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**MICROENTERPRISE ACCESS TO BANKING SERVICES
PROGRAM PHASE 4 (MABS-4)**

QUARTERLY REPORT

**MICROENTERPRISE ACCESS TO BANKING
SERVICES PROGRAM PHASE 4 (MABS-4)
THIRD QUARTER
OCTOBER 1 – DECEMBER 31, 2008**

January 2009

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OCTOBER 1 – DECEMBER 30, 2008**

**Contract No. EEM-I-00-07-00008
Rural Bankers Association of the Philippines (RBAP)
Mindanao Economic Development Council (MEDCo)**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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Acronyms Used in this Report

ADB	Asian Development Bank
ARMDEV	Associated Resources for Management and Development Inc.
BAP-CB	Bankers Association of the Philippines - Credit Bureau
BSP	Bangko Sentral ng Pilipinas
CICO	Cash-in/Cash-out
CIBI	Credit and Background Investigation
EAGLE	Efficiency, Asset Quality, Growth, Liquidity, and Earnings
GXI	G-Xchange, Inc.
KRA	Key Result Area
MABS	Microenterprise Access to Banking Services
MABSTeRS	MABS Technical Resource Specialists
MAP	Micro Agri-loan Product
MATTS	MABS Training and Technical Services
MBB	MicroBanking Bulletin
MCPI	Microfinance Council of the Philippines
MEDCo	Mindanao Economic Development Council
MIAAP	Microinsurance Associates Agency Philippines
MIC	Microinsurance Centre
MICRA	Microfinance Innovation Center for Resources and Alternatives
MIS	Management Information Systems
MIX	Microfinance Information Exchange
MPBS	Mobile Phone Banking Services
MPMS	MABS Performance Monitoring System
MSP	MABS Service Providers
PB	Participating Bank
RBAP	Rural Bankers Association of the Philippines
SAF	Special Activities Fund
SMS	Short Messaging Service
TA	Technical Assistance
TAB	Text-A-BillPayment
TAC	Text-A-Credit
TAD	Text-A-Deposit
TAP	Text-A-Payment
TAR	Text-A-Remittance
TAW	Text-A-Withdrawal
USAID	United States Agency for International Development

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EXECUTIVE SUMMARY

This document serves as the Third Quarterly Report of the Microenterprise Access to Banking Services Program's Phase 4 (MABS-4) - covering the period from October 1 through December 31, 2008. It also lays out the workplan for the next quarter.

The MABS Program is a United States Agency for International Development (USAID)-supported program jointly implemented with the Rural Bankers Association of the Philippines (RBAP), with oversight provided by the Office of the President through the Mindanao Economic Development Council (MEDCo). MABS is one of the principal elements of USAID-Philippines' efforts to accelerate economic growth through expanded participation of lower income groups in productive activities. MABS-4 was launched in May 2008.

The Program provides participating rural banks with the *MABS Approach* Training and Technical Services (MATTS) package, a systematic, step-by-step training and technical assistance package followed by rural banks as they develop the full capability to profitably provide loan, deposit, money transfer and other financial services to microentrepreneurs and low-income households. By combining technical training for partner rural banks, education to microentrepreneurs and continuous implementation of new technologies, MABS has succeeded in developing the capacity of rural banks to expand access to banking services throughout the countryside. The Program has helped most of its participating banks (PBs) become major players in the Philippine microfinance sector.

Since 1997, the MABS Program has provided training and technical assistance to 91 rural banks with more than 483 branches and other bank offices to develop microfinance products and services. These PBs have disbursed over 1.8 million loans totaling more than PhP22.1 billion to more than 587,000 new bank borrowers. These partner banks also manage more than PhP1.8 billion in small savings deposits from approximately 1.4 million micro deposit accounts.

Technologies introduced by MABS – such as improvements to management information systems and performance monitoring systems — helped banks manage their operations efficiently. Innovative technologies such as mobile phone banking services (MPBS) are now revolutionizing banking not just in the Philippines, but also in the microfinance sector worldwide. MABS helped demonstrate that rural banks can earn profits and benefit society through microfinance.

Despite these achievements, there are still many more Filipino microentrepreneurs without access to financial services. It is estimated that microfinance institutions are reaching only a third of over 4.0 million families who are engaged in micro business activities.

To address this gap and to give more small entrepreneurs access to more financial products, USAID decided to support and implement the fourth phase of the MABS

Program. The overall objective of MABS-4 is to substantially increase the level of banking services being provided to the microenterprise sector, and to lower socio-economic groups in general, by the rural banks and other banks in the Philippines.

During MABS-4 (May 1, 2008 to March 1, 2013), at least 550 rural and thrift bank branches and other bank offices will initiate or substantially expand the level of services they are providing to the microenterprise sector. Other objectives of MABS-4 are:

- *Continue expanding access to microfinance.* MABS will support the expansion of MABS participating banks to a cumulative total of 550 branches and other bank offices, to increase the cumulative number of new micro borrowers by more than 375,000 during the period of the extension to bring the 15-year total of new borrowers reached to more than 800,000, and to increase the amount of loans disbursed by more than US\$500 million to bring the total 15-year cumulative amount of micro loans disbursed to over US\$800 million. MABS will focus on providing technical assistance and support to existing MABS PBs to help them grow and open branches.
- *Increase agricultural lending.* MABS will work with additional rural banks to conduct market research to enhance the micro agri-loan product (MAP) and expand micro agri-lending to an additional 65 bank branches and reach at least 30,000 additional small farmers.
- *Introduce housing microfinance.* With the rapid population growth in the Philippines, the demand for housing continues to rise. According to the Asian Development Bank (ADB), there is a very large unmet need in the area of housing finance, particularly in rural areas. MABS will initially work with a small group of rural banks to develop and pilot various micro-housing products and if this proves successful, will roll out these services to at least 50 rural bank branches reaching at least 5,000 new clients.
- *Expand the use of new technologies.* The MABS Program and participating rural banks offer mobile phone banking services and are the acknowledged worldwide leaders in the field of mobile phone banking for microfinance. The innovative partnership that RBAP-MABS, developed with Globe Telecom's subsidiary G-Xchange Incorporated (GXI), is a success story that has been widely documented in both the local and international media. The MABS initiative and pilot in mobile phone banking and mobile commerce services have just scratched the surface of possibilities and there is still more to be done to promote and institutionalize these services for hundreds and thousand of rural bank clients across the country. Major activities that MABS will undertake to accelerate the expansion of MPBS, which will reach more than 500,000 bank clients and customers through 500 rural bank branches during MABS-4 include: enhancing existing mobile phone banking services for rural banks and developing new products, assisting in promoting and marketing the services locally and nationally, supporting the adoption of appropriate regulatory framework for electronic banking and e-money, developing partnerships with international remittance and e-payment firms, and assisting in developing

interface software between short messaging services (SMS)-based electronic-money transactions and the back-end system of rural banks to allow for greater efficiency.

- *Develop micro-insurance products.* The estimated market for micro-insurance in the Philippines is enormous, with most potential clients operating as microentrepreneurs in the large informal sector. In partnership with local insurance companies, MABS will work with 125 rural banks to reach at least a third of rural bank clients and ensure that there is improved access to insurance options which rural banks will be able to offer.
- *Improved Access to Credit Bureaus.* As more and more institutions engage in microfinance, the need for a comprehensive, accessible, and accurate credit information sharing has become clear. The Credit Information System Act is was signed into law on October 31, 2008. Implementing guidelines are now being finalized and MABS will work with rural banks, the Securities and Exchange Commission (SEC), the Bangko Sentral ng Pilipinas (BSP – the Philippine Central Bank), and private credit bureaus to ensure that rural banks will be able to participate and access credit bureaus over the coming years.
- *Communications and other activities.* MABS will continue using appropriate communications and marketing tools to ensure that there is widespread public awareness of the activities and achievements of the Program and that knowledge tolls developed by MABS, best practices, and lesson learned are shared with key organizations in the local and global microfinance industry and practitioners.

Into its 3rd Quarter, MABS pushed forward with activities aimed at promoting its initiatives, as well as updating and firming up engagements with stakeholders and participating banks.

In November, MABS held the first two Regional Roundtable Conferences for Phase 4. A total of 109 rural bank executives from 49 MABS Program participating banks joined the MABS Regional Round Table (RRT) Meetings for Luzon and Mindanao and Visayas PBs. MABS gave an update of accomplishments for Phase 3 and presented upcoming activities and initiatives, including detailed presentations for new Program initiatives: microinsurance and housing microfinance. The theme for both conferences was: *MABS-4: Taking Microfinance to the Next Level*. Discussions covered the prospects and challenges of MABS PBs in the evolving microfinance landscape. PBs also received their EAGLE scorecards for Year 2007. The

As part of the MABS RRT, the PBs were evaluated based on the MABS-developed EAGLE assessment system reflecting international microfinance standards.

Task Two: Issue compliance certifications to MSP-trained banks. Three PBs received compliance certifications during the Quarter: RB San Jacinto, RB Bagac, and RB Sipocot. Compliance certifications are given to PBs trained by MABS Service Providers (MSPs) – organizations trained and licensed to rollout *MABS Approach* Training and Technical Services – that meet bank wide and MF specific indicators.

CONTRACTOR'S REPORT

a) MABS-4 Oversight

MABS-4 receives overall program guidance from a Steering Committee, composed of a representative from the Office of the President (MEDCo Chairman), the Chairman of the Rural Bankers Research and Development Foundation Inc. (RBRDFI), a USAID representative, and the RBAP President. This committee identifies focal areas for program coverage and formulates and agrees on major policies that guide the MABS Program.

The Program receives guidance and support on implementation matters from a Management Committee. The Management Committee is composed of a representative of MEDCo, who chairs the Committee and the USAID Project Officer responsible for the MABS-4 Program. In his/her capacity as Chairman of the Management Committee, the MEDCo representative convenes meetings of the committee at least quarterly. The agenda of the meetings shall continue to focus on program implementation issues.

MABS-4 covers the period from May 1, 2008 to March 1, 2013.

b) Expected Results

MABS-4 activities and initiatives are directed towards achieving the following key results:

1. Key result area (KRA) 1: Expansion of banks providing microfinance services
 - a. Number of bank and bank branches expanded
 - b. Number of microborrowers expanded
 - c. Number of microloans expanded
 - d. Expansion in the number of microdepositors
 - e. Support to credit bureau expansion and enhancements to MIS
2. KRA 2: Assistance to banks to extend the range of services
 - a. Mobile phone banking services expanded in participating banks
 - b. Microinsurance services offered in participating banks
 - c. Microhousing finance services expanded in participating banks
 - d. Micro agri-loan product rollout
3. KRA 3: Sharing of lessons learned with global practitioners
 - a. Participating banks encouraged and assisted in adhering to MABS best practices
 - b. Public awareness of RBAP-MABS Program widespread
 - c. Key organizations knowledgeable of MABS accomplishments and lessons learned

c) Key Result Areas (KRAs)

Key Result Area 1: Expansion of banks providing microfinance services

Table 1: MABS-4 KRA1 Data for Quarter 3 vs. Targets (Quarter 3, Year 2, and End-of-Project)

Performance Indicators	Baseline Data from MABS-3 (As of April 2008)	Quarter 3 Actual	Quarter 3 Target (October - December 2008)	December 2008 Result as % of Quarterly Target	Year 2 Target (October 2008 – September 2009)	MABS-4 End of Project Targets (March 2013)
1. Over 200 additional bank branches	320*	New (Q3-Q2): 9	5	180%	40	200
		Cumulative: 342	335	102%	370	520
Other Banking Offices**		New: 141				
2. 375,000 new micro-borrowers	499,604	New (Q3-Q2): 28,842	15,000	192.2%	60,000	375,000
		Cumulative: 587,496	545,000	107.8%	590,000	875,000
3. PhP20 billion in micro-loans disbursed	PhP18.27 billion (B)	Increase (Q3-Q2): PhP1.41 B	PhP1.25 B	112.8%	PhP4.5 B	PhP20 billion (over US\$500 million)
		Cumulative: PhP22.16 B	PhP20.95 B	105.7%	PhP24.47 B	PhP38.27 B
4. 1,700,000 Outstanding Micro-Deposit Accounts ***	1,339,435	Increase (Q3-Q4): 12,894	20,000	64.47%	50,565	1,700,000
		Outstanding: 1,424,111	1,400,000	101.7%	1,459,000	

* These figures include active MABS participating bank branches

** Other Bank Offices are now being tracked due to the ability of the participating rural banks to directly offer the same microfinance services as they do in their branches

*** While the performance indicator for deposits was not listed in the USAID contract, it was included here for the purposes of tracking the progress of banks to expand micro deposit services.

