

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

**YEAR 4 WORKPLAN**

**January 1 – December 31, 2001**

*Submitted by:*

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

*In association with:*

**The Rural Bankers Association of the Philippines**

**December 2000**

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Manila, Philippines

## **MABS-M Year 4 Workplan January through December 2000**

### **A. 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 banks and/or bank branches will be assisted by MABS-M to significantly increase the level of services they provide to the microenterprise sector by September 2001.\* It is intended that these efforts will demonstrate to participating banks that it is sensible and profitable to offer services to the microenterprise sector and that they will make such services a significant 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.

### **B. Workplan Format**

The Year 4 workplan includes sections on background, activity components and expected results. In addition, as required in the MABS contract, this workplan contains a brief overview of results obtained during Year 3. This overview, presented by quarter, is included in Annex A. The implementation plan for Year 3, modified to include a "Status" column, is included in Annex B.

### **C. Activity Components**

The Year 4 workplan is indicative of the major tasks MABS intends to carry out during the period in question, but it is not meant to be all-inclusive. Specific activities may be required which are not included in this schedule. In the MABS Quarterly Performance Reports, we will compare actual results against planned activities and provide explanations for areas where implementation exceeded or did not meet targeted goals, as the case may be.

The Year 4 workplan is organized by major activity components as follows:

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\* This interim target is subject to final approval of the contract amendment with USAID.

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

Below, we address each of the components in more detail, including explanations of the activities illustrated in the Year 4 workplan calendar of activities (attached as Annex C).

### **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, launching new products, and marketing. It also includes training activities such as formal course work, workshops, seminars, on-the-job training, internships, study tours, other capacity-building initiatives, and new efforts such as operational audits. Training courses and system development such as the new rural bank software will continue to be funded through the SAF in Year 4.

**Participating Banks** MABS is currently working with 42 bank branches among the 20 PBs, 4 pilot banks and 10 “1<sup>st</sup> Rollout” banks, and 6 “2<sup>nd</sup> Rollout” banks. In Year 4, MABS will go through an organizational transition as technical assistance efforts are delivered directly through RBAP. In Year 3, MABS started to assist RBAP to set up a microfinance technical services unit within the association that will function out of the three regions of Mindanao, the Visayas, and Luzon. In order to strengthen RBAP’s ability to meet the needs of their members in the two additional regions, additional rural banks in Luzon and the Visayas will be selected as participating banks. Requests for letters of interest are to be sent out during the last month of Year 3 to all rural banks in these regions. Institutional assessments are to be conducted in the first quarter of Year 4. In the beginning of the 2<sup>nd</sup> quarter of Year 4, MABS will recommend to the Management and Steering Committees eight additional banks for selection as PBs. One of the conditions for the new PBs will be that they agree to serve as training sites for rural banks in these regions. Technical assistance and training will also be continually provided to existing PBs in Mindanao. RBAP’s new unit will also provide technical services and training on a partial cost-recovery basis in Year 4 in Mindanao.

**MABS Approach Manual** During year 3, we completed the *MABS Approach* package of services, which documents the MABS approach of providing technical assistance and training to participant banks. This will be used to train the new RBAP technical staff to continue to provide these services in the future. This package of services includes:

- 1) Senior Management Exposure and Training Course
- 2) Microfinance Staff Exposure and Training Course
- 3) Hiring Assistance
- 4) Market Analysis

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- 5) Product Development/Enhancement – Loan/Savings Products
- 6) Business Planning
- 7) MIS Consulting
- 8) Preparing the product manual
- 9) Launching and Marketing of the MF Products
- 10) Supervising and Monitoring of Microfinance Operations
- 11) Expansion Phase

This package of services is a product of the MABS experience with participant banks as well as the extensive microfinance experience of the technical staff. Implementing the *MABS Approach* assures the delivery of a consistently high standard of training and technical assistance to each of our PBs.

