



MABS Approach
**SERVICE PROVIDER
FEASIBILITY STUDY**
RBAP-MABS USAID CHEMONICS

Luzon
Visayas
Mindanao

Submitted to

Chemonics International, Inc.
Microenterprise Access to Banking Services (MABS)

by

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Introduction

The purpose of this feasibility study is to construct various service provider scenarios that RBAP can utilize to fast track the *MABS Approach* installation process in more Rural Banks in the Philippines. The scenarios must meet the following criteria:

- install a profitable microenterprise lending program for Rural Banks
- maintain the high quality and standards embodied in the previous and ongoing *MABS Approach* installations
- generate sufficient revenue to sustain the *MABS Approach* program and cover RBAP management and quality assurance responsibilities

There are three (3) scenarios, which meet these criteria:

- RBAP awards contracts/licenses to commercial organizations, foundations and/or Rural Banks within exclusive territories to install the *MABS Approach*
- RBAP awards some contracts/licenses to these organizations but retains one or more territories as the owner-manager which will be operated by the Rural Bankers Research and Development Foundation, Inc. (RBRDFI)
- RBAP hires additional staff to install the *MABS Approach* on a nationwide basis (in a variation to this scenario RBAP could contract/subcontract with individual consultants to provide some or all of the installation services)

This report outlines the benefits and cost analysis/revenue projection for each scenario based on a set of scenario parameters such as number of territories, required number of Rural Bank installations during a one-year period, RBAP revenue projections, etc.

The report also contains a section describing the potential service providers who expressed interest in the *MABS Approach* including a brief outline of their business, microfinance training experience, and willingness to meet the requirements.

The report includes an estimate of the commercial fees necessary to charge the Rural Banks to provide the required revenue share for RBAP, and to ensure a reasonable service provider profit.

The consultant conducted a review of training options for service providers, a review of the *MABS Approach* technical assistance and training program, and an analysis of the streamlined *MABS Approach*. The consultant recommends that the current workshop intensive learning program with on-site orientations and reviews in high-performing participating Rural Banks be used for training service providers on how to install MABS.

The consultant has also developed a preliminary set of recommendations and specific guidelines for setting up a monitoring and evaluation unit within RBAP (the MF

Technical Services unit), and recommendations for product version control, a secure voice and Internet feedback loop, and a customer relations management system.

Finally the consultant has developed a draft implementation plan that includes a holistic approach to the service provider program. This holistic approach is a plan of action and milestones for the MABS service provider program design and implementation, design and production of a marketing kit, review and enhancements to the technical assistance and training materials, and CD-Rom and video production schedules.

Any one of the three (3) installation scenarios combined with a pilot-tested, streamlined *MABS Approach* installation process will help meet the demand from Rural Banks to fast track their participation in the Microenterprise Access to Banking Services (MABS) program. Each scenario will work, including generating RBAP's required revenue, and the benefits and challenges associated with each one as well as a description, and a cost analysis and revenue projection for RBAP are discussed in the report.

Background

The success enjoyed by the MABS effort to date has brought to the surface an unanticipated issue. This issue, essentially is, "How will it be possible to expand the *MABS Approach* into all the rural banks that wish to implement it, and are qualified to do so, in a reasonable time frame?"

RBAP-MABS has installed the *MABS Approach* in 28 Rural Banks (78 Rural Bank units), and the ensuing microenterprise lending programs have been very successful and are turning a profit for the bankers. Initially MABS' focus was Mindanao, but the success that bankers there had and told their colleagues about has persuaded RBAP-MABS to extend the installations to Rural Banks in Luzon and the Visayas. And more Rural Banks are clamoring to have the *MABS Approach* installed in their branch(s) because they have heard not only about the profits that are being made, but also the new culture of operations and management excellence that MABS instills in participating Rural Banks.

The *MABS Approach* was originally designed as a 2-year intensive technical assistance and training intervention, which of course is costly and resource intensive.

The problem now is obvious. RBAP-MABS does not have the personnel or financial resources to meet the demand of installing the *MABS Approach* on a nationwide basis. Since there are approximately 792 Rural Banks and over 1,800 branches it would be impossible for the RBAP-MABS team to ever install MABS in even just the main units. This is compounded by the current long process the *MABS Approach* installation takes. The current *MABS Approach* takes two years and approximately 70-80 days of technical assistance and in-house training. The cost of this current approach would be prohibitive for most Rural Banks based on full costing of technical services and training.

In order to streamline the *MABS Approach*, while maintaining the discipline provided under the present *MABS Approach*, RBAP-MABS has come up with a pilot approach that will provide training to groups of participating Rural Banks followed by focused in-house technical assistance and training. This would reduce the number of overall in-Bank technical assistance days required and hence the overall cost to the Rural Banks. But even with the streamlined version of the *MABS Approach* installation, which has been reduced to 8-10 months with follow-up visits every six months for operations reviews during a two-year period, RBAP-MABS still does not have the personnel and financial resources to meet the demand.

Therefore, the MABS Program has thought of a way in which the *MABS Approach* can be installed in more Rural Banks at a faster pace. This is the service provider contract or license concept. RBAP-MABS wants to actually contract or license out the *MABS Approach* installation with several, qualified service providers who will then purchase the *MABS Approach* materials from RBAP, pay RBAP a royalty for each installation, and install MABS in Rural Banks for a standard fee set by RBAP.

The purpose of this feasibility study, then, is to determine which installation contract or license concept is viable, and why, and how to go about doing it.

Objectives

There are actually several interwoven objectives for this feasibility study:

- Determine if RBAP can use commercial service providers, that is private sector firms, foundations or even Rural Banks, to install the *MABS Approach* efficiently and cost-effectively while maintaining high quality service delivery.
- If found to be feasible, recommend the most practical, feasible and cost effective approach for the MABS Program to outsource the *MABS Approach* installation and maintenance and meet the demand-driven need from the rural banks for the *MABS Approach*.
- Determine if the service provider contract/license solution, or some variant of it, is a reasonable one and, if so how it might best be implemented.

***MABS Approach* Service Provider Program**

The consultant has found through data gathering, analysis and research about MABS and similar products, which are sold commercially, being mainly either training or training documentation, that the *MABS Approach* is a viable commercial-like product. There are also sufficient service providers who are interested in a contract or license with RBAP to use MABS to establish a new or enhanced profit center.

The major issues and challenges in designing and implementing a service provider program are:

- developing a workable, high-quality streamlined MABS Approach installation process, which maintains the current success rate and will fast-track installations when combined with the service provider program
- designing a service provider program that ensures the service providers have complete marketing, business development, management, and control of the installation process
- ensuring that RBAP has the capability and systems to maintain quality control and assurance standards
- setting fair and reasonable fees for the Rural Banks, which will ensure a revenue for RBAP to maintain the program (pegged at twenty percent by the RBAP Deputy Operating Officer for scenario planning), and for service providers to make a profit
- determining the best RBAP and service provider installation scenario(s)
- establishing equitable territories for service providers and RBAP within an owner-manager concept using RBRDFI (this RBAP owner-manager scenario has been confirmed with the Deputy Operating Officer for preliminary program design purposes)
- demonstrating to non-participating Rural Banks the profitability of MABS and the ROI timeline (not part of this feasibility study)

These issues and challenges have been confirmed through discussions with participating and non-participating Rural Banks as well. The Rural Banks' main concerns are, of course, the fee they will be charged and overhead costs, and when they can expect to make a profit.

The service provider program will be a pooling of resources and capabilities. RBAP-MABS has contributed the initial capital investment, know-how and experience to develop and test the product, and the service providers will contribute the supplemental capital investment, motivated effort and financial or management consulting expertise. The service provider program must include a format for the conduct of the business, a viable product and reasonable client base, and a management system for operating and monitoring the business.

The RBAP/service provider relationship is actually a composite of several relationships. RBAP is the supplier of intellectual property, and will grant to the service providers the right to use the *MABS Approach* trademark, confidential information, a business format and an operating system. RBAP will also be a trainer and an advisor to the service providers. RBAP will help service providers market MABS by providing marketing materials, promoting MABS to their members, and showcasing MABS in various fora. Finally, RBAP would conduct research and development for the MABS products and installation process to improve the MABS quality.

The service providers need these essential services and support from RBAP to be competitive and operate profitably. In return, services providers will help RBAP to:

- rapidly expand the MABS installations
- share the risks of expansion
- realize a higher and faster return on its invested capital
- generate ideas/resources to improve the *MABS Approach* and product
- ensure that RBAP has a simpler, smaller and more efficient management structure

Before implementing the service provider program, RBAP should evaluate itself and the *MABS Approach* on several levels and answer certain critical questions. An important consideration is the success of the initial or pilot operations, which will demonstrate the effectiveness of the streamlined *MABS Approach* and/or identify changes that need to be made. If the products or services offered have found reasonable acceptability, and if these products or services are readily adapted to clients in other areas of the country, the market potential may be good. Questions to consider include, “Does the RBAP have a marketing niche that can be used to its advantage?” Is the product similar to many others in the microfinance market and, if so, is there a targeted client base so that advertising and selling can be focused effectively?

It is important to note that to be successful, a product must have some degree of distinctiveness, or the potential to achieve distinctiveness, in its market segment, e.g., the *MABS Approach* zero tolerance, success rate among participating Rural Banks, etc. If it does not, it will have difficulty attracting high caliber service providers. A program may be distinctive in terms of its products, services, operating and delivery systems, in this case the *MABS Approach* installation process, or marketing. The elements of the success of the product must be transferable to service provider staff who must be able to replicate MABS installations. Finally, to be successful, a product must appeal to the clients, which the *MABS Approach* certainly does as evidenced by the demand from the Rural Banks.

The Rural Bank’s investment requirements in the program must be realistic and the potential for a return on the cash and total investment should be appropriate to the risk inherent in the type of product.

The product must be capable of producing a reasonable return on the service provider’s investment, after deducting the value of the labor, overhead and travel costs.

***MABS Approach* Service Provider Program Scenarios and Revenue Projections**

The consultant has constructed three (3) workable installation scenarios for the *MABS Approach*. The scenarios are:

- RBAP awards contracts/licenses to commercial organizations, foundations and/or Rural Banks within exclusive territories to install the MABS Approach

- RBAP awards some contracts/licenses to these organizations but retains one or more territories to be operated by the RBRDFI
- RBAP hires additional staff to install the *MABS Approach* on a nationwide basis (in a variation to the scenario RBAP could contract/subcontract with individual consultants or staff from MABS participating Rural Banks to provide some or all of the installation services)

Each scenario meets the following minimum criteria:

- install a profitable microenterprise lending program for Rural Banks
- maintain the high quality and standards embodied in the previous and ongoing *MABS Approach* installations
- generate sufficient revenue to sustain the *MABS Approach* program and cover RBAP management and quality control and assurance responsibilities

There are benefits and challenges inherent with each scenario. If RBAP chooses the pure service provider concept, it will have a partner to help rapidly expand the MABS installations, share the risk of expansion, help RBAP realize a higher and faster return on its invested capital, generate ideas and information resources, and ensure that RBAP has a simpler, smaller and more efficient management structure

The scenario where RBAP awards some contracts/licenses to service providers but retains one or more territories to be operated by the RBRDFI provides more revenue to RBAP and helps to build institutional capability, but RBAP assumes more of the risk and the management structure becomes more complex.

The best revenue generator appears to be when RBAP hires the additional staff and/or uses individual consultants to install the MABS Approach on a nationwide basis, but the management structure and staff administration is much more complex and RBAP takes on all the risk, i.e., the service provider buffer is eliminated.

RBAP Revenue Projection

The *MABS Approach* services and products must also be able to generate sufficient revenue to RBAP. RBAP can capture only a portion of the gross revenue of a service provider through continuing royalty fees and the gross profit realized on sales of product to the service providers.

The consultant has conducted a cost assessment and analysis of the different contract/license scenarios, and RBAP revenue projections. These are presented in Table 1, Comparative Cost Assessment and Analysis of Different Contract/License Scenarios. The summary details for each scenario are given below:

- Service Provider Scenario
 - RBAP gross revenue projection from royalties and product sales is Pesos 4,752,000

- Net revenue from the RBAP-MABS current expenses, which are Pesos 4,000,000. is Pesos 752,000
- No additional staff required

- RBAP Owner-Manager and Service Provider Scenario
 - RBAP gross revenue projection from royalties and product sales is Pesos 10,881,000
 - RBAP hires nine (9) new staff or consultants at an estimated cost of Pesos 4,860,000
 - RBAP net revenue is Pesos 6,021,000

- RBAP Full Staff Acquisition Scenario
 - RBAP gross revenue projection from royalties and product sales is Pesos 17,010,000
 - RBAP hires 18 new staff or consultants at an estimated cost of Pesos 9,720,000
 - RBAP net revenue is Pesos 7,290,000

The parameters used for the cost assessment and analysis, and revenue projections are shown in the following chart:

Fee for Individual Rural Bank Installation	Service Provider Revenue Projection Per Installation	RBAP Revenue Estimated at 20% Per Installation	RBAP Revenue on Product Sales Per Installation	RBAP Total Revenue Projection Per Installation
Pesos 189,000	Pesos 136,200	Pesos 37,800	Pesos 15,000	Pesos 52,800

Notes: 1. The minimum number of Rural Bank installations required to meet RBAP’s revenue requirements per year in each territory is 15 times six (6) territories equals 90 Rural Banks per year.
 2. One (1) staff person is required for each five (5) Rural Bank installations per year
 3. **The additional RBAP staff cost for the RBAP Full Staff Acquisition Scenario and the RBAP Owner-Manager Scenario is calculated at the same monthly rate projected for the service providers which is Pesos 30,000 per month or Pesos 360,000 per annum**

RBAP’s royalty will constitute a payment from the service providers equal to twenty percent of a Rural Bank unit installation fee (End User Fees [see Table 4]). This preliminary percentage figure was provided by the RBAP Deputy Operating Officer solely for analysis and revenue projection purposes, and may be changed by RBAP at a later date.

The consultant has also developed a proposed Product Reference Price List (see Table 2) to help RBAP generate sufficient revenue to meet the costs of providing licensing and training services to the organizations contracted or licensed to install the

MABS Approach. This total revenue will also enable RBAP to maintain quality control and assurance standards.

Table 2, Product Reference Price List

1.	<p>Product A. MABS Approach Training and Technical Assistance Installation CD</p> <p><u>Reference Price, RBAP Boxed MABS CD Product.</u> The Reference Price for MABS Approach Training and Technical Assistance Installation CD shall be Five Thousand (5,000 Pesos). RBAP reserves the right to change the Product. A minimum 10 sets constitutes the initial order.</p>
2.	<p>Product B. MABS Approach Training and Technical Assistance Manual and Train-the-Trainer Guide Bound Copies</p> <p><u>Reference Price, RBAP Bound MABS Product in 3-ring Printed Binder(s).</u> The Reference Price shall be Ten Thousand (10,000 Pesos). RBAP reserves the right to change the Product. A minimum 10 sets constitutes the initial order.</p>
3.	<p><u>Product C. MABS Marketing Kit.</u></p> <p>No charge.</p>
4.	<p><u>Product D. MABS Training including New Releases.</u></p> <p>No charge for maximum 4 Service Provider Staff during initial term of Agreement.</p>
5.	<p><u>Not for Resale (NFR) Copies.</u></p> <p>Not for Resale copies shall be provided free of charge to service providers for press evaluations, and on-going marketing activities according to the following guidelines:</p> <p style="margin-left: 40px;">a) Product Launch:</p> <ul style="list-style-type: none"> • 10 NFR demonstration copies of MABS Approach CD including Training and Technical Assistance Manual and Instructor Guide • 10 bound copies of MABS Approach Training and Technical Assistance Manual and Instructor Guide for demonstration
6.	<p><u>Additional NFR Copies.</u></p> <p>Service providers may purchase up to 5 additional Not for Resale copies per quarter at 50% of the Reference Price. The Reference Price shall be Pesos Seven Thousand, Five Hundred (Pesos 7,500).</p>

The proposed royalty fee and product reference price is based on an analysis of the following factors:

- RBAP revenue requirements based on staff salaries and overhead costs
- Fair and reasonable fee for the Rural Banks and an acceptable profit margin for the service providers
- Similar commercial product pricing
- Staff required by RBAP
- Yearly Rural Bank unit installation quotas (set at 15 per territory per service provider for analysis purposes)
- Staff needed by service providers to meet yearly installation quotas (set at one (1) per five (5) Rural Bank installations or three (3) total for 15 Rural Banks)
- Proposed number of territories (set at six (6))

RBAP's costs of providing MABS services and training to the service providers, and for maintaining quality control and assurance standards, can be met from the royalties and product sales. The cost assessment and analysis, and revenue projections for RBAP was balanced with the need to set a fair and reasonable fee for the Rural Banks, and ensure a profit for the service providers. Additional revenue from the MABS product may be obtained by RBAP through:

- product sales to other MFI installations conducted by the service providers (the service providers will not pay royalties to RBAP from sales to other MFIs)
- license fees and MABS product sales from the Chamber of Thrift Banks or similar organizations
- commercial MABS product sales

This combined revenue stream, when fully implemented and as new products and/or variations, are added should meet this expectation at least after one year of operation, but in the interim RBAP should expect to supplement its revenue from other funding sources.

A critical phase of the development of the service provider program is the creation of a prototype rollout to test and refine the concept. In its prototype product roll-out, RBAP-MABS can test operational systems and controls, designs, layouts, training methods, advertising and marketing programs, products and services, job requirements and descriptions, financial projections, etc. The prototype is a laboratory where problem areas can be identified, and the organization can develop solutions and truly see if the service provider program can work.

The streamlined *MABS Approach* must also be pilot-tested to confirm its viability. The minimum period of time to test the product in the pilot location(s) would be through the 10th month of the *MABS Approach* installation to ensure an initial profitable market using the streamlined *MABS Approach*.

RBAP will be guiding and assisting a network of independently owned and operated businesses rather than managing the day-to-day operations of those businesses. Its staff will function as consultants to the service providers and must possess certain specific skills: planning, leading, organizing, controlling, team building, decision making, problem solving and delegating. This staff, which will operate out of the MF Technical Services (MFTS) unit must be knowledgeable about MABS and the Rural Banks; be good trainers; be able to develop marketing plans and materials for the product; have the ability to motivate; and have the commitment to solve Rural Bank and service provider problems and cultivate positive relationships. The proposed skills and experience requirements for RBAP's MFTS unit staff are defined in Task 4.

RBAP will be the source from which their service providers purchase *the MABS Approach* product for four basic reasons: (a) to control the quality and uniformity of the product and services; (b) to assure a high and uniform quality product at a standard cost; (c) to protect confidential information, intellectual property and enforce copyrights; and (d) to be a revenue source for RBAP.

RBAP should grant exclusive or protected territories to the service providers to motivate effective market development. Service providers will be more inclined to invest in the development of the business if they have no same brand competition in the territory (see map of proposed territories in Annex 2 which was developed for scenario planning purposes only). This scheme will also ensure that Rural Banks have only one service provider to deal with, and not be over marketed by multiple service providers. The territory restriction includes all other microfinance institutions in the territory and all product sales, and is not limited to Rural Banks.

RBAP has the right to set aside one or more owner-managed territories. The service provider for the RBAP owner-managed territory(s) should be the RBRDFI. This contract/license must be operated in the same manner as all other contracts/licenses and follow the same rules, and must be completely separated from the functions of the MFTS unit. This division of responsibilities was also recommended by the RBAP Deputy Operating Officer.

