers to conduct the evaluation. The consultants determined that progress and effectiveness of the MABS-M Program could best be evaluated by assessing:

- The progress that has been made toward satisfying the specific objectives identified in the contract, including: targeted results, major tasks and, sub tasks.
- The impact that the Program is having on: Participating Banks; the micro entrepreneur clients of Participating Banks; and the abilities of RBRDFI/RBAP to develop and manage a continuing Program of assistance to RBs and CRBs
- The sustainability of Program accomplishments, including:
 - The likelihood that Participating Banks will be able to continue to provide quality financial services to micro entrepreneurs;
 - The potential for expansion of micro enterprise financial services to banks that are not currently participating in the Program; and,
 - The potential for an RBAP Program of ongoing assistance to RBs and CRBs.

FMI consultants met in Manila with the USAID/Manila Economic Growth Advisor and the Cognizant Technical Officer on March 27th, after which the consultants traveled to Davao. MABS-M meetings, interviews and fieldwork were conducted in Mindanao between March 28th and April 13th. An interim report was presented to USAID representatives at the MABS-M offices on April 7th. A presentation of findings was given to USAID officials in Manila on April 13, and the final draft of the evaluation was presented to USAID/Manila management on April 19, 2000. (The evaluators' schedule is included as Annex B) Evaluation activities included:

- A thorough review of Program related and other relevant documents (Annex C), including:

- The "Development Activity Approval Document" (DAAD), the document used by USAID/Philippines as a "project paper;"
 - The Program Contract and other official documents and correspondence;
 - MABS-M Annual Plans, Quarterly Reports, Program files, correspondence and other Program documents;
 - The Pilot Phase Evaluation; and
 - Minutes of meetings of the MABS-M Steering Committee and Management Committees;
- Interviews/Meetings with:
 - USAID Officials (Annex D);
 - MABS-M staff in Davao City and Cagayan de Oro (Annex D);
 - Owners, managers and Micro Finance Unit (MFU) staff of seven Participating Banks (Annex E);
 - Owners of three non Participating Banks (Annex F);
 - Interviews with twenty-six micro entrepreneur clients of Participating Banks (Annex G);
 - RBAP and local association federation representatives (Annex D); and,
 - Representatives of the Credit Union Empowerment and Strengthening Project (CUES), the Mindanao Economic Development Council (MEDCO) and the Credit Policy Improvement Project (CPIP) Project (Annex D).
 - Surveys of seven Participating Banks and twenty-six micro entrepreneur borrowers and savers of Participating Banks (copies of survey instruments are included as Annexes H and I); and,
 - Attendance at two MABS-M training workshops for Micro Finance Unit (MFU) staff and managers of Participating Banks.

IV. FINDINGS

Having recovered from the management problems that delayed the initial stages of implementation, MABS-M is generally on, or ahead of, schedule toward satisfying the Program objectives. The Program managers have followed an aggressive strategy of Program strengthening that has resulted in a substantially stronger and much better focused Program. Important aspects of this strategy have involved activities and expenditures that were not anticipated in original implementation plans or budgets. The establishment of a sub-office in Cagayan de Oro, although not originally considered necessary, has proven to be a major asset to Program expansion. Considerable investment in the development of a comprehensive management information system was unanticipated, but is also considered essential to the health of the Program. Each of these additional initiatives was approved (in some cases, proposed) by USAID. As a result of these unscheduled expenditures, the current Program budget will not support the current

level of effort through the September 2001 completion date. Although achievement of originally anticipated Program results is not seriously threatened by the budget shortfall, additional Program funding would facilitate considerably stronger Program impact than was originally expected, particularly with regard to ensuring long-term sustainability of financial services for micro enterprise. The matter of additional funding has been the subject of correspondence and discussions between USAID and the contractor (Annex J), and is discussed more thoroughly in the recommendations section of this report.

A. PROGRAM MANAGEMENT

The current quality of MABS-M management is high. Program implementation has been methodical and well documented. Chemonics management has consistently provided strong support for the Program and has been responsive to USAID requirements. The MABS-M Steering Committee and the Management Committee appear to have provided satisfactory policy and implementation guidance. Managers and staff demonstrate a clear sense of program mission, and MABS-M staff is well prepared and highly motivated.

AID/Manila has consistently provided MABS-M with clear policy and implementation guidance, and has closely monitored the Program during all its phases. Occasional weaknesses in formal communications between AID Mission personnel and Program managers are evident, but AID guidance has been generally clear and adequately responsive to the needs of the Program.

In the early stages of Program implementation, a system of quarterly work plans was developed through which Program managers established specific strategies for achieving Program objectives. The work plans, which contain 67 major tasks and 159 individual activities through March 31, 2000, were reviewed and approved by the MABS-M Steering Committee that provides overall policy guidance for Program implementation. (The Steering Committee includes representatives from the Office of the Executive Secretary, USAID, RBRDFI, RBAP and the Confederation of Mindanao Rural Banks). The work plans were also reviewed by the MABS-M Management Committee that provides guidance and support for implementation of the Program, including the review of MABS-M Team performance. (The Management Committee includes representatives of the MEDCO and USAID.)

With the change in Program management in the third quarter of 1998, the Work Plan for Year 1 was adjusted to project activities for the 16 months that ended in March 1999. The Plan includes six areas of Program emphasis:

- Institutional Strengthening
- Training
- SAF Initiatives
- Monitoring and Evaluation
- RBRDFI/RBAP
- Program Management

In order to assess compliance by Program managers with the tasks and activities contained in the approved quarterly work plans, FMI consultants developed a matrix with which activities and achievements reported in the work plans were compared with those that were projected for each quarter. The analysis is included in Annex K under separate cover. FMI consultants also validated the quarterly reports of accomplishment by reviewing document files for evidence of achievement and interviewing MABS-M technical and management staff.

The evaluators conclude that nearly all projected tasks and activities occurred either on schedule or in compliance with approved extensions of original schedules. The following is a brief review of each component of the work plans and observations regarding compliance.

1. Institutional Strengthening incorporates Participating Bank (PB) activities, including, but not limited to, PB selection, diagnostic evaluations, organizational and human resource development, information systems development and installation, loan product development, preparation of manuals and marketing.

- **Tasks:** These activities are crucial to getting the PBs up and running in the micro enterprise lending business. Of the seventeen tasks listed in the Institutional Strengthening Matrix, most are ultimately incorporated as final documents into each bank's individual "MABS Bank Binder". This volume includes, among its vital entries, the Participating Bank Agreement, Market Survey, Product Concept Paper, Business Plan, and Bank Loan Manual. The Bank Binder becomes the bank's basic Program reference document and is used to file trip reports and other important communications information. This component also includes the all-important MIS systems diagnostic tasks for PBs.
- **Observations:** MABS continues to work with the RBRDFI to develop adequate, MABS compatible management information systems in all PBs. Successful implementation of micro finance "best practices" requires efficient information collection and management.

As of March 2000, the twenty PBs were using eight different information systems and combinations of systems. Ten PBs work with one or more versions of the "Microbanker" system, which is also used by as many as 50% of all RBs in the Philippines. During the MABS Pilot Phase, MABS managers discovered that the information systems (including "Microbanker") being used by Pilot Banks were not able to reliably track key financial indicators or adequately monitor portfolio performance. It was determined that the systems could not effectively support the "best practices" upon which the MABS Program is based. MABS management initiated software modifications, including improvements to "Microbanker", during the Pilot Phase intended to facilitate the generation and management of essential management information.

Experiences with information system development during the 1st Rollout Phase further confirmed an urgent need to improve MIS functionality of all PBs. With the implementation of the 1st Rollout Phase, MABS management initiated short and long-term strategies for management information system improvement. The short-term strategy involves uniform modifications to "Microbanker" to include additional necessary reports and tagging capabilities considered essential to MABS programming. The modified system, known as "Microbanker MBXD95", is being developed through a contract with Microbanker Philippines Inc, the authors and owners of "Microbanker". The upgraded system will be installed in sixteen PBs by April 2000. The short-term strategy also includes assisting the four PBs that do not use the modified "Microbanker" system to include additional essential micro finance functionalities to their systems.

MABS management has also initiated development of an entirely new MIS that is designed to provide a comprehensive response to RB information system requirements, including those necessary for micro finance. Specifications for the new system have been completed and a contract for its development was awarded in February to a Manila-based software developer. The new system is designed to be fully supportive of micro finance "best practices" and is scheduled to be available in February 2001 to all RBs wishing to use it.

2. Training incorporates formal course work, workshops, seminars, on-the-job training, internships, study tours and other capacity-building activities.

- **Tasks:** Fifteen major tasks related to training were projected during the evaluation period. The Year 2 Work Plan delineates MABS Technical Staff Training, MABS Participating Bank Training and Mindanao Rural Bank Training as the specific targets of emphasis.
- **Observations:** One component of the training plan intended to provide micro enterprise training to MABS staff. However, it was reported that in reviewing the work plan, USAID directed that no funds be spent on training MABS staff, since they should already be trained professionals.

Approximately 95% of the training efforts were directed to the pilot banks and rollout (1st and 2nd) banks. In late 1998, the training strategy shifted its focus to on-the-job coaching for PB management and staff. This was done to focus on creating a micro finance culture within the PBs. A MABS Regional Training Series was held in the third and fourth quarters of 1999 for all rural banks in Mindanao. The principal focus of the series was "Zero Tolerance", a concept popularized by MABS to ensure strict repayment of loans. It is reported that the series was highly praised by bank staffs that attended.

3. SAF Initiatives include negotiating and providing variety of incentives for PBs, such as procurement of equipment and salary support.

- **Tasks:** The MABS Management Committee approves expenditures from the SAF budget, which had an original contract amount of \$2.0 million. This includes the items mentioned above, but also payment for workshops, seminars, studies, training, trips and more as inventoried in the SAF Budget Tracker (Annex L).
- **Observations:** The Pilot Phase evaluation recommended that a MABS sub-office be established in Cagayan de Oro to support the expansion of the Program. This, along with unexpectedly extensive MIS-related work associated with the modification of Microbanker and the development of a new software package, required considerable unanticipated investment of MABS financial and human resources. The additional expenditures are currently being funded from the SAF budget, which is being used a rate that will result in budget shortages.

4. Monitoring and Evaluation: includes M&E systems for use by PBs, the MABS-M Team and the RBRDFI.

- **Tasks:** Fourteen major tasks have been undertaken under this component during the evaluation period. PB Management Information Systems, PB Monitoring and Evaluation and MIS Staffing Issues were the main activities addressed by the tasks. It was reported that most of the targets were met; however, the MIS systems tasks remain ongoing.
- **Observations:** MABS is installing its M&E system in the PBs to generate performance data related to the micro finance unit and the bank. This includes a MIS Gap Analysis and reporting requirements for MABS. As discussed in Section IV.A.1, above, this work is ongoing. Interim solutions are being applied to MIS deficiencies until a new software Program is available in February 2001.

