

**MABS-M PROGRAM**  
*Microenterprise Access to Banking Services in Mindanao*

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**NINTH QUARTERLY  
PERFORMANCE MONITORING REPORT**

**January 1 - March 31, 2000**

*Submitted by:*

**Chemonics International Inc.**  
Davao City, Mindanao, Philippines

*In association with:*

***Rural Bankers Research and Development Foundation Inc.***

**April 2000**

Under Contract No. 492-C-00-98-00008-00  
**United States Agency for International Development**  
**Office of Economic Development**  
Manila, Philippines

## EXECUTIVE SUMMARY

Through directed technical assistance, training, and limited commodity support to a minimum of 20 rural or cooperative rural banks, the MABS-M program is intended to bring about a sizable expansion of banking services—both loans and deposits—to microenterprises and other groups at lower socio-economic levels in Mindanao.

This document serves as the Program's *Ninth Quarterly Performance Report*, covering the period January 1 through March 31, 2000. It also describes work planned for the coming quarter.

### **Accomplishments and activities during this reporting period:**

- ❑ Continued implementation with the four (4) pilot participating banks (PBs) and the ten (10) 1<sup>st</sup> Rollout banks. A summary of results through March 31, 2000 can be found in Annex 3.
- ❑ Began working with the six (6) 2<sup>nd</sup> rollout banks. MABS-M negotiated procurement plans and staffing requirements with 2<sup>nd</sup> Rollout PBs and signed the following documents: Participating Bank Agreement (PBA), Action Plan, Supplemental Agreement (for commodity support), Fixed Price Contract (for salary support of microfinance staff), and Work Plans. As part of this process, and prior to the signature of the documents, the MABS-M Management Committee approved, and the Steering Committee confirmed, the resource support levels for each of the six PBs.
- ❑ MABS-M began expansion phase activities with the ten (10) 1<sup>st</sup> rollout banks in this quarter. We identified branches to begin the expansion/replication phase and have developed plans to work with central office and branch personnel to implement microfinance activities in these branches. We developed a set of training courses for central office or branch staff to enable widespread rollout to branch networks for PBs that do group lending and those that do individual lending. This material will ultimately be transferred to RBAP for continued implementation to other rural banks.
- ❑ MABS-M conducted a two-day orientation course for three senior managers from each of the six 2<sup>nd</sup> rollout banks plus representatives from USAID and MEDCO. A total of 20 participants attended.
- ❑ MABS-M conducted a one-week training course for microfinance staff and supervisors of the 2<sup>nd</sup> Rollout banks. A maximum of 5 participants per bank were invited for a total of 30 participants. The training included 2 days of lecture on microfinance best practices, savings and loan product development, delinquency management, and performance monitoring. Participants also spent 2 full days in the field with two MABS participant banks (RB Bukidnon and RB Talisayan) observing client orientation sessions, credit investigation, loan disbursement and collection, and management reporting. The final day of the training included one-on-one discussions with MABS technical staff to develop the

6-month workplan for technical assistance and training.

- ❑ MABS-M developed a series of one-day workshops for training bank staff of the PBs. Topics covered include cashflow-lending, savings mobilization, zero-tolerance for delinquency, loan administration, marketing and development, service quality and market surveying. These workshops were delivered to PBs on an individual basis normally with all the branch staff in attendance. MABS-M plans to continue to develop and deliver these workshops over the next 6 months for ultimate transfer to RBAP.
- ❑ Installed loan management software in 2<sup>nd</sup> Rollout Banks. Four of the six 2<sup>nd</sup> rollout banks opted to have MB Philippines loan management software installed in their banks. Two of those installations were completed in the 9<sup>th</sup> quarter and the remaining two will be completed in the 10<sup>th</sup> quarter. One of the remaining two will modify its own software program and the other will install PC Banker, a software system modified for a 1<sup>st</sup> rollout participating bank.
- ❑ During the eighth quarter, all the 1<sup>st</sup> rollout banks were provided with Microbanker loan tracking software to enable them to monitor their loan activity and to provide us with accurate monthly reports. However, the timetable for installing the software was very tight and thus only minimal training was provided. MABS-M provided additional training this quarter to all the PBs to ensure effective and accurate use of the software.
- ❑ The subcontract with ASSEC for developing a new rural bank software was signed during the 9th quarter and software programming begun. The MIS Steering Committee met monthly with ASSEC. The first deliverable, the Systems Analysis and Design, is to be completed in the 10<sup>th</sup> quarter.
- ❑ In the ninth quarter, the DCOP acted as moderator and facilitator at a large World Bank Microfinance Conference held in Manila on March 20-24, 2000. In addition, MABS-M presented the experience of the Rural Bank of Panabo.
- ❑ MABS-M developed profitability models for the next 18-month period for each of the 20 participant banks. Figures were based on revenue and expense data over the last 3 months and projected portfolio and deposit growth on a quarterly basis. These analyses will be shared with the PBs as each begins its expansion phase activities.
- ❑ Over 50 resumes were received and reviewed for the position of RBAP Program Development Advisor. Candidates were shortlisted and the top 4 candidates were interviewed by an interview committee that included Lito Fuentesfino, President of RBAP, Pong Lustre, Chairman of RBRDFI and immediate past President of RBAP, Alex Buenaventura, Executive Director of RBRDFI and Phil Broughton, COP of MABS. The committee unanimously selected Lourdes (Suj) Ronquillo for the position. Ms. Ronquillo is currently a short term consultant working with MABS, providing technical assistance and training to PBs. Ms. Ronquillo will be gradually phased out of her work with PBs

and will be contracted to provide full time assistance to RBAP.