RBAP must have effective operating and management systems for use by service providers in operating their MABS business. RBAP must also furnish certain services to service providers.

These include: (1) the MABS process and product; (2) effective initial and continuing training (effective training is critical to achieve positive attitudes regarding system standards, and the value of the *MABS Approach*); (3) sensible and complete specifications, standards and operating procedures (system standards), e.g., detailed specifications, standards and procedures for the development and operation of the MABS business and a well organized and readily understandable, i.e., "user friendly" operations manual); (4) advertising and marketing programs to maximize the advantage of the common identity of the network; (6) effective field service (knowledgeable and well

trained personnel); (7) research and development e.g., development of new products and services; and (8) development and improvement of services with value to Rural Banks and service providers e.g., customer referral/relationship management systems.

Tasks

The following sections include the findings and recommendations for each task.

Task 1: Assess the Potential Service Provider Pool

Findings

The consultant, with input provided from MABS, identified existing organizations in the Philippines who could be service provider candidates, and who have the expertise in the financial or microfinance sector, or as management consultants to install the *MABS Approach*.

The consultant sent inquiries to a large number of organizations including private sector consulting firms, foundations, and several universities, and also met with a cross-section of these organizations, as well as potentially qualified Rural Banks, and one rural bank confederation. The potentially qualified Rural Banks included those with training centers and/or sufficient expertise and resources to offer training, and with demonstrated expertise (mostly participating Rural Banks) to install the *MABS Approach*. The consultant, with support from MABS, scheduled interviews and meetings with these Rural Banks.

The consultant interviewed these potential service providers, and presented an overview of the *MABS Approach* and the streamlined installation process, as well as the service provider concept, the preliminary franchising model, and the RBAP-MABS proposed fee.

The consultant used the parameters for the current installation approach, and those for the streamlined approach recently developed by RBAP-MABS as a high-end and low-end benchmark to determine the best option(s) for installing the MABS Approach.

The results are summarized in the following bullets:

- Ten (10) organizations confirmed their interest, and want to continue receiving information about the *MABS Approach* Service Provider Program
- Two organizations are still evaluating the offer, and have not yet made a decision
- Four organizations did not respond to repeated inquiries so RBAP-MABS can assume they are not interested, and they should not be included in future correspondences

- PIDS and the Microfinance Council/Coalition of the Philippines were very interested in MABS, how it works, its success, etc., but the TA and training fall outside their mandate

The findings, issues and status are presented in Table 3.

Table 3, Potential Service Providers

Organization	Name	Type of Business	Current MF Training	Existing Available Staff	Preliminary Expression of Interest Confirmed	Willing to Travel	Issues
ARMDEV	Elda Montera	Management and Technical Consulting	None	No	Yes	Yes	None
AIM	Ron Chua	Education Institution	Yes	Yes	Yes	Yes	Fee and countrywide contract/license availability
APPEND	Noel Alcaide	Foundation	Yes	Yes	Yes	Yes	None
APRACA CENTRAB	Erlinda Lagmay	Foundation	Yes	Yes	Yes	Yes	N/A
CEFE Network	Nanette Villanueva	Foundation	None	No	Yes	Yes	None
Center for Research and Communications	Emilio Antonio, Jr.	Foundation	None	N/A	No; no response to inquiries	N/A	N/A
IDP Consult	Evelyn Orda	Management and Technical Consulting	None	No	No; still awaiting decision	To be Determined	MF fit with current practice/fee

Institute for Small-Scale Industries	Ernesto Pineda	Foundation	None	No	Yes	Yes	None
La Liga Policy Institute	Horacio Morales	Foundation	None	N/A	No; no response to inquiries	N/A	N/A
Madecor Group	Elpidio Rosario	Management and Technical Consulting	None	No	Yes	Yes	Fee
Microfinance Council/Coalition of the Philippines	Ed Garcia	Foundation	Yes	N/A	No; incompatible with mandate	N/A	N/A
PBSP	Patricia Corpus-Calilong	Foundation	None	No	Yes	Yes	Fee
PIDS	Mario Lamberte	Foundation	None	N/A	No; incompatible with mandate	N/A	N/A
PriceWaterhouse Coopers	Cosette Canilao	Financial and Management Consulting	None	No	Yes	Yes	Fee
PRIMEX	Elvira Ablaxa	Management and Technical Consulting	None	No	No; no response to inquiries	N/A	N/A

Punla sa Tao		Foundation	Yes; CGAP partner	Yes	Yes	Yes	None
Sea Consultants	Vincent Rodriguez	Management and Technical Consulting	None	N/A	No; no response to inquiries	N/A	N/A
SGV & Co.	Anthony Chua	Financial and Management Consulting	None	N/A	No; still awaiting decision	To be Determined	Fee quite below current rates
Tulya sa Pag- unlad	Ruben de Lara	Foundation	Unknown	N/A	No; no response to inquiries	N/A	N/A

A short paragraph description of each of the organizations that expressed interest follows below, and brochures are provided.

- **AIM (Asian Institute of Management):** AIM leads in the region's socio-economic transformation by offering unique educational opportunities and cross-cultural experiences to citizens from developing and developed economies worldwide. It remains that center of excellence where builders of Asian societies network to shape their progressive common future. Over 24,000 students from 30 Asian countries and 33 nations from other regions have completed graduate studies and executive education programs at the Institute. AIM offers a unique Asian approach to developing professional managers. Students are continually exposed to relevant situations drawn from the experiences of organizations in Asia through case method learning and hands-on field preparation. Degree and non-degree programs, as well as workshops, seminars and short courses are held throughout the year. AIM also designs customized programs tailored to the special needs of organizations. In-house training and consultancies are organized for specific areas of management, or for particular industries and sectors in the Asian business and development community region-wide. The curriculum is designed to enhance managerial capabilities to address the challenges of the globalized environment (see www.aim.edu).
- **ARMDEV (Associated Resources for Development):** ARMDEV is a technical and management consultancy firm specializing in ODA funded projects. Their work has included the financial sector, social development, the electric utility sector and more, and they have led projects for the ADB and USAID. ARMDEV is able to field a team of technical and training specialists in any discipline.
- **APPEND (Alliance of Philippine Partners in Enterprise Development):** APPEND is the pioneer in microfinance and one of the largest networks of microfinance organizations in the Philippines. It is the umbrella organization of nine affiliated NGOs operating independently under its leadership. These organizations offer group and individual credit and savings schemes that are tailored to the needs of the poor. APPEND is focused on improving the institutional capacity of its members in the areas of financial products, Management Information Systems, HRD and governance through training and technical assistance, research and development, information sharing and coordination. APPEND also assists Partners to adhere to high standards in their loan operations.
- **APRACA CENTRAB (Asia-Pacific Rural and Agricultural Credit Association and Center for Training and Research in Agricultural Banking):** This organization's objectives are the facilitation and

promotion of the transfer of innovative technologies, ideas and practices in rural finance between and among member-institutions and countries, facilitating the provision of training, and facilitating national, regional and international cooperation in training, special studies and research in credit and other rural financial systems. APRACA CENTRAB offers microfinance courses on an annual basis specifically in rural and microfinance products and services.

- CEFE Network (Philippine CEFE Network Foundation, Inc.): CEFE is a dynamic, innovative, and development-oriented organization, which believes that entrepreneurship plays a key role in the country's development. It envisions itself to be the country's widely recognized network organization promoting enterprise development through the CEFE approach. It is committed to providing programs and services aimed at managing the quality of enterprise development catalysts and assisting organizations in the establishment of systems for CEFE-based programs in the country, including financial self-sufficiency and management systems. The CEFE Network is a component of the Countryside Entrepreneurship Development Program has been set-up to promote micro and small enterprise development in different areas of the Philippines outside Metro Manila. It is the aim of the program to support business people with small service or production enterprises in various economic sectors employing three to twenty persons. Small and medium enterprises have a specific need for support in terms of:
 - knowledge about modern, adequate principles of running a business
 - access to loans from financial institutions, new and appropriate technology, input markets at competitive rates, product markets and information about market and other important developments
 - links to self-help, support or representative institutions
- PriceWaterhouse Coopers: PWC is an international financial and management consulting firm. They design their services to anticipate business trends, evaluate opportunities, and deliver value through practical business strategies and solutions, and training. Their approach is responsive to both global and local business issues, and is driven by industry knowledge and professional experience (see pwcglobal.com).
- PBSP (Philippine Business for Social Progress): Philippine Business for Social Progress (PBSP) is a private and non-profit foundation dedicated to promoting business sector commitment to social development. It was organized in December 1970 by 50 of the country's prominent business leaders, and has since grown to become the nation's largest and most influential business-led social development foundation. From an initial membership of 50 business companies, it has grown to more than 160 members, worked with some 2,500 partner organizations, provided over

P1.6 billion in financial assistance which supported over 4,400 projects, and benefitted close to 2.2 million poor households. For the past 30 years, PBSP has been the business sector's vehicle in delivering organized, professional, and sustainable assistance to the Filipino poor, particularly the landless farmers, fisherfolk, rural workers, urban poor, and indigenous cultural communities. An aggressive membership involvement program continuously invites corporations from all over the country to join the PBSP membership. As member companies, corporations commit to allocate 20 percent of one percent of net income before taxes to fund the Foundation's operations and programs. The Foundation considers as its key strengths: development technology, which is founded on the premise that development is about helping people to help themselves; and corporate support, in the form of financial resources, time and competencies that its member companies invest to help improve the quality of life of the Filipinos. PBSP is currently providing salary subsidies for Rural Bank's MABS staff in Luzon and the Visayas (see www.pbsp.org.ph).

- **ISSI (Institute for Small-Scale Industries):** The University of the Philippines Institute for Small-Scale Industries is a training, research and consultancy institute for small and medium enterprise development. Its mission is to empower SMEs so that they may fully contribute to the national goals of employment, equity and growth through the provision of relevant, timely, affordable, accessible and innovative programs and services in training, research studies, and counseling and information services (see upissi.net.ph).
- **MADECOR Group:** The MADECOR Group is an international consultancy, training and management firm specializing in a wide array of multi-disciplinary fields. For nearly three decades, MG has been part of development initiatives in Asia and the Pacific Region offering the best professional service and assistance to research and development projects in agriculture and rural development, education, forestry, fisheries, health and other social sectors, environment, training and management (see www.madecor.com).
- **PUNLA (PUNLA Sa Tao Foundation):** The Foundation helps to build the capacity of institutions to provide financial services to the poor in the Philippines and Asia. It is a social enterprise that offers entrepreneurial management services of training and consultancy, market research, program management and social investments to microfinance institutions, donors and investors. Punla was launched in 1995 by civic leaders and government poverty officials to serve the need for viable institutions that could deliver services to the poor. It is the only NGO organized as a capacity building institution for microfinance with a bias for remote and disadvantaged communities and the Filipino poor.

Several Rural Banks and one Confederation of Rural Banks were also contacted for interviews to assess their interest and capability as potential service providers, and also to determine what current training they are offering that would be beneficial to the rural banks. The Rural Banks were also questioned about the current MABS Installation process versus the streamlined approach, and their perceptions about the proposed fee. They are:

- Enterprise Bank, Inc.
 - Mr. Ignacito Alvizo
 - Expression of interest confirmed
 - Rural Banks, even small ones, have the funds to pay the *MABS Approach* installation fee; RBAP-MABS needs to prove cost vs. profitability projections
 - The streamlined installation process is fine
 - Concerned about confidentiality of information during IA process
- Network Bank
 - Mr. Alex Buenaventura with Eduardo De Castro (MABS)
 - Expression of interest confirmed
 - The new streamlined installation process is good
 - Doesn't see confidentiality as a problem
 - The fee will not be an issue for Rural Banks if RBAP-MABS can demonstrate an equitable cost/benefit ratio
- CARD Bank
 - Ms. Dolores Torres
 - No expression of interest
 - No response to inquiries
- Bank of Florida
 - Currently installing *MABS Approach*
 - Capability and interest to participate as a service provider will need to be determined based on installation and operations results
- New Rural Bank of San Leonardo
 - Mr. Andres Paganiban and team
 - Expression of interest confirmed
 - Established training center
 - Currently offering a training and in-bank TA program similar to MABS, and with a similar duration and fee
 - The suggested, streamlined installation process is acceptable and the fee is affordable for Rural Banks
 - Confidentiality could be an issue
- Bukidnon Cooperative Bank
 - Mr. Wilhelmina and team
 - Graduated MABS Participant Rural Bank
 - Expression of interest confirmed
 - Established training center
 - Offering traditional classroom training

- No concerns about confidentiality in their operations area
- Fee is feasible for rural banks if RBAP-MABS demonstrates previous success, and profit span based
- Rural Banks may need assistance for financing options
- Need significant marketing support from RBAP-MABS
- Isolated location may restrict participation by other banks and severely limit territory
- Confederation of Southern Tagalog Rural Banks
 - Mr. Virgilio Coronado, Jr.
 - Expression of interest confirmed
 - No major issues identified
 - No current training center
 - No current training offered

The Rural Bank of Cantilan is interested in the service provider licensing concept but is unable to pursue any application at this time. They are still perfecting the *MABS Approach* in the bank, and do not want to over extend and risk setbacks in their microenterprise lending program, which is the bank's "star performer."

Participating Rural Banks were also asked about their experiences with the current *MABS Approach* installation process and what recommendations they have for streamlining the process and making it more cost-effective. All of the Rural Banks contacted by the consultant feel that the current *MABS Approach* installation can be streamlined especially in light of the elimination of subsidies from RBAP-MABS and the Rural Banks having to absorb all the installation costs. Each Rural Bank representative reviewed the streamlined installation process and commented that the training and consulting process and the time seemed sufficient. This will become clearer and be validated when RBAP-MABS conducts a pilot installation using the streamlined approach.

The consultant also talked with several non-participating Rural Banks to obtain their observations and recommendations about the current *MABS Approach* installation process and cost, and if they have any suggestions about reducing the time and cost while ensuring they receive the same quality service and product installation. All of the questions raised by the non-participating Rural Banks were related to cost, and not only the *MABS Approach* fee, but the total program cost. All the Rural Bank representatives feel the fee is too high when the other costs are included and no subsidies from RBAP-MABS will be provided. However, this reaction is not uncommon since bankers or any business person would most likely have the same general response especially without knowing all the costs required to establish a microenterprise lending unit and when they can expect a return on their investment and how much. RBAP-MABS should conduct a survey of the non-participating Rural Banks to assess the actual demand for *MABS Approach* installations, and to determine how many Rural Banks are qualified to participate. The results will be included in the Service Provider Program Description in the Request for Application sent to service providers.

The non-participating Rural Banks could not comment on the current or streamlined installation timeframes because they have no experience with either one.

Chamber of Thrift Banks

The MABS Chief of Party and the consultant met with the President of Planters Bank and the Executive Director of the Chamber of Thrift Banks. The Chamber is very interested in securing a license from RBAP to install the *MABS Approach* for the thrift banks, and they want to proceed as soon as possible. This license could be granted independently of the service provider program for the Rural Banks as soon as the technical and training materials are prepared for commercial distribution and the training program for service providers can be ready to offer to a core group from the Chamber. The consultant recommends that the Chamber be charged a royalty fee based on the purchase price of the MABS materials just like the service providers, but at a slightly higher cost; Pesos 20,000. The consultant's review and analysis of current pricing for similar commercial products is the driving factor behind this recommendation, but the proposed cost also takes into consideration the Philippine business services market, and the fact that the Chamber can pass this on to the thrift banks.

The Service Provider Agreement in Exhibit 3 for service providers can easily be modified for the Chamber however, RBAP should not grant exclusive rights to the Chamber for the thrift banks. This will cut into the service provider market and have a potential adverse impact on setting a fair and reasonable fee for the Rural Banks, that is, it would eliminate a large potential market for the service providers where they can charge market-based fees to help off-set the low fees set by RBAP-MABS for the Rural Banks. And anyway, the Chamber will probably have the same problem of meeting the demand of the thrifts alone since there are 108 thrift banks and 1,200 branches.

Bangko Sentral ng Philipinas

The consultant also met with Mr. Eduardo Cabral Jimenez, Microfinance Consultant, Officer of the Governor, Bangko Sentral ng Philipinas (BSP), and Mr. Ricardo P. Lirio, Managing Director, Supervision and Examination II. The BSP is strongly committed to microfinance, and their knowledge and expertise should be drawn on to support the microfinance and microenterprise-lending program of RBAP-MABS and the Rural Banks.

Recommendations

If RBAP-MABS decides to proceed with the service provider program each organization and Rural Bank, which have expressed their interest should be notified. This notification should include as much new information as possible and a projected schedule of events based on revisions to the consultant's draft implementation schedule presented in Task 5. RBAP-MABS must be in close contact with interested service providers during the development of the *MABS Approach* Service Provider Program to keep them apprised of any changes.

Task 2: Estimate Fees for Installing the *MABS Approach*

Findings

The service providers, even the foundations and NGOs, have to make a profit or at least not lose money or they will not participate. The fee must cover at a minimum all their costs and provide them with at least a 10% profit if the MABS Approach Service Provider Program can be feasible. Now, of course, they will take into consideration what they are getting in terms of corollary benefits, such as, a ready made new product line, an established, eager client base, a larger off-market MFI client base as well as ??? They know that the Government of the Philippines is pushing microfinance so they will perceive the opportunity for additional business in the coming years, and MABS provides them with a natural entre into that business. This will factor into their qualitative projections for the new profit center. But they will still need to make a small profit to justify the investment to themselves if they are owners, to the board, to their partners, etc., and/or at least breakeven if they are foundations or NGOs.

The objective here is to determine the most reasonable and fair cost for the Rural Banks and the most reasonable and profitable fee for the service providers. Balancing these two concerns is not easy.

On the other side of this issue are those concerns about the Rural Banks willingness to pay, especially small Rural Banks that claim they do not having enough capital to pay. (Note that of the 790 Rural Banks more than 600 of them have assets totaling less than P75 million.) This last issue raises questions about these so called under capitalized Rural Banks being qualified to participate in the program. The Rural Bankers themselves, especially those participating in MABS, and who understand the profit margins feel that Rural Banks will pay a reasonable fee when they know just how much money they can make. In public fora, non-participating Rural Banks remark about the high fee, but in private conversations many have admitted that bankers have the money and will pay when they understand the profit margins. The Rural Banks are owned by individuals and families, and while the Rural Bank itself may have a small capital base, these owners are often well-off and could afford the fee if RBAP-MABS is able to demonstrate the profit margin. Of course, these profit margin projections must include total costs such as salaries, overhead, transportation, facilities, software, etc.

A few of the participating Rural Banks are also interested in applying for a service provider contract/license. Some are offering training now, but its all classroom training, except for the New Rural Bank of San Leonardo, which is not a participating Rural Bank. This Rural Bank appears to have a very successful MABS program.

