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QUARTERLY REPORT

**MICROENTERPRISE ACCESS TO BANKING SERVICES
PROGRAM PHASE 4 (MABS-4)
NINTH QUARTER
APRIL – JUNE 2010**

July 2010

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

Rural Bankers Association of the Philippines (RBAP)

Mindanao Development Authority (MINDA)

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

ACRONYMS USED IN THIS REPORT

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
BAP-CB	Bankers Association of the Philippines – Credit Bureau
BSP	Bangkok Sentral ng Pilipinas
CCIC	Central Credit Information Corporation
CI/CO	Cash-in/Cash-out
CIBI	Credit and Background Investigation
CISA	Credit Information System Act
EAGLE	Efficiency, Asset Quality, Growth, Liquidity, and Earnings
GXI	G-Xchange, Inc.
HMF	Housing Microfinance
IC	Insurance Commission
IFC	International Finance Corporation
ILO	International Labor Organization
KRA	Key Result Area
KYC	Know Your Customer
LINC-EG	Local Implementation of Local Competitiveness for Economic Growth
MABS	Microenterprise Access to Banking Services
MABSTeRS	MABS Technical Resource Specialists
MAP	Micro Agri-loan Product
MATTS	MABS Approach Training and Technical Services
MCPI	Microfinance Council of the Philippines, Inc.
MFO	Microfinance Opportunities
MINDA	Mindanao Development Authority
MICRA	Microfinance Innovation Center for Resources and Alternatives
MIMO	Money In and Money Out
MIS	Management Information Systems
MIX	Microfinance Information Exchange
MNO	Mobile Network Operators
MPBS	Mobile Phone Banking Services
MSP	MABS Service Providers
OTA	Over-the-Air
PB	Participating Bank
RBAP	Rural Bankers Association of the Philippines
RBRDFI	Rural Bankers Research and Development Foundation, Inc.
SAF	Special Activities Fund
SEC	Securities and Exchange Commission
SMIC	SMART Money Instant Card
SMO	Senior Management Orientation
SMS	Short Messaging Service
TA	Technical Assistance
TAB	Text-A-BillPayment

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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 Ninth Quarterly Report of the Microenterprise Access to Banking Services Program's Phase 4 (MABS-4) - covering the period from April 1 to June 30, 2010. 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 Development Authority (MINDA). The principal contractor under the MABS program is Chemonics International Inc.

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 up till the end of June 2010, the MABS Program has provided training and technical assistance to 91 rural banks with 578 banking units (437 branches and 141 other bank offices) to develop microfinance products and services. These PBs have disbursed over 2.3 million loans totaling more than PhP30 billion (approximately US\$ 634 million) to more than 738,700 new bank borrowers. These partner banks also manage more than PhP1.9 billion (US\$43.1) in small savings deposits from over 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 –non-farm and farm businesses- and other low-income groups, 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 700 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 700 branches and other bank offices, to increase the cumulative number of new micro borrowers by more than 450,000 during the period of the extension to bring the 15-year total of new borrowers reached to 950,000, and to increase the amount of loans disbursed by PhP24.00 billion to bring the total 15-year cumulative amount of micro loans disbursed to PhP42.27 billion (\$900 million). The cumulative number of new micro deposit accounts in participating rural banks will increase from 650,000 to 1 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 85 rural bank branches reaching at least 8,000 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 be offered by more than 70 rural banks through more than 950 rural bank

branches and other banking offices reaching 550,000 bank clients and customers with a total monthly volume at the end of the program exceeding \$15 million in mobile banking transactions a month.

Activities to support this initiative 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 bank branches 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 tools developed by MABS, best practices, and lesson learned are shared with key organizations in the local and global microfinance industry and practitioners. The MABS Program and project partners will be arranging for and/or producing some four to five articles per month for publication in local and international media which discusses accomplishments of the Program, the banks participating in the Program, lessons learned by the Program, etc.

Continue Expanding Access to Microfinance

During the 9th quarter, 578 bank units (branches and other banking offices) disbursed more than 105,800 additional microenterprise loans totaling PhP1.47 billion, and reached over 27,700 more new clients. From the start of the MABS program, close to 2.4 million cumulative micro loans totaling more than PhP30 billion had been disbursed to over 738,700 new borrowers. These partner banks also manage more than PhP1.9 billion (US\$43.1) in small savings deposits from over 1.4 million micro deposit accounts with

the number of new accounts exceeding 528,000 since MABS started work with these banks.

The MABS Program focused its efforts in bringing the MABS Training and Technical Services to banks that are interested in joining the program. During the quarter, Senior Management Orientation (SMO) of the MABS Approach was given to eight banks/institutions. The first of the *MABS Approach to Microfinance* modules, the SMO introduces bank officers and key personnel to MABS initiatives, as well as its modules on market research, product development, loan administration, pilot testing, and operations review. After the SMO, bank officers expressed their interest in attending the package of trainings and technical assistance, which is a pre-requisite in them joining the MABS program.

In April, the MABS Program took part in the Rural Bank of Angeles' Microfinance Credit Committee meeting. MABS reviewed the microfinance loan portfolio of the bank and its management information system (MIS). This technical assistance resulted to recommendations in improving the accuracy of the bank's microfinance management reports and inputs necessary to strengthen its MIS.

In June, MABS conducted product and operations review at the Rural Bank of Oroquieta, the Rural Bank of Pilar, the Rural Bank of Guinobatan, and Cantilan Bank. These product and operations reviews ranged from evaluating a single basic microfinance loan product or a variety of products that a rural bank may already be engaged in offering their clients.

The MABS Program continued to monitor the developments of the Credit Information Systems Act. With the passage of the law and the approval of the implementing rules and regulations, the Securities and Exchange Commission (SEC) is in the process of establishing the Central Credit and Information Corporation (CCIC). It is expected that within the year, a President will be appointed, the Board of Directors convened, and the blueprint for the operation of the bureau be completed. The RBAP, which has pledged to subscribe to the corporation's capital, is expected to have a seat in the Board.

Increase Agricultural Lending

In the 9th Quarter, 18 banks with 58 bank branches and other banking offices were offering micro-agri loans and disbursed 2,861 micro-agri loans totaling PhP46.9 million to 649 new clients. On a cumulative basis, more than 44,800 micro-agri loans totaling more than PhP615 million had been disbursed to over 19,000 farmers engaged in various farm production businesses.

The MABS Program started applying the value chain approach in agricultural microfinance to help address market and other risks along the supply chain that farm producers encounter. In April, MABS facilitated a partnership between the Rural Bank of Digos (as the source of agricultural microfinance loan), small-scale banana and vegetable farmers, and a banana processing and export company based in Davao.

MABS studied other farm subsectors where the value chain approach would work for

small farmers. In June, MABS conducted a study visit to study a new social entrepreneurship model involving a non-governmental organization, an industry integrator and small-scale poultry raisers. Having completed its pilot testing with small growers, the business model is being rolled out to other areas in the province of Laguna and partnership with MABS participating banks in the areas is being explored with the Rural Bank of Mabitac.

Introduce Housing Microfinance

In the 9th Quarter, 58 branches of six banks – GM Bank, Cantilan Bank, Bangko Kabayan, FAIR Bank, First Valley Bank and Green Bank – were offering housing microfinance loans and have disbursed 386 additional housing microfinance (HMF) loans totaling PhP11.5 million to 281 new clients. Over 1,600 cumulative HMF loans totaling more than PhP52 million had been disbursed to over 1,400 clients, for an average loan amount of about PhP30,000. The product is being offered to existing clients who used their housing loans mostly for home improvement and repair.

During this quarter, the MABS Program conducted the training “Designing a Housing Microfinance Loan Product” which was attended by 40 participants from 17 participating banks in Luzon, Visayas, and Mindanao. This workshop provided the participants with the market research tools to analyze their markets and assisted them in completing the development of their housing microfinance loan product, drafting their manual of operations and business plan, and preparing an action plan for testing their respective loan product over a period of six months.

Supported by a position paper prepared by RBAP-MABS and submitted by RBAP to the BSP, Circular No.678 (January 6, 2010) provided the guidelines for banks wanting to offer housing microfinance loan product. The circular paves the way for bigger loans and longer term especially when the purpose is buying or constructing new homes. The BSP also approved the RBAP-MABS Housing Micro Finance Generic Product Manual, which will expedite the approval process for RBAP-member rural banks that will design and offer their housing loan product based on this product manual.

MABS provided technical assistance to the first rollout bank. The First-Agro Industrial Rural (FAIR) Bank received technical assistance on their housing loan product, with a review and evaluation of the HMF product procedures and operations, the implementation strategies and practices, which were thereafter realigned for improved HMF implementation.

Expand the Use of New Technologies

In the 9th Quarter, 36 additional bank branches and other banking offices became accredited to offer mobile phone banking services and 3,186 additional rural bank clients registered to use the service. Approximately 129,000 cumulative rural bank clients are registered users of various mobile phone banking services while a cumulative total of 943 rural bank branches and other banking offices now offering mobile phone banking

services. The monthly value of mobile phone banking transactions in June 2010 is PhP308.7 million.

The MABS Program, in coordination with GXI, continued the Marketers' Program during the quarter with six banks participating in Luzon, Visayas, and Mindanao. This cash incentive-based initiative will target the microfinance merchant-clients of GCASH-accredited banks and aims to raise awareness and usage of mobile phone banking services.

In April, the BSP approved rural banks offer money in and money out (MIMO) services via the SMART Money platform. RBAP, through the MABS Program, now plans to train and assist member rural banks to become accredited to Smart Money MIMO services for their clients. RBAP-MABS continued working with Smart on refining the procedures to be used and how to proceed with the rollout of the Smart Money initiative which will build on the results of the pilot implemented at the Rural Bank of Mabitac. Smart agreed to conduct a more expanded pilot testing with the Rural Bank of Mabitac before inviting other rural banks. An important development during the quarter is the introduction of the Smart Money Instant Card (SMIC) that will now make it easier to facilitate the registration of rural bank clients who are Smart subscribers and want to utilize Smart Money services.

In May, RBRDFI got the approval for a \$100,000 grant from Microfinance Opportunities (MFO) and MasterCard Foundation to undertake a two-year partnership to support the uptake and effective use of branchless banking services through financial education. The partnership aims to develop a robust financial educational initiative that will support a more rapid adoption and expansion of mobile phone banking in rural areas all over the Philippines. With this partnership between RBRDFI and MFO, the RBAP-MABS Program will develop a tool kit that will include new financial educational materials and approaches for rural banks and their merchant-partners to utilize to improve uptake and usage of mobile phone banking services. The toolkit will be pilot-tested in the field with select rural banks by conducting focus group discussions with clients from among the target market. The tool kits will then be shared with all other accredited rural banks to deploy and utilize in the field.

In June, RBAP-MABS Chief of Party and Special Projects Coordinator attended an orientation meeting in Mumbai, India along with the other grantee from Asia, FINO. MABS developed an initial overall project work plan, and discussed the initial financial education strategy. The team identified key areas within the mobile phone banking services model being implemented by the rural banks and supported by RBAP-MABS where financial education components and tools could be introduced in order to achieve the greatest impact. Two key elements were identified: incorporating financial education components and tools in the mobile phone banking training materials that MABS uses and incorporating financial education components in tools to empower merchants and bank employees to effectively teach clients on the use of mobile phone banking services and take-away tools for clients. Details and plans for the conduct of the market research were also laid out during the meeting. The market research will be conducted in the 10th

Quarter, while the development of the financial education toolkit will be completed by the 11th Quarter.

Initial discussions with Mercy Corps on the Mobile Phone Banking Channel Management Initiative were conducted in June. This component of the Mobile Phone Banking Initiative, called Channel Management, is meant to develop merchant-partners who can conduct marketing activities and client servicing for their cash-in/cash-out needs in behalf of banks. This is projected to increase volume and value of mobile phone banking transactions as well as expand the rural bank's ability to cross-sell other bank products and services thereby increasing the volume and amount of microfinance loans and deposits as well. Dedicated channel managers will be trained and hired to implement merchant-partner channel management and other activities to support the expansion of mobile phone banking and shall be considered contractual employees of pilot rural banks. In addition, merchants/agents will be trained so that they can provide customer support. MABS, with the assistance of an external consultant, shall manage the channel management project. Microfinance Innovation Center for Resources and Alternatives (MICRA) Philippines shall support the research and training component for this initiative with part of the funding coming from Mercy Corps. There will be at least four banks targeted for this project that will participate in pilot testing the channel management business cases. Afterwards, the channel management activity shall gradually be rolled out to all interested MABS partner banks until 2012.

In June, RBRDFI, with the assistance of MABS, signed an agreement with Blue Blade, to develop, test and pilot a customized Mobile Phone Banking Java Interface for the RBAP-MABS designed mobile phone banking services. Through the application, clients with java-enabled mobile phones will not have to manually input the mobile phone number of the bank, as well as their account number and transaction details each time they transact using this application since they can all be entered and stored when the client registers for this service at his/her bank. The system will work initially as a semi-automated mobile phone-based application that will facilitate the ease of mobile phone banking transactions. The pilot will help MABS to analyze the ease and usability of the Java-based application, as well as to test various deployment approaches to utilizing this application.

The MABS Program presented its experience and lessons learned in providing mobile phone banking services support through presentations and field trips involving visitors all over the world. Please refer to the section on "Communications and other activities" on page 9 for details of the visits.

Develop Micro-Insurance Products

In the 9th Quarter, 22 additional bank branches and other banking offices and more than 11,500 additional clients availed of microinsurance services. More than 17,700 cumulative rural bank clients have microinsurance while a cumulative total of 95 bank branches and other banking offices now offer microinsurance services.

The MABS Program enhanced effective demand for microinsurance products through stakeholder discussions, promotional activities and development of tools for market education. MABS conducted a series of on-site technical assistance activities in FAIR Bank throughout the quarter aimed at enhancing the bank's capacity for servicing and marketing microinsurance in partnership with its selected commercial insurer, Pioneer Insurance. Microinsurance skills development training programs were facilitated by MABS for the members of the Bank's Core Group, who, in turn, conducted echo training sessions for the bank's microfinance field staff and selected operations personnel. Other key activities include the review and streamlining of registration and claims procedures, development of product materials for clients, and client feedback sessions.

