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QUARTERLY REPORT

**MICROENTERPRISE ACCESS TO BANKING SERVICES
PROGRAM PHASE 4 (MABS-4)
SIXTH QUARTER
JULY – SEPTEMBER 2009**

November 2009

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Contract No. EEM-I-00-07-00008

Rural Bankers Association of the Philippines (RBAP)

Mindanao Economic Development Council (MEDCo)

ACRONYMS USED IN THIS REPORT

ABA	American Bar Association
ADB	Asian Development Bank
APEC	Asia-Pacific Economic Coordination
ARMDEV	Associated Resources for Management and Development Inc.
BSP	Bangko Sentral ng Pilipinas
CI/CO	Cash-in/Cash-out
CIBI	Credit and Background Investigation
EAGLE	Efficiency, Asset Quality, Growth, Liquidity, and Earnings
GXI	G-Xchange, Inc.
IFC	International Finance Corporation
IPA	Innovations for Poverty Action
IPBA	Inter-Pacific Bar Association
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
ROLI	Rule of Law Initiative
SAF	Special Activities Fund
SEC	Securities and Exchange Commission
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 Sixth Quarterly Report of the Microenterprise Access to Banking Services Program's Phase 4 (MABS-4) - covering the period from July 1 through September 30, 2009. 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 414 branches and 149 other bank offices to develop microfinance products and services. These PBs have disbursed over 2 million loans totaling more than PhP25.6 billion (US\$ 536 million) to more than 659,000 new bank borrowers. These partner banks also manage more than PhP1.9 billion (US\$40.8) in small savings deposits from approximately 1.4 million micro deposit accounts.

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

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

To address this gap and to give more small entrepreneurs access to more financial products, USAID decided to support and implement the fourth phase of the MABS Program. The overall objective of MABS-4 is to substantially increase the level of banking services being provided to the microenterprise sector, and to lower socio-economic groups in general, by the rural banks and other banks in the Philippines.

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

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

regulatory framework for electronic banking and e-money, developing partnerships with international remittance and e-payment firms, and assisting in developing interface software between short messaging services (SMS)-based electronic-money transactions and the back-end system of rural banks to allow for greater efficiency.

- *Develop micro-insurance products.* The estimated market for micro-insurance in the Philippines is enormous, with most potential clients operating as microentrepreneurs in the large informal sector. In partnership with local insurance companies, MABS will work with 125 rural banks to reach at least a third of rural bank clients and ensure that there is improved access to insurance options which rural banks will be able to offer.
- *Improved Access to Credit Bureaus.* As more and more institutions engage in microfinance, the need for a comprehensive, accessible, and accurate credit information sharing has become clear. The Credit Information System Act was signed into law in October 2008 - 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 Quarter 6, MABS delivered extensive training and technical assistance to PBs and continued to gain ground in extending microfinance services, mobile phone banking services, microinsurance, housing microfinance, and micro agri-loans to clients of its PBs, while at the same time, sharing its decade-long experiences and lessons learnt to local and international microfinance practitioners.

Continue Expanding Access to Microfinance

In July, MABS conducted a three-day technical assistance to PB Progressive Bank to review the bank's microfinance operations, recommend improvements in its operating processes, and provide advice on ways to strengthen its organizational structure and supervision. Microfinance refresher courses were conducted for two other participating banks – the Rural Bank of Camalig and First Agro Industrial Rural (FAIR) Bank. Sixteen officers and staff of Camalig Bank completed the refresher course and training intended to assist and prepare the bank in the expansion of its microfinance operations. The training for FAIR Bank focused on client selection, CIBI reports and cash-flow analysis.

To follow through with the refresher course delivered in July, MABS conducted a Refresher Training Course on Loan Administration and Management for RB Camalig in August. Also in August, MABS visited participating banks GM Bank, Rural Bank of Gattaran, Mallig Plains Rural Bank, and Cantilan Bank to provide technical assistance and review the banks' microfinance operations. Focusing on the banks' microfinance

products and services such as mobile phone banking, microenterprise loan products (MEP), micro-agri loan product (MAP), microinsurance and housing microfinance, MABS assessed the banks' strong points and recommended actions to address areas for improvement. MABS also reviewed the banks' lending procedures and management systems, as well as clients' feedback on the bank's performance and services.

The Program facilitated and helped organize a learning tour for Bicol-based participating banks to Bangko Kabayan. A study group, composed of staff members of Bicol-based participating banks, visited MABS PB Bangko Kabayan to observe first-hand its microfinance operations and learn from its best practices. Bangko Kabayan is one of the biggest microfinance services providers in the Batangas Region, with ten branches all offering microfinance products. Bangko Kabayan is also one of the Program's outstanding participating banks, with five EAGLE Awards.

MABS trained 25 new MABS Technical Resource Specialist (MABSTeRS) during the Quarter. The training combined classroom lectures - to equip the participants with basic microfinance principles, lending procedures, and training and presentation skills - and a workshop where the trainees delivered a 15-minute presentation on a pre-assigned course module. The participants were also given a walkthrough and overview of the MABS Distance Learning Course, an online learning platform that MABS developed and launched in 2007 to address the limitations of face-to-face training.

MABSTeRS are selected senior and mid-level officers of MABS PBs trained to serve as their bank's in-house trainers. Since 2003, the MABS Program has trained 142 MABSTeRS. To be accredited as a MABSTeRS, participants who complete the training/workshop have to deliver at least two training sessions for staff members of their respective branches within six months after attending the training/workshop given by MABS.

MABS facilitated and helped in the preparations for the South Bicol Federation of Rural Banks Roundtable Conference. The first such event held in Bicol, the conference was held to update and equip rural banks with the current trends in microfinance. resources while managing to maintain excellent portfolio quality over the years.

To further strengthen the microfinance thrust and operations of rural banks in the Bicol region, MABS and Punla sa Tao Foundation jointly conducted a Microfinance Management Development Workshop in Sto. Domingo, Albay in September. Initiated by the South Bicol Federation of Rural Banks, the workshop focused on developing the technical and people management skills of the participant banks' microfinance supervisors and up-and-coming managers.

Two Regional Roundtable Conferences - one for Luzon and Visayas-based PBs to be held in Manila and another for Mindanao-based PBs to be held in Davao City- are scheduled for the next Quarter. Along with the preparations for the conferences, MABS will also complete PB's mid-year EAGLE scorecards. The results will be discussed during the regional roundtable conferences.

Increase Agricultural Lending

Two in-house trainings on the micro agri-loan product were conducted during the 6th Quarter. To assist RB Digos rollout its microagri lending to its other branches, MABS trained the bank staff in July, with the newly trained branches expected to start lending to new micro agri clients in the last quarter of 2009. Bangko Mabuhay in Luzon was also trained in August, with its Mamburao branch in Mindoro participating in the training. The bank plans to launch the product in the last quarter of 2009.

MABS also conducted a table survey on the type of crops being financed by rural banks' micro agri-loan product. A total of ten rural banks with micro agri lending provided data. The activity focused on determining the type of agricultural activities that the banks finance, the size of loan, mode of payment, and clients' off-farm sources of income.

A total of 1,301 borrowers have been included in the table survey. Initial analysis revealed that 50% of the clients are engaged in rice farming. The same information gathering activity conducted in December 2005 among three MAP pilot banks yielded a higher percentage of clients engaged in rice production. Initial results of the present study suggest that rural banks are spreading their risks by providing loans to a variety of agricultural activities. A report on the results of survey will be ready in November 2009.

As of September 2009, 55 rural bank units are offering MAP and collectively have 7,252 active borrowers with an outstanding loan portfolio of more than PhP68.0 million. These banks have disbursed a total of 35,749 MAP loans totaling more than PhP470.5 million to more than 16,500 new micro-agri loan borrowers.

Introduce housing microfinance

MABS Deputy Chief of Party Meliza H. Agabin presented updates on the Program's Housing Microfinance Initiative at the 2nd Asia-Pacific Housing Forum held in September. The forum was organized by Habitat for Humanity, a nonprofit, Christian housing ministry that works to eliminate poverty housing and make adequate housing a matter of conscience and action. About 400 participants from the Asia-Pacific region attended the forum. As of September 2009, 35 branches of four banks – GM Bank, Cantilan Bank, Bangko Kabayan, and Green Bank – are offering housing microfinance loans and have served 419 clients. The product is being offered to existing clients who need funds for home improvement and repair.

Expand the Use of New Technologies

During the MABS National Roundtable, the Program's partners in the SMS Mobile Phone Banking Alert Service, especially the Text Reminder initiative, presented the results of the pilot test for SMS loan payment reminders, as well as the options and advantages of making use of the SMS MPB Alert Service. The Yale University-based research group Innovations for Poverty Action (IPA) presented pilot-test data while information technology firm MyClick offered the SMS Gateway platform for all interested rural banks at a flat monthly rate with 1 month trial period for web-based system. MABS also announced that three participating banks - Green Bank, Cantilan

Bank and 1st Valley Bank - have been selected to initially rollout the SMS MPB Alert Service.

During the 6th Quarter, MABS conducted a series of trainings for the three pilot banks on the use of the SMS MPB Alert service. In addition to the Text Reminder initiative at the Rural Bank of Mabitac, MABS also trained representatives from 1st Valley Bank, Cantilan Bank, and Green Bank on how to send and manage SMS MPB alerts for various bank services to their registered clients. The SMS MPB Alert Services include loan approval notifications, loan payment and commitment savings reminders, time deposit notifications, personalized greetings, promotional offers, marketing campaigns, client feedback, and other important informational messages. After the training, trained banks will be rolling out the SMS MPB Alert Service, targeting all clients who register with the banks to receive SMS MPB Alerts. To date, there are more than 50,000 clients of the pilot banks registered to receive regular SMS MPB alerts from the participating rural banks.

Two participating banks - RB Mabitac in Laguna with 8 branches and RB Sugbuanon in Cebu with 7 branches - were selected to pilot Smart Money money-in and money-out services in order to study how Smart Money can be utilized to provide increased access to banking services. Comprehensive training for these banks were conducted in July and August. The banks' staff – from the operations, marketing, audit/compliance and human resources departments - were trained on general use of Smart Money and processes and procedures on cash loading, encashment, card issuance and security and internal control. The pilot test will allow RBAP and MABS to determine ways to improve the accreditation process of interested member rural banks as well as to address any settlement or other issues for banks interested in offering these services. Ultimately, the Smart Money platform is also being studied as a method for supporting mobile phone banking services for the rural banks and their clients.

To further expand MPBS using the GCASH platform, on the other hand, MABS conducted an accreditation training on mobile phone banking services (MBPS) in Iloilo City in July. MABS also conducted MBPS training for First Macro Bank. The trainings were conducted in partnership with G-Xchange Inc. (GXI), Globe Telecom's wholly owned mobile commerce subsidiary. Completion of the accreditation training is one of the Bangko Sentral ng Pilipinas' (BSP's) requirements for a bank to be accredited to offer MPBS.

Seven banks - Mallig Plains Rural Bank, with 16 branches, Golden Rural Bank with 5 branches, RB Oroquieta, RB Limay, RB Pagsanjan, Guagua RB and RB Midsayap – were also accredited to offer mobile phone banking services. These banks were trained on MPBS features and procedures and have started to provide mobile phone banking services to their clients and provide payroll services to their employees through GCASH.

For the 7th Quarter, MABS will conduct training to prepare Bicol-based rural banks to offer and expand MPBS to their clients. This training will equip bank staff with the knowledge, skills and means to offer mobile phone banking services such as Text-A-Deposit, Text-A-Withdrawal, Text-A-Bills Payment, and Text-A-Sweldo in their banks.

MABS in coordination with GXI will launch and implement Marketer's Program Part II. This is a continuing effort to increase usage and transaction volume following the success of Marketer's Program in 2008. This incentive program aims to assist rural banks to acquire more microfinance clients by utilizing their own client base to act as marketing agents to help clients to open accounts and avail of loans at participating rural banks while utilizing the GCASH system to facilitate easier access to deposits, withdrawals, loans, loan and bill payments, remittances, salary disbursements, and even promote mobile commerce opportunities for small merchants.

MPBS implementation training will be conducted for 3 GCASH/MPBS accredited rural banks in the Bicol Region: Banco Santiago de Libon, RB Guinobatan and Camalig Bank. The training will focus on the implementation of MPBS in the bank that includes processes of merchants and MPBS client selection.

