

September 28, 1998

Ms. Tess Espenilla
MABS-M CTO, USAID
Ramon Magsaysay Bldg.
Roxas Blvd.
Manila

Ref: Microenterprise Access to Banking Services in Mindanao (MABS-M) Program
Contract No. 492-C-00-98-00008-00

Subject: Consultancy Completion Report of Ms. C.y. Nunez-Ollero, Acting Chief of Party,
August 3-27, 1998

Dear Ms. Espenilla.

Per section F.2.E. Short Term Consultants Reports of the above contract, please find herewith the report prepared by Ms. C.y. Nunez-Ollero, who served as Acting Chief of Party (COP), MABS-M Program, for the for the period August 3-27, 1998.

Summary of Activities: During this period, Ms. Nunez-Ollero met with the members of the Management Committee (ManCom), including Ms. Eufemia Calderon of the Mindanao Economic Development Council (MEDCo), under the Office of the Presidential Assistant for Mindanao (OP-Min), and yourself. She also met with Mr. Alex Buenaventura, Executive Director of the Rural Bankers Research Development Foundation Inc. (RBRDFI) in connection with the scheduled training of rural bankers on loan pricing, cash flow lending, and loan repayment management.

The institutional assessments of the candidate rural banks were completed during this month and exit conferences were held with three Rural Banks (RBs)-Sarangani, Sto. Tomas, and Tagum RB (TRuBank). The team scheduled exit conferences with the two other candidate banks (Digos RB and Davao Cooperative Bank or DCB) after ManCom deliberation on the team's recommendations. Ms. Ollero also led the team in pursuing RB Tupi to confirm their interest in being part of the pilot phase so that the institutional and market assessments could be started. Unfortunately, RB Tupi declined participation at this time.

Ms. Nunez-Ollero also oversaw the conduct of short term technical assistance conducted by the following consultants: Ms. Mely Agabin, Mr. Peter Glibbery, Mr. Bill Pendleton, Dr. Joseph Lim and Mr. Mateo Ty.

Ms. Nunez-Ollero also ensured that Trends, the firm subcontracted to assist in conducting the primary survey for the market assessment of the candidate pilot banks met their report obligations. She likewise oversaw the administrative requirements of the project to meet its amended workplan, including, but not limited to the completion of the MABS-M brochure.

Accomplishments: Institutional assessments of the 5 candidate pilot banks were completed. Exit conferences were held with RBs of Sarangani, Sto. Tomas, and TRUBANK. Reports were prepared for ManCom consideration which included a preliminary plan of action for each bank which would serve as foundation for Participant Bank Agreements (PBAs). The exit conferences with Digos and DCB were scheduled after ManCom's September 2 meeting to obtain ManCom agreement with the proposed plan of action. Since then, the decision was made to keep RB Digos as a pilot bank, while dropping DCB due to liquidity concerns.

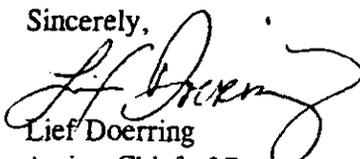
Upon ManCom's recommendation in its July meeting, we sought RB Tupi (now new name) to obtain their interest in the pilot phase of the project. RB Tupi declined participation in the project as a pilot bank at this time.

Mr. Glibbery completed his short term technical assistance, ably assisted by the newly hired MIS specialist, Mr. Anthony Petalcorin. Mr. Glibbery's report has already been submitted to your office under separate cover. Mr. Ty's technical assistance was incorporated in the candidate pilot bank assessments. Mr. Ty has since been approved by USAID as an additional long-term resource to the team, beginning in mid-October. Ms. Agabin's and Mr. Pendleton's technical assistance were still in progress while Dr. Lim's technical assistance commenced while Ms. Nunez-Ollero was acting in my capacity as Acting COP.

Trends, MBL, under subcontract, submitted its interim report to our team on time and the MABS-M brochure was finalized incorporating comments from USAID, RBRDFI and MEDCo.

Recommendations: I hope you find this report acceptable. Please do not hesitate to call me should you have any question or require further clarification. Additionally, the details of this completion report will be summarized and included in the MABS-M third quarterly report, due to your office by the end of October, 1998.

Sincerely,


Lief Doerring
Acting Chief of Party

Short Term Technical Assistance Report
Prepared by
Ms. C.y. Nunez-Ollero
Interim Acting Chief of Party
Micro enterprise Access to Banking Services in Mindanao
(MABS-M) Program
September 28, 1998

Per the SOW, please find attached an 8-10 page completion report on my STTA for the period covering 3-27 August 1998. This report is due 30 days after completion of the short term technical assistance or September 28, 1998.

- *Meet with USAID, the executive director of the RBRDFI, a representative from MEDCO, and the MABS-M field team to assess performance concerns;*

I spoke with USAID CTO Tess Espenilla at least once a week discuss the progress of the field team and to discuss performance concerns. Telcon notes are attached (Annex A). One item discussed at length dealt with which candidate banks will be recommended as pilots. I also met with MEDCo's Ms. Femy Calderon on August 11, 1998. Minutes of that meeting are attached (Annex B). I also spoke with RBRDFI Executive Director Alex Buenaventura on August 6, 11, 12, 21, and 25, 1998, regarding the progress of the work as well as the training requirements of the rural banks in general.