The MABS Program provided RBAP with relevant market information to assist in their discussions with the BSP, the Insurance Commission and other Microinsurance Supervisory Agencies on the formulation of policies and regulations that will facilitate distribution of microinsurance to microenterprise households through rural banks. A series of meetings and consultations held by RBAP, with the support of MABS, with the Insurance Commission and the BSP were held during the quarter to clarify procedures for the licensing and accreditation of rural banks intending to serve as institutional microinsurance agents. MABS assisted RBAP in the formulation of a position paper intended to ensure licensing procedures are simple and cost-efficient for rural banks. Recommendations provided by RBAP-MABS to the Insurance Commission and the BSP are pending final review by the Microinsurance Technical Working Group, which leads the formulation of regulations for the microinsurance industry.

The MABS Program assisted rural banks to comply with the new regulations outlined in the new Regulatory Framework for Microinsurance. MABS has engaged Green Bank, FAIR Bank, Rural Bank of Guinobatan and GM Bank as pilots to the implementation of a turn-key system for the cost-efficient licensing and accreditation of rural bank microinsurance agents. MABS also provided capability-building support to a number of banks to effectively transition from informal to formal microinsurance services in accordance to insurance and bank regulations. This initiative was designed by MABS to be implemented through the Rural Bankers Research and Development Foundation (RBRDFI), the technical arm of RBAP, to ensure sustainability beyond the MABS Program.

A project proposal formulated by MABS on behalf of RBRDFI garnered the provisional approval of the International Labor Organization (ILO) Microinsurance Innovations Facility with funding by the Bill and Melinda Gates Foundation. Under this 30-month project, RBRDFI will capitalize on its capacity for training and development as it implements a turn-key system to ensure cost-efficient compliance by an estimated 100 rural banks and its 1,000 or more bank units with licensing and capability-building requirements as institutional microinsurance agents. Key project outputs include microinsurance agent licensing guidelines & protocols for rural banks, online- and SMS-based consumer feedback mechanisms, insurance coverage of 1,000,000 or more low-income clients and 3,000,000 of their dependents and approaches to insurance literacy training of low-income households. The grant agreement is expected to be signed in the next quarter.

Communications, Sharing of Experiences and Other Activities

The MABS Program continued sharing, promoting and communicating its work and achievements to USAID and other stakeholders through articles, stories, and press releases featured in both print and online media, its website, www.rbapmabs.org, and through social networking sites including *Facebook* and *Twitter*. It is also sharing videos on the popular video-hosting site *YouTube*. During the 9th quarter, 82 articles on the MABS Program were published in major broadsheets and online media. The Program was also promoted through presentations made to international study groups and partnerships with other industry partners.

During the 9th Quarter, the MABS Program promoted its work and shared its expertise and experience through six presentations before local and international groups –central banks, government agencies, banks, bankers’ and financial federations/networks, and microfinance and mobile phone banking industry stakeholders.

RBRDFI, RBAP and MABS hosted four study groups from all over Asia-Pacific, Africa, Europe, and Latin America during the quarter. Senior officers from the Bank of Tanzania, the Bank of the Republic of Burundi, the Russian Central Bank, the Ministry of Finance and the Ministry of Economic Development, the Pacific Island Central Bankers, YQ Bahrain, Movilway, and Utiba Americas visited the country during the quarter to learn about the country’s renowned mobile phone banking industry and operations. Rural banks interested in joining the MABS program and BSP officials were also given an orientation and update on the different MABS initiatives.

The MABS-participating banks were given exposure on global trends happening in the microfinance industry. In April, MABS held a workshop attended by its participating banks and other microfinance practitioners on the benefits and experiences of ratings facilitated by global rating agencies. In addition, the MABS-participating banks continued to submit their annual financial reports to the MIX market, which will allow them to benchmark or compare their performance with other microfinance institutions.

In June, MABS held its annual National Roundtable Conference. Over 140 rural bankers, service providers, key microfinance partners and distinguished guests participated in the conference. With the theme “From Best Practice to Next Practice”, the conference included topics on trends and challenges in microfinance for this decade, transparency and consumer protection, social performance monitoring, microinsurance, housing microfinance, technological trends for improved efficiency and customer service, and marketing in a competitive environment. MABS participating banks were also given an annual analysis of their microfinance performance based on MABS’ EAGLE (Efficiency, Asset Quality, Growth, Liability Structure, and Earnings) criteria. Recognition to key partners was given during the Awards Night.

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 (MINDA Chairman), the Chairman of the 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 MINDA, 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 MINDA 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. KRA1 Data for Quarter 9 vs. Targets (Quarter 9, Year 3, and End of Project)

Performance Indicators	Baseline Data from MABS 3 (April 2008)	Quarter 9 (Actual) (June 2010)	Quarter 9 Target (Apr – June 2010)	June 2010 Result as % of Quarterly Target	Year 3 Target (Oct 2009 – Sept 2010)	MABS-4 End of Project Targets (March 2013)
Additional bank units (branches and other banking offices)	320	New (Q9-Q8): 6	10	60%	40	380
		Cumulative: 578	593	97%	603	700
New microborrowers	499,604	New :27,743	17,500	158%	70,000	450,396
		Cumulative: 738,702	711,531	104%	729,031	950,000
Microloans disbursed (PhP billion)	PhP18.27 billion	PhP1.47B	PhP1.25 B	118%	PhP5.00 B	PhP24.00 B
		Cumulative: PhP30.06	PhP29.44 B	102%	PhP30.69 B	PhP42.27 B
New micro-deposit accounts	510,430	New (Q9 – Q8): -6,005	15,000	-40%	60,000	489,570
		Cumulative: 537,950	616,877	87%	631,877	1,000,000

MABS will work with new and existing rural banks to provide technical assistance and training to at least 380 additional banks units (branches and other banking offices) to expand microfinance services. The cumulative number of new micro-borrowers reached by PBs will be 450,396 during the period to bring the 15-year total of new micro-borrowers reached to 950,000. The overall increase in microloans disbursed over the next five years is expected to exceed US\$600 million and will bring the total 15-year cumulative amount of micro loans disbursed to over US\$900 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 open a cumulative total of 1 million additional micro-deposit accounts over the 15 year period and manage 1.7 million accounts by 2013.

To achieve these key results, MABS will 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 without sacrificing portfolio quality in a market that has become much more competitive.

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 the PBs' 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 CCIC 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 CCIC 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 the CCIC, 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 SEC and has remained in contact with the BSP and the International Finance Corporation (IFC) as well as discussions with USAID about collaboration with the Local Implementation of National Competitiveness for Economic Growth (LINC-EG) project on the latest developments. The new RBAP Board is expected to strongly support the access to the Bankers Association of the Philippines Credit Bureau and will be introducing this as part of their bank strengthening road show, which will start next quarter.

Accomplishments for the Ninth Quarter:

Task One. Continued to implement and monitor the provision of microenterprise services roll-out. In the 9th quarter, 578 bank units (branches and other banking offices) have disbursed more than 105,800 microenterprise loans totaling PhP1.47 billion to over 27,700 new clients. Over 2.3 million cumulative microenterprise loans totaling more than PhP30 billion had been disbursed to over 738,700 clients. These partner banks also manage more than PhP1.9 billion (US\$43.1) in small savings deposits from over 1.4 million micro-deposit accounts

Task Two: Facilitated and assisted in the conduct of MATTS for new rural banks and provided advisory services to banks with plans of expanding microfinance services. Efforts for the ninth quarter were focused in bringing the MABS Training and Technical Services to a wide number of rural banks in the industry. For the said period, SMO of the MABS Approach were given to eight banks/institutions, namely: Rural Bank of Sasmuan, Rural Bank of Rosario, Country Rural Bank of Taguig, First State Bank Iloilo, Rural Bank of Taal, New Rural Bank of Agoncillo, Aurora Bank (Aurora province's first microfinance-oriented bank), and Rafael B. Buenaventura Foundation. The leaders and senior officers of these institutions learned first-hand the basics on how microfinance works in a highly competitive environment, instilling sound financial discipline and best practices, and learning to appreciate the success of MABS participating banks through strong support by bank senior officers.

The first of the *MABS Approach* to Microfinance modules, the SMO introduces bank officers and key personnel to MABS initiatives, as well as its modules on market research, product development, loan administration, pilot testing, and operations review. Representatives from the MSPs, namely MICRA Philippines and Punla sa Tao Foundation, presented an overview on their training programs and other initiatives. After the SMO, bank officers expressed their interest in attending and enrolling their respective banks via the MSP-initiated training programs for the MABS Approach.

The MABS Program took part in the Rural Bank of Angeles' Microfinance Credit Committee meeting last April 30, 2010 at the bank's head office in Angeles City. MABS reviewed the microfinance loan portfolio of the bank and its MIS. It resulted to recommendations in improving the accuracy of the bank's microfinance management reports and inputs necessary to strengthen its MIS.

MABS visited the Rural Bank of Oroquieta on June 10 to 11 to conduct a product and

operations review for both its group and individual microfinance loans. MABS assessed the performance and present status of the bank's microfinance loan products; evaluated the strengths and areas of improvement of the bank's microfinance products, delivery systems, loan documentation, and MIS; and recommended improvements in the product design and operational system based on the assessment.

MABS visited Cantilan Bank on June 14 to 16 to conduct operations review on the bank's various microfinance activities which includes individual and group lending, micro-agri loan product, housing microfinance, mobile phone banking services, and the bank's program on consumer protection and transparency. MABS assisted the bank in finalizing its consumer protection manual and enhancing the client feedback form and questionnaire that are deployed in all the branches.

MABS also provided technical assistance to the Rural Bank of Pilar on June 22 to review its product and operations for both the group and individual microfinance loans. Together with the bank's microfinance staff and officers, MABS interviewed and conducted focus group discussions with the Rural Bank of Pilar's management, staff and clients to assess performance and status of the bank's microfinance loan products. MABS also reviewed the bank's delivery systems, loan documentation, and MIS. From these, MABS gave recommendations to improve the bank's microfinance product design and operational system.

MABS conducted a follow-up technical assistance to the Rural Bank of Guinobatan on June 25 to review the action plan that they formulated on their microenterprise loan product. The action plan was based on MABS findings and recommendations during the MABS' operations review conducted in early 2010.

Task Three: Monitored 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 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.

The implementing rules and regulations of RA 9510 have been approved. It is expected that within the year the corporation's president will be appointed, the Board of Directors convened and the blueprint for the operation of the bureau will be drafted. The RBAP is expected to have a seat in the Board as an investor in the corporation.

MABS will actively monitor developments and initiate an information drive to promote its benefits to rural banks. It will also provide technical assistance and coordinate closely with the RBAP representative/board member. Meanwhile, while awaiting the implementation of the CISA, about 15 rural banks are continuing to access the private Bankers Association of the Philippines-Credit Bureau (BAP-CB). The leadership of BAP-CB has agreed to rejuvenate its efforts to promote the use of, register, and train additional rural banks in the use of the credit bureau system. BAP-CB will be shared

during the upcoming rural bank strengthening roadshow, which will start during the next quarter.

Activities to be Completed in the Tenth 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. The Program shall continue to expand access to microfinance by supporting the implementation of the MABS Approach to be conducted by MSPs. One such activity is the training that MICRA Philippines will start in September 2010 for new participant banks.

Task Two: Provide advisory services to banks with plans of expanding microfinance services. To increase the volume and value of microfinance products, MABS will conduct group loan enhancement workshops designed to rejuvenate group loan products. In addition, middle management training and account officer refresher courses shall be implemented by another MSP, Punla sa Tao Foundation. These courses will support the rapid expansion of participant banks' microfinance loan portfolio and operations by strengthening credit discipline and leadership at all levels of the organization. Savings mobilization courses will also be rolled-out to complement the fund-raising activity of banks as they source funds for their microfinance loan portfolio, thereby ensuring fund stability and operational sustainability.

For the 10th Quarter, MABS is scheduled to provide training and technical assistance to the following participating banks: Progressive Bank, Rural Bank of Jose Panganiban, Rural Bank of San Vicente and Rural Bank of Cotabato.

Task Three: Continue monitoring the developments of the Credit Bureau and provide technical assistance to the RBAP Representative to the Board of Directors and support the BAP-CB being presented during the Rural Bank Strengthening Roadshow workshops.

The RBAP Rural Bank Strengthening Roadshow workshops will start in August and will continue to be offered in collaboration with Rural Bank Confederations and Federations during the 10th and 11th quarters. The BAP-CB will be presented during the roadshow.

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

Table 2: KRA2 Data for Quarter 9 vs. Targets (Quarter 9, Year 3, and End-of-Project)

Performance Indicators	Baseline Data from MABS 3 (April 2008)	Quarter 9 (Actual) (June 2010)	Quarter 9 Target (Apr – June 2010)	June 2010 Result as % of Quarterly Target	Year 3 Target (Oct 2009 – Sept 2010)	MABS-4 End of Project Targets (March 2013)
Number of rural bank clients registered to use mobile phone banking services	60,651	New (Q9 – Q8): 3,186	19,000	17%	76,977	489,349
		Cumulative: 128,929	180,023	72%	200,000	550,000
Number of bank units (branches and other banking offices) offering mobile phone banking	330	New (Q9 – Q8): 36	5	720%	184	645
		Cumulative: 943	895	105%	900	975
Total value of monthly mobile phone banking transactions (in PhP millions)	PhP132	PhP 308	PhP240	128%	PhP250	PhP400
Bank branches offering microinsurance	6	New (Q9 – Q8): 22	5	440%	35	
		Cumulative: 95	80	119%	105	125

Active microenterprise clients purchasing microinsurance	400	17,723	60,000	30%	65,000	150,000
Number of bank branches offering housing microfinance loans	NA	New (Q9 – Q8): 13	3	433%	10	50
		Cumulative: 58	42	138%	45	50
Number of housing microfinance clients	NA	New (Q9 – Q8):281	150	187%	500	5,000
		Cumulative: 1,462	729	200%	919	5,000
Number of bank branches offering the micro agri loan product	41	New (Q9 – Q8): 0	7	0%	16	65
		Cumulative: 58	66	88%	71	106
Number of new micro agri loan product clients	9,200	New (Q9 – Q8): 649	1,450	45%	5,400	30,000
		Cumulative: 19,081	20,329	94%	21,979	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.

