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

# **QUARTERLY REPORT**

**MICROENTERPRISE ACCESS TO BANKING  
SERVICES PROGRAM PHASE 4 (MABS-4)  
SECOND QUARTER  
JULY 1 – SEPTEMBER 30, 2008**

**November 2008**

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

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

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## Acronyms Used in this Report

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

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## EXECUTIVE SUMMARY

This document serves as the Second Quarterly Report of the Microenterprise Access to Banking Services Program's Phase 4 (MABS-4) - covering the period from July 1 through September 30, 2008. It also lays out the workplan for the next quarter.

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

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

Since 1997, the MABS Program has provided training and technical assistance to 90 rural banks with more than 453 branches and other bank offices to develop microfinance products and services. These PBs have disbursed over 1.7 million loans totaling more than PhP20.7 billion to more than 558,000 new bank borrowers. These partner banks also manage more than PhP1.7 billion in small savings deposits from approximately 1.4 million micro deposit accounts.

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

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

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

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

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

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

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

- *Develop micro-insurance products.* The estimated market for micro-insurance in the Philippines is enormous, with most potential clients operating as microentrepreneurs in the large informal sector. In partnership with local insurance companies, MABS will work with 125 rural banks to reach at least a third of rural bank clients and ensure that there is improved access to insurance options which rural banks will be able to offer.
- *Improved Access to Credit Bureaus.* As more and more institutions engage in microfinance, the need for a comprehensive, accessible, and accurate credit information sharing has become clear. The Credit Information System Act is expected to be signed into law by the 3<sup>rd</sup> Quarter - MABS will work with rural banks, the Bangko Sentral ng Pilipinas (BSP – the Philippine Central Bank), and private credit bureaus to ensure that rural banks will be able to participate and access credit bureaus over the coming years.
- *Communications and other activities.* MABS will continue using appropriate communications and marketing tools to ensure that there is widespread public awareness of the activities and achievements of the Program and that knowledge tolls developed by MABS, best practices, and lesson learned are shared with key organizations in the local and global microfinance industry and practitioners.

During the 2<sup>nd</sup> Quarter of Phase 4, MABS continued to deliver its core microfinance training modules and technical services, while gaining ground on its work with new initiatives microinsurance and microhousing.

One hundred seven rural bankers from 33 MABS PBs completed three separate Middle Management Training Course (MMTC) sessions held during the Quarter. The MMTC – one of the standard training courses developed and regularly conducted by the MABS Program - aims to strengthen the capabilities of MABS PBs' middle managers in supervising account officers and provide them with the knowledge and skills to effectively and efficiently manage their microfinance operations.

The Mobile Phone Marketing Program that MABS is implementing in coordination with Globe and GXI continued to register new MPBS users. Six PBs (PR Bank, 1<sup>st</sup> Valley Bank, Agri Business Bank, Cantilan Bank, GM Bank and Green Bank) are implementing the program, which aims to generate more MPBS users and transactions. The banks have recruited independent marketing agents, who will promote MPBS to their clients. From May to September 2008, participating banks have generated more than 2,000 additional mobile phone banking users.

Valiant Bank, a 6-branch bank based in the Iloilo province, has been accredited to offer GCASH services. Banco Santiago de Libon, with 6 branches, and Camalig Rural Bank, with 9 branches, have also been accredited to offer mobile phone banking services within the Bicol region. From May to September, a total of 3 banks with 20 banking units have been approved by BSP - through RBAP - and activated by Globe to offer MPBS. One Network Bank - which has more than 70 branches - and Quezon Capital Rural Bank - with more than 20 branches - are still completing documentary requirements for accreditation to offer mobile phone banking services to their clients. Applications of Filipino Savers Bank, Tiaong Rural Bank and Rural Bank of Makati are being reviewed.

In line with USAID's emphasis on harnessing public-private partnerships to reach more clients, MABS signed a Memorandum of Agreement (MOA) with Nokia Philippines, outlining the facilitation of the "Own-A-Nokia Phone Loan Program", which will be offered by interested MABS PBs and Nokia's sponsorship of MPBS users' manuals. Nokia, through its distributor and retailers nationwide, will offer the "*Own-A-Nokia Phone Loan Program*", which will be channeled through the selected rural banks. In July, Bangko Kabayan signed a separate MOA with Nokia to formalize their rollout of the financing program.