The Program and MPBS partner banks will present experiences and lessons learnt from the Program's MPBS rollout to delegates of the Mobile Money Transfer Summit held in Dubai in October and the Mobile Money Transfer Asia Pacific (MMT APAC) Conference, which will be held in Manila in December 2009. The MMT Conferences will gather mobile money transfer stakeholders and leaders from various fields: mobile network operators, banks, microfinance networks and institutions, mobile wallet developers, regulators, governments and non-governmental organization, donors, and technology firms. In recognition of the pioneering work and implementation of mature mobile payment systems of Philippine telecommunications companies Globe Telecom and Smart Communications, the MMT APAC conference will focus on the tremendous success of GCASH and Smart Money in the Philippines. To give participants actual experience in using mobile money and assume the role of user, a site visit will be conducted as a post-conference activity. Conference participants will visit stores and restaurants that are accepting GCASH payments and make actual transactions using GCASH as payment. They will also visit PR Bank's Ortigas Branch to observe and experience MPBS transactions.

In addition to the MMT APAC event, MABS in collaboration with MicroSave and MICRA will hold a two day M-Banking Dialogue for a select group of microfinance practitioners from around the world who have been focused on various mobile banking initiatives especially in Afghanistan, Cambodia, Indonesia, Kenya, and the Philippines.

MABS and MPBS pilot banks Green Bank, Cantilan Bank, PR Bank, GM Bank, and Bangko Kabayan will discuss issues and lessons learned from MPBS pilot tests, how to overcome constraints in implementing MPBS in rural communities, the business model for rural banks to offer and use mobile money, and developing a mobile money ecosystem.

MABS will also support Philippine Rural Banking (PR Bank) Corporation's initiative to train prospective MPBS marketing agents on the basic features, procedures, and benefits of MPBS and GCASH - the electronic money platform facilitating the services. PR Bank currently has the highest number and volume of MPBS transactions among banks

offering MPBS, which is expected to exceed PhP 1 billion (\$21 million) during 2009. PR Bank will also be hosting the post-conference study visit of the MMT APAC.

The marketers will register businesses to accept GCASH as payment for goods and services and have the business owners open deposit accounts with PR Bank. They will be introduced and encouraged to use the bank's mobile phone banking services. The urban mobile money ecosystem rollout is a joint initiative of the MABS Program, GXI, PR Bank, and mobile wallet developer Utiba, a technology firm based in Singapore that has completed ground breaking mobile money implementations including GCASH/Globe in the Philippines, Maxis Malaysia, True in Thailand and the Orascom Group.

Develop micro-insurance products

MABS, in collaboration with MICRA Foundation Philippines, strengthened its microinsurance initiative by inviting Michael McCord, a leading microinsurance expert and coordinating his visit to meet various local stakeholders and regulators during his country visit in July. With extensive experience in banking, microfinance and microinsurance, Mr. McCord is recognized internationally as an expert in the microinsurance industry.

In his visit coordinated by MABS and MICRA, Mr. McCord conducted a series of consultations with rural bank leaders, commercial insurance providers, industry regulators, mutual benefit associations (MBAs), and technical assistance groups. The consultations by Mr. McCord culminated in the conduct of a roundtable discussion attended by leaders and representatives from the rural bank sector, the commercial insurance industry, the BSP, the Insurance Commission, the MBAs, the DOF National Credit Council, technical assistance providers GTZ and RIMANSI as well technical teams of each MICRA and MABS.

During the 6th Quarter, MABS conducted microinsurance demand research activities to acquire market information that will facilitate product development and enhancements by commercial insurance providers for more responsive microinsurance products for microfinance clients. MABS collaborated with FAIR Bank in conducting a series of focus group discussions (FGD) and client surveys among the Bank's microfinance clients in July. Risks for microfinance households and their response to these risks were determined, along with clients' needs and preferences pertinent to insurance products and services.

In August, MABS visited Cantilan Bank to evaluate the microinsurance services currently offered to the bank clients by a local private insurance company. MABS also studied client demand for insurance around the area and explored how the bank's insurance services could be expanded. MABS conducted focus group discussions and surveys with the clients and found out that there is an overall satisfaction regarding the microinsurance products, friendly service and professional staff.

Communications and other activities

During the Quarter, MABS shared lessons learnt and pioneering experience in implementing mobile phone banking services and mobile commerce ecosystem rollout in an international conference, shared results of research projects conducted in partnership with research group IPA, gave young microentrepreneurs tips on how to gain access to microfinance services, and hosted two study groups.

MABS shared its expertise on mobile phone banking to officers and representatives of various financial institutions at the International Microfinance Summit held on July 23-24 in Hohhot, Inner Mongolia. MABS Regional Manager for Mindanao and Senior Management Information System Manager Anthony Petalcorin discussed the operations and success of mobile phone banking in the Philippines under the RBAP-MABS initiative. Centered on building a strong microfinance and micro-credit system in China, the summit featured topics such as micro-credit regulation, supervision, funding, supporting structures and new technologies for microfinance. The summit was sponsored by the German Agency for Technical Cooperation (GTZ), the Asian Development Bank (ADB) and the Finance Office of Inner Mongolia.

In August, MABS and IPA conducted a Research Symposium to discuss the results of recent IPA studies significant to the microfinance industry. Over 80 representatives from 25 MABS participating banks, Bank of the Philippine Islands (BPI), Microfinance non-governmental organizations (NGOs) and other participants attended the symposium, which included results of research efforts with MABS-participating banks and other microfinance institutions from around the world. The symposium centered on joint research results conducted with MABS participating rural banks since 2002 to explore ways to more effectively and efficiently serve clients and customers with relevant savings and loan product services and features. Professor Karlan and his team shared methods for using randomized control tests to develop new loan and savings products, improve marketing practices, make use of effective notifications via short message services (SMS), and improve client retention.

MABS Chief of Party John Owens, Rural Bank of Mabalacat President George Dyaico, Green Bank Branch Manager Fidel Suarez, and Rural Bank of San Mateo Assistant General Manager Katrina Pilapil shared with young entrepreneurs the types of products and services that rural banks offer to entrepreneurs across the countryside at a seminar-workshop on developing a framework for coaching the country's out-of-school youth (OSY) on entrepreneurship. In particular, they also shared how entrepreneurs can prepare themselves and their businesses to access these financial services. The seminar-workshop was an initiative of the Asia-Pacific Economic Cooperation's (APEC) Human Resources Development Working Group, the Department of Social Welfare and Development (DSWD), National Youth Commission (NYC), and Philippine Center for Entrepreneurship – Go Negosyo.

A delegation of 23 development economics students from Chou University in Tokyo, Japan visited MABS and GM Bank in a study tour on mobile phone banking in September. The students visited the country to learn about the benefits and the effectiveness of mobile phone banking for microfinance services. The Chuo University

delegates visited Nueva Ecija-based MABS participating bank GM Bank to learn about their strategies, experiences and lessons learned in successfully implementing their mobile phone banking initiative.

A delegation of 12 members from Pakistan's National Rural Support Programme (NRSP) conducted a study observation visit to the Philippines, also in September. The study tour allowed the Pakistani delegates to observe the Philippine rural banking industry and its operations, including the implementation of the *MABS Approach to Microfinance* among MABS participating banks (PB).

The 5-day study tour included field visits to CARD Bank and MABS PBs First Macro Bank and Bangko Kabayan. The Pakistani delegation observed the banks' operations, visited their clients and studied the banks' lending procedures and mobile phone banking operations. They also visited MABS, RBAP, the BSP, Microfinance Council of the Philippines, Inc. (MCPI), CARD MRI (Center for Agriculture and Rural Development Mutually Reinforcing Institutions) and TSPI Development Corporation.

In Quarter 5, the RBAP, Microfinance Council of the Philippines (MCPI), and ACCION International signed a Memorandum of Understanding to undertake the *Beyond Codes* action research project. This project aims to collect information on consumer protection codes of conduct and their implementation in selected countries, including the Philippines. Through these information and experiences, the project will develop a consensus of pro-consumer best practices to be promoted worldwide. RBAP's participation in the "Beyond Codes" project will be implemented through the MABS Program. Technical staff from MABS, ACCION, MCPI and the Bangko Sentral ng Pilipinas (BSP) visited Cantilan Bank to research and assess the bank's practices toward consumer protection and transparency. The review was based on six principles of consumer protection: preventing over-indebtedness, transparent pricing, appropriate collection practices, ethical staff behavior, providing consumer complaint mechanism, and protecting the privacy of client information. The report on Cantilan Bank was completed during the 6th Quarter.

For Quarter 7, MABS monitor the results of the 2009 Citi Microentrepreneur of the Year (MOTY) Awards. Into its seventh run, the MOTY Awards aims to elevate awareness of and promote support for microfinance by recognizing outstanding microentrepreneurs. The MOTY was first conducted in 2002 as part of the celebrations marking Citi's 100 years of presence in the Philippines. Ms. Josephine Alima, a peanut cookie manufacturer and microloan client of MABS participating bank First Isabela Cooperative (FICO) Bank – won the top award. Ms. Victoria Lim and Ms. Emilia Montinola, microloan clients of the Cantilan Bank and the New Rural Bank of Victorias also won major awards that year. Since 2002, microloan clients of MABS participating banks consistently made it to the winners' list. Twenty-three (23) microloan clients of MABS participating banks have been so far named MOTY winners – ten won in the *Maunlad* category, ten in the *Masikap* category, and three were given special awards. Eight of the 23 won the major National prize – five *Maunlad* National winners and three *Masikap* winners.

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 6 vs. Targets (Quarter 6, Year 2, and End-of-Project)

Performance Indicators	Baseline Data from MABS-3 (April 2008)	Quarter 6 Actual (September 2009)	Quarter 6 Target (July - September 2009)	Sept 2009 Result as % of Quarterly Target	Year 2 Target (Oct 2008 – Sep 2009)	MABS-4 End of Project Targets (March 2013)
1. Over 200 additional bank branches	320					
		New (Q ₆ -Q ₅): 12	11	109.09%	40	200
		Cumulative: 414	366	113.11%	370	550
Other banking offices **		New (Q ₆ -Q ₅): 4				
Cumulative		149				
2. 375,000 new microborrowers	499,604					
		New (Q ₆ -Q ₅): 18,772	14,871	126.23%	60,000	375,000
		Cumulative: 659,031	574,871	114.64%	590,000	725,000
3. PhP20 billion in microloans disbursed (Note: values in PhP billions)	PhP18.27 billion (B)	Increase(Q ₆ -Q ₅): 950 M	1.27	74.80%	6.20	20
		Cumulative: 25.69B	24.79	99.80%	24.47	37.80
4. 700,000 outstanding microdeposit accounts	1,339,435	1.49 M	2.22	67.117%	24.47	37,800

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 exceed 375,000 during the period to bring the 15-year total of new micro-borrowers reached to more than 800,000. The overall increase in microloans disbursed over the next five years is expected to exceed US\$500 million and will bring the total 15-year cumulative amount of micro loans disbursed to over US\$800 million. MABS will focus on providing technical assistance and support to existing MABS PBs to help them grow and open branches.

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

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

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

- MABS will also ensure that banks are conducting annual planning sessions, which should include focus on microfinance lending operations, and that they are regularly improving the effective supervision and management of their microfinance operations. The team will also see to it that banks establish their own training programs and are continuously providing basic microfinance courses for newly-hired and existing account officers - with an emphasis on proper client selection using intensive character and background investigation (CIBI) and cash flow lending analysis, as well as effective sales skills. Training courses for existing and new MABS Technical Resource Specialists (MABSTeRS) to serve as in-house trainers on the MATTS will also be regularly conducted.
- During Phase 4, MABS will use the distance learning platform to train additional bank staff and complement classroom training. As MABS expands its services to additional rural banks, providing quality, classroom training on microfinance best practices to the more than 1,500 account officers, supervisors, and branch managers of PBs has become a challenge. Classroom training entails substantial travel and lodging costs and disrupts employees' set work schedules.

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

The distance-learning program was piloted in 2006 and launched in 2007. The distance-learning site, www.moodle.rbapmabs.org, contains four courses: *Introduction to Distance Learning*, *MABS Microfinance Basics*, *Delinquency and Remedial Management*, and *Middle Management Training: Effective Supervision*. This web-based distance-learning course will reduce the costs of training bank staff and scale up the delivery of training to the continuously increasing number of microfinance staff that need to be trained and re-trained. Aside from reduced training costs and scaled-up training, the distance learning course deliver an integrated learning package to the banks – as the primary learners (account officers) complete the online modules, their supervisors and managers can also actively participate as learning partners. MABS will also, from time to time, supplement onsite and classroom training with the distance learning courses.