The MABS-developed Mobile Phone Banking 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-Bill Payment (TAB) for remote bills payment, Text-A-Sweldo (TAS) for salary and payroll disbursement, and Text-A-Withdrawal (TAW) to remotely withdraw money from their accounts in the form of electronic money directly from their savings account to a 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 make 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 participating bank is pilot testing the services. In the next quarter, we expect to receive a positive response on the RBAP proposal to facilitate the collection and disbursement of Smart Money cards, which are essential for rural banks to be able to support mobile money transfers and payments for their clients and customers who are Smart subscribers.

Accomplishments for the Ninth Quarter:

Task One. Continued to monitor and promote the mobile phone banking rollout with GXI and other incentive programs for MPBS rollout banks. In the 9th Quarter, 36 new bank units were offering mobile phone banking services and 3,186 additional rural bank clients registered to use the service. A little less than 129,000 cumulative rural bank clients are registered users of the service while a cumulative total of 943 rural bank units are offering mobile phone banking services. The value of mobile phone banking transactions in June 2010 is PhP308.7 million.

Learning from the experiences to date with regard to offering mobile phone banking services and observing the various branchless banking models that exist in the world today, MABS has now conceptualized a new approach to expand mobile phone banking. Building on the network of merchants that can provide cash-in and cash-out services, MABS plans to work with banks to help them to partner with these cash-in and cash-out merchants to both provide better access to electronic money to facilitate mobile phone banking transactions as well as to promote, train and educate new and existing clients.

As part of this merchant-partner initiative, MABS, in coordination with GXI, continued the Marketers' Program Part II during the Quarter. This is an incentive-based initiative targeting the merchant-clients of GCASH-accredited rural banks. It aims to raise awareness and usage of MPBS, familiarize clients in the rural areas to use GCASH, and develop rural banks' mobile payment ecosystems in their areas of operations. The program also aims to increase foot traffic in the merchant-partner establishments and expand their revenues making this initiative a win-win proposition for all parties.

Task Two: Implemented MPBS using Smart Money in partnership with Smart Money services. In April 6, the BSP approved rural banks to render MIMO services for Smart Money. Just like Globe's GCash, RBAP through the MABS Program shall screen and accredit its rural bank members for qualification to offer Smart Money MIMO services. Rendering of Smart Money MIMO services shall, however, be limited to clients/account holders of the servicing rural bank. Interested and qualified rural banks may also provide application forms for the issuance of Smart Money cards but the issuance of Smart Money cards shall remain with Banco de Oro.

MABS started working with Smart on the roadmap for the rollout of Smart Money to qualified and interested rural banks after taking lessons from the results of the pilot implementation at RB Mabitac. With the BSP approval allowing the rural banks to facilitate Smart Money card applications and issuance, Smart agreed to conduct an expanded pilot with more branches of the Rural Bank of Mabitac in the next quarter before inviting other rural banks. Another important development during the quarter, Smart introduced the Smart Money Instant Card that allows clients to instantly register and utilize the Smart Money platform rather than have to wait for cards to be delivered. Unlike the regular Smart Money Card, clients or subscribers need not wait for a minimum of seven working days to have a Smart Money Card; a client can get a card within the day as after completing proper registration and activation procedure, which includes KYC process (KYC), account opening with the bank, and over-the-air (OTA) activation. This new product should assist in getting over the initial bottleneck faced by the rural banks to actively promote Smart Money since clients did not want to wait to get their cards and start using the service.

Task Three: Awarded grant from Microfinance Opportunities and MasterCard Foundation to undertake a three-year partnership to support the uptake and effective use of branchless banking services through financial education. As an additional part of the new strategy to promote merchant-partners to educate and promote mobile phone banking services in the field, the new agreement with Microfinance Opportunities aims to develop a robust, financial educational initiative that will support a more rapid adoption and expansion of mobile phone banking services.

This new approach to financial education is expected to address the information gaps that underpin barriers to adoption of mobile phone banking services among low-income consumers. The aim is to provide new financial knowledge, skills and attitudes, so that clients can become more proactive and informed, seeking financial products and services that can enable them to achieve financial goals. Mutual reinforcement of financial education and branchless banking can increase the ability of low-income people to more effectively manage their financial resources, build assets and access financial services.

With this partnership with MFO, the MABS Program plans to develop a financial education tool kit and new materials for rural banks to utilize to improve customer education. The toolkit will be pilot-tested in the field with select rural banks by conducting focus group discussions with clients from among the target market. The tool kits will then be shared with other accredited rural banks to deploy and utilize in the field.

In June, RBAP-MABS Chief of Party and Special Projects Coordinator attended the orientation meeting for the project in Mumbai, India. Program managers of MFO facilitated the meeting. Officers of FINO Fintech Foundation also attended the meeting; FINO and MABS are the two programs in Asia selected to implement the financial education project.

At the meeting, the participants gained a better understanding of the objectives, activities and deliverables of the MABS program as well as the Financial Education project including those contributing towards the Financial Education Tool Kit and Learning

Agenda. MABS and MFO also developed an initial overall project work plan, and discussed the initial financial education strategy. The MABS and MFO team reviewed the mobile phone banking services model being implemented by rural banks with support of MABS. The team then identified key areas within this MPBS model where financial education components and tools could be introduced in order to achieve the greatest impact with the financial project that is being launched.

Two key elements were identified:

- Incorporating financial education components and tools in the training materials that MABS uses to train channel managers in rural banks and in the training materials that managers then use to train merchants or bank employees.
- Incorporating financial education components in tools to empower merchants and bank employees to effectively teach clients on use of MPBS and take-away tools for clients.

Details and plans for the conduct of the market research were also laid out during the meeting. The market research will be conducted in the 10th Quarter, while the development of the financial education toolkit prototype will be completed by the 11th and 12th Quarters.

Task Four: Conducted initial discussions with Mercy Corps on the Mobile Phone Banking Merchant-Partner Channel Management Initiative. This component of the Mobile Phone Banking Initiative, called Merchant-Partner Channel Management, is meant to develop merchant-partners who can promote mobile phone banking products and services as well as service the cash-in and cash-out needs of rural bank clients. This is projected to increase volume and value of mobile phone banking transactions as well as expand the rural bank's ability to cross-sell other bank products and services thereby increasing the volume and amount of microfinance loans, deposits, rural payroll services, and bill payment services as well.

To be successful, dedicated merchant-partner channel managers will be trained and hired to implement channel management activities and shall be considered contractual employees of the pilot rural banks. RBAP-MABS, with the assistance of an external consultant, shall manage the merchant-partner channel management initiative. MICRA Philippines shall also support MABS research and training activities for this initiative with funding coming from Mercy Corps.

There are at least four pilot banks targeted for this project, which shall implement the merchant-partner channel management initiatives on a test pilot basis. Afterwards, it shall gradually be rolled out to all interested rural banks.

The model of assisting rural banks to sign-up and to manage their own network of merchant-partners entails:

- Hiring and training a rural bank channel manager whose main task is to identify, sign up, and train merchants on the features and processes of cash-in and cash-out

- services as well as the basics of the bank's mobile phone banking services and ensure that standards (signage, ledgers, etc) are in place with newly registered merchants;
- Adequate training and education of merchant-partners so that they can address customer inquiries and complaints, guide customers in registering with GCASH, execute simple cash-in and cash-out procedures, and provide information about the bank's MPBS;
 - In addition, the rural bank channel manager will also coordinate with the marketing department, account officers, tellers, branch managers and other front line staff to better promote MPBS and identify and work with merchant-partner clients of the bank.

Task Five. Pilot the customized Mobile Phone Banking Java Interface Project RBRDFI, with the assistance of MABS, signed an agreement with Blue Blade, an Ateneo University technology company, to develop, test and pilot a customized Mobile Phone Banking Java Interface for the RBAP-MABS designed mobile phone banking services. Through the application, clients with java-enabled mobile phones will not have to manually input the mobile phone number of the bank, as well as their account number and transaction details each time they transact using this application since they can all be entered and stored when the client registers for this service at his/her bank. The system will work initially as a semi-automated mobile phone-based application that will facilitate the ease of mobile phone banking transactions. The pilot will help MABS to analyze the ease and usability of the Java-based application, to test various deployment approaches to utilizing this application, and to determine whether a sufficient number of rural bank clients use java-enabled mobile phones.

Task Six: Presented experiences and lessons learnt from the Program's MPBS rollout. Present experiences and lessons learned from the Program's MPBS rollout. The MABS program presented its experiences in mobile phone banking through presentations and field trips involving visitors all over the world. The delegates were keenly interested in learning from the experiences of the rural banks in using mobile money platforms to facilitate greater access to banking services.

Policy makers from the Russian Central Bank, Ministry of Finance and Ministry of Economic Development conducted a study visit with the RBAP-MABS Program on April 7, 2010. The 12-member study group visit focused on the mobile phone banking initiatives of the RBAP-MABS Program. The delegates, including representatives of e-money providers, Russian microfinance and other trade organizations, and the academe, were keenly interested in learning from the experience of the Philippines in implementing the mobile technology for microfinance. The study group also visited the BSP to learn about the supervision and regulation of electronic banking, as well as the two pioneering Mobile Network Operators (MNOs), SMART and Globe. The delegation was led by Mr. Mikhail Mamuta, president of the National Association of Microfinance Market Stakeholders and Russian Microfinance Center. The visit was organized by the Russian Microfinance Center working through its counterpart organization in the country, the Microfinance Council of the Philippines, Inc. (MCPI).

According to Mr. Mamuta, their interest in the mobile phone banking experience in the Philippines was influenced by a presentation made by BSP Deputy Governor Nestor Espenilla. This presentation featured the successes of the Philippine mobile banking industry. Meanwhile, the CEOs of Russia's QIWI, Yandex Money and WebMoney Transfer, all of which are money transfer companies, expressed strong interest in learning about the successful experience of RBAP-MABS and its e-money issuer partners. They also studied RBAP's coordination with the BSP in pilot testing and launching various mobile phone banking services. Based on lessons learned in the Philippines, the companies now plan to launch mobile money transfer services in Russia.

A study group of 10 key officers from the Bank of Tanzania and the Bank of the Republic of Burundi visited the Philippines from April 5 to 13 under a Knowledge Exchange Program arranged by the Alliance for Financial Inclusion (AFI) and the BSP. AFI is a global network of policymakers in developing countries that provides its members with the tools and resources to share and develop policies, which promote financial inclusion. The representatives came to study the policy and regulatory environment around electronic money issuers, as well as the country's experiences on GCASH and Smart Money. The delegates visited the BSP to learn about the supervision and regulation of electronic money issuers. They also visited the two pioneering mobile money providers, SMART, which manages the Smart Money services, and Globe's GXI, which operates the GCASH platform. The Bank of Tanzania delegation was led by Atty. George Sije, Legal Counsel of the Directorate of National Payments Systems. The Burundi delegation, on the other hand, was led by Mr. Innocent Ndabarushimana, Bank of the Republic Burundi's Chief of the Microfinance Supervisory Department, and Mr. Emery-Gaspard Simbahwanya, Technical Advisor of the Minister of Finance of Burundi. The delegates were quite impressed with the country's enabling policy environment, which is both convenient for electronic money issuers and conducive to mobile phone banking services implementation. They also expressed appreciation to rural banks, which shared their experiences and lessons learned in promoting better access to banking services through GCASH.

A study group composed of six executives from YQ Bahrain, Movilway and Utiba Americas visited the Philippines from May 16 to 18 to take a look at the MABS Mobile Phone Banking Services. Movilway CEO Fernando Fiksman and COO Dan Cohen, as well as YQ Bahrain General Manager Fawaz Ghazal and Board Director Tariq Al Saffar, were accompanied by two representatives from Utiba, the mobile wallet developer for Globe's GCASH. The tour included visits to the BSP, the RBAP-MABS Program, and Nueva Ecija-based MABS participating bank GM Bank.

A joint study group of nine members from AFI and the Pacific Island Central Bankers visited the Philippines on June 21 to 23, 2010 to learn about Philippine mobile phone banking. Specifically, they were interested in the regulatory approach adopted by the BSP for its successful implementation. The study tour, led by Ms. Alyson Slater from AFI, is composed of officials from the Reserve Bank of Fiji, Central Bank of Samoa, Reserve Bank of Vanuatu, Bank of Papua New Guinea, Banking and Payments of Timor Leste, and Pacific Financial Inclusion Programme.

Activities to be Completed in Tenth Quarter:

Task One. Continue to promote and monitor the mobile phone banking rollout with GXI and other incentive programs for MPBS rollout banks. MABS will conduct training to prepare interested rural banks to 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 and GXI will also continue implementing the Marketers' Program Part II, which is part of the overall merchant-partner channel management initiative. 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 Two: Work closely with telecommunications company, Smart Communications (Smart), to pilot test the MPBS at RB Mabitac. MABS will continue to monitor the Smart Money pilot test at RB Mabitac. If this new pilot test proves successful, Smart Money will be rolled out to other interested RBs.

Task Three: Continue to accredit more banks to offer mobile phone banking services. MABS and GXI will continue conducting MPBS accreditation and implementation training for rural banks that signify interest to offer MPBS.

Task Four: Provide recommendation to MFO in selecting a suitable research firm that will conduct the market research study. MABS will assist with the client selection and with drafting the focus group discussion guides and questionnaires, as well as observe the piloting of the focus group discussions and monitor the conduct of the study.

Task Five: Initiate the Mobile Phone Banking Merchant-Partner Channel Management Initiative. The MABS Program will further enhance the merchant-partner channel management business model in preparation for the initiative's roll-out. The business model will include brand development, merchant-partner channel management, and suggested pricing schemes. The Program will also develop a research agenda that includes, but is not limited to, mobile phone banking customer utilization and experience. Finally, the Program will select rural banks interested to be a pilot bank.

