

MABS-M PROGRAM

Microenterprise Access to Banking Services in Mindanao

FIFTEENTH QUARTERLY PERFORMANCE MONITORING REPORT

July 1, 2001 – September 30, 2001

Submitted by:

Chemonics International Inc.
Manila, Philippines

In association with:

Rural Bankers Association of the Philippines

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**United States Agency for International Development
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EXECUTIVE SUMMARY

Through directed technical assistance, training, and limited commodity support to a minimum of 48 rural or cooperative rural banks/ bank branches, the MABS program is intended to bring about a sizable expansion of banking services—both loans and deposits—to microenterprises and other groups at lower socio-economic levels.

This document serves as the Program's *Fifteenth Quarterly Performance Report*, covering the period July 1 through September 30, 2001. It also describes work planned for the coming quarter.

Accomplishments and activities during this reporting period:

- MABS now has 28 partner banks (PBs) comprising 71 participating branches. The number of active loan clients served by 27 MABS PBs increased from 19,180 to 19,975 - an increase of 4%, quarter on quarter. Their loan portfolio increased by 8%, quarter on quarter, from PhP105,617,829 to PhP114,070,193. The portfolio at risk over 7 days decreased from 5.81% in June to 4.93% in September. The number of micro depositors served by MABS PBs has increased by 77,328 since MABS started to work with these PBs. Micro deposit balances have increased by PhP 79,895,486. Total outstanding microdeposits now stands at PhP 303.4 million. One more partner bank, RB Dulag, is going to start its microfinance lending operations in November.
- A training and exposure workshop for microfinance staff of new participating banks/bank branches was conducted last August 21-26 at a MABS participant bank, the Cooperative Bank of Bukidnon.
- A "Basic Trainors' Training Course" on microfinance for key microfinance staff of MABS partner banks in Mindanao was delivered by MABS consultants in Misamis Oriental. Nineteen staff members from eight banks attended.
- Lending operations of the seven new PBs started in the 3rd week of July. MABS closely monitors the progress of the seven new PBs.
- Three 1st rollout banks, Rural Bank of Cantilan (Surigao del Sur), Rural Bank of Kapatagan (Lanao del Norte), and Rural Bank of Talisayan (Misamis Oriental) have signed their Continuing Technical Support Agreements (CTSAs).
- All 1st rollout banks have been sent a copy of the Continuing Technical Support Agreements (CTSAs) for their consideration, and all are expected to sign up with RBAP.
- Verification reports on the Big Byte Shoppe MIS System of RB Montevista have been received. However, MABS constantly follows-up with the branches for any inconsistency in the reports that they might encounter.
- The general ledger interface (GLI) module of Rural Banker 2000 (RB2000) was completed

during the quarter. All tests for all modules have been completed. Beta test of all modules working together has been started in four rural banks of different sizes, i.e., one small, two medium-sized, and one large rural bank.

- A contract for the development of the MABS Website was signed between Chemonics and Filipino Web Services (Fil-Web), a local website developer.
- MABS sent two senior managers of Rural Bank of Sto. Tomas to the Global Summit of Women in Hongkong on September 13-15, 2001.
- Two senior officers from the Bangko Sentral ng Pilipinas attended the training and exposure workshop for microfinance staff of the new MABS partner banks at the Cooperative Bank of Bukidnon.
- John Owens, MABS Chief of Party, made a presentation of the MABS Approach and Best Practices to rural bankers in the 44th Charter Anniversary Symposium of the Rural Bankers Association of the Philippines. A similar presentation was given by Mr. Owens for commercial bankers in an executive forum on microfinance sponsored by the Bank Marketing Association of the Philippines (BMAP).
- The Bangko Sentral ng Pilipinas invited MABS to be one of the presentors in the BSP officers' and personnel's orientation on microfinance, an activity BSP conducts for its staff in all its regional offices. Meliza Agabin, MABS Senior Microfinance and Policy Specialist, and Ed de Castro, Banking Operations and Training Specialist, talked about the MABS Approach at BSP offices in Cebu and Davao, respectively.
- Upon the request of Monetary Board member Antonio Alindogan, RBAP-MABS submitted to BSP (1) the MABS template for conducting Institutional Assessment (IA) of microfinance institutions, (2) timetable and costs of training a microfinance specialist, and (3) timetable and costs of training a participating rural bank . BSP will consider said documents as to how they could help the BSP Microfinance Foundation in its objective of providing training to banks that want to go into microfinance operations.
- The final report on the survey of microenterprise clients of MABS partner banks was submitted to USAID in September.
- The report on "Financial Trends in Mindanao" was submitted to Secretary Paul Dominguez, Presidential Adviser for Regional Concerns and to USAID in July.
- RBAP has hired a new Deputy Operating Officer (DOO). The new DOO will be in charge of expanding MABS technical assistance and training through RBAP.
- Four applicants for RBAP microfinance specialists have been short-listed. RBAP expects to hire up to four applicants in January 2002. Interviews of applicants for administrative/communications assistant have been conducted. RBAP will re-evaluate all applicants to be able

to find the person who will qualify for the position.