MABS is also working with a number of partners to develop the Text Reminder System, which will automate the sending of loan payment reminders to borrowers. The system will serve as an automated tool to remind clients through SMS or text on amount and due dates of their loan amortization. The Innovations for Poverty Action (IPA), a non-profit organization, will undertake research study. Separate Memorandums of Understanding (MOU) were signed with IPA and MyClick this quarter to initiate this activity. The study aims to determine clients' response to automated reminder messages, which in turn will yield useful information to improve the bank's repayment and collection effort. MyClick Technologies, a local information technology firm, has been tapped to develop the systems for the project. PBs RB Mabitac, First Macro Bank, and Green Bank have agreed to pilot the system.

On its work on the development of microinsurance products, MABS completed a market research on the supply of microinsurance during the 2<sup>nd</sup> Quarter and conducted rapid appraisal of interest in microinsurance among rural banks. Product documentation for seven microinsurance products was completed. Meanwhile, the rapid appraisal survey verified results on currently available microinsurance services and extracted the number of clients currently covered by these services. 72 rural bank branches are currently offering microinsurance products, with more than 43,000 active clients already covered with microinsurance.

A Memorandum of Understanding (MOU), which clarified roles and expectations among RBAP, MABS and insurers, was finalized and disseminated for review by insurance providers invited to the project. Finalized were MOUs with 3 insurance providers while the MOUs with other premiere insurers are at varying levels of review and finalization by the legal and underwriting units of the insurance companies.

After completing the development of market research tools, conducting the market research and product development briefing/workshops with the four pilot banks (Green Bank, Bangko Kabayan, GM Bank, and Cantilan Bank), MABS and a team from Mercy Corps/ Microfinance Innovation Center for Resources and Alternatives (MICRA) designed the Home Improvement Product and generic product manual; enhanced cashflow form to accommodate housing loan requirements; and trained pilot banks and MABS staff for implementation. To process and consolidate the survey data, Mercy Corps contracted the services of the Social Weather Stations (SWS), a non-stock, non-profit social research organization, for the supply of statistical consultancy services, data encoding, programming and data processing. The market research results were discussed with the banks and translated into meaningful information for developing their housing loan product features and the drafting of a generic housing manual.

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

One of the four pilot banks began releasing loans through two banking units in August. A second pilot bank scheduled to release some loans in October. As of 30 September 2008, these two banking units have already released 19 loans.

In preparation for the next micro agri-loan product training and rollout scheduled for the next Quarter, MABS reviewed and enhanced the Micro Agri-loan Product features and training materials. The training approach was revised from training a group of rural banks to a specialized, in-house training for rural banks willing to offer and pilot test the MAP in two or more branches. This approach intends to not only provide training but also provide technical assistance in the assessment of initial loans of the bank. This approach also ensures that the pilot testing of the MAP within the bank pushes through. A group training would still be conducted depending on the number of interested smaller banks coming from the same region.

From four and a half days, the MAP training has been compressed to three days of in-house intensive lecture and workshop with the objective of producing potential clients for final review and approval by the end of the training.

Two banks – PR Bank and RB San Antonio, have signified interest to offer MAP and will be trained in the next Quarter.

As of September 2008, 47 bank units are offering MAP and collectively have 6,411 active borrowers, with an outstanding loan portfolio of more than PhP55.3 million. These banks have disbursed more than 22,000 MAP loans totaling more than PhP283 million to more than 11,000 new micro agri-loan borrowers.

The Program and its PBs continued to be featured in international conferences focusing on microfinance and technology. For the 2<sup>nd</sup> Quarter alone, MABS presented at four major international conferences.

MABS also hosted international study groups - from Cambodia, Indonesia, India, Vietnam, and Afghanistan - that came to learn about the MABS Approach to microfinance and best practices in implementing microfinance programs and mobile phone banking. Additional study tours are planned for next quarter with visitors from Colombia and India coming to visit RBAP and the rural banks.

