

MABS-M PROGRAM
Microenterprise Access to Banking Services in Mindanao

QUARTERLY PERFORMANCE REPORT

July 1, 1998 - September 30, 1998

Submitted by:

Chemonics International Inc.
Davao City, Mindanao, Philippines

In association with:

Rural Bankers Research and Development Foundation Inc.

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EXECUTIVE SUMMARY

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

This document serves as the Program's *third Quarterly Performance Report*, covering the period July 1 through September 30, 1998. It also describes work planned for the coming quarter.

MABS-M operated for the duration of the third quarter with Lief Doerring, from Chemonics' home office, acting as COP. The strong progress begun in Quarter 2 was maintained during the third quarter. A new COP has been identified and approved, and will arrive in November.

Accomplishments and activities during this reporting period include:

- Institutional assessments, MIS systems diagnostics, gap analyses, and rapid market assessments on five candidate pilot banks were completed in July. Four of the five candidate banks were approved as pilot banks by the Management Committee in August. Participant bank agreements (PBAs) between each bank and the MABS-M program, including six-month action plans, were negotiated, signed, and agreed upon in September.
- A draft pilot bank training plan was developed in conjunction with a short-term consultancy by Bill Pendleton. Additionally, MABS-M delivered its first formal training course on "Loan Repayment Management" to the four pilot banks from September 14-17, 1998.
- Through the RBRDFI and regional federations, MABS-M successfully began its first regional training program open to any interested rural or cooperative rural bank. Conducted by short-term consultant and rural banker, Andres Panganiban, a one-day workshop on Cash-Flow Lending and Microfinance Loan Pricing was conducted in Davao City and General Santos. The same workshop will be held in Butuan, Cagayan de Oro, and Dipolog in the fourth quarter. Over 150 rural bankers and their staff members attended the Davao and GenSan events. The same high attendance is expected in the other regions next quarter.
- Candidate Bank market surveys were completed in September by subcontractor, Trends, MBL. Raw data was turned over to MABS-M in mid-September. It will be analyzed during the beginning of the fourth quarter, compiled in report form for submission to the Management Committee, and then used as part of our training, product development, and market outreach activities with each of the pilot banks.
- The Familiarization Brief and the Warren Niles MIS study were finalized and submitted after receiving comments from USAID.
- A computerized monitoring and evaluation system has been designed, including the report format. It is currently being set up within each participating bank and at the MABS-M level. Some programming changes on MicroBanker will have to be arranged and subcontracted to

the RBRDFI or MicroBanker/Philippines.

- Two new local positions were created for the MABS-M team: Nurhayrah Osop-Limpao began work as a research assistant in September, and Mateo Ty will begin work as a banking analyst in October. No additional funds were needed or requested. Instead, the positions were funded from savings elsewhere in the budget.
- Radela Guangco replaced Jaja Catalan as the administrative assistant. Ms. Catalan resigned for personal reasons.

For the Fourth Quarter, MABS-M will:

- Field the new Chief of Party. Ensure a smooth transition to new leadership.
- Based on the completed action plans, begin working with the 4 pilot banks. Activities will include training, outreach, and the set-up of the microfinance unit within each bank.
- Introduce the Monitoring and Evaluation system into participating banks.
- Screen interested rural banks for inclusion in the rollout phase. A short-list of interested and qualified banks will be compiled by the end of November. Streamlined institutional assessments and rapid market appraisals will be conducted with the banks selected for Group II. They will be brought on board as MABS-M participating banks in the first quarter of 1999.
- Complete and submit the following reports: (1) Rural Bank Regulatory Environment Policy Brief, (2) a series of 4-5 Case Studies on microfinance practices in the Philippines, (3) Survey of the extent to which rural banks already practice microfinance, (4) Policy Brief on the current PDIC and BSP policy on off-site deposit mobilization, and (5) a funding sources Study covering current options where rural banks can access direct credit.

A. Contractor's Report

A1. Background

The Microenterprise Access to Banking Services in Mindanao (MABS-M) program is a USAID-financed effort jointly implemented by the Rural Bankers Association of the Philippines (R-BAP), the Rural Bankers Research and Development Foundation Incorporated (RBRDFI), and the Office of the Presidential Assistant for Mindanao (OP-MIN). 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 loans and deposits—to microenterprises and other groups at lower socio-economic levels in Mindanao. Through MABS-M efforts, a minimum of 20 rural and community rural banks will be encouraged and assisted to significantly increase the services they provide to the microenterprise sector. It is intended that these efforts will demonstrate to participating banks that it can be sensible and profitable to offer services to the microenterprise sector as a regular part of their portfolios. In turn, it is expected that the successful example of participating banks will encourage all banks to look seriously at servicing the microenterprise market.