MABS will work with new and existing rural banks to provide technical assistance and training to at least 200 additional banks branches to expand microfinance services. The cumulative number of new micro-borrowers reached by PBs will reach to 375,000 during the period to bring the 15-year total of new micro-borrowers reached to more than

800,000. The overall increase in microloans disbursed over the next five years is expected to exceed US\$500 million and will bring the total 15-year cumulative amount of micro loans disbursed to over US\$800 million. MABS will focus on providing technical assistance and support to existing MABS PBs to help them grow and open branches.

MABS PBs are also expected to manage more than 1.4 million micro deposit accounts by the end of Year 2 and 1.7 million accounts by 2013.

To achieve these key results, MABS will aggressively market MATTS to new and existing rural banks through the combined efforts of the MABS technical staff and accredited MABS Service Providers (MSPs). MABS will also continue to provide microfinance training and technical services to existing rural banks that have plans of establishing new branches and other banking offices.

To ensure adherence to the *MABS Approach* and standards, PBs' microenterprise operations will be closely monitored and analyzed. PBs will also be provided with periodic feedback and coaching on how to maintain and/or expand their services.

MABS will also ensure that banks are conducting annual planning sessions, which should include focus on microfinance lending operations, and that they are regularly improving the effective supervision and management of their microfinance operations. The team will also see to it that banks establish their own training programs and are continuously providing basic microfinance courses for newly-hired and existing account officers - with an emphasis on proper client selection using intensive character and background investigation (CIBI) and cash flow lending analysis, as well as effective sales skills. Training courses for existing and new MABS Technical Resource Specialists (MABSTeRS) to serve as in-house trainers on the MATTS will also be regularly conducted.

During Phase 4, MABS will use the distance learning platform to train additional bank staff and complement classroom training. As MABS expands its services to additional rural banks, providing quality, classroom training on microfinance best practices to the more than 1,500 account officers, supervisors, and branch managers of PBs has become a challenge. Classroom training entails substantial travel and lodging costs and disrupts employees' set work schedules.

MABS developed an online distance-learning program as an alternative to on-site training. The course provides intensive training on the core elements of the *MABS Approach* through lectures, exercises, and quizzes. Chat rooms are provided for course participants to communicate real-time with facilitators and peers.

The distance-learning program was piloted in 2006 and launched in 2007. The distance-learning site, www.moodle.rbapmabs.org, contains four courses: *Introduction to Distance learning*, *MABS Microfinance Basics*, *Delinquency and Remedial Management*, and *Middle Management Training: Effective Supervision*. This web-based distance-learning course will reduce the costs of training bank staff and scale up the delivery of training to the continuously increasing number of microfinance staff that need to be trained and re-

trained. Aside from reduced training costs and scaled-up training, the distance learning course deliver an integrated learning package to the banks – as the primary learners (account officers) complete the online modules, their supervisors and managers can also actively participate as learning partners. MABS will also, from time to time, supplement onsite and classroom training with the distance learning courses.

One of the major objectives of MABS-4 is to provide support to credit bureau access and suggesting corresponding enhancements to PBs' management information systems (MIS) to allow them to comply with reporting requirements.

Republic Act (RA) 9519 or the *Credit Information System Act (CISA)* was signed into law in October 2008. The CISA will create a centralized Credit Information Credit Corporation (CICC) which will set the standards for credit reporting operations that will improve not only the ability of creditors to assess risk and allocate credit more efficiently, but will also promote the protection of the rights of consumers against irresponsible use or erroneous reporting of credit information. The operations and services of the CICC is expected to greatly benefit the rural banking sector, as it will improve the overall availability of credit, especially to small borrowers; lower the cost of credit to responsible debtors, reduce dependence on collateral to secure credit facilities and enable financial institutions to lower their overall credit risk, thus contributing to a healthier and more stable financial system.

Since this will be a new reporting requirement for rural banks, they will need assistance in improving their systems to properly gather and submit credit history information of their clients. MABS will collaborate with CIS, the BSP and other private credit bureaus to determine the generic/standard reporting structure to ensure that the reports generated by the rural banks will be acceptable to both the national credit bureau and private credit bureaus.

Accomplishments for the Third Quarter:

Task One: Provide advisory services to new banks with plans of expanding microfinance services. MABS held discussions with four new banks 4 banks that have expressed interest to become PBs - RB Malarayat, RB Cavinti, RB Camarines Sur, and Banco San Juan.

Task Two: Facilitate and assist in the conduct of MATTS for new rural banks.

No new banks were trained during this quarter but plans are underway to assist new rural banks in the first quarter of 2009.

Task Three: Promote MATTS during the RBAP's national and regional conferences. The MATTS package, and the Program's technical services and new initiatives were actively promoted at the RBAP's 51st Charter Anniversary Symposium held in November. MABS technical staff gave one-on-one briefings and answered inquiries from rural bankers. Brochures and informational materials were also distributed. Eighteen (18) banks indicated interest in starting microfinance operations and availing of the MATTS package. MABS will pursue discussions with these banks in the next Quarter.

Task Four: Monitor the developments on the Credit Information Systems Act. The Credit Information Act or RA 9510 was signed into law on October 31, 2008. The law mandates the establishment of the Central Credit Information Corporation (CCIC), which will gather information from financial institutions and consolidate them into a centralized system. The system will help address the lack of reliable information on the credit standing of borrowers, thus will be useful in creditworthiness checks and in facilitating decisions of financial institutions.

While the implementing rules and regulations of RA 9519 is being drafted, MABS will actively monitor developments and initiate an information drive to promote its benefits to rural banks.

Activities to be Completed in the Fourth Quarter:

Task One: Provide advisory services to banks with plans of expanding microfinance services. MABS will facilitate the operations review of participating banks GM Bank, Inc. and Bangko Luzon, Inc. The review and workshop is a preparatory and support activity for the of the planned expansion of GM Bank's microfinance operations in Northern and Central Luzon, and the ongoing merger with its sister bank, Bangko Luzon, Inc. The results of the review will be critical in forecasting the size and status of the two banks in the next three years.

MABS will also conduct a three-day operations review of the Davao del Sur and North Cotabato branches of the Rural Bank of Digos, Inc. (RBDI), one of the Program's pilot banks in Mindanao.

Task Two: Facilitate and assist in the conduct of MATTS for new rural banks.

Task Three: Promote MATTS during the RBAP's national and regional conferences.

Task Four: Monitor the developments on the Credit Information Systems Act.

Task Five: Conduct training for new MABS Technical Resource Specialists. MABS will conduct a workshop to train new MABSTeRS in the next Quarter. The development of MABSTeRS to serve as in-house trainers to handle the training of newly hired field staff and supervisors is an important strategy to promote and institutionalize the *MABS Approach* and best practices.

In addition to the standard MABSTeRS Course, the trainees will be introduced and given a walk-through to the Distance Learning Course. MABSTeRS will also be using the DL Course as a new, alternative platform for training their new account officers.

Key Result Area 2: Assistance to Banks to Extend the Range of Services

Table 2: KRA2 Data for Quarter 3 vs. Targets (Quarter 3, Year 2 and End-of-Project)

Performance Indicators	Baseline Data from MABS-3 (As of April 2008)	Quarter 3 Actual	Quarter 3 Target (October - December 2008)	December 2008 Result as % of Quarterly Target	Year 2 Target (October 2008 – September 2009)	MABS-4 End of Project Targets (March 2013)
1. Number of rural bank clients registered to use mobile phone banking services	60,651	New registered users: 2,142	New: 10,000	21.4%	55,000	440,000
		Cumulative: 71,083	Cumulative: 80,000	88.9%	125,000 *	500,000
2. Number of bank branches offering mobile phone banking	330	New: 63	New: 10	630%	30	500
		Cumulative: 413	Cumulative: 350	118%	370 **	
3. Total value of monthly mobile phone banking transactions	PhP132 Million	PhP203 Million	PhP160 Million	126.9%	PhP175 Million	PhP400 million
4. Bank branches offering microinsurance	6	72	9	800%	18	125
5. Active microenterprise clients covered by microinsurance	400	43,608	15,000	290.7%	26,000	150,000

6. Number of bank branches offering micro housing loans		New (Q3-Q2): 2	1	200%	6	50
	NA	6	5	120%	10	
7. Cumulative number of micro housing clients		New (Q3-Q2): 27	30	90%	150	5,000
	NA	48	30	160%	150	
8. Cumulative number of bank branches offering the micro agri-loan product		New (Q3-Q2): 2	2	100%	12	106
	41	49	47	104.2%	57	
9. Cumulative number of new micro agri-loan product clients		New (Q3-Q2): 1,317	1,350	97.5%	5,400	30,000
	9,200	13,018	12,800	101.7%	16,850	

* Figure includes number of clients registered as of April 2008 (60,000)

** Figure includes 330 bank units offering MPBS as of April 2008 (330) and projected additional number of units by September 2008 (10)

KRA2.1 Mobile phone banking services expanded in participating banks

Since 2004, the Program, with support from GXI - a wholly owned subsidiary of Globe Telecom – has been developing and implementing mobile phone banking applications and mobile commerce services for rural banks and their clients. The banks and clients are finding that MPBS offer significant advantages in terms of reduced costs, security and convenience in accessing financial services, and opportunities to expand their business.

For rural banks, mobile phone banking has several advantages since it improves transparency of financial transactions, helps control fraud, and reduces errors associated with cash transactions.

Clients, on the other hand, can now access and manage their financial services needs remotely - receiving loans, making payments and deposits, withdrawing funds from deposit accounts, remitting and receiving money from relatives and friends, and even buying and selling goods using electronic cash and their phones instead of point-of-sale systems. Rural banks can also provide payroll-processing services for small businesses where employees can receive their salaries via their mobile phone wallets.

All of the MABS-developed MPBS have been approved by the BSP. These services include: Text-A-Payment (TAP) for loan payment and collection, Text-A-Remittance (TAR) to cash-in/out remittance locally and abroad, Text-A-Deposit (TAD) for remote deposit mobilization, Text-A-BillPayment (TAB) for remote bills payment, and Text-A-Withdrawal (TAW) to remotely withdraw money from their accounts in the form of

electronic money directly from their savings account to their mobile wallet.

