



MICROENTERPRISE ACCESS TO BANKING SERVICES

**October 1 – December 31, 2003
Performance Monitoring Report**

TWENTY-FOURTH QUARTER

Submitted By:

Chemonics International Inc.
Manila, Philippines

In association with:

Rural Bankers Association of the Philippines

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Executive Summary

The Microenterprise Access to Banking Services (MABS) Program achieved a major breakthrough during this quarter when the *MABS Approach* Training and Technical Services (MATTS) and the Program were introduced to more than 450 rural bankers from 245 rural banks across the Philippines through a series of seminars. MABS service providers (MSPs) delivered the *Introduction to MABS* seminars, which were held across the country and were hosted by the 39 regional rural banking federations/confederations.

The conduct of the 14 one-day seminar series aims to accelerate both the commencement of MATTS engagement between MSPs and client rural banks and the dissemination of the *MABS Approach* to additional banks. The seminars had sessions on the *MABS Approach*, microfinance best practices, profitability of microfinance operations, MATTS, and an institutional self-assessment guide.

To complement the activities aimed at expansion and sustainability, the Program also conducted major activities aimed at strengthening the microfinance operations of participating banks. An account officers' loan management refresher course, the Luzon/Visayas Supervisors' Forum, and the Mindanao Supervisors Forum were conducted during the quarter. Through small group discussions and presentations, microfinance best practices were shared and reinforced. MABS technical staff also monitored and tracked the operations of graduated banks and provided the necessary anti-backsliding measures.

This document serves as the Program's Twenty-fourth Quarterly Performance Report, covering the period October 1 through December 31, 2003. It also lays out the workplan for the next quarter.

Accomplishments and Activities during the Twenty-fourth Quarter (October 1 - December 31, 2003):

- The MABS Technical Resource Specialists (MABSTeRS) conducted a Loan Management and Administration Refresher Course for sixteen account officers from seven Luzon and Visayas participating banks. Microfinance best practices, credit and background investigation, cashflow analysis, zero tolerance toward loan delinquency, and remedial management were discussed during the course. A guest resource speaker also discussed the selling cycle and gave pointers on loan product presentation and marketing.
- Twenty-five MFU (MFU) supervisors from eleven Luzon and Visayas participating banks convened for the Luzon and Visayas MFU Supervisors' Consultative Forum. The sessions and small group discussions focused on internal control supervision and monitoring, strategic marketing for expansion, enhancing customer loyalty, and measuring client dropouts.

The EAGLE grades of the attending banks were also given out during the forum. The EAGLE system rates a bank's MFU performance in terms of five key components: Efficiency, Asset Quality, Growth, Liability Structure and Earnings.

- Forty-eight microfinance supervisors from 20 Mindanao participating banks attended the 5th Mindanao Supervisors' Forum, where they reviewed their banks' performances using the EAGLE rating system, refined their 2004 targets, and developed their marketing strategies for expansion. In addition, MABS technical staff gave lectures on internal control, client retention, and effective selling techniques.
- MABS Service Providers conducted a series of 14 one-day *Introduction to MABS* seminars across the country. More than 450 rural bankers from 245 rural banks were given an overview on microfinance basics, microfinance best practices, and the *MABS Approach* Training and Technical Services (MATTS).
- During a study visit to the Rural Bank of Dipolog, twelve representatives from six MABS participating banks in the Autonomous Region in Muslim Mindanao and Conflict Affected Areas of Mindanao (ARMM/CAAM) were oriented on the use of the palm pilot for loan account collection.
- The Rural Bank of Cotabato, Inc. (RBCI) signed an agreement to participate in the Program. The bank is one of the eight banks providing microfinance services to microentrepreneurs in the ARMM and CAAM.
- During two sessions of the practitioner-learning workshop sponsored by the Microfinance Council of the Philippines, representatives of two MABS participating banks gave presentations on delinquency and human resources management.
- The MABS Program and the *MABS Approach* were presented during the microfinance sessions of the Rural Bankers Association of the Philippines (RBAP) Charter Anniversary Symposium.
- The *MABS Approach* was presented during the Northern Luzon Confederation of Rural Banks Management Meeting.
- After completing the tests on Rural Banker 2000 version 1.1's (RB2000 v.1.1) diskette-reporting format, the Bangko Sentral ng Pilipinas validated the software as compliant with its reportorial requirements, effectively paving the way for the software's rollout.
- MABS completed the field survey/interview phase of the 2003 Microenterprise Client Survey. The survey will look at the changes in the conditions of participating banks' microloan clients in terms of savings increases, assets accumulation, and employment generation.
- MABS completed the 2004 Annual Workplan.
- Chemonics submitted the Twenty-Third Quarterly Performance Monitoring Report

For the Twenty-fifth Quarter, January 1 – March 31, 2004, MABS will:

- Conduct (pilot-test) a workshop on the Activity-Based Costing Course developed by the Consultative Group to Assist the Poor (CGAP).
- Hold the 2nd National Roundtable Conference.
- Hold a National Supervisors' Forum.
- Conduct an account officers' refresher course in Manila.
- Conduct operations reviews for 6th rollout banks.
- Conduct operations reviews for ARMM/CAAM banks.
- Monitor the MABS service providers' rollout of the *MABS Approach* Training and Technical Services (MATTS).
- Train additional MABS Technical Resource Specialists (MABSTeRS).
- Sign participating bank agreements with two additional banks in the ARMM/CAAM.
- Conduct training for Bangko Sentral ng Pilipinas (BSP) examiners on the changes to the examination manual.
- Hold the Rural Banker 2000 (RB2000) Users' Conference.
- Monitor the rollout of RB2000 v.1.1 to MABS participating banks and other rural banks.
- Provide training on the Performance Monitoring System (PMS) to Mindanao participating banks.
- Support the Philippines-Bolivia Microfinance Exchange Study Tour.
- Submit the Twenty-fifth Quarterly Performance Monitoring Report.