Then there is the cost analysis. It's simple arithmetic. If the total installation fee for each Rural Bank is Pesos101,000 for 21 training days and 15 TA consulting days then the daily rate is Pesos 2,806, and even RBAP-MABS is proposing Pesos 3,500 for additional TA consulting days. This is very low even by local standards, and certainly

when the specialists needed to run the MABS Approach installation require the following minimum skills:

- 5 years experience in banking management
- a good background in and understanding of:
 - banking, finance and accounting
 - lending and credit analysis
 - marketing
 - human resource development
- excellent written and oral communication skills
- excellent interpersonal relationship skills
- Bachelor's degree in business, accounting or related field
- willingness to travel in and around all areas of the Philippines
- excellent consulting and facilitation skills
- able to work independently
- experience training adults
- some experience with microfinance desirable
- marketing/business skills desirable

This level of skilled individual is going to cost anywhere from a very, very conservative estimate of Pesos 30,000 per month all the way up to 60,000 per month. So taking an average monthly salary of Pesos 45,000 the service providers will be paying around Pesos 2,250 per day in salary and then have to add their overhead, facilities, travel, venue and meals for the training, etc.

That is also why service providers must be granted unlimited coverage in their territory, including setting a market-based fee for non-Rural Bank MFIs so they can use this additional market and fee structure to offset the low fee and costs for installing the MABS Approach in Rural Banks. And if they choose to do so, as some potential service providers have indicated they want to, they can market the *MABS Approach* outside the Philippines for the same reason. But they will be required to purchase the MABS product from RBAP. The service providers must, however, establish a priority rollout plan for the Rural Banks in their territory, which RBAP must approve before they can market other MFIs in the Philippines or internationally.

Recommendations

The consultant talked to a lot of potential service providers and while they were not in a position at this time to make a definitive analysis of the fee because they don't know all the costs, they all said the fee is too low based on their current consulting fee rates, which they would not disclose.

So the question is, how to derive and set a standard installation fee that is fair and reasonable for the Rural Banks and the service providers?

The consultant proposes a split daily rate fee of Pesos 3,000 for training and Pesos 7,500 for technical assistance (see Table 3) to start with, and discussion and further analysis for each activity in the *MABS Approach* streamlined installation process. This proposed fee takes into account the consultants past extensive experience conducting training and consulting throughout the Philippines including arranging for logistics and costs, hiring full-time staff and negotiating consultants fees, paying reproduction and materials binding costs, etc. The level of skill and experience required for a MABS installation specialist (see above), and the necessity for these specialists to be able to start marketing, training and installing MABS immediately after the initial service provider training. Otherwise, if as in the case of the staff that RBAP has recently hired that will take a minimum six months to a year to train to install MABS then the objective of reaching out to more Rural Banks as quickly as possible will not be feasible.

The following projected cost analysis also shows how service providers can meet their costs and make a profit:

-

Table 4, End User Fees

INSTALLATION ACTIVITY	DAYS		FEE (Pesos)	
	Training	Technical Assistance	Training	Technical Assistance
Sr. Mgrs. Orientation/ Market Assessment TA	.5	.5	1,500	3,750
IA		1		7,500
IS (optional)		(as required)		
Market Survey	3	3	6,000	22,500
Product Development Business Planning MIS Gap Analysis Setting Up the MFU	5	3	15,000	22,500
CI/BI Cash Flow Analysis	3	6	9,000	45,000
MIS	3	0		
Loan Delinquency Mgmt. Internal Control Loan Administration Product Review	5	0	15,000	0
Operations Review				
Year 1	0	3		22,500
Year 2	0	6		45,000
TOTALS	19.5	22.5	46,500	168,750
			TOTAL	215,250

This daily rate fee for each activity also correlates with the consultant's proposed recommendations for the slight modifications for the TA and training (see explanation in Task 2, and Annex 3 and 4. Based on these proposed modifications the proposed total fee is Pesos 189,000.

The final Service Provider Program Description will need to contain more accurate cost information based on the decisions RBAP-MABS makes about the territories, the potential number of qualified Rural Banks in each territory, BSP data on performance, etc.

Task 3: Training Options

Findings

The consultant conducted a detailed analysis and review of the Training and Technical Assistance Manual and train-the-trainer materials to determine if they contain

the needed job aids, case studies, etc., and meet the requirements of adult learning principles and methodologies. The consultant did not evaluate or validate technical content, but did review the technical information content, flow and sequence (based on the consultant's research of other training and documentation materials relevant to microfinance from www.cgap.org, www.mip.org, and from other sources).

The consultant also assessed the usefulness and effectiveness of the training materials from participating Rural Bank's perspectives including during training/TA and using the Manuals as a desk reference guide during and after the installation process is completed. The consultant conducted a very detailed review of the training materials and documentation, and also used selected volumes during briefings with potential service providers to show them the extent of the training documentation and guidelines, and get their initial reaction. On the surface, the potential service providers found the materials comprehensive and extensive, as did the Rural Bank representatives. General findings are:

- The Training and Technical Assistance Manual and train-the-trainer materials are comprehensive, interactive and competency-based
- The manuals use an efficient, topic concise modular format
- The manuals incorporate an extensive tool-based learn by doing approach
- The Training and Technical Assistance Manual can also be used as a desk reference guide
- The training and TA process uses an effective TFA (training, feedback, action) loop when participants complete assigned activities, learned in the workshop, in the Rural Bank, and RBAP-MABS provides written comments and suggestions on improving the work
- The current training procedures and methods are very valid, and the consultant's proposed recommendations for changes are minor and mostly relate to the fee payment schedule for the various activities

Very specific and detailed findings are contained in Appendix 4.

The consultant reviewed the streamlined Training Curriculum developed by RBAP-MABS (see Annex 3, PowerPoint Slide 1). This review was specifically conducted to identify and/or propose various options for structuring the training within the context of the service provider program especially since Rural Banks will be completely responsible for the fee with no more subsidies from RBAP-MABS. These options are shown in Annex 3, PowerPoint Slide 2, and discussed under ***Recommendations*** in this section.

In addition, the consultant analyzed various options for conducting the training for service providers with a focus on the streamlined *MABS Approach*. These options included

- the current workshop approach used by RBAP-MABS, which includes on-site review of high-performance participating Rural Banks

- web-based training and/or interactive CD-Rom using a companion workbook (Technical Assistance and Training Manual and Train-the-Trainer Guide and on-site observation in high-performance participating Rural Banks

The consultant also assessed the RBAP capability to maintain and add new content to the training materials and documentation, and has recommended a process for RBAP to update the training/TA materials based on research and development by the MFTS unit, and service provider and participating Rural Banks input.

Recommendations

The consultant's review of the training materials and technical assistance guidelines covered an assessment of the validity of current training procedures and methods as well as an information and content flow assessment. The following minor recommendations for modifications are mostly understood and already planned by the RBAP-MABS team.

- The IA should be before the invitation to participate/disqualification letters in the Manual when Rural Banks will shoulder the entire cost
- The Manuals should be packaged as a desk reference guide for Rural Bank MF unit staff, as the monitoring guideline for the MFTS Unit, and for the service provider post-installation support guide
- An easy to use packaging/reproduction format is needed for RBAP, Rural Banks, and service providers to ensure the MABS product is very user friendly
- The maximum number of participating Rural Banks in the proposed *MABS Approach* installation should be no more than five (5) with a maximum of three participants each which will ensure an effective participant to trainer/TA consultant ratio (15:1), and to maintain the current high-level of quality and success rate
- Include more narrative descriptions, reference material, references, for example, www.cgap.org, www.mip.org, case studies (see Rural Bank of Panabo, Philippines @ www.cgap.org/assets/images/rbp.PDF), best practices, Rural Bank success stories, reference tools (see CGAP Product Costing Tool, www.cgap.org/assets/images/Draft%20Product%20Costing%20Tool.pdf), etc., to make the Technical Assistance and Training Manual and the train-the-trainer materials a commercially viable product for RBAP to sell internationally and through the Internet website, and to help service providers expand their service to other MFIs within their territory in the Philippines and internationally if the choose

The best option for RBAP-MABS to use for training service providers is the current approach, which is very structured, intense hands-on workshop using the Technical Assistance and Training Manual and the Train-the-Trainers Guide, and on-site review of operations and management practices in high-performance participating Rural Banks.

The optimum training period for service providers is 20 days broken down into 10 days intensive, hands-on workshop and 10 full days in several top-of-the-line participating Rural Banks; a medium to small one and a large one (travel days cannot be counted as training days). The on-site training in Rural Banks must include a thorough review of the complete *MABS Approach* installation and product development outcomes. This will give the service provider staff the knowledge and skills they need to immediately start marketing and installing the *MABS Approach* in Rural Banks. RBAP-MABS must also provide training on operating and managing the service provider program.

The consultant also has some recommendations on how to structure the streamlined *MABS Approach* program. First, the consultant has revised the PowerPoint Slide 1 in Annex 3 to reflect a title change from Training Curriculum to *MABS Approach* Technical Assistance and Training Program (see PowerPoint Slide 2 in Annex 3; proposed modifications are shown in boldface type). The *MABS Approach* is not just a training program. It is a technical assistance and training program designed to set-up a profitable microenterprise-lending and savings program. This is what distinguishes the *MABS Approach* from all the others, and it can't be done with classroom training only.

The consultant also recommends adding an optional, as needed Institutional Strengthening (IS) activity (this can be easily adapted from the new IS program being used to strengthen Rural Banks in the ARRM), which will identify problem areas and recommend solutions for Rural Banks that did not qualify initially but have a chance to. The consultant has added additional days for this activity and proposed some other minor corrections to the pre-qualification phase.

Second, since the Rural Banks will pay the entire fee for the *MABS Approach* installation a graduated fee based on a daily consulting rate should be how the Sr. Managers Orientation Course, the preliminary screening, Institutional Assessment (IA) and Institutional Strengthening (IS) as required, and the Market Survey activities are charged by the service providers; lump-sum fee payments only start once a bank is Invited to Participate.

The consultant recommends that the Rural Banks pay the daily consulting fee of Pesos 7,500 proposed by the consultant (see Task 2) for the Sr. Managers Orientation and prescreening, the Qualification process including IA and IS (as required), and the Market Survey since these are go-no/go checkpoints for the MABS Approach installation.

In addition, the fee payment for activities in Months 3-4, 5, 6, 7 and 8-10 should be graduated for example, 25% of the total fee for the activities in Months 3-4. The remainder of the lump-sum fee for Months 5, 6, 7, and 8-10 should be remitted at the start of Month 3 directly to the service **provider since the RBAP revenue is based on royalties received from the sale of the MABS product to service providers and external clients.**

The proposed daily fee of Pesos 7,500 should also be charged to Rural Banks for additional consulting requested by the Rural Bank and/or recommended by the service provider for Institutional Strengthening or post-installation on-site technical assistance consulting.

The MFTS unit can update and maintain the technical assistance and training materials including the CD-Rom and marketing kit materials through research and development and user feedback, and track the changes using a version control system. The training for new releases offered to service providers must follow this same system.

The first issue of the product set including all of the above materials and the training should be marked as Version 1.0 and subsequent versions during a calendar year released as Version 1.1, 1.2, etc. The first version released in the following and subsequent calendar years should be marked Version 2.0, 3.0, etc., and using the sub-version release markings, 2.3, 3.1, etc., during the year. The product set is defined as the (see Table 2, Product Reference Price List)

- RBAP Boxed MABS CD Product
- RBAP Bound MABS Product in 3-ring Printed Binder(s)
- MABS Marketing Kit
- MABS Training including New Releases

If there are no actual changes to any of the above products then RBAP must include such advice in the release notes. Release notes will be prepared by the MFTS unit for every release, and include important facts and information, and any guidelines required on how to implement the change. Change pages can also be provided to all registered users including Rural Banks, other MFIs, and international customers when the change is not sufficient to warrant a new release; less than 5%. The release cost for each version should be prorated among the service providers, and the other MFIs and international customers should be charged a fee equal to 25% of each product on the reference price list.

The MABS training for New Releases should carry the same, identical version release numbers, and the training should be provided to the service providers when a new version is released.

With this staff complement for the MFTS unit including the skills and experience requirements and responsibilities (especially research and development and tracking inputs from the Rural Banks and service providers), and using the version control system the MFTS unit should have no difficulty updating and maintaining the MABS product. This assessment also takes into consideration the support from MABS through September 2004.

Task 4: RBAP Performance Monitoring Options

Findings

The consultant has developed a set of tailored guidelines on service provider performance monitoring, quality assurance and standards compliance. The final RBAP Service Provider QA and Standards system will include processes and procedures for monitoring every activity described in the section entitled The MABS Approach Service Provider Program.

The consultant has developed the following initial recommendations that RBAP should use, as a minimum, to monitor and ensure the same quality assurance and standards under a the service provider model as MABS has now:

- build on the quality assurance and standards program within the Microfinance Technical Services (MFTS) unit at RBAP
- set-up the (MFTS) unit as the franchisor for RBAP
- refine the current quality assurance and standards program to fit the service provider concept
- implement a hotline in RBAP to automatically record client (Rural Bank) and service provider calls, and a corollary computer-based tracking program to monitor reports from the Rural Banks, follow-up actions taken by the service provider, collect ideas and innovative suggestions from Rural Banks and service providers
- *design*, which means describe and define the parameters of, a basic CRM (customer relationship management [CRM]) system that can be uploaded to the RBAP-MABS website and/or run independently (see Exhibit 5)
- *design*, describe and define, a mechanism that service providers can use to report and record issues concerning installations, materials, RBAP support, etc., using a call-center approach or through the RBAP-MABS website/CRM

Recommendations

The consultant recommends converting the MFTS unit at RBAP from an installer of the MABS Approach to the franchisor for RBAP, which has no installation responsibilities. The MFTS unit staff will no longer install the *MABS Approach*, but will have the sole responsibility for monitoring, quality control and assurance. The RBRDFI will have a reserved territory from the final territory partition, and RBAP will also obtain revenue from this owner-managed contract/license through royalties based on sale of the MABS products, but the RBRDFI will be completely independent from the management and operations of the MFTS unit, which will exercise the same monitoring and quality assurance and standards compliance over the RBAP owner-managed contract/license.

In addition, once the *MABS Approach* Service Provider Program is fully implemented the MABS team will only be allowed to support MABS installations in the RBAP owner-managed territory, as well as provide full support to the MFTS unit for its functions.

The staffing for the MFTS unit should be a mix of headquarters and field staff which comprise microfinance specialists including an MFTS unit supervisor, MF specialists at headquarters, field staff, and a system administrator. The MFTS unit supervisor will report directly to the RBAP Deputy Chief Operating Officer.

The other MF specialists will monitor *MABS Approach* installations to ensure standards, and maintain quality control and assurance, conduct research and development, provide training to service providers, and maintain and update technical assistance and training materials. The minimum qualifications for the MF specialists including the supervisor should be:

- university degree, preferably in finance, accounting, business administration or a related field
- 2 years work experience in a financial institution
- microfinance experience desirable
- business or management consulting experience desirable
- excellent written and oral communications skills
- excellent facilitation skills

The MF supervisor should have experience in managing a quality control and assurance function, and monitoring consultants and/or geographically separated business units.

The MFTS unit will set-up a client and service provider monitoring system consisting of secure voice and e-mail transactions and which will be controlled by a system administrator. The system administrator will report to the MFTS unit supervisor on daily operational matters, but will report events within the secure monitoring system to the MFTS unit supervisor and the RBAP Deputy Chief Operating Officer simultaneously. The system administrator will also maintain corollary systems that may be required for the smooth operation of the service provider program and maintain the master electronic files and version control for the *MABS Approach* products.

Task 5: Outsourcing Implementation Approach

Findings

The processes and milestones for implementing the service provider program and the budget include the following elements:

- MABS Service Provider Program Design and Implementation
- Marketing Kit
- Technical Assistance and Training Materials
- Design CD-Rom Product
- Video

The consultant has developed a draft implementation plan with milestones and a budget, which RBAP-MABS can modify and finalize as the service provider program development proceeds.

Recommendations

The Draft Implementation Plan, Schedule and Budget are presented in an Excel spreadsheet in Appendix 5. The budget to complete all the activities is estimated at US\$162,000.00 (this budget does not include salaries for the RBAP MFTS unit or MABS staff). This is calculated on an activity basis using formulas and standard consulting rates for training design and development, desktop publishing, technical documentation writing, management consulting for the design of the *MABS Approach* Service Provider Program, etc. A team consisting of different specialists with the above skills will be required.

This is a work in progress and must be reviewed before and after each milestone to determine what changes may be necessary to make the implementation as smooth and seamless as possible.

As the service provider decision-making process proceeds, both the Rural Banks and remaining interested service providers must be kept informed on a regular basis of the progress and changes or new additions to the program parameters and criteria.

Conclusion

There are many decisions and decision points that RBAP-MABS, the RBAP Board, and the member Rural Banks must make before deciding if the *MABS Approach* can be installed using commercial service providers and/or Rural Banks. This decision-making process must also include the development and nurturing of a strong partnership with the commercial service providers during the program design and certainly afterwards during implementation.

The service provider concept can work using any one of the three (3) scenarios presented in this report. The precise make-up of the fees, territories, agreements, product purchase price and all the other variables including the pilot test results of the streamlined *MABS Approach* to ensure its viability will take time.

The consultant recommends that RBAP use the Service Provider Scenario because it:

- generates the required revenue
- provides a more equitable revenue split between RBAP and the service providers
- helps RBAP rapidly expand the MABS installations to meet the Rural Bank demand beyond the minimum 90 per year to meet RBAP's revenue requirements

- gives RBAP several partners to share in the risks of expansion
- generates ideas/resources to improve the *MABS Approach* and product
- give RBAP has a simpler, smaller and more efficient management structure
- service providers can hire and manage the staff required to install the *MABS Approach* in more than the 15 minimum Rural Banks in a year

The proper design and integration of all these components will help RBAP-MABS meet the demand from the Rural Banks to install a high quality, profitable microenterprise lending program.