To build a sustainable and robust mobile banking ecosystem requires building the “source” (where cash could be converted to electronic money) and “use” (where electronic money can be used to buy or sell goods and services) components. The commercial viability rests on achieving the desired critical mass of users (both “source” and “use”) of electronic money in any given community. The rural banks that signed up to partner with GXI understand the business potential of being first to provide mobile banking services to their clients. However, the real value of the mobile banking service can only be achieved when the general public has accepted the technology and makes mobile phone banking and mobile commerce a part of their everyday lives. The development and improvement of the mobile phone banking applications developed by MABS is an important and continuous activity to make MPBS and related mobile commerce opportunities an attractive opportunity for the banks and to new and existing clients.

Accomplishments for the Third Quarter:

Task One: Promote MPBS and sign up more users through Globe’s Mobile Phone Banking Marketing Program that runs from May - November, 2008. Six participating banks (PR Bank, 1st Valley Bank, Agri Business Bank, Cantilan Bank, GM Bank and Green Bank) are implementing the program, which aims to generate more MPBS users and transactions. From May to November 2008, participating banks have generated more than 2,000 additional mobile phone banking users. There were also new employees receiving their salaries through GCASH. In addition, preparations and pilot testing of the loan payment reminder via SMS initiative in partnership with a local private partnership between RBAP and local SMS Gateway Content Provider, MyClick Technologies and Yale University’s Innovation for Poverty Action (IPA), called the Text-A-Reminders Project, started registering additional mobile phone banking clients.

In a related development, Globe Telecom gave recognition to ten MABS participating rural banks for their top performance in providing mobile phone banking services for the Filipinos during the 51st RBAP Charter Anniversary Symposium. During the symposium, GXI President Rizza Maniego-Eala said that “rural banks have not only made full use of GCASH but have also developed their own special brand of mobile phone banking services, which include Text-A-Payment, Text-A-Deposit, Text-A-Withdrawal, and Text-A-Sweldo (salary).”

At present, 46 rural banks have already been accredited and registered to offer mobile phone banking with the support of RBAP-MABS. Of these accredited rural banks, 10 were recognized for being the top performers in terms of m-banking transactions using

GCASH during the anniversary symposium. These banks include Rural Banking Corporation (PR Bank), Green Bank, 1st Valley Bank, Cantilan Bank, Bangko Kabayan, Agribusiness Bank, Rang-ay Bank, GM Bank, Rural Bank of Victorias, and Bangko Luzon.

Task Two: Review and process pending applications of rural banks applying for accreditation as MPBS/GCASH partners of RBAP-MABS and Globe. Application of Filipino Savers Bank with 3 branches has been approved and added to the list of banks offering mobile phone banking services.

Task Three: Continue monitoring the Nokia phone financing program - Own-A-Nokia Phone Loan Program - being offered by MABS PBs. Through the facilitation of MABS, RBAP and Nokia signed a Memorandum of Understanding (MOU) to offer a Nokia Phone Financing Scheme through select rural banks in August 2008. Under the RBAP–Nokia agreement, Nokia supported the production of 20,000 educational guides for the clients of rural banks offering the RBAP-MABS Mobile Phone Banking Services. Nokia, through its distributor and retailers nationwide, will offer the “Own-A-Nokia Phone Loan Program”, which will be channeled through the selected rural banks.

MABS PB Bangko Kabayan signed a separate MOA with Nokia to formalize their rollout of the Nokia Phone Financing Program. Bangko Kabayan piloted the program to its 3 branches in July. After a successful pilot in selected branches of Bangko Kabayan, the bank decided to roll it out to 5 more branches. As of December 31, 2008, the bank was able to disburse a total amount of P1.7 Million pesos in loans to 117 borrowers who purchased 169 mobile phones. Nokia Philippines supported the bank’s efforts by producing marketing materials and facilitating partnerships between Bangko Kabayan and the local Nokia distributor. In addition, two more rural banks (Cantilan Bank and Rural Bank of Capalonga) who in the process of completing documentary requirements for these banks to offer the Nokia Phone financing program for clients in their respective markets.

Task Four: Develop the Text Reminder System that will automate sending of loan reminders to borrowers. The customized system, the SMS Banking Informational System, will be available to pilot rural banks to support the expansion of mobile phone banking services. Initially, the Text Reminder Module will be offered to loan borrowers. This pilot will be monitored in collaboration with Innovation for Poverty Action (IPA), a non-profit organization, which will undertake research study. The system will serve as an automated tool to remind clients through SMS or text on amount and due dates of their loan amortization based on parameters set by the bank, MABS and IPA. The study aims to determine clients’ response to automated reminder messages, which in turn will yield useful information to improve the bank’s repayment and collection effort. MyClick Technologies, a local information technology firm, has been tapped to develop the systems for the project.

The project, which is on the beta testing stage, is being piloted to 3 banks: RB Mabitac, Green Bank and 1st Valley Bank. The pilot of this project started in late December and will continue until the middle of 2009. During the pilot test, the team from IPA was able

to send text reminder messages to 41 borrowers of RB Mabitac. Green Bank and 1st Valley Bank are now in the process of installing the File Conversion Utility Program in their pilot branches in order for Micro Banker System's List of Borrowers to be uploaded into the Text Reminder System.

Task Five: Facilitate the signing of the partnership agreement between RBAP and Smart to expand mobile phone banking services to clients of the rural banks who are Smart subscribers. Smart Communications, Inc. (SMART) formally launched its partnership with the RBAP to provide its mobile commerce services to RBAP member banks. The partnership was launched during the 51st RBAP Charter Anniversary held in November 2008. The collaboration between SMART and RBAP will utilize the Smart Money platform to extend fast, secure and accessible mobile-based communication and financial solutions to the growing network of rural banks in the country. The partnership will enable rural bank depositors and borrowers to perform SMART SIM-based financial transactions via mobile phones, including loan disbursement and payments.

As of December, 2008, agreements and forms for rural banks that are interested to offer Smart Money service are being finalized by both parties (RBAP/MABS and Smart) while manuals and internal process procedures are being developed for review by the BSP. More follow-up meetings are scheduled during the first quarter of 2009 with the pilot expected to be launched after BSP at the end of the 1st or beginning of the 2nd quarter of 2009. MABS is also in the process of identifying rural banks to pilot test smart money services.

Activities to be Completed in Fourth Quarter:

Task One. Continue to promote the mobile phone banking marketing program with Globe and other incentive programs for MPBS rollout banks.

Task Two: Work with Smart Communications (Smart) for the expansion of MPBS using Smart Money.

Task Three: Continue to accredit more banks to offer mobile phone banking services. MABS and GXI will conduct a series of MPBS accreditation/training workshops during the next Quarter. MABS will coordinate with RBAP to promote the accreditation/workshop series as part of the line-up of activities during its regional confederation meetings.

Task Four. Conduct a learning/knowledge-sharing conference for mobile phone banking services practitioners. Agenda for the conference include: sharing of experiences and lessons learned by practitioners who are successfully implementing MPBS in their respective banks, presentation of new developments in mobile phone banking technology, workshop aimed at identifying challenges to rollout and implementation, and action planning on how to best address these challenges. All accredited rural banks will be invited to the upcoming Mobile Phone Banking Practitioners Conferences to be held in Manila in February and in Davao in March 2009. These conferences are being organized by MABS with the support of GXI for accredited rural banks and top performing banks

to share ideas and success secrets in implementing mobile phone banking services in the rural areas. This conference aims to increase mobile phone banking transactions as well help banks to increase the number of m-banking clients.

KRA2.2 Microinsurance services offered in participating banks

With more than one million microenterprise borrowers and depositors and coverage across the nation, MABS participating rural banks are seen as strategically positioned to facilitate greater access to microinsurance services. Microinsurance also provides an opportunity for the banks to expand their range of financial services from which they can generate additional revenues. However, MABS sees it as imperative to promote access to quality insurance products by licensed (and regulated) providers who can effectively secure protection for low-income households. Hence, MABS will be promoting the partner-agent model among the banks similar to the ones that MABS supported with Malayan Insurance Company for their microinsurance product *Todo Asenso*.

In the partner-agent model, rural banks enhance access to microinsurance products for the underserved market minus the significant investment in resources necessary for the effective assessment and management of the risks of the insurance. The primary role of rural banks will be to serve as agents for the insurance company which bears the risk of insuring the clients and is responsible for regulatory compliance.

In year 1, MABS will assess the demand for microinsurance, foremost of which are life and hospitalization (health). Insights on the needs and preferences of existing and new clients, particularly women, will be determined through focus group discussions and localized surveys conducted by MABS and the bank staff.

On the supply side, information will be pooled on various insurers' microinsurance products, including details on the types, products, terms, premiums and requirements. It is expected that this will facilitate the creation of healthy competition among insurers subsequent to which is the development of more affordable and better quality insurance products for our micro clients.

Accomplishments for the Third Quarter:

Task One: Draft Memorandum of Understanding to clarify roles and expectations among RBAP, MABS and insurers. MABS adopted a consultative approach in the formulation of the MOU forged between RBAP and the insurance providers. The MOU draft was ultimately approved by RBAP and disseminated for review by insurance providers invited to the project. Finalized were MOUs with five (5) insurance providers while.

Task Two. RBAP-MABS to collaborate with insurers on the conduct of promotional activities to increase effective demand for insurance products among microenterprise clients. Representatives from insurance companies attended the MABS Luzon Regional Roundtable Conference and were on hand to address inquiries from interested rural banks. In addition, MABS assisted RBAP in holding consultative meetings with the BSP and the Insurance Commission of the Philippines to explore how rural banks can more

actively partner with private insurance companies to offer microinsurance services.

Task Three: Create awareness of and promote microinsurance products through conferences, symposia, and promotional materials. MABS attended the RBAP Charter Anniversary Conference to promote its new initiatives, including microinsurance. Brochures and briefers were handed out to rural bank heads; six rural banks indicated interest to offer microinsurance products.

Activities to be completed in the Fourth Quarter:

Task One: Create awareness of and promote microinsurance products through conferences, symposia, and promotional materials. In addition, MABS will be setting up an online resource portal, which will hold detailed information on the various microinsurance products of partner insurance companies.

Task Two: Partnership guidelines drafted to ensure that mutually beneficial relationships be developed between the commercial insurers and rural banks.

Task Three: Continue the dialogue with the Central Bank and the Insurance Commission for the formulation of enabling policies to promote the mainstream distribution of microinsurance through rural banks.

KRA2.3 Microhousing finance services expanded in participating banks

With rapid growth in population in the Philippines, the demand for housing continues to rise. According to the ADB, from 2001-2004, housing need was estimated at 3.6 million units and actual housing provision was just about one-fifth of this total, resulting in a huge unmet demand particularly among the poor and informal sector. Between 2005 and 2010, potential demand is projected to reach 3.76 million units, including housing units for new households of 2.58 million.

Microfinance and housing finance are related by the shared objective of providing access to marginalized groups. Also, since many microenterprises are home-based, microenterprise loans often contribute to home improvements or house construction that also benefits the business. Because of the potential for mutually reinforcing product and service design, it will be beneficial to examine the prospects for providing housing loans using microfinance technologies.

Introducing housing microfinance under MABS -4 will help address the credit demand of microenterprise clients for home improvement purposes and, to a certain extent, the shortage of affordable housing for low income groups. Based on a MABS survey of 210 clients of more than 20 MABS participating banks, close to 40 percent have used part of their loans from the rural bank during the last 12 months for home improvement or repairs. A majority (58%) indicated needing a loan for home repairs and improvement (44%) and for the purchase of a house and/or lot.