MABS-M oversight. MABS-M receives overall program guidance from a Steering Committee, composed of the Executive Director of the RBRDFI, a USAID representative, the RBAP President, the President of the Federation of Mindanao Rural Banks, and the Presidential Assistant for Mindanao. 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 OP-MIN 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.

MABS-M and the MABS-M Management Committee are given regular input from a private sector Bankers Advisory Committee. This committee is composed of the Executive Director of the RBRDFI, the President of the Confederation of Rural Bank in Mindanao, and one elected representative from among the MABS-M participating banks.

The MABS-M program got underway in January 1998, and is expected to have a life of four years, with the option to extend for an additional two years. It is a cost-plus-fixed-fee (CPFF)

completion contract. The estimated cost for the performance of the work required in the contract, exclusive of fixed fee, is \$6,091,503. The fixed fee is \$302,095. The estimated cost plus fixed fee is \$6,393,598. Of that amount, \$5,300,000 is currently obligated. The contract budget is broken down into two Contract Line Item Numbers (CLINS), one for Expanding Access to Banking Services (\$4,393,598) and the other for the Special Activities Fund (\$2,000,000).

A2.Expected Results

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

The MABS-M program will assist these banks to:

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

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

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

A3.Current Core Activities: MABS-M Activity

Per the revised work plan, the contractor will be responsible for ensuring that these major components are addressed:

4. Institutional Strengthening
5. Training
6. SAF Initiatives
7. Monitoring and Evaluation
8. RBRDFI
9. Project Management

B. Institutional Strengthening

This component of MABS-M incorporates Participating Bank (PB) activities including but not limited to PB selection, diagnostic evaluations, organizational and human resource development, systems development and installation, loan and savings product development, preparation of manuals, and marketing.

Tasks completed in Quarter 3:

- *Task One: Conduct candidate pilot bank institutional diagnostic evaluations.* MABS-M conducted and completed institutional assessments of all five candidate banks during the third quarter. They were completed by the end of August. Based on these assessments, 4 candidate pilot banks were recommended as pilot banks to the Management Committee during the September 2 meeting. Three banks—Santa Tomas, TruBank, and Sarangani—were immediately approved by the ManCom. The fourth bank, Digos, was approved the following week, after Digos provided a formal verbal commitment of loan funds it can dedicate to the MABS-M effort.
- *Task Two: Sign Participant Bank Agreements, develop PBA workplans.* Once the institutional assessments were finished and pilot banks were approved, MABS-M developed, negotiated, and signed PBAs with each of the selected banks. Prior to these negotiations, a PBA template was created. This template was approved by the Management Committee on July 23, 1998, and confirmed by the Steering Committee on July 29, 1998.

All four banks signed the PBAs by the last week of September. While slightly behind schedule, the longer negotiation process also served to match expectations between MABS-M and each bank and provided much of the detail that went into drafting each PBA action plan. These action plans outline the technical assistance and training planned with each bank for the 6-month period from October 1998 through March 1999. They were completed in draft form by the end of the Quarter. Additional discussions will be held with each bank, which may change the action plans slightly. The action plans and the signed PBAs will be submitted to the ManCom as backup documentation for SAF Request #10, which will request funds for specific commodities, salary support, and other support to be extended to each bank. MABS-M will submit SAF #10 in the first week of October.

- *Task Three: Conduct individual PB market studies.* At the beginning of the third quarter, a local survey organization, Trends, was subcontracted to conduct a market assessment in each of the candidate bank municipalities. They completed the survey by the end of August, and submitted the comprehensive data in raw form in mid-September. Complete analysis of the data was started by the MABS-M team and will be finished in October. The results of the surveys will be distributed at the municipality level to each of the banks for use in loan and deposit product development. It will also be consolidated to provide a general picture of microenterprise in Mindanao for use in future MABS-M planning.
- *Task Four: Conduct systems diagnostics of pilot banks.* In conjunction with a two-week MIS assignment conducted by Peter Glibbery in July and August, the MABS-M MIS Specialist, Anthony Petalcorin, conducted MIS GAP analyses in each candidate pilot bank. From these analyses, systems requirements and needed modifications were delineated for each bank. The MIS consultancy of Mr. Glibbery, including systems diagnostics and GAP analyses with each candidate bank, is covered in his MIS report, previously submitted to USAID under separate cover.