Mr. Buenaventura is a rural banker and competitor of the candidate pilot banks and no longer the chairman of the Management Committee (ManCom) per their July meeting. The initial findings of the team regarding the suitability of the candidate rural banks as pilots were not discussed with Mr. Buenaventura. However, on two occasions, Mr. Buenaventura did mention his "word on the street" that two rural banks were not in very good shape adding, however, that all the candidate pilot banks were highly reputable. Minutes of discussions attached (Annex C). On August 28th, Ms. Espenilla called to inquire on the RBAP Annual Conference which focused on micro finance endeavors of rural banks. Mr. Buenaventura appeared to have inadvertently not informed MABS-M nor USAID about the event.

One thing Ms. Espenilla reminded me for MABS-M to do is to make sure that events which could have a bearing on the project should be continuously monitored and information disseminated to all parties concerned. I agreed and directed office manager Ms. Almanzor to keep track of such events and pass on the information to Mr. Doerring. Another suggestion would be to have a monthly publication that could be distributed to all rural banks which would carry such information or training programs that MABS-M will be conducting or the progress of the pilot banks.

I also sat down with the field team several times to discuss progress of the pilot bank selection and the systems we needed to install to ensure that the process remain as transparent as possible. Minutes of those discussions are attached (Annex D).

- *Direct the recruit for a new chief of party and other technical positions as needed. Manage and schedule the potential look-see visit for the COP candidate;*

Mr. Gerald Andersen, a candidate COP was coming for a two week look-see beginning the week

of August 17, 1998. I arranged meetings with USAID's CTO, Tess Espenilla, as well as the contracts office, Mary Reynolds and Thea Pura. I also set up meetings with the Rural Bankers Association of the Philippines (RBAP) Office in Manila, the Rural Bankers Research and Development Foundation, Inc. (RBRDFI) officials in Manila, as well as the training institute of the Bankers Association of the Philippines, the Ateneo Business School, during the two days prior to coming into Davao. Short-term consultant, Mr. Bill Pendleton, was also present in these last three meetings.

In Davao, I arranged for breakfast meetings with both MEDCO's Ms. Femy Calderon and RBRDFI's Mr. Alex Buenaventura. I also arranged for Mr. Andersen to assist the team to conduct the institutional assessment of the RB of Tupi, should Tupi agree to be part of the pilot phase. Mr. Andersen was scheduled to meet with the other candidate pilot banks while in Davao.

Ms. Mely Agabin and Mr. Raika Quiniones met him when he got to Davao. With Ms. Agabin's strong knowledge of rural banking and Mr. Quiniones' grasp of the market for microfinance in the candidate pilot banks' areas, I asked them to assess Mr. Andersen's experience and understanding of microfinance. I also asked them to recommend whether or not he could provide the vision and leadership we require of the COP. Mr. Buenaventura and Ms. Calderon were also expected to provide similar feedback after their scheduled meetings with Mr. Andersen.

The meetings in Manila which included Mr. Pendleton were by design. I also requested his input into the appropriateness of the candidate for the COP position since Mr. Pendleton had already made an initial assessment of the training needs of the rural banks we will be working with in Mindanao. I requested Mr. Pendleton's feedback on his impression of Mr. Andersen. I also requested the CTO's feedback on the meeting with Mr. Andersen which she graciously provided in an email.

Before the end of the first week (on day four), however, Mr. Andersen met with me to advise Chemonics that he was no longer available for consideration as COP for the MABS-M Project. He received official word from another USAID mission (Jordan) firming an offer to be a Personal Services Contractor (PSC) in a microfinance position. He apologized for the inconvenience this decision caused, noting that he came to Manila thinking he will have both offers to consider and that he would have some time to contemplate which position to accept.

In light of Mr. Andersen's early departure, I took the opportunity to attend the Microfinance Summit being held at the Asian Development Bank in Manila. At this time, I got in touch with another former banker, Mr. Guido Delgado, most recently the Chief Executive Officer of the National Power Corporation (Napocor). Since he served at the pleasure of the President of the Philippines and was appointed by then President Fidel Ramos, he left Napocor after the election of the new President (Estrada).

Mr. Delgado was a former rural banker himself and used to be based in Cagayan De Oro. He also is well known to the rural bankers in Mindanao having started a small bank which focused on microfinance. He was conscripted to join Napocor before his impact on microfinance could be gauged. I also interviewed him for possible short term technical assistance stints in Davao. He indicated he would be willing to consider either short- or long-term but cautioned that he had a lot of other business interests in the region (Southeast Asia) before he could really commit to a full-time job. He promised to send an updated resume and we promised to stay in touch.

- *Continue the work outlined in the revised work plan and promote the newly developed vision for the project;*

Together with the team, we continued the bank and market assessments and finalized the reports. We also discussed action plans for each of the candidate pilot banks. I suggested exit conferences with the candidate pilot banks to give them a chance to provide feedback on the assessments. We also used these exit conferences to outline expectations from each of the candidate pilot banks which would then be incorporated into individual Participant Bank Agreements. There was some discussion regarding the notification of the two banks who were deemed not likely to be pilots, i.e., RB of Digos and Davao Cooperative Bank or DCB. The team concluded that both banks were not likely to meet the minimum requirements set forth by the ManCom and the Steering Committee for inclusion as pilots.