MABS will assist rural banks in developing and offering micro housing products to reach 150 clients through at least 10 rural bank branches by the end of September 2009, and

more than 50 branches during the life of the project. Major activities during the Second Quarter under this component include the following:

Accomplishments for the Third Quarter:

Task One: Continue monitoring the pilot test of the Home Improvement Product. As of December 2008, three of the four pilot banks, with six branches, have already disbursed 51 Housing Improvement loans to 48 borrowers,

Task Two: Develop brief generic product manual. Work on the generic housing manual is on its final stages and shall be submitted to the BSP to seek approval of loan amount bigger than the existing microfinance loan ceiling currently at PhP150,000 and longer loan term beyond 12 months for housing microfinance loans to be offered by MABS participating banks.

Tasks to be accomplished in the Fourth Quarter:

Task One: Continue to closely monitor the housing microfinance rollout.

Task Two: Submit formal request to the BSP to approve the Micro Housing Loan Product of RBAP.

Task Three: Document implementation for case studies & product enhancement.

Task Four: Conduct product operations review.

KRA2.4 Micro agri-loan product rollout

Based on the nationwide survey of farmers by the Philippine Agricultural Policy Council (ACPC, 2004-05 survey), three-fourths of farm households depend on crop farming, one-third on livestock raising, while fishing is an additional income source for almost a fifth. The ACPC survey also showed the multiplicity of income sources for farming households, with more than half (52 percent) of these households having other incomes from non-farm sources. In terms of access to formal loans, the surveys found a higher share of 51 percent of all farm loans from formal sources in 2004-05 compared to 38 percent in 1996-97.¹ While access to formal credit by farmers had improved, the unmet farm credit demand remains large. Excluding the livestock sector, ACPC estimated the unmet credit demand of rice, corn and coconut farmers at about US\$1.47 billion. Reducing the gap in supply and demand faces two major challenges: reducing the risk of lending to farmers and reaching those farmers in areas farther away from town centers.

With so much the labor force dependent on agricultural income, access to financial services in this sector is critical. Rural banks are uniquely positioned to serve this market. By incorporating MABS best practices and adjusting loan features to address the flexible

¹ Supplying 20 percent of loans, traders and millers are the single most important source of credit for farm households, 7 percent of loans come from rural banks.

needs of agricultural borrowers, rural banks have become more confident about lending to this sector. More technical assistance, training, and monitoring are needed to increase agricultural lending, and close monitoring will be critical to maintaining portfolio quality.

MABS developed in 2004 an approach to the Micro Agri Credit that essentially utilized the *MABS Approach* in designing and implementing microfinance products. The approach integrates market research, careful product design, pilot testing, and portfolio management. In many ways the MABS-Micro Agri Product approach was different from the traditional agricultural lending. MABS-Micro Agri Loan Product took into account the multiplicity of income from various sources, the ability of farmers to make rationale decisions, and based the provision of credit on the borrower's character and capacity to repay. Determining capacity to repay required an analysis of all farm and non-farm household income. Loan payments were amortized regularly on a weekly, semi-monthly or monthly basis which was aligned with a borrower's cash flow. Borrowers were allowed to pay a partial lump sum to take into account crop or livestock business cycles but the lump sum payment could not exceed 40% of the loan amount. This payment scheme substantially reduced the risks normally associated with the 100% lump sum payment option that banks traditionally used. This new approach to agricultural lending has been quite successful in reaching small farmers while reducing the risk of lending. MABS found that due to the multiple income sources, farmers were willing to pay their loan in frequent installments.

Presently, there are two major challenges in micro agri lending. First: the slow take up of rural banks to offer micro agri loans using the *MABS Approach* for the following reasons: (a) bank's long-standing impression that lending to small farmers remains very risky; (b) the MAP design is similar to the microfinance loan product offered by the banks, and (c) some 26% of the borrowers have used some or all of their loans for farming activities. Another challenge is managing the risk of various calamities (flooding, drought) as well as risks associated with pests and diseases, price, and market risks. The MABS micro agri lending approach addresses some of these challenges because of the inherent risk-mitigating factor associated with the regular amortization payment feature. Banks that implement the *MABS Approach* to micro-agri lending have generally maintained high portfolio quality; and this lesson will be shared and more widely disseminated in order to convince more banks to adopt the *MABS Approach* to micro-agri lending. Also, to differentiate this agricultural lending approach from the microenterprise lending approach, the banks will be encouraged to offer the 60/40 mode of payment. Banks that are implementing 60/40, or some variations of this ratio (Cantilan Bank, Progressive Bank, GM Bank and RB Talisayan) have so far not reported any problems with loan recovery.

To encourage more banks to offer micro agri lending the strategic approaches are outlined below.

- *Focus on rural banks that have the largest potential market for MAP*

This strategy aims to tap new market segments to increase the client outreach of MAP implementing banks. In addition, specific major crop or agricultural produce will

be identified in specific farming localities and such will be subjected to value chain analysis to identify gaps and opportunities for financing. MABS will identify the exact location of small farmers and farmer associations, initially in Mindanao and eventually in other regions of the country that are not affected by typhoons. A market research tool will be refined and market survey activities will be conducted to find out demographics, natural resources, types of agricultural activities, and the capacity of MABS banks in the area. MABS will assist the banks to target the small farmers in their areas and offer MAP. During the first two years of MABS-4, the MABS team will provide additional support to existing participating rural banks that are implementing the MAP and will encourage expansion to more farmers by actively promoting the services offered through existing networks that link to small farmers including larger trading companies and farmer associations.

- *Provide additional technical assistance and training on the MAP*

MABS will target existing MAP implementing banks, particularly the multi-branch banks that continue to commit resources and personnel to MAP. MABS will provide additional technical assistance/training support thru the special activities fund (SAF).

In the first two years of the program, MABS efforts will be directed towards assisting the existing MAP implementing rural banks to rollout the product to other branches while at the same time, encouraging other banks to join the training and implement micro agri loan products.

- *Use technology to expand outreach to small farmers*

This strategy aims to promote mobile phone banking, improve mobile phone banking use, expand coverage to remote agricultural areas, and help the bank and farmers reduce transaction cost.

Using the MABS-designed MPBS, MABS will explore the expansion of MAP payments and disbursements via mobile phone to reach small farmers in rural areas, which will coincide with the expansion of MPBS.

- *Promote knowledge sharing to refine and enhance MAP*

This strategy aims to promote knowledge sharing among stakeholders, support learning to improve the effectiveness and impact of the MAP to rural banks and farmer clients.

MABS will help banks analyze client feedback on the MAP and refine it to meet changing market demand. Using the *MABS Approach* to micro agri-lending, MABS will incorporate lessons learned from client feedback and the experience of banks that have enhanced their MAP services and cascade these lessons learned to other participating banks offering MAP services. Additionally, MABS will continue to participate in initiatives such as the Agricultural Microfinance Research Project, a multisectoral effort that documents innovative agriculture financing schemes.

Accomplishments for the Third Quarter:

Task One: Conduct in-house training for the following rural banks that signified interest to offer and pilot test the MAP in two or more branches: Microfinance staff of MABS participating banks Rural Bank of San Antonio (RBSA) in Lipa, Batangas and Philippine Rural Banking Corporation (PR Bank) in Isabela completed the Program’s new approach to Micro Agri-loan Product (MAP) training in December. The method brings the *MABS Approach to Agricultural Microfinance* to multi-branch rural banks interested in offering MAP. The in-house training included classroom discussions, fieldwork, and discussion-workshop sessions on loan management, loan monitoring, product design, microfinance issues and best practices, and action planning for the actual MAP implementation.

Task Two: Continue to closely monitor the micro agri-loan rollout. As of December 2008, 49 bank units are offering MAP and collectively have 6,904 active borrowers, with an outstanding loan portfolio of more than Php59.6 million. These banks have disbursed more than 29,000 MAP loans totaling more than Php326 million to more than 13,000 new micro agri-loan borrowers.

Activities to be Completed in the Fourth Quarter:

Task One: Identify farmer associations in the MAP banks’ areas of operation and draft a guideline on how to deal with farmer associations. The member of the farmer associations is a segment of the market that the bank can target to expand reach and potentially reduce the cost of search for potential clients in widely dispersed areas.

Task Two: Conduct in-house training for rural banks that signified interest to offer and pilot test the MAP in two or more branches. MABS will train RB Salug Valley and First Isabela Cooperatibe Bank during the next Quarter.

Task Three: Continue to closely monitor the micro agri-loan rollout.

Task Four: Participate in multisectoral efforts that document and share innovations in agricultural microfinance. MABS will continue to participate in micro agri-related multisectoral activities to get the latest update on the best practices in micro agri lending. MABS will also continue to encourage rural banks to participate in such activities or join cross-visits to other successful MAP-implementing rural banks.

Key Result Area 3: Sharing of lessons learned with global practitioners

Table 3: KRA3 Targets

Targets
1. 12 news items/articles released by end of Year 1.
2. 60 articles in local and international media by end of project.

- | |
|--|
| 3. 4 national roundtables organized and participation in 20 international conferences by the end of the project. |
|--|

KRA3.1 Participating banks encouraged and assisted in adhering to MABS best practices

MABS will ensure that all participating banks not only adhere to best practices but also, institutionalize these best practices in their operations and in the long term, make modifications and enhancements as suited. To achieve this, MABS will make use of the following:

- *Continuously promote the adoption and observance of the MABS-EAGLE Assessment system as a tool in improving the banks' microfinance operations*

The EAGLE (Efficiency, Asset Quality, Growth, Liability Structure, and Earnings) assessment system is one of the Program's major services that is highly appreciated and anticipated by PBs. Conducted by the MABS staff on a yearly basis, the assessment makes use of 11 indicators for efficiency, asset quality, growth in outreach and portfolio, liability structure, and earnings to determine how the banks are implementing their microfinance services. The results of the EAGLE assessment is issued to the PBs in a scorecard format and accompanied with a written analysis and recommendations for improvement.

Banks that merit the highest assessment of AA are recognized and feted during an awards ceremony coinciding with the holding of the MABS National Roundtable Conference.

Starting this year, MABS intend to release a mid-year (July to June) and annual (January to December) result of the EAGLE assessment system.

- *Increase awareness of participant banks in latest trends and innovations in microfinance through national and regional roundtable conferences*

MABS will continue to hold the yearly National Roundtable Conference for MABS PBs. The National Roundtable serves as a venue for sharing best practices and innovations in microfinance - both local and international - from which PBs could learn. The National Roundtable Conference also serves as a forum for presenting and discussing the annual results and performance status of the microfinance operations of MABS PBs. The conference is normally held in the first or second quarter of the calendar year, with senior and middle management officers and microfinance supervisors of PBs in attendance.

During the National Roundtable, the MABS technical staff will engage the PBs in a one-on-one discussion of the results of EAGLE assessment of their microfinance operations, highlighting its strengths and weaknesses and providing recommendations.

The Regional Roundtable Conferences are similar to the national roundtable conference with a focus on PBs by island grouping (Luzon-Visayas and Mindanao). The Regional Roundtable serves also as a venue for sharing best practices and innovations in

microfinance - both local and international - from which the PBs could learn. The Regional Roundtable Conference, normally held in the last quarter of the calendar year, also serves as a forum for presenting and discussing the annual results and performance status of the microfinance operations of the MABS PBs.

During the Regional Roundtable, the MABS technical staff will engage the PBs in a one-on-one discussion of the mid-year results of EAGLE assessment of their microfinance operations, highlighting their strengths and weaknesses and providing recommendations.

Activities Completed in the Third Quarter:

Task One: Conduct Regional Roundtable Conferences. A total of 109 rural bank executives from 49 MABS Program participating banks joined the MABS Regional Round Table (RRT) Meetings for Luzon and Visayas, which was held in Manila, and for Mindanao, which was held in Davao City. This year's RRT theme is *MABS-4: Taking Microfinance to the Next Level*. Discussions covered the prospects and challenges of MABS PBs in the evolving microfinance landscape.