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

Republic Act (RA) 9519 or the *Credit Information System Act (CISA)* was signed into law in October 2008. The CISA will create a centralized Credit Information Credit Corporation (CICC) which will set the standards for credit reporting operations that will improve not only the ability of creditors to assess risk and allocate credit more efficiently, but will also promote the protection of the rights of consumers against irresponsible use or erroneous reporting of credit information. The operations and services of the CICC is expected to greatly benefit the rural banking sector, as it will improve the overall

availability of credit, especially to small borrowers; lower the cost of credit to responsible debtors, reduce dependence on collateral to secure credit facilities and enable financial institutions to lower their overall credit risk, thus contributing to a healthier and more stable financial system.

Since this will be a new reporting requirement for rural banks, they will need assistance in improving their systems to properly gather and submit credit history information of their clients. MABS will collaborate with CIS, the BSP and other private credit bureaus to determine the generic/standard reporting structure to ensure that the reports generated by the rural banks will be acceptable to both the national credit bureau and private credit bureaus. At this time, the program is waiting on the implementing rules and regulations to be issued by the Securities and Exchange Commission (SEC) and has remained in contact with the Bangko Sentral ng Pilipinas (BSP) and the International Finance Corporation (IFC) on the latest developments.

Accomplishments for the Sixth Quarter:

Task One: Facilitate and assist in the conduct of MATTS for new rural banks and provide advisory services to banks with plans of expanding microfinance services. MABS delivered extensive training and technical assistance to participating banks during the 6th Quarter. In July, MABS conducted a three-day technical assistance to Progressive Bank to review the bank's microfinance operations, recommend improvements in its operating processes, and provide advice on ways to strengthen its organizational structure and supervision. This is in continuation of the program's commitment to provide continued support and assistance to its participating banks.

On the other hand, microfinance refresher courses were conducted for two other participating banks – the Rural Bank of Camalig and First Agro Industrial Rural (FAIR) Bank. Sixteen officers and staff of Camalig Bank completed the refresher course and training intended to assist and prepare the bank in the expansion of its microfinance operations.

The training for FAIR Bank focused on client selection, CIBI reports and cash-flow analysis. Thirty-two staff members and officers attended the training. By the end of the training, the bank's product heads each came up with their individual action plans for the improvement of their bank's microfinance operations.

To follow through with the refresher course delivered in July, MABS conducted a Refresher Training Course on Loan Administration and Management for RB Camalig in August. Fifteen officers and staff members attended the training, including the bank's chief executive officer (CEO) and chief operating officer (COO). They were trained on preparation and analysis of CIBI and cash flow reports, loan review and approval by the credit committee, understanding management information system (MIS) reports, delinquency management, and product and staff performance monitoring.

Also in August, MABS visited participating banks GM Bank, Rural Bank of Gattaran, Mallig Plains Rural Bank, and Cantilan Bank to provide technical assistance and review the banks' microfinance operations. Focusing on the banks' microfinance products and services such as mobile phone banking, microenterprise loan products (MEP), micro-agri loan product (MAP), microinsurance and housing microfinance, MABS assessed the banks' strong points and recommended actions to address areas for improvement. MABS also reviewed the banks' lending procedures and management systems, as well as clients' feedback on the bank's performance and services.

Task Two: Facilitate and organize learning tour of Bicol-based participating banks to Bangko Kabayan. A study group, composed of staff members of Bicol-based participating banks, visited MABS PB Bangko Kabayan to observe first-hand its microfinance operations and learn from its best practices. Bangko Kabayan is one of the biggest microfinance services providers in the Batangas Region, with ten branches all offering microfinance products. Bangko Kabayan is also one of the Program's outstanding participating banks, with five EAGLE Awards.

Task Three: Train new batch of MABS Technical Resource Specialists (MABSTeRS). Twenty-five new MABSTeRS completed the training/workshop conducted in July. The training combined classroom lectures - to equip the participants with basic microfinance principles, lending procedures, and training and presentation skills – and a workshop where the trainees delivered a 15-minute presentation on a pre-assigned course module. The participants were also given a walkthrough and overview of the MABS Distance Learning Course, an online learning platform that MABS developed and launched in 2007 to address the limitations of face-to-face training.

The new MABSTeRS, a mix of microfinance unit supervisors, human resources department heads, and compliance officers, represented 11 Mindanao and Visayas-based MABS PBs: Rural Bank of Oroquieta, 1st Valley Bank, Rural Bank of Labason, Liloy Rural Bank, Rural Bank of Datu Paglas, Rural Bank of Dipolog, Rural Bank of Digos, Green Bank, Cooperative Bank of Misamis Oriental, Progressive Rural Bank, and the Rural Bank of Placer. Representatives from USAID/Philippines - Mr. Tyler Holt, Ms. Teresita Espenilla and Mr. Scott Cameron – were present during the training/workshop.

MABSTeRS are selected senior and mid-level officers of MABS PBs trained to serve as their bank's in-house trainers. Since 2003, the MABS Program has trained 142 MABSTeRS. To be accredited as a MABSTeRS, participants who complete the training/workshop have to deliver at least two training sessions for staff members of their respective branches within six months after attending the training/workshop given by MABS.

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

standing of borrowers, thus will be useful in creditworthiness checks and in facilitating decisions of financial institutions.

While the implementing rules and regulations of RA 9519 are being drafted, MABS will actively monitor developments and initiate an information drive to promote its benefits to rural banks. The Technical Working Group of the SEC has been working on finalizing the implementing guidelines as well as coordinating with the IFC and BSP.

Activities to be Completed in the Seventh Quarter:

Task One: Conduct the Senior Management Orientation (SMO) to orient officers of rural banks that plan to implement microfinance operations utilizing the MABS technology.

MABS will be rolling out the SMO to the senior management of rural banks that signify interest to offer and implement microfinance products utilizing the *MABS Approach*.

Task Two: Facilitate and assist in the conduct of MATTS for new rural banks and provide advisory services to banks with plans of expanding microfinance services. For the 7th Quarter, MABS is scheduled to provide training and technical assistance to the following PBs: Bangko Mabuhay, Mallig Plains Rural Bank, Rural Bank of Jose Panganiban, Rural Bank of San Vicente, Rural Bank of Capalonga, First Macro Bank, and the Rural Bank of Dipolog.

On September 26, tropical storm Ondoy (international name Ketsana) dropped a month's equivalent of rain within twelve hours in Metro Manila and its neighboring areas, triggering massive floods. The National Disaster Coordinating Council has placed the economic damage caused by Ondoy at PhP10. 45B. ¹ Several MABS PBs - Rural Bank of Mabitac, Rural Bank of Cainta, and First Macro Bank – have reported that a number of their clients have been affected by the flood. To ensure that participating banks are well equipped to respond to disasters, MABS will conduct a Disaster Management Seminar in the next Quarter. The document “*MABS Disaster Preparedness & Recovery Planning for Rural Banks*”, which details tips and procedures on how to prepare the bank for disasters and how to better manage and continue to provide banking services after a disaster occurs, will also be posted and made available for download on the MABS website (www.rbapmabs.org)

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http://210.185.184.53/ndccWeb/images/ndccWeb/ndcc_update/TD_ONDOY/situation_report_on_humanitarian_coordination_on_tropical_storm_ondoy_ketsana_tc_2009_000205_phl_27.pdf ; accessed October 29, 2009

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

Table 2: KRA2 Data for Quarter 6 vs. Targets

Performance Indicators	Baseline Data from MABS-3 (April 2008)	Quarter 6 Actual (September 2009)	Quarter 6 Target (July - September 2009)	Sept 2009 Result as % of Quarterly Target	Year 2 Target (Oct 2008 – Sep 2009)	MABS-4 End of Project Targets (March 2013)
1. Number of rural bank clients registered to use mobile phone banking services	60,651					
		New (Q ₆ -Q ₅): 50,832	15,000	338.88%	55,000	439,349
		Cumulative: 123,023	125,000	98.42%	125,000	500,000
2. Number of bank branches offering mobile phone banking	330					
		New (Q ₆ -Q ₅): 51	1	5100.00%	40	170
		Cumulative: 716	371	192.99%	380	500
3. Total value of monthly mobile phone banking transactions (in PhP millions)	PhP132 million (M)	207.4	PhP187	110.91%	PhP175	PhP400
4. Bank branches offering microinsurance	6	70	100	70.00%	18	125
5. Active microenterprise clients purchasing microinsurance	400	33,395	40,000	83.49%	26,000	150,000
6. Number of bank branches offering microhousing loans	NA					
		New (Q ₆ -Q ₅): 17	4	425.00%	6	
		Cumulative: 35	32	109.38%	10	50
7. Cumulative number of microhousing clients	NA	419	348	120.40%	150	5,000
8. Cumulative number of bank branches offering the micro agri-loan product	41					
		New (Q ₆ -Q ₅): 1	4	25.00%	12	65
		Cumulative: 55	54	101.85%	57	106
9. Number of new micro agri-loan product clients	9,200					
		New (Q ₆ -Q ₅): 1,282	1,350	94.96%	5,400	30,000
		Cumulative: 16,579	16,910	98.04%	16,850	39,200

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, mobile commerce, and the use of mobile money 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.

The MABS program also facilitated the Memorandum of Agreement between RBAP and Smart Communications to make use of the Smart Money platform to facilitate money transfer services and banking services. BSP approval has been granted to RBAP and a pilot test of these services is expected to be completed during the next quarter.

While initial delays in the SMART Money rollout have delayed the number of registered mobile phone banking clients, we do expect that over 55,000 clients will be registered and will be receiving automated SMS mobile phone banking updates, reminders, and messages from rural banks during the next quarter using the MABS designed SMS Gateway.

Accomplishments for the Sixth Quarter:

Task 1: Promote the use of Text Reminder System to interested rural banks and register clients, who will receive text reminders for loans, savings and general alerts. During the MABS National Roundtable, the Program’s partners in the Text Reminder System initiative presented the results of the pilot test, as well as the fees for acquiring the text-blasting platform. The Yale University-based research group Innovations for Poverty Action (IPA) presented pilot-test data while information technology firm MyClick offered the SMS Gateway platform for all interested rural banks at a flat monthly rate of P1,500 with 1 month trial period for web-based system. MABS also announced that three participating banks - Green Bank, Cantilan Bank and 1st Valley Bank - have been selected to initially rollout the SMS Alerts Service.

During the 6th Quarter, MABS conducted a series of trainings for the three pilot banks on the use of the SMS Alerts service. MABS trained 9 representatives from 1st Valley Bank, 12 from Cantilan Bank and 11 from Green Bank on how to send and manage SMS alerts for various bank services to their registered clients. The SMS Mobile Phone Banking Services include loan approval notifications, loan payment and commitment savings reminders, time deposit notifications, personalized greetings, promotional offers, marketing campaigns, client feedback, and other important informational messages. After the training, trained banks will be rolling out the SMS Alerts Service, targeting all clients who register with the banks to receive SMS Mobile Phone Banking Alerts. To date, there are more than 50,000 clients of the pilot banks registered to receive regular SMS alerts of financial information from the banks.

Task 2: Implement MPBS using Smart Money in partnership with Smart Money services

Two participating banks - RB Mabitac in Laguna with 8 branches and RB Sugbuanon in Cebu with 7 branches - have been selected to pilot Smart Money Services. Comprehensive training for these banks were conducted in July and August. The banks' staff – from the operations, marketing, audit/compliance and human resources departments - were trained on general use of Smart Money and processes and procedures on cash loading, encashment, card issuance and security and internal control. The pilot test will allow RBAP and MABS to determine ways to improve the accreditation process of interested member rural banks as well as to address any settlement or other issues for banks interested in offering these services.

Task 3: Continue to conduct accreditation training, accredit more interested rural banks and provide technical assistance to qualified rural banks that plan to implement mobile phone banking services in their banks.

MABS conducted an accreditation training on mobile phone banking services (MPBS) in Iloilo City in July. Twenty-one participants from 12 Visayas-based rural banks participated in the training, including representatives from the Rural Bank of San Enrique, which has already been accredited to provide MPBS to its clients. MABS also conducted MPBS training for First Macro Bank on July 17, where 16 bank staff from four of the bank's branches attended. The training was held at First Macro Bank's head office in Pateros.

The trainings were conducted in partnership with G-Xchange Inc. (GXI), Globe Telecom's wholly owned mobile commerce subsidiary. Completion of the accreditation training is one of the Bangko Sentral ng Pilipinas' (BSP's) requirements for a bank to be accredited to offer MPBS.