We expect the *MABS Approach* to continue to evolve during Year 4 as we begin to work with the new RBAP technical staff in providing these services in new regions and start to offer these services on a commercial basis. The *MABS Approach* continues to be a very successful tool to ensure that a consistently high level of technical assistance and training is delivered to our PBs and that the maximum level of outreach is attained during the project period. We recognize, however, that the intense level of technical assistance, training and supervision provided to MABS PBs may not be affordable to rural banks if offered in the future by RBAP on a 100% cost-recoverable basis. We have therefore reviewed the *MABS Approach* and have come up with a more affordable package of microfinance technical services. This package of services will be broken down into separate modules, which can be delivered to rural banks for a cost of approximately PhP 300,000. Based on PB experience to date, this cost should be fully recoverable after a reasonable start-up period. After the selection of the 3<sup>rd</sup> Rollout participant banks, which will act as model banks in the Luzon and Visayas regions, RBAP/MABS will begin to pilot test the delivery of microfinance support services on a cost-recovery basis. (Please see Section 6, RBAP for more on this issue.)

### **Rural Bank Computer Software**

MABS is addressing the needs of rural banks for microfinance-friendly software on a *long-term* basis by developing the Rural Banker 2000 software and, on a *short-term* basis, we supported these needs by upgrading the computer software of PBs.

**New Software** In Year 3, work commenced on the development of a new computer system designed to meet the long-term needs of the rural banking community. In the first quarter of Year 3, the contract for the Rural Banker 2000 system development was signed and software development commenced. The delivery date for the system is scheduled for the 1st quarter of Year 4, after which the software will be tested, debugged in the 2nd quarter, and ready for roll out to rural banks planned during quarters 3 and 4.

**Interim Software Solution** The new software will provide a long-term solution to the management information needs – including the pressing need for a software that has good microfinance functionality - of the rural banking community. To address these short and

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interim term needs, MABS has upgraded Microbanker software and improved its microfinance functionality, Microbanker's MBXD95Plus has been installed in PBs on an interim basis. In other PBs, MABS has helped to modify four additional management information systems to include microfinance functionality and is installing these upgraded systems in PBs not using Microbanker. One of these systems has now been completed and installed and the other three systems are being finalized and will be installed during the first quarter of Year 4. Those banks not planning to use Microbanker software long term will relinquish their copies of MBXD95Plus to MABS once their own modified systems are installed

**Training** In Year 3, training was provided to MABS PBs and, through regional training events, to all Mindanao rural banks.

**PB Training** Intense on-the-job coaching continued in Year 3. As part of the start-up phase of the *MABS Approach*, two formal training courses were provided to the group of 2<sup>nd</sup> rollout PBs: 1) A two-day introductory training course for senior managers and; 2) A five-day intensive training course for microfinance staff. In Year 4, we will provide training to the senior managers and microfinance staff of the third group of rollout banks. During Year 3, we also began providing training for expansion branches of existing MABS PBs using the *MABS Approach*. Courses included in-house workshops on microfinance lending, loan administration, market research and area mapping, marketing & promotion, service quality, designing incentive schemes, savings mobilization, delinquency management, cash flow lending, and strategic planning for participant bank staff. Two workshops were also conducted with PBs regarding the upgraded management information system reports.

**Regional Training** In Year 3, we developed two additional one-day workshops titled "Cash Flow Lending to Microenterprises" and "Fraud and Internal Controls. We delivered these workshops along with the workshop developed in Year 2, "Developing a Culture of Zero Tolerance Against Past Due Loans" in five different regions of Mindanao, two different regions in the Visayas, and two different regions in Luzon. In total, 681 participants attended the various regional workshops in Year 3. Feedback was extremely positive and we have packaged the presentation materials in a "trainer-friendly" format so that RBAP can easily deliver these workshops on an ongoing basis. RBAP was directly involved with notifying and helping to organize all seminars in Year 3. Furthermore, during the last quarter of Year 3, the project moved toward a commercial approach to providing microfinance training as regional courses were offered on cost recovery basis with fees covering the costs of all materials, venues and facilities.

The new technical staff in RBAP will jointly assist with providing these courses and at least 1 new additional regional training workshop in Year 4.