Representatives from partner agencies: USAID Office of Economic Development and Governance Head Christian Hougen, USAID Philippines Project Management Specialist Teresita Espenilla, RBAP President Tomas Gomez IV, Nokia Philippines Go-To-Market Head Rhomel Marcojos, Bangko Sentral ng Pilipinas (BSP) Head of Inclusive Finance Advocacy Pia Bernadette Roman, and MicroFinanza Rating Agency Senior Financial Analysts Marco Boa and Ainur Turgunbaeva presented during the RRTs to share their perspectives and continuing support for MABS in expanding microfinance services in the Philippines. As part of the MABS RRT, the PBs were evaluated based on the MABS-developed EAGLE assessment system reflecting international microfinance standards.

Task Two: Issue compliance certifications to MSP-trained banks. Three PBs received compliance certifications during the Quarter: RB San Jacinto, RB Bagac, and RB Sipocot. Compliance certifications are given to PBs trained by MABS Service Providers (MSPs) – organizations trained and licensed to rollout *MABS Approach* Training and Technical Services – that meet bank wide and MF specific indicators.

Activities to be Completed in the Fourth Quarter:

Task One: Finalize the EAGLE Ratings for participating banks' 2007 microfinance operations performances.

KRA3.2 Public awareness of RBAP-MABS widespread

MABS carries out a communications program primarily aimed at ensuring continued, wide-scale public awareness of the Program by providing information on the Program's activities and accomplishments. MABS uses and develops communications tools that are designed to effectively address the information needs of specific and previously identified audience groups. These are delivered through the appropriate channels: print media, videos, and the Program's website - www.rbapmabs.org, and the RBAP Mobile Phone Banking website, www.mobilephonebanking.rbap.org.

Accomplishments for the Third Quarter:

Task One: Write articles and press releases on the Program's work, achievements, and impact and publish in newspapers, magazines, and online media. As of December 2008, eighty-four (84) articles on the MABS Program have been published on major broadsheets and online publications.

Task Two: Re-design www.rbapmabs.org website and establish a blog to provide and share regular updates for each of the various practice areas. MABS completed preliminary work for the update and re-design of www.rbapmabs.org, including drafting the proposal for the design and layout and distribution of requests for proposal to qualified vendors.

The MABS blog at <http://rbapmabs.wordpress.com> is still on beta test. The blog will feature tips and field and practitioner experience shared by the MABS technical staff written in Web log (journal) format.

Task Three: Provide updates to RBAP's Mobile Phone Banking website, www.mobilephonebanking.rbap.org.

Activities to be Completed in the Fourth Quarter:

Task One: Write articles and press releases on the Program's work, achievements, and impact and publish in newspapers, magazines, and online media.

Task Two: Re-design www.rbapmabs.org website and establish a blog to provide and share regular updates for each of the Program practice areas.

Task Three: Provide updates to RBAP's Mobile Phone Banking website, www.mobilephonebanking.rbap.org.

KRA3.3 Key organizations knowledgeable of MABS accomplishments and lessons learned

The Program will also sustain initiatives to link rural banks with other established local and international institutions whose work primarily focus on microfinance, and who share the common objective of promoting financial transparency and improving microfinance performance monitoring and benchmarking in the Philippines. These institutions include the local Microfinance Council of the Philippines (MCPI), Microfinance Information Exchange (MIX), the Micro Banking Bulletin (MBB), Innovations for Poverty Action (IPA), Microfinance Innovation Center for Resources and Alternatives, Citi Foundation, the World Bank supported Consultative Group to Assist the Poor (CGAP), ACCION, Women's World Banking (WWB), Banking with the Poor Network (BWTP), *MicroSave*, and others. In particular, MABS will continue to compile and submit various reports to them containing detailed information on the performance of banks participating in the MABS Program on an annual basis.

Accomplishments for the Third Quarter:

Task One: Establish presence and increase visibility through participation in conferences/events promoting microfinance and international study tours. Brig. Gen. Charles Y. Hotchkiss (Ret.), the Executive Committee Chairman of MABS PB Cantilan Bank was a panelist for the mobile banking session of the Microfinance and New Technologies (MFNT) Conference organized by PlaNet Finance, a Paris-based microfinance technical services provider that aims to help alleviate poverty worldwide through the development of microfinance. The conference was held in October in New Delhi, India.

MABS hosted a study group composed of officers from Colombia banks and other financial institutions. Because the rollout of mobile phone banking services is still at its initial stage in Colombia, the study tour aimed to expand and deepen implementation in their country. The exposure/study visit was organized by USAID/Colombia's More Investment for Sustainable Development (MIDAS), a program which provides technical assistance to banks engaged in offering microfinance services in Colombia.

The technological innovations and best practices on microfinance of the Program were highlighted during October and December 2008 exposure visits of representatives from India's National Bank for Agriculture and Rural Development (NABARD). MABS highlighted the *MABS Approach* to microfinance, mobile phone banking for microfinance clients, and the importance of adopting a market-driven approach to developing and offering microfinance services. This is the second group from NABARD to arrange an exposure visit with the MABS Program.

Task Two. Recognize MABS PB Clients Awarded as Outstanding Microentrepreneurs in the 2008 Citi Microentrepreneur of the Year (MOTY) Awards. The two top awardees for the 2008 MOTY Awards are microenterprise borrowers of MABS PBs. In addition, one regional winner and two special awardees likewise were clients of MABS participating banks.

Estela Lagunzad of Tacloban City was declared the "Masikap" National Awardee. A loan client of Rural Bank of Dulag in Leyte, she is now the successful owner of a retail store, an eatery, and of a nursing cap manufacturing business. She employs 20 workers and manages the Rondayan Kids Band, whose three members are her own kids. She profits approximately Php 800,000 per year. Meanwhile, Anunciacion Santillan of Bantayan Island was pronounced the "Maunlad" National Awardee. Before she became a loan client of First Agro-Industrial Rural Bank (FAIR Bank) in Cebu, she was a struggling sidewalk vendor using a folding bed as her stall. She now owns three retail stalls with monthly sales of more than Php 100,000. She employs nine workers and has recently put up a hog-raising business.

Other winners from MABS participating rural banks include Cerilo Delfin of Alicia, Isabela (Luzon Regional Winner – Masikap), a "puto" and "kutsinta" manufacturer and a client of the First Isabela Cooperative Bank (FICOBank); Julito Malinao of Bogo City, Cebu (Special Award – Masikap) who is also a client of FAIR Bank and is a former

OFW who now owns and manages the biggest and most popular beauty salon and spa in Bogo; and Elinio Andres of Nasugbu, Batangas (Special Award – Masikap) who is a client of Bangko Kabayan. Mr. Andres is a diligent traveling salesman and an avid mobile phone banking client who uses the bank’s Text-A-Payment service to pay his loans via GCASH. He also trains and assists other clients in using mobile phone banking services.

The MOTY, on its sixth run this year, is an awards programme that recognizes outstanding Filipino microentrepreneurs and at the same time, creates and promotes public awareness of microfinance. Since 2002, when First Isabela Cooperative Bank client Josephine Alima was named the National Awardee for the Maunlad Award, MABS PB clients have constantly bagged major awards.

Activities to be Completed in Fourth Quarter:

Task One: Establish presence and increase visibility through participation in conferences/other events promoting microfinance and study tours. The Program will share lessons learned from and pioneering expertise on mobile phone banking in a series of forums and conferences in Colombia, Washington, Manila, and Davao in the next Quarter. The role of m-banking in providing microfinance services to conflict and poverty-afflicted communities around the world will be highlighted at the “International Symposium on Microfinance as a Tool for Peace-building”, which will be held in Cali, Colombia in January 2009.

MABS will also give a presentation entitled “Developing Private Partnerships to Support Mobile Phone Banking Services for Low Income Households in the Philippines” to representatives from USAID Washington, Chemonics International, and numerous private sector agencies in January 2009.

MABS will also share an update entitled “Mobile Phone Banking and Mobile Commerce Opportunities for Microenterprise Clients” at the Joint Microfinance Conference and Open-Space Interaction on March 10, 2009 in Manila and will present an update during the Mindanao Rural Bankers Conference in Davao on March 19-20, 2009.

d. Performance

Table 4: MABS-4 Targets vs. December 2008 Results

Performance Indicators	Baseline Data from MABS-3 (As of April 2008)	Quarter 3 Actual	Quarter 3 Target (October - December 2008)	December 2008 Result as % of Quarterly Target	Year 2 Target (October 2008 – September 2009)	MABS-4 End of Project Targets (March 2013)
1. Over 200 additional bank branches	320*	New: 9	5	180%	40	200 additional bank branches
		Cumulative: 342	335	102%	370	
Other Banking Offices**		New: 141				
2. 375,000 new micro-borrowers	499,604	New: 28,842	15,000	192.2%	60,000	375,000 new micro-borrowers
		Cumulative: 557,496	545,000	107.8%	590,000	
3. PhP20 billion in micro-loans disbursed	PhP18.27 billion (B)	New: PhP1.41 B	1.25B	112.8%	PhP4.5B	PhP20 billion in micro-loans disbursed (over US\$500 million)
		Cumulative: PhP22.16 B	PhP20.95 B	105.7%	PhP 24.47B	
4. 1,700,000 Outstanding Micro-Deposit Accounts ***	1,339,435	Increase (Q3-Q2): 12,894	20,000	64.47%	50,565	1,700,000
		Outstanding: 1,424,111	1,400,000	101.7%	1,390,000	

*These figures include active MABS participating bank branches

** Other Bank Offices are now being tracked due to the ability of the participating rural banks to directly offer the same microfinance services as they do in their branches

*** While the performance indicator for deposits was not listed in the USAID contract, it was included here for the purposes of tracking the progress of banks to expand micro deposit services.

5. Number of rural bank clients registered to use mobile phone banking services	60,651	New registered users: 2,142	New: 10,000	21.4%	55,000	500,000
		Cumulative: 71,083	Cumulative: 80,000	88.9%	125,000	
6. Number of bank branches offering mobile phone banking	330	New: 63	New: 10	630%	30	500
		Cumulative: 413	Cumulative: 350	102.9%	370 **	
7. Total value of monthly mobile phone banking transactions	PhP132 Million	Php203 Million	PhP165 Million	126.9%	PhP175 Million	PhP400 million
8. Bank branches offering microinsurance		New (Q3-Q2): 7	3	233%		
	6	72	9	800%	9	125
9. Active microenterprise clients covered by microinsurance	400	43,608	15,000	290.7%	15,000	150,000
10. Number of bank branches offering micro housing loans	NA	6	5	120%	6	50
11. Cumulative number of micro housing clients	NA		0	NA	0	5,000
12. Cumulative number of bank branches offering the micro agri-loan product	41	49	47	104.2%	57	106
13. Cumulative number of new micro agri-loan product clients	9,200	13,018	12,800	101.7%	16,850	30,000

Administrative Information

Table 5: Project Fund Status: October 1 – December 31, 2008

Project Fund Status			
As of the Quarter Ended December 31, 2008			
Total Estimated Cost			\$ 9,673,859.00
Total Obligated Cost			\$ 2,098,792.00
1. Expenditures October 1 to December 31, 2008			\$ 463,808.94
2. Cumulative Expenditures Through December 31, 2008			\$ 1,116,916.51
3. Fund Balance December 31, 2008			\$ 981,875.49

Special Activities Fund (SAF) Requests Approved during the Quarter:

No SAF Requests for the 3rd Quarter.