Task Four: Pilot the customized Mobile Phone Banking Java Interface Project. The Java Interface Project will be tested in at least four pilot rural banks. The objective of the pilot is to assess the platform based on its ease of use, adoption rate, and distribution mode. Another objective of the pilot is to determine and correct technical problems in order to ensure that the full scale roll-out to partner banks will go on smoothly.

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 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.

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.

RBAP-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 RBAP-MABS and the bank staff.

On the supply side, information will be continuously updated and 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 Ninth Quarter:

Task One: Continued to implement and closely monitor the microinsurance rollout. In the 9th Quarter, 22 additional bank branches and other banking offices and more than 11,500 additional clients availed of microinsurance services. More than 17,700 cumulative rural bank clients have microinsurance while a cumulative total of 95 bank branches and other banking offices now offer microinsurance services.

Task Two: Enhanced effective demand for microinsurance products through stakeholder discussions, promotional activities and development of tools for market education. RBAP-MABS conducted a series of on-site technical assistance activities in FAIR Bank throughout the quarter. The activities focused on enhancing the bank's capacity for servicing and marketing microinsurance in partnership with its selected commercial insurer, Pioneer Insurance. Working with FAIR Bank and Pioneer, microinsurance skills development training was facilitated by MABS for the members of the Bank's Core Group, who, in turn, conducted training sessions for the bank's microfinance field staff and selected operations personnel. Other key activities include the review and streamlining of registration and claims procedures as well as the development of product materials for clients. MABS also assisted FAIR Bank and Pioneer with the conduct of

pre-tests and client consultations to determine effectiveness and address improvement areas of the training program and product materials. Field lessons were documented to ensure that good practices are applied when assisting other banks that wish to pursue microinsurance service enhancement with MABS. MABS participating banks were provided insights into the microinsurance activities and lessons of FAIR Bank as their leaders served as resource speakers in the RBAP-MABS National Roundtable Discussion.

Task Three: Provided RBAP with relevant market information to assist in their discussion with the BSP, the Insurance Commission and other Microinsurance Supervisory Agencies on the formulation of policies and regulations that will facilitate distribution of microinsurance to microenterprise households through rural banks. MABS arranged a series of meetings and consultations held by RBAP with the Insurance Commission (IC) and the BSP, which sought to clarify procedures for the licensing and accreditation of rural banks intending to serve as institutional microinsurance agents. MABS assisted RBAP in the formulation of a position paper intended to ensure licensing procedures are simple and cost-efficient for rural banks. Recommendations provided by RBAP-MABS to the IC and BSP are pending final review by the Microinsurance Technical Working Group, which leads the formulation of regulations for the microinsurance industry. To assist regulators in informing rural banks of regulatory developments, key representatives of the IC and the BSP served as resource persons during the RBAP-MABS National Roundtable Event. Rural banks and commercial insurance representatives posed issues and concerns

Task Four: Assisted rural banks to comply with the new regulations outlined in the new Regulatory Framework for Microinsurance. RBAP-MABS has engaged Green Bank, FAIR Bank, Rural Bank of Guinobatan and GM Bank as pilots in the implementation of a turn-key system for the cost-efficient licensing and accreditation of rural bank microinsurance agents. Also an important feature of the project is capability-building for rural banks to effectively transition from informal to formal microinsurance services in accordance to insurance and bank regulations. This initiative was designed by MABS to be implemented through the RBRDFI to ensure sustainability beyond the MABS Program. A grant proposal formulated by MABS on behalf of the RBRDFI received provisionary approval of the ILO Microinsurance Innovations Facility with funding by the Bill and Melinda Gates Foundation. A final award of the grant is expected during the next quarter.

Activities to be completed in Tenth Quarter:

Task One: Assist rural banks enhance their microinsurance services under a cost-efficient turn-key approach to microinsurance agent licensing and accreditation compliant to insurance and bank regulations. A toolkit shall be developed for rural banks that seek to formalize their microinsurance services and offer these as institutional microinsurance agents, licensed by the BSP and the IC.

Task Two: Provide assistance to RBRDFI in developing the capability-building program and tools to serve rural banks committed to enhancing their microinsurance services.

RBAP-MABS shall assist RBRDFI to develop their capacity for technical assistance and performance monitoring for microinsurance servicing and marketing by member-rural banks. Under the new grant from the ILO, two to three new staff are expected to be hired by the Foundation to manage the capability-building program.

Task Three: Facilitate access to market information and client feedback by RBAP-MABS partner-insurance providers through stakeholder meetings and web-based articles/materials. Roundtable discussions and consultations shall be organized by RBAP-MABS to facilitate knowledge-sharing among project partners. The current web pages of RBAP-MABS on microinsurance shall also be enhanced to allow a more dynamic exchange of information between rural banks and insurance providers that should result in improved services and product innovations for microinsurance.

Task Four: Finalize and sign the agreement/contract between RBRDFI and the ILO Microinsurance Innovations Facility and finalize the implementation plan.

KRA2.3 Housing microfinance 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 microfinance 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 construction that also benefits the business.

The inclusion of 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 MABS participating banks, close to 40 percent have used part of their loans from their rural bank for home improvement or repairs. A majority (58%) indicated needing a loan for home repairs and improvement and 44% for the purchase of a house and/or lot.

MABS will assist rural banks in developing and offering micro housing products to reach 5,000 clients and more than 60 branches during the life of the project. Major activities during the Ninth Quarter and planned for the Tenth Quarter under this component include the following:

Accomplishments for the Ninth Quarter:

Task One: Continued to implement and closely monitor the housing microfinance rollout.

In the 9th Quarter, 58 branches of 6 banks were already offering their housing loan product. These banks include the pilot banks -Green Bank, GM Bank, Cantilan Bank, Bangko Kabayan - and the first rollout banks, FAIR Bank and 1st Valley Bank. These banks have disbursed 386 more housing microfinance (HMF) loans worth PhP11.57 million during the 9th quarter and reached an additional 281 new housing clients. By the end of the 9th quarter, a cumulative total of more than 1,600 HMF loans totaling PhP52.24 million had been disbursed to 1,462 new HMF clients. As of June 2010, the performance targets for Year 3 have already been exceeded. The banks have been offering their housing loan product initially to their existing clients with good repayment record and positioned their product as a reward or privilege given to these clients. Most of the loans have been used for home improvement and repair, while some clients used their loans to leverage own funds already invested in constructing a new home or making repairs.

Technical assistance provided to FAIR Bank in Cebu from April 12 to 17 included a review of its HMF Product. MABS assistance to the bank during the eighth and ninth quarters focused on helping the bank expand its services and outreach by incorporating products such as HMF in its portfolio. This visit included an evaluation of the bank's current HMF product procedures and operations manual, as well as the re-alignment of strategies and practices to ensure effective HMF implementation.

Field coaching extended to the Rural Bank of Guinobatan on June 25 assisted the bank in preparing to pilot testing its housing microfinance product by guiding its team in preparing a detailed action plan for its HMF product. RB Guinobatan recently participated in the training course on HMF conducted by RBAP-MABS.

Task Two: Conducted new training courses in HMF for MABS participating banks.

RBAP-MABS launched its series of housing microfinance trainings for the year with training module on “*Designing a Housing Microfinance Loan Product*” for participating banks. Fourteen (14) participants from six RBAP-MABS participating banks returned to the training room on April 14 to 16 for the second module of the HMF Product Development Workshop. Held in continuation of the HMF market research training on March 3 to 5, this module allows the participants to complete the development of their housing microfinance loan product, draft their manual and business plan, and prepare an action plan for pilot testing their respective loan product in the next six months. The MABS training team guided the participants on using the information from the market research in developing their loan product as well as in drafting the product manual, preparing the financial projections and business plan.

Meanwhile, another 26 participants from 11 RBAP-MABS participating banks participated in another workshop event held at the Pan Pacific Hotel in Manila on April 27 to 30. Bangko Mabuhay hosted the facilitation of an actual focus group discussion with its clients at the Tanza branch, demonstrating the value of consulting with clients in validating the product design.

The MABS team conducted lectures, gave hands-on exercises, and facilitated interactive discussions to explain and raise possible regulatory, market, and research issues that could arise in developing a housing microfinance product. The participants were provided a glimpse of the requirements that a bank's top management officials could require in rolling out the product to the bank's branches. The trainings also included hands-on exercises, where participants were asked to conduct actual field interviews and focus group discussions. As part of the workshop, the participants were guided on interpreting data from their respective market surveys and translating it into HMF targets for the bank and likewise developing their respective product manuals for approval by top management.

Task Three: Disseminate the BSP's Circular 678 and Monetary Board Resolution No. 659, which approved the RBAP's Housing Micro Finance Generic Product Manual. BSP Circular 678 (issued in Jan. 2010) recognizes as microfinance micro loans for housing purposes to microentrepreneurs and low- income groups. This regulation allows for a bigger amount of loan up to Php300,000 and loan term extending beyond one year for loans intended for the purchase or construction of a new house, among others. Subsequently, on May 13, 2010, the BSP issued Monetary Board Resolution Number 659, which further strengthens the expansion of Housing Microfinance among banks. The new resolution approves the RBAP Generic Housing Microfinance Loan Product Manual and expedites the process of approval of RBAP-member rural banks wanting to offer HMF.

The RBAP-MABS Program has been working on the development and pilot testing of housing microfinance products with four pilot banks – Cantilan Bank, Green Bank, GM Bank and Bangko Kabayan – since 2008 after completing an extensive market research and the development of their loan products and manuals. This MABS Program initiative finds support from the BSP's issuance of the Circular 678 and Monetary Board Resolution Number 659.

During the National Roundtable held on June 2 to 3, 2010, the successful experiences of Bangko Kabayan and Cantilan Bank were shared with the participants, and a BSP officer explained the recent regulations on HMF from the BSP.

Tasks to be accomplished in the Tenth Quarter:

Task One: Continue the monthly monitoring of the housing microfinance performance and rollout to other banks.

Task Two: To meet the demand for training amongst Luzon participating banks, run at least one training in Luzon. In conjunction with this training, train the trainers from the MABS Service Providers who are expected to offer and actively manage subsequent rollout training for other interested rural banks.

Task Three: Conduct product operations review and document implementation for case studies and product enhancement.

Task Four: With at least one pilot bank, test the SMS blast messaging for HMF product marketing. This blast messaging will test different messages to be sent to existing microfinance clients with good track record and micro depositors.

Task Five: Conduct a HMF Practitioner's Forum where cases, experiences and lessons learned can be shared.

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 with almost a third involved in some type of livestock rearing and fishing which provide income to almost a fifth of all farmers. The ACPC survey provided evidence concerning the multiple income sources for farming households: more than half (52 percent) of these households have 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 1996-97.¹ 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 of the labor force still 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.

RBAP-MABS developed in 2004 an approach to the Micro Agri Credit that essentially utilized the *MABS Approach* in designing and implementing agri micro loan products. The approach integrates market research, careful product design, pilot testing, and portfolio management; loans are character- and cash flow-based, with regular amortization and an option for regular cum balloon payment. In many ways the MABS-Micro Agri Product approach is different from the traditional agricultural lending. MABS-Micro Agri lending approach took into account the multiple sources of income, the ability of farmers to make rationale decisions, and their own judgment on what they can afford to borrow and repay. Determining capacity to repay required an analysis of all farm and non-farm household income. Loan payments are amortized regularly on a weekly, semi-monthly or monthly basis, which is aligned with a borrower's cash flow. Borrowers are allowed to pay a partial lump sum to take into account crop or livestock business cycles but the lump sum payment cannot exceed 40% of the loan amount. This payment scheme substantially reduces the risks normally associated with the 100% lump

¹ 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.

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 are willing and able to pay their loan in frequent installments.

While the *MABS Approach* to MAP has inherent risk-mitigating steps built in, there are major challenges in micro agri lending that prevent more rapid expansion to more banks and farmers.

First, based on past experience, perceptions persist that lending to small farmers remains risky. In light of the devastation to farms brought on by the typhoons and flooding in 2009 as well as the drought in the first half of 2010, banks have remained very cautious about offering or expanding micro agri lending. Some banks that have received training from MABS have postponed their pilot testing. Moreover, because of the similarity in the design of MAP and the microenterprise loan product offered by the banks, some of the banks have opted to classify the loans intended for agriculture purposes under the latter. There is therefore lending for agriculture that MABS is unable to capture in its separate reporting for MAP.

A second challenge is managing the risk from 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 micro-agri loans from microenterprise loans, 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 strategies 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 its value chain analyzed to identify gaps and opportunities for financing. MABS will identify locations and linkages with small farmers and farmer associations, initially in Mindanao and other regions 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, which continue to commit resources and personnel to their micro agri lending activities. MABS will provide additional technical assistance/training support thru the special activities fund (SAF) when needed.

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 offer micro agri loan to their clients.

- *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 Ninth Quarter:

Task One: Continued to closely monitor and collect the performance data of all MABS participating banks offering the Micro Agri loan Product. In the 9th Quarter, 58 bank units of 17 banks were offering micro-agri loans and have disbursed 2,861 micro-agri loans totaling PhP46.9 million to 649 new clients. Over 44,800 cumulative micro-agri loans totaling more than PhP615 million had been disbursed to over 19,000 clients.

Task Two: Analyze utilizing and promoting value chain financing. In March and April, MABS initiated collaborative efforts in linking small banana growers and vegetable

farmers in Southern Mindanao with the Rural Bank of Digos and an Integrated Banana Processing and Export Company where the three parties involved will soon forge a tripartite agreement. The farmers' role would be to provide steady supply of raw materials while the Rural Bank of Digos will provide micro-agri loans to farmers. On the other hand, the Integrator-Exporter shall ensure market and stable pricing for the farmers' produce. This value chain collaboration provides the rural bank an opportunity to expand its market to more small farmers for its micro agri loan product and help address the market and pricing risks that farmers confront.