- ❑ In January 2000 a short-term consultant, Mr. Guillermo Bolanos, completed an assessment of the feasibility of introducing a credit information bureau for rural banks throughout Mindanao. His conclusion was that a credit information bureau is indeed feasible but only if credit information is available by and for many types of creditors, not just rural banks. It was also recommended that, ideally, the credit bureau be a for-profit venture and not be managed on a long-term basis by RBAP as this might inhibit other types of creditors from participating. USAID, RBAP and MABS will meet in the 10<sup>th</sup> quarter to discuss next steps on the credit information bureau.

**For the Tenth quarter, April 1 through June 30, MABS-M will:**

- ❑ In May and June, hold five one-day workshops on cashflow analysis and debt-capacity analysis. Course locations include Davao on May 23, General Santos on May 25, Dipolog on May 29, Cagayan d'Oro on May 31, and Butuan on June 2. These workshops are open to all rural bankers in the various geographical regions. In the five workshops, a total of 150 participants are expected to attend, representing a minimum of 50 banks in Mindanao.
- ❑ Continue to provide technical assistance to the four pilot banks paying particular attention to the portfolio quality and the achievement of target number of borrowers and savers.
- ❑ Continue to provide technical assistance to the 10 1<sup>st</sup> rollout banks most particularly in their branch or geographic expansion ensuring that the original "MABS" branch is a 'model' branch from which the new branches can learn.
- ❑ Review the branch networks of existing PBs, develop workplans for expansion of microfinance to additional branches and begin expansion of microfinance services to new branches of PBs.
- ❑ MABS and CPIP will jointly host a visit by representatives of the Central Bank to MABS assisted banks in Cagayan de Oro.
- ❑ MABS representatives and senior bank management will jointly present the case of Kapatagan Valley Rural Bank to the Microfinance Coalition during a meeting at the Asia Development Bank (ADB) on June 9.
- ❑ Facilitate USAID's midterm evaluation of the MABS project.
- ❑ Develop scope of work and finalize contract for the RBAP Program Development Advisor for RBAP.

- ❑ USAID, RBAP and MABS will agree on an implementation plan for the credit information bureau. Funds will need to be added to the Chemonics contract before proceeding with any additional work on the credit information bureau.
- ❑ MABS' COP will present a Powerpoint presentation to approximately 700 rural bankers on the status, method and impact of the MABS-M program of technical assistance and training.
- ❑ Develop a plan for incorporating into RBAP a sustainable program of microfinance support services.
- ❑ Develop a strategy for expansion of microfinance services under RBAP to Luzon and Visayas.

# 1. Contractor's Report

## A1. Background

The Microenterprise Access to Banking Services in Mindanao (MABS-M) program is a USAID-financed effort jointly implemented by the Rural Bankers Association of the Philippines (R-BAP), the Rural Bankers Research and Development Foundation Incorporated (RBRDFI), and the Office of the President. Technical assistance, training, and program management are provided by Chemonics International, a firm contracted by USAID. The MABS-M program is one of the principal elements of USAID/Philippines' efforts to accelerate the economic transformation of Mindanao through expanded participation of Mindanao's lower income groups in more productive activities.

MABS-M is directed at bringing about a sizable expansion of banking services—both lending and savings—to microenterprises and other groups at lower socio-economic levels in Mindanao. Through MABS-M efforts, a minimum of 20 rural and community rural banks will be encouraged and assisted to significantly increase the services they provide to the microenterprise sector. It is intended that these efforts will demonstrate to participating banks that it can be sensible and profitable to offer services to the microenterprise sector as a regular part of their portfolios. In turn, it is expected that the successful example of participating banks will encourage all banks to look seriously at servicing the microenterprise market.

**MABS-M oversight.** MABS-M receives overall program guidance from a Steering Committee, composed of the Chief of Staff of the Office of the Executive Secretary, the Executive Director of the RBRDFI, a USAID representative, the RBAP President, and the President of the Confederation of Mindanao Rural Banks. This committee identifies focal areas for program coverage and formulates and concurs with major policies that guide the MABS-M-M program.

Additionally, MABS-M receives guidance and support on implementation matters from a Management Committee. This committee is comprised of the Executive Director of the Mindanao Economic Development Council (MEDCO) representing the Office of the President and the USAID Cognizant Technical Officer (CTO). The Management Committee approves all expenditures from the \$2 million MABS-M Special Activities Fund (SAF), which is used to facilitate the implementation of the activities to be carried out under MABS-M, including special studies, training, commodity and technical support, incentive schemes, and procuring services of organizations or individuals needed to carry out specialized tasks.