Philippines Microenterprise Access to Banking Services
 Chemonics International Inc.
 Contract no. EEM-I-00-07-00008-00
 Quarter Number 2, September 30, 2008
 Special Activities Fund - In USD

SAF	Title	Results	Date Approved	Status	Budgeted Amount	Quarter 1				Expenses	Budget	Budget	Quarter 2				Expense	Budget	Budget	Cumulative Invoiced
						To Date	Remaining	Overruns	To Date	Remaining	Overruns	To Date	Remaining	Overruns	To Date	Remaining	Overruns			
																		Invoice 01	Invoice 02	
Apr-12	May-12	Jun-12	Total	Quarter 1	Jul-12	Aug-12	Sep-12	Total	Quarter 2											
	Grant Programs																			
1	Global Summit for Women	Attended by Tess Ganzon of Bangko Kabayan	5/23/2008	Open	\$ 2,353.52	\$ 821.83		\$ 821.83	\$ 821.83	\$ 1,531.69	\$ -	\$ 1,328.39			\$ 1,328.39	\$ 2,150.22	\$ 203.30	\$ -	\$ 2,150.22	
SUBTOTAL					\$ 2,353.52	\$ -	\$ 821.83	\$ -	\$ 821.83	\$ 821.83	\$ 1,531.69	\$ -	\$ 1,328.39	\$ -	\$ -	\$ 1,328.39	\$ 2,150.22	\$ 203.30	\$ -	\$ 2,150.22
																				\$ -
General & Administrative Costs						\$ 41.09		\$ 41.09	\$ 41.09				\$ 66.42		\$ 66.42	\$ 107.51				\$ 107.51
GRAND TOTAL					\$ 2,353.52	\$ -	\$ 862.92	\$ -	\$ 862.92	\$ 862.92			\$ 1,394.81	\$ -	\$ -	\$ 1,394.81	\$ 2,257.73			\$ 2,257.73

MABS Philippines Home Office Reports Tracker					
Contract No. Contract No. EEM-I-00-07-00008					
Technical Deliverables	Submitted By	Report Date	Submitted to CDIE	HO Electronic Files	HO Hard Copy
Work Plans	Submitted By	Report Date	Submitted to CDIE	HO Electronic Files	HO Hard Copy
Years 1 & 2 Work Plan (May 1- Sep 30, 2008 and Oct.1, 2008 - Sep.30, 2009)	Chemonics International	Jun-12	Yes	Yes	Yes
Quarterly Progress Reports	Submitted By	Report Date	Submitted to CDIE	HO Electronic Files	HO Hard Copy
Quarterly Performance Monitoring Report (First)	Chemonics International	August-08	Yes	Yes	Yes
Quarterly Performance Monitoring Report (Second)	Chemonics International	November-08	Yes	Yes	Yes

MICROENTERPRISE ACCESS TO BANKING SERVICES PHASE 4 (MABS-4) PROGRAM OCTOBER 2008 HIGHLIGHTS

PGMA Signs Credit Information Act

The Credit Information Act or RA 9510 was signed into law by President Gloria Macapagal-Arroyo on October 31, 2008. The law mandates the establishment of the Central Credit Information Corporation (CCIC), which will gather information from financial institutions and consolidate them into a centralized system. The system will help address the lack of reliable information on the credit standing of borrowers, thus will be useful in creditworthiness checks and in facilitating decisions of financial institutions. A good and efficient credit information system will help lower credit risk thus will also help lower the cost of financing and interest rates.

The establishment of CCIC would provide microentrepreneurs easier access to funds. The Microenterprise Access to Banking Services (MABS) Program has, for the past five years, provided technical assistance to the Rural Bankers Association of the Philippines (RBAP) to support the passage of RA 9510.

USAID Visit MABS Participating Banks and Clients in Mindanao

USAID Head of the Office of Economic Development and Governance (OEDG) Christian Hougen and USAID Philippines Project Management Specialist Teresita Espenilla conducted an exposure visit to MABS participating banks (PBs) and microfinance clients in Mindanao on October 16-17, 2008. The PBs visited were Green Bank in Butuan City and Cantilan Bank in Surigao del Sur.

The visit to the banks was aimed at experiencing personally the services being provided by the PBs and reviewing their performance in relation to the banks' microfinance programs and activities. The visit to micro loan clients, on the other hand, helped in understanding the microenterprise sector through firsthand knowledge on the demographics and profiles of clients being served by the banks.



USAID OEDG Head Christian Hougen tries his hand at mobile phone banking using SMS through the GCASH platform. Mr. Hougen opened his first rural bank account and sent his first deposit using the Text-A-Deposit service offered by Cantilan Bank in Surigao del Sur.



RBAP President Tomas Gomez IV (front, center) and MABS Chief of Party John Owens (back, center) with the Colombian microfinance exposure trip delegation as organized by USAID/Colombia's MIDAS program.

Colombians Learn Mobile Phone Banking from the Philippine Experience

October 20, 2008 – As a pioneer in mobile phone banking for microfinance, MABS shared the Program's firsthand knowledge and experience with a Colombian delegation. Colombian banks and other financial institutions have just recently offered mobile phone banking and wanted to expand and deepen its implementation in the country. The exposure and study visit was organized by USAID/Colombia's More Investment for Sustainable Development (MIDAS), a program which provides technical assistance to banks engaged in offering microfinance services in Colombia.

The study group consisted of microfinance, banking, and technology experts from the Colombian Ministry of Finance; Banca de las Oportunidades; the Compartel program of the country's Ministry of Telecommunications; Credibanco, which operates Visa in Colombia; Redeban, which operates the country's Mastercard franchise; the Bankers Association of Colombia; and Bancolombia, which is the country's largest bank.

Cantilan Bank highlights MABS Mobile Phone Banking Services during PlaNet Finance Conference in India

Brig. Gen. Charles Y. Hotchkiss (Ret.), the EXECOM Chair of MABS participating bank Cantilan Bank, participated as a panelist for the mobile banking session of the Microfinance and New Technologies (MFNT) Conference organized by PlaNet Finance, a Paris-based microfinance technical services provider that aims to help alleviate poverty worldwide through the development of microfinance.

Held on October 21-22, 2008 in New Delhi, India, the conference discussed how the use of information and communications technology (ICT) can benefit the microfinance industry. The highlights of the conference can be found on the [Microfinance Insights blog](#).

MICROENTERPRISE ACCESS TO BANKING SERVICES PHASE 4 (MABS-4) PROGRAM OCTOBER 2008 HIGHLIGHTS



Bangko Kabayan micro loan client Virginia Dimayuga, 2007 Citigroup Microentrepreneur of the Year (MOTY) Awards Luzon Regional Winner for the *Masikap* Category, owns and operates a banana chips manufacturing business.

USAID Rep Visits MABS Participating Banks and Microfinance Clients in Luzon

USAID Philippines Project Management Specialist Teresita Espenilla conducted an exposure visit to MABS participating banks (PBs) and microfinance clients in Luzon on October 21-22, 2008. The PBs visited were the Rural Bank of Mabitac in Laguna and Bangko Kabayan in Batangas.

The visit to the banks was aimed at reviewing the PBs' performance in relation to their microfinance programs and activities. The visit to micro loan clients also helped USAID understand the types of clients being reached and the effectiveness of the finance services being offered to this sector.

MABS Featured in NABARD Reps Exposure Visit to the Philippines

The technological innovations and best practices on microfinance of USAID's Microfinance Access to Banking Services (MABS) Program were showcased in the October 15, 2008 exposure visit of representatives from India's National Bank for Agriculture and Rural Development (NABARD). MABS briefing highlighted the MABS Approach to microfinance, mobile phone banking for microfinance clients, and the importance of adopting a market-driven approach to developing and offering microfinance services. This is the second group from NABARD to arrange an exposure visit with the MABS Program.

MEET OUR CLIENT JENNILYN ANTONIO: Spreading Her Peanut Butter's Sweet Success

Jennilyn Antonio became a MABS client in 2004 when she applied for a micro loan with MABS participating bank Rural Bank of Mabitac (RB Mabitac) in Cabuyao, Laguna. Her first loan of Php 30,000 was used to buy a peanut grinder for her startup business of homemade peanut butter. Later on, her succeeding loans of Php 30,000 (second), Php 50,000 (third to sixth), and Php 100,000 (seventh) were all approved and repaid 100% on time. All her loans were invested in their business, which saw significant results.

By 2004, her product and brand Ehje's Peanut Butter was established and approved by the Bureau of Food and Drugs. In 2005, the business reached gross sales of Php 3.6M and a profit of Php 555,000 (50% of which was reinvested in the business). By 2006, the assets of the business reached a market value of Php 989,000. Also in that year, the business was already employing six workers and an accountant, besides the Antonio couple and their four kids who were helping out in the business.

Due to the remarkable success of the business, Jennilyn Antonio was recognized as the *Maunlad* category top winner in the 2006 Citigroup Microentrepreneur of the Year (MOTY) Awards. The MOTY Awards is a joint undertaking of Citigroup, the Microfinance Council of the Philippines, Inc., and the Bangko Sentral ng Pilipinas (BSP). In addition to this, her product label (produced by KimBells pack, Inc.) won first prize in the International Category of the 2006 Awards Competition sponsored by the Tag & Label Manufacturers Institute (TLMI) in the United States. Mrs. Antonio was also featured in *Go Negosyo* and in *Masigasig* Magazine of Globe Telecom, Inc.

At present, the Antonio family's peanut butter business processes tons of dried peanuts per month and averages Php 2M of gross sales. Ehje's Peanut Butter is now being supplied to two big bakery chains and a supermarket operating in the Greater Manila Area. Likewise, there is an offer for the product to be distributed in Japan.



RB Mabitac (Cabuyao, Laguna) micro loan client Jennilyn Antonio at her home, which doubles as a manufacturing facility for homemade peanut butter.

MICROENTERPRISE ACCESS TO BANKING SERVICES PHASE 4 (MABS-4) PROGRAM NOVEMBER 2008 HIGHLIGHTS



US Ambassador to the Philippines Kristie A. Kenney at the 51st Charter Anniversary Symposium of RBAP

Historic RBAP 51st Charter Symposium Highlights Use of Technology in Rural Banking

US Ambassador to the Philippines Kristie A. Kenney spoke of the US elections, rural banking, microfinance, and technological innovations at the 51st Charter Anniversary Symposium of the Rural Bankers Association of the Philippines (RBAP) held last November 18-19, 2008 in Manila. In line with the latest trends and developments in rural banking, the theme of this year's RBAP event was "Banking on Technology".

The RBAP symposium gathers the Association's member rural banks every year since RBAP's establishment in 1957. The annual symposium has now evolved into a forum for learning and knowledge sharing, showcasing the latest banking and technology innovations and providing updates from and on RBAP's institutional partners, the private sector, and the government.

Ambassador Kenney said, "Rural banks are now recognized as the primary providers of financial services to micro and small enterprises in the Philippines." She expounded that not only are the rural banks "providing outstanding service to clients, but [they] have gained a global reputation for innovation and excellence."

Globe Recognizes Top-Performing MABS Participating Rural Banks Offering Mobile Phone Banking Services

Ten participating rural banks of USAID's Microenterprise Access to Banking Services (MABS) Program were recognized for their top performance in providing mobile phone banking services for the Filipinos during the 51st RBAP Charter Anniversary Symposium.