Notably, all four approved pilot banks use MicroBanker MIS software. Therefore, based on the GAP analyses, MABS has begun working with the RBRDFI and MicroBanker/Philippines to make the programming changes needed produce the reports needed by the banks and by MABS in conjunction with setting up a new microfinance unit within each bank.

Tasks to be completed in the Fourth Quarter. MABS-M plans to complete the following tasks under the institutional strengthening component in the fourth quarter:

1. *Task One: Select Group II participating banks; send Letters of Intent.* Using revised selection criteria, to be approved by the ManCom, MABS-M will shortlist qualified and interested banks from all over Mindanao by the end of November. From there, MABS-M will use a streamlined Institutional Assessment and Rapid Market Assessment process to select the next round of participating banks. We intend to notify all qualifying banks by the end of the year, though the actual schedule of technical assistance to the banks will be planned out over time. We will likely not begin work with all qualifying banks in January 1999, but will create a schedule based on the numbers and locations of qualified and interested banks. We also intend to work with the ManCom to identify ways to reach as many banks as quickly as possible, including some alternative ideas for using SAF funds.
2. *Task Two: Conduct Institutional and Systems Diagnostics, Group II Participating Banks.* With the additional assistance of two short-term consultants—microfinance banking specialist Mely Agabin and MIS Specialist Peter Glibbery—MABS-M will conduct institutional and systems diagnostics of the shortlisted banks. In the MABS-M workplan, we proposed to complete this task by the end of January 1999. However, it may take longer, if there is a large number of qualifying banks that make it on the short list. To speed the assessment process for the rollout phase, prior to beginning we will analyze (1) our previous experience with the assessments with the pilot banks, and (2) which aspects of the pilot phase assessment have proven critical to actual implementation with the pilot banks and which have not been used. From there, we will adapt and streamline our institutional assessment instrument accordingly.
3. *Task Three: Sign PBAs, develop individual Group II workplans.* Upon completion of the institutional and systems assessments, MABS-M will recommend candidate pilot banks to the ManCom for approval. Once approved, MABS-M will develop a PBA and a specific 6-month workplan with each of the approved banks. This activity will begin as early as December, but continue into the first quarter of 1999.
4. *Task Four: Conduct Group II Market Studies.* Side by side with the institutional and systems assessments, we will conduct rapid market appraisals with each shortlisted bank. As with the rollout institutional assessment, we will seek ways to streamline and shorten this process in order to both increase our efficiency and reach what we expect will be a higher number of shortlisted banks. This activity will continue into the first quarter of 1999, feeding directly into the technical assistance, outreach, and training provided to selected banks.

2. Training

Training incorporates formal course work, workshops, seminars, on-the-job training, internships, study tours, and other capacity-building initiatives. Although training will be funded through the SAF, for purposes of planning and monitoring, the MABS-M program addresses training activities separately.

Tasks completed in Quarter 3:

- 1. Task One: Develop comprehensive training plan for pilot group banks.* In conjunction with a short-term consultancy by banking specialist, Bill Pendleton, MABS-M developed a draft training plan for use with the pilot banks. Covering the full 6-month pilot phase, a training plan report was included in Mr. Pendleton's final report, already submitted to USAID. It should be noted that the training plan developed by Mr. Pendleton's is a living document, which will need ongoing improvements and development, incorporating lessons learned from the pilot phase, as we become more familiar with the rural banks and their needs.
- 2. Task Two: Deliver Microfinance Best Practices seminar.* After discussion with the Management Committee, the Microfinance Best Practices theme was dropped as a seminar topic in Quarter Three. Much of the international Best Practices material was already presented at a Global Microfinance Practices workshop held by MABS last spring. Therefore, it was decided to focus on topics more immediately relevant to rural banks. Loan pricing, cash-flow lending, and loan repayment management were chosen as alternate topics.
- 3. Task Three: Deliver "loan pricing" workshop, pilot banks.* As mentioned in the second quarterly report, this task in the workplan was revised slightly. Instead of one workshop with pilot banks, a series of regional workshops on microfinance loan pricing and cash flow lending were organized to be conducted by Andres Panganiban, a banker from Luzon. These workshops are offered to any interested rural banks, not just the four pilots. Two of five workshops were offered in this quarter. The final three will occur in October and November.
- 4. Task Four: Deliver formal training program, pilot banks.* After developing the comprehensive training plan, short-term specialist Bill Pendleton began the delivery of MABS-M's formal training program with the pilot banks by conducting a 4-day workshop on Loan Repayment Management from September 14-17, 1998. A detailed overview of this training workshop was submitted to the ManCom under separate cover. Training delivery to the pilot banks will continue throughout the next two quarters, comprising the MABS-M pilot phase with the four pilot banks.