The MABS-M program got underway in January 1998, and is expected to have a life of four years, with the option to extend for an additional two years. It is a cost-plus-fixed-fee (CPFF) completion contract. The estimated cost for the performance of the work required in the contract, exclusive of fixed fee, is \$6,091,503. The fixed fee is \$302,095. The estimated cost plus fixed fee is \$6,393,598, the total amount of which has been obligated. The contract budget is broken down into two Contract Line Item Numbers (CLINS), one for Expanding Access to Banking

Services (\$4,393,598) and the other for the Special Activities Fund (\$2,000,000).

## **A2. Expected Results**

- A minimum of 20 rural banks and/or community rural banks from throughout Mindanao will receive MABS-M assistance.

*The MABS-M program will assist these banks to:*

- Expand their portfolios to include at least 500 microenterprise loans each, with a total of at least 8,000 borrowers among all participating banks.
- Enroll 1000 microenterprise depositors, with at least 15,000 depositors among all participating banks.

*As a measure of sustainability and impact beyond the life of the MABS-M program:*

- At least half of the participating banks will have decided to make microenterprise services a continuing and significant part of their portfolios, and will have taken the steps required to properly and profitably service the microenterprise market.

## **A3. Current Core Activities: MABS-M Activity**

Per the Year III workplan, covering the period January 1 through December 31, 2000, the contractor is responsible for ensuring that these major components are addressed:

1. Bank Strengthening
2. Microfinance Policy
3. Monitoring and Evaluation
4. RBAP/RBRDFI Strengthening
5. Project Management

SAF requests approved in the Ninth quarter and SAF requests expected for the Tenth quarter are attached in Annex 1.

Below, each of the MABS-M component activities are summarized, highlighting tasks accomplished in the Ninth quarter, and tasks planned for the Tenth quarter (April 1 – June 30, 2000) as contained in the Year 3 workplan or as subsequently planned by MABS:

### **1. Bank Strengthening**

Component one, bank strengthening, incorporates Participating Bank (PB) activities including but not limited to PB selection, diagnostic evaluations, organizational and human resource development, systems development and installation, loan product development, preparation of

manuals and marketing. It also includes training activities such as formal course work, workshops, seminars, on-the-job training, internships, study tours and other capacity-building initiatives. Training courses and activities and system development such as the new rural bank software will continue to be funded through the SAF in Year 3.

***Tasks completed in the Ninth quarter:***

1. *Task One: Complete Participating Bank Documentation for 2<sup>nd</sup> Rollout PBs.* In the ninth quarter, MABS-M negotiated procurement plans and staffing requirements with 2<sup>nd</sup> Rollout PBs and signed the following documents: Participating Bank Agreement (PBA), Action Plan, Supplemental Agreement (for commodity support), Fixed Price Contract (for salary support of microfinance staff), and Work Plans. As part of this process, and prior to the signature of the documents, the MABS-M Management Committee approved and the Steering Committee confirmed the resource support levels for each of the six PBs.
2. *Task Two: Deliver “Expansion Phase” technical assistance and training to pilot PBs.* MABS-M continued to provide technical assistance to the four pilot banks during their expansion phase. In particular, MABS-M worked to reduce portfolio at risk rates and provided technical assistance to banks in an effort to prevent portfolio at risk in the future. For 2 pilot banks, training efforts focused on two primary tasks: aggressive collection techniques and improving the selection process of microenterprise loan clients; and geographic market expansion. Pilot bank microfinance staff were re-trained in the credit investigation process, including debt capacity analysis in two of the pilot banks. In the other two pilot banks, extensive market surveys were completed to determine the barangays with the greatest number of potential microenterprise clients. Microfinance activities were successfully offered in these additional barangays resulting in a 50% increase in the portfolio of the two pilot banks.
3. *Task Three: Deliver “Expansion Phase” technical assistance and training to 1<sup>st</sup> Rollout banks.* MABS-M began the expansion phase with the 1<sup>st</sup> Rollout banks. As the portfolio quality at all 1<sup>st</sup> rollout banks is excellent, the major thrust of the “expansion phase” work we are doing with these banks is a review of their branch networks for possible expansion of the MABS-M program. We identified branches to begin the expansion/replication phase and have developed plans to work with central office and branch personnel to implement microfinance activities in these branches. We developed a set of training courses for central office or branch staff to enable widespread rollout to branch networks for PBs that do group lending and those that do individual lending. This material will ultimately be transferred to RBAP for continued implementation to other rural banks. Furthermore, proposals were made to the banks to introduce a staff incentive scheme. Each of MABS’ 7 technical staff members continued to spend two days per week with each of their two banks. Based on our experience with the 4 pilot banks, particular attention was placed on inculcating a culture of “0 tolerance” among bank management and staff, the credit and business investigation process including debt

capacity analysis and client follow-up.