# CONTRACTOR'S REPORT

## a) MABS-4 Oversight

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

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

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

## b) Expected Results

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

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

## c) Key Result Areas (KRAs)

### Key Result Area 1: Expansion of banks providing microfinance services

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

Performance Indicators	Baseline Data from MABS-3 (As of April 2008)	Quarter 2 Actual	Quarter 2 Target (July - September 2008)	September 2008 Result as % of Quarterly Target	Year 1 Target (May 2008 – Sept 2008)	MABS-4 End of Project Targets (March 2013)
1. Over 200 additional bank branches	320*	New: 6	7	85.7%	10	200 additional bank branches
		Cumulative: 333	330	100.9%	330	
Other Banking Offices**		New: 120				
2. 375,000 new micro-borrowers	499,604	New: 36,050	20,000	180.2%	30,000	375,000 new micro-borrowers
		Cumulative: 558,654	530,000	105.4%	530,000	
3. PhP20 billion in micro-loans disbursed	PhP18.27 billion (B)	New: PhP1.47 B	1B	147%	PhP1.7 B	PhP20 billion in micro-loans disbursed (over US\$500 million)
		Cumulative: PhP20.75 B	PhP19.7 B	105.3%	PhP19.97 B	
4. 1,700,000 Outstanding Micro-Deposit Accounts ***	1,339,435	Increase (Q2-Q1): 61,431	20,000	307%	50,565	1,700,000
		Outstanding: 1,411,217	1,390,000	102%	1,390,000	

\* These figures include active MABS participating bank branches

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

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

MABS will work with new and existing rural banks to provide technical assistance and training to at least 200 additional banks branches to expand microfinance services. The cumulative number of new micro-borrowers reached by PBs will reach to 375,000 during the period to bring the 15-year total of new micro-borrowers reached to more than 800,000. The overall increase in microloans disbursed over the next five years is

expected to exceed US\$500 million and will bring the total 15-year cumulative amount of micro loans disbursed to over US\$800 million. MABS will focus on providing technical assistance and support to existing MABS PBs to help them grow and open branches.

MABS PBs are also expected to manage more than 1.3 million micro deposit accounts by the end of Year 1 and 1.7 million accounts by 2013.

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

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

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

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

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

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

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

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

The establishment of a credit bureau will greatly help rural banks to evaluate, monitor and reduce the costs of credit risk analysis through accessing credit histories of prospective clients. Based on recent press releases, there is optimism that the *Credit Information System Act* will be signed into law by the next Quarter. Since this will be a new requirement for rural banks, they will need assistance in improving their systems to properly gather and submit credit history information of their clients.

MABS will collaborate with BSP and other private credit bureaus to determine the generic/standard reporting structure to ensure that the reports generated by the rural banks will be acceptable to both the national credit bureau and private credit bureaus.

#### *Accomplishments for the Second Quarter:*

*Task One: Conduct the Middle Management Training Course.* A total of 107 rural bankers from 33 MABS PBs completed three separate Middle Management Training Course (MMTC) sessions held on September 2008 in Manila, Cagayan De Oro City, and Agusan Del Norte. The participants were composed of mid-level managers - branch managers, microfinance unit supervisors, and microfinance account officers who are scheduled for promotion as supervisors.

The MMTC – one of the standard training courses developed and regularly conducted by the MABS Program - aims to strengthen the capabilities of MABS PBs' middle managers in supervising account officers and provide them with the knowledge and skills to effectively and efficiently manage their microfinance operations. Case study analysis, group workshops, and exercises complement lectures and presentations. Course modules focus on best practices in microfinance; microfinance performance standards; monitoring and supervision of account officers; methodology audit, and marketing.

#### *Activities to be Completed in the Second Quarter:*

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

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

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

*Task Three: Promote MATTS during the RBAP's national and regional conferences. MABS will actively promote its training and technical services during the RBAP's 51<sup>st</sup> Charter Anniversary Symposium scheduled in November.*

*Task Four: Monitor the developments on the Credit Information Systems Act, which is expected to be signed into law in October.*

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

**Table 2: KRA2 Data for Quarter 2 vs. Targets (Quarter 1, Year 1 and End-of-Project)**

<b>Performance Indicators</b>	<b>Baseline Data from MABS-3 (As of April 2008)</b>	<b>Quarter 2 Actual</b>	<b>Quarter 2 Target (July – September 2008)</b>	<b>September 2008 Result as % of Quarterly Target</b>	<b>Year 1 Target (May 2008 – Sept 2008)</b>	<b>MABS-4 End of Project Targets (March 2013)</b>
1. Number of rural bank clients registered to use mobile phone banking services	60,651	New registered users: 4,880	New: 9,349	52.1%	9,349	500,000
		Cumulative: 68,941	Cumulative: 70,000	98.5%	70,000 *	
2. Number of bank branches offering mobile phone banking	330	New: 6	New: 10	60%	10	500
		Cumulative: 350	Cumulative: 340	102.9%	340 **	
3. Total value of monthly mobile phone banking transactions	PhP132 Million	Php145.1 Million	PhP155 Million	93.6%	PhP155 Million	PhP400 million
4. Bank branches offering microinsurance		New (Q2-Q1): 65				
	6	72	9	800%	9	125
5. Active microenterprise clients covered by microinsurance		New (Q2-Q1): 43,208				
	400	43,608	15,000	290.7%	15,000	150,000