In the case of Digos, the team found out that 2 agricultural loans affected by the "el nino" phenomenon caused their past due loans to climb beyond the 25% cut off. There was consensus at the time that there were few corrective measures that would allow Digos to recover in time for participation as a pilot bank. The team indicated that Digos would not likely be able to bring down the rate of past due loans to acceptable levels by October, though it could probably do so in time for the rollout phase of MABS. They also noted that the bank may have some difficulty meeting the pilot bank requirements regarding new savers and new micro finance loans.

In the case of DCB, the team found management issues that would make it difficult, if not unwise, for the bank to pursue the pilot bank's goals for the next half of the pilot phase. The team did not think DCB should participate as a pilot at this time although they recommended that the bank should participate in training programs designed to strengthen the operations of the pilot rural banks.

The team also decided at this point that it was best to concentrate efforts on the three candidate pilot banks which will be recommended to the ManCom and postpone meeting with Digos and DCB after the ManCom met on September 2.

- *In light of the changes made in staffing and the work plan, develop scopes of work for short-term technical assistance, as needed. It is not anticipated that any additional short-term assistance will be requested during this time, except possibly a look-see visit for a new COP;*

There were no additional short term technical assistance needed at the time I was there. No new scopes of work were developed at that time. The SOW for the look-see for the candidate COP, Mr. Gerald Andersen, had been earlier developed by Acting COP, Lief Doerring.

With regard to additional staffing needs, Ms. Agabin, Mr. Quinones and I reached consensus that Mr. Quinones would require some help in his work. We will recommend hiring a research assistant to assist Mr. Quinones.

Similarly, I also continued discussions, begun by Mr. Doerring, with Mr. Mateo Ty as an additional resource the project will need during this pilot phase. Mr. Ty confirmed his interest in the project and in joining the team in mid to late October. He indicated prior personal commitments that would not allow him to join the team any earlier.

When I attended the second half of the Microfinance Summit at the Asian Development Bank, I

spoke with both the CTO and RBRDFI's Mr. Buenaventura about preliminary alternative staffing strategies. Ms. Espenilla brought up the possibility of Mr. Glibbery joining the team on a longer term basis indicating that this may not be the right time while we are still looking for a COP.

I asked about bringing in a former banker (like Mr. Delgado, for example) but eventually reached the conclusion that there are a lot of experienced bankers out there who could manage the project but MABS-M needed a banker who has designed and implemented microfinance products that work. Mr. Buenaventura was quite particular about an expatriate with design and implementation experience worldwide and not just in the Philippines.

There was also some discussion about having a manager like Mr. Doerring as COP assisted by someone like Ms. Agabin who knows rural banking front and back even if she has not run a bank herself. Both Ms. Espenilla and Mr. Buenaventura thought this alternative would be manageable since the short term experts to be hired would then be those with the best experience in a particular field that the banks would require assistance in.

We agreed that further discussions should include Mr. Doerring and that there would be some cut off point when we reach the conclusion that an alternative solution will have to be employed. I assured them that Chemonics was looking for the best COP possible. All agreed that MABS-M would greatly benefit from having the right person at the helm soon.

- *Assist the technical team with finishing the pilot bank institutional assessments and developing Participant Bank Agreements. Present these findings as well as other STTA deliverables scheduled for completion during this month to the MABS-M Management Committee;*

During the course of the meeting at the handover from Mr. Doerring, the technical team indicated that the Participant Bank Agreements may not be part of the documentation for submission to the Management Committee at its August meeting which was now re-scheduled for 9/3/98 to accommodate Mr. Doerring's scheduled return.

I assisted the team in finishing the institutional assessments as well as outlining the points to be agreed upon and which will then form part of the Participant Bank Agreements. These documents formed part of what was presented to the Management Committee at its meeting on September 2, 1998 (moved from September 3 since Ms. Calderon was needed at OP-Min's budget hearings beginning September 3). I also requested Ms. Mercy Almanzor to begin standardizing document covers and differentiating these based on the purpose of the document.

- *Oversee the work of all short-term consultants. Ensure that they proceed as scheduled in finishing their deliverables. This includes the bank training, regulatory, and PBA development work of Bill Pendleton; the bank assessment and PBA development work of Mely Agabin; the bank assessment work of Mateo Ty; and the assessment of current microfinance practices and deposit mobilization study to be done by Joseph Lim;*

Mr. Peter Glibbery's work was completed on time prior to his departure with clarifications e-mailed from England. This report was submitted to the CTO the following week. Part of Mr. Glibbery's deliverables were the documents incorporated into each bank's assessment and submitted to the ManCom on September 2.

Mr. Pendleton's work was still in progress when I left Davao on August 27, 1998. However, he had earlier presented his preliminary training materials to both Mr. Buenaventura and the technical team. We urged Mr. Pendleton to consider the perspectives of micro enterprises near the office (e.g., "carinderia" operators, tricycle drivers) as well as several micro enterprises gathered at the Central Bank during the August Trade Fair. Ms. Almanzor also arranged for his dialog with various other micro enterprises in Davao through the local Chamber of Commerce.