4. *Task Four: Training Course for 2<sup>nd</sup> Rollout Senior Managers.* In January 2000, MABS-M conducted a two-day orientation course for three senior managers from each of the new six rollout banks plus representatives from USAID and MEDCO. A total of 20 participants attended. The orientation was held in Cagayan d'Oro and included an exposure visit to at least one of the MABS-M PBs (1<sup>st</sup> Rollout banks) with a briefing on the bank products, microfinance best practices, the MABS-M approach to delivering technical assistance, financial/business planning, the Participating Bank Agreement and Action Plans.
5. *Task Five: Recruit and hire staff and procure equipment for 2<sup>nd</sup> Rollout PBs.* Microfinance account officers were recruited and hired and equipment procured. Some of the commodities (primarily the computers) were delivered during the quarter with the balance planned for delivery in the 10<sup>th</sup> quarter.
6. *Task Six: Training Course for 2<sup>nd</sup> Rollout MF staff and supervisors.* In February, MABS-M conducted a one-week training course for microfinance staff and supervisors of the 2<sup>nd</sup> Rollout banks. A maximum of 5 participants per bank were invited for a total of 30 participants. The training included 2 days of lecture on microfinance best practices, savings and loan product development, delinquency management, and performance monitoring. Participants also spent 2 full days in the field with two MABS participant banks (RB Bukidnon and RB Talisayan) observing client orientation sessions, credit investigation, loan disbursement and collection, and management reporting. The final day of the training included one-on-one discussions with MABS technical staff to develop the 6-month workplan for technical assistance and training.
7. *Task Seven: Deliver intensive technical assistance and training to 2<sup>nd</sup> Rollout PBs.* Intensive technical assistance was provided to the six (6) rollout banks during this quarter. For each of the six 2<sup>nd</sup> Rollout Banks, MABS technical staff led an analysis of the market, developed a business plan for the microfinance activity, developed a micro lending product and, using the standard MABS manual as a guide, developed a product manual for the microfinance loan product including new systems and documentation. In addition, various new initiatives such as the use of chattel mortgages and staff incentive schemes were suggested. Five of the seven MABS technical staff members assumed responsibility for one new bank each while maintaining responsibility for their existing two banks, while one technical staff member took on two new rollout banks in addition to his existing two banks. All technical staff continued to provide on-the-job-coaching to microfinance and other bank staff ensuring that all 20 PBs receive ongoing technical assistance and training.
8. *Task Eight: Consultation and Evaluation Meeting with Representatives of the MABS-M PBs.* In the ninth quarter MABS-M held two consultative meetings with PBs, one with the pilot banks and the other with the 1<sup>st</sup> rollout banks. The purpose of the meetings was

to determine the ongoing needs of the PBs and to record their impressions of the services provided thus far so as to improve MABS' service to PBs in the future. Both meetings proved to be very successful. A small amount of follow-up is required which will be carried out in the tenth quarter.

9. *Task Nine: Develop Training Workshops for PBs.* MABS-M developed a series of one-day workshops for training bank staff of the PBs. Topics covered include cashflow-lending, savings mobilization, zero-tolerance for delinquency, loan administration, marketing and development, service quality and market survey techniques. These workshops were delivered to PBs on an individual basis normally with all the branch staff in attendance. MABS-M plans to continue to develop and deliver these workshops over the next 6 months for ultimate transfer to RBAP.
10. *Task Ten: Refresher Course on Microbanker Loan Module.* During the eighth quarter, all the 1<sup>st</sup> rollout banks were provided with Microbanker loan tracking software to enable them to monitor their loan activity and to provide us with accurate monthly reports. However, the timetable for installing the software was very tight and thus only minimal training was provided. MABS-M provided additional training this quarter to all the PBs to ensure effective and accurate use of the software.
11. *Task Eleven: Develop Savings Product Guidelines.* MABS-M developed draft guidelines for use by our technical staff and PBs to analyze the cost efficiency of existing savings products and to guide the development of new savings products. These will be finalized in the 10<sup>th</sup> quarter.
12. *Task Twelve: MB Phil modification of MBXD Plus software.* MB Phil has been contracted to modify the MBXD Plus software so that it will be able to deliver a set of reports MABS believes should be standard for microfinance practitioners. The software modification was to be completed by March 2000 but indications are that it will likely be ready in April 2000. At that point, extensive testing will be required prior its installation.
13. *Task Thirteen: Install MB Phil software in 2<sup>nd</sup> Rollout Banks.* Four of the six 2<sup>nd</sup> rollout banks opted to have MB Philippines loan management software installed in their banks. Two of those installations were completed in the 9<sup>th</sup> quarter and the remaining two will be completed in the 10<sup>th</sup> quarter. One of the remaining two will modify its own software program and the other will install PC Banker, a software system modified for a 1<sup>st</sup> rollout participating bank.
14. *Task Fourteen: Development of new rural bank software.* The subcontract with ASSEC was signed during the 9th quarter and software programming begun. The MIS Steering Committee met monthly with ASSEC. The first deliverable, the Systems Analysis and Design, is to be completed in the 10<sup>th</sup> quarter.