To search for further opportunities where the value chain approach can work for small farmers, MABS conducted a study visit to Southern Luzon to evaluate the small-scale poultry contract growers in the the province of Laguna. These small contract growers, with 2000 – 5000 heads) are part of the social entrepreneurship business model of Punla sa Tao Foundation (Punla), one of the MSPs. This social entrepreneurship business model of Punla is in partnership with an industry integrator, Bounty Chicken. Through the backward and forward risk mitigating support provided by the integrator, the past three growing cycles, so far, have proved successful in making small-scale poultry contract growing a viable business opportunity for generating income for the farmers. The Rural Bank of Mabitac is presently evaluating the financing needs of these small-scale poultry contract growers and the potential of the bank becoming a participant in the small poultry growing value chain.

MABS likewise participated and presented value chain financing as an approach to working with small farm producers in workshops organized by the MCPI in June 2010.

Tasks to be Accomplished for the Tenth Quarter:

Task One: Conduct at practitioners' workshop on the experiences of rural banks offering micro-agri loans.

Task Two: Continue to closely monitor and collect the performance data of all MABS participating banks offering MAP.

Task Three: Follow-up on value chain financing opportunities including small banana growers in the Digos area in Mindanao and small poultry financing in the Laguna area in Southern Luzon.

Task Four: Continue the discussion with a private insurance intermediary, MicroEnsure, on the research and pilot testing of weather-index insurance product/s that will expand coverage to include typhoons, floods, and drought.

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

Table 3: KRA3 Targets

Performance Indicators	Quarter 10 Target (July-Sept 2010)	MAB-4 End of Project Targets (March 2013)
News items/articles in local and international media	15	300
National roundtables organized	0	4
International conferences attended	1	20

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 based on a 12-month performance review, 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.

In 2008, MABS released a mid-year (July to June) and annual (January to December 2009) results of the EAGLE assessment system.

Revisions to the EAGLE were proposed in April 2010 to the MABS Management Committee. The EAGLE indicators were last reviewed and adjusted in 2005. The revisions were proposed in view of the changes in the microfinance landscape with many more players and stronger competition as well as inflation. There is also a broader range of participating rural banks in terms of the number of years they have been offering microfinance services. The revised version is expected to be used for the banks' mid-year EAGLE score covering the period July 2009 to June 2010.

- *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.

Accomplishments for the Ninth Quarter:

Task One. Hold the Annual National Roundtable Conference. MABS presented the NEXT microfinance practices to its partner rural banks and service providers at the 2010 RBAP-MABS National Roundtable Conference held on June 2 to 3. Over 140 rural bankers, service providers, key microfinance partners and distinguished guests participated in the conference. With the theme "From Best Practice to Next Practice", the roundtable conference included topics on trends and challenges in microfinance for this decade, transparency and consumer protection, social performance monitoring, microinsurance, housing microfinance, technological trends for improved efficiency and customer service, and marketing in a competitive environment. MABS participating banks were also given an annual analysis of their microfinance performance based on MABS' EAGLE criteria. Coinciding with conference, MABS also held its annual Awards Night, giving recognition to its key partners, particularly the top performers of its various microfinance initiatives: Agricultural Microfinance, Mobile Phone Banking, Housing Microfinance, Ratings, and Consumer Protection and Transparency. MABS also awarded recognition to its insurance partners, and to the newly accredited MABS service provider, MICRA. RBAP awarded Philippine Star Banking Editor, Mr. Ted Torres for his excellent coverage of the microfinance initiatives of the rural banking sector.

Task Two. In partnership with microfinance rating agencies, held a workshop that shared the benefits of rating and provided the MABS participating banks with a picture of the operations of microfinance institution rating agencies. RBAP-MABS and RBRDFI held a workshop entitled "Benefits and Experiences of Rural and Microfinance-Oriented Banks on Ratings" on April 8. The workshop provided an opportunity to gather rural bankers, microfinance oriented banks, banking regulators, network facilitators and microfinance specialized raters to discuss the following three topics: definition of a rating (scope of rating methodologies, timeframe, process, pricing; practical cases studies on a rating process; and sharing of experiences/benefits from rural bank Presidents who have recently been rated.

Twenty-four bankers from 16 rural banks participated in the workshop held in collaboration with MICRA Philippines, MicroFinanza Rating, and Planet Rating. The workshop included presentations from the three microfinance institution rating agencies, the BSP, and MABS participating banks that have gone through an actual rating and

assessment. The afternoon session was filled with hands-on exercises on how ratings are conducted.

Activities to be Completed in the Tenth Quarter:

Task One: Prepare for the holding of the Regional Roundtable Conferences.

Task Two: Request the MABS-participating banks to send their mid-year financial data for the computation of their EAGLE scorecards to be presented and discussed during the Regional Roundtable Conferences.

Task Three: Participate in the Microinsurance Summit Asia 2010. MABS Microfinance Coordinator will be attending the “Microinsurance Summit Asia 2010” in Singapore from August 3 to 4, 2010. She will be presenting on the topic “Technology as a Critical Means to Lower Your Transaction Cost.” She will also facilitate the workshop on “Using Networks of Small Microfinance Institutions to Increase the Outreach of Microinsurance Products and Services to Low-Income Households.” The Summit aims to provide the participants an understanding of existing and emerging trends and issues in the provision of microinsurance products and services. It will tackle topics on policy and regulation issues, marketing, financial profitability and investment, and operations management/use of technology, among others.

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 Ninth Quarter:

Task One: Provided support for articles and press releases on the Program’s work, achievements, and impact and publish in newspapers, magazines, and online media. During the 9th quarter, 82 articles on the MABS Program were published in major broadsheets and online media.

Task Two: Provided and facilitated the sharing of regular updates for each of the MABS Programs key result areas through www.rbapmabs.org and the MABS blog. Through the new site, including a real simple syndication (RSS) feed for blog articles as well as links from the RBAP-MABS Twitter account, RBAP-MABS Program updates are being sent regularly to partners, shareholders, and clients.

Task Three: Produced a new video that gives an overview of the Program's work, practice areas, and achievements. The updated MABS video was completed and shown during the National Roundtable Conference held in June 2010.

Activities to be Completed in the Tenth 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 including the upcoming Rural Banking Week which will take place in August.

Task Two: Provide and facilitate the sharing of regular updates for each of the MABS Programs key result areas through www.rbapmabs.org, the MABS blog, and via the RBAP-MABS Twitter feed.

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, Inc (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*, Microfinance Opportunities (MFO), MasterCard Foundation, the International Labor Organization (ILO), the Bill & Melinda Gates Foundation, 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 RBAP-MABS Program on a regular basis.

Accomplishments for the Ninth Quarter:

Task One: Established presence and increased visibility through participation in conferences/other events promoting microfinance and study tours. A study group of 10 key officers from the Bank of Tanzania and the Bank of the Republic of Burundi visited the Philippines on April 5 to 13 under a Knowledge Exchange Program arranged AFI and the BSP. AFI is a global network of policymakers in developing countries that provides its members with the tools and resources to share and develop policies that promote financial inclusion. The representatives came to study the policy and regulatory environment around electronic money issuers, as well as the country's experiences on

GCASH and Smart Money. MABS presented its experiences in mobile phone banking. The delegates visited the BSP, SMART, which manages the Smart Money services, and Globe's GXI, which operates the GCASH platform. The Bank of Tanzania delegation was led by Atty. George Sije, Legal Counsel of the Directorate of National Payments Systems, while the Burundi delegation was led by Mr. Innocent Ndarushimana, Bank of the Republic Burundi's Chief of the Microfinance Supervisory Department, and Mr. Emery-Gaspard Simbahwanya, Technical Advisor of the Minister of Finance of Burundi.

GM Bank President and Chairman of RBRDFI Tomas Gomez IV and Rural Bank of Pagbilao President Senen Glorioso shared the experiences of rural banks engaged in microfinance and their experiences with the RBAP-MABS program at the International Headquarters of Women's World Banking (WWB) in New York City on April 13. Mr. Gomez presented on the performance of the rural banking sector, focusing on its growth and savings mobilization. Mr. Glorioso, on the other hand, shared the experiences of the MABS program, emphasizing the innovations in mobile phone banking technology utilizing the GCASH platform. He also discussed the new product developments in housing microfinance, microinsurance and small and medium enterprises finance. Fourteen key officers of WWB participated in the event including Chief Operations Officer Cecille Zacarias and Microfinance Products and Services Head Hans Dellien.

Policy makers from the Russian Central Bank, Ministry of Finance and Ministry of Economic Development conducted a study visit with the RBAP-MABS Program on April 7. The 12-member study group visit focused on the mobile phone banking initiatives of the RBAP-MABS Program. The delegates, which included representatives of E-money providers, Russian microfinance and other trade organizations, and the academe, were keenly interested in learning from the experience of the Philippines in implementing the mobile technology for microfinance. The study group also visited the BSP to learn about the supervision and regulation of electronic banking, as well as the two pioneering m-commerce telcos, SMART and Globe. It was led by Mr. Mikhail Mamuta, president of the National Association of Microfinance Market Stakeholders and Russian Microfinance Center, and was organized by the Russian Microfinance Center working through its counterpart organization in the country, the MCPI.

A study group composed of six executives from YQ Bahrain, Movilway, and Utiba Americas visited the Philippines on May 16 to 18 to take a look at Philippine Mobile Phone Banking specifically the country's m-banking regulatory environment and benefits of m-banking to rural bank clients. Movilway CEO Fernando Fiksmann and COO Dan Cohen, as well as YQ Bahrain General Manager Fawaz Ghazal and Board Director Tariq Al Saffar, were accompanied by two representatives from Utiba, the mobile wallet developer that crafted Globe's GCASH. During the visit, MABS presented its mobile phone banking initiatives, which it rolled out in partnership with GXI and its participating banks. The delegates also visited BSP and Nueva Ecija-based MABS participating bank GM Bank. They met with GM Bank's mobile phone banking clients, interviewing them on the benefits and convenience of the bank's mobile phone banking services.

A joint study group of nine members from AFI and the Pacific Island Central Bankers visited the Philippines on June 21-23, 2010 to learn about Philippine mobile phone

banking. Specifically, they were interested in the regulatory approach adopted by the BSP for its successful implementation. RBAP-MABS presented to the study group its experiences with rural banks and microfinance clients in developing and implementing its mobile phone banking initiatives using the GCASH platform. The RBAP-MABS team also shared the lessons learned over the past 5 years or so of experience. The study tour, led by Ms. Alyson Slater from AFI, is composed of officials from the Reserve Bank of Fiji, Central Bank of Samoa, Reserve Bank of Vanuatu, Bank of Papua New Guinea, Banking and Payments of Timor Leste, and Pacific Financial Inclusion Programme.

MABS and BSP visited Cantilan Bank on June 14-16 to join in the celebration of its 30th anniversary, and to observe and review its microfinance operations. The visiting team was composed of BSP Deputy Governor Nestor A. Espenilla Jr., BSP MSME Finance Specialist Group Head Gerardo Butardo, MABS Chief of Party John Owens, MABS Deputy Chief of Party Meliza Agabin and MABS intern Eric Miller. Particularly, the team visited some of the bank’s clients in Housing Microfinance, Micro-Agri and Mobile Phone Banking.

Task Two. Helped promote and improve microfinance performance monitoring and benchmarking in the Philippines. Thirty-eight MABS-participating banks submitted their financial information to the MIX Market. The MIX Market allows banks to benchmark or compare their performance with other banks and helps them to quickly identify their strengths and weaknesses. Specifically, the system provides information on the participants’ microfinance performance (e.g., number of borrowers, loan portfolio, borrowers per staff member, etc.) and financial ratios (e.g., return on assets, return on equity, total expense/assets, etc.). Banks that submitted to the MIX Market are also included in the upcoming 2009 Philippine microfinance benchmarking report produced by the MIX Market. This report highlights the performance of the most important rural banks and other microfinance institutions in the Philippines. Banks will receive a personalized version of the benchmarking analysis through their own Customized Performance Report, highlighting their institution’s performance with comparisons against the rural banking industry and other microfinance institutions submitting to the MIX Market.

Activities to be Completed in Tenth Quarter:

Task One: Establish presence and increase visibility through participation in conferences/other events promoting microfinance and various study tours. The MABS Microinsurance Coordinator will share the RBAP-MABS experiences in microinsurance during the upcoming Asia Microinsurance Summit to be held in Singapore.

d. Performance

Table 4: MABS-4 Targets vs. June 2010 Results

Performance Indicators	Baseline Data from MABS 3 (April 2008)	Quarter 9 (Actual) (June 2010)	Quarter 9 Target (Apr – June 2010)	June 2010 Result as % of Quarterly Target	Year 3 Target (Oct 2009 – Sept 2010)	MABS-4 End of Project Targets (March 2013)
Bank units (branches and other)	320	New (Q9 – Q8): 6	10	60%	40	380

banking offices)		Cumulative: 578	593	97%	603	700
Microborrowers	499,604	New (Q9 – Q8): 27,743	17,500	158%	70,000	450,396
		Cumulative: 738,702	711,531	104%	729,031	950,000
Microloans disbursed (PhP billion)	PhP18.27 billion	Increase (Q9 – Q8): PhP1.47	PhP1.25	118%	PhP5.00 B	PhP24.00 B
		Cumulative: 30.06	29.44	102%	PhP30.69 B	PhP42.27 B
489,570 new micro-deposit accounts	510,430	New (Q9 – Q8): - 6,005	15,000	- 40%	60,000	489,570
		Cumulative: 537,950	616,877	87%	631,877	1,000,000
Number of rural bank clients registered to use mobile phone banking services	60,651	New (Q9 – Q8): 3,186	19,000	17%	76,977	489,349
		Cumulative: 128,929	180,023	72%	200,000	550,000
Number of bank units (branches and other banking offices) offering mobile phone banking	330	New (Q9 – Q8): 36	5	720%	184	645
		Cumulative: 943	895	105%	900	975
Total value of monthly mobile phone banking transactions (in PhP millions)	PhP132	PhP308	PhP240	128%	PhP250	PhP400
Bank branches offering microinsurance	6	New (Q9 – Q8): 22	5	440%	35	
		Cumulative: 95	80	119%	105	125
Active microenterprise clients purchasing microinsurance	400	17,723	60,000	30%	65,000	150,000
Number of bank branches offering housing microfinance loans	NA	New (Q9 – Q8): 13	3	433%	10	
		Cumulative: 58	42	138%	45	50
Number of housing microfinance clients	NA	New (Q9 – Q8): 335	150	223%	500	
		Cumulative: 1,462	729	200%	919	5,000
Number of bank branches offering the micro agri loan product	41	New (Q9 – Q8): 0	7	0%	16	65
		Cumulative: 58	66	88%	71	106
Number of new micro agri loan product clients	9,200	New (Q9 – Q8): 649	1,450	45%	5,400	30,000
		Cumulative: 19,081	20,329	94%	21,979	39,200

e. Administrative Information

Table 5: Project Fund Status: June 30, 2010

Project Fund Status As of the Quarter Ended June 30, 2010

Total Estimated Cost	\$9,673,859.00
Total Obligated Cost	\$3,745,994.60
1. Expenditures Apr 1 to June 30, 2010	\$519,187.18
2. Cumulative Expenditures Through June 30, 2010	\$3,464,737.67
3. Fund Balance June 30, 2010	\$281,256.93