MABS Approach
**SERVICE PROVIDER
FEASIBILITY STUDY**
Luzon
Visayas
Mindanao
RBAP-MABS USAID CHEMONICS

Annex 1

Potential Service Provider Names and Addresses

Organization	Name	Address, Telephone & E-mail	Type of Business	Current MF Training	Preliminary Expression of Interest Confirmed	Issues	Status
ARMDEV	Elda Montera	1C Masanurin cor. Anojas Extension, Sicatuna Village, Quezon City, tel. 924-4821/email; armdevin@info.com.ph	Management and Technical Consulting	None	Yes	None	Pre-qualified
AIM	Ron Chua	Paseo de Roxas Avenue, Makati, tel. 892-4011, loc. 169	Education Institution	Yes	Yes	Fee and master franchise availability	Pre-qualified
APPEND	Noel Alcaide	Suite F&G, 21 st Floor, Strata 100 Building, Emerald Avenue, Pasig City, tel. 636-6957	Foundation	Yes	Yes	None	Pre-qualified
APRACA CENTRAB	Erlinda Lagmay	2 nd Floor, PNB Financial Center, Roxas Boulevard, Pasay City, tel. 551-1741	Foundation	Yes	Yes	Fee and program structure	Pre-qualified
CEFE Network	Nanette Villanueva	#10 Kasaganaan Street, Kasibulan Village, Cainta, Rizal, tel. 656-3296	Foundation	None	Yes	None	Pre-qualified

Organization	Name	Address, Telephone & E-mail	Type of Business	Current MF Training	Preliminary Expression of Interest Confirmed	Issues	Status
Center for Research and Communications	Emilio Antonio, Jr.	4 th Landing, ADB Building, University of Asia and the Pacific, Pearl Drive, Pasig City, tel. 634-2831	Foundation	None	No; no response to inquiries	N/A	None
IDP Consult	Evelyn Orda	Philippine Social Science Center, Commonwealth Avenue, Dilliman, Quezon City, tel. 920-4606/email; eaorda@pacific.net.ph	Management and Technical Consulting	None	No; still awaiting decision	MF fit with current practice /fee	To be determined
Institute for Small-Scale Industries	Ernesto Pineda	E. Virata Hall, E. Jacinto Street, UP Dilliman, Quezon City, tel. 927-9238/email; pineda@up.edu.ph	Foundation	None	Yes	None	Pre-qualified
La Liga Policy Institute	Horacio Morales	Room 2103 Medical Plaza Building, San Miguel Avenue, Pasig City, tel. 687-4838	Foundation	None	No; no response to inquiries	N/A	None

Organization	Name	Address, Telephone & E-mail	Type of Business	Current MF Training	Preliminary Expression of Interest Confirmed	Issues	Status
Madecor Group	Elpidio Rosario	10001 Mt. Halcon Street, Omali Subdivision, Los Banos, tel. 536-0054/email; elrosario@madecor.com	Management and Technical Consulting	None	Yes	Fee	Pre-qualified; has identified and is ready to hire MF specialists
Microfinance Council/Coalition of the Philippines	Ed Garcia	Basement, Padilla Building, Emerald Avenue, Pasig City, tel. 635-0156	Foundation	Yes	No; incompatible with mandate	N/A	None
PBSP	Patricia Corpus-Calilong	Real cor. Magallances Sts, Intramuros, tel. 527-7741/email; patty@pbsp.org.ph	Foundation	None	Yes	Fee	Pre-qualified
PIDS	Mario Lamberte	NEDA sa Makati Building, Amorsolo Sreet, Makati, tel. 810-6261/email; mlamberte@pidsnet.pids.gov.ph	Foundation	None	No; incompatible with mandate	N/A	None

Organization	Name	Address, Telephone & E-mail	Type of Business	Current MF Training	Preliminary Expression of Interest Confirmed	Issues	Status
Price Waterhouse Coopers	Cosette Canilao	29 th Floor, Philam Life Tower, 8767 Paseo de Roxas, tel. 845-2728 /email; cosette.v.canilao.ph.pwcglobal.com	Financial and Management Consulting	None	Yes	Fee	Pre-qualified
PRIMEX	Elvira Ablaxa	502, Manila Luxury Condominum, Pearl Drive, Ortigas Center, tel. 633-9052/email; primex@unet.net.ph	Management and Technical Consulting	None	No; no response to inquiries	N/A	None
Punla sa Tao	Chris Lomboy	Room 206/306, CRM 3 Bldg., 106 Kamias Road, Quezon City, tel. 928-1257/email; punla@info.com.ph	Foundation	Yes; CGAP partner	Yes	None	Pre-qualified
Sea Consultants	Vincent Rodriguez	2/F, Concorde Building A, Benavidez cor. Salcedo Streets, Legaspi Village, tel. 815-8790/email; seacon@info.com.ph	Management and Technical Consulting	None	No; no response to inquiries	N/A	None
SGV & Co.	Anthony Chua	SGV I Building, 6760 Ayala Avenue, tel. 894-8291/email; anthony.q.chua@ph.andersen.com	Financial and Management Consulting	None	No; still awaiting decision	Fee quite below current rates	To be determined
Tulya sa Pag-unlad	Ruben de Lara	Basement, Unit 4, Padilla Bldg., Pasig City, tel. 635-0156	Foundation	Unknown	No; no response to inquiries	N/A	None



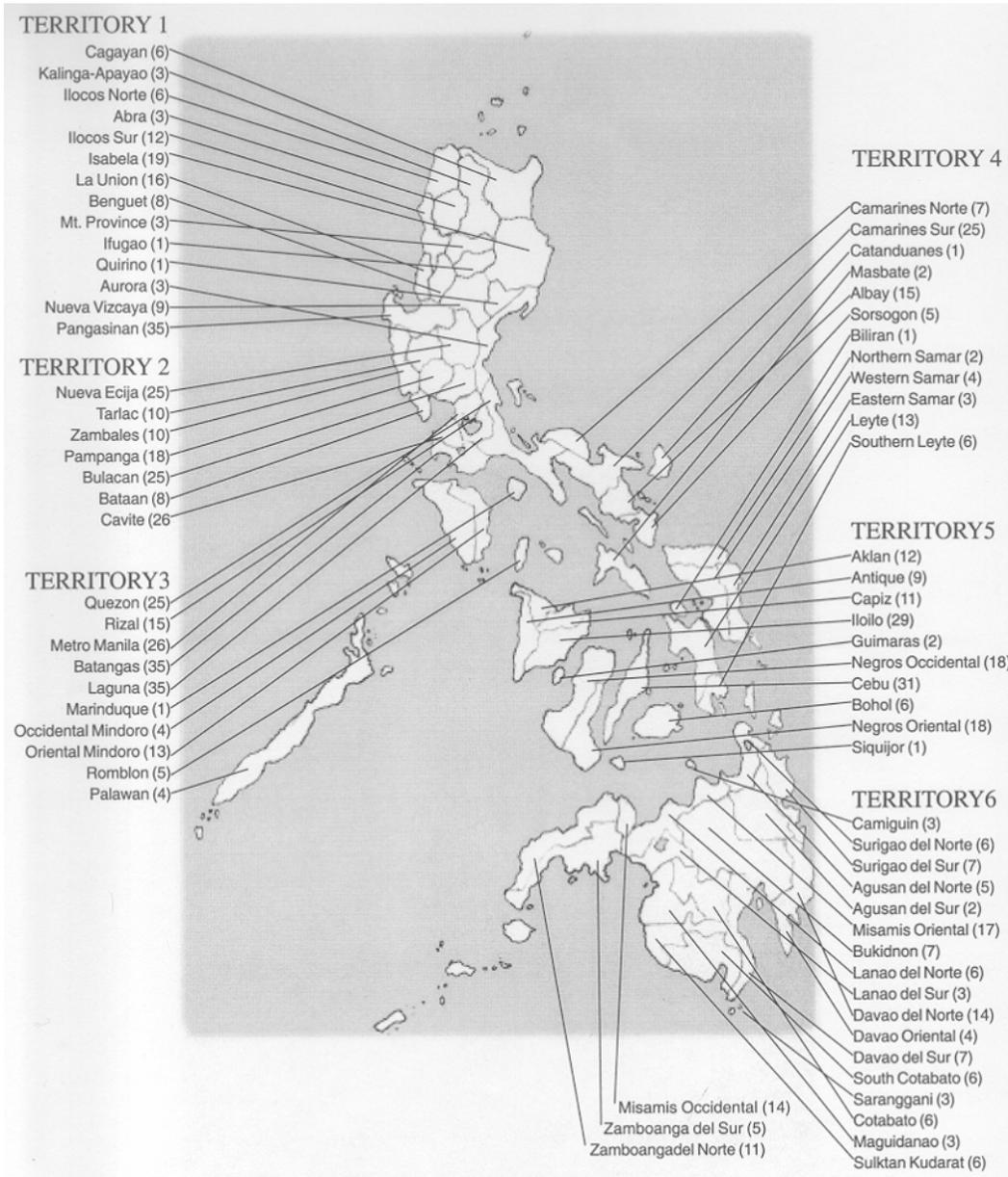
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Annex 2

Proposed Territory Map

Proposed Territory Map

This map was developed for scenario planning purposes only. The numbers of Rural Banks in each location were provided by RBAP, and the territory division was based on a relatively equal number of Rural Banks in each one.





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Annex 3

Consultant's Proposed Revisions to the
Streamlined *MABS Approach*; PowerPoint Slides
1 and 2

Training Curriculum

	Month 1	Month 2	Month 3-4	Month 5	Month 6	Month 7	Month 8-10
Training Module	Sr. Mgrs. Orientation Course	Market Survey	Product Dev't Business Planning MIS gap analysis Setting up the MFU	CIBI & Borrower Cash Flow Analysis	Mgt Information System (MIS)	Loan Delinquency Management Internal Control Loan Administration Product Review	Operations Review
Duration	2 days	3 days w/ 3 days TA	5 days w/ 3 days TA	3 days w/ 6 days TA	3 days	5 days	3 days TA
Outputs	Core group organized	Market survey report	Product manual Business plan MIS gap analysis report MFU organized AOs hired	Start of product test	MIS reports Monthly MFU performance reports	Enhancements to product features and lending procedures	End of product test Operations review report Product launching
Participants	COOs & Core Group leaders	Core group	Core group	MFU supervisor & AOs Core group	Core group MIS head/staff	Core group	

MABS Approach Technical Assistance and Training Program to Install a Microenterprise Lending Program

	Month 1	Month 2	Month 3-4	Month 5	Month 6	Month 7	Month 8-10
Training Module	Sr. Mgrs. Orientation Course/IA (add Inst. Strengthening [2 days] to IA as required)	Market Survey	Product Dev't Business Planning MIS gap analysis Setting up the MFU	CIBI & Borrower Cash Flow Analysis	Mgt Information System (MIS)	Loan Delinquency Management Internal Control Loan Administration Product Review	Operations Review
Duration	1/1 day	3 days w/ 3 days TA	5 days w/ 3 days TA	3 days w/ 6 days TA	3 days	5 days	3 days TA-year1 6 days TA-year 2
Outputs	Core group organized (Rural Banks can send the MF Supervisor also)	Market survey report (Rural Banks can send only the MF Supervisor to hold down costs)	Product manual Business plan MIS gap analysis report MFU organized AOs hired (Rural Banks may send only one AO)	Start of product test (Rural Banks hire remaining AO[s] at their discretion)	MIS reports Monthly MFU performance reports	Enhancements to product features and lending procedures	End of product test Operations review report Product launching
Participants	COOs & Core Group leaders	Core group	Core group	MFU supervisor & AOs Core group	Core group MIS head/staff	Core group	

PowerPoint Slide 2



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Annex 4

Review and Analysis of *MABS Approach* Training and Technical Assistance Manual and Train-the-Trainer Guide

Review and Analysis of MABS Training and Technical Assistance Manual and Train-the-Trainer Guide

The consultant conducted an extensive and comprehensive review of the training process and materials including the methodology to assess if there are other, more effective ways of delivering the MABS Approach. The review was carried out in conjunction with a review and analysis of the streamlined Training Curriculum.

The results of this review are included below by Chapter and Section.

Training and Technical Assistance Manual

General Observations

1. Include easily identifiable, behavioral learning objectives in each Manual for each Section.
2. Set 2 column format; 1/3 left column and 2/3 right column.
3. Include sections on Target Audience, References, Materials Required, Training vs. Desk Reference Guide, etc., in each Manual.
4. Integrate transparencies with text using a “snapshot” format in the left column, and expand bullets within text to provide an in-Bank desk reference guide.
5. White space, white space, white space, more white space to break up text and make the Manual easier to use.
6. Include pictorial graphics relevant to the Philippines uniqueness
7. Use unique graphic identifiers for cases, exercises, tools, etc.
8. Set standard style and shading for tables and graphs..
9. Include sidebars and callouts for key points, Rural Bant success stories, etc., in right column.
10. Include clues, tips, key points, etc., in left column.
11. Use creative but not fancy fonts as graphics; include fonts on electronic media .
12. Use different size headings for emphasis.
13. Include references to microfinance websites, for example, www.cgap.org, www.mip.org, etc., where best practices, success stories and lessons learned can be accessed and analyzed for relevance to the Philippines as well references manuals, training and guidelines on microfinance and microenterprise lending.
14. Develop a RBAP/MABS logo to replace the MABS-M logo, and a “rural banking in the Philippines” graphic for the cover page.
15. Describe the Manual; not just training, but technical assistance guidelines, desk reference guide, etc.
16. Include lessons learned from best practice Rural Banks.
17. Package modular (sectional) materials in an easily identifiable format in paper and electronic media.

Chapter Specific Comments

Chapter I – Introduction

- The Table of Contents (TOC) with the complete Program Outline of each Manual in every Chapter is very useful for the user, however, should show all major components such as Senior Managers Orientation, Market Survey (see comment on “roadmap” and/or flowchart
- The complete List of Annexes is also an effective learning aid
- Some pages have numbers and others do not; where possible given the software used it would be useful to the user to have page number references at least linked to the major sections in the TOC
- Emphasize the MABS culture, zero tolerance, good MIS, etc., and how it can be applied to the bank’s overall operations
- Develop a “roadmap” or flowchart to show how each element in the MABS Approach program fits together, for example, in the revised, proposed streamlined MABS Approach Program where does the IA come in between Month 1 and Month 2 (see consultant proposed revisions to the proposed streamlined MABS Approach Program, Annex 3)
- Include with Senior Management Orientation, Section B, Chapter II, Planning Phase
- Re: What is MABS?, Section B; Introduction, Chapter I; expand the definition and description of MABS to include: MABS as a program, etc., (see MABS Microfinance Operation, Section D; Chapter I: Introduction
- Combine MABS Microfinance Operation, Section D; Chapter I: Introduction with What is MABS?, Section B; Introduction, Chapter I; include presentation materials used by John Owens for Indonesian visitors briefing, January 28, 2002
- Integrate relevant presentation materials from Organizing and Orienting the MFU, Section A, Start-up Phase, Chapter III, starting with Annex III-A3-A2 through Annex III-A3-A11
- The instructor guide

Chapter II – Planning Phase

- Learning objectives should be stated in the beginning of each section and written in a specific behavioral format, for example, *At the end of the session, the participants shall have learned and appreciated: -how a microfinance activity can be designed and implemented by banks as a profitable activity*, should be changed to *At the end of the session, the participants will be able to: -define how a microfinance activity can be designed and implemented by banks as a profitable activity*, Specific Objectives, Annex II-B1-B2, the change may appear subtle and unnecessary but it now enables anyone including the participant to do exactly what is required and be measured against a precise learning criterion
- Expand descriptions of bullets on transparencies to make the Manuals a desk reference guide and a standalone learning aid

- Re: paragraph 4.3 and 7, and Annex II-A1-A5; on a case-by-case basis tell the banks that did not pass the pre-screening and/or short listing criteria what they specifically can do to strengthen their institution and financial criteria to pass; this is a consulting service the RBAP licensees can offer to the bank; include case study of qualified bank from the perspective of both institutional and financial criteria
- Include institutional strengthening (IS) as an optional part of the Institutional Assessment, for example, Delinquency and Financial Management, 3., What is the current average portfolio at risk ratio: provide feedback to Banks on how to improve/correct their portfolio at risk numbers (justifies a fee for the IA otherwise no fee should be charged for the IA in the full fee-paid scheme since banks can be disqualified after the IA [Annex II-A4-A5])
- The IA should be before the invitation to participate/disqualification letters in the Manual
- Present a model IA so rural banks will know the standards
- Re: Senior Management Orientation, Section B, Chapter II, Planning Phase; is Introduction, Chapter 1 should be included here; include and expand transparency bullets starting on the first page
- Consider placing Senior Management Orientation, Section B, Chapter II, Planning Phase, before the IA(IS); build a case study around *making the case for microenterprise lending to senior management*
- Build a case study around *making the case for microenterprise lending to the board*
- Build a case study around *defining and customizing the Participant Bank Agreement*
- No comments are provided where obvious changes would be required under the licensing concept, for example, references to commodity support in Commodity Agreement, Subject 2, Planning the PBA, Section C, Preparing the PBA, Planning Phase, Chapter II
- The Field Stress Test for MFU Applicants after Preparing the PBA, Subject 3, Section C, Planning Phase, Chapter II, Section C, Subject 3: Fixed Price Contract is identical to Annex III-A1-A5 and should be removed
- Develop a case study and specific rationale for Performance Targets, Subject 4, Preparing the PBA, Section C, Planning Phase, Chapter II
- Define the requirements of the microfinance product; MIS Assessment and GAP Analysis, Subject 1, Section D, Management Information System, Planning Phase, Chapter II
- Demo an ideal Rural Bank MIS

Chapter III – Start-up Phase

Section A – Organizing and Orienting the MFU

- The Field Stress Test for MFU Applicants in Annex III-A1-A2 is an excellent of a practical tool for the RBs as well as the detailed position descriptions in Annex III-A1-A1
- Develop and/or integrate transparencies with text for Rural Banking Orientation Course, Subject 2, and expand bullets within text to develop a participants guide and an in-Bank desk reference guide
- Move transparencies from Annex III-A3-A2 through A-3-A-3, Microfinance Orientation Course, Subject 3, to Rationale and Objectives, Subject 1, What is MABS?, Section B, Introduction, Chapter 1, and integrate with the Senior Managers Orientation Course; expand the bullets in the text
- Expand the transparency bullets and integrate within the Microfinance Orientation Course, Subject 3, to develop a participants guide and in-Bank desk reference guide
- Link transparencies by number to a text reference in left column
- Standardize transparency colors, format, style, fonts, etc.
- Integrate relevant presentation materials used by John Owens for Indonesian visitors briefing, January 28, 2002
- This not a standalone learning module unlike all the other modules, which are

Section B – Training the MFU and the Bank

- There is no introduction to cash flow lending or description of “what’s it all about Alfie” before Case Study 1: Cashflow Lending – Carinderia, Annex III-B1-B2, or any of the case studies
- The introduction and description, etc., section is quite weak compared to Assessing the Microfinance Market, Section C

Section C – Assessing the Microfinance Market

- Excellent description, case study and exercises on Determining the Size and Composition of the Local Microfinance Market, Subject 2, Assessing the Microfinance Market, Section C, Start-Up Phase, Chapter III; should be *the model* for every section especially the Checklist for Reviewing the Market Study, Annex III-C2-A5, and Selecting the Target Microfinance Market Segment, Subject 3, Guide Questions in Selecting the Target MF Market Segment, Annex III-C3
- Develop a case study example for Assessing the Demand for and Supply of Financial Services in the Target Market, Subject 4, Assessing the Microfinance Market, Section C, Start-Up Phase, Chapter III
- Section C is a model for all other sections

Section D – Developing the Microfinance Loan Product

- Several case study examples would increase the effectiveness of this learning module as well as learning objectives

Section E – Preparing the Business Plan

- Section E is also an excellent model for other sections, for example, Section D, but it needs learning objectives

Section F – Preparing the MF Loan Product Manual – Group

- Section F is superb; including comprehensive information, examples, case studies, etc., just needs learning objectives

Section G – Savings Mobilization

- Excellent learning module and tools

Section H – Marketing of the MF Products

- Another excellent example of a very comprehensive learning module and tools

Section I – Management Information System (MIS)

- A very, very good learning module including examples, etc., especially the exercises, tools, critical questions and answers, however, should include hands-on computer practice, for example, using dummy training data to produce MIS Reports and run scenarios in the MBXD Archiving and Reporting System, which will serve as a case study to run positive and negative scenarios to reinforce key concepts, such as, cash flow analysis

Chapter IV – Operational Phase

Section A – Loan Product Evaluation

- A sample report would be a useful learning aid for Report Format, Subject 2
- A case study describing the findings and recommendations from a product manual review would be a very useful learning aid in Project Manual Review, Subject 3
- Use an exercise to teach Annex IV-A3, that is, present a mock-up Product Manual for the participants to review
- Peer Review, Subject 4 is a very good example of the technical assistance aspect of the Manual

Section B – Strategic Planning Workshop

- This could include the entire bank and would be an additional revenue stream for service providers similar to the IS to correct IA deficiencies
- Include more information and guidelines for each activity

Section C – Staff Incentive Scheme

- Integrate transparencies with text and expand bullets to make this a guideline, for instance, give specific guidance on how to design an incentive scheme
- Link transparencies by number to a text reference