1. Contractor's Report

A1. Background

The Microenterprise Access to Banking Services (MABS) program is a USAID-financed effort implemented by the Rural Bankers Association of the Philippines (RBAP) with oversight provided by the Mindanao Economic Development Council (MEDCo). Technical assistance, training, and program management are provided by Chemonics International, a firm contracted by USAID. The MABS program is one of the principal elements of

USAID/Philippines' efforts to accelerate the economic transformation of Mindanao and other parts of the Philippines through expanded participation of lower-income groups in productive activities. MABS is directed at bringing about a sizable expansion of banking services—both loans and savings—to microenterprises and other groups at lower socio-economic levels. MABS is working with banks primarily in Mindanao but also supports the expansion of banking services to microenterprises in Luzon and Visayas.

Through MABS efforts, a minimum of 180 rural and cooperative rural bank branches in the Philippines will be encouraged and assisted to significantly increase the services they provide to the microenterprise sector. These efforts are intended to demonstrate to participating banks that it can be sensible and profitable to offer services to the microenterprise sector as a regular part of their portfolios. In turn, it is expected that the successful example of participating banks will encourage many more banks to look seriously at servicing the microenterprise market.

MABS Oversight. MABS receives overall program guidance from a Steering Committee, composed of a representative from the Office of the President, the Executive Director of the Rural Bankers Research and Development Foundation Inc. (RBRDFI), a USAID representative, the RBAP President, and the Chairperson of the Mindanao Economic Development Council (MEDCo). This committee identifies focal areas for program coverage and formulates and concurs with major policies that guide the MABS Program.

MABS receives guidance and support on implementation matters from a Management Committee. This committee is comprised of the Executive Director of MEDCo and the USAID Cognizant Technical Officer (CTO). The Management Committee approves all expenditures from the MABS Special Activities Fund (SAF), which is used to facilitate the implementation of the activities to be carried out under MABS, including special studies, training, commodity and technical support, incentive schemes, and procuring services of organizations or individuals needed to carry out specialized tasks.

The MABS Program got underway in April 1998 and has been extended to September 2004. It is a cost-plus-fixed-fee (CPFF) completion contract. The estimated cost for the performance of the work required in the contract, exclusive of fixed fee, as amended in August 2003, is \$11,907,086.67. The fixed fee is \$592,913.33. The estimated cost plus fixed fee is \$12,500,000.00. The contract budget is broken down into two Contract Line Item Numbers (CLINS), one for Expanding Access to Banking Services (\$9,958,832.00) and the other for the Special Activities Fund (\$2,541,168.00).

A2. Expected Results

With the latest amendment of the MABS contract Scope of Work in August 2003, the following are the revised objectives and targets for September 2004:

1. A minimum of 180 rural banks and bank branches from throughout the Philippines will receive MABS assistance.
2. These banks will altogether expand their portfolios to reach a total of at least 57,500 active borrowers by September 2004.

3. Enroll at least 200,000 new microdepositors among all participating banks.
4. At least half of the participating banks will have decided to make microenterprise services a continuing and significant part of their portfolios, and will have taken the steps required to properly and profitably service the microenterprise market.
5. An effective and "USAID-accepted" anti-backsliding program focused on participating banks that have "graduated" from the MABS program developed and being implemented by RBAP.
6. An RBAP-MABS microfinance training and technical services program in place utilizing licensed consultants/organizations capable of carrying out the installation of the *MABS Approach* in participating rural banks.
7. An appropriate fee structure developed and implemented for various services to be offered by RBAP-MABS- licensed consultants/organizations to prospective participating banks, "graduated" banks, non-participating banks, and other institutions.
8. An appropriate manual of bank examination for rural banks and other regulated institutions engaged in microfinance accepted and utilized by the Bangko Sentral ng Pilipinas.
9. Installation of the *MABS Approach* into at least three new participating banks servicing religious and ethnic minority communities of Mindanao.
10. Significant expansion of the number of clients belonging to ethnic and minority groups being served by at least five participating banks in areas outside of the predominantly minority communities of Mindanao.
11. Establishment of a credit reference service that will be helpful in the overall effort to enable rural banks to effectively and profitably service the microenterprise market.
12. Support for the development of an appropriate microfinance software that will enable bank management to support a viable and sustainable microfinance operations.

A3. Current Core Activities: MABS Activities

The 2003 MABS workplan covers the period January 1, 2003 through December 31, 2003. The contractor is responsible for ensuring that these major components are addressed:

1. Bank Strengthening and Anti-Backsliding
2. Sustainable MABS Technical Services
3. Expansion of Banking Services to Religious and Ethnic Minorities
4. Microfinance Policy and Standards
5. Monitoring and Evaluation
6. Other Activities
7. Project Management

Below are highlights of the tasks accomplished in the Twenty-fourth Quarter (October 1 – December 31, 2003) and tasks planned for the Twenty-fifth Quarter (January 1 – March 31, 2004).