We arranged for Mr. Pendleton to meet with the RBAP, RBRDFI in Manila to assess the training programs they provide to their members as well as those provided by the training arm of the Bankers Association of the Philippines. He also met with the Executive Director and staff of the Philippine Deposit Insurance Corporation (PDIC) together with Dr. Joseph Lim in connection with the regulatory aspects of deposit mobilization. This meeting was particularly useful in drawing out how PDIC could support the rural banks deposit mobilization strategies and how Mr. Pendleton would then incorporate that information in the design of his training modules. Mr. Pendleton also presented a preliminary training calendar for the pilot banks.

Ms. Mely Agabin continued to supervise the technical team's production of the assessments. She facilitated the presentation of the findings to the rest of the team and I provided guidance on standardizing the formats for uniform presentation to the ManCom. I also edited some of the reports. Ms. Agabin led the team in outlining the contents of the Participant Bank Agreements. As indicated previously, work on the PBA was limited at this time. Ms. Agabin also conducted the exit conferences while I was away meeting with Mr. Andersen and USAID. Ms. Agabin's work was slated for completion after Mr. Doerring came back from the home office.

Mr. Mateo Ty conducted his assessments of DCB and Sto. Tomas. He completed these assessments and prepared the document submitted to the ManCom on September 2.

I met Dr. Joseph Lim together with Ms. Mely Agabin, went through his scope of work and provided clarifications, as needed, to ensure compliance with MABS-M requirements. I also facilitated the meeting between Mr. Pendleton and Dr. Lim to obtain synergy from their individual scopes of work. Together, they met with RBRDFI, RBAP, PDIC and Ateneo's Banking Training Institute. Ms. Almanzor also arranged for his meetings with various rural bankers throughout Mindanao but one trip scheduled in August had to be postponed because of "red alert" issued by the national police. His trips were pushed back into September.

- ***Ensure the successful delivery of a high quality report by Mr. Peter Glibbery's, short-term MIS consultant, who will finish his work during August;***

Mr. Peter Glibbery successfully completed his STTA on August 14, 1998. He turned over his draft report to me on the day of his departure. He ran a quick summary of his report that day. I requested a few clarifications, particularly along the lines of contractual obligations among MicroBanker/Philippines, RBRDFI and MABS-M. He promised and did send via email a revised report by August 17, 1998 and this was turned over to Mr. Tonton Petalcorin as his MIS counterpart. It was later submitted to USAID.

Mr. Glibbery and Mr. Petalcorin worked very closely together on each of the candidate banks and were able to identify and conduct the necessary MIS requirements for each bank. They obtained

signed confirmations of these requirements and commitment to MIS improvements which will form part of the Participant Bank Agreements.

One observation about the conduct of this STTA is the close coordination between Mr. Glibbery and Mr. Petalcorin. At one point, Mr. Glibbery observed Mr. Petalcorin conducting the assessment on his own and provided constructive feedback. This strategy proved very useful since Mr. Petalcorin confidently carried on with the work after Mr. Glibbery had left. Mr. Glibbery indicated too that he had great confidence in Mr. Petalcorin's ability to conduct the work he had previously done and do it well.

Another item Mr. Glibbery brought up was ownership of the modifications to MicroBanker. MABS-M will recommend changes to the MicroBanker software. RBRDFI will institute some modifications. There will be need to solidify a contract or agreement between MABS-M and RBRDFI to accommodate these changes in the system. Since USAID will pay for the modification (as part of the MABS-M program), then all modifications subsequent will be owned by USAID (so that these modifications become off-the-shelf) USAID would then have worldwide rights to these modifications.

- *Oversee the work of subcontractor, TRENDS-MBL. Ensure that the subcontractor stays on schedule with the bank-level market survey work;*

TRENDS-MBL presented a draft report ahead of schedule. They also provided the technical team with the primary data which proved useful, particularly to Mr. Raiké Quiniones in finalizing the market assessments of the candidate pilot banks. There was no need to amend their contract because RB Tupi declined participation as pilot at this time.

- *Meet with the RBRDFI to continue planning the upcoming regional training events involving Boypee Panganiban;*

Ms. Mercý Almanzor and I met with Mr. Buenaventura regarding the planned training course to be conducted by Mr. Panganiban, Chief Executive Officer of the New Rural Bank of San Leonardo in Nueva Ecija. I met Mr. Boypee Panganiban when I attended the Microfinance Summit at the ADB on August 19-20 where Ms. Agabin presented her paper on microfinance standards for NGOs and Mr. Buenaventura presented Network's, Panabo's, and ProBank's approaches to rural bank products relevant to NGOs.

I spoke to Boypee about his schedule and he confirmed that he would only be available on weekends, that he could not make these in August because of visits from Chinese, Taiwanese and Japanese (JICA) folks interested in finding out more how he conducts his banking. He confirmed that he will be sharing with the rural bankers his approach to cash-flow lending.