Seven banks - Mallig Plains Rural Bank, with 16 branches, Golden Rural Bank with 5 branches, RB Oroquieta, RB Limay, RB Pagsanjan, Guagua RB and RB Midsayap – have been accredited to offer mobile phone banking services. These banks were trained on MPBS features and procedures and have started to provide mobile phone banking services to their clients and provide payroll services to their employees through GCASH.

Activities to be Completed in Seventh Quarter:

Task One. Focus efforts on the SMS Gateway service designed by MABS and developed by MyClick Technologies to reach out to more than 55,000 rural bank clients over the next quarter.

Task Two. Continue to promote the mobile phone banking rollout with GXI and other incentive programs for MPBS rollout banks. MABS will conduct training to prepare Bicol-based rural banks offer and expand MPBS to their clients. This training will equip bank staff with knowledge, skills and means to offer mobile phone banking services such as Text-A-Deposit, Text-A-Withdrawal, Text-A-Bills Payment, and Text-A-Sweldo in their banks.

MABS in coordination with GXI will launch and implement Marketer's Program Part II. This is a continuing effort to increase usage and transaction volume venturing on the success of Marketer's Program in 2008. This incentive program aims to acquire more microfinance clients of the bank to act as marketing agents to register Globe and TM subscribers to register to GCASH and become MPBS clients of the bank.

Task Three: Work closely with telecommunications company, Smart Communications (Smart), to pilot test the MPBS using Smart Money after BSP approval. MABS will be conducting accreditation training for banks that plan to offer mobile phone banking services using Smart Money in the next Quarter.

Task Four: Continue to accredit more banks to offer mobile phone banking services. MABS and GXI will follow up with rural banks who are attended the recently held accreditation training during RBAP regional confederation meetings. SMS Alerts service by Myclick Technologies will be used to promote MPBS and encourage the bank to sign-up by announcing newly accredited RBs through SMS notification.

MABS and GXI will conduct a special MPBS implementation training for three GCASH accredited rural banks based in the Bicol Region: Banco Santiago de Libon, RB Guinobatan, and Camalig Bank. The training will focus on the implementation of MPBS in the bank that includes processes of merchants and MPBS client selection.

Task Five. Pilot Text-A-BillsPayment (TAB) to increase usage of mobile payment platform through GCASH in the rural areas. This service will enable subscribers and clients of local utility companies and other organizations in the service areas of participating rural banks to make mobile payments through GCASH and existing platform for bills payment of GXI. Participating rural banks with prior arrangement with local companies/billers will be the depository bank of these local companies/billers.

Task Six: Present experiences and lessons learnt from the Program's MPBS rollout to delegates of the Mobile Money Transfer Summit in Dubai in October and the Mobile Money Asia Pacific (MMT APAC) Conference, which will be held in Manila in December. The MMT Summit and MMT APAC Conferences will gather mobile money transfer stakeholders and leaders from various fields: mobile network operators, banks,

microfinance networks and institutions, mobile wallet developers, regulators, governments and non-governmental organization, and technology firms. In recognition of the pioneering work and implementation of mature mobile payment systems of Philippine telecommunications companies Globe Telecom and Smart Communications, the MMT APAC conference will be held in Manila and will focus on the tremendous success of GCASH and Smart Money in the Philippines. To give participants actual experience in using mobile money and assume the role of user, a site visit will be conducted as a post-conference activity. Conference participants will visit stores and restaurants that are accepting GCASH payments and make actual transactions using GCASH as payment. They will also visit PR Bank's Ortigas Branch to observe and experience MPBS transactions.

At the pre-conference course, MABS and MPBS pilot banks Green Bank, Cantilan Bank, PR Bank, GM Bank, and Bangko Kabayan, respectively. The six presenters will present on discuss issues lessons learned from MPBS pilot tests, ways of overcoming constraints in implementing MPBS in rural communities, the business model for rural banks to offer and use mobile money, and developing a mobile money ecosystem.

Task Seven: Prepare for the rollout of the urban mobile money ecosystem and train prospective marketers who will offer MPBS to business owners in identified urban areas.

To coincide with the MMT APAC Conference, MABS will assist one participating rural bank with the rollout of the mobile phone banking services (MPBS) in urban areas, and the expansion of the urban mobile commerce ecosystem, MABS will train prospective MPBS marketing agents on the basic features, procedures, and benefits of MPBS and GCASH - the electronic money platform facilitating the services. They will also given an overview of the products and services offered by Philippine Rural Banking Corporation (PR Bank) - a participating bank of the Microenterprise Access to Banking Services (MABS) Program and an accredited G-Xchange Inc. (GXI) partner bank offering MPBS. PR Bank will be hosting the post-conference study visit of the MMT APAC.

The marketers will register businesses to accept GCASH as payment for goods and services and have the business owners open deposit accounts with PR Bank. They will be introduced and encouraged to use the bank's mobile phone banking services. The urban mobile money ecosystem rollout is a joint initiative of the MABS Program, GXI, PR Bank, and mobile wallet developer Utiba, a technology firm based in Singapore that has completed ground breaking mobile money implementations including GCASH/Globe in the Philippines, Maxis Malaysia, True in Thailand and the Orascomm Group.

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 Sixth Quarter:

Task One: Enhance effective demand for microinsurance products through stakeholder discussions, promotional activities and development of tools for market education. MABS, in collaboration with MICRA Foundation Philippines, strengthened its Microinsurance Initiative by inviting Michael McCord, a leading Microinsurance Expert and coordinating his visit to meet various local stakeholders and regulators during his country visit on July 6-10, 2009. With extensive experience in banking, microfinance and microinsurance, Mr. McCord is recognized internationally as an expert in the microinsurance industry.

In his visit coordinated by MABS and MICRA, Mr. McCord conducted a series of consultations with rural bank leaders, commercial insurance providers, industry regulators, mutual benefit associations (MBAs), and technical assistance groups. The consultations by Mr. McCord culminated in the conduct of a roundtable discussion attended by leaders and representatives from the rural bank sector, the commercial insurance industry, the BSP, the Insurance Commission, the MBAs, the DOF National Credit Council, technical assistance providers GTZ and RIMANSI as well technical teams of each MICRA and MABS.

Task Two: Conduct microinsurance demand research activities to acquire market information that will facilitate product development and enhancements by commercial insurance providers for more responsive microinsurance products for microfinance clients. MABS collaborated with FAIR Bank in conducting a series of focus group discussions (FGD) and client surveys among the Bank's microfinance clients in July. Risks for microfinance households and their response to these risks were determined, along with clients' needs and preferences pertinent to insurance products and

services. Salient aspects of the research activity were presented to FAIR Bank. Subsequently, the research results shall be consolidated with studies conducted in other rural bank communities in order to serve as inputs for the development of more appropriate microinsurance products to be offered by commercial insurance providers for clients of rural banks.

In August, MABS visited Cantilan Bank to evaluate the microinsurance services currently offered to the bank clients by a local private insurance company. MABS also studied client demand for insurance around the area and explored how the bank's insurance services could be expanded. MABS conducted focus group discussions and surveys with the clients and found out that there is an overall satisfaction regarding the microinsurance products, friendly service and professional staff.

Task Three: Follow-up on the dialogue with the Central Bank and the Insurance Commission for the formulation of enabling policies to promote the mainstream distribution of microinsurance through rural banks. MABS continues to follow-up with the Central Bank on updates on the recommendations of RBAP-MABS on the issue of rural banks distributing microinsurance products beyond allied services. However, progress is stalled as the Central Bank's Legal Council continues to review the policy implications of the proposed policies.

Activities to be completed in the Seventh Quarter:

Task One: Enhance effective demand for microinsurance products through stakeholder discussions, promotional activities and development of tools for market education.

Task Two: Provide the Central Bank, the Insurance Commission and other Microinsurance Supervisory Agencies with relevant market information to assist in their formulation of policies and regulations that will facilitate distribution of microinsurance to microenterprise households 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 Sixth Quarter:

Task One: Continue to closely monitor the housing microfinance rollout. As of September 2009, 35 branches of four banks – GM Bank, Cantilan Bank, Bangko Kabayan, and Green Bank – are offering housing microfinance loans and have served 419 clients. The product is being offered to existing clients who need funds for home improvement and repair.

Task Two: Present the Program's Housing Microfinance Initiative at the 2nd Asia-Pacific Housing Forum. MABS Deputy Chief of Party Meliza H. Agabin presented updates on the Program's Housing Microfinance Initiative at the 2nd Asia-Pacific Housing Forum held in September. The forum was organized by Habitat for Humanity, a nonprofit, Christian housing ministry that works to eliminate poverty housing and make adequate housing a matter of conscience and action. About 400 participants from the Asia-Pacific region attended the forum.

Tasks to be accomplished in the Seventh Quarter:

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

Task Two: Conduct product operations review and 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 1996-97.² 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 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

² 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.

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 Sixth Quarter:

Task One: Conduct in-house training on the MABS Approach to Agricultural Microfinance for a MABS participating banks interested in offering MAP as well as to existing MAP-offering banks interested to rollout the product to more branches. Two in-house trainings on the micro agri-loan product were conducted during the 6th Quarter. To assist RB Digos rollout its microagri lending to its other branches, MABS trained the bank staff in July, with the newly trained branches expected to start lending to new micro agri clients in the last quarter of 2009. Bangko Mabuhay in Luzon was also trained in August, with its Mamburao branch in Mindoro participating in the training. The bank plans to launch the product in the last quarter of 2009.

Task Two: Conduct a table survey on the type of crops being financed by rural banks' Micro Agri-loan product. A total of ten rural banks with micro agri lending provided data. Six of these partner banks are from Mindanao, three from Visayas, and one from Luzon. The activity focused on determining the type of agricultural activities that the banks finance, the size of loan, mode of payment, and clients' off-farm sources of income.

A total of 1,301 borrowers have been included in the table survey. Initial analysis revealed that 50% of the clients are engaged in rice farming. The same information gathering activity conducted in December 2005 among three MAP pilot banks yielded a higher percentage of clients engaged in rice production. Initial results of the present study suggest that rural banks are spreading their risks by providing loans to a variety of agricultural activities. A report on the results of survey will be ready in November 2009.

Table 1 below shows the summary of agricultural commodities and activities financed by the banks' micro agri loan program:

Table 3: Summary of Agricultural Commodities Financed by Rural Banks

Agricultural Commodities	Number of Clients	Percentage to Total
Rice	642	50%
Corn	35	3%
Coconut	134	10%
Vegetable	126	10%
Fruits	189	15%
Hog/Poultry/Duck	59	5%
Fish/Seaweed Farming	36	3%
Others	70	5%
Total	1,301	100%

Task Three: Continue to closely monitor and collect the performance data of all MABS participating banks offering the Micro Agri loan Product. As of September 2009, 55 rural bank units are offering MAP and collectively have 7,252 active borrowers with an outstanding loan portfolio of more than PhP68.0 million. These banks have disbursed a total of 35,749 MAP loans totaling more than PhP470.5 million to more than 16,500 new micro-agri loan borrowers.

Activities to be completed in the Seventh Quarter:

Task One: Conduct in-house training on the MABS Approach to Agricultural Microfinance for group lending account officers and branch managers of Cantilan Bank following the approach used by GM Bank in Luzon. The training will focus on teaching the bank the tools to identify group loan clients with household demand for a micro agri loan product and how to package an additional loan for these clients.

Task Two: Continue to closely monitor and collect the performance data of all MABS participating banks offering the Micro Agri loan Product.

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

Table 4: 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 2008, MABS intends 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 learning through sharing best practices and innovations in microfinance - both local and international. The National Roundtable Conference also serves as a forum for presenting and discussing annual results and performance status of MABS PBs' microfinance operations. The conference is usually 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 National Roundtables, the MABS technical staff discuss with PBs, individually, 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 Conferences, usually 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. PB's semi-annual EAGLE scorecards are prepared and distributed during the RRT.

Activities Completed in the Sixth Quarter:

Task One: Organize participating banks into regional clusters and hold roundtable conferences for interested clusters. MABS facilitated and helped in the preparations for the South Bicol Federation of Rural Banks Roundtable Conference. The first such event held in Bicol, the conference was held to update and equip rural banks with the current trends in microfinance. About 35 participants from 11 Bicol-based banks attended the conference held in Legaspi City, Albay.