For the Sixteenth quarter, October 1 – December 30, 2001 MABS will:

- Launch the microfinance lending operations of Rural Bank of Dulag in Leyte.
- Follow up with the rest of the 1st rollout banks with regard to the Continuing Technical Support Agreements (CTSAs).
- Finalize RB 2000 and have it accepted as final by RBAP's MIS Steering Committee.
- Continue to monitor the performance of the Big Byte Shoppe MIS system of RB Montevista, watching out for any inconsistencies in the reports.
- Continue to participate in ongoing coordination meetings with Gesellschaft für Technische Zusammenarbeit (GTZ) concerning joint work with RBAP.
- Continue to follow up on BSP Microfinance Policy Initiative. MABS will monitor the developments in the new BSP Microfinance Foundation.
- Continue to provide training to key BSP officers on microfinance best practices by inviting them to MABS training for partner banks and by responding to BSP's invitation for MABS to provide presentations/materials on microfinance best practices for BSP officers and personnel.
- Arrange an exposure visit to MABS banks for the National Credit Council officers, to make them aware of the microfinance best practices of rural banks, particularly the MABS banks. Insights from such exposure could serve as inputs to guide them in formulating credit policies in general and in implementing the rationalization of directed credit programs in particular.
- Conduct first operational reviews of 1st rollout banks that have signed Continuing Technical Support Agreements (CTSAs) with RBAP. The report will consist of a review of the operations of the microfinance unit, a survey of dropout clients, and focused group discussions among active clients.
- Submit the final report on the study of the borrowing behavior of Muslim clients of MABS participating banks.
- Continue to monitor the performance of all branches of all 28 banks now participating in the MABS Program.
- Hire additional MABS staff in view of the extension of the MABS contract, including an operations manager, an MIS specialist, microfinance banking specialists, short-term research assistants, and cashier.
- Pilot test the expanded BAP Credit Bureau. The pilot testing of the first negative file information system (NFIS) in Panabo City will include four rural banks, one cooperative bank, and three commercial banks.

1. Contractor's Report

A1. Background

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

MABS-M is directed at bringing about a sizable expansion of banking services—both lending and savings—to microenterprises and other groups at lower socio-economic levels in Mindanao. Through MABS-M efforts, a minimum of 48 rural and community rural bank branches will be encouraged and assisted to significantly increase the services they provide to the microenterprise sector. It is intended that these efforts will demonstrate to participating banks that it can be sensible and profitable to offer services to the microenterprise sector as a regular part of their portfolios. In turn, it is expected that the successful example of participating banks will encourage all banks to look seriously at servicing the microenterprise market.

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

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

The MABS-M program got underway in January 1998, and was expected to have a life of four years, with the option to extend for an additional two years. It is a cost-plus-fixed-fee (CPFF) completion contract. The estimated cost for the performance of the work required in the contract, exclusive of fixed fee, is \$7,177,189. The fixed fee is \$356,379. The estimated cost plus fixed fee is \$7,533,568, the total amount of which has been obligated. The contract budget is broken down into two Contract Line Item Numbers (CLINS), one for Expanding Access to Banking Services (\$5,533,568) and the other for the Special Activities Fund (\$2,000,000).

A2. Expected Results

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1. Expansion and consolidation of the MABS Program and its accomplishments in Mindanao.
 - a. A minimum of 48 rural banks and bank branches from throughout Mindanao will receive MABS-M assistance.
 - b. Expand their portfolios to reach a total of at least 15,000 borrowers among all participating banks.
 - c. Enroll at least 28,000 depositors among all participating banks.
 - d. At least half of the participating banks will have decided to make microenterprise services a continuing and significant part of their portfolios, and will have taken the steps required to properly and profitably service the microenterprise market.
 - e. MABS partner banks, including those that have already "graduated" from the MABS Program, will adhere to the MABS Approach, MABS best practices, and policies. It is expected that "backsliding" will occur only rarely among MABS participating banks.
 2. Development of the capability of RBAP to install and strengthen the "MABS Approach" in rural banks.
 - a. By the end of September 2001, a total of at least six new technical staff for RBAP's Microfinance Support Service Unit will have been recruited, selected, and trained to support RBAP's own continuing program of assisting rural banks and cooperative rural banks develop their capability to profitably service the microenterprise market.
 3. Strengthening selected rural banks located in Muslim areas of Mindanao.
 4. Establishment of a credit reference service that will be helpful in the overall effort to enable rural banks to effectively and profitably service the microenterprise market.
 5. Support for the development of an appropriate microfinance software that will enable bank management to support a viable and sustainable microfinance operations.