## **2. *Microfinance Policy***

In coordination with USAID and the USAID-financed CPIP and AGILE projects, MABS' contract calls for policy work related to microfinance and rural banking.

In Year 3, MABS staff and two participant banks were involved with presentations to the World Bank Microfinance Conference in Manila and the Microfinance Coalition meeting at the Asian Development Bank. One presentations focussed on considerations that formal banking institutions need to address prior to offering microfinance services and the other focussed on the *MABS Approach* of attaining rapid branch viability for rural banks offering microfinancial services.

MABS also hosted a visit by Andres Rustia, Managing Director, Department of Loans and Asset Management, his deputy and additional BSP officials. Mr. Rustia is currently responsible for developing guidelines for a new rediscount facility for microenterprise loans. MABS also attended BSP consultative meeting with rural bankers to discuss the new proposed rediscounting facility. Further, MABS prepared a draft set of guidelines for the BSP with emphasis on portfolio quality and ensuring that all microfinance methodologies would qualify for funding under the facility rather than just group lending programs.

In Year 4, MABS will continue to work with AGILE and CPIP on policy initiatives related to microfinance and rural banking. MABS continues to work with banks implementing programs under the People's Credit and Finance Corporation (PCFC) and has helped to introduce some flexibility with regard to microfinance lending methodologies required of rural banks that wish to borrow through the ADB/IFAD window.

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

This component includes activities relating to the establishment of Monitoring and Evaluation (M&E) systems for use by the individual PBs, the MABS project team, and the RBRDFI. In Year 3, we enhanced the PB microfinance profitability analysis by helping the banks develop a consistent method for allocating branch and bank expenses to the microfinance unit. MABS is committed to ensuring that PBs continue their microfinance activities once the MABS project ends and we have demonstrated this by documenting that microfinance is a profitable business. 17 of the 20 PBs are now profitable on a monthly basis. As some of the PB agreements end in Year 4, MABS will analyze how to simplify monthly monitoring reports of PBs.

## **4. *RBAP***

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

**RBAP Microfinance Support Services** In Year 3, MABS reviewed the products and the *MABS Approach* with RBAP and rural bank representatives as part of the process to develop the most cost-effective “package” for RBAP. In the last quarter of Year 3, eight RBAP microfinance technical staff was hired with project support. The staff members are currently training alongside MABS staff in existing PBs. The new staff will go through all of the aspects of providing microfinance technical services to rural banks over a nine-month period. This will include all stages of the *MABS Approach* such as institutional assessments and the start-up and expansion phases of training. New participant banks will be selected along with the RBAP staff in Luzon and Visayas and will act as model banks for RBAP’s expansion of services to these other regions. In the latter part of Year 4, the *MABS Approach* will be introduced on a commercial basis by the new RBAP technical staff.

The RBAP/MABS Microfinance Technical Services Unit will also develop and deliver courses as part of RBAP’s Academy for Banking in the Countryside (ABC). MABS has already developed three courses and an additional course will be developed and delivered in Year 4. RBAP microfinance services will be made available according to the following priority: 1) RBAP member rural banks, 2) Non-RBAP member rural banks, 3) Non-rural banks.

**RBAP Strategic Development Program** MABS has continued to support the Strategic Development Program for RBAP. Additional staff members were recruited and hired with MABS support to work within the new RBAP microfinance technical services unit. The unit will work out of RBAP regional offices in Mindanao, Luzon, and the Visayas as envisioned in the Strategic Development Plan.

Working with RBAP and the local Confederation of Central Visayas helped to identify potential locations for an RBAP regional office in the Visayas. A new office for Mindanao will be identified in the 1st quarter of Year 4. MABS supported the hiring of a six-month Program Development Advisor to help jump-start plan implementation; however, the advisor dropped out in the 3<sup>rd</sup> quarter of Year 3. It was agreed with RBAP that the role of the Program Development Advisor be dropped in favor of creating a permanent position as Deputy Director in charge of operations. The search for candidates is expected to be completed in the 1st quarter of Year 4.