Section D – Bank Training Courses

- Include these as part of the franchise license
- Package like the MABS Approach

- Separate from the MABS Approach Training and Technical Assistance Manual
- Make specific mention in marketing kit, and include descriptions
- Set separate fee for these courses

Section E – Supervising and Monitoring the MFU

- Describe the purpose and critical importance of this activity; supervision and monitoring help ensure the microenterprise program’s ongoing success, help identify problem areas and remedies, etc.
- Integrate transparencies with text and expand bullets to make this a guideline, for instance, give specific guidance on how to design an incentive scheme
- Link transparencies by number to a text reference
- Include a narrative description of each current case; set the stage
- Current cases are “how to” exercises
- Include case studies showing good or bad results of supervision and monitoring
- For those cases with problem areas describe corrective actions

Section F – Savings Product Review

- Good learning module, especially the excellent case studies
- Review the rationale and objectives from Savings Mobilization, Section G

Chapter IV Expansion Phase

Section A – Introduction

- Include an exercise to develop a preliminary expansion plan for the participants’ bank, Introduction, Section A, Chapter V, Expansion Phase
- This Section requires learning objectives

Section B – Geographic Expansion

- The information in the Section illustrates the effectiveness of the Technical Assistance and Training Manual as a desk reference guide
- This Section, therefore, would not require learning objectives

Section C – Branch Expansion

- Integrate transparencies with text and expand bullets to make this a guideline, for instance, give specific guidance on how to design an incentive scheme, Strategies for Implementation, Subject 1
- Link transparencies by number to a text reference, Strategies for Implementation, Subject 1
- Develop an exercise using Annex V-C1-A1 where participants complete the assessment for a target branch, Strategies for Implementation, Subject 1
- Expansion Workplan, Subject 2, para. 1, the bank staff should work closely with the MABS Consultant to complete an expansion workplan
- The case studies and examples are excellent; Expansion Workplan, Subject 2
- Branch Support Fund and Supplement Agreements, Subject 3; excellent information, case studies and examples

- Expansion Implementation, Subject 1; examples of micro-loan products would be useful and this is also more a desk reference than a learning module which reinforces the Technical Assistance element of the Manuals
- Performance Monitoring, Section E; very satisfactory – crisp and clear

Train-the-Trainer Guide

General Observations

1. The Guide is very good and very comprehensive.
2. The different lessons should be packaged separately for ease of use and handling.
3. The Course Description should reference the beginning of each Section in the Technical Assistance and Training Manual.
4. Identify the text link on the transparencies.
5. Use the identification markers in the Technical Assistance and Training Manual, e.g., MABS Microfinance Operation, Section D; Chapter I: Introduction.
6. Include easily identifiable, behavioral learning objectives in each Manual for each Section.
7. Link transparencies by number to a text reference in the Technical Assistance and Training Manual.
8. Excellent instructor notes, well placed and succinct.
9. The paragraphs about “Relevance of the Course to the Bank’s Microfinance Operations”, “When Should the Bank Give This Training”, and “Session Guide” are excellent facilitation tools.
10. Add a Roman numeral “V., Technical Assistance and Installation Guide” to cover the consulting process and reference guidelines.

Specific Comments

The consultant’s review did not identify any Sections or elements within Sections, which required specific comments. The Instructor’s Guide is very comprehensive and the information, guidelines, and transparencies are concise and detailed.



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Annex 5

Draft Implementation Plan, Schedule and Budget

Draft Implementation Plan, Schedule and Budget

Activity	Schedule	Days	Budget
MABS Service Provider Program Design and Implementation			
Decision to Contract/License Service Providers	Week 1-2	10	Existing (no additional)
Presentation to RBAP Board and MABS ManCom			
Communicate to Rural Banks			
Communicate Decision to Service Providers	Week 2	1	0
Survey Rural Banks to Validate Demand, and Assess How Many are Qualified to Participate	Week 3-4	10	RBAP-MABS Input
Register <i>MABS Approach</i> Trademark	Week 3-4	10	RBAP-MABS Input
Copyright <i>MABS Approach</i> Products	Week 3-4	10	To Be Determined
Pilot Streamlined <i>MABS Approach</i> (through Product Development phase)	Week 3-32	16	RBAP-MABS Input
Design <i>MABS Approach</i> Service Provider Program	Week 3-32	180	US\$50,000
Finalize Request for Application (RFA)			
Finalize Service Provider Program Agreement			
Finalize End User Fees			
Finalize Product Reference Price List			
Finalize RBAP Royalty			
Finalize Territory Map			
Select RBAP Owner-Service Provider Territory(s)			
Finalize Service Provider Program Description			
Develop Service Provider Program Operations Manual			
Modify RBAP Website to Sell MABS Products	Week 26-29	20	US\$5,000
Arrange for Secure Credit Card Payments			
Arrange for Advertising on MF websites, e.g, CGAP, DevFinance, etc.			
Finalize Streamlined MABS Approach Title and Structure	Week 32	1	Existing (no additional)
Preliminary Go/No-go Decision on Streamlined <i>MABS Approach</i>	Week 32	1	Existing (no additional)
Finalize Monitoring and QA and Standards System	Week 32-35	30	US\$20,000
Establish Hotline and Secure Voice Coms.			
Establish Secure E-mail on RBAP Website			
Purchase and Install CRM			
Train MFTS Unit Staff on Managing and Monitoring the MABS Approach Service Provider Program	Week 36	3	RBAP-MABS Input
Complete Pilot of Streamlined <i>MABS Approach</i>	Week 32-48	20	RBAP-MABS Input

Present MABS Service Provider Program to RBAP Board and MABS ManCom	Week 51			
RBAP Board and MABS ManCom Decision	Week 52-54		10	
Communicate to Rural Banks including RFA and Service Provider Program Design	Week 53		1	
Rural Banks Comments	Week 53-54		9	0
RBAP Board and MABS ManCom Review and Approval	Week 56-57		10	0
Changes Incorporated to RFA and Service Provider Program Design	Week 58-60		15	
Final Go/No-go Decision on Streamlined <i>MABS Approach</i>	Week 62		3	To Be Determined
Send Request for Applications and Service Provider Program Design to Service Providers	Week 62		3	To Be Determined
Arrange Meetings and Negotiations with the Chamber of Thrift Banks	Week 63		1	0
Finalize Negotiations and Agreement with Chamber of Thrift Banks	Week 63		3	0
Set Question and Answer Period and Number of Q&A Responses Allowed	Week 65		1	0
Set Due Date for RFAs	Week 67		N/A	0
Receive and Review Service Provider Responses	Week 67-69		10	0
			15	
Schedule Best and Final Submissions As Required	Week 69		3	0
Award Service Provider Territories	Week 70		3	0
Sign Service Provider Agreements			5	0
Conduct Service Provider Management and Operations Training	Week 71		1	US\$1,000
Conduct <i>MABS Approach</i> Training for Service Providers	Week 71-75		24	US\$10,000
Distribute First Sets of MABS Products and Collect Fees from Service Providers	Week 73		1	0
Marketing Kit				
Design and Develop Marketing Kit Product	Week 5-9		30	US\$14,000
Design Marketing Materials Content				
Design Marketing Kit Layout				
Produce Master Marketing Materials and Kit				
Print Marketing Materials and Kit				

Technical Assistance and Training Materials			
Design Technical Assistance and Training Product	Week 6-18	60	US\$30,000
Review and Finalize Materials			
Revise Materials Based on Outcomes from Pilot of Streamlined <i>MABS Approach</i>			
Add References			
Design Graphics			
Design Layout			
Design Binder(s)			
Produce Master Materials			
Print Materials (initial run 100 sets)			
Print Binder(s) [initial run 100 each @ 4 binders each set]			
Design CD-Rom Product	Week 13-19	40	US\$20,000
Design Interface			
Write Script			
Develop Storyboard			
Design Graphics and Animations			
Video Editing and Capture			
Develop Asset Management Scheme			
Integrate Assets on CD-Rom Master			
Programming (Authoring)			
Design CD-Rom and Jewel Case			
Print CD-Rom and Jewel Case Covers			
Press CD-Rom Master			
Press CD-Rom Copies (initial run 100)			
Video (schedule and budget for single video)			
Video Shoot and Production	To Be Determined	To Be Determined	US\$12,000
Write Script			
Develop Storyboard			
Integrate Existing Assets			
Shoot Video			
Production			
Post-Production Master			
Dub Video Master			
Produce Video Copies			Not Included



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Exhibit 1

MABS Approach Service Provider Program
Request for Application (Draft)

Request for Application

Microenterprise Access to Banking Services (MABS) Approach Service Provider Program

Background

The Microenterprise Access to Banking Services (MABS) is an activity aimed at assisting Rural Banks in the Philippines to develop the capability to profitably provide services, both loan and deposit services, to the microenterprise sector. MABS is being implemented by the Rural Bankers Association of the Philippines (RBAP). While MABS is national in scope, most activities thus far have been focused on Mindanao. MABS began in January 1998, and has received funding from the U.S. Agency for International Development.

The essential idea underlying the *MABS Approach* is that the widely held belief of bankers that lending to microenterprises is inherently unprofitable (because the small size of loans demanded by microenterprises cannot cover the cost of administering the loans) is not necessarily true, and that banks can make a reasonable profit providing services to microenterprises – provided that they do it right. Under the *MABS Approach*, participating banks are taught how "to do it right." "Doing it right," according to the MABS, means following "the *MABS Approach to Microfinance*." Participating banks learn the *MABS Approach* through a program of in-bank training and technical assistance provided by MABS.

Initial targets of MABS were that some 40 rural banks (including bank branches), through their participation, would have developed the capability to profitably provide services to the microenterprise sector. Among them, these bank units would be providing services to 8,000 micro-borrowers and 15,000 micro-depositors. It was also expected that the participating banks would be sufficiently satisfied with the profitability of servicing the microenterprise sector that the majority of them would have decided to make servicing that sector a permanent and substantial part of their overall business. Also, the successful example of the initial participating banks would have been such as to convince non-participating banks that offering services to the microenterprise sector was a sensible business decision, with many of these banks then seeking to develop the capability to profitably do so.

As it has turned out, MABS has substantially exceeded the initial targets established. To date, some 70 Rural Banks and Rural Bank branches have developed the capability to profitably provide services to microenterprises. Among them, these bank units are profitably servicing approximately 18,000 micro-borrowers and 45,000 micro-depositors. Virtually all participating banks are finding that providing services to the microenterprise sector is profitable, and have indicated that they plan to make microfinance a permanent

part of their business. The successful experience of the participating banks has in fact clearly convinced other Rural Banks throughout the country that servicing the microenterprise sector is a smart thing to do, and scores of additional Rural Banks are clamoring to be allowed to participate in MABS.

New targets established call for the *MABS Approach* to be installed in an additional 40 Rural Bank units (bringing the total number of bank units implementing the *MABS Approach* to microfinance to 100), with a concomitant increase in numbers of new micro-borrowers and micro-depositors.

The Current *MABS Approach* Installation Plan

The success enjoyed by the MABS effort to date has brought to the surface an unanticipated issue. This issue, essentially, is, "How will it be possible to expand the *MABS Approach* into all the Rural Banks that wish to implement MABS within a reasonable time frame?"

At present, there are approximately 800 Rural Banks in the Philippines. Collectively, these Rural Banks have some 1,000 branches. This brings the total number of Rural Bank units in the country to 1,800. One can reasonably assume that at least 1,000 of the Rural Bank units in the Philippines will be capable of implementing the *MABS Approach* to microfinance, and will be desirous of doing so.

As also mentioned above, RBAP's plans for dissemination of the *MABS Approach* among all suitable Rural Banks in the Philippines was structured upon the development within RBAP of a continuing capability to install the *MABS Approach* in all banks capable of implementing the *MABS Approach*, and desirous of doing so. To this end, the RBAP has established an "RBAP-MABS Microfinance Technical Services (MFTS) Unit " and has employed about 10 people to staff the Unit. This Unit would have had the responsibility both for expansion of the *MABS Approach* to additional Rural Banks units, and for providing needed support to Rural Bank units, which have already installed the *MABS Approach* and are implementing it.

It appears, however, that there may be a problem with the original plan for disseminating the *MABS Approach* among all suitable Rural Bank units. This problem is that, while approximately 1,000 suitable Rural Bank units will be desirous of having the *MABS Approach* installed, the RBAP-MABS MFTS Unit, with its existing level of resources, will have the capability of expanding MABS to only some 10 additional Rural Bank units per year. Some simple arithmetic indicates, therefore, that it could take 100 years to install the *MABS Approach* into all suitable Rural Bank units.

Given the demand for microfinance services from the hundreds of thousands of microenterprises in the Philippines, and given the contribution that the widespread availability of microfinance services can make to the overall economic progress of the Philippines, it clearly is important that some means be found to accelerate the dissemination of the *MABS Approach* throughout the Rural Bank network.

The *MABS Approach* Service Provider Program

RBAP-MABS has decided to accelerate the dissemination of the *MABS Approach* to the 1000 Rural Bank units potentially interested in installing it, that, rather than having the RBAP-MABS Unit install the *MABS Approach* in suitable bank units itself, that the RBAP-MABS Unit "license" other organizations (service providers) to install the *MABS Approach* in new bank units. Under this scheme, RBAP-MABS will select several suitable organizations (consulting firms, NGOs, participating Rural Banks, universities, etc.), train those organizations in the *MABS Approach*, and then provide certification that they are fully capable of installing and servicing the *MABS Approach*. The organizations would then market their services themselves to potentially interested Rural Banks in exclusive territories. The RBAP-MABS MFTS Unit would then essentially just oversee the efforts of the service providers, and assure that appropriate quality standards were maintained, conduct research and development, and provide training for service providers.

Program Description

The Rural Bankers Association of the Philippines is seeking applications from qualified financial and management consulting firms in the Philippines to establish and operate a service provider program for the Microenterprise Access to Banking Services (MABS) Approach in selected, exclusive territories nationwide. The *MABS Approach* Service Provider Program will consist of six (6) territories, and an applicant may bid on one or more territories. There will be a royalty fee levied by RBAP equal to fifteen percent of each installation in a Rural Bank, and RBAP will sell the *MABS Approach* products to service providers as well as through commercial outlets. RBAP will set a standard fee which service providers must charge the Rural Banks for installation of the *MABS Approach* including a set daily consulting rate fee for additional *MABS Approach* assistance (other consulting services may be charged at the prevailing market-based rate or the service provider standard rate for consulting services).

Service providers may install the *MABS Approach* in other microfinance institutions within their territories using a market-based fee, but service providers will be required to purchase the *MABS Approach* products from RBAP at the standard cost. RBAP will require the service providers to develop a priority rollout plan and for Rural Banks in their territory(s), before installing the *MABS Approach* in other MFIs. However, service providers can resell *MABS Approach* products purchased from RBAP at market-based rates within their territories in the Philippines, and without restrictions internationally. Service providers will also be allowed to install the *MABS Approach* anywhere outside the Philippines at market-based rates as long as they purchase *MABS Approach* products from RBAP for each installation.

MABS stands for "Microenterprise Access to Banking Services." MABS is a USAID-funded program being implemented by RBAP, which assists Rural Banks to develop the capability to profitably provide both loan and deposit services to microenterprises. Under

MABS, participating Rural Banks learn to implement the *MABS Approach* to microfinance.

Under the current *MABS Approach*, MABS consultants assist client Rural Banks to establish microfinance units within their bank units. Bank management and staff are introduced to and trained in the *MABS Approach*, which, through previous work with banks throughout Mindanao, has been shown to work well in the Philippines.

MABS assistance is divided into two phases – an initial intense phase intended to make the *MABS Approach* fully operational in the client banks, and a follow-on less intense phase where MABS consultants work with the Rural Banks to address and resolve any problems arising with implementation of the *MABS Approach*.

Installing the *MABS Approach* consists of the following steps:

1. Institutional Assessment of the Bank
2. Senior Bank Managers Orientation to the *MABS Approach*
3. Selection and Training of the Microfinance Unit Staff
4. On-the-Job Training of Microfinance Staff
5. Survey of the Bank's Microenterprise Market
6. Microfinance Product Development
7. Business Planning for the Microfinance Unit
8. Microfinance Technology and Systems Installation
9. Implementation
10. Monitoring of the Microfinance Unit

Each participant bank receives focused attention and support, which includes the following from MABS:

- Staff Selection Guidelines
- MIS Performance Monitoring Guidelines & Report Formats
- Senior Management and Microfinance Unit (MFU) Staff Exposure Training
- Annual Action Plans (in collaboration and with the support of the Participant Bank's MFU staff)
- Market Survey Report (in collaboration and with the support of the Participant Bank's MFU staff)
- Business Plan Projections and excel spreadsheet program (in collaboration with the Participant Bank's MFU staff)
- Micro Loan Concept Paper (in collaboration with the Participant Bank's MFU staff)
- Operations and Procedures Manual with electronic copies (in collaboration with the Participant Bank's MFU staff)
- MFU In-house Training Workshop, including sessions on Cashflow Lending and Zero Tolerance Towards Delinquency
- Intensive Training for Supervisors and MFU staff

- Quarterly Performance Monitoring and Action Plan Updates

By the end of MABS work with the client bank, the following will have occurred:

- Development or enhancement of microfinance products, practices, and procedures that follow best practice principles;
- Implementation of a profitable microfinance line of business;
- Integration of microfinance into bank operations;
- Development of the capacity not only to manage the microfinance operation, but to continually expand it.

The general pattern of the MABS approach is to build up and then phase out the level of dedicated technical assistance and training.

MABS Consultants work with the participating rural bank to:

- Prepare the microfinance technical assistance plan and TA package;
- Conduct orientation sessions with management and microfinance staff;
- Train the microfinance unit (MFU) of the bank;
- Conduct market research in areas identified by the bank as possible target areas;
- Identify and assess new or existing microfinance markets;
- Review existing microfinance operating systems and procedures;
- If applicable, assist in the development of new microfinance products and related promotion activities;
- Create and develop the microfinance manual of operations and policy guidelines;
- Assist the bank to launch and market their microfinance product;
- Monitor the microfinance activities of the bank's Microfinance Unit;
- Review product profitability and competitiveness;
- Conduct other enhancement training for bank management and microfinance staff;
- Monitor the performance of microfinance products, particularly those products assisted by MABS;
- Rigorously monitor the quality of the loan portfolio and provide guidance on loan portfolio management and collections;
- Indoctrinate within the bank management and staff a culture of "zero tolerance" for past due loans;
- Advise the client bank about scheduled training, workshops, seminars to be attended;
- Identify other training needs in support of the microfinance activities of the client bank;
- Formulate a staff productivity incentive scheme; and

- Coach and guide bank management and the microfinance staff in the implementation of the MABS best practice microfinance technology.

Principles of Financially Viable Lending to the Enterprising Poor

Principle 1. Offer financial services that fit the preferences of low-income entrepreneurs.

These services include:

- *Short loan terms, compatible with microenterprise business and income patterns.*
- *Repeat loans.* Full repayment of one loan brings access to another although the size depends on the client's cash flow. Repeat lending allows credit to support financial management as a process rather than as an isolated event.
- *Relatively unrestricted use of the loan.* While most programs select customers with active enterprises (and thus the cash flow for repayment), they recognize that clients may need to use funds for a mixture of personal and business purposes.
- *Very small loans, appropriate for meeting the day-to-day financial requirements of businesses.* Average microenterprise loan sizes for rural banks in the Philippines start as low as PhP3,000 per client.
- *A customer-friendly approach.* Locate outlets close to entrepreneurs, use extremely simple loan applications (often one page), and limit the time between application and disbursement to a few days. Develop a public image of being approachable to low-income people.