As training events are funded through the SAF, highlights of the individual training workshops are included in Section 3, SAF, below.

Tasks to be completed in the next quarter:

1. *Task One: Deliver formal training program to pilot banks.* Using the action plans created with each bank for the 6-month pilot phase, MABS-M will continue delivery of the formal training program begun in Quarter Three. This will include on-the-job training of the staff assigned to microfinance and the MABS-M effort in each bank; formal workshops on savings mobilization, MIS, outreach, and other topics; and weekly trips by the MABS-M staff to each bank. These weekly trips will incorporate training done with the microfinance staff, as well as some training, negotiations, and discussions with senior management. This activity will be done throughout the whole of Quarter 4, continuing into the first quarter of 1999.

3. SAF Initiatives.

SAF initiatives incorporate a variety of incentives such as procurement of equipment and salary support for participating banks, training, and bank-specific technical assistance. Individual initiatives are programmed by the MABS-M team and approved by the ManCom.

Six SAF initiatives were approved by the ManCom in the third quarter:

- *SAF No. 4, Candidate Bank Market Surveys.* The candidate bank market surveys, conducted by subcontractor, TRENDS, made a detailed examination of the five candidate pilot banks' respective microfinance markets. The survey itself was finished in September, with raw data turned over to the MABS team in the middle of the month. By the end of October, MABS-M will finish reports for each municipality, analyzing the data and its implications for MABS-M. Additionally, this data will be shared directly with each relevant candidate pilot bank. Final payment to TRENDS will be made in October, once all of the data has been compiled in the format requested by MABS.

- *SAF No. 5, Regional Workshop Planning.* In July, Mr. Boypee Panganiban was brought down to Davao for 4 days to plan a series of regional workshops on cash-flow lending and loan pricing. At the end of his four-day assignment, an overview of the content of the planned workshop, as well as a workshop schedule, were presented to the ManCom for approval. With some minor changes, the ManCom approved the training content and schedule on July 23, 1998. Mr. Panganiban has been paid for this planning effort, and this SAF account is closed.

- *SAF No. 6, RBRDFI Involvement with MABS-M.* This SAF allotment provides per diem, lodging, and travel expenses to the RBRDFI for involvement in MABS-M field activities. It has been utilized three times to date, for involving Mr. Pedro Crisostomo in two regional workshops, and for his assistance to Dr. Lim in conducting field research with rural banks outside of the Davao area. This account is still open, with funding still in the budget for further RBRDFI involvement.

- *SAF No. 7, Loan Repayment Management Workshop.* **The Loan Repayment ran from Monday, September 14 to Thursday, September 17, 1998. There were a total of 16**

participants representing four candidate pilot banks, two MABS-M professionals, a MEDCO representative, and a representative from the USAID funded CUES project in attendance. A full report on the training was submitted to the ManCom under separate cover. No new expenditures are expected under this SAF request, but the account is still open, pending inclusion of some outstanding costs we have yet to be billed for.

- *SAF No. 8, Regional Workshops on Microfinance Loan Pricing and Cash-flow Lending.* Plans were finalized to offer Mr. Panganiban's workshop in five locations—Davao City, General Santos, Butuan, Cagayan de Oro, and Dipolog. All of the trainings are being done through the RBRDFI and the local federations. As part of MABS-M plans to ensure the long-term sustainability of these regional training workshops, registration fee of P200 is being charged per participant. This revenue is split equally between the local federation and the RBRDFI. MABS-M is not collecting the fees. Two of the five workshops—Davao City and General Santos—were held in September. The final three will be held in the fourth quarter. A separate report, including all of the improved training materials used, will be submitted to the ManCom upon completion of the final workshop in November.
- *SAF No. 9, A Case Study of the Panabo Agro-Industrial Cooperative (PAICO).* As part of the planned series of case studies on microfinance practices already in place in Mindanao, the ManCom approved a case study of PAICO. Specific practices of interest include direct rural bank investment in the cooperative, and payment in kind by farmers on both production and providential loans. The SAF request was approved at the end of September. Work will be conducted and completed in the fourth quarter.