A3. Current Core Activities: MABS-M Activity

The Year 2001 work plan covers the period January 1 through September 31, 2001, the culmination of base period of the original MABS contract. The contractor is responsible for ensuring that these major components are addressed:

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

SAF requests approved in the Fifteenth quarter and SAF requests expected for the Sixteenth quarter are attached in Annex 1.

Below, each of the MABS-M component activities are summarized, highlighting tasks accomplished

in the Fifteenth quarter, and tasks planned for the Sixteenth quarter (October 1– December 31, 2001).

1. Bank Strengthening

Component one, bank strengthening, incorporates Participating Bank (PB) activities including, but not limited to, PB selection, diagnostic evaluations, organizational and human resource development, systems development and installation, loan product development, preparation of manuals, and marketing. It also includes training activities such as formal course work, workshops, seminars, on-the-job training, internship, study tours and other capacity-building initiatives. Training courses and activities and systems development such as the new rural bank software are funded through the SAF.

Tasks completed in the Fifteenth quarter:

Task One: Start the microfinance lending operations of the seven new PBs. Lending operations of the seven new PBs started in the 3rd week of July. MABS closely monitors the progress of the seven new PBs. As of September 30, 2001, the partner banks from Luzon and Visayas had a total loan portfolio of PhP3,433,386 corresponding to 481 active loan clients. Since RBAP-MABS started working with the Luzon and Visayas partner banks, their micro deposit balances increased by PhP2,432,411, corresponding to 1,073 accounts. There are now 30 account officers working for the microfinance units of the seven new PBs. One more bank in Visayas, the Rural Bank of Dulag, is expected to start microfinance lending operations in November.

Task Two: Finalize and send for signing new CTSAs for the 1st rollout banks. Three 1st rollout banks signed their Continuing Technical Support Agreements (CTSAs) with RBAP-MABS. The three banks are Rural Bank of Cantilan (Surigao del Sur), Rural Bank of Kapatagan Valley (Lanao del Norte), and Rural Bank of Talisayan (Misamis Oriental).

Task Three: All 1st rollout banks have been sent a copy of the Continuing Technical Support Agreements (CTSAs) for their consideration.

Task Four: Ensure that the Big Byte Shoppe MIS system of RB Montevista works for all branches. Verification reports on the Big Byte Shoppe MIS System of RB Montevista have been received. However, MABS constantly follows-up with the branches for any inconsistency in the reports that they might encounter.

Task Five: Continue progress on the RB 2000 software. The general ledger interface (GLI) module of RB2000 was completed during the quarter. All provisional acceptance tests and alpha tests for all modules have been completed. The wide-area network (WAN) capability of RB2000 was laboratory-tested and passed the Integration Test. The Beta test of all modules working together has been started in four rural banks of different sizes -- Rural Bank of San Luis in Pampanga, a small bank, Gateway Rural Bank in Bulacan and Peninsula Bank in General Santos, both medium-size banks, and Green Bank of Caraga in Butuan City, Agusan del Norte, a large bank. The Beta Test at the Green Bank of Caraga includes the WAN capability of RB 2000.

Task Six. A contract for the development of the MABS Website was signed between Chemonics and Filipino Web Services (Fil-Web), a local website developer. The website, located at www.rbapmabs.org, will promote the MABS technical and training services and microfinance best practices in the Philippines.

Task Seven. A training and exposure workshop for microfinance staff of new participating banks/bank branches was conducted last August 21-26 at a MABS participant bank, the Cooperative Bank of Bukidnon (BCB). Microfinance staff from First Isabela Cooperative Bank (FICO), RB Bogo, RB Dulag, Siam Bank, and RB Oroquieta attended. Siam Bank and RB Oroquieta have recently expanded their microfinance operations to other branches.

Task Eight. MABS sent two Filipinas, Ms Rosele Solis and Ms Lourdes Pineda, General Manager and Compliance Officer, respectively, of Rural Bank of Santo Tomas, to the Global Summit of Women in Hongkong last September 13-15.