For this conference, USAID/Philippines Office of Economic Development and Governance Acting Chief Maria Rendon discussed the impact of microfinance in the region. Meanwhile, GXI President Rizza Maniego-Eala also discussed how rural banks can take advantage of MPBS to increase clients, better manage accounts, and enhance operational efficiency.

MABS' technical staff also provided updates to the participants on loan and delinquency management, as well as on the latest trends in housing microfinance, microinsurance and other microfinance initiatives. Aside from this, the conference also served as a venue for the bankers to discuss and learn from each other's experiences. Bangko Kabayan's managing director, Mrs. Teresa Ganzon, shared their bank's experience in growing to more than P1.6 billion in total resources while managing to maintain excellent portfolio quality over the years.

Task Two. Hold Microfinance Management Development Workshop. To further strengthen the microfinance thrust and operations of rural banks in the Bicol region, MABS and Punla sa Tao Foundation jointly conducted a Microfinance Management Development Workshop in Sto. Domingo, Albay in September.

Initiated by the South Bicol Federation of Rural Banks, the workshop focused on developing the technical and people management skills of the participant banks' microfinance supervisors and up-and-coming managers. By the end of the workshop, 24 participants from 7 rural banks were equipped with functional skills on utilizing MIS reports, analyzing the microfinance loan portfolio, and implementing policy compliance. The workshop also helped the bankers improve their self-discipline, communication skills, and mentoring practices.

Activities to be Completed in the Seventh Quarter:

Task One: Conduct the Regional Roundtable Conference for participating banks.

Task Two. Complete and distribute the mid-year (January-June 2009) EAGLE scorecards of participating banks.

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, the MABS blog at www.rbapmabs.org/blog and the RBAP Mobile Phone Banking website, www.mobilephonebanking.rbap.org

Accomplishments for the Sixth Quarter:

Task One: Provide support for articles and press releases on the Program's work, achievements, and impact and publish in newspapers, magazines, and online media. During the last quarter, 42 articles on the MABS Program were published in major broadsheets and online media.

Task Two: Re-design www.rbapmabs.org website and establish a blog to provide and share regular updates for each of the Program practice areas. The new site, including a real simple syndication (RSS) feed for blog articles, has been launched, with re-organization and migration of links still ongoing.

Activities to be Completed in the Seventh Quarter:

Task One: Provide information to the press and other organizations to effectively promote the Program's work, achievements, and impact via newspapers, magazines, and online media.

Task Two: Complete the re-design of www.rbapmabs.org website and development of a blog that will provide and facilitate the sharing of regular updates for each of the MABS Programs key results.

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

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

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

Accomplishments for the Sixth Quarter:

Task One: Establish presence and increase visibility through participation in conferences/other events promoting microfinance and study tours. During the Quarter, MABS shared lessons learnt and pioneering experience in implementing mobile phone banking services and mobile commerce ecosystem rollout in an international conference, shared results of research projects conducted in partnership with research group IPA, gave young microentrepreneurs tips on how to gain access to microfinance services, and hosted two study groups.

MABS shared its expertise on mobile phone banking to officers and representatives of various financial institutions at the International Microfinance Summit held on July 23-24 in Hohhot, Inner Mongolia. MABS Regional Manager for Mindanao and Senior Management Information System Manager Anthony Petalcorin discussed about the operations and success of mobile phone banking in the Philippines under the RBAP-MABS initiative. Centered on building a strong microfinance and micro-credit system in China, the summit featured topics such as micro-credit regulation, supervision, funding, supporting structures and new technologies for microfinance. The summit was sponsored by the German Agency for Technical Cooperation (GTZ), the Asian Development Bank (ADB) and the Finance Office of Inner Mongolia. It was attended primarily by senior officers of the Micro Credit Companies in Inner Mongolia and other parts of China, as well as representatives from the ADB, the International Finance Corp (IFC), the GTZ, and China's national and provincial government offices including financial regulators.

In August, MABS and IPA conducted a Research Symposium to discuss the results of recent IPA studies significant to the microfinance industry. Over 80 representatives from 25 MABS participating banks, Bank of the Philippine Islands (BPI), Microfinance non-governmental organizations (NGOs) and other participants attended the symposium, which included results of research efforts with MABS-participating banks and other microfinance institutions from around the world. The symposium centered on joint research results conducted with MABS participating rural banks since 2002 to explore

ways to more effectively and efficiently serve clients and customers with relevant savings and loan product services and features. Professor Karlan and his team shared methods for using randomized control tests to develop new loan and savings products, improve marketing practices, make use of effective notifications via short message services (SMS), and improve client retention.

MABS Chief of Party John Owens, Rural Bank of Mabalacat President George Dyaico, Green Bank Branch Manager Fidel Suarez, and Rural Bank of San Mateo Assistant General Manager Katrina Pilapil shared with young entrepreneurs the types of products and services that rural banks offer to entrepreneurs across the countryside at a seminar-workshop on developing a framework for coaching the country's out-of-school youth (OSY) on entrepreneurship. In particular, they also shared how entrepreneurs can prepare themselves and their businesses to access these financial services. The seminar-workshop was an initiative of the Asia-Pacific Economic Cooperation's (APEC) Human Resources Development Working Group, the Department of Social Welfare and Development (DSWD), National Youth Commission (NYC), and Philippine Center for Entrepreneurship – Go Negosyo.

A delegation of 23 development economics students from Chou University in Tokyo, Japan visited MABS and GM Bank in a study tour on mobile phone banking in September. The students visited the country to learn about the benefits and the effectiveness of mobile phone banking for microfinance services. The Chuo University delegates visited Nueva Ecija-based MABS participating bank GM Bank to learn about their strategies, experiences and lessons learned in successfully implementing their mobile phone banking initiative.

A delegation of 12 members from Pakistan's National Rural Support Programme (NRSP) conducted a study observation visit to the Philippines, also in September. The study tour allowed the Pakistani delegates to observe the Philippine rural banking industry and its operations, including the implementation of the *MABS Approach to Microfinance* among MABS participating banks (PB).

The 5-day study tour included field visits to CARD Bank and MABS PBs First Macro Bank and Bangko Kabayan. The Pakistani delegation observed the banks' operations, visited their clients and studied the banks' lending procedures and mobile phone banking operations. They also visited MABS, RBAP, the BSP, Microfinance Council of the Philippines, Inc. (MCPI), CARD MRI (Center for Agriculture and Rural Development Mutually Reinforcing Institutions) and TSPI Development Corporation.

Task Two. Complete the Beyond Codes action research for Cantilan Bank. In Quarter 5, the RBAP, Microfinance Council of the Philippines (MCPI), and ACCION International signed a Memorandum of Understanding to undertake the *Beyond Codes* action research project. This project aims to collect information on consumer protection codes of conduct and their implementation in selected countries, including the Philippines. Through these information and experiences, the project will develop a consensus of pro-consumer best practices to be promoted worldwide. RBAP's participation in the "Beyond Codes" project will be implemented through the MABS Program. Technical staff from MABS,

ACCION, MCPI and the Bangko Sentral ng Pilipinas (BSP) visited Cantilan Bank to research and assess the bank's practices toward consumer protection and transparency. The review was based on six principles of consumer protection: preventing over-indebtedness, transparent pricing, appropriate collection practices, ethical staff behavior, providing consumer complaint mechanism, and protecting the privacy of client information. The report on Cantilan Bank was completed during the 6th Quarter.

Activities to be Completed in Seventh Quarter:

Task One: Establish presence and increase visibility through participation in conferences/other events promoting microfinance and various study tours.

Task Two. Monitor the results of the 2009 Citi Microentrepreneur of the Year (MOTY) Awards. The 2009 Citi MOTY awardees will be announced in the next Quarter.

Into its seventh run, the MOTY Awards aims to elevate awareness of and promote support for microfinance by recognizing outstanding microentrepreneurs. The MOTY was first conducted in 2002 as part of the celebrations marking Citi's 100 years of presence in the Philippines. Ms. Josephine Alima, a peanut cookie manufacturer and microloan client of MABS participating bank First Isabela Cooperative (FICO) Bank – won the top award. Ms. Victoria Lim and Ms. Emilia Montinola, microloan clients of the Cantilan Bank and the New Rural Bank of Victorias also won major awards that year. Since 2002, microloan clients of MABS participating banks consistently made it to the winners' list. Twenty-three (23) microloan clients of MABS participating banks have been so far named MOTY winners – ten won in the *Maunlad* category, ten in the *Masikap* category, and three were given special awards. Eight of the 23 won the major National prize – five *Maunlad* National winners and three *Masikap* winners.

d. Performance

Table 5: MABS-4 Targets vs. September 2009 Results

Performance Indicators	Baseline Data from MABS-3 (April 2008)	Quarter 6 Actual (September 2009)	Quarter 6 Target (July - September 2009)	Sept 2009 Result as % of Quarterly Target	Year 2 Target (Oct 2008 – Sep 2009)	MABS-4 End of Project Targets (March 2013)
1. Over 200 additional bank branches	320	New (Q ₆ -Q ₅): 12	11	109.09%	40	200
		Cumulative: 414	366	113.11%	370	550
Other banking offices **		New (Q ₆ -Q ₅): 4				
Cumulative		149				
2. 375,000 new microborrowers	499,604	New (Q ₆ -Q ₅): 18,772	14,871	125.53%	60,000	375,000
		Cumulative: 659,031	574,871	114.62%	590,000	725,000
3. PhP20 billion in microloans disbursed (Note: values in PhP billions)		PhP18.27 billion (B)	Increase(Q ₆ -Q ₅): 950 M	1.27	74.80%	6.20
		Cumulative: 25.64B	24.79	99.80%	24.47	37.80
4. 700,000 outstanding microdeposit accounts	1,339,435	1.49 M	2.22	67.117%	24.47	37.800
5. Number of rural bank clients registered to use mobile phone banking services	60,651	New: (Q ₆ -Q ₅): 50,832	15,000	338.88%	55,000	439,349
		Cumulative: 123,023	125,000	98.42%	125,000	500,000
6. Number of bank branches offering mobile phone banking		330	New (Q ₆ -Q ₅): 51	1	5100.00%	40
		Cumulative: 716	371	192.99%	380	500
7. Total value of monthly mobile phone banking transactions (in PhP millions)	PhP132 million (M)	207.4	PhP187	110.91%	PhP175	PhP400
8. Bank branches offering microinsurance	6	70	100	70.00%	18	125
9. Active microenterprise clients purchasing microinsurance	400	33,395	40,000	83.49%	26,000	150,000
10. Number of bank branches offering microhousing loans	NA	New (Q ₆ -Q ₅): 17	4	425.00%	6	
		Cumulative: 35	32	109.38%	10	50
11. Cumulative number of microhousing clients		NA	419	348	120.40%	150
12. Cumulative number of bank branches offering the micro agri-loan product	41	New (Q ₆ -Q ₅): 1	4	25.00%	12	65
		Cumulative: 55	54	101.85%	57	106
13. Number of new micro agri-loan product clients		9,200	New (Q ₆ -Q ₅): 1,282	1,350	94.96%	5,400
		Cumulative: 16,579	16,910	98.04%	16,850	39,200

*These figures include active MABS participating bank branches

e. Administrative Information

Table 6: Project Fund Status: September 30, 2009

Project Fund Status				
As of the Quarter Ended September 30, 2009				
Total Estimated Cost				\$ 9,673,859.00
Total Obligated Cost				\$ 3,745,994.60
1. Expenditures July 1 to September 30, 2009				\$346,954.14 *
2. Cumulative Expenditures Through September 30, 2009				\$ 2,177,054.04
3. Fund Balance September 30, 2009				\$ 1,568,940.56
	*	Jul-09	\$103,320.51	1USD= P 48.10
		Aug-09	\$119,443.02	1USD= P 48
		Sep-09	\$124,190.61	1USD= P 48
			\$346,954.14	

Public – Private Partnership Report (July to September 2009)