To track SAF expenditures and assure that MABS-M does not exceed the \$2 million ceiling amount, a SAF expenditures tracker has been created. It is current through the end of Quarter 3 and included here in Annex A.

Expected SAF requests in the next quarter:

- One research assistant to assist in compiling and analyzing the data to be collected from interested rural banks as part of the initial screening process for selecting banks in the rollout phase.
- Funds to cover the MABS-M equipment, salary, and marketing assistance committed to banks through the PBAs.
- A subcontract to the RBRDFI and/or MicroBanker/Philippines to do the necessary programming needed to integrate MABS-M monitoring and evaluation reporting into existing pilot bank MIS systems.
- Funds to publish the microfinance book of Mr. Andres Panganiban, once he and the RBRDFI agree on copyright and distribution rights.

- A subcontract to a firm, or an individual consultant (international or local), to assist the RBRDFI in the strategic planning tasks included for November in the MABS-M workplan.
- A subcontract to a local training organization to assist in the pilot bank activities.
- Funds to cover some of the costs involved in a study tour by selected pilot bank staff to a commercial institution practicing microfinance in the Philippines, either the New Rural Bank of San Leonardo, CARD bank, or other rural banks in Mindanao.

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

4. Monitoring and Evaluation.

Monitoring and evaluation includes activities relating to the selection of performance indicators and the establishment of monitoring and evaluation systems for use by the individual participating banks, the MABS-M team, and the RBRDFI. In addition, special studies, briefs, impact assessments, and other evaluations are included in this component.

Subtasks completed in Quarter 3:

1. *Task One: Determine and agree on performance indicators.* During the third quarter, MABS-M drafted end-of-pilot performance indicators, both for MABS-M and for participating banks. These indicators were presented to the Management Committee for discussion, review, and approval. After considerable discussion, the indicators were revised and improved to include adherence to the approved MABS-M workplan, among other indicators.
2. *Task Two: Develop/Introduce Monitoring and Evaluation Systems.* During the third quarter, MABS-M developed and began to introduce a comprehensive monitoring and evaluation system to track the performance and results of participating banks and the MABS-M program. This work is closely linked to the MIS work with the banks. A draft report covering all of the indicators to be included in the new bank MIS system will be completed in the third quarter, for presentation to the ManCom in the fourth quarter. The financial indicators have already been approved by the ManCom, and work has already commenced with the RBRDFI and MicroBanker/Philippines to make the needed changes.
3. *Task Three: Brief on Regulatory Framework and Microfinance Operations.* In September, short-term consultant Bill Pendleton reviewed the BSP bank regulatory framework and its implications for rural banks and the MABS-M program. His report will be finalized and submitted in Quarter 4.
4. *Task Four: Rural Bank Survey on Current Microfinance Practices.* In late July, Dr. Joseph Lim began work on a survey of rural banks in Mindanao, assessing their current condition

given the financial crisis, as well as the extent to which they are already involved in microfinance. His work continued intermittently through the end of the third quarter. His report will be submitted to the ManCom in the fourth quarter.

5. *Task Five: Submit Warren Niles MIS Study.* After considerable efforts made to improve the study, the MIS study of Mr. Niles was finalized and submitted to the Management Committee. This was done approximately 6 weeks later than scheduled to ensure the report met its objectives.
6. *Task Six: Familiarization Brief.* As re-scheduled in the revised workplan, the Familiarization Brief was completed and submitted to the Management Committee in August.