Task Nine. MABS held in Misamis Oriental a "Basic Trainors' Training Course" on microfinance for key microfinance staff of MABS partner banks in Mindanao. Nineteen staff members from eight banks attended. The MABS microfinance consultants taught the trainors how to deliver the microfinance staff training modules. All the tasks that AOs should perform (from the cashflow analysis to the filling out of promisory notes, to deducting of penalties) were emphasized.

Tasks to be completed in the Sixteenth Quarter

Task One. Launch the microfinance lending operations of Rural Bank of Dulag.

Task Two. Follow up with 1st rollout banks to ensure they sign their Continuing Technical Support Agreements (CTSAs) with RBAP-MABS.

Task Three. Continue to monitor the performance of the Big Byte Shoppe MIS system of RB Montevista, watching out in case of any inconsistencies in the reports.

Task Four. Finalize RB2000 and have it accepted by RBAP's MIS Steering Committee as final. RBAP will then advertise it to all rural banks in the country.

2. Microfinance Policy

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

Tasks completed in the Fifteenth quarter:

Task One: Carry out policy initiatives. MABS will participate in ongoing coordination meetings with GTZ concerning joint work with RBAP. In the donors' meeting at Asian Development Bank (ADB) where both GTZ and MABS were present, MABS got an overview of GTZ's project at RBAP. MABS has identified some RBAP concerns where GTZ could focus so that GTZ and MABS could complement each other -- this will be suggested by MABS to RBAP.

Task Two: Continue to follow up on the new BSP Microfinance Policy Initiative. The Bangko Sentral ng Pilipinas (BSP) recently created the BSP Microfinance Foundation, which aims to give training to banks that plan to put up microfinance operations. RBAP-MABS met with Monetary Board member Antonio Alindogan to look into the possibility of cooperation between RBAP and BSP regarding this new BSP initiative. To give BSP an idea of how long and how much it costs to train microfinance trainers and bank microfinance staff, Mr. Alindogan requested RBAP to share with BSP (1) the MABS template for conducting Institutional Assessment (IA) of microfinance institutions, (2) timetable and costs of training a microfinance specialist, and (3) timetable and costs of training a participating rural bank. MABS submitted said documents to Mr. Alindogan's office.

Task Three. Two senior officers from the Bangko Sentral ng Pilipinas (BSP), Mr. Virgilio Sarmiento, Manager II, and Mr. Roberto Castuciano, Bank Officer III, attended the training and exposure workshop for the microfinance staff of the new partner banks at Cooperative Bank of Bukidnon. Having been exposed to the MABS microfinance training, BSP officers will understand better the special nature of microfinance operations, and will find such knowledge helpful in drafting BSP policies on microfinance and in conducting their supervision and examination of microfinance rural banks.

Task Four. John Owens, MABS Chief of Party, made a presentation of the MABS Approach and Best Practices to rural bankers in the 44th Charter Anniversary Symposium of the Rural Bankers Association of the Philippines. In the symposium, BSP Governor Rafael Buenaventura and Department of Finance Secretary Jose Isidro Camacho highlighted microfinance as an important niche market for rural banks.

Task Five. John Owens presented the MABS Approach and Best Practices to bankers in an executive forum on microfinance hosted by the Bank Marketing Association of the Philippines (BMAP). The forum was BMAP's response to Governor Rafael Buenaventura's current efforts to promote microfinance among all bank types. John Owens talked about the experience of banks engaged in microfinance in other countries and in the Philippines, and about MABS partner banks' best practices in microfinance .

Task Six. The Bangko Sentral ng Pilipinas invited MABS to be one of the presentors in the BSP officers' and personnel's orientation on microfinance, an activity BSP conducts for its staff in all its regional offices. Meliza Agabin, MABS Senior Microfinance and Policy Specialist, and Ed de Castro, Banking Operations and Training Specialist, talked about the MABS Approach at BSP offices in Cebu and Davao, respectively. They emphasized the special characteristics of microfinance that BSP examiners should be aware of when examining banks engaged in microfinance activities.

Tasks to be completed in the Sixteenth Quarter:

Task One. Carry out policy initiatives. MABS will continue to participate in ongoing coordination meetings with GTZ concerning joint work with RBAP.

Task Two: Continue to follow up on BSP Microfinance Policy Initiative. MABS will monitor the

developments in the new BSP Microfinance Foundation.

Task Three. Arrange an exposure visit to MABS banks for the National Credit Council officers. The exposure visit aims to make the NCC officers aware of the microfinance best practices of rural banks, particularly the MABS banks. It is expected that their knowledge about rural banks' microfinance best practices will help them in the formulation of credit policy and in the implementation of the rationalization of directed credit programs.