Mercy and I then met again with Mr. Buenaventura and Dodong to finalize the schedule and go over the specifics of travel. The letter to the regional Federation officers was addressed by Mr. Buenaventura. The letter requested for them to arrange for the sites and to charge the members P100 to attend the training sessions. Half of the proceeds will be kept by the local Federations and the other half will be kept by the Foundation. The dates were set for September 11-12, 18-19, 27-28 and the Dipolog or Zamboanga region sometime in October. We coordinated with Mr. Panganiban to ensure that on-land travel was acceptable to him.

- *Oversee the incorporation of USAID comments into a final version of the MABS-M brochure. The brochure is currently in draft form, and it is anticipated that a color draft will be available for USAID review by the first week in August, prior to Mr. Doerring's departure. Once approved, oversee the mass production of this brochure. Direct the MABS-M technical and administrative staff in distribution;*

I forwarded the MABS-M brochure to USAID, OP-Min and RBRDFI. All had very good comments and all were incorporated into the brochure. The brochures were scheduled to arrive on August 25 but were not there yet before I left. I understand from Office Manager Ms. Mercy Almanzor that these have since been mass produced and distributed.

- *Document all decisions made, the progress of the work, and problems encountered for inclusion in the Third Quarter Performance report.*

The following decisions were made while I was the Acting Chief of Party which have bearing on the Third Quarter Performance Report (7/1/98-8/30/98):

1. **Pilot Bank Selection:** The following were recommended for consideration as pilot banks because they met all the qualifying indicators agreed to by the Steering Committee upon the recommendations of the ManCom: RB Sarangani, RB Sto Tomas and Tagum RB. As a result of the bank assessments, the team intended to recommend that Davao Cooperative Bank not be considered during the pilot phase. The team decided to hold off on a decision regarding RB Digos, pending the arrival of Mr. Doerring. DCB had structural management problems that the team did not think could be addressed during the remainder of the pilot phase.

2. **Exit Conferences:** The team met with each of the three candidate pilot banks who were definitely to be recommended as pilots: RB Sto. Tomas, RB Sarangani, and TRuBank. At each conference, the banks were given the opportunity to provide clarifications or corrections to the information included in the assessment. Each bank submitted their comments for consideration in finalizing the documents which were presented to the ManCom on September 2, 1998. An outline of the expectations from all the parties was likewise discussed which will be used as outline for each Participant Bank Agreement (PBA). The exit conferences for Digos and DCB were to be scheduled in September after the ManCom met to incorporate any recommendation from the ManCom.

3. **Rural Bank of Tupi (now PenBank):** At the request of the ManCom at its July meeting, we sought the potential inclusion of RB Tupi as a pilot bank. Phone calls and faxes were sent. Mr. Tonton Petalcorin also dropped by after meeting with RB Sarangani on the off chance that Penbank's Executive Vice President, Mr. Robert Cantoy, representing the owner, would be available to meet. They had not returned phone calls or were evasive, pointing to the letter they received from MABS-M in July that they had been "de-selected." We were finally able to schedule a meeting on August 25, 1998. Ms. Mely Agabin and I went to General Santos to be there as soon as the bank opened at 9:00 a.m. to meet with Mr. Cantoy, clarify the July letter, and get some confirmation about their interest as a pilot rural bank.

Unfortunately, Mr. Robert Cantoy was tied up with other business as well as with the auditors but did meet with us for a few minutes on our way out. We met with two officers for two hours, describing the processes involved during the pilot phase but they were convinced they would have

difficulty meeting the requirements of the project at this time. They indicated that RB Tupi was in fact looking to become a development bank in the future and would rather pursue lending a million pesos to fewer borrowers than manage micro borrowers.

In addition, RB Tupi was confident that any decline in deposit receipts would easily be addressed by the owner's deep pockets, who has various other interests other than the rural bank. They did not think that MABS-M will succeed at this time because of the regional financial crisis, "el nino" as well as new policies and regulations to be introduced by the new administration and the resulting tight market conditions. They concluded that they would prefer to sit this one out and see how MABS-M will do before they commit their participation.

4. Resignation of Jaja F. Catalan. The secretary/receptionist, Ms. Jaja F. Catalan tendered her resignation effective September 30, 1998. She was still under probation. On behalf of Mr. Doerring I thanked her for her services, complimented her on her attitude, and wished her good luck in her future endeavors. She indicated she might run a small, if not micro, business.

Titing came to see me the following day to express dismay that Jaja will be leaving and indicate his support for Jaja. He had the mistaken notion that Jaja was pushed to resign or that the evaluation process was being short circuited. I assured him that procedures were being followed and that Jaja resigned on her own. I noted that indeed everyone liked her.

I did remind him that Jaja decided to resign because she did not feel she could meet the requirements of the project particularly at this phase of implementation. I reminded him that Chemonics require everyone's 100% if not more since we are all looking for the project to succeed in the short time it has to be implemented. I noted too the performance evaluation cases of James and Jay as indicators of how Chemonics moves to ensure project success.

I thanked him for sharing his concerns and that he should always keep the lines of communications open with whoever would be the COP since everyone has a contribution to make for MABS to succeed.

5. Presentation of Mr. Bill Pendleton's Training Materials to the Staff and RBRDFI's Mr. Alex Buenaventura. Mr. Pendleton presented a draft of his training modules to be conducted in late August. The schedule changed to accommodate changes to the training materials at the suggestion of both the staff and Mr. Buenaventura.