***Tasks to be completed during the Tenth quarter:***

1. *Task One: Deliver MABS-M regional training series.* In May and June, five one-day workshops on cashflow analysis and debt-capacity will be delivered in Mindanao. Course locations include Davao on May 23, General Santos on May 25, Dipolog on May 29, Cagayan d'Oro on May 31, and Butuan on June 2. These workshops are open to all rural bankers in the various geographical regions. In the five workshops, a total of 150 participants are expected to attend, representing a minimum of 50 banks in Mindanao. Topics covered include how to conduct an effective credit investigation, how to measure debt capacity and how to analyze cashflow. The course will be compiled into a trainer-friendly format for easy transfer to RBAP for delivery in Luzon and Visayas.
2. *Task Two: Deliver "Expansion Phase" technical assistance and training to pilot PBs.* MABS-M will continue to provide technical assistance to the four pilot banks during the next quarter, paying particular attention to the portfolio quality and the achievement of target number of borrowers and savers. This quarter marks the second last quarter of technical assistance planned for the pilot banks. We will focus primarily on ensuring the staff of the PBs is well-trained and all systems are in place to carry-on substantial microfinance activities at the end of the Participant Bank Agreement (October 2000).
3. *Task Three: Deliver "Expansion Phase" technical assistance and training to 1<sup>st</sup> rollout PBs.* MABS-M will continue to provide technical assistance to the 10 1<sup>st</sup> rollout banks most particularly in their branch or geographic expansion ensuring that the original "MABS" branch is a 'model' branch from which the new branches can learn. Detailed workplans will be created for each branch with the senior management. Emphasis will be placed on extensive training of the branch staff and monitoring the operations. Ultimately, MABS will focus on 5 of the 10 PBs based on the potential market, the branch network and the commitment of management to best practices and zero tolerance toward delinquency.
4. *Task Four: Development of new rural bank software.* The first deliverable, the Systems Analysis and Design, is to be completed in the 10<sup>th</sup> quarter.

## **2. Microfinance Policy.**

In coordination with USAID and the USAID-financed projects CPIP and AGILE, MABS-M will undertake a number of policy initiatives related to microfinance and rural banks.

### ***Tasks completed during the Ninth quarter:***

1. *Task One: Participate in a World Bank Microfinance Conference.* In the ninth quarter, the DCOP acted as moderator and facilitator at a large World Bank Microfinance Conference held in Manila on March 20-24, 2000. Specifically, she facilitated the development of a Philippines "country-strategy" for microfinance and moderated a full-day session of senior speakers from around the world. In addition, MABS-M presented

the experience of the Rural Bank of Panabo including considerations that formal banking institutions need to address prior to embarking on the provision of microfinance services.

### ***Tasks to be completed in the Tenth quarter:***

1. *Task One: Carry out Policy Initiatives.* MABS-M will continue to work with AGILE and CPIP on policy initiatives related to microfinance and rural banking. MABS-M will work to encourage RBAP to take a more objective look at directed programs such as programs implemented by the Peoples Credit and Finance Corporation (PCFC).
2. *Task Two: Host Central Bank Visit.* MABS and CPIP will jointly host a visit by representatives of the Central Bank in Cagayan de Oro city. In addition to a briefing by MABS and CPIP representatives, the group of Central Bankers will visit 2 of the MABS assisted banks in the region. The purpose of the visit is to expose central bankers to a microfinance model (individual loan product) other than the Grameen model (a group loan product), the only model many of them are familiar with. Numerous rural banks reportedly receive “findings” during their Central Bank examinations solely because of the percentage of unsecured loans on their books and regardless of the performance of those loans. An additional purpose of the visit is to inform senior Central Bank personnel that an unsecured loan is not always a bad loan.
3. *Task Three: Present a case study of a MABS-assisted bank to the Microfinance Coalition.* MABS representatives and senior bank management will jointly present the case of Kapatagan Valley Rural Bank to the Microfinance Coalition during a meeting at the Asia Development Bank (ADB) on June 9.

### **3. *Monitoring and Evaluation.***

This component includes activities relating to the establishment of M&E systems for use by the individual PBs, the MABS project team, and the RBRDFI. In addition, special studies, briefs, impact assessments and other evaluations are included in this component. In the Year 2 workplan we included issues related to PB management information systems in this section however for Year 3 we have moved issues related to this topic to Activity Component 1, Bank Strengthening.

### ***Tasks completed during the Ninth quarter:***

1. *Task One: Monthly Evaluation of MFU Performance.* Annex 3 contains the monthly “MABS-M Report” of the fourteen PBs. This information is based on the microfinance units of each of the branches we are working with including both performance data and revenue and expense data. This quarter we began calculating financial ratios to measure the profitability, efficiency, productivity and portfolio quality of the PBs microfinance activities.
2. *Task Two: Refine income/expense portion of M & E System.* MABS refined the PB income and expense monitoring systems such that we and the PBs are satisfied that we are capturing the proper data. We will request revenue and expense data from the new

“expansion” branches as we begin working with them thereby ensuring the bank as a whole begins to think about individual product profitability as an effective management tool. Also, this will allow the PBs to compare the success and efficiency of one branch over another within the same bank and with the same products.