1. **Bank Strengthening and Anti-Backsliding**

To ensure that there is no deterioration in a participating bank's (PB) MFU performance, various activities have been conducted: PB selection, diagnostic evaluations, organizational and human resource development, systems development and installation, loan product development, preparation of manuals, and improvement of marketing skills. The component also includes training activities such as formal course work, workshops, seminars, on-the-job training, internship, study tours, and other capacity-building initiatives.

Tasks completed in the Twenty-fourth Quarter:

Task One. Conduct a Loan Management and Administration Refresher Course to account officers from Luzon and Visayas participating banks.



Sixteen account officers from seven Luzon and Visayas participating banks attended the course, which discussed microfinance best practices, credit and background investigation, cashflow analysis, zero tolerance toward loan delinquency, and remedial management. The account officers were also given pointers on effective presentation and marketing techniques. The course

was delivered by the MABS Technical Resource Specialists (MABSTeRS).

Task Two. Hold the 5th Mindanao Supervisors' Forum. Forty-eight microfinance supervisors from 20 Mindanao participating banks attended the 5th Mindanao Supervisors' Forum, where individual bank performances were reviewed using the EAGLE rating system, 2004 targets were refined, and marketing strategies for expansion were developed. In addition, MABS technical staff gave lectures on internal control, client retention, and effective selling techniques.

Task Three. Hold the Luzon and Visayas MFU Supervisors' Consultative Forum.

Twenty-five MFU supervisors from eleven Luzon and Visayas participating banks convened for the Luzon and Visayas MFU Supervisors' Consultative Forum. The forum's main discussion topics were: internal control supervision and monitoring, strategic marketing for expansion, enhancing customer loyalty, and measuring client dropouts.



Tasks to be completed in the Twenty-fifth Quarter:

Task One. Hold the 2nd National Roundtable Conference.

Task Two. Hold a National Supervisors' Forum.

Task Three. Conduct a training/workshop on the activity-based costing tool developed by the Consultative Group to Assist the Poor (CGAP).

Task Four. Conduct an account officers' refresher course in Manila.

Task Five. Conduct operations review for Luzon participating banks.

2. Sustainable MABS Technical Services

To ensure the sustainability of the MABS Program's activities and to accelerate the dissemination of the *MABS Approach* to Microfinance, the Program developed training and technical services capabilities of private organizations, individuals, and selected MABS participating banks.

MABS Service Providers (MSPs) are consultants from local firms that have undergone extensive training and hands-on technical assistance. They are authorized as fully capable of assisting rural banks to establish MFUs. MABS Technical Resource Specialists are rural bankers who have been trained to deliver refresher courses while Learning Centers (LCs) are outstanding participating banks that best exemplify *MABS Approach* best practices and allow an on-site venue for interested rural banks to visit.

With the official launch of the MSP Program, the certification of the pool of MABSTeRS, and the establishment of LCs, the *MABS Approach* will be installed in an increased number of rural banks to ultimately benefit more microentrepreneurs.

Tasks completed in the Twenty-fourth Quarter:



Task One. Conduct series of one-day Introduction to MABS nationwide seminars. During the month of November, MABS Service Providers conducted 14 seminars that introduced senior managers of rural banks planning to engage in microfinance to the MABS Program and the *MABS Approach* Training and Technical Services (MATTs). More than 450 rural bankers from 245 rural banks attended the seminars.

Tasks to be completed in the Twenty-fifth Quarter:

Task One. MSPs to start the MATTs rollout. Rural banks that have signed partnership agreements with MSPs will start receiving MATTs.

Task Two. Train additional MABS Technical Resource Specialists (MABSTeRS). Additional technical resource specialists from Luzon and the Visayas regions will be trained.

3. Expansion of Banking Services to Religious and Ethnic Minorities

To reach out to clients in Conflict Affected Areas in Mindanao (CAAM) and the Autonomous Region in Muslim Mindanao (ARMM), the MABS Program aims to install the *MABS Approach* in at least three new participating banks and provide technical assistance to at least five new existing participating banks.

Tasks Completed in the Twenty-fourth Quarter:

Task One. Orient ARMM/CAAM banks on the use of the palm pilot for loan collection. During a study visit to the Rural Bank of Dipolog, one of the first banks to operationalize loan account collection using the palm pilot, representatives from ARMM/CAAM banks observed the integration of the palm pilot collection system into the banks' operations. Under the system, account officers record all field transactions to the palm pilot. The records are uploaded into the bank's database, reducing paperwork and facilitating information flow.

Task Two. Sign the Participating Bank Agreement with the Rural Bank of Cotabato, Inc. (RBCI). RBCI signed an agreement to participate in the Program.



Tasks to be completed in the Twenty-fifth Quarter:

Task One. Conduct operations reviews for ARMM/CAAM participating banks.

Task Two. Start the rollout of RB2000 v.1.1 to ARMM/CAAM participating banks.

Task Three. Sign participating bank agreements with two additional banks in the ARMM/CAAM.

4. Microfinance Policy and Standards

In coordination with USAID and USAID-financed projects CPIP and EGTA, MABS will undertake a number of policy initiatives related to microfinance operations of rural banks.