**Credit Bureau** The rural bankers in Mindanao have long desired a credit information bureau that could help them make better-informed decisions about prospective clients - particularly the small and micro clients - in order to reduce high delinquency rates. In the 1st quarter of Year 3 a short-term consultant assessed the feasibility of introducing a credit information bureau for rural banks throughout Mindanao. MABS is still working with RBAP to support a pilot effort in Year 4.

## **5. *Program Management***

Program management takes into account meetings, project evaluations, report submission, visits by Chemonics’ Head Office staff, and other activities related to overall

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project management. For the most part, the tasks illustrated in the workplan calendar are self-explanatory, including submission of the quarterly reports, the annual inventory of commodities, and the submission of the Year 5 Workplan in December 2001.\*

### **E. Actual vs. Expected Results**

The MABS Monitoring and Evaluation results as of October 31 are included in Annex D. MABS has exceeded the original expected project results in Year 3.

The following are the interim project results expected to be achieved by September 30, 2001 and the actual results as of October 31, 2000.\*

- Expected: A minimum of 48 rural banks and/or community rural banks and/or branches will receive MABS assistance.
- Actual through October 2000: 42 rural banks and bank branches are currently receiving assistance from MABS-M. Institutional assessments and selection of an additional 8 rural banks will be completed during the 1<sup>st</sup> quarter of Year 4.

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

- Expand the portfolios of assisted rural banks to reach a total of at least 13,000 active borrowers.
- Actual through October 2000: The total number of active borrowers outstanding for the 20 existing PBs is 8,435. To achieve our target of 13,000 active borrowers, MABS PBs will need to increase the net number of active borrowers by 456 per month, a very achievable goal.
- Assist participating rural banks to reach a total of 23,000 new depositors.
- Actual through October 2000: The total number of new active depositors for the 20 PBs is 27,065. MABS has already exceeded this interim project result.

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

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

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\* Subject to the proposed contract extension.

\* Subject to USAID approval of the interim contract amendment.

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- Actual through October 2000: At this time, 17 of our PBs are operating their microfinance loan portfolios in a profitable manner. Feedback from MABS PBs has been very positive so we believe we will continue to achieve this target with new PBs.

YEAR 4 PLAN OF ACTIVITIES		Year 4 - 2001											
ACTIVITY COMPONENT	DESCRIPTION	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
<b>I. Bank Strengthening</b>	Deliver Expansion Phase TA and Training to 2nd Rollout PBs	■											
	Updated software systems installed in all 1st and 2nd Rollout PBs												
	Shortlist interested RBs for 3rd Rollout												
	Provide monitoring TA for Pilot Banks with new RBAP staff		■	■	■	■	■	■	■	■	■	■	■
	Conduct institutional assessment with new RBAP staff		■	■	■	■	■	■	■	■	■	■	■
	Selection of 3rd Rollout PBs		■	■	■	■	■	■	■	■	■	■	■
	Senior management training - 3rd Rollout PBs		■	■	■	■	■	■	■	■	■	■	■
	Individual workplans and PBAs completed for 3rd Rollout PBs		■	■	■	■	■	■	■	■	■	■	■
	MF staff training - 3rd Rollout PBs		■	■	■	■	■	■	■	■	■	■	■
	RB 2000 bank software development completed ready for Beta testing		■	■	■	■	■	■	■	■	■	■	■
	Beta testing of RB 2000		■	■	■	■	■	■	■	■	■	■	■
	RB 2000 bank software installations		■	■	■	■	■	■	■	■	■	■	■
	Participating Bank Workshop		■	■	■	■	■	■	■	■	■	■	■
	Deliver Intensive TA and Training (Start-Up Phase) to 3rd Rollout PBs		■	■	■	■	■	■	■	■	■	■	■
	Deliver Regional MABS/RBAP Training Series through ABC		■	■	■	■	■	■	■	■	■	■	■
Deliver Expansion Phase TA and Training to 3rd Rollout PBs		■	■	■	■	■	■	■	■	■	■	■	
Deliver monitoring TA for 1st Rollout PBs		■	■	■	■	■	■	■	■	■	■	■	
Deliver monitoring TA for 2nd Rollout PBs		■	■	■	■	■	■	■	■	■	■	■	
<b>2. Microfinance Policy</b>	Carry out policy initiatives	■	■	■	■	■	■	■	■	■	■	■	■
<b>3. Monitoring and Evaluation</b>	Refine income/expense portion of M & E system	■	■	■	■	■	■	■	■	■	■	■	■
	Implement monitoring and evaluation system in 3rd Rollout PBs		■	■	■	■	■	■	■	■	■	■	■
	Monthly evaluation of performance	■	■	■	■	■	■	■	■	■	■	■	■
<b>4. RBRDFI/RBAP Strengthening</b>	Contract program development advisor		■	■	■	■	■	■	■	■	■	■	■
	Implement pilot credit burea concept		■	■	■	■	■	■	■	■	■	■	■
	Business plan for RBAP Unit		■	■	■	■	■	■	■	■	■	■	■
<b>5. Program Management</b>	Submit quarterly reports (PMRs)	■	■	■	■	■	■	■	■	■	■	■	■
	Chief of Party and MABS office to move to RBAP Manila Office		■	■	■	■	■	■	■	■	■	■	■
	Assist with opening of RBAP's Cebu Office		■	■	■	■	■	■	■	■	■	■	■
	Relocate RBAP's Davao Office		■	■	■	■	■	■	■	■	■	■	■
	Year 5 workplar		■	■	■	■	■	■	■	■	■	■	■