3. *Task Three: Begin installation of Monitoring and Evaluation systems in 2<sup>nd</sup> Rollout PBs.* MABS-M will begin monitoring performance of the 2<sup>nd</sup> Rollout banks in the 10<sup>th</sup> quarter. Prior to doing so, it is necessary to ensure that adequate management information systems that have all the reporting functionality we consider standard exists in the 2<sup>nd</sup> Rollout banks. Installation of monitoring and evaluation systems began in the 9<sup>th</sup> quarter and will be completed in the 10<sup>th</sup> quarter.
4. *Task Four: Develop profitability models for expansion activities in each of the 20 PBs.* As part of the expansion phase activities MABS-M developed profitability models for the next 18-month period for each of the 20 participant banks. Figures were based on revenue and expense data over the last 3 months and projected portfolio and deposit growth on a quarterly basis. These analyses will be shared with the PBs as each begins its expansion phase activities.
5. *Task Five: Quarterly Evaluation of Branch/Bank Performance.* Beginning this quarter, MABS-M is tracking the financial and performance data of the PBs we work with. Specifically we are measuring the financial performance of the “MABS-assisted” branch and the consolidated bank. In addition to collecting the financial and performance data, we calculate various ratios similar to those calculated for the MFU. Our intention is to ensure overall sound financial management and furthermore to determine the overall affect that MABS-M is having on the branch/bank as a whole. This is particularly relevant as we have been delivering training workshops to each of the banks where participants from all of the branches attend.
6. *Task Six: Midterm Evaluation.* USAID contracted consultants began the midterm evaluation of the MABS project in mid March. Results are expected by end of April, early May.

***Tasks to be completed in the Tenth quarter:***

1. *Task One: Monthly Evaluation of Performance.* Continue to monitor PB performance via the “MABS-M Report” on a monthly basis. In addition, evaluate overall bank and branch performance of MABS-M PBs on a quarterly basis, including both financial data and performance data to ensure capital adequacy and overall sound financial management.
2. *Task Three: Complete installation of Monitoring and Evaluation systems in 2<sup>nd</sup> Rollout PBs.* MABS-M will begin monitoring performance of the 2<sup>nd</sup> Rollout banks in the 10<sup>th</sup> quarter. Prior to doing so, it is necessary to ensure that adequate management information systems that have all the reporting functionality we consider standard exists in the 2<sup>nd</sup>

Rollout banks. Installation of monitoring and evaluation systems began in the 9<sup>th</sup> quarter and will be completed in the 10<sup>th</sup> quarter.

3. *Task Three: Document “success” stories.* In the tenth quarter, MABS-M will begin documenting case studies of successful clients whose businesses have grown as a result of their access to financial services. In addition, we will document successful bank practices for sharing with all of the PBs. We will also document problems encountered by PBs as well as solutions and the experiences of PBs in implementing the solutions.
4. *Task Six: Midterm Evaluation.* MABS will facilitate USAID’s midterm evaluation of the project. Evaluation results will be reported in the 10<sup>th</sup> quarter.

#### **4. RBAP/RBRDFI.**

All initiatives dealing with the development and strengthening of the RBRDFI, including training specifically directed to this organization, will be programmed under this component.

##### ***Tasks completed during the Ninth quarter:***

1. *Task One: Recruit a Program Development Advisor for RBAP.* Over 50 resumes were received and reviewed for the position of Program Development Advisor. Candidates were shortlisted and the top 4 candidates were interviewed by an interview committee that included Lito Fuentesfino, President of RBAP, Pong Lustre, Chairman of RBRDFI and immediate past President of RBAP, Alex Buenaventura, Executive Director of RBRDFI and Phil Broughton, COP of MABS. The committee unanimously selected Lourdes (Suj) Ronquillo for the position. Ms. Ronquillo is currently a short term consultant working with MABS, providing technical assistance and training to PBs. Ms. Ronquillo will be gradually phased out of her work with PBs and will be contracted to provide full time assistance to RBAP.
2. *Task Two: Conduct a feasibility study of establishing a credit bureau.* In January 2000 a short-term consultant, Mr. Guillermo Bolanos, completed an assessment of the feasibility of introducing a credit information bureau for rural banks throughout Mindanao. His conclusion was that a credit information bureau is indeed feasible but only if credit information is available by and for many types of creditors, not just rural banks. It was also recommended that, ideally, the credit bureau be a for-profit venture and not be managed on a long-term basis by RBAP as this might inhibit other types of creditors from participating. USAID, RBAP and MABS will meet in the 10<sup>th</sup> quarter to discuss next steps on the credit information bureau.
3. *Task Three: Conduct Apex Bank Feasibility Study.* It was agreed by Steering Committee members that the Apex Bank Feasibility Study be cancelled.