Principle 2. Streamline operations to reduce administrative costs.

- Develop highly streamlined operations, minimizing staff time per loan.
- Standardize the lending process. Make applications very simple and approve loans on the basis of easily verifiable criteria, such as the existence of a going enterprise.
- Decentralize loan approval.
- Maintain inexpensive offices while providing convenience to clients, such as through smaller banking outlets, sometimes called "money shops." Money shops provide easy access to established on-site banking facilities where money can be borrowed quickly and conveniently.
- Select staff from local communities, including people with lower levels of education (and hence lower salary expectations) than staff in formal banking institutions.

Principle 3. Motivate clients to repay loans.

Concentrate on providing motivation to repay. These motivations include:

- *Joint liability groups.* An arrangement whereby a group of borrowers guarantee each other's loans is a commonly used technique. It has proved effective in many different countries and settings worldwide. Individual lending, based on the borrower's character as opposed to collateral, can be effective when the social structure is cohesive, as has been demonstrated in many of the areas served by rural banks in the Philippines.
- *Client Incentives.* Incentives such as guaranteeing access to subsequent loans motivate repayment, as do increases in loan sizes and preferential pricing in exchange for prompt repayment. Institutions that successfully motivate repayment develop staff competence and a public image that signals that they are serious about loan collection.

Principle 4. Charge full-cost interest rates and fees.

The small loan sizes necessary to serve low-income clients may result in costs per loan that require interest rates higher than commercial bank rates (though significantly lower than moneylender rates). Low-income entrepreneurs have shown the willingness and the ability to pay such rates for loan services that fit their needs.

Selection Criteria

1. **Organizational Capability:** The expression of interest and capability must provide evidence of the technical resources, expertise and capacity to implement the *MABS Approach* Franchising Program. The information presented should indicate pertinent work experience and representative accomplishments in developing and implementing similar programs (prior service experience is not required). As a minimum, information in this section should address the following topics:

- a. Brief description of organizational history/expertise;
- b. Pertinent work experience and representative accomplishments in developing and implementing consulting activities or programs of the type being proposed (prior experience is not required);
- c. Relevant experience in the financial or management consulting sector;
- d. Institutional strength as represented by the ability of the organization to mobilize qualified and experienced personnel to manage and work in the proposed service provider program;
- e. Proposed management structure of the organization's *MABS Approach* profit center;
- f. Organizational backstopping

2. **Past Performance:** The past performance of each service provider will be evaluated under the technical skills criteria described below. Care should be taken to establish the relevance of past experience to this program and the basis for reliance upon that experience as an indicator of success on this program. Describe all contracts, cooperative

agreements and grants which the applicant has implemented involving similar or related programs over the past three years (both commercial and governmental). Include the following:

- a. Name and address of the client as well as name, address and contact information of a responsible technical representative of that organization/agency;
- b. Place of performance of service or program;
- c. Award number;
- d. Amount of award;
- e. Duration of award (beginning and end dates);
- f. Brief description of the program.

3. Staff: The application must specify the composition and organizational structure of the proposed implementation team (including home office support. Describe each staff member's role, required technical expertise and estimated amount of time each will devote to the project. Applicants will not be required to specify the names and expertise of specific individuals who will fill these positions. It should be noted that proposed staff, per se, will not be a criteria for selection of the service providers. The staff requirements are:

- 5 years experience in banking management
- a good background in and understanding of:
 - banking, finance and accounting
 - lending and credit analysis
 - marketing
 - human resource development
- excellent written and oral communication skills
- excellent interpersonal relationship skills
- Bachelor's degree in business, accounting or related field
- willingness to travel in and around all areas of the Philippines
- excellent consulting and facilitation skills
- able to work independently
- experience training adults
- some experience with microfinance desirable
- marketing/business development skills desirable

4. Technical Approach: The applicant must proposed a plan of action and milestones for marketing, preliminary assessment of Rural Banks in a territory including any needs for Institutional Strengthening, roll-out plan for preliminarily qualified Rural Banks, the installation plan specifics for each Rural Bank, additional consulting requirements, if any, and monitoring and follow-up support requirements for each Rural Bank.

The specific details of the *MABS Approach* Service Provider Program, such as the service provider territories, fees and royalties, *MABS products*, etc., are set forth in the Service Provider Program Design attached to this Request for Application.

Proposed RFA Timeline

December 4, 2002	- Release of RFA
To Be Determined	- Deadline for submission of questions
January 14, 2003	- Closing date for applications
January 28, 2003	- Technical evaluations
January 28, 2003	- Evaluation Memorandum to RBAP Board
February 4, 2003	-Award Decision Made
February 9, 2003	-License Agreements Signed
March 1, 2003	-Target Mobilization Date

Selection of Service Providers and Award of Territories

1. RBAP may award one or more licenses resulting from this RFA to the responsible applicant or applicants whose application conforming to this RFA offers the greatest value. RBAP may (a) reject any or all applications, (b) accept more than one application, (c) accept alternate applications, and (d) waive informalities and minor irregularities in applications received.
2. RBAP may award one or more license on the basis of initial applications received without discussions. Therefore, each application should contain the applicant's best terms.
3. A written award mailed or otherwise furnished to the successful applicant(s) within the time for acceptance specified either in the application(s) or in this RFA (whichever is later) shall result in a binding Agreement without further action by either party. Before the application's specified expiration time, RBAP may accept an application, whether or not there are negotiations after its receipt, unless a written notice of withdrawal is received before award. Negotiations conducted after receipt of an application do not constitute a rejection or counteroffer by RBAP.
4. Neither financial data submitted with an application nor representations concerning facilities or financing, will form a part of the resulting license document.

Certifications, Assurances, and Financial Statements of Applicant

TO BE PROVIDED BY APPLICANT



MABS Approach
**SERVICE PROVIDER
FEASIBILITY STUDY**
RBAP-MABS USAID CHEMONICS

Luzon
Visayas
Mindanao

Exhibit 2

*MABS Approach Service Provider Program
Design (Draft)*

MABS Approach Program Design (Draft)

This exhibit contains the information RBAP has prepared to assist the applicants in better understanding the *MABS Approach* Franchise Program and to help in preparing their applications.

In most instances, the consultant has provided at a minimum draft information or what information is currently available from RBAP-MABS, however, in a few cases a specific item might just contain a description of the information or sets of information (required or optional) that will need to be provided before the UFOC can be released.

The purpose of the Program Design is to provide potential franchisees with information on the franchisor, the franchise system, and the agreements they will need to sign so that they can make an informed decision about the *MABS Approach* Franchise Program. In addition to the disclosure portion of the document, the Program Design includes copies of the service provider agreement (which in this case are provided under separate exhibit, Exhibit 3) and other agreements the service provider will be required to sign.

A Summary of the Program Design

What appears in the Program Design? It includes information on RBAP, the organization's key staff, the MABS Approach Service Provider Program, the demographics of the target clients, the MABS product price list, user fees, and other useful information to help the applicant evaluate the service provider offer. Also included is the information on the required investment, purchases which will be required, and territory rights and exclusivity. There will also be a description of the legal responsibilities of the service provider and the responsibilities of RBAP, which can be found in Exhibit 3 and is not repeated here.

The Contents of the Program Design

1. The cover page

The cover page(s) of the UFOC contain interesting information that every potential franchisee needs to know:

- ✓ The name of the offeror, address and contact person and information

Rural Bankers Association of the Philippines, 2/F RBAP Bldg., A.
Soriano Ave. cor Arzobispo St., Instrmuros, 1002, Manila, Philippines
Mr. Ramon Rogel, Deputy Operating Officer, Tel. 527-2968; 527-2972.
Telefax, 527-2980, 527-2969

- ✓ The title of the service provider program
Microenterprise Access to Banking (MABS) Approach

2. The second page

The second page of the Program Design contains a summary of the offering as well as a summary of the investment that the service provider is required to make. It also contains information on some of the risk factors that a service provider should know about before signing a franchise agreement. These include:

- ✓ Offering
 - the MABS Approach
 - MABS Approach products
 - the territory
 - the fees and royalties

- ✓ Investment requirements
 - hiring qualified staff
 - purchase of 10 product sets when service provider agreement is signed
 - marketing and business development

- ✓ Risks
 - Rural Banks may elect to install the *MABS Approach* in their own branches
 - USAID funding subsidies will terminate when the service provider program is launched

3. Client demographics

The client Rural Bank demographics should include information about each Rural Bank that is a member of RBAP as well as information from Bango Sentral ng Philipinas, and from other sources that describe each Rural Bank's size, operations territory, number of branches and the main unit, financial data, number of employees, current lending programs, etc.

Current information available includes the Regional List of Rural Banks, their address, and the name of the point of contact, and is incorporated at the end of this Program Design.

4. Territories

The map delineating the territories available under the MABS Approach Franchise Program and the number of Rural Banks in each territory is provided in Annex 2, to the feasibility study report.

5. End user fees

The End Users are members of RBAP. RBAP has negotiated the following Fees for a single site installation.

1. Fee A. MABS Approach Installation

End User Installation Fee. The MABS Approach Installation Training and Technical Assistance Fee shall be Pesos 212,725, which covers the following activities. Each activity is priced separately. Rural Banks will pay the fee for the first three (3) activities at the start of each activity. The fee for the Institutional Strengthening (IS) will be paid based on a mutual agreement between the Rural Bank and the service provider that the deficiencies found during the IA can be corrected and/or the Rural Bank wants the IS regardless of the outcome. The Rural Bank will pay 25% at Product Development, and the remaining at CI/BI and Cash Flow Analysis, or the Rural Bank can pay all of the remaining fee at Product Development. Discounts are not allowed to ensure a standard fee for all RBAP members.

INSTALLATION ACTIVITY	DAYS		DAILY RATE FEE (Pesos)	
	Training	Technical Assistance	Training	Technical Assistance
Sr. Mgrs. Orientation/ Market Assessment TA	.5	.5	1,500	3,625
IA		1		7,250
IS (optional)		(as required)		
Market Survey	3	3	6,000	21,750
Product Development Business Planning MIS Gap Analysis Setting Up the MFU	5	3	15,000	21,750
CI/BI Cash Flow Analysis	3	6	6,000	43,500
MIS	3	0	6,000	0
Loan Delinquency Mgmt. Internal Control Loan Administration Product Review	5	0	15,000	0
Operations Review				
Year 1	0	3	0	21,750
Year 2	0	6	0	43,500
TOTALS	19.5	22.5	49,500	163,215
			TOTAL	212,715

2. Fee B. MABS Approach Post-Installation On-Site Technical Assistance

End User Post-Installation On-Site Technical Assistance. The Price for MABS Approach post-installation on-site technical assistance consulting shall be Four Thousand, Five Hundred (7,250 Pesos) per day.

6. RBAP's royalty will constitute a payment from the service providers equal to fifteen percent of a Rural Bank unit installation fee.

7. Product reference price list and royalty scheme

1. Product A. MABS Approach Training and Technical Assistance Installation CD

Reference Price, RBAP Boxed MABS CD Product. The Reference Price for MABS Approach Training and Technical Assistance Installation CD shall be Five Thousand (5,000 Pesos). RBAP reserves the right to change the Product. A minimum 10 sets constitutes the initial order.

2. Product B. MABS Approach Training and Technical Assistance Manual and Train-the-Trainer Guide Bound Copies

Reference Price, RBAP Bound MABS Product in 3-ring Printed Binder(s). The Reference Price shall be Ten Thousand (10,000 Pesos). RBAP reserves the right to change the Product. A minimum 10 sets constitutes the initial order.

3. Product C. MABS Marketing Kit.

No charge.

4. Product D. MABS Training including New Releases.

No charge for maximum 4 Service Provider Staff during initial term of Agreement.

5. Not for Resale (NFR) Copies.

Not for Resale copies shall be provided free of charge to service providers for press evaluations, and on-going marketing activities according to the following guidelines:

a) Product Launch:

- 10 NFR demonstration copies of MABS Approach CD including Training and Technical Assistance Manual and Instructor Guide
- 10 bound copies of MABS Approach Training and Technical Assistance Manual and Instructor Guide for demonstration

6. Additional NFR Copies.

Service providers may purchase up to 5 additional Not for Resale copies per quarter at 50% of the Reference Price. The Reference Price shall be Pesos Seven Thousand, Five Hundred (Pesos 7,500).

8. Royalty and product payment terms

1. Payment Terms. Royalty payments for the Products ordered from RBAP and shipping costs shall be payable by check, wire transfer or other means satisfactory to RBAP. Royalty payments are due within thirty days (30) of the order.

2. Late Payments. All sums not paid when due shall accrue interest daily at the lesser of an annual rate of twelve percent (12%) or the highest rate permissible by law on the unpaid balance until paid in full. RBAP reserves the right to terminate or modify the terms of credit payments when, in its sole discretion, RBAP believes that its payments may be at risk. All payments are to be in Philippine Pesos.

3. Initial Stocking Order. Initial order shall total 50,000 Pesos as indicated above and shall be received from Franchisee at RBAPs place of business by **DATE**. Shipment date will be on or around **DATE**. RBAP shall offer 100% stock rotation on the Initial Order.

9. RBAP's obligations (see Exhibit 3)

10. Copyrights and proprietary information

The *MABS Approach* concept, installation process, materials and products, and training are copyrighted under the laws of the Government of the Philippines, and constitute proprietary information that is licensed to the service provider solely for the purpose and under the terms and conditions specified in the Rural Bankers Association of the Philippines (RBAP) *MABS Approach* Service Provider Agreement, Exhibit 3.

11. Service provider's obligations (see Exhibit 3)

12. Earnings claims

This is one of the most important sections for the service providers. If RBAP provides any information that a service provider can use to estimate what he or she can earn from the business, it needs to be disclosed here. This may include specific levels or a range of actual or potential sales, costs, income, or profit for a territory.

13. Contracts

This should contain a list of the agreement(s) that the service provider will be required to sign, and they must be attached to the Program Design.



MABS Approach
**SERVICE PROVIDER
FEASIBILITY STUDY**
RBAP-MABS USAID CHEMONICS

Luzon
Visayas
Mindanao

Exhibit 3

Rural Bankers Association of the Philippines
MABS Approach Service Provider Agreement
(Draft)

RURAL BANKERS ASSOCIATION OF THE PHILIPPINES

MABS Approach

AGREEMENT

This Agreement (the "Agreement"), is between the **RURAL BANKERS ASSOCIATION OF THE PHILIPPINES (RBAP)**, a **MANILA** association having a place of business at **Amorsolo Street cor. Arzobispo Street, Intramuros**, ("RBAP") and **ORGANIZATION A**, a corporation/foundation/NGO organized under the laws of **CITY/PROVINCE**, having a place of business at **LOCATION**. The effective date of this Agreement shall be the _____ of **MONTH, YEAR**.

WHEREAS, **RBAP** is the owner and developer of the **Microenterprise Access to Banking Services (MABS) Approach** program;

WHEREAS, Service Provider wishes to be appointed as a RBAP *MABS Approach* Service Provider so as to make the *MABS Approach* available to Rural Banks in the Philippines under the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Definitions. The following terms shall have a defined meaning as used in this Agreement:
 - 1.1 "Service Provider" means a location or office in the Territory for installation of the *MABS Approach* to End Users (Rural Banks).
 - 1.2 "End User" means a client of the *MABS Approach* who acquires such program for business use and not for further distribution or resale, or installation in other end-user locations established and/or planned.
 - 1.3 "New Release" means the then-current release of the *MABS Approach* designated by RBAP by a change in the version number digits. A New Release may be either a major or minor release.
 - 1.4 "*MABS Approach* Installation Royalty Fee" means the royalty fee that Service Providers remit to RBAP for each *MABS Approach* installation in Rural Banks, which is attached as Schedule A ("*MABS Approach* Royalty Fee on Rural Bank Unit Installations").
 - 1.5 "Product Reference Price List" means RBAP current reference price list, current as of the Effective Date, which is attached as Schedule B ("Product Reference Price List").
 - 1.6 "End User Fees" means RBAP current fees list for Rural Banks, current as of the Effective Date, which is attached as Schedule C (End User Fees).

- 1.7 “Staff” means those employees of Service Provider who have been selected and trained to install the *MABS Approach*.
- 1.8 "Products" means the *MABS Approach* Training and Technical Assistance Manual, the *MABS Approach* Train-the-Trainer Guide, the *MABS Approach* CD-Rom, and the *MABS Approach* Marketing Kit.
- 1.9 "Territory" means the geographic area listed on Schedule C ("Territory").

2. Service Provider Certification.

- 2.1 Distribution Service Provider Grant. RBAP hereby grants to Service Provider and Service Provider hereby accepts from RBAP, in accordance with the terms and conditions of this Agreement, an exclusive, non-transferable license to market and distribute the Products and New Releases to End Users in the Territory. Future Products are deemed added to this Agreement at such time as they are added to the Reference Price List. RBAP has the right to discontinue the distribution or availability of any Product upon sixty (60) days prior written notice to Service Provider. Service Provider shall distribute the Products solely in the form obtained from RBAP. In no event shall the license include the right to incorporate all or part of the Products within another product. Service Provider agrees to take reasonable steps to ensure that the applicable End User license and warranty accompany the Products upon turnover by Service to End Users.
- 2.2 Electronic Distribution Service provider Grant. RBAP hereby agrees to extend the license granted in 2.1 above to include distribution of the Products and New Releases by means of electronic distribution across networks, such as the Internet, if RBAP determines in its reasonable discretion that such distribution is feasible.
- 2.3 Service Provider to Service Provider Installation. Service Provider to Service Provider installations are not allowed under this agreement.
- 2.4 Service Provider Certification. Service Provider certifies that it maintains or will acquire the facilities and experienced personnel necessary to install the Products as permitted under this Agreement.
- 2.5 Service Provider Prohibitions. Service Provider agrees not to distribute the Products (i) by rental or lease, or (ii) with knowledge or reason to know that the Products will be transported outside the Territory. No service provider granted to Service Provider under this agreement shall permit Service Provider to (i) use the Products in a service bureau, network, time-sharing environment, interactive cable television or website or a multiple site arrangement, (ii) grant sub-service licenses, leases or other rights in the Products, (iii) translate the user manuals (in printed or media form or otherwise), or (iv) do any other act with respect to the Products not specifically authorized by this Agreement without prior written consent from RBAP. Service Provider agrees that it will not actively market or advertise the Products outside of the Territory. Service Provider specifically agrees that it will refrain from seeking clients for the Products outside the

Territory either (i) directly or through any agent, or (ii) by establishing any branch or maintaining any distribution facility for the Products outside the Territory except in the case of international installations or product sales. Service Provider agrees to include a term in all of its agreements with Staff prohibiting distribution of the Products outside of the Territory. Upon notice that Staff is not in conformance with the conditions stated above, and such Staff has failed after notice to cease such practice, Service Provider will (i) promptly notify RBAP of such Staff's conduct, and (ii) cease from distributing any further Products to such Staff until the Staff is in conformance with such condition.