5. RBRDFI/RBAP includes all initiatives dealing with the development and strengthening of the RBRDFI and RBAP.

- **Tasks:** There are seven major tasks associated with the institutional strengthening of RBRDFI/RBAP. It should be noted that this component is specifically listed as "Task 3" of the original contract. The principal activity initiated to meet this requirement was the design and presentation of a Strategic Development Plan (SDP) for RBAP. This work was concluded in October 1999 and included recommendations for implementation actions.
- **Observations:** The strengthening of RBAP addresses the all-important issue of long-term sustainability of the Program. Key recommendations contained in the Strategic Development Plan included the hiring of short-term consulting experts, and the development of the Association's Business Plan. Although MABS managers have begun to advertise for a long-term consultant, full action on the recommendations has not been taken during the six-month period since the SDP was completed.

6. Program Management: includes all activities related to overall Program management such as staff hiring, submitting reports, home office consultancies and Program evaluations.

- **Tasks:** This work was initiated with Program mobilization and continued with work plan development and submissions. These tasks, along with staffing and staff changes, have been major topics for Management Committee meetings.
- **Observations:** As mentioned earlier, the Pilot Phase Evaluation stated that management problems occurred during the first two quarters of the Program. It was further reported that this situation was remedied with the hiring of the current Chief of Party in the third quarter of 1998.
- The evaluation of the MABS Pilot Phase recommended that, since much of the activity that was projected for the 1st Rollout Phase (six of the ten candidate banks) of the Program would focus on banks located within the Cagayan de Oro area, the MABS-M "head office" should be transferred to Cagayan de Oro. Although MABS management decided against moving its headquarters, it was decided (with AID/Manila approval) that a Cagayan de Oro branch office would be necessary. In retrospect, the decision appears to have been justified. MABS programming requires extensive personal contact with PBs and their staffs, and logistical access to several of the rollout banks from the office in Davao City would have been extremely difficult. The Cagayan de Oro office has enabled MABS staff to establish and maintain close working relationships with the PBs in the area, and Program progress in those PBs has been substantial.

The Cagayan de Oro office was staffed with an expatriate manager that brought the skill and experience necessary to begin operations in the area in a prompt and efficient fashion. The presence of an expatriate manager also provided the Program with credibility in the Rural Bank community. The office is also staffed with well-trained and highly motivated Philippine personnel.

Considerable investment has been made in the design and piloting of the "MABS Approach". Return on the investment depends on extensive proliferation of the model throughout Mindanao. In addition to contributing to the evolution of the MABS Program model through its application in increasingly diverse settings, the Cagayan de Oro branch office has facilitated program growth in an area that would have been inadequately inaccessible from the MABS Davao City headquarters.

Micro Finance Policy: MABS conducted a study entitled "Micro Finance and the Bank Regulatory Environment" in September 1998, which contained recommendations for improving the policy environment to benefit loans underwritten by the MABS Participating Rural Banks. Subsequently, a Micro Finance Policy Component was added as part of the Year 2 Work Plan. The objective of the component was to work with the USAID-financed CPIP Project and the Accelerating Growth Investment and

Liberalization with Equity (AGILE) Project to undertake a number of policy initiatives related to micro finance and rural banks.

- Tasks: Two major tasks were listed for this component in Year 2: Develop a Micro Finance Policy Agenda and Carry Out Policy Initiatives.
- Observations: It was reported that the above tasks are ongoing. It should be noted that MABS contract includes no specific policy related tasks and anticipates no specific policy related results. The contract does, however, indicate that the contractor will become “familiar with...the Micro Finance Policy Improvement Program” (now known as CPIP). However, in consultation with USAID the Micro Finance Policy component in Year 2 has been de-emphasized and it was deleted as a component in the Year 3 Work Plan.

B. PROGRESS TOWARD SATISFYING SPECIFICALLY TARGETED RESULTS

The Program has made substantial progress toward satisfying all of the results that are specifically targeted in the MABS-M contract. By the scheduled end of the Program in September 2001, it is probable that all targets will have been satisfied or surpassed. USAID Program managers have informed MABS-M management that, based on the progress that has been shown, USAID expects the Program to reach more Participating Banks and branches, more borrowers and more depositors than were originally anticipated (Annex J). The contractor (Chemonics) has requested that USAID provide additional funding for the Program. The additional funding would offset the unanticipated expenditures associated with the Cagayan office and MIS development, and enable the Program to operate until September 2001 at its current level of effort. MABS management has assured USAID that the additional targets could be satisfied or surpassed with the additional funding.

In retrospect, the original targets were conservative. However, program designers could not have anticipated the success that MABS-M has had with its efforts to recruit Participating Banks and activate micro finance units in the banks. Much of the additional growth that is projected by MABS-M management is based on opening additional branches of currently Participating Banks. By programming expansion through additional branches of currently participating banks, the Program is leveraging its development base, thereby achieving geographic and numerical expansion of micro lending with lower levels of effort.

The MABS-M Pilot Phase Evaluation concluded that the targets that had been set for the Program required no modification. The targets were considered by the evaluator to be “attainable”; but there was no clear indication at the time that the Program would be able to achieve more than was originally anticipated. Given the experiences of the most recent months of Program implementation, AID Program managers are negotiating new, more ambitious MABS targets.

1. Bank Participation Targets

The target of providing assistance to at least twenty RBs/CRBs was reached in March 2000, 18 months ahead of schedule. In addition to the four pilot banks and ten "first rollout banks", six "second rollout banks" have been receiving training and technical assistance since July 1999 and are scheduled to begin lending by June 2000.

Based on progress to date and current funding levels, MABS management estimates that, in addition to the 20 Participating Banks the Program will generate as many as 12 additional micro lending units by September 2001. This will be accomplished through expansion into branches of the 20 Participating Banks. Table 1 displays the timing of bank participation to date and projections for the participation of additional bank branches.

TABLE 1
MABS-M PARTICIPATING BANK AND BRANCH START UP SCHEDULE

	PAST PERFORMANCE								PROJECTIONS							
	YEAR 1				YEAR 2				YEAR 3				YEAR 4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Pilot Banks																
Tagum Rural Bank				1												
Rural Bank of Digos				1												
Sarangani Rural Bank				1												
Rural Bank of Sto Tomas			1													
First Rollout Banks																
Rural Bank of Cantilan						1										
Bukidnon Coop Bank						1										
Rural Bank of Lebak						1										
Enterprise Bank						1				2						
Misamis Oriental Coop Bank						1										
Rural Bank of Montevista						1				3						
Rural Bank of Ozamis City						1										
Rural Bank of Panabo						1				3						
Kapatagan Valley Bank						1				2						
Rural Bank of Talisayan						1										
Second Rollout Banks																
Century Rural Bank										1						
Dipolog Rural Bank										1						
Green Bank of Caraga										1	2					
Oroquieta Rural Bank										1						
Siam Bank										1						
Tacurong Rural Bank										1						
QUARTERLY TOTAL	-	-	1	3	-	10	-	-	6	10	2	2	-	-	-	-
CUMULATIVE TOTAL	-	-	1	4	4	14	14	14	20	20	30	32	32	32	32	32

MABS managers anticipate that additional USAID funding to maintain the Program at full current operational capacity through September 2001 could increase the total number of Participating Banks and bank branches to as many as sixty.

2. New Micro Enterprise Borrower Targets

Current rates of portfolio growth indicate that the target of at least 500 outstanding loans to the micro enterprise sector per bank is achievable. Six "second

rollout banks” have been receiving training and technical assistance since July 1999 and are scheduled to begin lending by June 2000.

The Program is required to have generated new micro loan portfolios in each of the Participating Banks of at least 500 borrowers. The total number of new micro borrowers is expected to total at least 8,000 by September 2001. Progress to date indicates that the Program is likely to exceed the required targets.

TABLE 2

MABS-M LOAN PORTFOLIO GROWTH

	PERFORMANCE						PROJECTIONS					
	YEAR 1				YEAR 2		YEAR 3					
	Target	Actual	Target	Actual	Target	Actual	Targets					
	3 rd QTR	4 th QTR	1 st QTR	2nd	3rd	4th	1 st	2nd	3rd			
Pilot Banks												
Tagum Rural Bank	20	28	100	44	180	109	250	320	385	450	500	500
Rural Bank of Digos	140	516	200	499	260	472	340	440	500	500	500	500
Sarangani Rural Bank	140	209	200	233	260	404	340	440	500	500	500	500
Rural Bank of Sto Tomas	140	151	200	183	260	262	340	440	500	500	500	500
First Rollout Banks												
Rural Bank of Cantilan	20	15	100	114	180	153	250	320	485	450	500	500
Bukidnon Coop Bank	20	8	100	69	180	87	250	320	385	450	500	500
Rural Bank of Lebak	20	12	80	60	140	*94	200	260	340	440	500	500
Enterprise Bank	20	26	100	54	180	76	250	320	385	450	500	500
Misamis Oriental Coop Ba	20	11	100	108	180	138	250	320	385	450	500	500
Rural Bank of Montevista	20	110	100	246	180	328	250	320	385	450	500	500
Rural Bank of Ozamis City	20	17	100	87	180	240	250	320	385	440	500	500
Rural Bank of Panabo	10	-	80	45	150	131	250	300	400	450	500	500
Kapatagan Valley Bank	20	-	100	68	180	220	250	320	385	440	500	500
Rural Bank of Talisayan	20	12	100	95	180	115	250	320	385	450	500	500
Second Rollout Banks												
Century Rural Bank							30	100	210	320	410	500
Dipolog Rural Bank							30	100	210	320	410	500
Green Bank of Caraga							30	100	210	320	410	500
Oroquieta Rural Bank							30	100	210	320	410	500
Siam Bank							30	100	210	320	410	500
Tacurong Rural Bank							30	100	210	320	410	500
QUARTERLY TOTAL	630	1,115	1,660	1,905	2,690	2,329	3,900	5,360	6,965	8,340	9,460	10,000

* As of 2/2000

Table 2 shows that as of March 2000 the 14 Participating Banks that had initiated MABS micro lending operations (the six second rollout banks will begin lending by June 2000) had generated portfolios of 2,829 micro borrowers. Based on experience to date and the business plans of each of the banks, MABS managers Program a total of 10,000 new borrowers at the current funding levels. With sufficient additional funding to maintain the Program at its current level of effort, MABS managers anticipate that micro loan portfolios in all Participating Banks and branches will total as many as 21,000.

3. New Micro Enterprise Depositor Targets

The Program target of about 1,000 new depositors per bank and 15,000 new depositors among all banks and branches is achievable and likely to be surpassed.

A total of 11,548 new depositors were recorded as of March 31, 2000, and 23,140 new depositors are projected for September 2001 at current Program funding levels (Table 3). Although MABS management has not made specific projections for the number of new depositors that could be achieved if additional funding is available through September 2001, it is reasonable to expect that significant increases would result.