Mr. Pendleton first presented the draft training materials to Mr. Buenaventura. Mr. Buenaventura found the material to be acceptable. Mr. Pendleton observed that based on his training assessment, the rural bankers appeared to need assistance in managing their loan repayments. Mr. Buenaventura affirmed this observation and suggested that this be one of the topics to be immediately addressed by the pilot banks.

Mr. Buenaventura further confirmed that the other rural bankers (pilot and other RBRDFI members) are anxious to hear Mr. Panganiban of Nueva Ecija's New Rural Bank of San Leonardo and receive some pointers on non-collateralized lending including cash flow lending, among other things. Mr. Panganiban's training sessions were originally scheduled for August to be conducted on Fridays and Saturdays but Mr. Panganiban indicated later on that he could only do these sessions in September

because his bank is presently entertaining visitors from the banking communities in Taiwan and Japan.

Mr. Pendleton indicated that this training seminar was a pilot and that it will be to learn further from it as well as impart the training he assessed they most need. Mr. Buenaventura pointed out aspects of the training which could complement sessions RBRDFI had previously ran and anticipate to form part of a regular program for rural bankers and he was enthusiastic about the service this training session on loan repayment management.

6. Mr. Tonton Petalcorin's Visit to Cebu: Mr. Petalcorin visited three software providers and users in Cebu City i.e. Cebu Cooperative Union, Cebu CCFI Cooperative, and Software (LACCS) House Integrated Software Xponents. He found them to actively use software other than MicroBanker and successfully conducting ledgerless transactions in their banking activities. Mr. Petalcorin evaluated the softwares' usefulness to the MABS-M program and would recommend its trial use for the MABS-M pilot rural banks except that all of the banks presently use MicroBanker and would therefore benefit greatly from upgrading that software at this time (as opposed to reconfiguring their internal systems to accommodate a completely new one). Mr. Petalcorin found this visit to be particularly useful since it allowed him to conduct an assessment of other available software for use in rural banking activities especially along the lines of micro finance products.

7. Training on Cash Flow Management by Rural Banker Mr. Boypee Panganiban: The training schedule was finalized with Mr. Panganiban confirming his availability on the following dates: September 11-12, 18-19, 25-26 and sometime in October for the Zamboanga region presently under "red alert." Ed De Castro was also scheduled to visit Mr. Panganiban's bank in Nueva Ecija together with Tonton to observe their operations first hand. This visit has been postponed after the ManCom September 2 meeting. The Federations were asked by Mr. Buenaventura to host the sessions and coordinate with both Dodong and Mercy to ensure maximum attendance.

8. Process Documentation - The technical team met over one weekend to discuss the standardization of internal reports which will be used in finalizing documents for presentation to the ManCom. We all agreed to try to document each day and include our reflection on how information or processes could be better managed to learn from it. One example cited was how we could have addressed RB Tupi's concerns earlier in the process by faxing our requests for meetings rather than leaving messages or traveling to Gen. Santos to meet with Mr. Cantoy.

All reports were supposed to be submitted to Ms. Agabin so that she could use the information in finalizing her own report. In addition, I prepared a draft of a tracker for use by Mr. Petalcorin in following the technical assistance we were providing the participant pilot banks and oversaw Ms. Almanzor's preparation of a draft monitoring document to track short term technical assistance as well as the amount of counterpart funds being provided by participant rural banks in SAF funded activities.

9. Feedback from USAID CTO on the Familiarization Study: USAID CTO Tess Espenilla apologized for the delay in sending her comments back regarding this study. She indicated that she would like included in the final version of the study an assessment on the additionality of the Loan Portfolio Guarantee (LPG) program as well as other USAID projects to MABS-M. I was unable to incorporate these assessments in the final version of the study. I left the finalization of this study to Mr. Doerring.

10. **Draft Agenda for ManCom September 2 Meeting:** I drafted an agenda for consideration by the ManCom chair and the CTO. This agenda incorporated issues raised by the Chair during the last ManCom meeting in July as "matters arising." I also included a discussion of the terms of reference on Mr. Buenaventura's continued participation in discussions. The CTO requested that the agenda be separated into those items that could be discussed with Mr. Buenaventura present and those items that will be discussed without him. This agenda was being revised by Ms. Almanzor when I left.