Partnership Efforts

Philippines

July to September 2009

Partner Cash: \$ 29.3M **Partner In-Kind:** \$ 706,478



1. Presentations to associations, chambers of commerce, etc.

- MABS conducted a three-day Micro Agri-loan Product (MAP) seminar-training for the staff and officers of the Rural Bank of Digos on July 2-4. Twenty-two participants composed of account officers, head office administrators, branch managers and microfinance unit supervisors attended the training held in Malita, Davao del Sur. Focusing on the MABS Approach to agricultural microfinance, the training featured MAP's loan terms and conditions, systems and procedures, loan evaluation, and documentation. MABS trainers also discussed Management Information System (MIS) reports.
- In continued implementation of its Mobile Phone Banking Initiative, MABS conducted an accreditation training on mobile phone banking services (MBPS) in Iloilo City on July 10, 2009. Twenty-one participants from 12 rural banks participated in the training. MABS also conducted MBPS training for First Macro Bank on July 17, where 16 bank staff from four of the bank's branches attended. The trainings were conducted in partnership with G-Xchange Inc. (GXI), Globe Telecom's wholly-owned subsidiary which makes MPBS possible for rural banks through the GCASH platform.
- Sixteen officers and staff of Camalig Bank participated in the refresher course and training held for the bank by MABS on July 22-24, 2009. The training was intended to assist and prepare the bank in the expansion of its microfinance operations. Camalig Bank's top officers led by its president, Mr. Jose Misael Moraleda, and its operations head, Ms. Geraldine Moraleda, attended the training. Also in attendance were two members of MABS Service Provider, Punla sa Tao Foundation: Finance Manager Josefina Manuel and Associate Consultant Victor Madlangbayan.
- MABS shared its expertise on mobile phone banking to officers and representatives of various financial institutions at the International Microfinance Summit held on July 23-24 in Hohhot, Inner Mongolia. MABS Regional Manager for Mindanao and Senior Management Information System Manager Anthony Petalcorin discussed about the operations and success of mobile phone banking in the Philippines under the RBAP-MABS initiative. Centered on building a strong microfinance and micro-credit system in China, the summit featured topics such as micro-credit regulation, supervision, funding, supporting structures and new technologies for microfinance. The summit was sponsored by the German Agency for Technical Cooperation (GTZ), the Asian Development Bank (ADB) and the Finance Office of Inner Mongolia. It was attended primarily by senior officers of the Micro Credit Companies in Inner Mongolia and other parts of China, as well as representatives from the ADB, the International Finance Corp (IFC), the GTZ, and China's national and provincial government offices including financial regulators.
- On July 27-31, 2009 MABS conducted a series of trainings for its participating banks – 1st Valley Bank in Cagayan de Oro City, Cantilan Bank in Cantilan, Surigao del Sur, and Green Bank – on using the SMS Alerts service. The MABS technical team

trained the bank representatives on how to send and manage SMS alerts for various bank services to their registered clients. The SMS Mobile Phone Banking Services include loan approval notifications, loan payment and commitment savings reminders, time deposit notifications, personalized greetings, promotional offers, marketing campaigns, client feedback, and other important informational messages.

- MABS conducted the MABS Technical Resource Specialists (MABSTeRS) training in Cagayan de Oro City on July 28-31, 2009. Twenty-five representatives from 11 participating banks (PBs) completed the training/workshop. The new MABSTeRS, a mix of microfinance unit supervisors, human resources department heads, and compliance officers, represented 11 Mindanao and Visayas-based MABS participating banks. The workshop was opened by USAID/Philippines Economist Mr. Tyler Holt, who welcomed the participants to the four day workshop. Mr. Holt was joined by Ms. Teresita Espenilla and Mr. Scott Cameron of USAID/Philippines. MABSTeRS are selected senior and mid-level officers of MABS participating banks trained to serve as their bank's in-house trainers. Since 2003, the MABS Program has trained 142 MABSTeRS.
- MABS conducted a refresher course on client selection, CIBI reports and cash-flow analysis for its participating bank, First Agro-Industrial Bank (FAIR Bank), on July 29-31, 2009. Thirty-two staff members and officers attended the training. By the end of the training, the bank's product heads each came up with their individual action plans for the improvement of their bank's microfinance operations.
- MABS conducted a Refresher Training Course on Loan Administration and Management for the Rural Bank of Camalig on August 4 - 7, 2009 in Legaspi, Albay. Fifteen officers and staff members attended the training, including the bank's chief executive officer (CEO) and chief operating officer (COO). They were trained on preparation and analysis of Credit Investigation/Background Investigation (CIBI) and cash flow reports, loan review and approval by the credit committee, understanding management information system (MIS) reports, delinquency management, and product and staff performance monitoring.
- MABS conducted a re-training of the MABS Approach to Agricultural Microfinance for Bangko Mabuhay's officers and staff members on August 14-16, 2009. Fifteen participants composed of Account Officers, Microfinance Manager, Assistant General Manager, Compliance Officer, Mamburao Branch Manager and other branch staff, and the Microfinance Supervisor attended the training. Focusing on Micro Agri-loan Product (MAP), the 3-day training featured MAP's loan terms and conditions, systems and procedures, loan evaluation, and documentation. MABS trainers also discussed Management Information System (MIS) reports.
- MABS and private sector partner, Innovations for Poverty Action (IPA), conducted a Research Symposium on August 20, 2009 at the Orchid Garden Suites to discuss the results of recent IPA studies significant to the microfinance industry. Over 80 representatives from 25 MABS participating banks, Bank of the Philippine Islands (BPI), Microfinance non-governmental organizations (NGOs) and other participants attended the symposium, which included results of research efforts with MABS-participating banks and other microfinance institutions from around the world. The symposium centered on joint research results conducted with MABS participating rural banks since 2002 to explore ways to more effectively and efficiently serve clients and customers with relevant savings and loan product services and features. Professor Dean Karlan and his team shared methods for using randomized control tests to develop new loan and savings products, improve marketing practices, make use of effective notifications via short message services (SMS), and improve client retention.

- The Asia-Pacific Economic Cooperation (APEC), Department of Social Welfare and Development (DSWD), National Youth Commission (NYC), and Philippine Center for Entrepreneurship – Go Negosyo held a three-day seminar-workshop on developing a framework for coaching the country's out-of-school youth (OSY) on entrepreneurship. About 100 entrepreneurs from the Philippines, China and Indonesia attended the seminar held on August 26-28. MABS Chief of Party John Owens, Rural Bank of Mabalacat President George Dyaico, Green Bank Branch Manager Fidel Suarez, and Rural Bank of San Mateo Assistant General Manager Katrina Pilapil shared with young entrepreneurs the types of products and services that rural banks offer to entrepreneurs across the countryside. In particular, they also shared how entrepreneurs can prepare themselves and their businesses to access these financial services. The seminar-workshop was an initiative of APEC's Human Resources Development Working Group.
- A delegation of 23 development economics students from Chou University in Tokyo, Japan visited MABS and GM Bank in a study tour on mobile phone banking on September 4 and 8, 2009. Led by Professor Mitsuhiro Hayashi, Ph. D., the students visited the country to learn about the effectiveness of mobile phone banking for microfinance services. Specifically, they wanted to determine whether mobile phone banking reduces transaction costs and improves access to financial services for both the banks and their clients. The Chuo University delegation was given an overview of the Philippine Microfinance Industry and the Microenterprise Access to Banking Services and its mobile phone banking initiative. They also visited GM Bank to learn about their strategies, experiences and lessons learned in successfully implementing their mobile phone banking initiative.
- To further strengthen the microfinance thrust and operations of rural banks in the Bicol region, MABS and Punla sa Tao Foundation jointly conducted a Microfinance Management Development Workshop in Sto. Domingo, Albay on September 8-10, 2009. Initiated by the South Bicol Federation of Rural Banks, the workshop focused on developing the technical and people management skills of the participant banks' microfinance supervisors and up-and-coming managers. By the end of the workshop, 24 participants from 7 rural banks were equipped with functional skills on utilizing MIS reports, analyzing the microfinance loan portfolio, and implementing policy compliance.
- The 2nd Asia-Pacific Housing Forum held on September 9 featured MABS' Housing Microfinance Initiative presented by MABS Deputy Chief of Party Meliza H. Agabin. The forum was organized by Habitat for Humanity, a nonprofit, Christian housing ministry that works to eliminate poverty housing and make adequate housing a matter of conscience and action. It aims to look into alternative models and approaches to provide urban housing solutions through various institutions such as government authorities, businesses and social organizations. About 400 participants from the Asia-Pacific region attended the forum.
- On September 11, the South Bicol Federation of Rural Banks led by its president, Mr. Mario Honrado, held a roundtable conference for Bicol banks in partnership with the RBAP-MABS Program. The first such event held in Bicol, the conference was held to update and equip rural banks with the current trends in microfinance. About 35 participants from 11 Bicol-based banks attended the conference. For this conference, USAID/Philippines Office of Economic Development and Governance Acting Chief Maria Rendon discussed the impact of microfinance in the region.

A delegation of 12 members from Pakistan's National Rural Support Programme (NRSP) conducted a study observation visit to the Philippines on September 14-18,

facilitated by the Rural Bankers Association of the Philippines (RBAP). The study tour was conducted to allow the Pakistani delegates to observe the Philippine rural banking industry and its operations, including the implementation of the *MABS Approach to Microfinance* among MABS participating banks (PB). The 5-day study tour included field visits to MABS Participating Banks' First Macro Bank and Bangko Kabayan. The Pakistani delegation observed the banks' operations, visited their clients and studied the banks' lending procedures and mobile phone banking operations. They also visited MABS, RBAP, the Bangko Sentral ng Pilipinas (BSP), Microfinance Council of the Philippines, Inc. (MCPI), CARD MRI (Center for Agriculture and Rural Development Mutually Reinforcing Institutions) and TSPI Development Corporation. From these institutions, the NRSP delegates learned about the Philippine policy and regulatory framework for microfinance, *MABS Approach to Microfinance*, MABS initiatives, and rural outreach methodologies of various rural microfinance institutions.

2. News coverage, press releases

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- "Beyond Codes in the Philippines". July 2, 2009. <http://centerforfinancialinclusionblog.wordpress.com/2009/07/02/beyond-codes-in-the-philippines>
- "RCBC to issue first microfinance loan this July 1". July 3, 2009. <http://www.tradingmarkets.com/.site/news/Stock%20News/2403915/>
- "Mobile phone banking serves un-banked sector"; By Ted P. Torres. July 7, 2009. *The Philippine Star*, Business, B-4. <http://www.philstar.com/Article.aspx?articleId=484388&publicationSubCategoryId=74>; <http://regalcreditloans.com/mobile-phone-banking-serves-un-banked-sector/>
- "18 rural banks join global microfinance network". July 11, 2009. <http://www.philstar.com/Article.aspx?articleId=346768&publicationSubCategoryId=74>
- "Rural banks seek to expand mobile banking through sari-sari stores; By Ruby Anne M. Rubio". July 15, 2009. <http://www.gmanews.tv/story/167457/Rural-banks-look-to-expand-mobile-banking-through-sari-sari-stores#>
- "Rural banks to tap sari-sari stores as mobile banking agents". July 15, 2009. <http://pinoybusiness.org/2009/07/15/rural-banks-to-tap-sari-sari-stores-as-mobile-banking-agents/>
- "Microinsurance rules urged"; By Gerard S. Dela Peña. July 16, 2009. *Business World*, S2/1-3. <http://www.bworldonline.com/BW071609/content.php?id=021>
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- "Rural Bankers Association of the Philippines, Microfinance Council of the Philippines and ACCION International Agree to Promote Client Protections". July 21, 2009. <http://www.microcapital.org/news-wire-the-philippines-rural-bankers->

[association-of-the-philippines-microfinance-council-of-the-philippines-and-accion-international-agree-to-promote-client-protections](#)

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- “RBAP Inaugural Speech - July 14, 2009”. July 22, 2009. <http://www.rbap.org/news/index.php/2009/07/rbap-inaugural-speech-july-14-2009/>
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- “BSP considers changes to bancassurance rules”. July 24, 2009. <http://www.bworldonline.com/BW072409/content.php?id=024>
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- “GCASH and CANTILAN BANK: Conquering rough roads through microfinancing”. August 24, 2009. *The Philippine Star*, I-1
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- “GCASH and BANGKO KABAYAN: Improving the lives of Batanguenos through mobile phone banking”. September 17, 2009. *Philippine Daily Inquirer*, B-1
- “Poor benefit from microinsurance”, By Judy T. Gulane. September 24, 2009. *Business World*, S1 / 1-2. <http://www.bworldonline.com/BW092409/content.php?id=002>
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3. Public-private partnership-related communication materials



4. Awards or other recognition

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5. Training or technical assistance from GDA/Washington

Global Development Alliance Workshop (Alliance Building for Contractors and Grantees)



6. Mission GDA strategy

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7. Other: Partnerships with Organizations

- MABS conducted a three-day technical assistance to Progressive Bank on July 7-9, 2009 to review the bank's microfinance operations, recommend improvements in its operating processes, and provide advice on ways to strengthen its organizational structure and supervision. Progressive bank is a MABS participating bank based in Balasan, Iloilo.
- MABS, in collaboration with MICRA Foundation Philippines, strengthened its Microinsurance Initiative by inviting Michael McCord, a leading Microinsurance Expert and coordinating his visit to meet various local stakeholders and regulators during his country visit on July 6-10, 2009. With extensive experience in banking, microfinance and microinsurance, Mr. McCord is recognized internationally as an expert in the microinsurance industry. In his visit coordinated by MABS and MICRA, Michael McCord conducted a series of consultations with rural bank leaders, commercial insurance providers, industry regulators, mutual benefit associations (MBAs), and technical assistance groups. The consultations by Michael McCord culminated in the conduct of a roundtable discussion on July 10. The event's participants were comprised of leaders and representatives from the rural bank sector, the commercial insurance industry, the Bangko Sentral ng Pilipinas, the Insurance Commission, the MBAs, the Department of Finance, National Credit Council, technical assistance providers GTZ and RIMANSI as well technical teams of each MICRA and MABS.
- MABS collaborated with FAIR Bank in conducting a series of focus group

discussions (FGD) and client surveys among the Bank's microfinance clients between July 28 and July 31. Risks for microfinance households and their response to these risks were determined, along with clients' needs and preferences pertinent to insurance products and services. Salient aspects of the research activity were presented to FAIR Bank President Mr. Boy Verallo and his management team. Subsequently, the research results shall be consolidated with studies conducted in other rural bank communities in order to serve as inputs for the development of more appropriate microinsurance products to be offered by commercial insurance providers for clients of rural banks.