##### ***Tasks to be completed in the Tenth quarter:***

1. *Task One: Develop scope of work and finalize contract for the RBAP Program Development Advisor for RBAP.*
2. *Task Two: Develop and implementation plan for the credit information bureau.* In the 10<sup>th</sup> quarter USAID, RBAP and MABS will agree on an implementation plan for the credit information bureau. Funds will need to be added to the Chemonics contract before proceeding with any additional work on the credit information bureau.
3. *Task Three: Present an update on the MABS Project at the annual RBAP convention.* MABS' COP will present a Powerpoint presentation to approximately 700 rural bankers on the status, method and impact of the MABS-M program of technical assistance and training.
4. *Task Four: Develop a plan for incorporating into RBAP a sustainable program of microfinance support services.* This will be jointly developed by MABS-M and RBAP. This task will be included as part of the scope of work of the Program Development Advisor and will be part of the larger RBAP business plan.

## **5. Program Management.**

Program management takes into account meetings, project evaluations, report submission, visits by Chemonics' home office staff, and other activities related to overall project management. It also includes the ManCom assessment of the pilot phase of MABS-M, conducted in March 1999.

### ***Tasks completed during the Ninth quarter:***

1. *Task One: Submit Eighth Quarterly Performance Monitoring Report.* The Eighth quarterly report, covering the period October 1 - December 31, 1999, was submitted to USAID in January 2000.
2. *Task Two: Home office assistance from Project Supervisor Lief Doerring.* Mr. Doerring assisted in the preparation for the Mid-Term Evaluation and briefing the evaluators when they arrived. He participated in discussions with USAID and the COP on various issues, including a possible MABS-M expansion strategy and current contract results targets. In addition, Mr. Doerring finalized the feasibility study conducted by Guillermo Bolanos and prepared an analysis of the MABS-M budget and projections for presentation to USAID.
3. *Task Three: Staff changes.* The long-term research assistant in the Davao office was promoted to a junior microfinance specialist taking over responsibility for the activities of one of the PBs. She will continue to support the rest of the Davao technical team. The performance of our new junior microfinance specialist will be closely observed over the next quarter to determine if she is capable of becoming a microfinance specialist with all

the responsibilities that entails. A full-time administrative assistant was hired to replace the outgoing receptionist. In addition to her receptionist responsibilities, the new administrative assistant is also responsible for consolidating the performance monitoring, both on a monthly and a quarterly basis.

***Tasks to be completed in the Tenth quarter:***

1. *Task One: Submit Ninth Quarterly Performance Monitoring Report.* The Ninth quarterly report, covering the period January 1 - March 31, 2000, will be submitted to USAID in the Tenth quarter.
2. *Task Two: Plan Strategy for Possible Expansion of MABS-M.* Recent discussions with USAID indicate that a possible expansion of the MABS-M program may be considered. A design document for expansion of microfinance services under RBAP to Luzon and Visayas will be completed during the quarter.

**A4. Performance**

**Current status vs. expected end of project results:**

1. Expected end of project results: A minimum of 20 rural banks and/or community rural banks from throughout Mindanao will receive MABS-M assistance.

Current status: 20 rural banks are now receiving assistance from MABS-M.

2. Expected end of project result: PBs will expand their portfolios to include at least 500 microenterprise loans each, with a total of at least 8,000 borrowers among all participating banks.

Current status: One of the PBs has achieved the individual bank target of 500 new microenterprise loans (although it has since dropped down to slightly less than 500 active clients). The total number of active microfinance borrowers outstanding for the 14 existing PBs is 2,870. To achieve our target of 8,000 new active borrowers, MABS PBs will need to increase the net number of new active borrowers by 5,130 or an average of 285 per month.

3. Expected end of project result: Increase the number of microenterprise depositors by 1000 in each participating bank, with a total of at least 15,000 new depositors among all participating banks.

Current status: Five PBs have achieved the individual bank target of 1000 microenterprise depositors. The total number of active depositors for the 14 PBs is 13,231. Given that the contractual target is 15,000 active depositors, MABS PBs ought to substantially exceed the target.

4. Expected end of project result: At least half of the participating banks will have decided to make microenterprise services a continuing and significant part of their portfolios, and will have taken the steps required to properly and profitably service the microenterprise market.

Current status: Achievement of this result will depend to a large extent on profitability. At this time, 6 of the 14 PB microfinance units are profitable on a full cost allocation basis.

#### **A5. Statement of Work**

No circumstance has changed which would require modification in any of the elements of the statement of work contained in Section C of the MABS-M contract.