6. Number of bank branches offering micro housing loans		New (Q2-Q1): 6				
	NA	6	4	150%	4	50
7. Cumulative number of micro housing clients		New (Q2-Q1): 19				
	NA	19	0	NA	0	5,000
8. Cumulative number of bank branches offering the micro agri-loan product		New (Q2-Q1): 4				
	41	47	45	104.4%	45	106
9. Cumulative number of new micro agri-loan product clients		New (Q2-Q1): 1,635				
	9,200	11,701	11,450	102.1%	11,450	30,000

\* Figure includes number of clients registered as of April 2008 (60,000) and new clients registered up to September 2008 (10,000)

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

### **KRA2.1 Mobile phone banking services expanded in participating banks**

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

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

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

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

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

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

#### *Accomplishments for the Second Quarter:*

*Task One: Promote MPBS and sign up more users through Globe’s Mobile Phone Banking Marketing Program that runs from May - November, 2008.* Six participating banks (PR Bank, 1<sup>st</sup> Valley Bank, Agri Business Bank, Cantilan Bank, GM Bank and Green Bank) are implementing the program, which aims to generate more MPBS users and transactions. From May to September 2008, participating banks have generated more than 2,000 additional mobile phone banking users.

*Task Two: Review and process pending applications of rural banks applying for accreditation as MPBS/GCASH partners of RBAP-MABS and Globe.* Valiant Bank, a 6-branch bank based in the Iloilo province, has been accredited to offer GCASH services. Banco Santiago de Libon, with 6 branches, and Camalig Rural Bank, with 9 branches, have also been accredited to offer mobile phone banking services within the Bicol region. From May to September, a total of 3 banks with 20 banking units have been approved by BSP - through RBAP - and activated by Globe to offer MPBS. One Network Bank - which has more than 60 branches - and Quezon Capital Rural Bank - with more than 20 branches – are still completing documentary requirements for accreditation to offer mobile phone banking services to their clients. Applications of Filipino Savers Bank, Tiaong Rural Bank and Rural Bank of Makati are being reviewed.

*Task Three: Sign a Memorandum of Agreement (MOA) with Nokia Philippines, outlining the facilitation of the “Own-A-Nokia Phone Loan Program”, which will be offered by interested MABS PBs and Nokia’s sponsorship of MPBS users’ manuals.* Nokia, through its distributor and retailers nationwide, will offer the “Own-A-Nokia Phone Loan Program”, which will be channeled through the selected rural banks.

In July, Bangko Kabayan signed a separate MOA with Nokia to formalize their rollout of the financing program. Bangko Kabayan piloted the program to its 3 branches from July to August. With the satisfactory results of generating 70 loans during the pilot, Bangko

Kabayan is scheduled to rollout Nokia phone financing program to all of its branches in the last quarter of 2008.

To support the expansion of MPBS, Nokia sponsored the printing of Mobile Phone Banking Services booklets/users' manuals. Copies of the booklet were delivered to MABS in August and were distributed to banks offering mobile phone banking services. These will then be distributed to their clients who are using the services as a handy guide.

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

The project, which is on the beta testing stage, which will be piloted to 3 banks: RB Mabitac, Green Bank and First Macro Bank. Pilot will start as soon as the system has been properly tested. If the pilot test is successful, this new service will be offered to interested rural banks which plan to offer text reminders for loan clients and promotional and information through text.

*Task Five: Facilitate partnership between RBAP and Smart to expand mobile phone banking services to clients of the rural banks who are Smart subscribers.*

Through MABS, RBAP and Smart signed an MOU in September to expand mobile phone banking services to clients of the bank who are Smart subscribers. This partnership will also explore the possibilities of having the rural banks issue their own Smart Money Card as co-branding between rural banks, Smart Money, and Banco de Oro.

#### *Activities to be Completed in Third Quarter:*

*Task One. Continue to promote the mobile phone banking marketing program with Globe and other incentive programs for MPBS rollout banks.* This is a continuous effort between Globe and the participating banks to register more clients, increase productivity, and create more incentive to employees of rural banks and other independent MPB agents registered by the rural banks.