Task Four. Continue to provide training to key BSP officers on microfinance best practices. MABS will invite BSP officers to attend other courses being conducted by MABS for its partner banks. MABS will also respond to BSP's invitation to send its senior microfinance staff to speak about the MABS Approach and Best Practices to BSP officers and personnel in other BSP regional offices.

3. Monitoring and Evaluation

This component includes activities relating to the establishment of M&E systems for use by the individual PBs, the MABS project team, and the RBRDFI. In addition, special studies, briefs, impact assessments and other evaluations are included in this component.

Tasks completed in the Fifteenth quarter:

Task One: Evaluate Monthly MFU Performance. This quarter we continued to monitor financial data for all 70 MABS Participating Bank Branches (Annex 3). The information is based on the microfinance units of each of the branches we are working with including both performance data and revenue and expense data. As of September, MABS PBs had 19,975 active borrowers with an outstanding portfolio of PhP114,070,193. Since MABS worked with the 27 PBs, their microdepositors increased by more than 77,328 accounts, with a total number of over 319,626 microdepositors. Total microdeposits have also increased by PhP79,895,486, for an outstanding balance of PhP303,408,553.

Task Two: The report on the impact on employment among clients of MABS-M participant banks will be finalized and submitted to USAID. The final report on the survey of microenterprise clients of MABS partner banks was submitted to USAID in September. The survey of microenterprise clients of MABS partner banks found that a total of 12,729 new jobs were created by clients who received loans - 4,284 full-time paid workers, 3,589 other household members working full-time in the clients' businesses, and 4,856 family members/relatives helped to start a new business. This gives a ratio of 10:7, which means that for every 10 outstanding borrowers, seven jobs were created.

Task Three: A report on "Financial Trends in Mindanao" will be submitted to Mr. Paul Dominguez, based on his request at the June 14, 2001 Steering Committee meeting. The report on financial trends in Mindanao was submitted to Secretary Paul Dominguez, Presidential Adviser for Regional Concerns and to USAID in July. In Mindanao, deposits have greatly increased from 1998 to 2000, with enough available for doubling the level of loans in Mindanao. In 2000, deposits exceeded loans by a factor of 2 to 1, even given the drop in nominal interest rates since 1998. Deposits do not seem to be flowing out of Mindanao, either, since all other regions of the Philippines similarly had excess deposits over loans.

Task Four: Reducing and/or maintaining low Portfolio at Risk Ratios (PARRs) will be a key focus of MABS work with the 20 banks in Mindanao. MABS continues to follow-up closely the performance of its partner banks. A weekly PARR monitoring is done for each bank. The portfolio at risk over 7 days decreased from 5.81% in June to 4.93% in September.

Task Five. A study of the borrowing behavior of Muslim clients of MABS participating banks was conducted as a follow-up on the first study of "*Expanding MABS Outreach to Muslim Clients*" which recommended conducting further research to identify the reasons behind alleged higher default rates among Muslim clients of Christian banks. The final report on this follow-up study will be submitted in the next quarter.

Tasks to be completed in the Sixteenth Quarter:

Task One: Evaluate Monthly MFU Performance. Continue to monitor the performance of all branches of all 28 banks participating in the MABS Program.

Task Two: Conduct operational reviews of 1st rollout banks that have signed Continuing Technical Support Agreement (CTSA) with RBAP. The report will consist of operations review, exit survey, and focused group discussions. The operations review is a review of the performance of the systems and procedures of the MFU of the partner bank. The exit survey aims to get insights from the clients who have left the bank in order for the bank to improve its service and to follow-up with clients who plan to come back to the bank. The focused group discussion will find out the satisfaction or dissatisfaction of the active clients with the features of the bank's MFU product. Based on the findings of the operations review, the MABS consultants will recommend to the bank the action that it needs to do in order to strengthen its systems and procedures, for example, in terms of internal control, documentation requirements of loan applications, and imposition of penalty. The MABS consultants will also determine the additional training and technical assistance needs of the partner bank.

Task Three. Maintaining the MABS Approach discipline, particularly "zero tolerance" toward delinquency, will be the key focus of MABS work with the 28 banks now participating in the MABS program.

Task Four. Submit the final report on the study of the borrowing behavior of Muslim clients of MABS participating banks.

4. RBAP Strengthening

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

Tasks completed in the Fifteenth quarter:

Task One: Recruitment of Deputy Operating Officer for RBAP. RBAP has hired Mr. Ramon Rogel as its Deputy Operating Officer. Mr. Rogel has 30 years' experience in project finance, management,

and business planning. He worked for seven years as financial comptroller for Squires Bingham, a Filipino-owned company in Australia. He was business development officer for Flying V before he joined RBAP. Mr. Rogel will be in charge of expanding MABS technical assistance and training through RBAP.