Tasks Completed in the Twenty-fourth Quarter:

Task One. Present the MABS Approach to delinquency and human resources management on two sessions of the practitioner-learning workshop sponsored by the Microfinance Council of the Philippines.

Representatives of two MABS participating banks gave presentations on delinquency and human resources management to more than 150 participants attending the workshop.

Tasks to be Completed in the Twenty-fifth Quarter:

Task One. Provide inputs in the finalization of the Microfinance Performance Standards for all types of Philippine Microfinance Institutions.

Task Two. Conduct three training sessions for BSP bank examiners on the modifications to the bank examination manual.

Task Three. Give BSP bank examiners an orientation on RB2000.

5. Monitoring and Evaluation

This component includes activities relating to the establishment of monitoring and evaluation systems for use by the individual participating banks, the MABS project team, and RBAP. In addition, special studies, briefs, impact assessments and other evaluations are included in this component.

Tasks Completed in the Twenty-fourth Quarter:

Task One. Continue to evaluate monthly MFU performance. As of December 31, 2003, the 114 bank units reporting to MABS had 45,216 active micro borrowers with an outstanding loan portfolio of PhP316,708,766. From October 1998 up to December 2003, the number of microdepositors increased by 188,669 and microdeposit balances increased by PhP249,291,619.

Task Two. Continue close monitoring of portfolio at risk ratios of participant banks. MABS continued to monitor the portfolio at risk ratios of participating banks. The consolidated portfolio at risk ratio over 30 days of MABS banks as of December 31, 2003 was 3.18%

Tasks to be completed in the Twenty-fifth Quarter:

Task One. Pilot test the revised MFU performance monitoring tool for banks.

Task Two. Continue close monitoring of portfolio at risk ratios of participant banks.

6. Other Activities

All initiatives dealing with the development and strengthening of the RBAP, including training specifically directed to this organization, will be programmed under this component.

Tasks Completed in the Twenty-fourth Quarter:

Task One. Complete tests on RB2000 v.1.1's diskette-reporting format. After testing RB2000 v.1.1's diskette-reporting format, the Bangko Sentral ng Pilipinas validated the software as compliant with all its reportorial requirements. The software is now being rolled out to additional banks.

Task Two. Present the MABS Approach and the program during the microfinance sessions of the Rural Bankers Association of the Philippines Charter Anniversary Symposium. The presentations provided rural bankers with a brief on the Program and its current status, updates on RB2000, a global overview of microfinance, and future microfinance trends.

Task Three. Present the MABS Approach during the Northern Luzon Confederation of Rural Banks Management Meeting.

MABS Chief of Party provided an overview of the MABS Program during the Northern Luzon Confederation of Rural Banks Management Meeting



Task Four. Conduct a survey on the changes in the economic conditions of MABS participating banks microloan clients. To look at how the economic conditions of MABS participating banks microloan clients have changed in terms of savings increases, assets accumulation, and employment generation, MABS conducted the 2003 MABS Client Survey. The interview/field survey phase of the survey was completed; data processing and report writing are still ongoing.

Tasks to be Completed in the Twenty-fifth Quarter:

Task One. Continue to monitor the rollout of RB2000 v.1.1.

Task Two. Hold the RB 2000 Users' Conference.

Task Three. Conduct training on the revised MFU Performance Monitoring System.

Task Four. Send a delegation consisting of representatives from participating banks to a study visit to Bolivia. The study group will observe current best practices in successful Bolivian microfinance institutions, focusing on the approaches used by regulated microfinance institutions to expand market outreach, maintain high portfolio quality, and manage growth.

Task Five. Submit the 2003 MABS Client Survey Report.

7. Program Management

Program management takes into account meetings, project evaluations, reports submission, visit by Chemonics' home office staff, and other activities related to overall project management.

Tasks Completed in the Twenty-fourth Quarter:

Task One. Submit the Twenty-third Quarterly Performance Monitoring Report covering July 1- September 30, 2003. Chemonics submitted the Twenty-third Quarterly Performance Monitoring Report covering July 1 – September 30, 2003.

Task Two. Complete and submit the MABS 2004 Workplan.

Tasks to be completed in the Twenty-fifth Quarter:

Task One. Submit the Twenty-fourth Quarterly Performance Monitoring Report covering October 1 – December 31, 2003.

A4. Performance

Current status vs. expected end of project results

Expected end of project results	Current Status
1. A minimum of 180 rural bank units (head offices and branches) from throughout the Philippines will receive MABS assistance.	One hundred seventeen (117) head offices and branches of 41 rural banks have now received technical assistance from MABS. The 117 bank units consist of the pilot, 1 st rollout, 2 nd rollout, 3 rd rollout, 4 th rollout, 5 th rollout, and 6 th rollout banks.
2. Participating banks will expand their portfolios to include a total of at least 57,500 active microenterprise borrowers among all participating banks.	As of December 31, 2003, the total number of outstanding microfinance borrowers for 114 banks/bank branches reporting was 45,216 or 78.63% of the target. The cumulative number of new borrowers reached by participating banks was 111,302.
3. Increase the number of microenterprise depositors to reach a total of at least 200,000 new depositors among all participating banks	As of December 2003, the net change in the number of active micro depositors for the 114 bank branches reporting was 188,669 or 94.33% of the target.
4. At least half of the participating banks will have decided to make microenterprise services a continuing and significant part of their portfolios, and will have taken the steps required to properly and profitably service the microenterprise market.	Of the 36 banks MABS banks operating a MFU for more than 12 months, December 31, 2003 figures show that 27 reported positive net income, five reported negative income, while four did not report.
5. An effective and “USAID-accepted” anti-backsliding program focused on participating banks that have “graduated” from the MABS program developed and being implemented by the RBAP.	<p>MABS focuses on the following activities to meet this objective:</p> <p>(a) Roundtable Discussions with top management of participant banks on methods for addressing backsliding and maintaining best practices; and</p> <p>(b) Microfinance Supervisors’ Forums, which aim to provide MFU supervisors the opportunity to share and learn from each other’s experiences in managing their micro loan portfolio and reinforce best practices.</p> <p>During 2003, MABS conducted the first National Roundtable Conference, a Luzon/Visayas Roundtable Meeting, a Mindanao Roundtable Meeting, four MFU Supervisors’ Forums, three refresher courses for account officers, and a Supervisory Skills workshop.</p>