TABLE 3
MABS-M NEW DEPOSITORS
(CUMULATIVE)

	PERFORMANCE						PROJECTIONS					
	YEAR 1				YEAR 2		YEAR 3			Targets for Each Quarter		
	Target	Actual	Target	Actual	Target	Actual				1st	2nd	3rd
	3 rd Quarter		4 th Quarter		1 st Quarter		2nd	3rd	4 th			
Pilot Banks												
Tagum Rural Bank	40	90	280	192	540	*851	750	850	1,000	1,200	1,500	1,500
Rural Bank of Digos	280	921	450	628	520	*550	680	880	1,000	1,000	1,000	1,000
Sarangani Rural Bank	280	820	450	925	520	*1,098	680	880	1,000	1,000	1,000	1,000
Rural Bank of Sto Tomas	280	1,043	450	1,126	520	*1,187	680	880	1,000	1,000	1,000	1,000
First Rollout Banks												
Rural Bank of Cantilan	40	331	280	593	540	*800	750	850	1,000	1,200	1,500	1,500
Bukidnon Coop Bank	40	179	280	420	540	*530	750	850	1,000	1,200	1,500	1,500
Rural Bank of Lebak	40	103	160	249	280	*357	400	520	680	880	1,140	1,140
Enterprise Bank	40	130	150	258	300	*390	450	600	750	900	1,000	1,000
Misamis Oriental Coop Ba	40	215	280	487	540	*776	750	850	1,000	1,200	1,500	1,500
Rural Bank of Montevista	40	291	150	479	300	*587	450	600	750	900	1,000	1,000
Rural Bank of Ozamis City	40	17	280	1,791	540	*2,172	750	850	970	990	1,000	1,000
Rural Bank of Panabo	40	74	280	233	540	*383	750	850	1,000	1,200	1,500	1,500
Kapatagan Valley Bank	40	139	280	737	540	*1,042	750	850	970	990	1,000	1,000
Rural Bank of Talisayan	40	430	280	682	540	*825	750	850	1,000	1,200	1,500	1,500
Second Rollout Banks												
Century Rural Bank							50	250	400	600	800	1,000
Dipolog Rural Bank							50	250	400	600	800	1,000
Green Bank of Caraga							50	250	400	600	800	1,000
Oroquieta Rural Bank							50	250	400	600	800	1,000
Siam Bank							50	250	400	600	800	1,000
Tacurong Rural Bank							50	250	400	600	800	1,000
QUARTERLY TOTAL	1,280	4,783	4,050	8,802	6,760	11,548	9,640	12,660	15,520	18,460	21,940	23,140

4. Integration of Micro Finance in Participating Banks

The Program contract stipulates that by September 2001 at least one half of the MABS Participating Banks will have incorporated micro finance as a "significant part of their portfolios and will have taken steps required to properly and profitably service the market." Although, achievement of this target is not as quantifiably demonstrable as other targets, it is clear from interviews with bankers and review of bank business plans and files that the target has been attained. Pilot and first rollout banks are increasing their

micro lending. Although the micro service growth strategies of some of the banks are more aggressive than others, all of the 7 surveyed banks expect micro financial services to eventually represent at least 30% of their business. Two of the surveyed banks plan to implement strategies involving nearly exclusive focus on the micro enterprise market. The enthusiasm for micro finance that is conveyed by the surveyed banks is based, in every case, on careful market analysis and serious projections for profitable operations.

C. PROGRESS TOWARD SATISFYING MAJOR TASKS

1. Major Task #1

MABS-M was expected to enter into formal agreement with at least 20 Participating Banks through which the obligations and expectations of each party are clearly established. The agreements are expected to represent solid commitment by the Participating Banks and the MABS-M Program to the development of profitable financial services for micro entrepreneurs.

This task was completed by late 1999. Formal agreements have been developed and signed with each of the 20 currently Participating Banks. The agreements clearly identify the obligations and expectations of both parties. Each agreement has been reviewed and approved by both the MABS Management Committee and by USAID. In addition to establishing formal, contractual relationships between the Program and the Participating Banks, the agreements set the tone for the practical, day-to-day relationships between MABS personnel and bank managers and staff that have facilitated the progress that the Program has realized. The agreements are included in the MABS Bank Binders, along with related market studies, business plans and other related Program documents. Each agreement is well-documented and available for review in the MABS-M offices in Davao City.

Interviews with seven Participating Banks reveal that bank owners and managers clearly understand and fully subscribe to the terms of their agreements with the Program.

The experience that MABS has accumulated through negotiating and working together with the 20 currently Participating Banks provides a solid foundation for developing agreements with future additional Participating Banks and branches.

2. Major Task #2

The contractor will design and implement training, technical assistance and other Programs intended to develop the capabilities of Participating Banks to profitably service the micro enterprise market.

MABS-M has made substantiated progress toward satisfying this task. MABS professionals have worked closely with the management and technical staff of each

participating bank to develop practical work plans for conducting market studies, developing and testing individual financial products and other tasks for achieving profitable MFU operations. The FMI survey of seven Participating Banks and review of progress reports confirm that the Participating Banks are conscientiously implementing their business plans.

Details of MABS technical assistance and training activities are provided earlier in Section VI.A of this report. The activities are comprehensive, well organized and effectively delivered. They include: activities designed to develop and strengthen micro finance units within each bank, formal training, workshops, seminars, on-the-job coaching, study tours, internships and other activities. A comprehensive range of subject matter is included in MABS technical assistance and training. Particular emphasis is given to various technical aspects of micro lending and the implementation of "best practices methodologies".

The development of "The MABS Approach" probably best demonstrates the effectiveness of MABS technical assistance and training. Based on the experience gained from approximately 12 months of Program implementation through its work plans, MABS began preparing its "Training and Technical Assistance Manual". This two-volume manual, completed in the fourth quarter of 1999, is known as the "MABS Approach". It contains the major tasks and activities carried out in the previous work plans and synthesizes them into step-by-step procedures to be followed by MABS staff from the selection of a participating bank through implementation of all Program activities. Sections of the "MABS Approach" manual include:

- Selecting the Participating Banks
- Orienting the Management of Participating Banks
- Preparing the Participating Bank Agreement
- Organizing and Orienting the Micro finance Unit
- Training the MFU and Bank
- Preparing the Business Plan
- Preparing the MF Product Manual
- Marketing the MF Products
- Supervising and Monitoring MF Operations
- Expansion Phase

The manual is continually updated. For example, the Monitoring and Expansion Phase Sections are still works-in-progress. The objective is to have an effective, standardized process that can be used in Mindanao and elsewhere (the Visayas and Luzon) to assist in rapid Program mobilization and implementation.

The criteria and process used for selection of banks for participation in the Program have improved with implementation. The selection of PBs for the MABS Pilot Phase involved assessment of institutional well being, experience with small and micro lending, and market access. However, the level of interest among potential participating banks was considerably less during the Pilot Phase than during the subsequent rollout

phases; and willingness to participate became an important factor during the selection process. Current MABS management acknowledges that the selection of Pilot Phase PBs was considerable "less scientific" than the process that has been used for rollout phase selection. Current participating bank selection includes assessment of basic institutional health using standard financial and credit portfolio related criteria; orientation to, and experience with, the micro enterprise marketplace; and micro credit growth potential, including plans and potential for expansion through additional bank branch development.

The current criteria for selecting banks for MABS-M participation are adequate and suitable for continued Program expansion. It is particularly important that continued emphasis be placed on micro credit portfolio growth potential as a major factor in the selection process.

Discussions with Participating Banks, MABS Staff and file reviews indicate that implementation of technical assistance, training and other activities has proceeded efficiently and on schedule. Ongoing technical assistance is helping to maintain a "micro finance culture" within the banks that have already completed their initial technical assistance and training.

Bank survey results indicate complete satisfaction among bank owners and staff with MABS technical assistance and training. They credit training in the MABS methodology with the health of their new micro enterprise loan portfolios. All Participating Banks are experiencing virtually no delinquency with their MABS lending.

The "MABS Approach" and "best practices methodologies" that are being promoted by the Program have been fully adopted by Participating Banks. Interviews with bankers showed no indication of dissention or dissatisfaction. Several of the surveyed bank managers are incorporating the techniques that they have learned through MABS training and technical assistance in their non-micro lending operations.

The balance that MABS has established between on-site technical assistance and off-site training appears to be appropriate and effective. Although the MFU staff members that were interviewed expressed strong preference for on-site, one-on-one attention from the MABS Team, no complaints or suggestions for modification of the balance were registered.

Budget support to Participating Banks has proven useful as a means of encouraging banks to experiment with the Program. Several of the Participating Banks have had negative experiences in the past with lending to micro entrepreneurs, and most have long histories of making only well-secured loans. Prior to the experience that the banks are having with the MABS methodology, unsecured lending, particularly to micro entrepreneurs, was perceived as being unprofitable and prohibitively risky.

3. Major Task #3

MABS-M is expected to develop the capabilities of RBRDFI/RBAP to mount its own Program of assistance to RBs/CRBs to profitably provide services to micro enterprises.

Progress toward satisfying Major Task #3 has been satisfactory. Priority emphasis of the MABS Program to date has been placed on working with the banks to develop and implement effective and profitable micro finance services. MABS and USAID managers have maintained RBAP institutional development efforts in a planning mode, pending the development of a demonstrably successful micro lending program model.

The Rural Bankers Association of the Philippines (RBAP) is a national organization formed in 1957, which today serves as the headquarters organization for a rural banking system that includes 842 banks and 1,120 branch operations. Within the system, Rural Banks are organized regionally into eight confederations and, at the provincial level, into 39 federations.

The Rural Bankers Research and Development Foundation (RBRDFI) was formed by RBAP in 1986 to provide members with increased service, including establishing scholarships, conducting research, training and data collection. The major RBRDFI revenue generating activity in recent years has been the installation of "Microbanker" software, which is now used in approximately 20% of rural banks. The MABS-M Program is headquartered in the RBRDFI office in Davao. The Foundation's Executive Director is the principal interface with MABS Staff.

Initial MABS efforts with RBAP institutional development occurred in April 1999 when a MABS-contracted consultant conducted an institutional assessment of the Association. The consultant held several meetings in May 1999 with RBAP Directors during which both RBAP and RBRDFI concluded that the RBAP system needed transformation. The consultant then worked with RBAP and RBRDFI to develop the first draft of a Strategic Development Program (SDP), which was presented at the RBAP Annual General Meeting and Convention in June. A Working Committee was organized after the convention to maintain momentum for the initiative.

The SDP contains numerous recommendations for the restructuring the RBAP, the most important of which are:

- Restructure the RBAP around a number of core technical Programs. The effect would be to bring RBAP and RBRDFI together as one operational unit;
- Place operational authority for technical Programs under the auspices of the RBRDFI. In effect RBRDFI would operate as an in-house consulting arm;
- Merge the staff of the two organizations and consolidate financial resources;
- Develop revenue generation schemes; and
- Develop, with MABS support, new rural banking software.