****	Apr-10	\$147,781.50	1USD= P 45.50
	May-10	\$219,911.12	1USD= P 44.50
	Jun-10	\$151,494.56	1USD= P 45.00
		<hr/>	
		\$519,187.18	

Partnership Efforts

Philippines April to June 2010



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

- A study group of 10 key officers from the Bank of Tanzania and the Bank of the Republic of Burundi visited the Philippines on April 5 to 13 under a Knowledge Exchange Program arranged by the Alliance for Financial Inclusion (AFI) and the Bangko Sentral ng Pilipinas (BSP). The representatives came to study the policy and regulatory environment around electronic money issuers, as well as the country's experiences on GCASH and Smart Money. MABS presented its experiences in mobile phone banking. The delegates visited the BSP, SMART, which manages the Smart Money services, and Globe's G-Xchange Inc. (GXI), which operates the GCASH platform. The Bank of Tanzania delegation was led by Atty. George Sije, Legal Counsel of the Directorate of National Payments Systems, while the Burundi delegation was led by Mr. Innocent Ndarushimana, Bank of the Republic Burundi's Chief of the Microfinance Supervisory Department, and Mr. Emery-Gaspard Simbahwanya, Technical Advisor of the Minister of Finance of Burundi.
- Policy makers from the Russian Central Bank, Ministry of Finance and Ministry of Economic Development conducted a study visit with the Rural Bankers Association of the Philippines-MABS Program on April 7, 2010. The 12-member study group visit focused on the mobile phone banking initiatives of the RBAP-MABS Program supported by USAID/Philippines. The delegates, which included representatives of E-money providers, Russian microfinance and other trade organizations, and the academe were keenly interested in learning from the experience of the Philippines in implementing the mobile technology for microfinance. The study group also visited the Bangko Sentral ng Pilipinas to learn about the supervision and regulation of electronic banking, as well as the two pioneering m-commerce telcos, SMART and Globe. It was led by Mr. Mikhail Mamuta, president of the National Association of Microfinance Market Stakeholders and Russian Microfinance Center, and was organized by the Russian Microfinance Center working through its counterpart organization in the country, the Microfinance Council of the Philippines Inc. (MCPI).
- RBAP-MABS and the Rural Bankers Research and Development Foundation Inc. (RBRDFI) held a workshop entitled "Benefits and Experiences of Rural and Microfinance-Oriented Banks on Ratings" on April 8 at the Pan Pacific Hotel in Manila. Twenty-four bankers from 16 rural banks participated in the workshop held in collaboration with MICRA Philippines, MicroFinanza Rating, and Planet Rating. The workshop included presentations from the three microfinance institution rating agencies, the Bangko Sentral ng Pilipinas (BSP), and MABS participating banks First Macro Bank, GM Bank, and Green Bank. In the afternoon, the participants were given hands-on exercises on how ratings are conducted.
- Fourteen (14) participants from six RBAP-MABS participating banks returned to the training room on April 14-16 for the second module of the Housing Microfinance (HMF) Product Development Workshop. Held in continuation of the HMF market research training on March 3-5, this module allows the participants to complete the development of their housing microfinance loan product, draft their manual and business plan, and prepare an action plan for pilot testing their respective loan product in the next six months. The MABS training team

guided the participants on using the information from the market research in developing their loan product as well as in drafting the product manual, preparing the financial projections and business plan.

- Twenty-six (26) participants from 11 Rural Bankers Association of the Philippines Microenterprise Access to Banking Services (RBAP-MABS) participating banks participated in the second module of the Housing Microfinance (HMF) Product Development Workshop held at the Pan Pacific Hotel in Manila on April 27-30. A continuation of the HMF market research training on March 24-26, this follow-on workshop allowed the participants to complete the development of their housing microfinance loan products, draft their manual and business plan, and prepare an action plan for pilot testing their respective loan products over the next six months. The MABS training team guided the participants on using the information from the market research in developing their loan product, drafting the product manual, preparing the financial projections and business plan. Bangko Mabuhay also hosted the facilitation of an actual focus group discussion at its Tanza branch, demonstrating the value of consulting with clients in validating the product design.
- The USAID-supported RBAP-MABS program presented the NEXT microfinance practices to its partner rural banks and service providers at the 2010 RBAP-MABS National Roundtable Conference held on June 2-3 at the Hyatt Hotel and Casino in Manila. Over 140 rural bankers, service providers, key microfinance partners and distinguished guests participated in the conference. Bangko Sentral ng Pilipinas (BSP) Governor Amando M. Tetangco, Jr. delivered the keynote speech, where he expressed the BSP's support to the continuous growth of the Philippine microfinance industry. Fostering the theme "From Best Practice to Next Practice", the roundtable conference included topics on trends and challenges in microfinance for this decade, transparency and consumer protection, social performance monitoring, microinsurance, housing microfinance, technological trends for improved efficiency and customer service, and marketing in a competitive environment. MABS participating banks were also given an annual analysis of their microfinance performance based on MABS' EAGLE (Efficiency, Asset Quality, Growth, Liability Structure, and Earnings) criteria, as well as an update from the MIX Market. On the night of June 2, MABS held its annual Awards Night, giving recognition to its key partners, particularly the top performers in: Agricultural Microfinance, Mobile Phone Banking, Housing Microfinance, Ratings, and Consumer Protection and Transparency. RBAP-MABS also awarded recognition to its insurance partners and to the newly accredited MABS service provider, Microfinance Innovations Center for Resources and Alternatives (MICRA Philippines).
- From June 10-12, MABS assisted the FAIR Bank Microinsurance Team as it conducted Microinsurance training in the municipalities of Balamban for the north area and Sta. Fe for the south area. The activity was part of the microinsurance literacy enhancement initiative designed to benefit the bank's microfinance field staff and clients which should serve as a prelude to the launch of the bank's microinsurance product, the MSHIELD Plan. The enhancement of the Bank's microinsurance services was pursued in collaboration with the Bank's partner insurance provider, Pioneer Insurance, with MABS providing technical support through assessing trainers' effectiveness and quality of the training tools. One team of trainers were deployed each for the northern and southern branches of the Bank. Each team was comprised of 2 staff members of the Community Specialist Office (CSO) and an average of 4 Group Supervisors.
- Senior officers of Aurora Rural Bank, Country Rural Bank of Taguig, First State Bank of Iloilo, New Rural Bank of Agoncillo, and the Rural Bank of Taal attended the MABS Senior Management Orientation (SMO) on June 16 to understand more about the MABS Approach to Microfinance. They were led by newly-elected RBAP President Ma. Corazon Miller of the Country RB of Taguig. Representatives from the Rafael B. Buenaventura Microfinance

Foundation, a microfinance-oriented non-profit institution led by Mr. Leonilo "Topper" Coronel and Mr. Mike Andaya, also participated and shared their perspectives on microfinance. The SMO usually serves as a venue for rural bank presidents, chairpersons, general managers, other senior officials or members of the board to have an overview of the MABS learning modules in market research, product development, loan administration, pilot testing, and operations review for application on microfinance operations.

- A joint study group of 9 members from the Alliance for Financial Inclusion (AFI) and the Pacific Island Central Bankers visited the Philippines on June 21-23, 2010 to learn about Philippine mobile phone banking. Specifically, they were interested in the regulatory approach adopted by the Bangko Sentral ng Pilipinas (BSP) for its successful implementation. RBAP-MABS, a USAID-supported program, presented to the study group its experiences with rural banks and microfinance clients in developing and implementing its mobile phone banking initiatives using the GCASH platform. The RBAP-MABS team also shared the lessons learned over the past 5 years or so of experience. The study tour, led by Ms. Alyson Slater from Alliance for Financial Inclusion (AFI), is composed of officials from the Reserve Bank of Fiji, Central Bank of Samoa, Reserve Bank of Vanuatu, Bank of Papua New Guinea, Banking and Payments of Timor Leste, and Pacific Financial Inclusion Programme. AFI is a global network of policymakers in developing countries that provides its members with the tools and resources to share and develop policies, which promote financial inclusion.



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<http://microfinanceafrica.net/tag/the-rural-bankers%E2%80%99-association-of-the-philippines/>



7. Other: Partnerships with Organizations

- MABS visited First Agro-Industrial Rural Bank (FAIR Bank) in Cebu on April 12-17 to review its Housing Microfinance (HMF) Product and provide technical assistance for the development of its planned microinsurance services. MABS has been working with the bank during the past few months in its campaign to expand its services and outreach by incorporating products such as HMF and microinsurance in its portfolio. This visit included an evaluation of the bank’s current HMF product procedures and operations manual, as well as the re-alignment of strategies and practices to ensure effective HMF implementation. MABS also worked with the bank’s officers in enhancing its staff and client orientation materials for microinsurance, which are to be pre-tested for effectiveness in the coming months. Further, MABS assisted the bank and their new insurance partner in reviewing upcoming plans to improve the efficiency and simplification of FAIR Bank’s upcoming microinsurance service. The team provided support by facilitating application and simplifying the product’s claims procedures.
- MABS visited the Rural Bank of Oroquieta on June 10-11 to conduct a product and operations review for both its group and individual microfinance loans. MABS assessed the performance and present status of the bank’s microfinance loan products; evaluated the strengths and areas of improvement of the banks MF products, delivery systems, loan documentation, and Management Information System; and recommended improvements in the product design and operational system based on the assessment.
- MABS and the Bangko Sentral ng Pilipinas (BSP) visited Cantilan Bank on June 14-16 to join in the celebration of its 30th anniversary, and to observe and review its microfinance operations. The visiting team was composed of BSP Deputy Governor Nestor A. Espenilla Jr., BSP MSME Finance Specialist Group Head Gerardo Butardo, MABS Chief of Party John Owens, MABS Deputy Chief of Party Meliza Agabin and MABS intern Eric Miller. Particularly, the team visited some of the bank’s clients in Housing Microfinance, Micro-Agri Loan and Mobile Phone Banking.
- MABS went on a study visit to understand and assess Punla Sa Tao Foundation's chicken growing business model for backyard chicken farmers. The visit of MABS to Punla Sa Tao’s pilot area in Cavinti Laguna showed there is profitability in backyard chicken farming by as much as P10.00 per chick. It allows the farmer to earn P6,000-P10,000 per 500-1000 chicks. Although chicken farming fits into the general qualifications under a Micro-Agri loan product, it requires a term of at least 10-12 months to realize gains for the farmer and support the loan amortization.
- In line with RBAP-MABS’ recently launched partnership with the Microfinance Opportunities (MFO) and the MasterCard Foundation, MABS Chief of Party John Owens and Special Projects Coordinator Cheryl Balingit went to India on June 21-24 to discuss and finalize the

financial education action plan with MFO. This partnership involves the development of financial education tools to strengthen mobile phone banking appreciation and knowledge among rural banks, their clients and partner merchants.

- MABS visited the Rural Bank of Pilar on June 22 to review its product and operations for both the group and individual Microfinance loans. Together with the bank's microfinance staff and officers, MABS interviewed and conducted focus group discussions with RB Pilar's management, staff and clients to assess performance and status of the bank's microfinance loan products. MABS also reviewed the bank's delivery systems, loan documentation, and Management Information System. From these, MABS gave recommendations to improve the bank's MF product design and operational system.
- MABS visited the Rural Bank of Guinobatan on June 25 to assist the bank in pilot testing its housing microfinance product. RB Guinobatan prepared a detailed action plan for its HMF product and micro-enterprise loan (both group and individual lending) based on MABS recommendations and findings during the MABS' operations review conducted earlier this year.

SPECIAL ACTIVITIES FUND (SAF) REQUESTS APPROVED DURING THE 9TH QUARTER:

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).

Videos are among the communications tools that the Program utilizes. These videos are usually shown during major Program events (national and regional roundtable conferences, trainings, and presentations for international study groups). These videos will also be distributed to participating banks – which they may use as part of their training/presentation kit or play in their lobbies/client waiting areas. These will also be posted on the Program's website, or posted on *YouTube* and other sites using the user-generated content format.

A new video will be produced to highlight the MABS Program by providing an overview of the program activities. Two versions will be produced for the video– a long version (maximum of 12 minutes) and a shorter version (under 7 minutes).

The location shooting for the MABS Overview video was completed in four (4) days, while editing and voice recording and scoring took six (6) days. Location shooting commenced on May 26, 2010, and the video was completed on June 1, 2010.

Please note that these videos are to be used in the Philippines under the MABS Program and are not intended for distribution or use in the United States.

MABS requested for proposals from four video production outfits: Visual Arts Room, Creation Productions, SMA Productions, and Timeframe Media Philippines. Timeframe Media Philippines was not able to submit a revised quote (MABS asked them to revise cost estimate from two videos to one video). Visual Room was recommended and selected for the contract based on their previous experience and work quality producing microfinance videos for MABS and the Citibank MOTY Awards.

The updated MABS video was completed and shown during the National Roundtable Conference held in June 2010.