*Task Two: Explore renewal of partnership with telecommunications company Smart Communications (Smart) for the expansion of MPBS using Smart Money.*

Through MABS, RBAP and Smart will formally announce its partnership to expand mobile phone banking services to clients of the bank who are Smart subscribers during the RBAP Symposium in November. The RBAP symposium will be the venue for ceremonial signing and press releases.

*Task Three: Continue to accredit more banks to offer mobile phone banking services.* Conduct accreditation campaign for rural banks that are not accredited to offer mobile phone banking during the RBAP symposium in November 2008.

## **KRA2.2 Microinsurance services offered in participating banks**

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

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

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

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

### ***Accomplishments for the Second Quarter:***

*Task One: Conduct market research on supply of micro insurance.* Product documentation completed for the following: SunLife of Canada (Group Life Insurance), Fortune Life (Group Yearly Renewable Term), Country Bankers Life (Life Insurance w/ rider for dependents), Pru Life (Term Life Insurance with Hospital Income Benefit), Malayan Insurance (Credit (Accident) Insurance), ACE Insurance (Consumer Credit

Insurance), Country Bankers Insurance (Residential Fire Insurance & Personal Accident Insurance)

*Task Two. Conduct rapid appraisal of interest in microinsurance among rural banks.* A preliminary validation survey was conducted among rural banks that participated in the Needs Survey conducted in February 2008 under MABS-3. The survey verified results on currently available microinsurance services and to extracted the number of clients currently covered by these services. MABS also participated in the Rural Banking week (late August). Through MABS' invitation, insurance companies provided ad placements for the Philippine Star RBAP Week Supplement with the purpose of heightening awareness on their products and services.

*Task Three: Draft Memorandum of Understanding to clarify roles and expectations among RBAP, MABS and insurers.* MABS adopted a consultative approach in the formulation of the MOU forged between RBAP and the insurance providers. The MOU draft was ultimately approved by RBAP and disseminated for review by insurance providers invited to the project. Finalized were MOUs with 3 insurance providers while the MOUs with other premiere insurers are at varying levels of review and finalization by the legal and underwriting units of the insurance companies.

*Activities to be completed in the Third Quarter:*

*Task One: RBAP-MABS to collaborate with insurers on the conduct of promotional activities to increase effective demand for insurance products among microenterprise clients.*

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

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

### **KRA2.3 Microhousing finance services expanded in participating banks**

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

Microfinance and housing finance are related by the shared objective of providing access to marginalized groups. Also, since many microenterprises are home-based, microenterprise loans often contribute to home improvements or house construction that also benefits the business. Because of the potential for mutually reinforcing product and

service design, it will be beneficial to examine the prospects for providing housing loans using microfinance technologies.

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

MABS will assist rural banks in developing and offering micro housing products to reach 150 clients through at least 10 rural bank branches by the end of September 2009, and more than 50 branches during the life of the project. Major activities during the Second Quarter under this component include the following:

*Accomplishments for the Second Quarter:*

*Task One: Development of market research tools and conduct of market research.* A team from MABS and Mercy Corps/ Microfinance Innovation Center for Resources and Alternatives (MICRA) facilitated the conduct of separate market research/surveys and bank staff training for the four pilot banks (Green Bank, Cantilan Bank, GM Bank, and Bangko Kabayan) in July.

MABS and Mercy Corps/MICRA personnel, together with the banks' staff members, completed the field interviews of 485 randomly selected respondents chosen from a list of (a) microfinance individual loan clients; (b) deposit clients; (c) salary loan clients; and (d) non-client of the bank. Survey results revealed that there is more interest for home improvements rather than house/lot purchase or construction of a new house.

*Task Two: Conduct product development briefing/workshop with pilot banks in July and August; design Home Improvement Product and develop brief generic product manual; enhance cashflow form to accommodate housing loan requirements; and train pilot banks and MABS staff for implementation.* To process and consolidate the survey data, Mercy Corps contracted the services of the Social Weather Stations (SWS), a non-stock, non-profit social research organization, for the supply of statistical consultancy services, data encoding, programming and data processing. The deliverables included the submission of soft and hard copies of the primary and summary/consolidated data tables for the Housing Microfinance Demand Survey for the four banks.

The market research results were discussed with the banks and translated into meaningful information for developing their housing loan product features and the drafting of a generic housing manual.