The MABS consultant assisted with preparation of the SDP for presentation to the membership at a RBAP Symposium in mid-September. It was presented as a "Results Framework and Implementation Guide" which incorporates the steps the RBAP would

take to institutionalize its operational planning cycle. Following the Symposium, the regional Vice Presidents all conveyed the commitment of their federations to the plan. Initial technical work requirements identified by the consultant included:

- An "Apex Bank" Feasibility Study;
- Use of GTZ financed technical assistance to build an RBAP technical consulting capacity;
- Development of an Academy of Banking in the Countryside (ABC) Sustainability Strategy; and,
- Development of a "Micro Finance Technology Transfer" Series.

In late September the President of RBAP and the Executive Director of RBRDFI agreed to a joint institutional restructuring plan for RBAP and a guideline for implementation. The continuing implementation process required MABS support with hiring and salary subsidies for a Program Development Advisor (6 months) and a Banking Systems Advisor (4 months). That level of effort was subsequently changed to a single program Development Advisor for 18 month, with MABS agreeing to provide full salary support for the Advisor's initial 6 months. MABS management is currently advertising for candidates for the position, and expects the Advisor to be on board in June.

MABS and RBAP management fully understand that the long-term sustainability of the MABS Program depends on the institutional development of RBAP. However, both agree that more time was needed to perfect the "MABS Approach" and to demonstrate the success of the Program before engaging RBAP management and membership in implementing the SDP.

D. PROGRESS TOWARD SATISFYING RELATED SUBTASKS

USAID anticipated that MABS-M would be implemented in coordination with several other activities that are financed by, or otherwise of particular interest to, USAID development activities. Accordingly, the contractor is obliged to accomplish several "related subtasks" during the course of MABS-M implementation. The following is an assessment of MABS-M progress toward satisfying each of the subtasks.

1. Coordination With Other USAID Supported Programming

Extensive review of MABS-M files, discussions with MABS-M staff and interviews with managers of other USAID supported activities reveal that reasonable effort has been made to coordinate MABS-M implementation with other specific USAID supported micro finance related activities.

- The MABS-M Chief of Party has held several meetings with the Executive Director of the CUES Project of the World Council of Credit Unions to discuss areas of common interest and concern. CUES management has indicated an

interest in further addressing issues such as the establishment of a credit bureau and the legal/regulatory environment that is needed for healthy micro enterprise development.

- Several discussions have taken place between the managers of MABS-M and USAID's CPIP Project. CPIP has received input from MABS-M management regarding efforts to establish a micro finance-friendly policy agenda to be formally presented to the Central Bank. CPIP managers indicate interest in using documentation of MABS-M experiences as a demonstration to Central Bank and Philippine legislators of an effective alternative to subsidized credit Programming.
- MABS-M management has investigated the potential of utilizing the USAID Global Bureau Loan Guarantee Program for MABS-M implementation. It has been determined, however, that the Program is not an appropriate intervention for MABS micro services.
- Through its Micro enterprise Policy Component, MABS engaged the cooperation of the AGILE Project to work with the Philippine Central Bank on several issues including, reduction of corruption in the banking sector. MABS-M management also works on an ongoing basis with the Growth with Equity for Mindanao (GEM) Program to ensure Programming compatibility.

2. Facilitation of RB/CRB Affiliations

MABS-M was expected to identify and facilitate potential affiliations among RBs/CRBs that would better enable the banks to more effectively and profitably serve the micro enterprise market. The possible establishment of a "mother bank" is specifically mentioned in the MABS-M contract.

Although progress toward development of the anticipated "affiliations" has been slow, MABS-M management has invested considerable effort to encourage and facilitate coordinated inter-RB/CRB activity.

- A MABS-M contracted consultant developed the RBAP Strategic Development Plan (described earlier in this report) around which RBAP is expected to improve its effectiveness. The planning process included a symposium that brought together a majority of Mindanao RBs/CRBs in an effort to promote the servicing of the micro enterprise market.
- MABS-M management participated in a number of meetings concerning the possibility of creating an APEX bank for the rural banking sector. It appears that MABS-M management was influential in the RBAP decision to not pursue development of the Program.
- In March 2000 the MABS-M Chief of Party spoke to the Mindanao Confederation of Rural Bankers regarding MABS-M progress and micro finance opportunities. The presentation was the third time that MABS-M management was invited to address the confederation. Such public relations work has proven very helpful in exposing the Program to a broader base of rural banks.
- MABS has conducted seven "MABS Approach" workshops and seminars for all Mindanao banks. The events have been well attended, and feedback from both

MABS Participating Banks and non-Participating Banks indicates that the attendees are becoming better informed and more enthusiastic regarding micro finance activities.

3. Advice and Assistance to NGOs

The MABS-M contract anticipated that the Program would provide advice and assistance to NGOs that are providing micro finance services in Mindanao and are interested in developing banking operations. The contract indicates that the anticipated assistance would be provided in consultation with USAID.

One NGO, the Roxas Foundation, was identified by USAID for MABS assistance. MABS-M and USAID staff visited the Foundation on July 23, 1999 and discussed the operations of Hublag, the development finance division of the Foundation. As a result, MABS made recommendations on the transformation of Hublag into a rural bank. It should be noted that the MABS COP expressed interest in providing similar assistance to other NGOs.

4. Data Collection and Reporting

MABS provides quarterly reports to USAID detailing Program progress and performance for the prior three months period. It also meets with the Steering Committee quarterly and the Management Committee monthly to present an update of Program progress. These reports/meetings include all required information, with the exception of gender specific data. MABS is currently assisting PBs to modify and augment their information systems to provide additional MABS required data, including borrower segregation by gender. It is expected that all PBs will be able to provide all required borrower related data by June 2000. More extensive information system development is in progress that is expected to accommodate much more sophisticated data collection and analysis by February 2001.

E. MABS-M IMPACT ON PARTICIPATING BANKS AND POTENTIAL FOR MICRO ENTERPRISE SERVICE SUSTAINABILITY

There is ample evidence that MABS-M has had significant impact on all twenty Participating Banks. As indicated earlier in Section IV.B, Progress Toward Satisfying Specifically Targeted Results, each of the pilot and "first rollout banks" has developed rapidly growing micro loan portfolios and micro savings bases. The seven-bank survey that was conducted by FMI consultants indicates that bank managers are enthusiastically integrating micro business into their business plans and Programs. Several surveyed bank managers are incorporating "MABS Approach" methodology into their general bank lending operations. Table 4 displays the results of an analysis of the participating bank survey.

Between March 29 and April 5, 2000, FMI consultants Moyers and Phelps interviewed the owners, managers and micro-finance unit staff of seven of the twenty MABS-M Participating Banks (see Annex E for a list of interviewees). The following is an overview of interviewee responses to questions about the MABS-M Program.

TABLE 4

**MABS-M
PARTICIPATING BANK SURVEY RESULTS**

QUESTION	CONSENSUS	EXCEPTIONS
1) What do you think about MABS-M?	<ul style="list-style-type: none"> - MABS is appropriate technology for financial services in the Philippine micro-enterprise culture. -Demonstrates profitability of micro lending. - MABS experience has overcome preexisting anti micro prejudice. - The "MABS Approach" is applicable to other loan products. - All respondents report 100% repayment experience with MABS. 	At least two respondents expressed concern that their current (100% repayment) experience with MABS may be a passing phenomenon. They reference past experiences with the borrowing culture of their micro clientele, and are anticipating possible growing problems with delinquency "once the novelty of 'zero tolerance' wears off", after one or two years of experience.
2) What is the image of MABS-M in the rural banking industry?	<ul style="list-style-type: none"> - MABS is widely known; most banks are interested. - Although initially skeptical, most rural banks are interested; many are copying aspects of MABS. 	
3) What are your expectations of the Program? Are they being met?	<ul style="list-style-type: none"> - Initial expectations were guarded; staffs and directors were skeptical. - Following initial experiences, staff and directors expect micro services to expand rapidly. 	One bank manager indicated that he "hopes" that MABS will provide funds for micro lending.
4) Do you think that providing micro enterprise financial services is profitable to your bank?	<ul style="list-style-type: none"> - Banks are generally convinced of profitability. - Pilot banks are seeing indications of profitability following initial slow period. - 1st rollout banks are showing clear signs of profitability. - 2nd rollout banks are optimistic, based on experiences of other banks and their own business plans 	
5) Do you plan to expand micro enterprise services in the future?	<ul style="list-style-type: none"> - Single branch banks anticipate aggressive growth of micro-enterprise savings and loan portfolio. - Most multi branch banks expect to introduce micro financial services to more than one of their branches. - Four multi branch banks plan to institute MABS in all branches. 	Based on pre-MABS negative experiences, Rural Bank of Panabo is not currently lending to micro vendors. Management will consider market reentry after MABS trials in micro-productive and micro-service sectors.
6) What technical assistance and other services are being provided by MABS? Are they appropriate for your bank? If not, why?	<ul style="list-style-type: none"> - The entire "MABS Approach" package of training and T.A. is being applied. Minor variations in emphasis are evident. - Management and MFU staff are generally satisfied with the package. 	Century Rural Bank (Babak) does not anticipate needing MABS assistance with their information systems.
7) Is the balance between MABS on-site training and off-site training appropriate?	<ul style="list-style-type: none"> -Yes, the balance is generally considered to be appropriate. - On-site "coaching" is considered to be particularly useful. 	<ul style="list-style-type: none"> - Several respondents indicate nervousness about "going on their own" after the conclusion of the MABS Program. - Several MFU staffers request more "one-on-one coaching"
8) Are the subjects/topics included in MABS technical assistance and training appropriate? If not, how would change them?	<ul style="list-style-type: none"> - Generally satisfactory - No suggestions for change are offered. - Particular appreciation expressed for training with cash flow and client capacity to pay analysis. 	