- 2.6 NFR Copies. Company grants Service Provider a non-exclusive limited license to distribute evaluation, not-for-resale copies of the Products ("NFR Copies") solely for Service Provider's use in demonstrations and marketing efforts to End Users. All NFR Copies must be stamped "Not for Installation" on the package. NFR copies shall be provided free of charge to Service Provider for product launch and promotions. Service Provider shall provide information regarding NFR recipients as set forth in Schedule G ("Monthly Reports"). The number of NFR Copies of each type that will be provided by RBAP to Service Provider is set forth in Schedule B ("Product Reference Price List"). The price of additional NFR copies is also set forth in Schedule B.
- 2.7 Restrictions on Copying and Reverse Engineering. SERVICE PROVIDER AGREES NOT TO DISASSEMBLE OR REVERSE ENGINEER THE PRODUCTS IN WHOLE OR IN PART. Service Provider shall not translate, make copies or media translations of the Products without prior written consent from RBAP.
3. Underlying Technology. RBAP owns the underlying technology used in the Products, including potential patent rights to such underlying technology.
4. Terms and Conditions.
 - 4.1 Service Provider Orders. The terms and conditions of this Agreement shall apply to all orders submitted to RBAP and supersede any different or additional terms on Service Provider's purchase orders. Orders issued by Service Provider to RBAP are solely for the purpose of requesting delivery dates and quantities. All orders placed with RBAP for the Products shall be subject to acceptance by RBAP at its place of business. Instructions for submitting orders are set forth in Schedule H ("Service Provider Order Instructions"). RBAP shall use reasonable efforts to promptly fulfill orders so accepted, but RBAP shall not be liable for any damages to Service Provider or to any other person for RBAP failure to fill any orders, or for any delay in delivery or error in filling any orders for any reason whatsoever. If orders for the Products exceed RBAP inventory, RBAP shall allocate available inventory on a basis that RBAP, in its absolute discretion, deems equitable. Notwithstanding any prior written acceptance by RBAP of a

purchase order for Products, RBAP shall not be obligated to ship the Product if Service Provider is in breach of this Agreement at the time of the scheduled shipment.

- 4.2 Change Order. Service Provider may use a written change order (a "Change Order") for cancellation or rescheduling to the extent limited by this Paragraph 4.2 ("Change Order"). Service Provider may delay all or any part of the delivery under a particular purchase order, provided that (i) the Change Order is received by RBAP not less than forty-five (45) days prior to the scheduled delivery date, and (ii) the rescheduled delivery date for the order, in whole or in part, is not more than forty-five (45) days after the scheduled delivery date and falls within the same fiscal quarter as the original order delivery date.
- 4.3 New Releases. RBAP may, in its sole discretion, modify the Products. Once a New Release of the Products is available, Service Provider has ninety (90) days from first shipment date of the New Release to notify RBAP of its intent to return to RBAP, at Service Provider's expense, Products of the then-immediately prior release from Service Provider's inventory. Service Provider may only return Products to RBAP in exchange for an order for New Release Products in the full amount of the credit for the returned Products. RBAP will issue a credit to Service Provider's account for all Products that are returned to RBAP in complete, original, unused and unopened condition and will offset the invoice for the New Release order against such credit.
- 4.4 Product Price. The price of the respective Products ordered by Service Provider from RBAP, and the Service Provider discount, shall be as set forth in Schedule B ("Product Reference Price List"). RBAP reserves the right to change its Reference Price. All changes to the Reference Price shall become effective thirty (30) days after notice is given to Service Provider.
- 4.5 Product Price Decrease. In the event that RBAP reduces the applicable Reference Price of the Products, RBAP will promptly grant Service Provider a corresponding price reduction or account credit for the amount of the price reduction, taking into account the price and discount that were in effect when the Service Provider purchased the stock ("Adjustment"), against future Products purchases from RBAP, for each unit of the affected Products obtained from RBAP which is in Service Provider's inventory on the effective date of the price reduction; provided, however, that such price reduction or account credit shall only apply to that inventory which has been paid for in accordance with Paragraph 4.7 ("Royalty Target") and Schedule E ("Service Provider Royalty Payment Terms "). Service Provider must provide appropriate written documentation to RBAP indicating the price paid for such packages, and upon two (2) business days notice to Service Provider, RBAP shall have the right, during normal business hours to inspect Service Provider's physical inventory to verify the price protection credit.
- 4.6 Product Price Increase. In the event that RBAP should increase the applicable Reference Price of the Products, RBAP will honor orders at the prices in effect

prior to the effective date of the price increase so long as such Product orders were received and accepted by RBAP prior to the effective date of the price increase, except that after receipt of a notice of price increase pursuant hereto and prior to the effective date of the increase (the "Notice Period"), Service Provider may only order up to 2 times the Service Provider's average monthly order during the immediately preceding calendar quarter. Orders in excess of this amount received during the Notice Period and orders received on or after the effective date of the price increase will be accepted at the increased price. The terms of this Paragraph 4.6 ("Price Increase") will not apply to price increases associated with New Releases as defined in Paragraph 4.3 ("New Releases").

- 4.7 Royalty Target. All payments for the Products shall be as set forth in Schedule E ("Service Provider Royalty Payment Terms").
- 4.8 End User Fees. The fee charged by Service Provider for members of RBAP, shall be as set forth in Schedule C ("End User Fees") for a single site installation. RBAP reserves the right to change its End User Fees. All changes to the End User Fees shall become effective thirty (30) days after notice is given to Service Provider.
- 4.9 Taxes and Duties. In addition to any payments due to RBAP under this Agreement, the Service Provider shall pay amounts equal to any taxes (including VAT taxes), duties, or other amounts, however designated, which are levied or based upon such payments, or upon this Agreement, provided, however, that Service Provider shall not be liable for taxes based on RBAP net income.
- 4.10 Shipments. All shipments will be made F.O.B, RBAP to Service Provider's shipping address. Delivery will be deemed complete and risk of loss or damage to the Products will pass to Service Provider upon delivery to the carrier. Service Provider agrees to pay all shipping charges.
- 4.11 Acceptance. Each Product package shall be deemed accepted by Service Provider within fifteen (15) days of shipping by RBAP unless Company receives a written notice of rejection by Service Provider within such fifteen (15) day period.
- 4.12 Corollary Marketing and Installation. RBAP grants Service Provider unlimited rights to market and install the *MABS Approach* in other Microfinance Institutions or Banks after Service Provider has prepared and approved a rollout plan for RBAP member rural banks. Service Provider is not required to pay any royalty to RBAP. Service Provider will observe the Trademark restrictions set forth in paragraph 7.
5. Service Provider Obligations.
- 5.1 Marketing and Advertising. Service Provider agrees to use its best efforts to market the Products, and agrees that its marketing, public relations and advertising efforts will be of high quality, in good taste and will preserve the professional image and reputation of RBAP and the Products. Service Provider

will prepare a marketing launch plan for each the Products that it distributes and submit these plans to RBAP for review and comment by **DATE** (the marketing launch plan and the installation launch plan together shall comprise the Product Installation. The marketing plan will detail forecasted revenue, activities, and expenditures for the following areas: print and on-line advertising, direct mail, trade shows, seminars and events, public relations, other marketing materials including brochures, data sheets, and channel promotions. The marketing plan will also include a list of the Territory's leading industry publications and press contacts for the Products. The marketing plan will be reviewed on a monthly basis. Marketing and advertising shall be financed by the Service Provider, but RBAP shall make all its best efforts to market.

- 5.2 Installations. Service Provider agrees to use its best efforts to distribute Products and shall cooperate to the fullest extent possible in implementing all lawful installation programs, policies, directions, requests and general instructions of RBAP. Service Provider will prepare a installation launch plan for each Product that it distributes and submit these plans to RBAP for review and comment by **DATE** (the marketing launch plan and the installation launch plan together shall comprise the Product Installation Plan). The installation plan will detail Service Provider's strategy for end users. The installation plan will be reviewed on monthly basis.
- 5.3 Training and Support. Service Provider agrees to comply with the support provisions set forth in Schedule F ("Installation, Training and Assistance Commitments"). Service Provider shall communicate promptly to RBAP in writing any modifications, design changes or improvements of Products suggested by any end user. RBAP shall be and remain the sole and exclusive owner of all such information.
- 5.4 Warranty Service. Service Provider shall make appropriate arrangements with RBAP to provide warranty service for all Products installed by Service Provider. If a Product qualifies under the warranty provisions of the applicable End User Agreement for warranty service, Service Provider will inform RBAP, at RBAP expense, for replacement, unless otherwise instructed by RBAP. Service Provider must first obtain a return of materials authorization (RMA) number from RBAP. Service Provider will immediately provide the End User with a replacement Product. Service Provider will return the Product to RBAP, and will include the entire contents of the defective Product and a dated End User proof of purchase for the defective Product, which (i) the Service Provider obtains from the End User or (ii) the relevant Staff obtained from the End User. Such defective Product must be returned to RBAP within thirty (30) days of Service Provider's receipt from such End User or Staff. RBAP will replace Products returned to RBAP on a unit-for-unit basis. Service Provider will provide telephone support for End Users.
- 5.5 Records. Service Provider agrees to maintain a complete, clear, up-to-date and accurate record for at least two (2) years of the number of packages of each Product distributed, to whom they were distributed and the payments received for

them. Upon request, Service Provider shall provide such records to RBAP. Service Provider shall permit RBAP or persons designated by RBAP to inspect records pertaining to the Products and any other materials provided to Service Provider by RBAP to ensure compliance by Service Provider with its obligations to RBAP. Any such inspection and audit shall be conducted during regular business hours and in such a manner as not to interfere with normal business activities of Service Provider. In addition to its other rights, RBAP shall, for a period of six (6) months after the expiration of this Agreement or its effective termination date, have the right to inspect and make copies of all or any portion of the books and records of Service Provider which pertain to RBAP business and to the fulfillment of Service Provider's obligations under this Agreement.

- 5.6 Reports. Service Provider agrees to furnish monthly reports covering installation and revenue of the Products and the distribution channel that includes the information specified in Schedule G ("Monthly Reports"). Such reports are due within five (5) days after the end of each month.
6. RBAP Obligations. The RBAP authorized support center (Microfinance Technical Services [MFTS]) Unit shall provide Service Provider with technical support for the Products via telephone, facsimile or Email during normal business hours (~~xx:xx~~ a.m. to ~~xx:xx~~ p.m. [time], Monday through Friday (holidays excepted)). The RBAP MFTS unit shall also conduct product research and development, ensure Product quality standards, provide End User support, maintain a CRM system, and monitor installations. RBAP shall provide training for a maximum four (4) Service Provider staff during the initial period of this Agreement, and training for New Releases at its authorized support center. RBAP reserves the right to relocate its support center and to revise the reference above. RBAP will use best efforts to promptly provide workarounds for Errors and will correct such Errors in the next New Release. For purposes of this Agreement, an Error is defined as a defect in the Product, which negatively impacts End User installation.
7. Service Provider to Use the RBAP Trademarks.
- 7.1 Service Provider. RBAP hereby grants to Service Provider a nonexclusive, limited service provider to use applicable RBAP Product trademarks (the "Trademarks") solely in its distribution, advertising and promotion for the Products. Service Provider will prominently display the Trademarks in all advertising and promotional materials for the Products. Service Provider's use shall be in accordance with applicable trademark law and RBAP policies regarding advertising and trademark usage as established from time to time. Service Provider agrees not to attach any additional trademarks, trade names, logos or trade designations to the Products except that Service Provider shall be able to state that the Product is being distributed by Service Provider under a service provider from RBAP. Service Provider further agrees not to affix any Trademarks to products other than the genuine Products. Service Provider agrees not to use any other trademark or service mark in proximity to any of the Trademarks or combine the marks without the prior written approval of RBAP.

- 7.2 Quality. Service Provider agrees that the nature and quality of any products or services Service Provider supplies in connection with the Trademarks shall conform to the standards set by RBAP. Service Provider agrees to cooperate with RBAP in facilitating RBAP monitoring and control of the nature and quality of such products and services, and to supply RBAP with specimens of use of the Trademarks upon request. Should RBAP notify Service Provider that Service Provider's use of the Trademarks does not conform to the standards set by RBAP, Service Provider shall have twenty-five (25) days to bring such use into conformance and to provide RBAP with specimens of such conforming use.
- 7.3 Infringement Proceedings. Service Provider agrees to use reasonable efforts to promptly notify RBAP of any unauthorized use of the Trademarks by others as it comes to Service Provider's attention. RBAP shall have the sole right and discretion to bring legal or administrative proceedings to enforce RBAP trademark rights including actions for trademark infringement or unfair competition proceedings involving the RBAP trademarks.
- 7.4 Trademark Registrations. To assist RBAP in its trademark registration program, Service Provider, at RBAP request and expense, shall provide RBAP with any specimens, execute all applications for trademark registrations, trademark assignments or similar documents, and shall perform any other similar act reasonably necessary (i) for RBAP to secure or maintain any and all RBAP trademark rights in the Territory, provided that Service Provider is marketing the Products in association with such trademarks in such Territory or (ii) to effectuate the lawful right to use product names, designations or trademarks in the Territory as reasonably required by RBAP. Service Provider agrees to enter into any registered user agreements that may be required by RBAP. Service Provider agrees not to register any of the trademarks or any trademark that is confusingly similar to RBAP trademarks.
8. Ownership of Proprietary Rights and Non-Disclosure. Service Provider acknowledges that the Products and their sequences, structure and organization are proprietary to RBAP and that RBAP retains exclusive ownership of the Products and the Trademarks. Service Provider understands and agrees that Service Provider's use of the Trademarks hereunder does not create any right, title, or interest in or to such Trademarks in Service Provider. Service Provider will take all reasonable measures to protect RBAP proprietary rights in the Products. Except as provided herein, Service Provider is not granted any rights to patents, copyrights, trade secrets, trade names, trademarks (whether registered or unregistered), or any other rights, franchises or service providers with respect to the Products. Service Provider may be exposed to certain information concerning RBAP Products, proposed new Products and other business information which are RBAP confidential and proprietary information (herein "Confidential Information"). Service Provider agrees that during and after the term of this Agreement, it (and all of its Staff and directors) will not use or disclose to any third party any Confidential Information without the prior written consent of RBAP, and will keep such information strictly confidential, except that Service Provider may disclose the Confidential Information to its Staff as is reasonably necessary to allow Service Provider to perform under this Agreement and to obtain the benefits thereof. This Paragraph 8 ("Ownership of

Proprietary Rights and Non-Disclosure") shall not apply to proposed new Product information after such information is made public by RBAP.

9. Proprietary Rights Indemnity. RBAP shall defend at its own expense any claim, suit or proceeding brought against Service Provider insofar as such action is based on a claim that a Product constitutes an infringement of a copyright. To qualify for such defense and payment the Service Provider must: (1) give RBAP prompt written notice of any such claim; and (2) allow RBAP to control the defense, and fully cooperate with RBAP in the defense and all related settlement negotiations. RBAP shall pay all damages, costs and expenses finally awarded to third parties against Service Provider but shall not be responsible for any settlement made without its consent. Upon notice of an alleged infringement or if in RBAP opinion such a claim is likely, RBAP shall have the right, at its option, to obtain the right to continue the distribution of the Product or modify the Product so that it is no longer infringing. In the event that none of the above options is reasonably available in RBAP opinion, Service Provider's sole and exclusive remedy shall be to terminate this Agreement, to cease using and to return to RBAP all copies of the Product and to obtain from RBAP a refund of the fee paid by Service Provider for such inventory. **THE FOREGOING STATES FRANCHISEE'S SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO CLAIMS OF INFRINGEMENT OF THIRD PARTY PROPRIETARY RIGHTS OF ANY KIND.**
10. Warranty. RBAP warrants that it owns and has sufficient rights to grant the service providers granted herein.
11. Limitations and Disclaimer. **RBAP WARRANTS THE PRODUCTS TO END USERS ONLY PURSUANT TO THE TERMS AND CONDITIONS OF THE APPLICABLE END USER AGREEMENT. RBAP MAKES NO WARRANTIES OR CONDITIONS TO FRANCHISEE RELATING TO THE PRODUCTS, EXPRESS OR IMPLIED, AND EXPRESSLY EXCLUDES ANY WARRANTY OR CONDITIONS OF NON-INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY. FRANCHISEE SHALL NOT HAVE THE RIGHT TO MAKE OR PASS ON, AND SHALL TAKE ALL MEASURES NECESSARY TO ENSURE THAT NEITHER IT NOR ANY OF ITS STAFF SHALL MAKE OR PASS ON, ANY EXPRESS OR IMPLIED WARRANTY, CONDITION OR REPRESENTATION ON BEHALF OF RBAP TO ANY FRANCHISEE OR END USER.**
12. Indemnity. Service Provider shall indemnify and hold RBAP harmless from any claims or damages (inclusive of RBAP attorneys' fees) made against RBAP as a result of negligence, misrepresentation, error or omission on the part of Service Provider or its representatives. Service Provider shall be solely responsible for any claims, warranties or representations made Service Provider or Service Provider's Staff who differ from the warranty provided by RBAP in its End User Agreement.
13. Consequential Damages Waiver. **RBAP WILL NOT BE LIABLE FOR ANY LOSS OF USE, INTERRUPTION OF BUSINESS, OR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OF ANY KIND (INCLUDING LOST PROFITS) REGARDLESS OF THE FORM OF ACTION WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT PRODUCT LIABILITY**

OR OTHERWISE, EVEN IF RBAP HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, SAVE THAT NOTHING IN THIS CLAUSE SHALL RESTRICT LIABILITY FOR DEATH, PERSONAL PROPERTY DAMAGE OR PERSONAL INJURY DIRECTLY CAUSED BY THE NEGLIGENCE OF RBAP. ANY ACTION FOR BREACH OF THIS AGREEMENT, OR OTHERWISE ARISING OUT OF THIS AGREEMENT, MUST BE COMMENCED WITHIN ONE (1) YEAR FROM THE DATE THE RIGHT, CLAIM, DEMAND OR CAUSE OF ACTION SHALL FIRST OCCUR, OR BE BARRED FOREVER.

14. Limitation of Liability. Notwithstanding any other provisions of this Agreement, RBAP liability to Service Provider under this Agreement shall be limited to the total payments made by Service Provider to RBAP in the most recent full calendar year.

15. Term and Termination.

15.1 Term. The term of this Agreement shall commence upon the Effective Date. Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement shall continue through **DATE** (the "Initial Term"). If Service Provider meets its Royalty Target, based on target End User numbers in Territory, to RBAP during the Initial Term, then this Agreement will renew automatically for a one-year term. If Service Provider fails to meet its Royalty Targets, then RBAP may at that time and at its sole discretion cancel the agreement in its entirety.

15.2 Without Cause. Either party may terminate this exclusive Agreement without cause by giving at least ninety (90) days written notice prior to the end of the Term.

15.3 With Cause.

15.3.1 RBAP may terminate this Agreement upon ten (10) days written notice of a material breach of this Agreement by Service Provider if such breach is not cured within such ten (10) day period.

15.3.2 Notwithstanding the above, RBAP may terminate this Agreement immediately, upon written notice, for breach of Paragraphs 2 ("Service provider and Service Provider Certification"), 7 ("Service provider to Use the Company Trademarks"), or 8 ("Ownership of Proprietary Rights and Non-Disclosure").

15.3.3 RBAP may immediately terminate this Agreement after giving written notice if Service Provider shall become insolvent or fail to pay its obligations as they arise or upon any proceeding being commenced by or against Service Provider under any law providing relief to Service Provider as debtor.