SPECIAL ACTIVITIES FUND (SAF) REQUESTS APPROVED DURING THE QUARTER:

Philippines Microenterprise Access to Banking Services

Chemonics International Inc.

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

Quarter Number 9,

June 30, 2010

Special Activities

Fund - In USD

S A F	Title	Results	Date Approved	Status	Budgeted Amount	Quarter 9				Expenses To Date Quarter 9	Budget Remaining	Budget Over- runs	Cumulative Invoiced
						Invoice 24	Invoice 25	Invoice 26	Quarter 9				
						Apr-10	May-10	Jun-10	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					\$1,239.69	\$205.37		\$1,239.69
3	Support for the MABS National Roundtable Conference & EAGLE Awards		4/21/2009	Open	\$9,599.59						\$9,599.59		
4	Development and Production of Videos for 2009 EAGLE Awards, Mobile Phone Banking Services Video, & MABS Video		4/27/2009	Open	\$12,360.54					\$7,689.30	\$4,671.24		\$7,689.30
5	Conduct of the Poverty Assessment Survey 2010		12/21/2009	Open	\$1,461.98					\$949.94	\$512.04		\$949.94
6	SAF Rolling Training Budget		1/25/2010	Open	\$10,752.69						\$10,752.69		

7	Development & Production of the MABS Overview Video		5/21/2010	Open	\$4,105.62		\$2,233.71	\$1,300.11	\$3,533.82	\$3,533.82	\$571.80		\$3,533.82
8	Support for the MABS National Roundtable Conference & EAGLE Awards 2010		5/24/2010	Open	\$5,978.02						-	\$5,978.02	
											-		
SUBTOTAL					\$48,057.01		\$2,233.71	\$1,300.11	\$3,533.82	\$15,562.98	\$32,494.04		\$15,562.98
Add:	Indirect Adjustment												
	General & Administrative Costs						\$111.69	\$65.01	\$176.69	\$778.16			\$778.16
GRAND TOTAL					\$48,057.01		\$2,345.40	\$1,365.12	\$3,710.51	\$16,341.14	\$32,494.04		\$16,341.14

MABS Philippines Home Office Reports Tracker					
Contract No. EEM-I-00-07-00008					
Technical Deliverables	Submitted By	Report Date	Submitted to CDIE	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-09		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	Sep-08		Yes	Yes
Quarterly Performance Monitoring Report (Second)	Chemonics International	December-08		Yes	Yes
Quarterly Performance Monitoring Report (Third)	Chemonics International	March-09		Yes	Yes
Quarterly Performance Monitoring Report (Fourth)	Chemonics International	June-09		Yes	Yes
Quarterly Performance Monitoring Report (Fifth)	Chemonics International	September-09		Yes	Yes
Quarterly Performance Monitoring Report (Sixth)	Chemonics International	December-09		Yes	Yes
Quarterly Performance Monitoring Report (Seventh)	Chemonics International	March-10		Yes	Yes

MABS BANKS MICROFINANCE PERFORMANCE REPORT
CONSOLIDATED - BY AREA OF OPERATION (LUZON, VISAYAS AND MINDANAO)
June 2010

PERFORMANCE DATA	LUZON	VISAYAS	MINDANAO	TOTAL
Number of banks (reporting)	36	11	24	71
Number of participating branches (reporting)	191	65	130	386
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	48	13	30	91
Total number of participating branches	217	67	153	437
Number of other banking offices	33	43	65	141
Total number of participating branches/units	250	110	218	578
Number of active borrowers outstanding	103,075	64,784	68,363	236,206
Number of new borrowers	5,973	2,515	3,576	12,064
Number of repeat loans	10,505	7,048	9,092	26,645
Loan portfolio balance	870,254,195	390,977,102	545,80,018	1,807,011,315
Number of deposit accounts < 15,000	521,262	209,924	729,238	1,460,424
Net change in number of deposit accounts	119,195	84,179	324,743	528,117
Deposit balance < 15,000	855,845,486	271,426,645	870,046,872	1,997,319,003
Net change in deposit balance	288,021,425	102,224,310	484,920,970	875,166,705
Number of microfinance field staff	683	377	435	1,495
Number of microfinance field staff per branch	4	6	3	4
Number of loans disbursed during the month	16,330	9,563	12,816	38,709
Cumulative number of new borrowers	227,603	139,849	371,248	738,700
Cumulative number of loans disbursed	681,216	499,363	1,216,235	2,396,814
Amount of loans disbursed during the month	247,857,613	104,267,120	173,131,758	525,256,491
Cumulative amount of loans disbursed	11,024,145,926	5,853,858,931	13,184,283,663	30,062,288,520
Portfolio at risk more than 7 days	65,836,764	61,023,536	57,896,614	184,756,914
Portfolio at risk more than 7 days (%)	7.68%	15.61%	10.61%	10.22%
Portfolio at risk more than 30 days	51,780,894	54,567,544	49,894,256	156,242,694
Portfolio at risk more than 30 days (%)	6.04%	13.96%	9.14%	8.65%

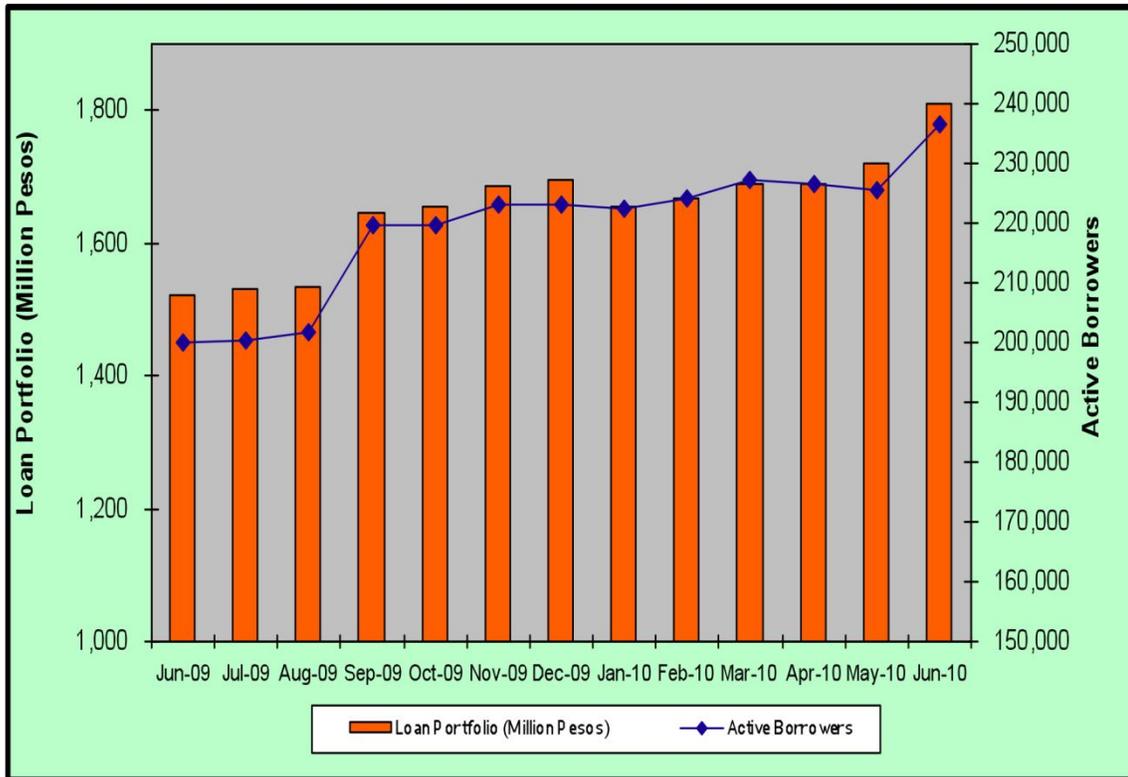
MONTHLY INCOME AND EXPENSE	LUZON	VISAYAS	MINDANAO	TOTAL
Financial income				
Interest income on loans	34,998,367	14,0425,610	20,469,009	69,492,986
Service charge	7,460,010	3,307,488	5,980,545	16,748,043
Penalty fee on loans	1,183,354	149,375	338,729	1,671,458
Total financial income	43,641,731	18,848,091	25,422,665	87,912,487
Total financial expense	2,496,188	1,860,694	2,648,799	7,005,681
Gross financial margin (spread)	41,145,543	16,987,397	22,773,866	80,906,806
Loan loss provision	2,920,700	96,231	950,467	3,967,398
Net financial margin	38,224,843	16,891,166	21,823,399	76,939,408
Direct operating expenses				
MFU salaries and benefits	6,926,722	5,090,908	4,204,306	16,221,936
Gross receipts tax	2,130,345	942,162	757,367	3,829,874
Depreciation	316,463	684,995	489,905	1,491,363
Transportation	1,464,046	1,748,754	963,484	4,176,284
Supplies	412,345	483,172	451,340	1,346,857

Communication	344,385	141,908	160,312	646,605
Others	1,378,821	1,085,755	466,018	2,930,594
Total direct operating expenses	12,973,127	10,177,654	7,492,732	30,643,513
Training and professional fees	89,921	-	4,285	94,206
Net income before indirect expenses	25,161,795	6,713,512	14,326,382	46,201,689
Indirect expenses	3,886,077	2,897,856	3,501,954	10,285,887
Net income (loss)	21,275,718	3,815,656	10,824,428	35,915,802

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)

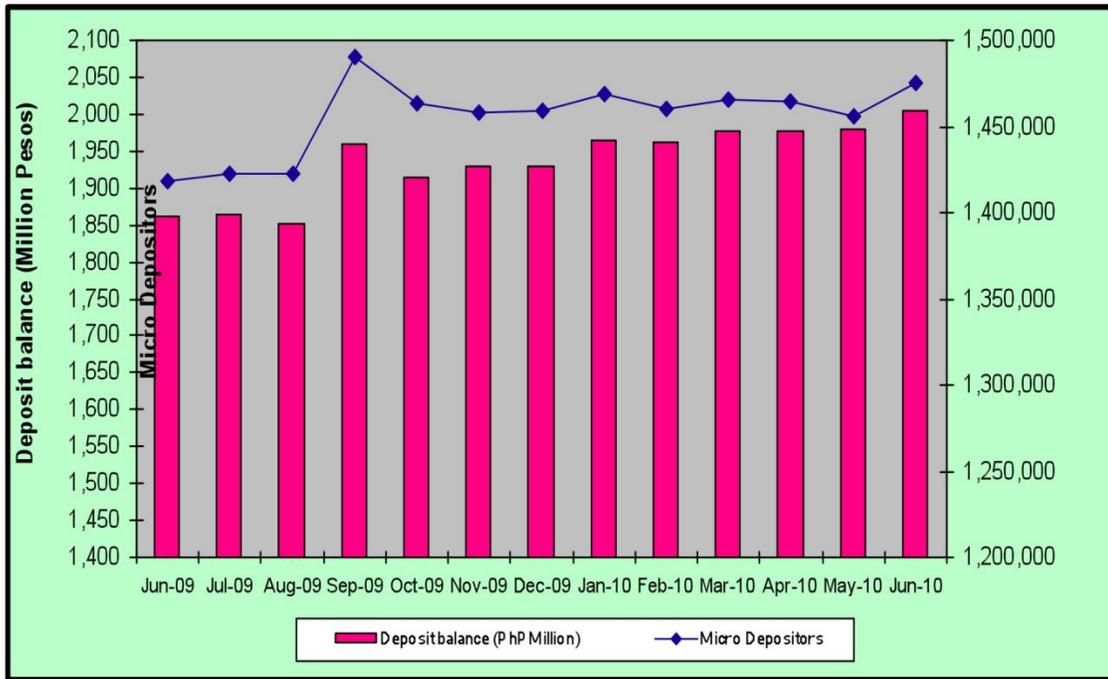
Note 2: Totals for each region follow actual geographic location of branches. Green Bank branches that are located in Luzon and Visayas are counted under Luzon and Visayas Regions, respectively; only its Mindanao branches are counted under Mindanao.

Loan Portfolio
MABS Participating Banks
June 2009 – June 2010



Month/ Year	Loan Portfolio (PhPM)	Active Borrowers
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
Oct 2009	1,656.11	219,541
Nov 2009	1,684.44	223,199
Dec 2009	1,696.32	223,125
Jan 2010	1,653.51	222,371
Feb 2010	1,668.56	224,232
Mar 2010	1,688.28	227,346
Apr 2010	1,690.14	226,446
May 2010	1,719.44	225,600
June 2010	1,809.89	236,474

Micro Deposits*
MABS Participating Banks
June 2009 – June 2010



Month/ Year	Deposit Balance (PhP M)	Micro Depositors
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
Oct 2009	1,913.24	1,463,231
Nov 2009	1,929.29	1,457,986
Dec 2009	1,929.80	1,458,905
Jan 2010	1,963.99	1,469,213
Feb 2010	1,961.86	1,459,787
Mar 2010	1,976.23	1,465,081
Apr 2010	1,976.31	1,464,007
May 2010	1,979.41	1,456,439
June 2010	2,005.62	1,475,065

*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

April 2010 Highlights

Tanzanian and Burundi Central Bankers visit the Philippines to study Mobile Money and Mobile Phone Banking

A study group of 10 key officers from the Bank of Tanzania and the Bank of the Republic of Burundi visited the Philippines on April 5 to 13 under a Knowledge Exchange Program arranged by the Alliance for Financial Inclusion (AFI) and the Bangko Sentral ng Pilipinas (BSP). The representatives came to study the policy and regulatory environment around electronic money issuers, as well as the country's experiences on GCASH and Smart Money. MABS presented its experiences in mobile phone banking.

The delegates visited the BSP, SMART, which manages the Smart Money services, and Globe's G-Xchange Inc. (GX), which operates the GCASH platform. The Bank of Tanzania delegation was led by Atty. George Sije, Legal Counsel of the Directorate of National Payments Systems, while the Burundi delegation was led by Mr. Innocent Ndabarushimana, Bank of the Republic Burundi's Chief of the Microfinance Supervisory Department, and Mr. Emery-Gaspard Simbahwanya, Technical Advisor of the Minister of Finance of Burundi.