	- "Zero Tolerance" training is widely accepted and appreciated.	
9) What percentage of your total portfolio of borrowers and savers is micro-entrepreneurs? What is your Program's percentage of micro-enterprise clients as part of your total clientele for the future?	- Pilot and 1 st rollout banks have MABS portfolios ranging from less than 1% to 20% of their current loan portfolio. - Expectations for growth of micro services range from 4% of total bank loan portfolio to 100%. - All banks anticipate significant growth.	- All respondents have had some experience with micro lending. Salary-based micro lending is very common, representing up to 85% of one respondent's portfolio. - Projections of portfolio growth have been developed for each participating bank.
10) What is your current average micro loan size? What is your Program's micro loan size in the future?	- Loan size is based on analysis of a client's cash flow and ability to repay. - Average loan size varies widely among Participating Banks; from 1,000 pesos (\$25 at current exchange rate) to 10,000 pesos (\$250). - Average loan sizes are expected to increase as Programs mature. Loan averages range from 3,000 pesos to 30,000 pesos.	
11) What commodity and/or staff support are you receiving from MABS? What changes you suggest?	- Each participating Bank has received the standard MABS staff salary subsidy, one or more computers and software, and one or two motorcycles. - Most respondents acknowledge that the assistance Program has satisfied their needs.	- One bank manager would prefer better quality computers. - Several bank managers would like more motorcycles.
12) Can your bank compete effectively with informal lenders?	- All respondents are confident that they can compete effectively with competing micro lenders. - Most respondents feel that they are able to price their micro loan products favorably.	Although most respondents express their optimism cautiously, one manager of a 2 nd rollout bank indicated that they plan to "clobber the informal lenders" in their marketplace.
13) Does your bank participate in the PCFC Program? If so, how does this Program compare/compete with the MABS Program?	- Experience with, and opinions regarding, PCFC vary widely. - One respondent has discontinued PCFC because of dissatisfaction with the "Grameen Model". - At least four respondents have had positive experiences with PCFC and use, or plan to use, PCFC to fund MABS portfolio. - Most respondents understand and prefer the savings aspect of MABS. - Banks using group lending models are particularly comfortable with PCFC-MABS coordination.	
14) Are there any significant legal or regulatory limitations that may affect the expansion of your micro lending and saving services? What are they?	- Central Bank restrictions on new branch expansions conflict with growth aspirations of several respondents. - No respondents express major concern for potential limitations on unsecured lending.	One respondent (Green Bank) is optimistic that their request to open two new branches will be approved soon.
15) What are your eligibility criteria for micro lending?	- Lending criteria are essentially the same among interviewed banks. Eligibility criteria are compatible with the "MABS Approach" - Eligibility criteria generally include credit worthiness, residency, "insurable" age, appropriate business experience and access to "co-makers" (loan guarantors).	- Banks that specialize in group lending apply eligibility criteria associated with that model. - Banks that participate with PCFC apply the required "means test". However, several banks are "ignoring" many PCFC eligibility standards.
16) How do you decide if you want to give someone a micro loan?	- The "MABS Approach" has introduced radically different procedures and standards for client selection. Most banks with pre-MABS micro lending experience have used standard collateral based lending practices. - In addition to satisfying eligibility criteria, MABS clients undergo thorough	

	credit investigation and repayment capacity analysis.	
17) What are the new practices introduced by MABS that you are currently applying?	<ul style="list-style-type: none"> - All respondents are applying all MABS practices to MABS lending. - Most respondents are applying MABS introduced techniques to some or all of their other loan products. - The "MABS Approach" appears to have been universally accepted. 	Several respondents are not making full use of MABS information system assistance. Some are comfortable with their own systems and are working with MABS technicians to ensure compatibility with reporting requirements. Others are unsure of the future of their management information systems are looking to MABS for guidance.
18) Do you think that the experiences of your bank will persuade non-Participating Banks to initiate micro lending and savings services?	<ul style="list-style-type: none"> - Most respondents have recommended the Program to other bankers. - Experience to date with MABS has resulted in general recognition that micro financial services are desirable markets for rural banks. - Most respondents indicate that non-participating rural banks are interested in participating, and hope that the Program will be expanded beyond its current plans. 	One respondent (Century Rural Bank) indicated that they are not interested in sharing the MABS experience with potential competitors. However, they would encourage MABS Program development with banks outside of their markets.
19) Should the Rural Bankers Association continue to support micro enterprise at the conclusion of the MABS Program? What types of services should RBAP provide?	<ul style="list-style-type: none"> - Most respondents feel that RBAP should offer ongoing support for MABS Programming. - Many respondents are not confident that RBAP has the capacity and/or the orientation to absorb a MABS technical assistance role. - Most respondents indicate that RBAP would require extensive assistance before it could assume MABS successor responsibilities. 	
20) Having received MABS services, do you think that other banks would be willing to pay for these on a cost-recovery basis?	<ul style="list-style-type: none"> - All but one respondent feels that the MABS technical assistance package would be affordable to most banks. - Most managers are convinced that profits generated through micro services would easily absorb the training and T.A. costs. 	<ul style="list-style-type: none"> - One respondent assumes that the cost of the Program would be prohibitively high to be absorbed by the average rural bank. - Several respondents indicated that, although they are confident that banks could afford the cost of MABS training, they have no idea what the cost would be.

Assuming that profitable experiences with micro enterprise lending will motivate banks to continue to develop and expand their micro enterprise portfolios, current indications are that the potential for sustainability of the MABS-M Program in the Participating Banks is strong.

- Analysis of the micro finance activity performance reports of the pilot and "first rollout banks" demonstrates that productivity and efficiency ratios are improving. The "first rollout banks" are showing particularly rapid improvements in operational efficiency. Although MABS-M micro lending is still in its early stages, and the loan portfolios have not grown to optimal proportions, the indications of efficiency improvement are encouraging.
- As of March 2000 MABS-M micro lending in all of the Participating Banks has produced virtually no delinquency. Managers of surveyed banks express extreme satisfaction with MABS-M portfolio performance.
- Table 5 analysis of the profitability ratios of MABS-M micro lending versus overall lending in the branches of participating pilot and "first rollout banks" reveals that micro lending is considerably more profitable. MABS-M micro

lending generates interest rate spreads that are three to four times greater than the average annualized spread on the banks' overall portfolios. MABS-M loan portfolios produce yields that average between 2.5 and over four times the average yield of the banks' overall portfolios. Although MABS-M micro lending is still in its early stages (particularly in the "first rollout banks") and MABS-M micro lending generally represents a small fraction of all bank branch lending, these early indications of the relative profitability of micro lending are generating considerable interest by bank owners and staff.

TABLE 5
PROFITABILITY RATIOS: MFU LOAN PORTFOLIO VS. OVERALL BANK PORTFOLIO

PILOT BANKS	
OVERALL BRANCH PORTFOLIO	
	Annual as of 12/99
Spread (Interest Income + Service Fees - Financing Costs) / Average Outstanding Portfolio	16.45%
Yield on Portfolio (Interest Income + Service Fees) / Average Outstanding Portfolio	26.51%
MFU PORTFOLIO PROFITABILITY RATIOS	
	Annualized
Spread (Interest Income + Service Fees - Financing Costs) / Average Outstanding Portfolio	61.45%
Yield on Portfolio (Interest Income + Service Fees) / Average Outstanding Portfolio	68.25%
FIRST ROLLOUT BANKS	
OVERALL BRANCH PORTFOLIO	
	Annual as of 12/99
Spread (Interest Income + Service Fees - Financing Costs) / Average Outstanding Portfolio	18.66%
Yield on Portfolio (Interest Income + Service Fees) / Average Outstanding Portfolio	25.68%
MFU PORTFOLIO PROFITABILITY RATIOS	
	Annualized
Spread (Interest Income + Service Fees - Financing Costs) / Average Outstanding Portfolio	85.08%
Yield on Portfolio (Interest Income + Service Fees) / Average Outstanding Portfolio	93.98%

- All twenty Participating Banks are projecting significant profitability for their micro finance activity. FMI consultants analyzed the portfolio growth and profitability projections contained in participating bank business plans to ensure that the projections are consistent with historical patterns. Although the projections of most banks are optimistic, they are not inconsistent with demonstrated growth trends.

Table 6 displays an analysis of the dates when each of the Participating Banks expects to reach the point of operational breakeven (the point at which income from micro finance services is equal to direct expenses plus indirect expenses). The table also displays key characteristics of the micro finance portfolio of each bank when it reaches operational breakeven. (For example: Enterprise Bank is projected to reach operational breakeven in June 2000, after four quarters of MABS-M micro lending. At that point the bank will have 570 outstanding micro loans totaling 1,320,000 pesos, and the average

outstanding loan size is expected to be 4,000 pesos.) The analysis should not be used to compare the banks to one another: each bank has a different strategy for micro finance service development. Some banks program operations in one branch; others anticipate developing micro finance operations several branches. Costs and efficiency levels also vary widely among the banks. The analysis indicates that the banks expect to break even following between one quarter and seven quarters of MABS-M micro finance activity. The average period of operation projected before a bank reaches breakeven is 4.4 quarters of MABS-M operation.

TABLE 6
OPERATIONAL BREAKEVEN POINT
PROJECTED PROFITABILITY*

	Total # Loans Outstanding	Ave. P'folio (millions of pesos)	Ave. Loan Size	Operational Quarters to Breakeven	Quarter of Breakeven
Pilot Banks					
Tagum Rural Bank	330	1.76	5,324	6	Dec 00
Rural Bank of Digos	535	2.94	5,500	1	Sep 99
Sarangani Rural Bank	470	1.71	3,647	5	Sep 00
Rural Bank of Sto Tomas	305	2.14	7,018	4	Jun 00
First Rollout Banks					
Rural Bank of Cantilan	470	3.17	6,737	6	Mar 01
Bukidnon Coop Bank	350	2.12	6,063	5	Sep 00
Rural Bank of Lebak	355	1.59	4,467	6	Dec 00
Enterprise Bank	570	2.28	4,000	4	Jun 00
Misamis Oriental Coop Bank	350	3.27	9,338	5	Sep 00
Rural Bank of Monte Vista	246	7.38	3,000	2	Dec 99
Rural Bank of Ozamis City	250	8.75	3,500	4	Jun 00
Rural Bank of Panabo	1,110	40.62	3,660	6	Dec 00
Kapatagan Valley Bank	350	1.64	4,684	4	Jun 00
Rural Bank of Talisayan	360	2.10	5,856	7	Mar 01
Second Rollout Banks					
Century Rural Bank	300	1.50	4,991	5	Mar 01
Dipolog Rural Bank	175	1.26	7,195	2	Sep 00
Green Bank of Caraga	720	3.53	4,901	3	Dec 00
Oroquieta Rural Bank	384	2.10	5,490	4	Mar 01
Siam Bank	500	2.66	5,324	4	Mar 01
Tacurong Rural Bank	380	1.90	4,991	5	Mar 01

* Average Loan Portfolio has been rounded up to the nearest 10,000 pesos.

Additional analysis of profitability projections indicate that most of the Participating Banks will recover 100% of the cost of development of their micro finance operations (including MABS-M budget support and equipment grants) within two quarters of reaching operational breakeven.

F. MABS-M IMPACT ON BORROWERS

Evidence indicates that the MABS-M Program is reaching growing numbers of the population on which the Program is intended to impact. On March 31, 2000, MABS-M Participating Banks had a total MABS-M micro loan portfolio of 2,829, and micro savers numbered 11,548. The MABS-M management information system that is being installed in coordination with the Participating Banks is not designed to produce data

descriptive of the banks' clientele. However, borrower eligibility criteria, market analysis, bank business plans and other factors generally direct MABS-M micro enterprise services to small, individually-owned business that employ fewer than ten people. Average loan sizes vary by bank, but on average MABS-M loans tend to range between 3,000 and 15,000 pesos (\$75 to \$275).

Table 8 displays an analysis of a survey that was conducted by FMI consultants of 26 MABS-M clients of seven Participating Banks. Most of the surveyed clients were merchants operating in public market stalls. Although 11 of the 26 surveyed clients are male, the staffs of Participating Banks estimate that more than 90% of their micro borrowers are female. Most of the surveyed clients indicate that they have borrowed from the MABS-M Participating Banks as an alternative to moneylenders who charge interest rates up to 20% per month. All of the borrowers report that the lower cost of borrowing from the Program has enabled them to increase inventories, improve infrastructure, acquire new tools and otherwise improve the quality of their businesses. In addition to the compulsory savings that are a requirement of borrowing under the Program, several of the surveyed micro entrepreneurs also save voluntarily. The daily collection visits by bank account officers make it easy for them to save daily. All of the survey respondents expressed satisfaction with both the savings and credit aspects of the Program.