<p>6. An RBAP-MABS microfinance training and technical services program in place utilizing licensed consultants / organizations capable of carrying out the installation of the <i>MABS Approach</i> in participating rural banks.</p>	<p>Three training and technical capacities were launched during the 23rd Quarter: the MSP Program, the MABSTeRS, and the LCs. The MSPs have been authorized to install the <i>MABS Approach</i> to additional rural banks. During the quarter, the MSPs delivered a series of 14 one-day <i>Introduction to MABS</i> seminars to more than 450 senior managers of 245 rural banks across the country.</p> <p>MABSTeRS are microfinance practitioners who have been trained to deliver refresher courses and support the MSPs' activities. LCs are model participating banks that best showcase <i>MABS Approach</i> best practices.</p>
<p>7. An appropriate fee structure for various services to be offered by RBAP-MABS licensed consultants/organizations to prospective participating banks, "graduated" banks, non-participating banks, and other institutions developed and implemented.</p>	<p>As of December 31, 2003, the MABS Approach package fee charged by MSPs range from PhP130,000 to PhP166,000 exclusive of out-of-product expenses.</p>
<p>8. An appropriate manual of bank examination for rural banks and other regulated institutions engaged in microfinance accepted and utilized by the Bangko Sentral ng Pilipinas.</p>	<p>The initial report of the independent consultant hired under the project was provided to BSP. Changes to examination procedures were pilot tested from May to June. These changes were incorporated into the BSP examination manual in July. More than 130 bank examiners were trained in the new procedures in August 2003. In October 2003, the BSP further amended loan loss provision requirements for microfinance operations based on recommendations of the independent consultant.</p>

<p>9. Installation of the <i>MABS Approach</i> into at least three new participating banks servicing religious and ethnic minority communities in Mindanao.</p>	<p>The ManCom approved the participation of three ARMM/CAAM banks in the Program. These banks have received training and technical assistance in the following areas: gap analysis; senior managers' exposure training; strategic planning; effective banking systems and procedures; improving organizational structure, governance and management capability; and enhancing existing group loan products. Product Development and CIBI/Cashflow Analysis training and technical assistance were conducted in July and August.</p>
<p>10. Significant expansion of the number of clients belonging to ethnic and minority groups of at least five participating banks in areas outside of the predominantly minority communities of Mindanao.</p>	<p>Five additional banks have been approved for participation in the Program; work with three of these banks started in May 2003. During the 24th quarter, two ARMM/CAAM banks - one new and one existing - started receiving technical assistance to strengthen microfinance operations.</p>
<p>11. Establishment of a credit reference service that will be helpful in the overall effort to enable rural banks to effectively and profitably service the microenterprise market.</p>	<p>The Bankers' Association of the Philippines' Credit Bureau (BAP-CB) program was expanded to Luzon with two MOUs with BAP-CB signed by one regional confederation and one local federation in Metro Manila. BAP-CB continued to offer training to RBs on its own.</p>
<p>12. Support for the development of an appropriate microfinance software that will enable bank management to have a viable and sustainable microfinance operations.</p>	<p>Version 1.1 of RB2000 was completed and certified by RBAP in April. The BSP has validated RB2000 v.1.1 as compliant with their reportorial requirements. The new version is now being readied for rollout. As of December 2003, RB2000 has been installed in 60 Rural Banks.</p>

Administrative Information

Contract Data: Total Estimated Cost \$12,500,000.00

CLIN #1 Total Estimated Cost \$9,958,832.00

1. Expenditures (October 1 – December 31, 2003) \$409,958.45
2. Cumulative Expenditures Through December 31, 2003 \$8,684,916.90
3. Remaining Unexpended Balance \$1,273,915.10

CLIN #2 Total Estimated Cost \$2,541,168.00

1. Expenditures (October 1 – December 31, 2003) \$24,852.60
2. Cumulative Expenditures Through December 31, 2003 \$2,251,957.30
3. Remaining Unexpended Balance \$289,210.70

SAF Requests Approved during the Quarter:

SAF No. 78 – Support for BSP Training in Examination Procedures for Banks Involved in Microfinance

SAF 78 was issued to provide support for the participation of Bangko Sentral ng Pilipinas (BSP) bank examiners to be trained on revised bank examination procedures.