\* All activities planned for October - December 2000 are subject to the extension of the MABS contract.



Revised LOP Plan											
DESCRIPTION	1999				2000				2001		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>1. Institutional Strengthening</b>											
Conduct institutional assessments/mkt studies - Group 2 PBs											
Sign PBAs, develop individual Group 2 PB workplans											
Conduct institutional assessments/mkt studies - Group 3 PBs											
Sign PBAs, develop individual Group 3 PB workplans											
Conduct institutional assessments/mkt studies - Group 4 PBs											
Sign PBAs, develop individual Group 4 PB workplans											
<b>2. Training</b>											
Start-Up Phase - pilot PBs											
Expansion Phase - pilot PBs											
Start-Up Phase - Group 2 PBs/New Branches Existing PBs											
Expansion Phase - Group 2 PBs											
Start-Up Phase - Group 3 PBs/New Branches Existing PBs											
Expansion Phase - Group 3 PBs											
Start-Up Phase - Group 4 PBs/New Branches Existing PBs											
Expansion Phase - Group 4 PBs											
Regional Training Events											
<b>3. Microfinance Policy</b>											
Establish Policy Agenda											
Carry Out Policy Initiatives											
<b>4. SAF Initiatives</b>											
Establish Office Cagayan de Oro											
Procure Equipment, personnel Group 2 PBs											
Procure Equipment, personnel Group 3 PBs											
Procure Equipment, personnel Group 4 PBs											
Modify Microbanker/Other Software, Develop New SW											
Determine Feasibility of and Implement Credit Bureau											
<b>5. Monitoring and Evaluation</b>											
Implement M & E Systems in Pilot Banks											
Implement M & E Systems in Group 2 PBs											
Implement M & E Systems in Group 3 PBs											
Implement M & E Systems in Group 4 PBs											
<b>6. RBRDFI</b>											
Evaluation and Business Plan											
Implement Business Plan											
<b>Rural Bank Outreach</b>											
Number Banks Reached	4	4	14	14	14	20	20	20	20	28	28
Number Banks Receiving Service	4	4	14	14	14	20	20	20	20	28	28
New Branches Existing PBs Reached			0	0	0	8	16	20	25	30	35
New Branches Existing PBs Receiving Service			0	0	0	8	16	20	25	30	35
Total Bank Offices Reached	4	4	14	14	14	28	36	40	45	58	63