Between March 29 and April 5, 2000 FMI consultants interviewed 26 micro-entrepreneur clients of six MABS-M Participating Banks (five first rollout banks and one pilot bank). The clients included first, second and third-time borrowers of MABS engineered financial services (see Annex G for a list of interviewees).

TABLE 3
MABS-M
CLIENT SURVEY RESULTS

QUESTION	CONSENSUS	EXCEPTIONS
1) Do you operate more than one business?	25% of interviewed clients operate two businesses.	
2. How many people (including unpaid family members) work for you?	Clients interviewed average 3.5 employees, including unpaid family members.	
3. What are your gross sales per business? (Indicate if daily, weekly or monthly.)	Clients interviewed have average gross sales of 3,300 pesos per day per business.	
4. How many times have you borrowed from the Program?	- 80% interviewed clients of 1 st rollout banks are 2 nd time borrowers. - Two clients of the Pilot bank visited had borrowed 6 times; one had borrowed once.	
5. What are the terms and conditions of your current loan? - Interest rate - Loan amount - Repayment period	- Interest rates vary between 2% and 2.5%. - All interviewed clients pay a one-time commission of between 1% and 1.5%.	Rural Bank of Montevista clients are members of Grameen model borrowing groups in which members guarantee one another.

- Type of collateral or security - Guarantors and related arrangements	- Loan sizes vary between 3,000 pesos and 25,000 pesos. Average loan size is 12,000 pesos - Loan term in every case is either 3 months or 4 months. - 20 clients receive daily collection visits, 6 pay weekly. - Most clients use one or more co-makers as security.	
6. Is the bank strict in repayment collections?	- Zero tolerance is universally enforced.	
7. What was the length of time between your application and loan disbursement?	- Initial loans typically take one week to process. Subsequent loans are generally processed prior to the full term of the previous loan.	One client complained that his loan application took three weeks.
8. What did you use the loan for? How has it helped your business? Your family?	- Most clients used loans for working capital. - Four clients invested part of loan amount in infrastructure improvements. - One client purchased tools.	One client indicated that she used part of her loan to buy school clothes for her daughter.
9. From whom do you borrow aside from the bank?	- Most clients have had experience with "5-6" lenders, but no longer borrow from them. - Two clients are members of cooperatives; one of them borrows regularly from the coop.	- One client had never borrowed money prior to working with MABS.
10. Do you have savings other than in the bank?	- Two of the clients save with cooperatives. - One client saves with a commercial bank.	
11. Have you/would you promote the loan Program to others?	- Most clients enthusiastically promote the Program with family, friends and neighbors. - Several clients are referred by other MABS clients.	One respondent indicated that she would feel responsible for any referral that she would make, and is unwilling to accept the responsibility.
12. What can you suggest to improve the loan Program?	- Several clients indicated that they would prefer lower interest rates and longer loan term. - No respondents offered substantive suggestions for Program improvement.	

G. MABS-M IMPACT ON RBAP/RBRDFI

As described in Section IV.C.3 above, MABS-M implementation to date has included numerous activities intended to facilitate institutional development in RBAP. The MABS-M financed RBAP Strategic Development Plan represents substantial progress toward potential institutional development. The planning process has generated dramatically improved awareness among RBAP leadership of the need for institutional development.

The impact that MABS-M has had on the Participating Banks has garnered the attention of RBAP leadership. RBAP directors report that requests for participation in the Program have been coming from their membership all over the Philippines. Clearly, the MABS-M Program has resulted in enthusiastic RBAP endorsement of micro enterprise financial services.

V. RECOMMENDATIONS

A. INCREASE THE LEVEL OF MABS-M FUNDING DURING THE BALANCE OF THE CURRENT CONTRACT TERM.

USAID should allocate sufficient increased funding to enable the Program to continue operating at full current level of effort through the September 30, 2001 completion date. The current budget is insufficient due to start-up delays and unexpected expenditures associated with the establishment of an office in Cagayan de Oro and extensive, unanticipated management information system development requirements. The unbudgeted expenditures were made in consultation with USAID, and were determined to be essential to the successful implementation of the Program. (In retrospect, the additional expenditures were as essential as anticipated.)

Without additional funding, MABS-M management would need to reduce the current level of effort by downsizing Program staff beginning in September 2000. The recommended funding would significantly increase impact by providing ongoing support for current Participating Banks in order to assure that long-term commitment to the "MABS Approach" is thoroughly institutionalized. Operating at its full current level of effort, the Program would also significantly broaden the Program's experience base in Mindanao by incorporating as many as 40 additional Participating Banks or bank branches by September 2001. More importantly, full operational funding would also enable MABS-M to implement other recommendations described below.

Continued full funding will allow for on-going, full-scale attention to development and application of "The MABS Approach". Greater return on the significant levels of investment in the development of the Program can be expected from continued evolution of the methodology, continuation of efforts to reduce the costs of program application and a larger experience base in Mindanao.

The amount of additional funding that would be required to maintain MABS-M at its current activity level remains to be determined, and has been the subject of correspondence and discussions between Chemonics and USAID (Annex J). MABS-M management has estimated that approximately \$1 million of additional funding will be necessary to implement the balance of its current work plan. An updated plan and budget should be developed for MABS-M operation through September 2001 that would accommodate any changes that are determined to be necessary, including those that may be made as a result of this evaluation.

B. MABS-M SHOULD PLACE STRONGER EMPHASIS ON PREPARING RBAP TO ASSUME RESPONSIBILITY FOR LONG-TERM MABS-M CONTINUITY.

One of the major tasks assigned to the MABS-M Program is to develop the capabilities of RBRDFI/RBAP to mount its own Program of assistance to RBs/CRBs to profitably provide services to micro enterprises. As described in Section IV.C.2 above, satisfactory progress has been made toward satisfying this task. However, MABS-M and USAID managers have maintained RBAP institutional development efforts in a "planning mode" pending the development of a demonstrably successful micro lending Program model. MABS-M management should develop a specific Work Plan task to complete and implement RBAP institutional development plans. The plan should include:

- Implementation of those components of the RBAP Strategic Development Plan that are required to prepare RBAP for its role in supporting ongoing MABS-M activity.
- Extension of the term of The RBAP Program Development Advisor position for which MABS-M and RBAP are currently interviewing candidates to at least 18 months. It is anticipated that the advisor would place priority emphasis on preparation of RBAP for its MABS-M related responsibilities.
- Development and implementation of a Mindanao-specific RBAP development strategy that includes an RBAP presence in Mindanao. All Participating Banks interviewed during the course of this evaluation expressed strong opinions that RBAP should establish a permanent office in Mindanao for long-term MABS sustainability. A functional RBAP Mindanao presence would also facilitate much needed improved communications between the association and its Mindanao membership.

C. MABS-M SHOULD STRENGTHEN ITS POLICY DIALOGUE PARTICIPATION WITH CPIP.

CPIP management has indicated interest in engaging MABS-M and RBAP as partners in its policy dialogue efforts with the Philippine government. MABS-M management should incorporate specific coordination with CPIP into its work plans for promoting a micro finance agenda with the Central Bank.

D. MABS-M MANAGEMENT SHOULD CONTINUE TO REFINE, STANDARDIZE AND REDUCE THE COST OF "MABS APPROACH".

MABS-M is now in a position to consolidate the impressive progress that it has made with the development of the MABS methodology. Long-term sustainability of the MABS-M initiative will depend heavily on the ease with which the "MABS Approach" can be assimilated by increasing numbers of RBs/CRBs. Continued attention to evolution and cost reduction of the methodology must receive priority attention during the recommended phases of Program continuation and expansion.

E. USAID SHOULD FUND THE MABS-M PROGRAM FOR AN ADDITIONAL TWO YEARS.

Continued monitoring, management and expanded application of the MABS methodology can be expected to generate greater returns on the investments that have been made in Program design and development. The recommended additional program funding can be expected to reduce the risk of "backsliding" by PBs, further consolidate and check any potential mutation of the methodology, and spread the introduction of the Program to the growing number of interested RBs/CRBs that have not yet had opportunity to participate. The Program fundamentals that have been developed during the Pilot and rollout stages should provide a solid basis on which to leverage expanded use of the methodology into new markets.

The Scope of Work for this evaluation did not include a MABS-M cost – benefit analysis, and no such analysis is offered. It would be relatively simple to divide the numbers (current and projected) of new borrowers, repeat borrowers, savers, Participating Banks and/or other MABS-M beneficiaries into the total funds invested, to "assess" the benefit that MABS will have in Mindanao. However, full impact of the Program can best be measured over an extended period of implementation through a growing number of banks and bank branches.

Although continued emphasis should be placed on Program efficiency and cost containment, decisions regarding on-going MABS-M funding levels should not be based on cost-benefit analysis of the Program at its current stage of development. Instead, the costs of Program design and development should be amortized over an extended period of implementation. It is reasonable to expect that the benefits of the Program will continue to accrue through its expansion beyond its current range of application

Recommended objectives for the Program extension period include:

- Place maximum emphasis on RBAP institutional development and the appropriate and efficient transfer of the "MABS Approach" methodology to RBAP for ongoing use by RBs/CRBs. MABS-M operational transition from design and implementation of methodology to institutional development should have already taken place during the current contract period. Long-term sustainability should become the focus of the Program during the extension period.
- The Program should continue to provide "maintenance" support, as necessary, to all Participating Banks. Strict application of the "MABS Approach" methodology is essential for ongoing micro lending success. It is important that Participating Banks not be allowed to compromise the methodology by relaxing standards.
- Expand to new Participating Banks and branches, particularly in areas not currently served. The contractor should assist RBAP in its "pilot phase" of Program implementation by continuing to add more banks to the Program in Mindanao.

- Continue coordination with other Programs. Continued emphasis should be placed on relevant subtasks included in the original MABS-M contract, particularly policy coordination.

F. INITIATE AN ASSESSMENT OF THE POTENTIAL FOR EXPANDING THE PROGRAM BEYOND MINDANAO.

The Scope of Work for the evaluation of MABS-M does not include investigation of potential for expanding the Program beyond Mindanao. USAID managers have indicated interest in possible MABS-M expansion, and RBAP leadership has expressed strong interest in expanding the Program into the Visayas and Luzon. Since the Philippine system of RBs/CRBs operates throughout the country and there are positive indications of significant countrywide demand for micro finance services, it is likely that the Program replication is feasible elsewhere in the Philippines.

MABS expansion into Luzon and/or the Visayas would offer much broader opportunity for the Program to increase the number of participating banks and the number of micro entrepreneur beneficiaries. Since the "MABS Approach" has been "standardized", its introduction to new markets can be expected to be increasingly rapid and relatively inexpensive. The broadened marketplace will provide additional opportunity for amortization of the costs of Program design and development over a much larger number of beneficiaries. MABS expansion into new markets will also facilitate further evolution of the methodology under increasingly diverse circumstances.