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

*Task Three. Pilot test Home Improvement Product.* One of the four pilot banks began releasing loans through two banking units in August. A second pilot bank scheduled to release some loans in October. As of 30 September 2008, these two banking units have already released 19 loans. Meanwhile, the technical assistance and training from MABS have helped the other pilot banks with their preparatory activities for the pilot testing of their HMF product in October and subsequent months.

#### *Tasks to be accomplished in the Third Quarter:*

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

*Task Two: Document implementation for case studies & product enhancement.*

#### **KRA2.4 Micro agri-loan product rollout**

Based on the nationwide survey of farmers by the Philippine Agricultural Policy Council (ACPC, 2004-05 survey), three-fourths of farm households depend on crop farming, one-third on livestock raising, while fishing is an additional income source for almost a fifth. The ACPC survey also showed the multiplicity of income sources for farming households, with more than half (52 percent) of these households having other incomes from non-farm sources. In terms of access to formal loans, the surveys found a higher share of 51 percent of all farm loans from formal sources in 2004-05 compared to 38 percent in 1996-97.<sup>1</sup> While access to formal credit by farmers had improved, the unmet farm credit demand remains large. Excluding the livestock sector, ACPC estimated the unmet credit demand of rice, corn and coconut farmers at about US\$1.47 billion. Reducing the gap in supply and demand faces two major challenges: reducing the risk of lending to farmers and reaching those farmers in areas farther away from town centers.

With so much the labor force dependent on agricultural income, access to financial services in this sector is critical. Rural banks are uniquely positioned to serve this market. By incorporating MABS best practices and adjusting loan features to address the flexible needs of agricultural borrowers, rural banks have become more confident about lending to this sector. More technical assistance, training, and monitoring are needed to increase agricultural lending, and close monitoring will be critical to maintaining portfolio quality.

MABS developed in 2004 an approach to the Micro Agri Credit that essentially utilized the *MABS Approach* in designing and implementing microfinance products. The approach integrates market research, careful product design, pilot testing, and portfolio management. In many ways the MABS-Micro Agri Product approach was different from

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

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

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

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

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

This strategy aims to tap new market segments to increase the client outreach of MAP implementing banks. In addition, specific major crop or agricultural produce will be identified in specific farming localities and such will be subjected to value chain analysis to identify gaps and opportunities for financing. MABS will identify the exact location of small farmers and farmer associations, initially in Mindanao and eventually in other regions of the country that are not affected by typhoons. A market research tool will be refined and market survey activities will be conducted to find out demographics, natural resources, types of agricultural activities, and the capacity of MABS banks in the area. MABS will assist the banks to target the small farmers in their areas and offer MAP. During the first two years of MABS-4, the MABS team will provide additional support to

existing participating rural banks that are implementing the MAP and will encourage expansion to more farmers by actively promoting the services offered through existing networks that link to small farmers including larger trading companies and farmer associations.

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

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

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

- *Use technology to expand outreach to small farmers*

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

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

- *Promote knowledge sharing to refine and enhance MAP*

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

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

### *Accomplishments for the Second Quarter:*

*Task One: Review and enhance the Micro Agri-loan Product features and training materials in preparation for the first MAP rollout training under MABS-4.* The MAP training materials had been reviewed and enhanced. MABS revised the training approach from training a group of rural banks to a specialized, in-house training for rural banks willing to offer and pilot test the MAP in two or more branches. This approach intends to provide not only training but also technical assistance in the assessment of initial loans of the bank. This approach also ensures that the pilot testing of the MAP within the bank

pushes through. A group training will still be conducted depending on the number of interested smaller banks coming from the same region.

From four and a half days, the MAP training has been compressed to three days of in-house intensive lecture and workshop with the objective of generating potential clients for final review and approval by the end of the training. Banks will be required to gather secondary data and conduct an inventory of MAP-financing needs among the bank's existing clients prior to the conduct of the training.

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

*Task Three: Continue to closely monitor the micro agri-loan rollout.* As of September 2008, 47 bank units are offering MAP and collectively have 6,411 active borrowers, with an outstanding loan portfolio of more than PhP55.3 million. These banks have disbursed more than 22,000 MAP loans totaling more than PhP283 million to more than 11,000 new micro agri-loan borrowers.

**Activities to be Completed in the Third Quarter:**

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

*Task two: Conduct in-house training for the following rural banks that signified interest to offer and pilot test the MAP in two or more branches: PR Bank in Isabela and the Rural Bank of San Antonio in Batangas.*

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

**Table 3: KRA3 Targets**

Targets
1. 12 news items/articles released by end of Year 1.
2. 60 articles in local and international media by end of project.
3. 4 national roundtables organized and participation in 20 international conferences by the end of the project.