The BSP, in support of the expansion of microfinance throughout the country, has issued three circulars recognizing microfinance as a specialized banking service, allowing less rigid regulatory requirements for microfinance operations of banks, and creating incentives for the banking system to go into microfinance.

The BSP is also setting up a Microfinance Committee and Unit that will internalize and institutionalize microfinance supervision within the BSP. The committee will be composed of representatives from the Office of the Governor, BSP Institute, Supervisory reports and Studies, and the Economic Research, Loans and Credit Sectors and will be headed by the Deputy Governor of the Supervision and Examination Sector. The primary task of the committee is to provide the policy framework and overall direction of the BSP's microfinance initiatives.

This would entail the development of appropriate examination policies and procedures that would measure the institutional risks and performance of the microfinance operations of banks more accurately.

The MABS Program has provided technical support for the review, modification, and testing of bank examination procedures in line with the Memorandum of Agreement signed between USAID and the BSP in 2002.

Results:

Three training sessions with more than 130 BSP bank examiners were completed in August.

SAF No. 79 – Video Production for MABS Approach Instructional Videos and MABS Approach Information Videos

SAF 79 is for the development of informational and instructional videos on the MABS Program and the *MABS Approach* modules.

The marketing videos will be used as a tool to convince other rural banks to adopt the *MABS Approach* into their microfinance operations as well as to support the MABS Technical Training resources (MSPs, MABSTERS, and Learning Centers). The videos will include testimonials from representatives of participant banks, detailing the impact of the *MABS Approach* on their banks' profitability, lending operations, and deposit portfolios. The videos will also feature a detailed description of the MABS Modular Training Course.

The instructional videos will be used as a supplement to the traditional MABS training tools and will feature the following topics:

- How to Do Credit and Background Investigation
- How to Do Cashflow Analysis
- How to Conduct the Microenterprise Survey
- Tips on Conducting an Effective Credit Committee Meeting
- Using the Personal Digital Assistant (PDA) in Collecting Loan Repayments

Status:

The shooting for the videos raw footage started on August 6. The informational video was completed in September and shown during the MSP Graduation Ceremony on Sept 5. The other five training videos are being finalized and will be completed in February. These videos are to serve as instructional videos for the *MABS Approach* training.

SAF No. 80 – Support for RBAP Cost Accounting System

SAF 80 is support for the comprehensive review of the present RBAP/RBRDFI accounting practices and the development of an appropriate cost accounting system. RBAP/RBRDFI's June 30, 2003 financial audit noted the lack of appropriate guidelines for the handling of project receipts and disbursements. Because of this, RBAP could not properly track the income and expenses of MABS-related activities.

Auditors have recommended the need to set up a cost-accounting system to track program related activities. On August 4, 2003, during the MABS Steering Committee Meeting, RBAP formally requested for support to cover part of the costs of the accounting system review and development.

In detail, the accounting system will determine:

- Propriety on the accounting treatment of revenues
- Efficiency and accuracy in project receivables collection
- Actual confirmed balance of project receivables (as of June 30, 2003)
- Propriety on the accounting treatment of approvals and disbursements
- Efficiency and accuracy in claiming reimbursements of project advances from project partners
- Adequacy of the review and approval of revenues and expenses charged to the project in the book of accounts]
- Material weaknesses in the internal control of RBAP/RBRDFI on project accounting and management
- Adequacy in the number of administrative and accounting staffing of RBAP/RBRDFI in relation to the project and the propriety of distribution of accounting duties
- Recommended changes necessary to improve the cost accounting system, policies and procedures for RBAP/RBRDFI for an effective accounting and handling of project activities

Status:

Four accounting firms submitted bids for the assignment and the lowest bidder was accepted by RBAP. Work is to begin by the end of September and was completed in December 2003. The report is being finalized and will be completed by the end of January 2004.

SAF No. 81 – Support for the MSP Program Rollout – Introduction to MABS Seminar for Senior Managers

Introduction to MABS Seminar

A series of one-day seminars that aims to introduce senior managers of rural banks to microfinance basics will be conducted throughout the country on November 2003. The Introduction to MABS Seminar will provide an overview on microfinance basics, microfinance best practices, the *MABS Approach*, and the *MABS Approach* Training and Technical Services (MATTS). The seminar also includes sessions on financial projections and a detailed institutional self-assessment guide for banks to analyze strengths, weaknesses, and market opportunities.

The seminars, which are designed for senior managers of rural banks that are interested in engaging in microfinance, will be offered to facilitate the rollout of MSP capacity while meeting RBAP objectives of reaching a larger number of rural banks by working with rural bank federations. By gathering twenty-five to thirty banks together at each seminar, MSPs are given the opportunity to sign up rural banks for the full MATTS.

The Microfinance seminars will be organized by the RBAP in coordination with the federations.

Results:

More than 450 rural bankers from 245 rural banks attended the series of 14 one-day seminars, which were held across the country for the entire month of November.

SAF No. 82 – Microfinance Council Workshop

The heads of two MABS participating banks (Rural Bank of Dulag and Kapatagan Valley Bank) were invited to serve as resource speakers in the Microfinance Council of the Philippines-sponsored practitioner learning workshops. The workshop discussed marketing strategies for MFIs, human resources and delinquency management, microinsurance, management information systems for MFIs, client assessment, and research and poverty assessment.

Results:

Representatives from the Rural Bank of Dulag and Bangko Kabayan were the lead discussants in the human resources management session while the representative of Kapatagan Valley Bank discussed delinquency management in microfinance operations.