Russian finance and economic policy makers visit RBAP-MABS to study Philippine mobile banking services



Policy makers from the Russian Central Bank, Ministry of Finance and Ministry of Economic Development conducted a study visit with the Rural Bankers Association of the Philippines-MABS Program on April 7, 2010. The 12-member study group visit focused on the mobile phone banking initiatives of the RBAP-MABS Program supported by USAID/Philippines.

The delegates, which included representatives of E-money providers, Russian microfinance and other trade organizations, and the academe were keenly interested in learning from the experience of the Philippines in implementing the mobile technology for microfinance. The study group also visited the Bangko Sentral ng Pilipinas to learn about the supervision and regulation of electronic banking, as well as the two pioneering m-commerce telcos, SMART and Globe. It was led by Mr. Mikhail Mamuta, president of the National Association of Microfinance Market Stakeholders and Russian Microfinance Center, and was organized by the Russian Microfinance Center working through its counterpart organization in the country, the Microfinance Council of the Philippines Inc. (MCPI).

Rural banks and microfinance rating agencies share the benefits and experiences of ratings

RBAP-MABS and the Rural Bankers Research and Development Foundation Inc. (RBRDFI) held a workshop entitled "Benefits and Experiences of Rural and Microfinance-Oriented Banks on Ratings" on April 8 at the Pan Pacific Hotel in Manila. Twenty-four bankers from 16 rural banks participated in the workshop held in collaboration with MICRA Philippines, MicroFinanza Rating, and Planet Rating. The workshop included presentations from the three microfinance institution rating agencies, the Bangko Sentral ng Pilipinas (BSP), and MABS participating banks First Macro Bank, GM Bank, and Green Bank. In the afternoon, the participants were given hands-on exercises on how ratings are conducted.



"Getting a rating is like obtaining a seal of good governance."

- Mr. Reginald Ocampo
President, First Macro Bank



"Picking a rating agency is like selecting a doctor; you need to make sure they have the appropriate expertise and track record."

- Mr. Salvador Santiago
Assistant Vice President,
GM Bank



"This (our rating) led to the improvement of our management systems, processes and procedures, (thus) leading to better customer satisfaction, increased efficiency and effectiveness, and better risk mitigating measures."

- Mr. Joseph Omar Andaya
President, Green Bank

FAIR Bank takes another step towards expansion through MABS

MABS visited First Agro-Industrial Rural Bank (FAIR Bank) in Cebu on April 12-17 to review its Housing Microfinance (HMF) Product and provide technical assistance for the development of its planned microinsurance services.

MABS has been working with the bank during the past few months in its campaign to expand its services and outreach by incorporating products such as HMF and microinsurance in its portfolio. This visit included an evaluation of the bank's current HMF product procedures and operations manual, as well as the re-alignment of strategies and practices to ensure effective HMF implementation. MABS also worked with the bank's officers in enhancing its staff and client orientation materials for microinsurance, which are to be pre-tested for effectiveness in the coming months. Further, MABS assisted the bank and their new insurance partner in reviewing upcoming plans to improve the efficiency and simplification of FAIR Bank's upcoming microinsurance service. The team provided support by facilitating application and simplifying the product's claims procedures.

MICROENTERPRISE ACCESS TO BANKING SERVICES (MABS) PROGRAM

April 2010 Highlights

MABS participating rural bankers present at Women's World Banking Headquarters



From left: Rural Bank of Pagbilao President Senen Glorioso, WWB Relationship Manager for Asia Gil Lacson, and RBRDFI Chairman and GM Bank President Tomas Gomez IV. The link for WWB is at www.swwb.org.

GM Bank President and Chairman of the Rural Bankers Research and Development Foundation Inc. (RBRDFI) Tomas Gomez IV and Rural Bank of Pagbilao President Senen Glorioso shared the experiences of rural banks engaged in microfinance and their experiences with the RBAP-MABS program at the International Headquarters of Women's World Banking (WWB) in New York City on April 13.

WWB Relationship Manager Gil Lacson gave a thorough presentation about WWB, including their views on the commercialization of microfinance services and an overview of the WWB network. Mr. Gomez presented on the performance of the rural banking sector, focusing on its growth and savings mobilization. RB Pagbilao President Glorioso, on the other hand, shared the experiences of the MABS program, emphasizing the innovations in mobile phone banking technology utilizing GCASH. He also discussed the new product developments in housing microfinance, microinsurance and SME finance. Fourteen key officers and staff of WWB participated in the event including COO Cecille Zacarias and Microfinance Products and Services Hans Dellien.

RBAP-MABS holds Housing Microfinance Product Development Workshop



Fourteen (14) participants from six RBAP-MABS participating banks returned to the training room on April 14-16 for the second module of the Housing Microfinance (HMF) Product Development Workshop.

Held in continuation of the HMF market research training on March 3-

5, this module allows the participants to complete the development of their housing microfinance loan product, draft their manual and business plan, and prepare an action plan for pilot testing their respective loan product in the next six months. The MABS training team guided the participants on using the information from the market research in developing their loan product as well as in drafting the product manual, preparing the financial projections and business plan.



RBAP-MABS holds Housing Microfinance Product Development Workshop for Luzon & Visayas Rural Bankers



Pan Pacific Hotel in Manila on April 27-30.

Twenty-six (26) participants from 11 Rural Bankers Association of the Philippines Microenterprise Access to Banking Services (RBAP-MABS) participating banks participated in the second module of the Housing Microfinance (HMF) Product Development Workshop held at the

A continuation of the HMF market research training on March 24-26, this follow-on workshop allowed the participants to complete the development of their housing microfinance loan products, draft their manual and business plan, and prepare an action plan for pilot testing their respective loan products over the next six months.



The MABS training team guided the participants on using the information from the market research in developing their loan product, drafting the product manual, preparing the financial projections and business plan. Bangko Mabuhay also hosted the facilitation of an actual focus group discussion at its Tanza branch, demonstrating the value of consulting with clients in validating the product design.

MICROENTERPRISE ACCESS TO BANKING SERVICES (MABS) PROGRAM

May 2010 Highlights

RBAP-MABS Partners with Microfinance Opportunities and The MasterCard Foundation to expand mobile phone banking services

The Rural Bankers Association of the Philippines (RBAP) through its Microenterprise Access to Banking Services (MABS) Program will now receive support from Microfinance Opportunities (MFO) and The MasterCard Foundation to assist the expansion of mobile phone banking services via increased financial education for customers and clients of rural banks. Through this partnership, RBAP-MABS will further accelerate this growth by renewing the educational campaign for its mobile phone banking initiative. RBAP-MABS will leverage its partnerships with rural banks, Globe and its gateway SMS service provider to develop an improved m-banking toolkit for rural banks officers and staff, their merchant partners and their clients. This toolkit will include instructional videos, web-based distance learning tools and mobile banking guides for improving customer education. RBAP-MABS intends for these materials to be publicly available online, transferrable to and among mobile phones, and deliverable through Internet applications and channels. As part of the finalization of the grant, Mike Rios from Microfinance Opportunities visited the MABS program and met with partner rural bankers on May 5-7.

M-Commerce leaders from Bahrain and Latin America study Philippine mobile banking



A study group composed of six executives from YQ Bahrain, Movilway and Utiba Americas visited the Philippines on May 16-18 to take a look at Philippine mobile phone banking. Movilway CEO Fernando Fiksmann and COO Dan Cohen, as well as YQ Bahrain General Manager Fawaz Ghazal and Board Director Tariq Al Saffar, were accompanied by two representatives from Utiba, the mobile wallet developer that crafted Globe's GCASH.

Facilitated by the Rural Bankers Association of the Philippines (RBAP), the tour included visits to the Bangko Sentral ng Pilipinas (BSP), and Nueva

Ecija-based MABS participating bank GM Bank. They met with GM Bank's mobile phone banking clients, interviewing them on the benefits and convenience of the bank's mobile phone banking services.

MABS presented its mobile phone banking initiatives, which it rolled out in partnership with Globe's G-XChange Inc. (GXI) and its participating banks. The delegates were particularly interested in the country's m-banking regulatory environment and the benefits of m-banking to rural bank clients.

RBAP holds 57th National Convention



The Rural Bankers Association of the Philippines (RBAP) held its 57th National Convention on May 31 and June 2 at the Sofitel Philippine Plaza. This year's convention was based on the theme "Towards Greater Financial Inclusion and Protection," with attendees from 600 rural and cooperative banks of a combined network of over 2,700 offices and branches nationwide.



U.S. Ambassador Harry K. Thomas, Jr. delivered the keynote speech, where he expressed his support for greater access to financial capital and social safety nets for all Filipinos. He also stressed that the rural banks' move to provide micro-insurance products and services to low-income households and to rural entrepreneurs of the Philippines are good examples of interlinked corporate success and social investment. He urged the bankers to continue making the low-income sectors' dreams a reality, quoting U.S. President Barack Obama's words: "Real change comes from the bottom up." As a closing, the Ambassador emphasized, "The answers are in this room. The opportunity is here and the time is now. You can create the conditions for economic dynamism in the countryside where new ideas emerge, incomes rise, and rural communities blossom."



www.rbapmabs.org / www.mobilephonebanking.rbap.org

A USAID-assisted program managed by
Chemonics International, Inc.

MICROENTERPRISE ACCESS TO BANKING SERVICES (MABS) PROGRAM

June 2010 Highlights

Rural bankers prepare to take a leap from microfinance best practices to next practices

MABS presented the NEXT microfinance practices to its partner rural banks and service providers at the 2010 RBAP-MABS National Roundtable Conference held on June 2-3 at the Hyatt Hotel and Casino in Manila. Over 140 rural bankers, service providers, key microfinance partners and distinguished guests participated in the conference. Bangko Sentral ng Pilipinas (BSP) Governor Amando M. Tetangco, Jr. delivered the keynote speech, where he expressed the BSP's support to the continuous growth of the Philippine microfinance industry.



With the theme "From Best Practice to Next Practice", the roundtable conference included topics on trends and challenges in microfinance for this decade, transparency and consumer protection, social performance monitoring, microinsurance, housing microfinance, technological trends for improved efficiency and customer service, and marketing in a competitive environment. MABS participating banks were also given an annual analysis of their microfinance performance based on MABS' EAGLE (Efficiency, Asset Quality, Growth, Liability Structure, and Earnings) criteria. On the night of June 2, MABS held its annual Awards Night, giving recognition to its key partners, particularly the top performers of its various microfinance initiatives: Agricultural Microfinance, Mobile Phone Banking, Housing Microfinance, Ratings, and Consumer Protection and Transparency. MABS also awarded recognition to its insurance partners, and to the newly accredited MABS service provider, MICRA.

MABS gears up FAIR Bank for microinsurance

On June 10-12, MABS assisted the First Agro Industrial Rural Bank, Inc. (FAIR Bank) Microinsurance Team as it conducted training in the municipalities of Balamban and Sta. Fe in Cebu. A prelude to the launch of the bank's microinsurance product, the MSHIELD Plan, this activity is part of the microinsurance literacy enhancement initiative designed for the bank's microfinance field staff and clients. A team of trainers each was deployed for the bank's northern and southern branches. Each team was composed of two Community Specialist Office (CSO) staff members and an average of four group supervisors.

MABS and the BSP visit Cantilan Bank

More than 500 attendees packed into a basketball gymnasium in Cantilan's town square to celebrate the 30th anniversary of Cantilan Bank. The gala highlighted the bank's remarkable growth over the past three decades and underscored the important role microfinance services played in its success. Cantilan Bank was among the first rural banks to participate in the MABS program back in 1999. Bangko Sentral ng Pilipinas (BSP) Deputy Governor Nestor A. Espenilla, Jr. congratulated the bank on its 30 years of dedicated service. "I am here to celebrate with you an institution that has exemplified the true essence of community banking," he told the

crowd. "Your participation in this endeavor is a powerful indication of your commitment to your clients' well-being."

Five banks oriented on the MABS Approach

Senior officers of Aurora Rural Bank, Country Rural Bank of Taguig, First State Bank of Iloilo, New Rural Bank of Agoncillo, and the Rural Bank of Taal



attended the MABS Senior Management Orientation (SMO) on June 16 to understand more about the *MABS Approach* to Microfinance. They were led by newly-elected RBAP President Ma. Corazon Miller of the Country RB of Taguig. Among the participants were representatives from the Rafael B. Buenaventura Microfinance Foundation, a microfinance-oriented non-profit institution led by Mr. Leonilo "Topper" Coronel and Mr. Mike Andaya.

MABS conducts study visit to Punla sa Tao Foundation's (Punla) Manok Mabuhay Project

To further expand the scope and scale of agriculture that rural banks can support, MABS conducted a study visit on June 18 to small scale poultry growers in Cavinti, Laguna, a 4th class municipality located about a hundred kilometers southeast of Manila. The growers are part of the social entrepreneurship business model that Punla has been pilot testing in the province. "Manok Mabuhay" project is being conducted in partnership with an industry integrator and Cavinti's backyard poultry farmers. The implementation of the business model is now being expanded to more towns in Laguna. Punla's "Manok Mabuhay" project was established to alleviate poverty in the area. It is designed to benefit small farmers like those in Cavinti.

Delegates from Pacific Islands study Philippine mobile phone banking

A joint study group of 9 members from the Alliance for Financial Inclusion (AFI) and the Pacific Island Central Bankers visited the Philippines on June 21-23, 2010 to learn about Philippine mobile phone banking. Specifically, they were interested in the regulatory approach adopted by the Bangko Sentral ng Pilipinas (BSP) for its successful implementation. RBAP-MABS presented to the study group its experiences with rural banks and microfinance clients in developing and implementing its mobile phone banking initiatives using the GCASH platform.

The study tour, led by Ms. Alyson Slater from Alliance for Financial Inclusion (AFI), is composed of officials from the Reserve Bank of Fiji, Central Bank of Samoa, Reserve Bank of Vanuatu, Bank of Papua New Guinea, Banking and Payments of Timor Leste, and Pacific Financial Inclusion Programme. AFI is a global network of policymakers in developing countries that provides its members with the tools and resources to share and develop policies which promote financial inclusion.