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

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

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

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

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

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

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

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

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

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

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

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

#### *Activities to be Completed in the Third Quarter:*

*Task One: Conduct regional roundtable conferences for Mindanao PBs, to be held in Davao City, and Visayas and Luzon PBs, to be held in Manila.*

#### **KRA3.2 Public awareness of RBAP-MABS widespread**

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

#### *Accomplishments for the Second Quarter:*

*Task One: Write articles and press releases on the Program's work, achievements, and impact and publish in newspapers, magazines, and online media.* As of September 2008, twenty-one (21) articles on the MABS Program have been published on major broadsheets and online publications.

*Task Two: Distribute the MABS-3 Final Report to Program stakeholders, partners, participating banks, and other organizations.* The MABS-3 Final Report was distributed to RBAP, USAID, MEDCo, BSP, the Department of Finance, Microfinance Council of the Philippines, the Asian Development Bank, and other local and international organizations.

*Task Three: Design MABS-4 promotional and information materials.*

*Task Four: Finalize support for and provide updates to RBAP's Mobile Phone Banking website, [www.mobilephonebanking.rbap.org](http://www.mobilephonebanking.rbap.org).* MABS worked with RBAP to request for sponsorship of the [www.mobilephonebanking.rbap.org](http://www.mobilephonebanking.rbap.org) website, which was approved by GXI during the Quarter. A blog highlighting stories from mobile phone banking clients of rural banks was activated in September at [www.blog.mobilephonebanking.rbap.org](http://www.blog.mobilephonebanking.rbap.org).

### Activities to be Completed in the Third Quarter:

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

*Task Two: Re-design [www.rbapmabs.org](http://www.rbapmabs.org) website and establish a blog to provide and share regular updates for each of the various practice areas.*

*Task Three: Provide updates to RBAP's Mobile Phone Banking website, [www.mobilephonebanking.rbap.org](http://www.mobilephonebanking.rbap.org).*

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

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

### Accomplishments for the Second Quarter:

*Task One: Establish presence and increase visibility through participation in conferences/events promoting microfinance and international study tours.* During the 2<sup>nd</sup> Quarter, MABS and several PB officers served as featured resource speakers at several international conferences. Joseph Omar Andaya, President of MABS PB Green Bank, shared the bank's experience on mobile phone banking at the Asia Microfinance Forum 2008 held in August in Hanoi, Vietnam.

MABS Chief of Party John Owens was the moderator of the “*Optimizing the Customer Education/Product Marketing*” session of the M-banking Practitioner's Workshop organized by *MicroSave* and CGAP held in August in Nepal. The workshop on practical m-banking experience focused on comparing and sharing lessons learned on customer value proposition, customer education and product marketing, pilot testing, rolling out and scaling up processes, and pricing and business models.

MABS Deputy Chief of Party Meliza Agabin presented the Program's field experiences in promoting mobile phone banking services for microfinance and for reaching unbanked

and under-banked customers in the *Mobile Payments and Near Field Communications (NFC) Conference* held in August in Bangkok. The conference discussed the latest industry developments in mobile payments and NFC or “contactless” payments in Asia.

Several study groups also were oriented on the Program’s work and activities during the Quarter. MABS shared experiences and lessons learned in the development and implementation of successful mobile phone banking services and mobile commerce solutions with a study mission composed of Cambodian and Indonesian regulators.

MABS presented its success roadmap in mobile phone banking for microfinance to a team from Viettel Telecom, Vietnam’s leading telecoms service provider.

The initiatives of MABS and PB Green Bank were shared with representatives from the Afghanistan Ministry of Agriculture, Irrigation, and Livestock.

Technologies and microfinance best practices of the RBAP and MABS were also showcased in the international exposure visit with key persons from India’s National Bank for Agriculture and Rural Development (NABARD), Asia-Pacific Rural and Agricultural Credit Association – Center for Training and Research in Agricultural Banking (APRACA-CENTRAB), and the Agricultural Credit Policy Council (ACPC).

Cantilan Bank and Green Bank also shared lessons and insights from their MPBS rollout before delegates of the Asian Development Bank-organized conference *Powering Innovations in Microfinance* held in August in Manila.