Task Two: Recruitment of additional microfinance specialists and an administrative/communications assistant. Based on the interviews and evaluation of applicants for microfinance specialists, four have been short-listed. RBAP expects to hire up to four applicants in January 2002. Interviews of applicants for administrative/communications assistant have been conducted. RBAP will re-evaluate all applicants to be able to find the person who will qualify for the position.

Task to be completed in the Sixteenth Quarter:

Task One: Recruitment of additional microfinance specialists and an administrative/communications assistant. By the end of the sixteenth quarter, RBAP will have four additional microfinance specialists and a new administrative/communications assistant.

Task Two. Pilot testing of BAP expanded credit information bureau. The expanded BAP Credit Bureau will be pilot-tested in Panabo City. The pilot test will include four rural banks, one credit cooperative, and three commercial banks. This will mark the first time that a negative file information system (NFIS) will be established outside NCR.

5. Program Management

Program management takes into account meetings, project evaluations, report submission, visits by Chemonics' home office staff, and other activities related to overall project management.

Tasks completed in the Fifteenth quarter:

Task One: Submit Fourteenth Quarterly Performance Monitoring Report. The Fourteenth Quarterly Performance Monitoring Report covering the period April 1-June 30, 2001 was submitted to USAID in the fifteenth quarter.

Task Two: Field Chemonics Home Office personnel to assist during home leave of COP. Lief Doerring held office in Manila as acting COP during the home leave of John Owens in July.

Task Three: Chemonics Home Office and MABS staff submitted to USAID a proposal for a three-year extension of the MABS contract.

Task Four: Chemonics extended employment agreements with MABS staff, pending the final approval of Chemonics' proposal to USAID for a three-year extension of the MABS contract. Chemonics placed advertisements in major newspapers for additional MABS staff that will be necessary once the three-year extension of the MABS contract will have been approved by USAID. John Crawford from the Home Office conducted the initial interviews and evaluation. A short list for each position was decided together by John Owens and John Crawford.

Tasks to be completed in the Sixteenth Quarter:

Task One: Submit Fifteenth Quarterly Performance Monitoring Report. The Fifteenth Quarterly Performance Monitoring Report covering the period July 1-September 30, 2001 will be submitted to USAID in the sixteenth quarter.

Task Two: Chemonics will follow-up with USAID the approval of Chemonics' proposal to exercise the three-year extension of the MABS contract.

Task Three: From the short-listed applicants, hire additional MABS staff needed for the activities under the three-year extension of the MABS contract.

A4. Performance

Current status vs. expected end of project results:

1. Expansion and consolidation of the MABS Program and its accomplishments in Mindanao.

a. Expected end of project results: A minimum of 48 rural banks and/or community rural banks from throughout Mindanao will receive MABS-M assistance.

Current status: MABS has exceeded the expected end of project result. Seventy (71) banks/bank branches have now received assistance from MABS-M and are implementing the MABS Approach.

b. Expected end of project result: PBs will expand their portfolios to include a total of at least 15,000 microenterprise borrowers among all participating banks.

Current status: MABS has exceeded the expected end of project result. The total number of active microfinance borrowers outstanding for 70 banks/bank branches is 19,975.

c. Expected end of project result: Increase the number of microenterprise depositors to reach a total of at least 28,000 new depositors among all participating banks.

Current status: MABS has exceeded the expected end of project result. The net change in the number of active depositors for the 70 bank branches is 77,328.

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

Current status: MABS has exceeded the expected end of project result. At the end of the quarter, 18 of the 20 operating PB microfinance units in Mindanao posted a positive net income. The eight new banks are not expected to post a positive net income at this stage; their MFU operations are only two months old.

2. Development of the capability of RBAP to install and strengthen the "MABS Approach" in rural banks.

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- a. By the end of September 2001, a total of at least six new technical staff for RBAP's Microfinance Support Service Unit will have been recruited, selected, and trained to support RBAP's own continuing program of assisting rural banks and cooperative rural banks develop their capability to profitably service the microenterprise market.

Current Status: As of September 30, 2001, there are four RBAP microfinance specialists working with MABS participating banks. RBAP will hire four more microfinance specialists in January 2002.

3. Strengthening selected rural banks located in Muslim areas of Mindanao.

Current Status: This will be one of the major activities of MABS during the three-year extension of its contract. The completed studies on the possibility of "Expanding MABS' Outreach to Muslim Clients" and on the borrowing behavior of Muslim clients will guide MABS in adapting the traditional MABS Approach to the needs of Muslim clients.