Tasks to be completed in the fourth quarter:

1. *Task One: Introduce the Monitoring and Evaluation system.* During the fourth quarter, the MIS and monitoring and evaluation work will continue with the RBRDFI and MicroBanker/Philippines. By the end of the fourth quarter, it is intended that the computerized reporting system developed by MABS-M will be in place in each pilot bank, and the MABS-M monitoring and evaluation system will be up and running. Once in place, monthly reports can be submitted to the ManCom.
2. *Task Two: Study, Microfinance Banking Practices.* As approved by the ManCom, the Microfinance Banking Practices report will now be a series of case studies. The eventual goal is to publish and distribute these case studies to rural banks through the RBRDFI as part of the expansion of the RBRDFI's service menu. Currently, there are five case studies planned or in progress: CARD Bank, New Rural Bank of San Leonardo, PAICO, RB Talisayan, and a report covering the practices of three moneylenders in and around General Santos. These case studies will be completed individually and submitted to the ManCom during the fourth quarter as they are completed.
3. *Task Three: Study, Funding Sources for Rural Banks.* The funding sources study will comprise a listing of the various sources of funds available for rural banks to access. Due in December, MABS actually anticipated completing the funding sources study by November. Once completed and approved by the ManCom, it will be bound and available for distribution/sale by the RBRDFI.
4. *Task Four: Rural Bank software development feasibility analysis.* Beginning in mid-November, Mr. Peter Glibbery will assess the feasibility of MABS-M developing its own software for rural banks. He will also assess the price requirements, test the market, and complete initial design specifications. His work will continue into the first quarter of 1999. A detailed SOW has already been submitted to USAID, and his four-month consultancy approved by the CTO. This work was not originally included in the revised workplan, but was added after discussions with USAID, the Management Committee, and the RBRDFI.

5. RBRDFI

All initiatives dealing with the development and strengthening of the RBRDFI, including training specifically directed to this organization, will be programmed under this component. Under the revised workplan, targeted work with the RBRDFI will begin in November, 1998.

Tasks to be completed in the third quarter:

Under the revised workplan, no tasks were planned with the RBRDFI in the third quarter. However, MABS-M worked closely with the RBRDFI on a number of training initiatives during quarter three. These were detailed above under SAF initiatives.

Tasks to be completed in the fourth quarter:

Task One: Conduct organizational assessment. Using either a local or international short-term specialist, MABS-M will conduct a rapid organizational assessment of the RBRDFI. We will work closely with the executive director both in selecting the consultant and in conducting the assessment.

Task Two: Formulate/agree on strategic development plan. The same short-term consultant will work with the RBRDFI to formulate a strategic development. This plan will build on the RBRDFI's existing services, identifying key fee-based and revenue generating products and services for the RBRDFI to add to its service menu. This activity will begin late in the fourth quarter and will extend into the first quarter of 1999.

Task Three: Assist with the Credit Conference, design session or workshop. Based on the RBRDFI's needs, MABS-M will assist in their planning and coordination of the national Credit Conference in December. If possible, MABS-M also plans to present a session or workshop of some kind at the conference.

Task Four: Develop/launch RBRDFI Newsletter. Beginning late in the fourth quarter, MABS-M will assist the RBRDFI to develop and launch a newsletter. This newsletter will ideally be published and distributed on a quarterly basis. It is planned to distribute the first newsletter in the first quarter of 1999.

6. Program Management.

Program management takes into account meetings, project evaluations, report submission, visits by Chemonics' home office staff, and other activities related to overall project management. It also includes the ManCom assessment of the pilot phase of MABS-M, whereby a decision will be made whether or not to continue the program.

Tasks completed during the third quarter:

1. *Task 1: Submit Second Quarter Report.* The second quarter report was completed and submitted to USAID in July 1998.
2. *Task 2: Long-term Staff Hires.* Radela Guangco, administrative assistant, replaced Jaja Catalan, who resigned for personal reasons. Ms. Guangco reports directly to the office manager, Mercy Almanzor. Additionally, a new research assistant position was created and filled by Nurhayrah Osop-Limpao. She will assist the technical team with report writing, research, and networking. Ms. Osop-Limpao reports directly to Raike Quinones, the microenterprise outreach advisor. Both Ms. Guangco and Ms. Osop-Limpao began work on September 14, 1998, and have been hired for the life of the project.

Finally, a banking analyst position was created. It will be filled in mid-October by Mr. Mateo Ty, and will run for the life of the project. Mr. Ty has already conducted some short-term work for MABS, and will be able to hit the ground running. He will report directly to the chief of party, initially working on some of the pilot bank training, and then expanding his efforts to assist with the selection of the rollout groups of banks.