*Task Two. Sign a Memorandum of Understanding (MOU) with Innovations for Poverty Action (IPA) to renew research collaboration.* MABS Chief of Party John V. Owens signed an MOU on with Yale University Professor and President of IPA Dean S. Karlan. Under the MOU, IPA has agreed to renew and improve its collaboration with MABS to assist in the design and evaluation of financial products and services of MABS participating banks (PBs), assist PBs in implementing and monitoring new products, coordinate with the MABS team on the status of evaluation activities, conduct statistical analysis and prepare reports for MABS and the PBs, and share the lessons learned during MABS and RBAP forums and workshops.

#### *Activities to be Completed in Third Quarter:*

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

MABS will host a study group from Colombia in the next quarter. Colombian banks and other financial institutions have just recently offered mobile phone banking and wanted to expand and deepen its implementation in the country. The exposure and study visit is being organized by USAID/Colombia's More Investment for Sustainable Development (MIDAS), a program which provides technical assistance to banks engaged in offering microfinance services in Colombia.

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

*Task Two. Monitor results of the 2008 Citi Microentrepreneur of the Year (MOTY) Awards.* Ten clients of MABS PBs have been selected as semi-finalists for the 2008 MOTY; the selection committee will be announcing the finalists in the next Quarter.

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

## d. Performance

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

Performance Indicators	Baseline Data from MABS-3 (As of April 2008)	Quarter 2 Actual	Quarter 2 Target (July - September 2008)	September 2008 Result as % of Quarterly Target	Year 1 Target (May 2008 – Sept 2008)	MABS-4 End of Project Targets (March 2013)
1. Over 200 additional bank branches	320*	New: 6	7	85.7%	10	200 additional bank branches
		Cumulative: 333	330	100.9%	330	
Other Banking Offices**		New: 120				
2. 375,000 new micro-borrowers	499,604	New: 36,050	20,000	180.2%	30,000	375,000 new micro-borrowers
		Cumulative: 558,654	530,000	105.4%	530,000	
3. PhP20 billion in micro-loans disbursed	PhP18.27 billion (B)	New: PhP1.47 B	1B	147%	PhP1.7 B	PhP20 billion in micro-loans disbursed (over US\$500 million)
		Cumulative: PhP20.75 B	PhP19.7 B	105.3%	PhP19.97 B	
4. 1,700,000 Outstanding Micro-Deposit Accounts ***	1,339,435	Increase (Q2-Q1): 61,431	20,000	307%	50,565	1,700,000
		Outstanding: 1,411,217	1,390,000	102%	1,390,000	

\*These figures include active MABS participating bank branches

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

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

5. Number of rural bank clients registered to use mobile phone banking services	60,651	New registered users: 4,880	New: 9,349	52.1%	9,349	500,000
		Cumulative: 68,941	Cumulative: 70,000	98.5%	70,000 *	
6. Number of bank branches offering mobile phone banking	330	New: 6	New: 10	60%	10	500
		Cumulative: 350	Cumulative: 340	102.9%	340 **	
7. Total value of monthly mobile phone banking transactions	PhP132 Million	PhP145.1 Million	PhP155 Million	93.6%	PhP155 Million	PhP400 million
8. Bank branches offering microinsurance		New (Q2-Q1): 65				
	6	72	9	800%	9	125
9. Active microenterprise clients covered by microinsurance		New (Q2-Q1): 43,208				
	400	43,608	15,000	290.7%	15,000	150,000
10. Number of bank branches offering micro housing loans		New (Q2-Q1): 6				
	NA	6	4	150%	4	50
11. Cumulative number of micro housing clients		New (Q2-Q1): 19				
	NA	19	0	NA	0	5,000
12. Cumulative number of bank branches offering the micro agri-loan product		New (Q2-Q1): 4				
	41	47	45	104.4%	45	106
13. Cumulative number of new micro agri-loan product clients		New (Q2-Q1): 1,635				
	9,200	11,701	11,450	102.1%	11,450	30,000

## Administrative Information

Table 5: Project Fund Status: July 1 – September 30, 2008

<b>Project Fund Status</b>			
<b>As of the Quarter Ended September 30, 2008</b>			
Total Estimated Cost		\$	9,673,859.00
Total Obligated Cost		\$	2,098,792.00
✓ 1. Expenditures July 1 to September 30, 2008		\$	393,496.57
✓ 2. Cumulative Expenditures Through September 30, 2008		\$	653,107.57
✓ 3. Fund Balance September 30, 2008		\$	1,445,684.43

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

No SAF Requests for the 2<sup>nd</sup> Quarter.