4. Establishment of a credit reference service that will be helpful in the overall effort to enable rural banks to effectively and profitably service the microenterprise market.

Current Status: The Bankers Association of the Philippines (BAP) expanded credit bureau will be pilot-tested in Panabo City, Davao province in the next quarter. The pilot phase will include three commercial banks, four rural banks, and one credit cooperative. This will mark the first time that a negative file information system (NFIS) will be established outside NCR.

5. Support for the development of an appropriate microfinance software that will enable bank management to support a viable and sustainable microfinance operations.

Current Status: The Beta test of all modules of the Rural Banker 2000 (RB 2000) working together has been started in four rural banks of different sizes -- Rural Bank of San Luis in Pampanga, a small bank, Gateway Rural Bank in Bulacan and Peninsula Bank in General Santos, both medium-size banks, and Green Bank of Caraga in Butuan City, Agusan del Norte, a large bank. The Beta Test at the Green Bank of Caraga includes the wide area network (WAN) capability of RB 2000.

A5. Statement of Work

With the 2nd amendment of the MABS contract Scope of Work in April, the following revised objectives and targets for the period September 2000 to September 2001 were added to the contract.

- i.* The number of new banks/branches in Mindanao that are successfully participating in the MABS Program was increased from the original 20 banks to at least 48 banks/bank branches.
- ii.* The target number of borrowers was increased from the original 8,000 to 15,000 and the target number of new micro-depositors was increased from the original 15,000 to 28,000.
- iii.* By the end of September 2001, at least six technical staff for RBAP's Microenterprise Support Service Unit will have been recruited, selected, and trained to sustain RBAP's technical support to the rural banking industry in expanding the provision of profitable

microfinancial services.

- iv. At least half of MABS participating banks will have decided to make microenterprise services a continuing and significant part of their portfolio.
- v. Facilitate the establishment and effective functioning of a profitable, privately owned credit reference bureau that will be able to provide credit reference information to rural banks.
- vi. Facilitate the development and dissemination of an effective microfinance software that will be made available to interested rural banks. MABS will work with privately owned software companies to provide software installation, training, and operating support services on a fee-basis.
- vii. Strengthen selected rural banks located in Muslim areas of Mindanao.
- viii. Support for the development of an appropriate microfinance software that will enable bank management to support a viable and sustainable microfinance operations.

2. Administrative Information:

Contract Data:Total Estimated Cost \$7,533,568.92

CLIN #1 Total Estimated Cost \$5,533,568.92
1. Expenditures (July 1 - September 30) 280,620.86
2. Cumulative Expenditures thru September 30, 2001: 5,478,191.87
3. Remaining unexpended balance: 55,377.05

CLIN #2 Total Estimated Cost \$2,000,000.00
1. Expenditures (July 1- September 30) 135,930.54
2. Cumulative Expenditures thru September 30, 2001: 1,915,462.33
3. Remaining unexpended balance: 84,537.67