Annex A:
Telcon Notes with USAID CTO Tess Espenilla
August 10 - 27, 1998

- Status of MIS study - advised her we were transmitting this shortly with information required by the contract.
- Status of banks - she asked re: definition of past due loans for rural banks. In particular, she wanted to find out if the past due meant one day past due or 90 days past due. I said I was not certain but will inquire and let her know.
- I also advised her that based on the results of the institutional assessments, it appears we have very strong candidates in TRuBank in Sta. Cruz, Sto Tomas and Sarangani. Please see discussions re: Digos and DCB below.
- Wrt to Tupi, advised her that we are still trying to get hold of Mr. Rivera and his EVP, Mr. Cantoy, brother to Alex Cantoy, Manager of RB of Tagum (TRuBank) in Sta. Cruz. We will advise her on status as this pursuit progresses. Did give her a heads up that it appears Tupi was unhappy about being de-listed per MABS-M's July 21 letter.
- As a background, Tupi was mentioned by Bob Barnes during the Steering Committee in July as a possible candidate as pilot. The staff pursued RB Tupi but Tupi was busy with auditors and could not provide financial information that would have allowed the team to make an initial determination about their standing and initial feasibility. Subsequent phone calls were also not returned by RB Tupi. As the next ManCom meeting approached and the team was required to submit their recommendations, they noted that they could not make a recommendation re: Tupi because of lack of information. Subsequently, LAD notified Tupi that due to the absence of information, they will recommend that Tupi be involved in the roll out phase rather than the pilot phase of the project. This apparently was not well received by RB Tupi management.
- Recommend in the future to state in similar letter that we appreciate their interest but understand that they do not wish to participate in the pilot phase at this time or something to the effect that they may find difficult meeting the requirements of the project. That way, Tupi will have to respond one way or another whether or not this understanding is correct. On August 25 Mely and I met with RB Tupi. At that time, RB Tupi confirmed that they wanted to wait and see rather than participate as pilot at this time.
- Told her re: Digos and DCB. Digos is experiencing very sharp increases in its past due loans primarily because of el nino and the agricultural loans it carries in its portfolio. Cited that this was likely to be beyond 25%, the break off point required by the ManCom. However, noted that all these information will be provided in the presentation to ManCom. The committee will then make the decision whether or not Digos becomes part of the pilot banks.
- With regard to DCB, the institutional assessment conducted by the team shows that DCB has more fundamental problems beyond the ManCom requirements. Mely advised me earlier that DCB has many structural flaws that may make it very difficult to succeed during the pilot

phase and thus would not be considered a "winner." In addition to management issues, the bank may also be experiencing difficulties with its past due loans. However, it appears that this difficulty may be more a correlation of management related structural problems than with mere el nino reasons similar to Digos. Advised her that all these information will be relayed in the packet to be distributed to the ManCom prior to the scheduled Sept 3 meeting. LAD will be back by then.

- Status of her comments on Familiarization study - she just sent this to us by e-mail. Her only outstanding comment was our professional opinion re: viability of hooking up the project with the LPG Program. Additionality may eventually be provided by the program but she reminded me that the mission decided when the project was awarded to delay subscription to the guarantees while we study whether or not LPG will be useful to MABS-M. I said MABS-M will get back to her on this. I did mention that when we did the original LPG evaluation report with Judy Coker Evans and Sandra Goshgarian, we noted that in the case of the Philippines, there was really very little use for LPG in microenterprises since most of the guaranteed portfolios were more small and medium rather than micros. She said she would appreciate it if the team could put its judgement on the usefulness of LPG to MABS-M in the Familiarization study.
- Brochure - she said it was good. Her only comment, which was what we already told the artist, Tata Lao, was to make the diagram in the middle flap have bigger fonts for the text. She also noted that perhaps the captions should be interchanged so that the ones attributed to USAID would fall under the RBRDFI circle. We both thought this comment over and saw some logic in putting the results she mentioned as under RBRDFI rather than USAID. Meanwhile, Alex provided feedback on the brochure, adding sustainability of the RBRDFI operations. Femy to present her comments in the meeting tomorrow.
- Boy Pee's workshop (SAF No. 7) - status. I said we were in touch with BoyPee and confirmed his availability. He prefers to hold the workshops on Fridays and Saturdays traveling Thursday night and getting back to Nueva Ecija on Sunday night. After all, he said, he had a bank to run (Mon-Thursday). Noted that these dates may be the last 2 weekends in September - 11-12, 18-19, 25-26. She mentioned she will be in Germany on a DAI sponsored workshop on micro finance and will be out beginning 9/15 until 10/2. She regrets she won't be there for the BoyPee meetings and that she was looking forward to participating in these. Said she could always go see BoyPee in action when she gets back since the next COP will have to deal with him anyway. She liked the idea.
- Bill's workshop (SAF No. 6). BRP is preparing a workshop on loan repayment management with Ed. Initial talks with the bankers revealed that they were very interested in a 5 day seminar and were willing to spend as much as 5 days for 2-3 of its staff. (Note a rural bank is usually staffed by no more than 10 people so 2-3 would be a big inconvenience to spend that many days away but the bankers noted that they needed the training and were willing to spend those days to make sure they do loan repayment management right.
- Tax exemption and vehicle procurement- status. She said she spoke with Mercy and understood that we were writing the DOF and OMB. We were also planning the justification utilized by GEM based on the Program Agreement between USG and GOP.

- Mary's trip postponed, as well as Tess's and Thea's. But Patty Buckles, mission director will be here on Thursday, 8/13 to attend the GEM sponsored Trade Fair.
- Peter Glibbery as Banking Operations Systems Specialist (3rd leg?) - she said LAD had spoken to her about it and she's seen his CV but she thinks we'll need a very strong banker in the team before considering the viability of this solution.
- On August 25 Tess called to say Mary, Thea, Tess, Evelyn will be here for a briefing on status of project Monday, 8/31 in the p.m. Evelyn (Tess's secretary will look over the files). LAD has been advised.
- Tess sent in a fax approving SAF No. 7 in the p.m.
- Tess also sent in her comments re: brochure.
- Tess sent feedback on the draft September 2 ManCom meeting.