A Filipino innovation, mobile phone banking for Globe subscribers of rural banks was developed and implemented with the support from MABS in partnership with RBAP and Globe Telecom's G-Xchange Inc. (GX) and its innovative GCASH platform. GXI President Rizza Maniego-Eala said that rural banks have now developed their own special brand of mobile phone banking services, which include Text-A-Payment, Text-A-Deposit, Text-A-Withdrawal, and Text-A-Sweldo (salary).

At present, 43 rural banks have already been accredited and registered to offer m-banking with the support of RBAP-MABS. Of these accredited rural banks, 10 were recognized for being the top performers in terms of m-banking transactions using GCASH. Globe Chairman Jaime Zobel de Ayala II presented the awards to Philippine Rural Banking Corporation (PR Bank), Green Bank, 1st Valley Bank, Cantilan Bank, Bangko Kabayan, Agribusiness Bank, Rang-ay Bank, GM Bank, Rural Bank of Victorias, and Bangko Luzon.

MABS Participating Rural Bankers Meet at MABS 2008 Regional Round Table Meetings

A total of 109 rural bank executives from 49 participating banks (PBs) of the MABS Program joined the MABS Regional Round Table (RRT) Meetings for Luzon and Visayas, which was held in Manila, and for Mindanao, which was held in Davao City. This year's RRT theme is MABS-4: Taking Microfinance to the Next Level. Discussions covered the prospects and challenges of MABS PBs in the evolving microfinance landscape.

Representatives from partner agencies, USAID OEDG Head Christian Hougen, USAID Philippines CTO Teresita Espenilla, RBAP President Tomas Gomez IV, Nokia Philippines Go-To-Market Head Rhomel Marcojos, Bangko Sentral ng Pilipinas (BSP) Head of Inclusive Finance Advocacy Pia Bernadette Roman, and MicroFinanza Rating Agency Senior Financial Analysts Marco Boa and Ainur Turgunbaeva presented during the RRTs to share their perspectives and continuing support for MABS in expanding microfinance services in the Philippines.

As part of the MABS RRT, the PBs were evaluated based on the MABS-developed EAGLE assessment system reflecting international microfinance standards.

MABS Set to Expand Mobile Phone Banking Services by Supporting New RBAP-SMART Private Partnership



RBAP and SMART formally seal m-banking partnership: (L-R) John V. Owens (MABS Chief of Party); Francis S. Ganzon (RBRDFI Chairman); Tomas S. Gomez IV (RBAP President); Reynante S. Banico (Head, SMART Services Hub, SMART); Anna Marie A. Cruz (Head, Domestic Alliance, Financial Services, SMART); and Jon D. Lindborg (USAID Philippines Mission Director).

MICROENTERPRISE ACCESS TO BANKING SERVICES PHASE 4 (MABS-4) PROGRAM NOVEMBER 2008 HIGHLIGHTS

With the support of MABS, RBAP launched its partnership with Smart Communications, Inc. (SMART) during the 51st RBAP Charter Anniversary. Through the RBAP-SMART partnership and the technical and promotional assistance from MABS, rural banks in the Philippines will soon be able to extend m-banking services to SMART subscribers using SMART Money.

SMART is currently the largest mobile network operator in the Philippines with close to 35 million subscribers. When combined with the 25 million Globe subscribers now availing of m-banking services using the GCASH platform, the number of potential clients that can be reached by rural banks is almost 60 million, almost double the number of clients with banking services in the entire country and ten times more than the number of deposit accounts now being managed by rural banks in the Philippines.

SMART Money is the world's first reloadable electronic wallet card linked to a mobile phone. Rural bank clients, who are SMART subscribers, can soon avail of secure and accessible mobile-based communication and financial solutions anytime and anywhere at the speed of a text message.

MABS Participating Bank Microenterprise Clients Recognized in the 2008 Citi Microentrepreneur of the Year Awards

The two national awardees for the 2008 Citi Microentrepreneur of the Year (MOTY) Awards are microenterprise borrowers of MABS PBs. In addition, one regional winner and two special awardees likewise are MABS PB clients.

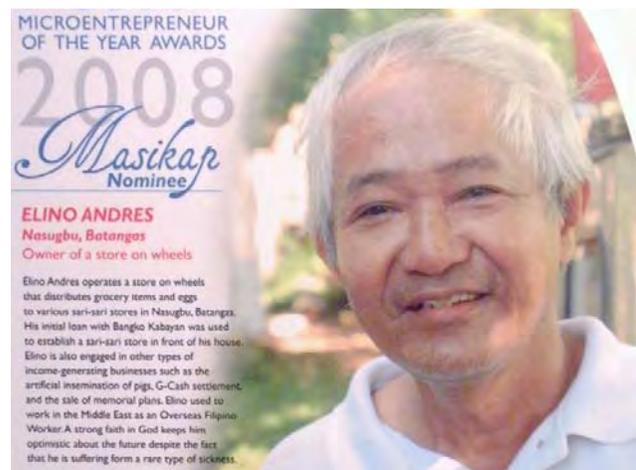
Estela Lagunzad of Tacloban City was declared the "Masikap" National Awardee. A loan client of Rural Bank of Dulag in Leyte, she is now the successful owner of a retail store, an eatery, and of a nursing cap manufacturing business. Anunciacion Santillan of Bantayan Island was pronounced the "Maunlad" National Awardee. Before she became a loan client of First Agro-Industrial Rural Bank (FAIR Bank) in Cebu, she was a struggling sidewalk vendor using a folding bed as her stall. She now owns three retail stalls with monthly sales of more than Php 100,000.



The small business owners in their big moment at the 2008 Citi MOTY Awards held in Manila.

MEET OUR CLIENT ELINO ANDRES: Will on Wheels

Mr. Elinio Andres is a former overseas Filipino worker (OFW) who, upon his return home, tried his hand on entrepreneurship. He started by driving a jeepney from which his income proved inadequate, so he shifted to selling fish in the public market. Being naturally charismatic, Mr. Andres accumulated a number of loyal patrons or "suki" who he later discovered were into the poultry business. He took advantage of this connection and started peddling eggs using a motorcycle and a couple of coolers.



Mr. Elinio Andres won a Special Award for "exploring new opportunities despite a rare illness" at the 2008 Citi MOTY Awards

Later on, Mr. Andres joined Nestlé's "Business on Wheels" project, where he was provided with a tricycle for use in peddling Nestlé products. Having a bigger and better transport at his disposal allowed Mr. Andres to sell the Nestlé products and eggs as well. When the Nestlé project ended, he returned the vehicle to the company, sold his old motorbike, and bought his own tricycle. His mobile store for Nestlé products, eggs, and grocery items was realized and finally rolling. Mr. Andres innovated even more by using "Text Mo, Deliver Ko" to better serve his customers. This involved placing orders through text and door-to-door product delivery. He is now able to reach more customers, even from the far-flung barangays of Nasugbu, whose groceries are delivered right at their doorsteps.

In December 2006, Mr. Andres was introduced to Bangko Kabayan. He got his first loan of Php 5,000 and used it to fund the construction of a concrete retail store. To further diversify his business, he added artificial insemination of pigs and now trains and provides a steady supply of GCASH for clients paying the bank via Text-A-Payment. He is also planning to open a retail stall in the public market soon. Aside from his steadily growing business, he is likewise able to send his daughter to college and can now provide financial support for his family.

Mr. Andres's success story becomes even more significant when one discovers that he is suffering from a rare cancer of the blood. How does a small businessman survive such a condition, which entails a monthly medication worth Php 100,000? Fortunately, his doctor registered him with a US-based foundation that now supplies him with his much-needed medicines so he can continue to live, move forward, and prosper.

MICROENTERPRISE ACCESS TO BANKING SERVICES PHASE 4 (MABS-4) PROGRAM DECEMBER 2008 HIGHLIGHTS

MABS Initiatives Highlighted in NABARD Reps Study Visit to the Philippines

The USAID Microenterprise Access to Banking Services (MABS) Program shared new field experiences, knowledge gained, and technological innovations to representatives of India's National Bank for Agriculture and Rural Development (NABARD), the Andhra Bank, and the Small Industries Development Bank of India (SIDBI) in their December 2, 2008 study visit to the Philippines. MABS Chief of Party John Owens presented to the group vital developments on MABS Approach to microfinance, mobile phone banking for microenterprise loan clients, and market-driven approach to developing and offering microfinance services. This is the third group from NABARD to conduct a study visit to the MABS Program.

Rural Bankers Undergo New MABS Approach to Agricultural Microfinance

Eleven bank executives from MABS participating bank Rural Bank of San Antonio (RBSA) in Lipa, Batangas, underwent the Program's new approach to Micro Agri-loan Product (MAP) training in December 2-4, 2008. The method brings the *MABS Approach* to Agricultural Microfinance to multi-branch rural banks interested in offering MAP. The in-house training included classroom discussions, fieldwork, and discussion-workshop sessions on loan management, loan monitoring, product design, microfinance issues and best practices, and action planning for the actual MAP implementation.



MABS technical specialists share new agricultural microfinance best practices and methods to bank executives from RBSA

MEET OUR CLIENT ANUNCIACION SANTILLAN: A Downpour of Blessings from Dry Goods Retailing

In 1999, Anunciacion Santillan used a mere folding bed along the sidewalk as display area for the dry goods she sold. Back then, life was not easy – she and her husband worked hard but still earned barely enough for themselves. Less than a decade after, she now



Anunciacion Santillan won the National Award under the Maunlad category in the 2008 Citi MOTY Awards

The change for the better was not entirely miraculous but was borne of more hard work, perseverance, financial discipline, and a little outside help.

Year 2003 became a crossroad for the Santillans when they discovered First Agri-Industrial Rural Bank (FAIR Bank) in Cebu. Mrs. Santillan's first loan, which amounted to Php 20,000, was used to augment her savings to be used as business capital. A bigger capital meant more items to sell, thus more opportunities for profit.

Since then, Mrs. Santillan has maintained an excellent client standing with FAIR Bank, having released her 11th loan cycle of Php 80,000 in May 2008. Year by year, her sales and profit grew. At present, she accumulates yearly gross sales of approximately Php 9 million and earns an annual profit of around Php 600,000.

With her earnings, she was able to finance the renovation of the family house, buy a car and a motorbike, furnish their home with needed furniture and appliances, and save up through a time deposit. She was likewise able to expand to a hog-raising business with around a hundred pigs in her piggery.

On top of these, the combined businesses are able to employ nine people, two of whom are her niece and nephew who are now able to go to school with their own wages. The businesses have become not just a source of blessing for the Santillans but for their family and community as well.

Anunciacion Santillan is more than happy to share not just her blessings, but her success story as well. She hopes that with it, other people will be inspired to try harder and succeed, knowing



that they too just a decade ago, had come from humble sidewalk beginnings.