- MABS visited its participating banks – GM Bank, Rural Bank of Gattaran, Mallig Plains Rural Bank and Cantilan Bank – in August to provide technical assistance and review the banks' microfinance operations. Focusing on the banks' microfinance products and services such as mobile phone banking, microenterprise loan products (MEP), micro-agri loan product (MAP), microinsurance and housing microfinance, MABS assessed the banks' strong points and recommended actions to address areas for improvement. MABS also reviewed the banks' lending procedures and management systems, as well as clients' feedback on the bank's performance and services.
- As part of its microinsurance initiative, MABS visited Cantilan Bank on August 25-28 to evaluate the microinsurance services currently offered to the bank clients by a local private insurance company. MABS also studied client demand for insurance around the area and explored how the bank's insurance services could be expanded. MABS conducted focus group discussions and surveys with the clients and found out that there is an overall satisfaction regarding the microinsurance products, friendly service and professional staff.
- MABS conducted an operations review of Albay-based MABS participating bank Rural Bank of Guinobatan on September 8 and 9. The MABS technical staff reviewed the bank's branch management information systems (MIS) reports and group and individual lending procedures. The team also conducted focused group discussions with clients, facilitated action planning with the bank's staff and held an exit conference with the bank's management to recommend methods for development of the bank's strong points and areas for improvement.

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

NO SAF REQUESTS AND APPROVALS FOR THE QUARTER.

Philippines Microenterprise Access to Banking Services
 Chemonics International Inc.
 Contract no. EEM-I-00-07-00008-00
 Quarter Number 8, September 30, 2009
 Special Activities Fund - In USD

SAF	Title	Results	Date Approved	Status	Budgeted Amount	Quarter 3				Expenses To Date Quarter 3	Budget Remaining	Budget Overruns
						Apr-08	Invoice 01 May-08	Invoice 02 Jun-08	Quarter 3 Total			
	Grant Programs											
1	Global Summit for Women	Attended by Tess Ganzon of Bangko Kabayan	5/23/2008	Open	\$ 2,353.52		\$ 821.83		\$ 821.83	\$ 821.83	\$ 1,531.69	\$ -
2	Conduct of the Poverty Assessment Survey	Survey done by the eight (8) selected participating banks	1/21/2009	Open	\$ 1,445.05				\$ -	\$ -	\$ 1,445.05	\$ -
3	CANCELLED								\$ -	\$ -	\$ -	\$ -
4	Development and Production of Videos for 2009 EAGLE Awards, Mobile Phone Banking Services Video, & MABS Video		4/27/2009		\$ 12,360.54							
SUBTOTAL					\$ 16,159.11	\$ -	\$ 821.83	\$ -	\$ 821.83	\$ 821.83	\$ 2,976.74	\$ -
Add:	Indirect Adjustment											
	General & Administrative Costs						\$ 41.09		\$ 41.09	\$ 41.09		
GRAND TOTAL					\$ 16,159.11	\$ -	\$ 862.92	\$ -	\$ 862.92	\$ 862.92		

Philippines Microenterprise Access to Banking Services
 Chemonics International Inc.
 Contract no. EEM-I-00-07-00008-00
 Quarter Number 8, September 30, 2009
 Special Activities Fund - In USD

SAF	Title	Results	Date Approved	Status	Budgeted Amount	Quarter 4				Expense To Date	Budget Remaining	Budget Overruns
						Invoice 03	Invoice 04	Invoice 05	Quarter 4			
						Jul-08	Aug-08	Sep-08	Total			
	Grant Programs											
1	Global Summit for Women	Attended by Tess Ganzon of Bangko Kabayan	5/23/2008	Open	\$ 2,353.52	\$ 1,328.40			\$ 1,328.40	\$ 2,150.23	\$ 203.29	\$ -
2	Conduct of the Poverty Assessment Survey	Survey done by the eight (8) selected participating banks	1/21/2009	Open	\$ 1,445.05				\$ -	\$ -	\$ -	\$ -
3	CANCELLED								\$ -	\$ -	\$ -	\$ -
4	Development and Production of Videos for 2009 EAGLE Awards, Mobile Phone Banking Services Video, & MABS Video		4/27/2009		\$ 12,360.54							
SUBTOTAL					\$ 16,159.11	\$ 1,328.40	\$ -	\$ -	\$ 1,328.40	\$ 2,150.23	\$ 203.29	\$ -
Add:	Indirect Adjustment											
	General & Administrative Costs					\$ 66.42			\$ 66.42	\$ 107.51		
GRAND TOTAL					\$ 16,159.11	\$ 1,394.82	\$ -	\$ -	\$ 1,394.82	\$ 2,257.74		

Philippines Microenterprise Access to Banking Services
 Chemonics International Inc.
 Contract no. EEM-I-00-07-00008-00
 Quarter Number 8, September 30, 2009
 Special Activities Fund - In USD

SAF	Title	Results	Date Approved	Status	Budgeted Amount	Quarter 5				Expenses To Date	Budget Remaining	Budget Overruns
						Invoice 06	Invoice 07	Invoice 08	Quarter 5			
						Oct-08	Nov-08	Dec-08	Total	Quarter 5		
	Grant Programs											
1	Global Summit for Women	Attended by Tess Ganzon of Bangko Kabayan	5/23/2008	Open	\$ 2,353.52				\$ -	\$ 2,150.23	\$ 203.29	\$ -
2	Conduct of the Poverty Assessment Survey	Survey done by the eight (8) selected participating banks	1/21/2009	Open	\$ 1,445.05				\$ -	\$ -	\$ 1,445.05	\$ -
3	CANCELLED								\$ -	\$ -	\$ -	\$ -
4	Development and Production of Videos for 2009 EAGLE Awards, Mobile Phone Banking Services Video, & MABS Video		4/27/2009		\$ 12,360.54							
SUBTOTAL					\$ 16,159.11	\$ -	\$ -	\$ -	\$ -	\$ 2,150.23	\$ 1,648.34	\$ -
Add:	Indirect Adjustment											
	General & Administrative Costs								\$ -	\$ 107.51		
GRAND TOTAL					\$ 16,159.11	\$ -	\$ -	\$ -	\$ -	\$ 2,257.74	\$ 1,648.34	\$ -

Philippines Microenterprise Access to Banking Services
 Chemonics International Inc.
 Contract no. EEM-I-00-07-00008-00
 Quarter Number 8, September 30, 2009
 Special Activities Fund - In USD

SAF	Title	Results	Date		Budgeted Amount	Quarter 6				Expenses To Date Quarter 6	Budget Remaining	Budget Overruns
			Approved	Status		Invoice 09 Jan-09	Invoice 10 Feb-09	Invoice 11 Mar-09	Quarter 6 Total			
	Grant Programs											
1	Global Summit for Women	Attended by Tess Ganzon of Bangko Kabayan	5/23/2008	Open	\$ 2,353.52				\$ -	\$ 2,150.23	\$ 203.29	\$ -
2	Conduct of the Poverty Assessment Survey	Survey done by the eight (8) selected participating banks	1/21/2009	Open	\$ 1,445.05		\$ 214.97	\$ 504.75	\$ 719.72	\$ 719.72	\$ 725.33	\$ -
3	CANCELLED								\$ -	\$ -	\$ -	\$ -
4	Development and Production of Videos for 2009 EAGLE Awards, Mobile Phone Banking Services Video, & MABS Video		4/27/2009		\$ 12,360.54							
									\$ -			
	SUBTOTAL				\$ 16,159.11	\$ -	\$ 214.97	\$ 504.75	\$ 719.72	\$ 2,869.95	\$ 928.62	\$ -
	Add: Indirect Adjustment											
	General & Administrative Costs						\$ 10.75	\$ 25.24	\$ 35.99	\$ 143.50		
	GRAND TOTAL				\$ 16,159.11	\$ -	\$ 225.72	\$ 529.99	\$ 755.71	\$ 3,013.45	\$ 928.62	\$ -

Philippines Microenterprise Access to Banking Services
 Chemonics International Inc.
 Contract no. EEM-I-00-07-00008-00
 Quarter Number 8, September 30, 2009
 Special Activities Fund - In USD

SAF	Title	Results	Date Approved	Status	Budgeted Amount	Quarter 7				Expenses	Budget	Budget	
						Invoice 12	Invoice 13	Invoice 14	Quarter 7	To Date	Remaining	Overruns	
						Apr-09	May-09	Jun-09	Total	Quarter 7			
Grant Programs													
1	Global Summit for Women	Attended by Tess Ganzon of Bangko Kabayan	5/23/2008	Open	\$ 2,353.52					\$ -	\$ 2,150.23	\$ 203.29	\$ -
2	Conduct of the Poverty Assessment Survey	Survey done by the eight (8) selected participating banks	1/21/2009	Open	\$ 1,445.05					\$ -	\$ 719.72	\$ 725.33	\$ -
3	CANCELLED									\$ -	\$ -	\$ -	\$ -
4	Development and Production of Videos for 2009 EAGLE Awards, Mobile Phone Banking Services Video, & MABS Video		4/27/2009		\$ 12,360.54	\$ 3,099.17	\$ 4,590.13			\$ 7,689.30	\$ 7,689.30	\$ 4,671.24	\$ -
SUBTOTAL					\$ 16,159.11	\$ 3,099.17	\$ 4,590.13	\$ -	\$ 7,689.30	\$ 10,559.25	\$ 5,599.86	\$ -	
Add:	Indirect Adjustment												
	General & Administrative Costs					\$ 154.96	\$ 229.52			\$ 384.48	\$ 527.98		
GRAND TOTAL					\$ 16,159.11	\$ 3,254.13	\$ 4,819.65	\$ -	\$ 8,073.78	\$ 11,087.23	\$ 5,599.86	\$ -	

Philippines Microenterprise Access to Banking Services
 Chemonics International Inc.
 Contract no. EEM-I-00-07-00008-00
 Quarter Number 8, September 30, 2009
 Special Activities Fund - In USD

SAF	Title	Results	Date Approved	Status	Budgeted Amount	Quarter 8				Expenses To Date Quarter 8	Budget Remaining	Budget Overruns	Cumulative Invoiced
						Invoice 15 Jul-09	Invoice 16 Aug-09	Invoice 17 Sep-09	Quarter 8 Total				
	Grant Programs												
1	Global Summit for Women	Attended by Tess Ganzon of Bangko Kabayan	5/23/2008	Open	\$ 2,353.52				\$ -	\$ 2,150.23	\$ 203.29	\$ -	\$ 2,150.23
2	Conduct of the Poverty Assessment Survey	Survey done by the eight (8) selected participating banks	1/21/2009	Open	\$ 1,445.05			\$ 103.13	\$ 103.13	\$ 822.85	\$ 622.21	\$ -	\$ 822.85
3	CANCELLED								\$ -	\$ -	\$ -	\$ -	\$ -
4	Development and Production of Videos for 2009 EAGLE Awards, Mobile Phone Banking Services Video, & MABS Video		4/27/2009		\$ 12,360.54				\$ -	\$ 7,689.30	\$ 4,671.24	\$ -	\$ 7,689.30
SUBTOTAL					\$ 16,159.11	\$ -	\$ -	\$ 103.13	\$ 103.13	\$ 10,662.38	\$ 5,496.74	\$ -	\$ 10,662.38
Add:	Indirect Adjustment							\$ 107.51					\$ -
	General & Administrative Costs					\$ -	\$ -	\$ 5.16	\$ 5.16	\$ 533.14			\$ 533.14
GRAND TOTAL					\$ 16,159.11	\$ -	\$ -	\$ 215.80	\$ 108.29	\$ 11,195.51	\$ 5,496.74	\$ -	\$ 11,195.51