Annex B:
Minutes of Meeting with OP-Min MEDCo's Femy Calderon
August 11, 1998
MABS-M Office

Met with Femy at 8:00 until about 10:00 a.m. re: following

- Status of the project
- Confirmation of receipt of "matters arising" from the last ManCom which will form the basis of the September 2 meeting.
- Status of draft PBA. She was advised that presently the team was concentrating on completing the assessments and incorporating an action plan to be recommended for ManCom approval. She was advised further that the Participant Bank Agreement will be pushed back into September. She agreed.
- Status of institutional assessments. I advised her on the strengths presented by RB Sto. Tomas, RB Sarangani and Tagum RB in Sta. Cruz. I also advised her that RB Tupi does not appear interested in being a pilot at this time. She indicated that perhaps concentrating on 3 RBs as pilot at this time will accelerate the roll out phase. She is aware of our efforts to include RB Tupi and understand our frustration with their non-response.
- Planned exit conferences with banks. I advised her on the strategy of conducting these conferences with the three stronger candidates and most likely pilots and pushing the exit conferences for the other two (Digos and DCB) at a later time in September after ManCom deliberates on the team's recommendations that these two may have to be pushed into the roll out phase. She thought it was a good strategy.
- Gerald Andersen - I advised her that Mr. Andersen was coming on Sunday and that we will be confirming a meeting with her shortly. She knew that the two week look-see with Mr. Andersen was designed to see if he was the right fit for the MABS-M COP.
- Status of indicators for pilot phase assessment. There was a draft prepared by Mr. Doerring before he left. She agreed to take it up with him when he returned.
- SAF request for Bill Pendleton's Loan Repayment Management training. Gave her a heads up that this was coming as well as a SAF request for the training to be conducted by Mr. Boypee Panganiban on Cash Flow Lending.

Annex C:
Minutes of Discussion
with RBRDFI's Alex Buenaventura
August 12 - 25, 1998

- Focus of training workshop with Mr. Panganiban will be a case study on micro finance practices of the New Rural Bank of San Leonardo in Nueva Ecija. CEO BoyPee Panganiban will conduct the training. Focus will be loan pricing and cash flow lending
- Confirmed Boypee schedule - 2 weekends, since BoyPee want's Friday/Sat may be able to hit Gen San/Davao one weekend and Butuan Cagayan de Oro another weekend - south western Mindanao for a later date.
- Alex invited the staff to the blessing of his Network Bank, San Pedro Branch at 4:00 this afternoon.
- Met with Alex and Bill to discuss the training strategy. Alex was pleased that Bill can go into the specifics of banking operations. Intimated that all the pilot banks, except perhaps for one or two (rumors on liquidity problems for Digos and DCB) are banks where people have confidence in.
- Alex met with Peter Glibbery to discuss the contractual requirements of Mr. Glibbery's recommendations to upgrade the MicroBanker versions being used by the candidate pilot banks and provide these improvements as owned by USAID. This would also require a contract between MicroBanker and RBRDFI and RBRDFI and MABS-M. Mr. Buenaventura agreed to Mr. Glibbery's recommendations.
- Mely Agabin as a permanent part of the team. Mr. Buenaventura noted that Ms. Agabin knows rural banking and microfinance. Only reservation he has is that she has not run a bank. But respects her and knows that if she were to become a long-termer in the project that it would only be good. Best move would be to have her matched with a solid banker as part of the team.
- SAF funds - we'll prepare after the federations agree to their share of the training session.
- Brochures. He provided some additional language regarding the sustainability of RBRDFI. This was included in the final cut of the brochure.
- Letter for federations - He reviewed the text with Mercy and finalized this.
- Gerald Andersen visit - confirmed breakfast meeting on the 19th, later moved to the 24th. This meeting was canceled because Mr. Andersen left the country on the 21st.
- Vehicle through RBRDFI - I asked Mr. Buenaventura if it is feasible to process the procurement of tax exempt vehicle through RBRDFI. He remarked that the foundation's by-laws do not allow vehicle importation. Subsequent conversations with the CTO revealed that indeed MABS-M could utilize the same procedures being followed under GEM since MABS-

M falls under the same set of activities already covered under the Mindanao Development Program for which there is an agreement between the GOP and USG. This will be pursued by Ms. Almanzor.

- With Ms. Agabin went to Network Bank San Pedro at 4:00 p.m. to celebrate the refurbished offices and then back to the office to continue action planning for the candidate pilot banks.
- At another meeting with Mr. Buenaventura, we ran through the training modules that Bill Pendleton will present at the Loan Repayment Management training session scheduled for 5 days. He agreed that this is a fundamental training need that the foundation tries to address as well. He welcomed this as a pilot and begged to differ when we noted that the bankers did not find the other two earlier sessions as particularly useful. He made suggestions on what aspects of the training modules may be given emphasis and Mr. Pendleton made revisions to his materials to accommodate the changes requested.
- Subsequent meetings focused on finalizing Mr. Panganiban's scheduled and the coordinating the logistics between MABS-M and the foundation.