15.4 Rights Upon Termination. Upon termination of this Agreement:

(i) The service providers granted in Paragraph 2.1 ("Distribution Service Provider Grant") and Paragraph 7.1 (Service Provider") shall immediately cease and Service Provider's status as an RBAP authorized Service Provider will be null and void.

(ii) Service Provider shall immediately cease using the Trademarks and discontinue all representations that it is a *MABS Approach* authorized Service Provider.

(iii) RBAP shall be entitled to (i) reject all or part of any orders received from Service Provider after notice but prior to the effective date of termination and/or (ii) require Service Provider's performance of any outstanding orders notwithstanding the fact that delivery dates for such orders may extend beyond the effective date of termination. Notwithstanding any credit terms made available to Service Provider prior to that time, any Products shipped during said period shall be paid for in full prior to shipment.

15.5 Obligations Upon Termination. Upon termination of this Agreement:

(i) Service Provider shall submit to RBAP within ten (10) days after the effective date of termination a summary of the number of the respective Products in Service Provider's inventory as of the effective date of the termination. RBAP may, at RBAP option, repurchase any or all of such Products from Service Provider upon written notice of RBAP's intention to do so within a reasonable period after receiving the inventory summary, at prices to be agreed upon between the parties, but in no event greater than the respective prices paid by Service Provider for such Products. After RBAP receipt of the Products from Service Provider, RBAP will issue an appropriate credit to Service Provider's account and refund any amount greater than the outstanding balance due RBAP.

(ii) If RBAP chooses not to exercise its rights to repurchase Service Provider's inventory, Service Provider shall have sixty (90) days from the effective date of termination to distribute its inventory.

15.6 No Compensation. Service Provider shall not be entitled to any compensation, damages or payments in respect to goodwill that has been established or for any damages on account of prospective or anticipated profits, and shall not be entitled to reimbursement in any amount for any training, advertising, market development, investments, leases or other costs that shall have been expended by Service Provider before the termination of this Agreement, regardless of the reason for or method of termination of this Agreement. Service Provider hereby waives its rights under applicable laws for any such compensation, reimbursement or damages.

16. Miscellaneous.

- 16.1 Notices. Any notices permitted or required under this Agreement shall be in writing, and shall be delivered in person or by certified or registered mail, return receipt requested, and shall be deemed given upon personal delivery or fifteen (15) days after deposit in the mail.
- 16.2 Assignment. Service Provider may not assign this Agreement without the prior written approval of RBAP. For the purposes of this section, a change in the persons or entities who control fifty percent (50%) or more of the equity securities or voting interest of Service Provider shall be considered an assignment of Service Provider's rights. RBAP rights and RBAP may assign obligations in whole or in part, under this Agreement.
- 16.3 Waiver. The waiver by either party of a breach of any provisions contained herein shall be in writing and shall in no way be construed as a waiver of any succeeding breach of such provision or the waiver of the provision itself.
- 16.4 Severability. In the event that any provision of this Agreement shall be unenforceable or invalid under any applicable law or be so held by applicable court decision, such unenforceability or invalidity shall not render this Agreement unenforceable or invalid as a whole, and, in such event, such provision shall be changed and interpreted so as to best accomplish the objectives of such provision within the limits of applicable law or applicable court decisions.
- 16.5 Injunctive Relief. It is expressly agreed that a violation of Paragraphs 2 ("Service provider and Service Provider Certification"), 7 ("Service Provider to Use the RBAP Trademark) or 8 ("Ownership of Proprietary Rights and Non-Disclosure") of this Agreement will cause irreparable harm to RBAP and that a remedy at law would be inadequate. Therefore, in addition to any and all remedies available at law, RBAP will be entitled to an injunction or other equitable remedies in all legal proceedings in the event of any threatened or actual violation of any or all of the provisions hereof.
- 16.6 Governing Law. This Agreement shall be governed in all respects by the laws of the Philippines as such laws are applied to agreements entered into and to be performed entirely within the Philippines. This Agreement is prepared and executed in the English language only and any translations of this Agreement to any other languages shall have no effect. All proceedings related to this Agreement will be conducted in the English language.
- 16.7 No Agency. Service Provider is and at all times shall be an independent contractor in all matters relating to this Agreement. Service Provider and its Staff are not agents of RBAP for any purposes and have no power or authority, whether apparent, actual, ostensible or otherwise, to bind or commit RBAP in any way.

Service Provider and its Staff are not and shall not act as employees of RBAP for any purpose, or under any other laws or regulations which would or might impute any obligation or liability to RBAP by reason of any employment relationship.

- 16.8 Export Regulations. Service Provider acknowledges that the laws and regulations of the Philippines may restrict the export and re-export of certain commodities and technical data of Philippines origin, including the Products. Service Provider agrees to comply with applicable export laws or regulations of the Philippines or foreign governments.
- 16.9 No Representations. Service Provider represents and acknowledges that it is relying solely on its own judgment, including its own estimate of the market for the Products in the Territory, in entering into this Agreement, and that RBAP has made no written or verbal representations or warranties, either express or implied, regarding the subject matter hereof, including, without limitation, the duration of the relationship created hereby, the circumstances under which this Agreement shall or may be terminated, the size of the market for Products in the Territory or the amount of business which Service Provider will, could or might expect to receive hereunder.
- 16.10 Titles of Paragraphs. The title of the various paragraphs of this Agreement are used for convenience of reference only and are not intended to and shall not in any way enlarge or diminish the rights or obligations of the parties or affect the meaning or construction of this document.
- 16.11 Forum. All disputes arising under this Agreement shall be brought in court of the Philippines as permitted by law.
- 16.12 Counterparts and Facsimile Copies. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any facsimile copy or counterpart of this Agreement showing a signature of either of the parties shall have the same force and effect as a copy or counterpart bearing an original signature.
- 16.13 Proprietary Agreement. Service Provider shall not disclose any of the terms and conditions of this Agreement to any person or entity whatsoever other than legal counsel, except as such disclosure may be required for accounting or tax reporting purposes or as otherwise may be required by law. The obligations of this Paragraph 16.13 ("Proprietary Agreement") shall survive the termination of this Agreement.
- 16.14 Entire Agreement. This Agreement together with the Schedules completely and exclusively states the Agreement of the parties regarding its subject matter. It supersedes, and its terms govern, all prior or contemporaneous proposals, agreements or other communications between the parties, oral or written, regarding such subject matter. This Agreement shall not be modified except by a subsequently dated written amendment signed on behalf of RBAP and Service Provider by their duly authorized representatives, which specifically references

this Agreement. Any provision of a purchase order purporting to supplement or vary the provisions hereof shall be void.

16.15 Warranty. SERVICE PROVIDER WARRANTS THAT IT HAS FULL POWER AND AUTHORITY TO ENTER INTO AND PERFORM THIS AGREEMENT, AND THE PERSON SIGNING THIS AGREEMENT ON THE SERVICE PROVIDER'S BEHALF HAS BEEN DULY AUTHORIZED AND EMPOWERED TO ENTER INTO THIS AGREEMENT. SERVICE PROVIDER FURTHER ACKNOWLEDGES THAT IT HAS READ THIS AGREEMENT, UNDERSTANDS IT AND AGREES TO BE BOUND BY IT.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date last signed below.

RBAP:

Service Provider:

Signature:

Signature:

Print Name:

Print Name:

Title:

Title:

Date:

Date:

Schedule A
MABS Approach Royalty on Rural Bank Unit Installations

The Royalty that Service Providers remit to RBAP for each *MABS Approach* Installation in Rural Banks will be fifteen percent (15%) of the installation End User Fee charged to the Rural Bank (see Schedule C).

Schedule B
Product Reference Price List

1. Product A. *MABS Approach* Training and Technical Assistance Installation CD

Reference Price, RBAP Boxed MABS CD Product. The Reference Price for *MABS Approach* Training and Technical Assistance Installation CD shall be Five Thousand (5,000 Pesos). RBAP reserves the right to change the Product. A minimum 10 sets constitutes the initial order.

2. Product B. *MABS Approach* Training and Technical Assistance Manual and Train-the-Trainer Guide Bound Copies

Reference Price, RBAP Bound MABS Product in 3-ring Printed Binder(s). The Reference Price shall be Ten Thousand (10,000 Pesos). RBAP reserves the right to change the Product. A minimum 10 sets constitutes the initial order.

3. Product C. MABS Marketing Kit.

No charge.

4. Product D. MABS Training including New Releases.

No charge for maximum 4 Service Provider Staff during initial term of Agreement.

5. Not for Resale (NFR) Copies.

Not for Resale copies shall be provided free of charge to service providers for press evaluations, and on-going marketing activities according to the following guidelines:

a) Product Launch:

- 10 NFR demonstration copies of *MABS Approach* CD including Training and Technical Assistance Manual and Instructor Guide
- 10 bound copies of *MABS Approach* Training and Technical Assistance Manual and Instructor Guide for demonstration

6. Additional NFR Copies.

Service providers may purchase up to 5 additional Not for Resale copies per quarter at 50% of the Reference Price. The Reference Price shall be Pesos Seven Thousand, Five Hundred (Pesos 7,500).

Schedule C

End User Fees

The End Users are members of RBAP. RBAP has negotiated the following Fees for a single site installation.

1. Fee A. *MABS Approach* Installation

End User Installation Fee. The *MABS Approach* Installation Training and Technical Assistance Fee shall be 189,000 Pesos, which covers the following activities. Each activity is priced separately. Rural Banks will pay the fee for the first three (3) activities at the start of each activity. The fee for the Institutional Strengthening (IS) will be paid based on a mutual agreement between the Rural Bank and the service provider that the deficiencies found during the IA can be corrected and/or the Rural Bank wants the IS regardless of the outcome. The Rural Bank will pay 25% at Product Development, and the remaining at CI/BI and Cash Flow Analysis, /or the Rural Bank can pay all of the remaining fee at Product Development. Discounts are not allowed to ensure a standard fee for all RBAP members.

INSTALLATION ACTIVITY	DAYS		DAILY RATE FEE (Pesos)	
	Training	Technical Assistance	Training	Technical Assistance
Sr. Mgrs. Orientation/ Market Assessment TA	.5	.5	1,500	3,625
IA		1		7,250
IS (optional)		(as required)		
Market Survey	3	3	6,000	21,750
Product Development Business Planning MIS Gap Analysis Setting Up the MFU	5	3	15,000	21,750
CI/BI Cash Flow Analysis	3	6	6,000	43,500
MIS	3	0	6,000	0
Loan Delinquency Mgmt. Internal Control Loan Administration Product Review	5	0	15,000	0
Operations Review				
Year 1	0	3	0	21,750
Year 2	0	6	0	43,500
TOTALS	19.5	22.5	49,500	163,215
			TOTAL	212,715

2. Fee B. *MABS Approach* Installation Warranty Period

End User Warranty Fee. The Warranty Fee for Six (6) months telephone support subsequent to *MABS Approach* installation certification by RBAP is Twenty Thousand Pesos (20,000 Pesos).

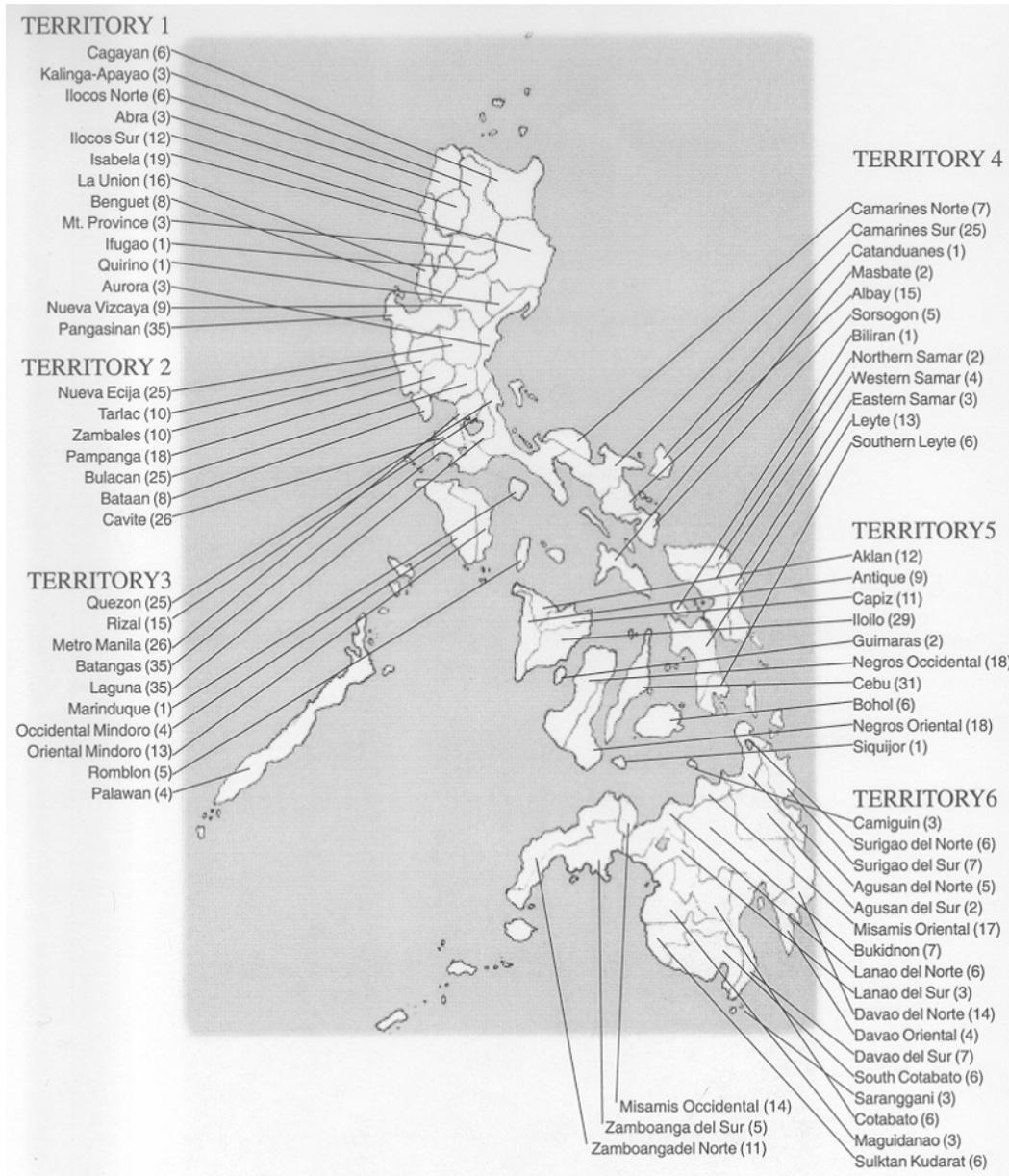
3. Fee C. *MABS Approach* Post-Installation On-Site Technical Assistance

End User Post-Installation On-Site Technical Assistance. The Price for *MABS Approach* post-installation on-site technical assistance consulting shall be Four Thousand, Five Hundred (4,500 Pesos) per day.

Schedule D

Territory

The Territory shall be: **LOCATION**



Schedule E

Service Provider Royalty Payment Terms

1. Royalty Payment Terms. Royalty payments for the *MABS Approach* installations in Rural Banks shall be payable by check, wire transfer or other means satisfactory to RBAP. Royalty payments are due within ten days (10) of receipt from the Rural Bank.
2. Product Payment Terms. Products ordered from RBAP and shipping costs shall be payable by check, wire transfer or other means satisfactory to RBAP. Product payments are due immediately upon receipt by Service Provider.
3. Late Payments. All sums not paid when due shall accrue interest daily at the lesser of an annual rate of twelve percent (12%) or the highest rate permissible by law on the unpaid balance until paid in full. RBAP reserves the right to terminate or modify the terms of credit payments when, in its sole discretion, RBAP believes that its payments may be at risk. All payments are to be in Philippine Pesos.

Schedule F

Installation, Training and Assistance Commitments

1. Technical Assistance. Service Provider certifies that it maintains the facilities and experienced personnel necessary to provide Technical Assistance for Products to End Users in Territory. Should support questions arise, which cannot be answered by Service Provider, Service Provider shall contact RBAP Microfinance Technical Support (MFTS) Unit and then convey answer to End User.

Schedule G

Monthly Reports

1. Service Provider Obligations - Marketing and Advertising
 - (a) Please provide dates, forecasted installation revenue, and expenditures with regards to the following activities:
 1. Print and on-line advertising
 2. Direct mail
 3. Trade shows
 4. Seminars and events
 5. Public Relations
 6. Marketing materials: brochures, data sheets, and catalogs
 - (b) Please provide company names and contacts for 25 leading industry publications targeted for Product reviews.
2. Service Provider Obligations - Installations.

Please provide a detailed installation report including current inventory, end user installations, and weeks on hand.
3. Installation Issues. List any issues regarding the Products, which you determine need to be addressed.
4. Staff. What staff do you have working on *MABS Approach*? (installation, marketing, technical support, training).
5. Training. Please summarize training activities. Please include dates, number of attendees, audience, results, and products of focus.
6. Technical Support. Please summarize technical support activities (the number of calls, your ability to respond to calls, RBAP promptness and efficiency in responding to your calls).
7. Miscellaneous Comments. Please list any other comments, concerns, or suggestions.

Schedule H

Service Provider Order Instructions

Please include the following information on all orders submitted to RBAP:

1. Purchase Order Number
2. Pre-authorized Payment Terms
3. FOB: RBAP to Service Provider's Shipping Address
4. Shipping Address
5. RBAP Serial/Release Numbers
6. Current Service Provider Prices
7. Preferred Shipping Method
8. Special Instructions for Territory



MABS Approach
**SERVICE PROVIDER
FEASIBILITY STUDY**
Luzon
Visayas
Mindanao
RBAP-MABS USAID CHEMONICS

Exhibit 4

Customer Relations Management (CRM) Definition

Customer Relations Management System Description

Customer Relations Management (CRM) is a system solution to provide immediate, seamless integration among customer, financial, supply chain, and employee management systems. This is closed-loop management of all sales activities, complete functionality for managing marketing programs, and a comprehensive customer support system, plus all the tools required to integrate both field service and help desk operations. In addition, CRM systems have built-in analytics to monitor all business data constantly, revealing the relationships between customers, products, channels, and profitability. And because CRM systems are built on an Internet architecture, there is no code on the client. All that is needed is a web browser.

A CRM system will be a great benefit to RBAP in monitoring *MABS Approach* installations, receiving client inquiries and feedback and providing information follow-up and response, and ensuring quality control and assurance standards.

RBAP's clients are not just the Rural Banks, but also the *MABS Approach* service providers as well as purchasers of the *MABS Approach* products, for example, the Chamber of Thrift Banks. This is a fairly complex client set especially the franchising intricacies, and each client has different needs and requirements, which must be managed separately yet integrated into a CRM system that helps build interactive responses and solutions. A simple and cost-effective CRM system will help ensure that RBAP and its clients maintain the best relationships and communications.

The following manufacturers represent the high-end CRM software vendors. Their software can be customized to meet RBAP's needs and/or other software vendors can be found, which might provide a better fit once the monitoring and quality assurance system is designed. An Internet brochure is also included for PeopleSoft and Oracle.

See www.peoplesoft.com, PeopleSoft CRM (Internet printable description included).

See www.sap.com/solutions/crm, mySAP Customer Relationship Management (Internet pages unprintable).

See www.oracle.com/applications/customermgmt/index.html, Oracle Customer Relationship Management (brief Internet printable pages included).