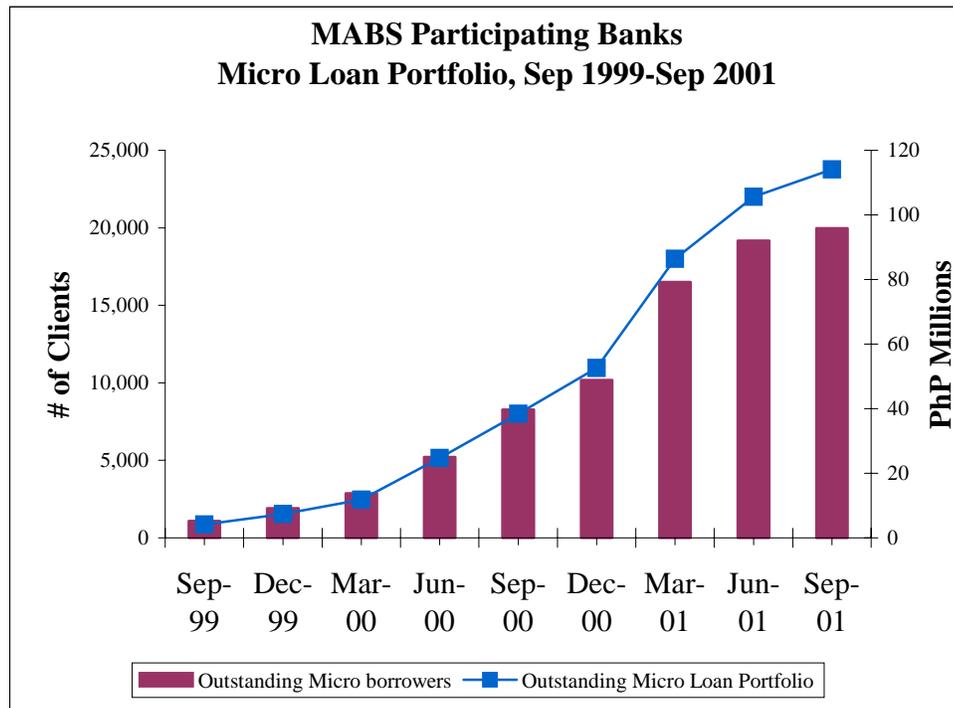
Annex 1

SAF requests approved in the fifteenth quarter:

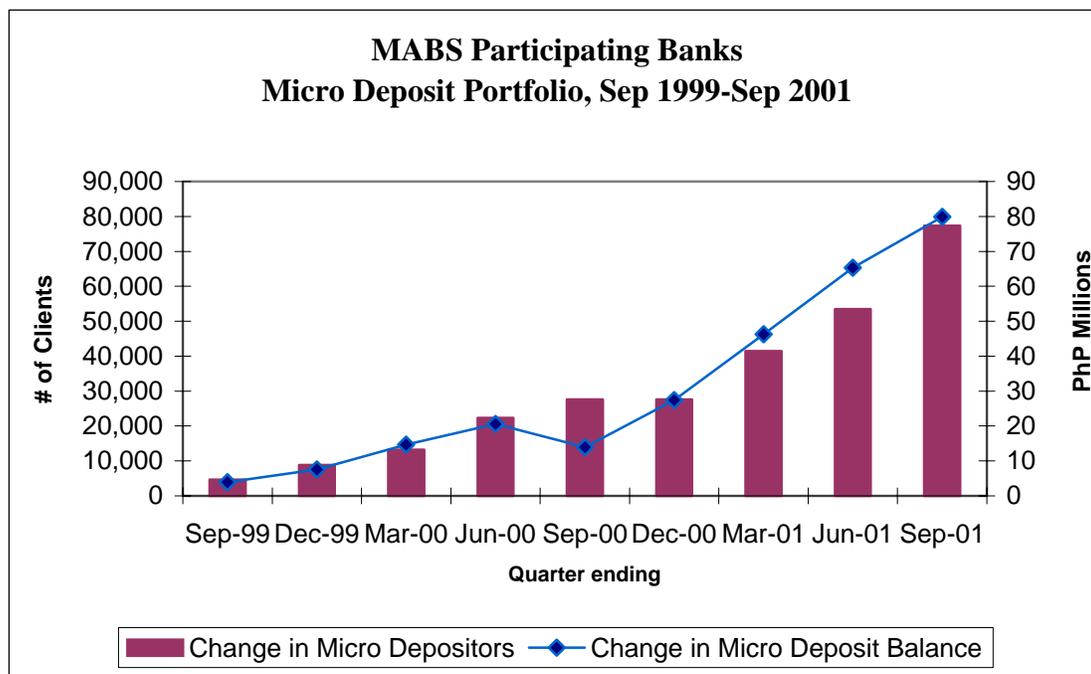
Amended SAF 57 - Technical approval for Ms Rosele Solis and Ms Lourdes Pineda, General Manager and Compliance Officer, respectively, of Rural Bank of Sto. Tomas, to travel to Hongkong on September 13-15, 2001 to attend the Global Summit of Women.

SAF 58-Reimbursement to Bankers Association (BAP) of the Philippines of expenses incurred in preparatory activities for the pilot testing of the expanded BAP Credit Bureau in Panabo City.

Note: A SAF tracker is used by MABS-M to monitor SAF expenditures. It is current through the end of Quarter 13 and included here in Annex 2.



Quarter	Sep-99	Dec-99	Mar-00	Jun-00	Sep-00	Dec-00	Mar-01	Jun-01	Sep-01
Outstanding Micro Borrowers	1,094	1,905	2,870	5,210	8,279	10,185	16,509	19,180	19,975
Outstanding Micro Loan Portfolio	4.1	7.4	11.8	24.7	38.4	52.6	86.4	105.6	114.1



Quarter	Sep-99	Dec-99	Mar-00	Jun-00	Sep-00	Dec-00	Mar-01	Jun-01	Sep-01
Change in Micro Depositors	4,668	8,802	13,231	22,291	27,592	27,603	41,410	53,498	77,328
Change in Micro Deposit Balance (Php Millions)	3.9	7.6	14.7	20.6	13.9	27.4	46.3	65.3	79.9