SAF No. 83 – Microenterprise Clients Survey

The Microenterprise Client Survey will look at the changes in the conditions of the microfinance clients of MABS participating banks at the enterprise, household, and individual level. The survey will focus on savings increase, assets accumulation, and employment generation.

A research institute based in Davao City, the Ateneo de Davao Social Research, Training and Development Office, helped implement the survey and process the data. The said institute also provided the interviewers, field supervisors, statistical consultancy services, data encoding, programming, and data processing. The sampling population came from four pre-selected participating banks.

Status:

The field survey and interviews were completed on December 2003. Data processing and report writing are still ongoing and will be completed in February 2004.

SAF No. 84 – Request for Approval of Rural Banks Qualified for MABS Support under SAF 84

In order to reach the targeted MABS rollout of 50 rural banks in the next ten months, licensed MSPs must have signed agreements with at least 25 rural banks by January. SAF 84 will provide limited financial support for rural banks that commit and contract MSPs to receive full MABS Approach Training and Technical Services (MATTS).

To qualify for support, an interested rural bank must have a CAMELS rating of 3.0 or higher, and must submit a letter of interest, board resolution, certificate of good standing with the RBAP, and a signed agreement with a MABS service provider.

Status:

Eleven (11) banks have complied with the requirements and have been recommended for approval. The training is scheduled to begin in January for the first group of banks.

Chemonics International Inc.
 Philippines Microfinance Access to Banking Services
 Contract no. 492-C-00-98-00008-00
 As of the Quarter Ending December 31, 2003
 Special Activities Fund - In US Dollars

SAF	Title	Results	Approved	Status	ManCom Approved Budget	Expenses Thru Quarter 23	For the Quarter Expenses			Total Expenses Quarter 24	Expenses To Date
							Oct-03	Nov-03	Dec-03		
1	Best Practices Workshop	Attendance was successful. Participating banks came from 89 rural/cooperative banks in Mindanao. MABS program was defined. Interest in MABS was established.	Apr-98	Closed	4,131.00	1,545.00				-	1,545.00
2	MIS Study	RBRDFI staff involvement in MIS assessment.	Apr-98	Closed	805.47	283.00				-	283.00
3	Product Development Workshop	Rural banks and regional Federation presidents were invited. Participants rated invited speakers from CARD and San Leonardo Rural Bank very helpful.	Jun-98	Closed	4,728.72	3,209.00				-	3,209.00
4	Market Survey, Fixed-Price	TRENDS-MBL will conduct a survey of microenterprises in each of the PB market areas. This request also includes 2 research assistants for one month each. Exceeded budget due to forex drop	Jul-98	Closed	15,373.81	16,800.00				-	16,800.00
5	Training Preparation - Boypee Panganiban	Boypee Panganiban will come to Davao for 5 days to assist in preparing training sessions for upcoming regional workshops.	Jul-98	Closed	2,155.79	1,685.00				-	1,685.00
6	RBRDFI Involvement in MIS Development	P. Crisosotomo's (RBRDFI) Staff travels	Jul-98	Closed	1,640.00	3,189.00				-	3,189.00
7	Loan Repayment Workshop	B. Pendleton's Loan Repayment workshop	Aug-98	Closed	5,734.76	3,728.00				-	3,728.00
8	Cash Flow Lending workshop	B. Panganiban's Regional Workshops	Sep-98	Closed	25,573.29	14,634.00				-	14,634.00
9	Case Study of PAICOP	D. Capeding, a case study of PAICOP. *Exceeded budget due to extension of services	Sep-98	Closed	834.87	1,593.00				-	1,593.00
10	Pilot Bank Agreement	Pilot Bank Agreement Implementation	Oct-98	Open	72,895.87	66,413.00				-	66,413.00
11	Panganiban Book Publication	NRBSL Practices	Dec-98	Closed	8,461.54	7,754.00				-	7,754.00
12	Research Assistant for the roll-out	Luisa Cadiz, RA for Roll-out	Nov-98	Closed	3,010.90	6,410.00				-	6,410.00
13	Mindanao Fed. RB Meeting	Regional Conference	Dec-98	Closed	2,448.11	456.00				-	456.00
14	Enhancement of MicroBanker	Pilot Bank MIS Enhancement	Dec-98	Closed	13,282.07	13,977.00				-	13,977.00
15	RBAP Strategic Planning	Laurel Druben, ITI, fixed-price subcontract	Feb-99	Closed	32,996.56	25,091.00				-	25,091.00
16	NRBSL Exposure Trip	Pilot Bank Managers and staff trip to NRBSL	Feb-99	Closed	7,105.41	4,854.00				-	4,854.00
17	SGV Corporate Finance to RBAP	Canceled	Canceled	Canceled		-				-	-
18	Follow-up trip by Druben	Start up implementation of RBAP/RBRDFI Strategic Development Program	May-99	Closed	30,883.58	31,662.00				-	31,662.00
19	Training Modules with PBs	Pilot Banks Training Modules	May-99	Closed	2,629.48	920.00				-	920.00
20	Orientation Course of Senior Officers of New PBs	Workshop Orientation of new PBs done	June-99	Closed	8,284.27	4,908.00				-	4,908.00
21	Commodities and Support	Commodities assistance completed.	July-99	Open	155,427.38	115,055.63				-	115,055.63
22	Training course for MF staff and PBs Supervisors	MF Workshop training course new PBs attended and participated by PBs.	Jul-99	Closed	19,211.43	14,800.00				-	14,800.00
23	ITI subcontract for presentation of finalized plan and full start-up implementation of RBAP/RBRDFI Strategic Development Program	Presentation of finalized plan for RBAP/RBRDFI completed	Aug-99	Closed	36,543.10	17,270.00				-	17,270.00
24	Enhancement of PC Banker system for participant bank RB Ozamis	RB Ozamis PC Banker enhancement delivered	Sep-99	Closed	5,331.11	4,379.00				-	4,379.00
25	Internship training at Enterprise Bank for MFU of Sarangani and Montevista Banks	Internship completed.	Sep-99	Closed	530.97	529.00				-	529.00
26	Enhancement of MicroBanker system for participant banks	Microbanker for PBs enhancement completed	Sept-99	Closed	24,987.38	22,180.00				-	22,180.00