Having invested considerable resources in the development of the MABS-M Program model, it would also be appropriate to consider assessment of potential for its introduction in other countries. Should USAID wish to initiate investigation of possible Program expansion during the balance of the current contract, sufficient additional funding will be required so as not to detract from ongoing MABS efforts in Mindanao.

It is strongly recommended that any initiative to expand the Program beyond Mindanao should be taken by RBAP with technical support from the contractor in order for RBAP to assume ownership and responsibility for the Program. MABS expansion into Luzon and/or the Visayas would provide RBAP (with contractor support) the opportunity to gain "on-the-job" experience with Program installation and management.

Given corresponding resources, the contractor could facilitate investigation of Program expansion with market studies and other exploratory activities through RBAP during the course of the current contract.

ANNEXES

Annex A: Scope of Work

Annex B: Work Schedule

Annex C: Documents Reviewed

Annex D: List of Persons Interviewed/Meetings

Annex E: Participating Banks Interviewed

Annex F: Non-Participating Banks Interviewed

Annex G: Clients Interviewed

Annex H: Participating Bank Survey Instrument

Annex I: Client Survey Instrument

Annex J: Chemonics/USAID Correspondence *(Not included in this document, only available in separate hard copy format at USAID/Manila)*

Annex K: Work Plan Analysis Matricies

MABS-M MID TERM EVALUATION
ANNEXES

ANNEX A

Scope of Work

BACKGROUND

In January 1998, USAID and the Rural Bankers Association of the Philippines initiated the Microenterprise Access to Banking Services - Mindanao (MABS-M) Program. The ultimate objective of the Program is to bring about a significant expansion of formal sector financial services, both lending services and deposit services, to microenterprises and small producers. In doing so the Program hopes to help overcome the constraint to more rapid and more widespread economic growth of Mindanao that is posed by the fact that most microenterprises and small producers do not have access to formal sector financial services, and must rely on expensive informal credit sources. It is believed that, if large numbers of microenterprises can obtain access to significantly less expensive formal sector financial services, these enterprises will have greater prospects for profitability and growth.

Under the Program, at least 20 Rural Banks in Mindanao are being provided the assistance they require in order to develop the capability to profitably provide services to the microenterprise sector. It is hoped and expected that the experience of these banks under the Program will demonstrate to them that it is sensible to offer services to the microenterprise sector as a regular part of their business - because it is very profitable to do so. It is further expected that the successful example of the Rural Banks participating in the Program will encourage other Rural Banks to look seriously at initiating and/or expanding services to the microenterprise sector.

MABS-M support provided to participating banks, for the most part, is technical assistance and training. Some limited commodity support and software is also provided. No lending funds or capital contributions are provided to participating banks.

(It should be noted that a "Rural Bank" is a formal bank category in the Philippines, supervised by the Central Bank. Rural Banks, generally, are small privately owned banks. While they quite commonly are located in rural areas, being located in a rural area is not a requirement for classification as a rural bank. Quite commonly, Rural Banks are located in urban areas. There are approximately 800 Rural Banks in the Philippines, with about 130 located in Mindanao).

USAID's principal partner in the Program is the Rural Bankers' Association of the Philippines (RBAP). The RBAP is a national level organization. One of the sub-objectives of the Program is to strengthen the RBAP, so as to better enable it to lead an effort to expand the MABS effort nationwide.

The MABS Program, as designed, was to have a four-year life. (The Program design incorporates the possibility of a two year extension of the program, however, should this appear warranted). At this point, the Program is about midway through its planned four-year life and progress appears appropriate. The target of 20 participating banks is within reach. (Four banks entered the program in the Summer of 1998 and, at this point, have "graduated" from the Program; an additional 10 banks entered the Program in early 1999

and are still going through the Program; and a further six banks have recently entered the Program). Reports on growth of microenterprise clientele of these banks are encouraging. Reports on profitability of servicing the clientele also appear encouraging.

OBJECTIVE

The consultant's objective is to assess the progress of the MABS-M Program and identify areas where the Program might be strengthened or otherwise modified.

The consultant should address and answer the following questions:

- are the objectives of the Program realistic? Does it appear probable or likely that the Program will result in the development of a real capability on the part of Rural Banks to profitably service the microenterprise sector? Does it appear likely that Rural Banks participating in the Program will initiate or significantly expand the services they are providing to the microenterprise sector because of skills/knowledge gained through participation in the MABS-M Program? Does it appear likely that participating Rural Banks will make servicing the microenterprise sector a major part of their business on a continuing basis? Does it appear likely that the experience of participating Rural Banks will persuade non-participating Rural Banks to initiate or significantly expand services provided to the microenterprise sector?

- is the approach being followed by the MABS-M Team sensible? Is the balance between on-site technical assistance, and off-site training appropriate? Are subjects/topics covered by technical assistance and training appropriate and necessary? Are important subjects/topics not being covered? Is support being provided to participating Rural Banks (i.e., computer hardware and software, salary support for newly hired microfinance staff, etc.) adequate and appropriate? Are efforts to "standardize" the package of services and the support provided to all participating banks sensible and realistic? What particular services and support might better remain "customized?"

- are criteria used in selection of participating banks appropriate? Should any other criteria be used?

- are the "microfinance best practices" being endorsed for use by the participating banks in managing their microfinance programs appropriate? Should any additional "practices" be promoted? Should any of the currently promoted practices be modified or dropped?

- should the MABS-M Program be promoting any particular minimum or maximum level of microenterprise clientele as ideal or desirable for participating Rural Banks?

- Are efforts being carried out and/or being planned by the MABS team to alert non-participating Rural Banks of results being obtained by participating Rural Banks adequate and appropriate? Should any other efforts be mounted?

- are institutional strengthening efforts focused on the RBAP adequate and appropriate? What elements might be added or dropped or modified? Does it appear

likely that RBAP will be in position at the end of the current MABS-M Program period to lead/carry on the effort to assist other Rural Banks to develop the capability to profitably service the microenterprise sector?

- would you recommend that USAID authorize and finance an extension of the MABS-M Program to allow expansion of the effort to Rural Banks outside of Mindanao? If so, what modifications of the Program would you recommend?

The consultant should note that the above listing of questions to be answered is being provided as a guide. While USAID believes obtaining answers to these questions is necessary, the consultant may identify other issues and questions that he/she believes important and also address those issues and questions in his/her report.

APPROACH

In carrying out this evaluation, the consultant should: review all relevant documentation concerning the MABS-M Program; hold discussions with relevant USAID, GOP, MABS-M, and RBAP staff; visit 5-8 participating Rural Banks (including at least one from each of the three "rollout groups") and make assessments as to their progress in establishing a continuing capability to profitably service a microenterprise clientele and their actual intention of doing so; and visit some non-participating Rural Banks to obtain views of their management or ownership about the MABS Program, and about prospects for servicing a microenterprise clientele.

It is estimated that some six weeks will be required to carry out this evaluation, and that the services of two individuals will be required. Both of the individuals should have extensive expertise both in banking and in microfinance. They should be familiar with the experiences of banks around the world which, successfully or otherwise, have attempted to provide services to microenterprises. They should also be familiar with successful NGO-managed microfinance programs, and with "microfinance best practices."

REPORTS

An interim report on the consultant's findings should be prepared and presented midway through this effort (i.e., at the end of the third week). A draft final report should be provided prior to the consultant's departure from the Philippines. Following receipt of comments from USAID and other concerned parties on the draft, a final report should be provided within 30 days of the consultant's departure from the Philippines. The final report should be between 15 and 30 pages in length and should address all questions and issues listed above.

ANNEX B

Work Schedule

March 28	8:30AM	Day at MABS office- logistics, briefings, materials review. Available for meetings: - Lief Doerring, Home Office Project
Manager		- Phil Broughton, COP - Joanna Ledgerwood, DCOP - John Owens, Cagayan Regional Manager - Peter Glibbery, MIS Manager
March 29	8:00 AM 9:00 AM	Bing Cadiz/Research Assistant arrives at MABS Meeting with Alex Buenaventura/RBRDFI MABS Office/Documents Review
March 30	7:15 AM 8:30 AM 10:00-11:00 11:00-12:00 12:00-1:30 1:30-3:00 3:00-5:00 5:00-6:30 6:30-7:30	Leave for Airport Flight to Cagayan de Oro Briefing at MABS Cagayan Office Cooperative Bank of Misamis Oriental, Chairman and MFU Staff Lunch Branch visit Client visits Drive to Talisayan Meet with Manager, Rural Bank of Balingasag (non-participating bank) Stay at Matangale Hotel
March 31	8:30-11:30 11:30-12:30 12:30-2:30 2:30-3:30 3:30-4:30 4:30-6:00 5:30-6:30	Rural Bank of Talisayan Lunch Travel to Butuan (Green Bank) Meeting with Chairman and President Travel to Bayugan (Green Bank branch) Briefing, market visit Travel to Butuan Overnight at Hotel Almont
April 1	7:30-11:30 11:30-2:30 2:30-3:30 3:30-5:00	Travel from Butuan to Santo Tomas Lunch and Attend Santo Tomas Savings Workshop Travel to Davao Attend Client Cash Flow and Repayment Workshop
April 2		Free

April 3	7:30-8:30	Consultant 1
	8:30-12:00	Travel to Babak (Century RB)
	12:00-1:00	Century RB visit, client visits
	1:00-2:00	Lunch
		Travel to Davao
		Consultant 2
	7:30-9:30	Travel to Montevista Branch
	9:30-12:30	Montevista briefing, client visits, lunch
	12:30-1:30	Travel to Montevista Headquarters Branch (non-participating bank)
	3:00-5:00	Travel to Davao
April 4	8:00-9:00	Travel to Rural Bank of Panabo (drop Consultant 1)
	8:30-11:30	Panabo RB briefing and client visits
	12:00-1:00	Lunch
	9:00-10:00	Travel to Santo Tomas (Consultant 2)
	10:00-12:00	Santo Tomas RB briefing and client visits
	12:00-1:00	Lunch
	1:00-2:00	Travel to RB Panabo
	2:00-3:00	Travel to Davao
April 5		MABS Office
April 6		MABS Office
April 7	9:00-12:00	Meeting with USAID in Davao
	2:15-3:00	Meeting with Lois Kitsch and Lucy Ito, CUES
April 8-9		Weekend
April 10-13		As required
April 10	7:30 pm	Meet with Alex Buenaventura
April 12	2:00 pm	Meet with Jo-Ann de Belen, MEDCO
April 13		MABS Office/Fly to Manila
April 14	8:30 am	Meeting with USAID/Economic Development Office
	10:00 am	Meeting with Rural Bankers Association/Lito Fuentesfino
	1:00 pm	Evaluation Presentation To USAID

April 17 3:00 pm Meeting with USAID/CPIP Staff
 Meeting with USAID/Joe Ryan
 Delivery of final draft report to USAID

ANNEX C

List of Documents

1. Microenterprise Access to Banking Services in Mindanao (MABS-M), Development Activity Approval Document (DAAD), Office of Economic Development, USAID/Manila, February 1997.
2. Contract No. 492-C-00-98-00008-00 between USAID/Manila and Chemonics International, Inc., December 5, 1997.
3. Evaluation of the Pilot Phase of the Microenterprise Access to Banking Services in Mindanao (MABS-M) Program, Final Report, Virginia Abiad, March 22, 1999.
4. Quarterly Performance Monitoring Plans, MABS-M, November 30, 1997 - December 3, 1999.
5. An Alternative Approach to Rural Financial Intermediation: The Philippine Experience, Meliza Ayabin and Jorge L. Daly, May 1996.
6. Rural Banks and Microfinancing, Chemonics International, Inc., Joseph Y. Lim, December 1998.
7. Case Study: Informal (5-6) Money Lenders, Chemonics International, Inc., Arah D. Limpao-Osop, November 27, 1998.
8. MABS-M Program Technical Assistance Manual (MABS Approach), Chemonics International, Inc., March 23, 2000.
9. MABS-M Bank Binders for Rural Bank of Montevista, Rural Bank of Santo Tomas, and Rural Bank of Panabo.
10. Executive Workshop on Delinquency Management for Rural Banks: Developing a Culture of Zero Tolerance Against Past Due Loans, MABS-M Program, September 1999.
11. Performance Monitoring: Participant Banks, MABS-M Program, September 1999.
12. Rural Bank of Panabo: A Case Study, MABS-M Program, January 2000.
13. MABS-M MIS Strategy, MABS-M Program, Peter Glibbery, March 21, 2000.
14. Assignment Completion Report: Rural Bankers Association of the Philippines, Laurel H. Dauben, October 1999.