**MICROENTERPRISE ACCESS TO BANKING SERVICES PHASE 4 (MABS-4) PROGRAM
DECEMBER 2008 HIGHLIGHTS**

MABS BANKS MICROFINANCE PERFORMANCE REPORT
CONSOLIDATED - BY AREA OF OPERATION (LUZON, VISAYAS AND MINDANAO)
DECEMBER 2008

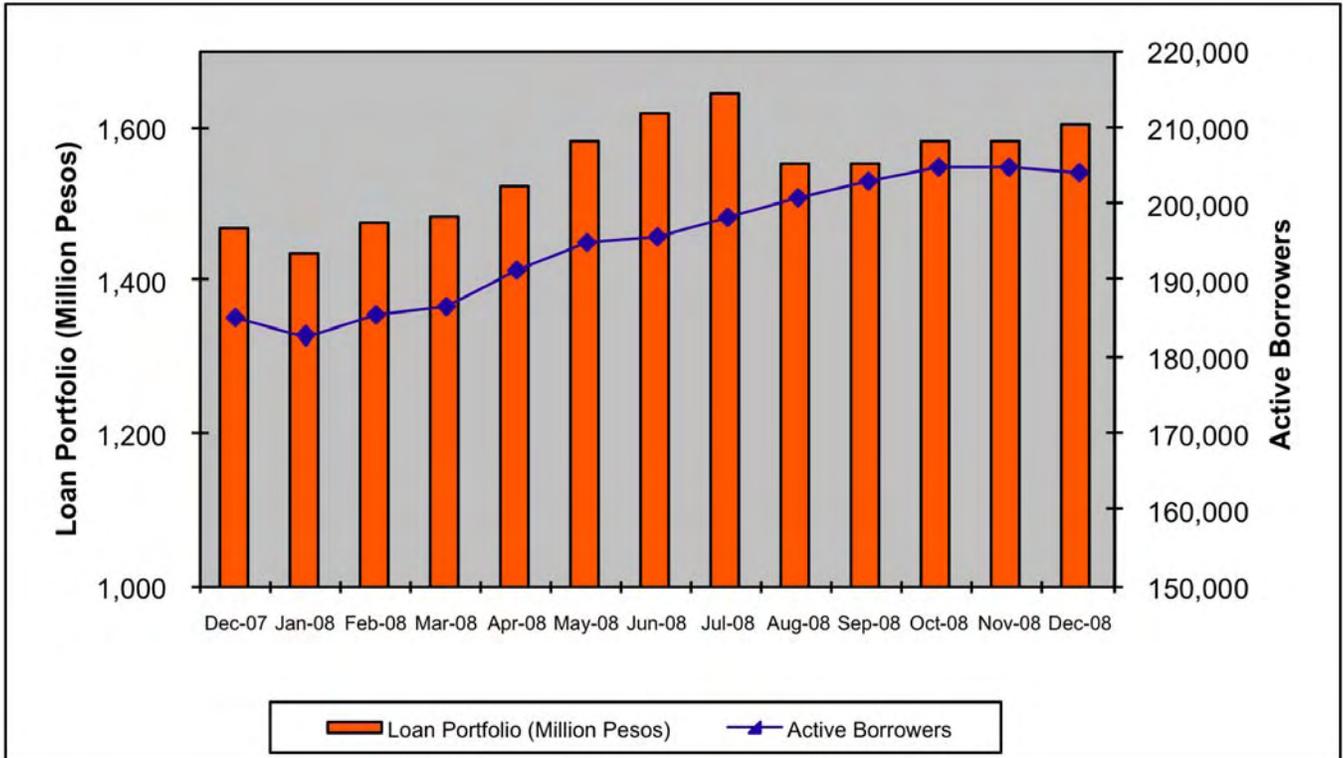
PERFORMANCE DATA	LUZON	VISAYAS	MINDANAO	TOTAL
Number of banks (reporting)	37	10	23	70
Number of participating branches (reporting)	182	45	115	342
Number of banks (trained/on-training)	9	4	8	21
Total number of banks	46	14	31	91
Total number of participating branches	201	49	138	388
Number of active borrowers outstanding	74,185	63,739	66,040	203,964
Number of new borrowers	3,295	2,505	2,789	8,589
Number of repeat loans	7,692	7,537	8,549	23,778
Loan portfolio balance	680,479,672	419,908,465	502,693,893	1,603,082,030
Number of deposit accounts < 15,000	472,183	220,244	731,684	1,424,111
Deposit balance < 15,000	766,563,369	250,264,017	813,933,262	1,830,760,648
Number of microfinance field staff	555	345	412	1,312
Number of microfinance field staff per branch	3	8	4	4
Number of loans disbursed during the month	10,987	10,042	11,338	32,367
Cumulative number of new borrowers	160,081	102,600	324,815	587,496
Cumulative number of loans disbursed	456,627	337,588	1,020,115	1,814,330
Amount of loans disbursed during the month	186,508,809	114,155,600	150,530,324	451,194,733
Cumulative amount of loans disbursed	7,460,689,097	4,070,536,753	10,627,020,127	22,158,245,977
Portfolio at risk more than 7 days	42,533,988	55,339,066	47,202,404	145,075,458
Portfolio at risk more than 7 days (%)	6.37%	13.18%	9.39%	9.05%
Portfolio at risk more than 30 days	31,563,018	47,241,216	36,162,237	114,966,471
Portfolio at risk more than 30 days (%)	4.73%	11.25%	7.19%	7.17%

MONTHLY INCOME AND EXPENSE	LUZON	VISAYAS	MINDANAO	TOTAL
Financial income				
Interest income on loans	27,678,423	17,693,445	18,498,010	63,869,878
Service charge	6,424,395	769,562	7,918,544	15,112,501
Penalty fee on loans	1,129,849	118,930	860,312	2,109,091
Total financial income	35,232,667	22,301,202	23,557,601	81,091,470
Total financial expense	2,727,137	5,279,440	2,440,510	10,447,087
Gross financial margin (spread)	32,505,530	17,021,762	21,117,091	70,644,383
Loan loss provision	1,385,010	4,712,291	1,621,430	7,718,731
Net financial margin	31,120,520	12,309,471	19,495,661	62,925,652
Direct operating expenses				
MFU salaries and benefits	6,370,431	5,286,241	3,590,511	15,247,183
Gross receipts tax	754,978	424,749	1,000,513	2,180,240
Depreciation	233,910	499,055	256,262	989,227
Transportation	863,673	963,539	208,052	2,035,264
Supplies	369,919	199,573	310,071	879,563
Communication	136,273	101,633	58,152	296,058
Others	1,803,735	2,713,826	346,977	4,864,538
Total direct operating expenses	10,532,919	10,188,616	5,770,538	26,492,073
Training and professional fees	174,782	-	49,466	224,248
Net income before indirect expenses	20,412,819	2,120,855	13,675,657	36,209,331
Indirect expenses	3,426,619	1,452,729	1,397,307	6,276,655
Net income (loss)	16,986,200	668,126	12,278,350	29,932,676

Note 1: PAR amounts and percentages do not include banks that were unable to submit complete reports (RB Bogo, RB Dulag, G7, Rang-ay Bank & CARD Bank)

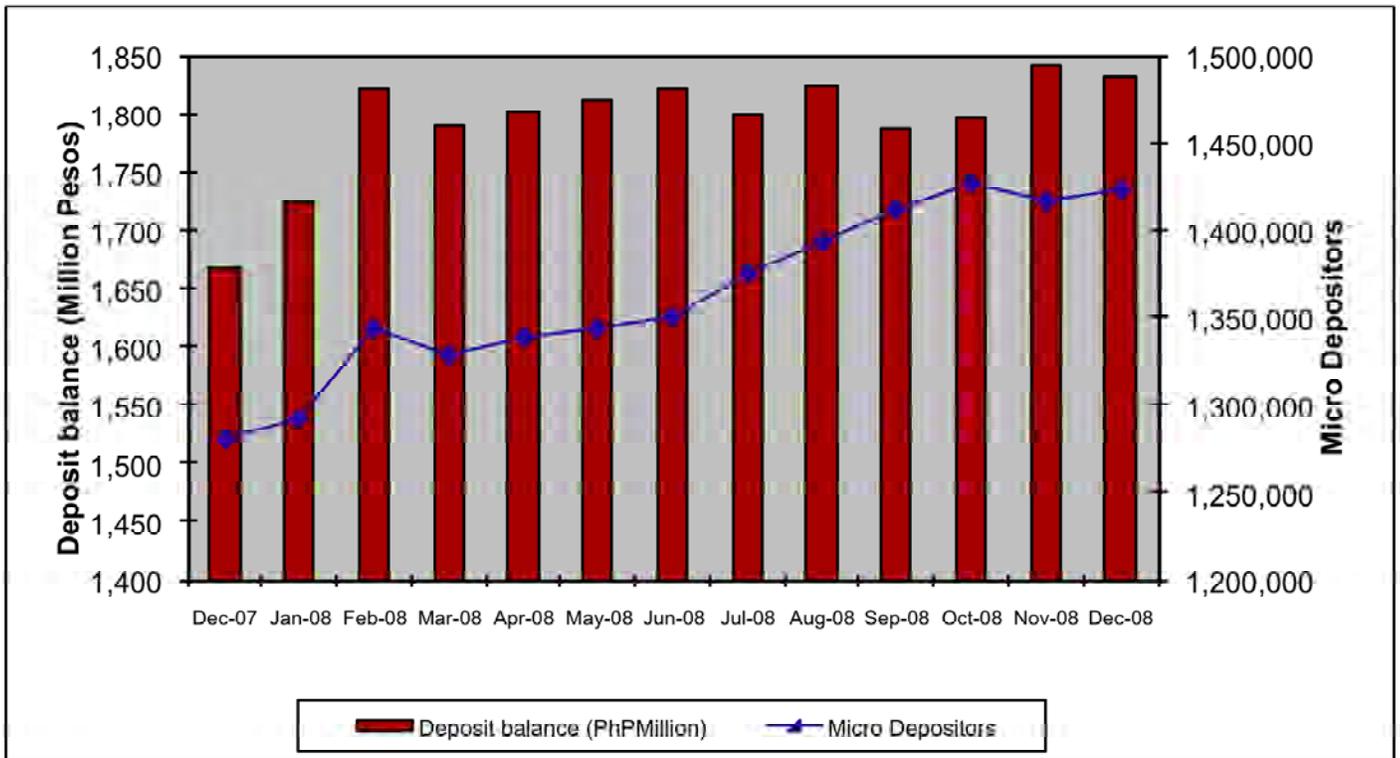
Note 2: Totals for each region follow actual geographic location of branches. Green Bank branches that are located in Luzon and Visayas are counted under Luzon and Visayas Regions, respectively; only its Mindanao branches are counted under Mindanao.

Microloan Portfolio
MABS Participating Banks
December 2007 – December 2008



Month/ Year	Loan Portfolio (PhPM)	Active Borrowers
Dec 2007	1,467.77	184,933
Jan 2008	1,434.59	182,663
Feb 2008	1,475.56	185,272
Mar 2008	1,483.46	186,364
Apr 2008	1,523.31	191,300
May 2008	1,579.62	194,784
June 2008	1,619.25	195,441
July 2008	1,644.73	198,042
Aug 2008	1,550.95	200,545
Sept 2008	1,552.78	202,930
Oct 2008	1,580.08	204,888
Nov 2008	1,581.46	204,746
Dec 2008	1,603.08	203,964

Micro Deposits*
MABS Participating Banks
December 2007 – December 2008



Month/ Year	Deposit Balance (PhP M)	Micro Depositors
Dec 2007	1,668.41	1,280,994
Jan 2008	1,724.26	1,291,857
Feb 2008	1,820.41	1,343,365
Mar 2008	1,789.62	1,329,148
Apr 2008	1,801.59	1,339,435
May 2008	1,810.77	1,344,492
June 2008	1,821.61	1,349,786
July 2008	1,799.99	1,375,219
Aug 2008	1,822.86	1,394,121
Sept 2008	1,786.49	1,411,217
Oct 2008	1,797.38	1,427,600
Nov 2008	1,840.67	1,417,119
Dec 2008	1,830.76	1,424,111

*Micro deposits are deposits with outstanding balance of PhP15,000 or below. New micro deposits of a given bank refer to the net change in deposits, i.e., the outstanding figures less baseline figures, i.e., the figures before MABS started working with the bank.