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

MABS BANKS MICROFINANCE PERFORMANCE REPORT
CONSOLIDATED - BY AREA OF OPERATION (LUZON, VISAYAS AND MINDANAO)
SEPTEMBER 2009

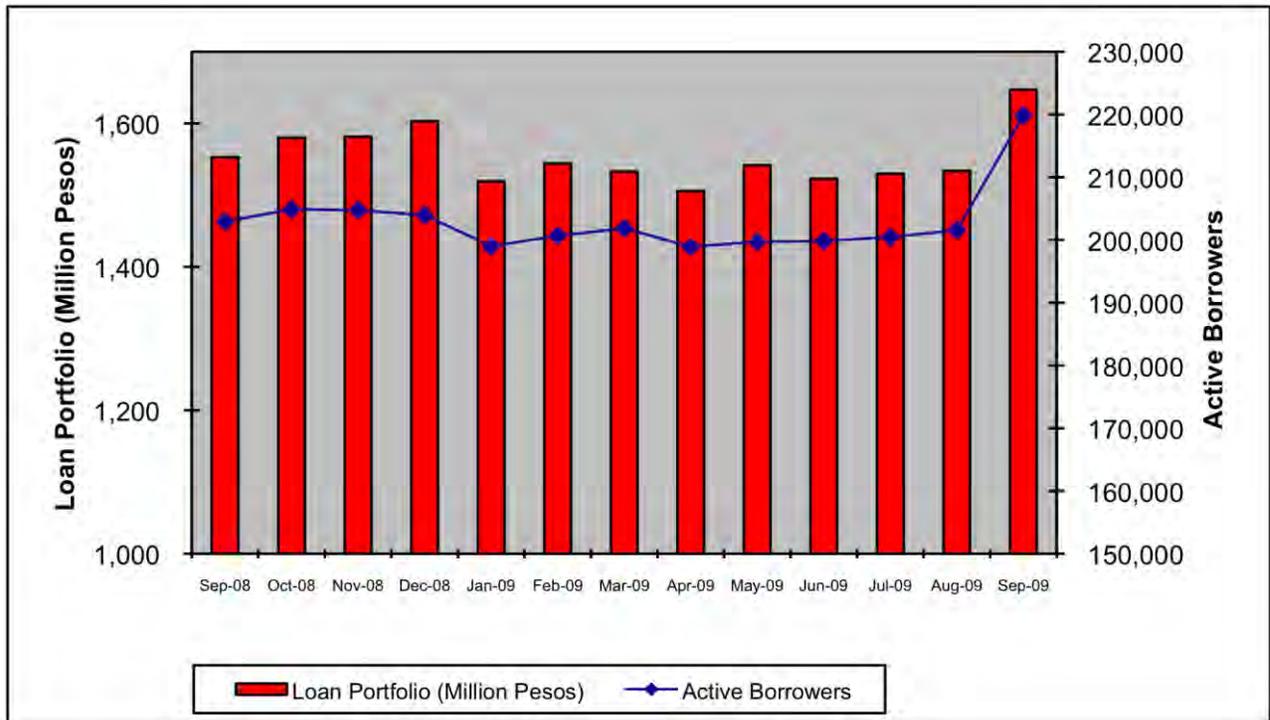
PERFORMANCE DATA	LUZON	VISAYAS	MINDANAO	TOTAL
Number of banks (reporting)	34	11	25	70
Number of participating branches (reporting)	177	55	131	363
Number of banks (trained/on-training)	12	2	6	20
Number of participating branches (trained/on-training)	26	2	23	51
Total number of banks	46	13	31	90
Total number of participating branches	203	57	154	414
Number of other banking offices	30	49	70	149
Total number of participating branches/units	233	106	224	563
Number of active borrowers outstanding	84,471	62,525	72,677	219,673
Number of new borrowers	4,311	1,649	2,654	8,614
Number of repeat loans	8,574	7,864	10,110	26,548
Loan portfolio balance	703,955,240	390,525,332	551,933,482	1,646,414,054
Number of deposit accounts < 15,000	500,604	232,565	756,765	1,489,934
Net change in number of deposit accounts	115,562	123,078	333,237	571,877
Deposit balance < 15,000	788,928,066	276,947,677	893,465,848	1,959,341,591
Net change in deposit balance	250,845,336	121,914,561	488,297,557	861,057,454
Number of microfinance field staff	560	372	482	1,414
Number of microfinance field staff per branch	3	7	4	4
Number of loans disbursed during the month	12,776	9,513	12,873	35,162
Cumulative number of new borrowers	189,086	122,272	347,673	659,031
Cumulative number of loans disbursed	555,541	412,948	1,109,956	2,078,445
Amount of loans disbursed during the month	201,472,834	109,703,435	167,961,036	479,137,305
Cumulative amount of loans disbursed	9,079,159,939	4,881,977,706	11,732,302,834	25,693,440,479
Portfolio at risk more than 7 days	56,726,885	61,161,892	63,627,300	181,516,077
Portfolio at risk more than 7 days (%)	8.21%	15.66%	11.53%	11.02%
Portfolio at risk more than 30 days	46,032,434	52,447,856	53,796,249	152,276,539
Portfolio at risk more than 30 days (%)	6.66%	13.43%	9.75%	9.25%
MONTHLY INCOME AND EXPENSE	LUZON	VISAYAS	MINDANAO	TOTAL
Financial income				
Interest income on loans	29,822,678	15,649,366	17,838,247	63,310,291
Service charge	6,609,530	3,332,933	4,876,695	14,819,158
Penalty fee on loans	895,664	284,566	304,140	1,484,370
Total financial income	37,327,872	21,133,320	21,152,627	79,613,819
Total financial expense	2,059,137	3,052,186	1,855,343	6,966,666
Gross financial margin (spread)	35,268,735	18,081,134	19,297,284	72,647,153
Loan loss provision	4,979,821	7,256,978	(4,068,130)	8,168,669
Net financial margin	30,288,914	10,824,156	23,365,414	64,478,484
Direct operating expenses				
MFU salaries and benefits	6,363,849	5,188,733	3,068,751	14,621,333
Gross receipts tax	1,819,267	995,252	947,127	3,761,646
Depreciation	319,474	700,485	220,402	1,240,361
Transportation	1,064,014	1,862,862	672,225	3,599,101
Supplies	334,921	404,190	188,505	927,616
Communication	144,729	200,622	38,829	384,180
Others	937,670	715,679	317,534	1,970,883
Total direct operating expenses	10,983,924	10,067,823	5,453,373	26,505,120
Training and professional fees	50,321	-	1,832	52,153
Net income before indirect expenses	19,254,669	756,333	17,910,209	37,921,211
Indirect expenses	3,313,481	1,629,729	1,057,025	6,000,235
Net income (loss)	15,941,188	(873,396)	16,853,184	31,920,976

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

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

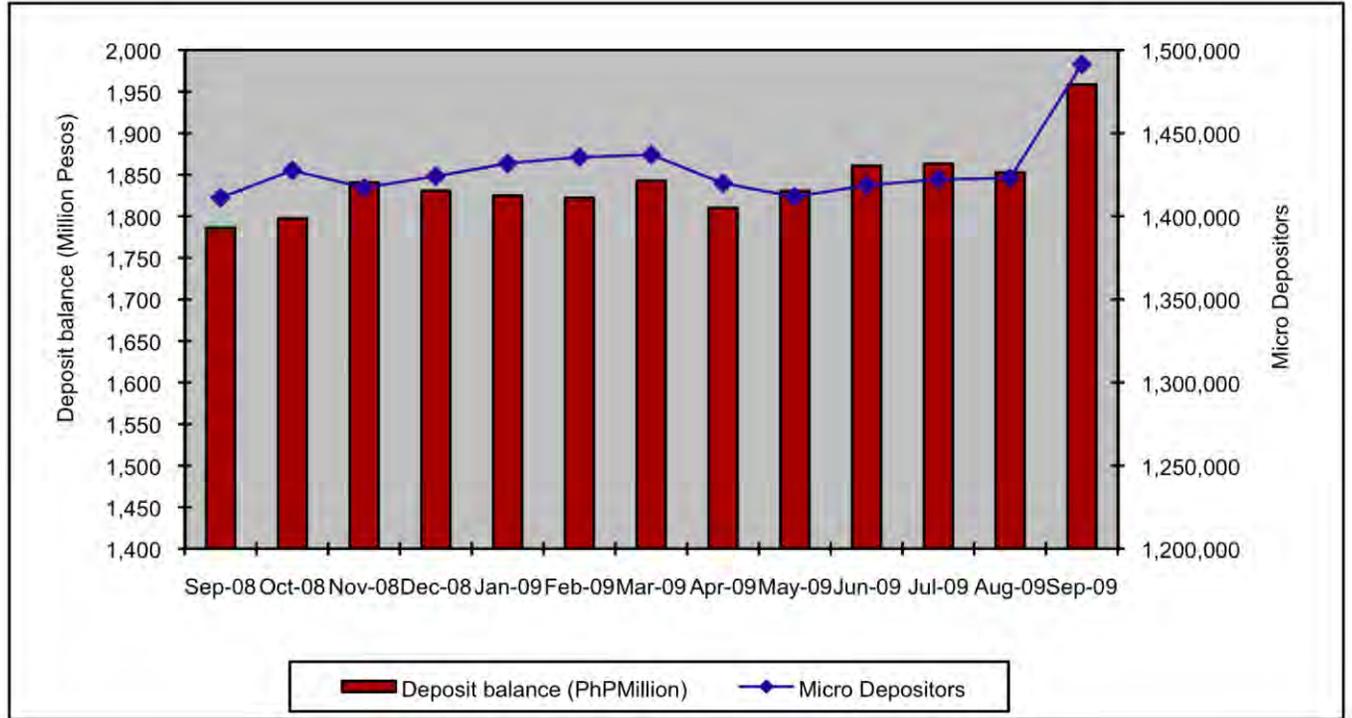
Note 3: Data for Visayas and Mindanao doesn't include financial data for Katipunan Bank. Figures are still subject for verification.

Microloan Portfolio MABS Participating Banks September 2008 – September 2009



Month/ Year	Loan Portfolio (PhPM)	Active Borrowers
Sept 2008	1,552.78	202,930
Oct 2008	1,580.08	204,888
Nov 2008	1,581.46	204,746
Dec 2008	1,603.08	203,964
Jan 2009	1,519.35	199,003
Feb 2009	1,544.17	200,673
Mar 2009	1,532.84	201,858
Apr 2009	1,505.59	198,919
May 2009	1,541.69	199,733
Jun 2009	1,522.71	199,841
July 2009	1,529.90	200,455
Aug 2009	1,533.78	201,557
Sept 2009	1,646.41	219,673

Microdeposits *
MABS Participating Banks
September 2008 – September 2009



Month/ Year	Deposit Balance (PhP M)	Micro Depositors
Sept 2008	1,786.49	1,411,217
Oct 2008	1,797.38	1,427,600
Nov 2008	1,840.67	1,417,119
Dec 2008	1,830.76	1,424,111
Jan 2009	1,824.97	1,431,841
Feb 2009	1,822.10	1,435,621
Mar 2009	1,842.74	1,436,991
Apr 2009	1,810.26	1,419,905
May 2009	1,830.67	1,411,801
Jun 2009	1,860.72	1,418,662
July 2009	1,863.14	1,422,155
Aug 2009	1,852.85	1,422,997
Sept 2009	1,959.34	1,489,934

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

Microenterprise Access to Banking Services (MABS) Program

JULY 2009 HIGHLIGHTS



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Microenterprise Access to Banking Services (MABS) Program

AUGUST 2009 HIGHLIGHTS



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Microenterprise Access to Banking Services (MABS) Program

SEPTEMBER 2009 HIGHLIGHTS



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