## **2. Administrative Information:**

Contract Data: Total Estimated Cost	\$ 6,393,598
<b>CLIN #1</b> Total Estimated Cost	\$ 4,393,598
1. Expenditures (January 1 - March 31)	\$ 292,663.
2. Cumulative Expenditures to date:	\$ 3,722,782
3. Remaining unexpended balance:	\$ 670,816
<b>CLIN #2</b> Total Estimated Cost	\$ 2,000,000
1. Expenditures (January 1 - March 31)	\$ 322,812
2. Cumulative Expenditures to date:	\$ 644,459
3. Remaining unexpended balance:	\$ 1,355,541

## Annex 1

### *SAF requests approved in the ninth quarter:*

- ❑ *SAF No. 36. MABS-M Program Orientation Course for Senior Officers of New Participant Banks.* This two-day training activity was intended to orient the decision-makers of new participant banks about microfinance best practices, MABS, the Participant Bank Agreement, and the six-month action plan. This was designed to further deepen the interest and commitment of new participant bank in microfinance and in their partnership with MABS.
- ❑ *SAF No. 37. Refresher Course on MicroBanker Loans Modules.* One-day refresher course on the Basic Operations of MicroBanker MBXD Plus Loans Module for both Davao and Cagayan de Oro 1<sup>st</sup> rollout Participant Banks. This was necessary to enable the Microfinance Staff to better understand the importance of the MABS-M related reports expected from each of the Participant Banks.
- ❑ *SAF No. 38. MABS-M Program Training Course for the Microfinance Staff & Supervisors of the 6 Participant Banks.* This orientation/training was the last phase of the two training events envisioned by MABS-M for the 6 Participant Banks in the 2<sup>nd</sup> rollout before the actual start of the 18-month intervention. This was a 5-day training course aimed at providing the microfinance staff and supervisors with sufficient understanding of what they would actually be doing.
- ❑ *SAF No. 39. Consultation and Evaluation Meeting with Representatives of MABS-M Program Pilot Banks.* The 24-months technical assistance period for the four (4) Pilot Banks of the MBAS-M Program will end in September 2000. As the number of microfinance clients of these banks is nearing the critical levels, it is important that an objective assessment of the strengths and weaknesses of the microfinance activities be conducted by the MABS-M Program together with the Pilot Banks who are considered the pioneers in the microfinance activities. The objective of the full-day consultative meeting was to bring out the positive and negative experiences of the Pilot Banks in the implementation of their microfinance program, assess the information and to draw-up a plan of action for mitigating the present difficulties and for enhancing the successes.
- ❑ *SAF No. 40. Purchase of MicroBanker MBXD95+ Software for RB Lebak.* Commensurate with SAF request No. 30, MABS-M proposes the purchase of the MicroBanker MBXD95+ Savings/Time Deposit and General Ledger modules for Rural Bank of Lebak. SAF No. 30 concerned the provision of the MBXD95+ Loans Management module as an interim system to all 10 of the group 1 rollout banks.
- ❑ *SAF No. 41. Funds for Six (6) Participant Rural Banks Commodities & Support.* At the December 9, 1999 Management Committee meeting, it was agreed that all 6 new

Participating Banks would receive operating/commodity support of PhP650,000. This was confirmed by the Steering Committee and the purpose of this SAF was to confirm ManCom's decision in writing.

- ❑ *SAF No. 42. Consultation and Evaluation Meeting with Representatives of MABS-M Program Rollout Banks.* The consultation and evaluation meeting was designed to bring out the positive and negative experiences of the rollout banks in the implementation of their respective microfinance program. The consultation was expected to improve the MABS-M program delivery of technical assistance during the replication stages of the microfinance activity in the rollout banks' respective branches.
- ❑ *SAF No. 43. Purchase of MicroBanker MBXD95+ Software and Related Services.* This SAF proposed the (a) purchase of MicroBanker MBXD95+ Loan module software for Siam bank and RB Dipolog, (b) installation of the MicroBanker MBXD95+ Loan Module software for RB Oroquieta and GreenBank of Caraga and (c) upgrade of the MBXD95 software at RB Babak and RB Tacurong to the MBXD95+ version. In addition, this SAF also proposed to hire MBPhilippines to carry out the necessary installation and training work associated with the provision of this software.
- ❑ *SAF No. 44. Consultation and Planning Meeting with RBAP ExCom.* This SAF was requested to fund the expenses related to a meeting with the officers of the Rural Bankers Association of the Philippines (RBAP). The meeting was intended to discuss RBAP initiatives including implementation of the RBAP strategic Development Program, review candidates for the position of RBAP Program Development Advisor and discuss as well as evaluate possible strategies for RBAP to sustainably offer microfinance support services to rural banks in the future.

**Note:** SAF request number 35 was cancelled.

SAF requests expected during the tenth quarter:

- ❑ *Support Expansion to branches.* MABS is now entering the Expansion phase with 14 of its 20 Participant Banks. During this phase, MABS will begin to work with participant bank branches in addition to the start up branch. Current plans include working with 63 branches in total. MABS will offer an additional PhP30,000 to each branch to aid in the introduction/revision of their microfinance activities.
- ❑ *Management Information Systems.* Work on the Archiesoft system for Rural Bank of Montevista.

Other SAF requests, as identified by the MABS-M team and approved by the ManCom, may occur during the Tenth Quarter.

**Note:** A SAF tracker is used by MABS-M to monitor SAF expenditures. It is current through

the end of Quarter 9 and included here in Annex 2.

## Annex 2

## Annex 3