3. *Task 3: Home Office Staff Consultancies to MABS-M.* Two home office employee conducted work in the field on behalf of MABS-M during Quarter 3:
 - While a new long-term COP is identified and fielded, Lief Doerring served as MABS-M acting COP for all but three weeks of the Third Quarter.
 - C.Y. Nunez-Ollero, Chemonics' project manager, served as interim acting COP for the three weeks in August while Mr. Doerring was in Washington, DC.
4. *Task 4: Restructuring the MABS-M Management Committee.* With USAID's assistance and Management Committee concurrence, the MABS-M Management Committee was restructured. To avoid any appearance or possibility of conflict of interest, Mr. Buenaventura stepped down from the committee. In his place, Eufemia Calderon, from MEDCO, was made MABS-M chairperson.

To ensure continued input and support from the RBRDFI and the rural bankers in Mindanao, a Bankers Advisory Committee was created. This committee is tasked with advising both the Management Committee and MABS-M on issues concerning rural banking in Mindanao. The Advisory Committee is comprised of the Executive Director of the RBRDFI, Alex Buenaventura; the President of the Federation of Mindanao Rural Banks, Reynaldo Reyes; and Jun Lais, president of the Rural Bank of Sarangani and representing the participating banks. A detailed terms of reference (TOR) was developed for the new committee by MABS-M. This TOR was approved by the ManCom on October 16.

5. *Task Five: Identify a new Chief of Party.* In conjunction with the Chemonics' home office in Washinton, DC, a new COP, Phil Broughton, was identified in the third quarter. Mr. Broughton was then brought out for interviews from October 2-4 (actually the fourth

quarter), and subsequently approved by USAID and the Management Committee. He will be fielded full-time beginning in November. While slightly behind the targeted schedule for fielding, Mr. Broughton has excellent qualifications in both commercial banking and microfinance.

Tasks to be completed in the fourth quarter:

1. *Task One: Submit Third Quarter Performance Report.* The third quarter report will be submitted to USAID at the end of October.
2. *Task Two: Field the new COP.* The new COP will be fielded in November. Mr. Doerring will act as COP through the end of October, and Raika Quinones will serve as acting COP in November until Mr. Broughton arrives. Mr. Doerring may return for two weeks in December to assist the new COP in getting up to speed on MABS.
3. *Task Three: Annual Inventory of Commodities.* The MABS-M administrative staff will perform the annual inventory of commodities in December.

Two other tasks were indicated for the fourth quarter of 1998. However, after discussion with USAID and the Management Committee, they have been pushed back to the end of the first quarter of 1999. This includes the end of pilot assessment, and the submission of the Year II workplan. The current workplan is completed through March 1999, and the implementation of the pilot phase with the four pilot banks will be completed at the same time. Programmatically, it makes more sense to create the next workplan once the pilot phase is completed. Additionally, this postponement will allow the new COP to get fully up to speed before needing to plan out the second year of MABS-M activities.

A4.Performance

The following results were achieved during the third quarter:

- Institutional assessments and rapid market appraisals were completed for five candidate pilot banks.
- Four of the five candidate rural banks were approved by the Management Committee as MABS-M pilot banks.
- Four pilot banks signed Participant Bank Agreements with MABS-M. These include the Rural Bank of Santa Tomas, Rural Bank of Digos, TruBank, and the Rural Bank of Sarangani.
- Action plans for each pilot bank were completed. These action plans cover the 6-month pilot phase, from October 1998 to March 1999.
- The field work of an in-depth microenterprise survey was completed by subcontractor,

Trends, MBL.

- The first formal training workshop with pilot banks was conducted from September 14-17, covering issues related to loan repayment management.
- The first series of regional workshops involving any interested rural banks were begun. In the first two workshop of the five planned, over 150 rural bankers and their staff members paid P200 to attend, either in General Santos or Davao City.
- A high-quality MABS-M brochure was completed and mass produced. Over 700 copies have already been distributed to rural bankers and other interested parties.

A5.Statement of Work

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

Administrative Information:

Contract Data:	Total Estimated Cost	\$ 6,393,598
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CLIN #1	Total Estimated Cost	\$ 4,393,598
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1. Expenditures (July 1, 1998 - September 30, 1998)*	\$ 326,384
2. Cumulative Expenditures to date:	\$ 837,707
3. Remaining unexpended balance:	\$ 3,555,891

CLIN #2	Total Estimated Cost	\$ 2,000,000
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1. Expenditures (July 1, 1998 - September 30, 1998)*	\$ 21,773
2. Cumulative Expenditures to date:	\$ 27,297
3. Remaining unexpended balance:	\$ 1,972,703

*August and September are invoiced amounts, not yet paid by USAID.