ANNEX D

List of Persons Interviewed USAID, MABS, RBAP/RBDFI, GOP, and other Organizations

1. Patricia Buckles, Mission Director, USAID/Manila
2. Joe Ryan, Chief, OED, USAID/Manila
3. Robert Barnes, Economic Development Advisor, USAID/Manila
4. Teresita Espenilla, Cognizant Technical Officer, USAID/Manila
5. Phillip Broughton, Chief of Party, MABS-M, Davao
6. Joanna Ledgerwood, Deputy Chief of Party, MABS-M, Davao
7. Peter Glibbery, MIS Manager, MABS-M, Davao
8. Lief Doerring, Project Manager, Chemonics International Inc., Washington, D.C.
9. Eduardo de Castro, Banking Operations Specialist, MABS-M, Davao
10. Suj Ronquillo, Banking Consultant, MABS-M, Davao
11. Arah Limpao-Osop, Banking Consultant, MABS-M, Davao
12. Mercy Almanzor, Office Manager, MABS-M, Davao
13. Alex Buenaventura, RBRDFI Executive Director, Davao
14. Roberto Doromal, President, Federation of Rural Bankers, Davao
15. John Owens, Regional Manager, MABS-M, Cagayan de Oro
16. Meliza Agabin, Senior Micorfinance/Policy Specialist, MABS-M, Cagayan de Oro
17. Cecilia Dicdiquin, Banking Operations Speicalist, MABS-M, Cagayan de Oro
18. Ma. Rosario Tan-Padua, Research Assistant, MABS-M, Cagayan de Oro
19. Lois I. Kitsch, Project director, Credit Union Empowerment & Strengthening (CUES),
Davao
20. Lucy Ito, Director of Technical Services, World Council of Credit Unions, Madison, Wisconsin (on technical assignment to CUES in Davao)
21. Jo-Ann de Belen, Executive Director, Mindanao Executive Development Council (MEDCO), Davao
22. Maricar Menchie Celestial, Chief Economic Development Specialist, MEDCO
23. Jason C. Magnaye, Supervising Economic Development Specialist, MEDCO
24. Dr. Gilbert Llanto, Chief of Party, Credit Policy Improvement Program (CPIP), Manila
25. Carlito B. Fuentesfina, President, Rural Bankers Association of the Philippines (RBAP), Manila
26. Jerry B. Coloma, Jr., Treasurer, RBAP, Manila
27. Pablo L. R. Ronquillo, Chief Operating Officer, RBAP, Manila
28. Anthony Petalcorin, MIS/M&E Specialist, RBAP, Manila
29. Jose O. Lustre, President, Rural Bank of Jaen, Inc. (RBAP meeting), Manila

ANNEX E

Participating Banks Interviewed

1. Edgardo T. Gamolo, Chairman, Cooperative Bank of Misamis Oriental, Cagayan de Oro
2. Cynthia S. Jago, Loan Officer, Cooperative Bank of Misamis Oriental, Cagayan de Oro
3. Famarie C. Duque, MFU Supervisor, Cooperative Bank of Misamis Oriental, Cagayan de Oro
4. Calvin Akut, Jr., MFU Account Officer, Cooperative Bank of Misamis Oriental, Cagayan de Oro
5. Glabiolus Jabitad, MFU Account Officer, Cooperataive Bank of Misamis Oriental, Cagayan de Oro
6. Ernesto C. Galenzoga, President/General Manager, Rural Bank of Talisayan, Talisayan
7. Robert Obejero, MFU Account Officer, Rural Bank of Talisayan, Talisayan
8. Mendru Sumastie, MFU Account Officer, Rural Bank of Talisayan, Talisayan
9. Ismael Andaya, Chairman, Green Bank of Caraga, Butuan
10. Joseph Omar O. Andaya, President, Green Bank of Caraga, Butuan
11. Abelardo S. Reyes, Area Manager, Green Bank of Caraga, Bayugan
12. Conception E. Bacatan, General Manager, Century Rural Bank, Babak
13. Africo R. Bordios, Board Member, Century Rural Bank, Babak
14. Mariano Solomentio Solis, Founder, Rural Bank of Santo Tomas, Santo Tomas
15. Rosele Solis, President/General Manager, Rural Bank of Santo Tomas, Santo Tomas
16. Lourdes Pineda, Compliance Officer, Rural Bank of Santo Tomas, Santo Tomas
17. Edna Ani, MFU Supervisor, Rural Bank of Santo Tomas, Santo Tomas
18. German Maceda, Branch Manager, Rural Bank of Montevista, Pantukan
19. Armando Yambao, General Manager, Rural Bank of Panabo, Panabo
20. Laarni Timtim, MFU Supervisor, Rural Bank of Panabo, Panabo

ANNEX F

Non-Participating Banks Interviewed

1. Reynaldo Naboc, Manager, Rural Bank of Balingasag, Balingasag
2. Percival B. Cantiller, Director, Rural Bank of Montevista, Montevista
3. Jason Datquigan, Loan Supervisor, Rural Bank of Montevista, Montevista
4. Roberto Doromal, Rural Bank of Malita, Davao Del Sur

ANNEX G

Clients Interviewed

(Clients of Cooperative Bank of Misamis, Cagayan de Oro)

1. Tessie Sab, Sari-Sari Store
2. Rowena Trinidad, Vegetable Vendor
3. Verel Villareal, Furniture Maker
4. Angelito Cagas, Drygoods Vendor
5. Edel Mabatot, Restaurant and Boarding House
6. Lourdes Manticaron, Sari-Sari Store
7. Helen Espirat, Restaurant
8. Agnes Macabodbod, Sari-Sari Store

(Clients of Rural Bank of Talisayan)

9. Nicomedes Cago, Bagmaker
10. Arline Dahl Bacarro, Rice and Peanuts Vendor
11. Michelle Go, Drygoods Vendor
12. Belen Sabandal, Sari-Sari Store
13. Susan Beloy, Rice Vendor and Sari-Sari Store
14. Alda Quico, Mini Cinema and Sari-Sari Store

(Clients of Rural Bank of Montevista [Pantukan])

15. Almo Chavez, Dried Fish Vendor
16. Jiona Ampilan, Sari-Sari Store/Rice Vendor
17. Rosario Regidor, Drygoods and Ice Creme Vendor

(Clients of Rural Bank of Santo Tomas)

18. Celso Alaan, Vinegar and Floormat Maker
19. Rebecca Cordero, Mini-Grocery
20. Helconida Zamora, Fruit Vendor

(Clients of Century Rural Bank [Babok])

21. Cecilio Dedibar Jr., Meat Vender and Sari-Sari Store
22. Alfonso Navaja, Bakery
23. Concepcion Paster, Hardware

(Clients of Rural Bank of Panabo [part of Network Bank])

24. Rex Binobo, Motorcycle Repair Shop
25. Fortunato Villarimo, Noodle Maker
26. Danilo Avellana, Rope Maker

ANNEX H

Participating Bank Survey Instrument

1. What do you think about MABS-M?
2. What is the image of MABS-M in the rural banking industry?
3. What are your expectations of the program? Are they being met?
4. Do you think that providing micro enterprise financial services is profitable to your bank?
5. Do you plan to expand micro enterprise services in the future?
6. What technical assistance and other services are being provided by MABS? Are they appropriate for your bank? If not, why?
7. Is the balance between MABS on-site training and off-site training appropriate?
8. Are the subjects/topics included in MABS technical assistance and training appropriate? If not, how would you change them?
9. What percentage of your total portfolio of borrowers and savers is micro entrepreneurs? What is your projected percentage of micro enterprise clients as part of your total clientele for the future?
10. What is your current average micro loan size? What is our projected micro loan size in the future?
11. What commodity and/or staff support are you receiving from MABS? What changes would you suggest?
12. Can your bank compete effectively with informal lenders?
13. Does your bank participate in the PCFC Program? If so, how does the program compare/compete with the MABS Program?
14. Are there any significant legal or regulatory limitations that may affect the expansion of your micro lending and saving services? What are they?
15. What are your eligibility criteria for micro lending?
16. How do you decide if you want to give someone a micro loan?
17. What are the new practices introduced by MABS that you are currently applying?

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18. Do you think that the experience of your bank will persuade non-participating banks to initiate micro lending and savings services?

19. Should the Rural Bankers Association continue to support micro enterprise at the conclusion of the MABS Program? What types of services should RBAP provide?

20. Having received MABS services, do you think that other banks would be willing to pay for these services on a cost-recovery basis?

ANNEX I

Client Survey Instrument

1. Do you operate more than one business?
2. How many people (including unpaid family members) work for you?
3. What are your gross sales per business? (Indicate if daily, weekly or monthly.)
4. How many times have you borrowed from the program?
5. What are the terms and conditions of your current loan?
 - Interest rate
 - Loan amount
 - Repayment period
 - Type of collateral or security
 - Guarantors and related arrangements
6. Is the bank strict in repayment collections?
7. What is the length of time between your application and loan disbursement?
8. What did you use the loan for? How has it helped your business? Your family?
9. From whom do you borrow aside from the bank?
10. Do you have savings other than in the bank?
11. Have you/would you promote the loan program to others?
12. What can you suggest to improve the loan program?

ANNEX J

Chemonics/USAID Correspondence
(Hard copy only - Available at USAID/Manila)

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ANNEX K

Work Plans Analysis Matrices

(Under separate cover, hard copy only - Available at USAID/Manila)