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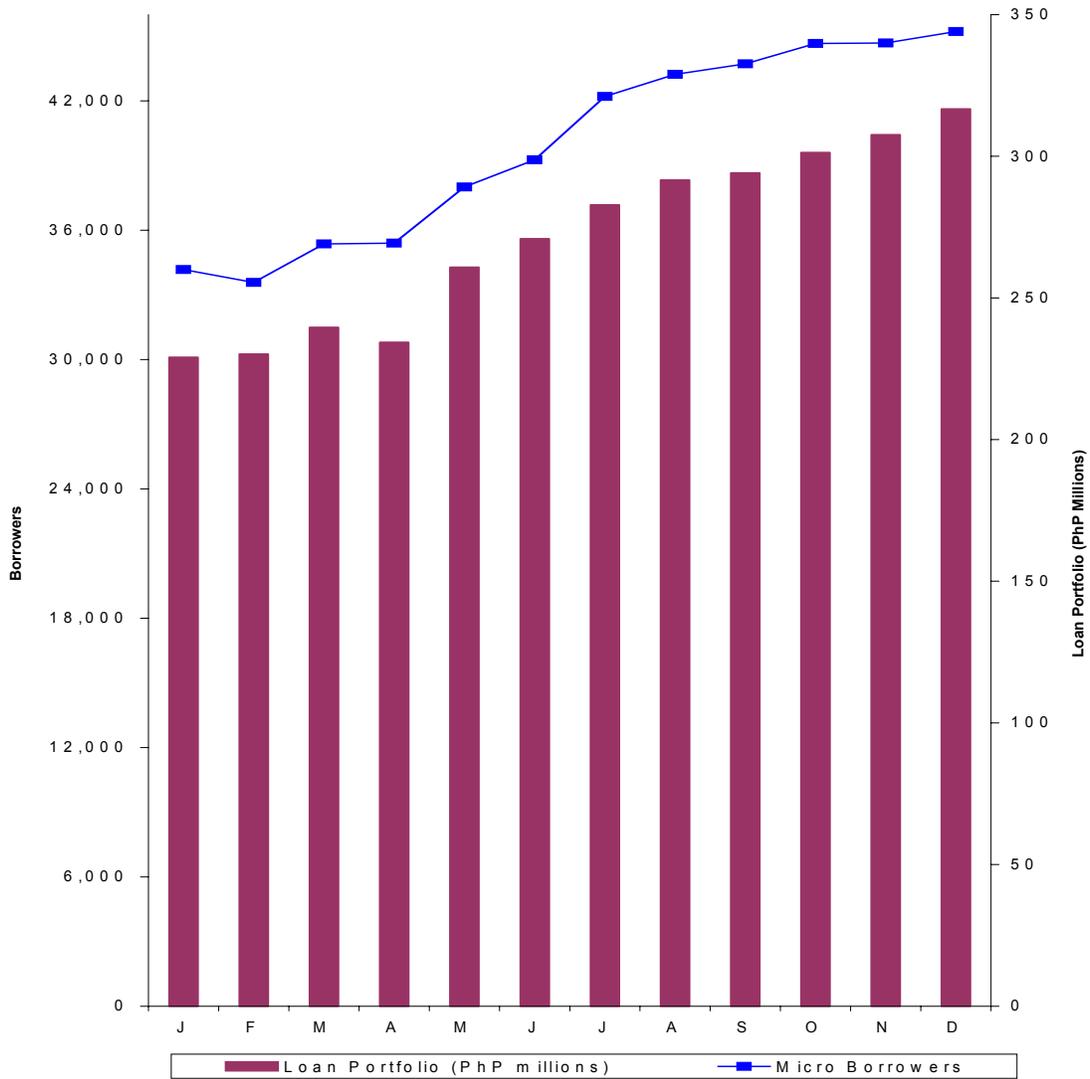
SAF	Title	Results	Approved	Status	ManCom Approved Budget	Expenses Thru Quarter 23	For the Quarter Expenses			Total Expenses Quarter 24	Expenses To Date
							Oct-03	Nov-03	Dec-03		
27	Workshop on Zero Tolerance on Past Due Loans	Zero Tolerance workshops completed	Sept-99	Closed	7,048.24	1,661.00				-	1,661.00
28	Canceled	Canceled	Canceled	Canceled		-				-	-
29	Enhancement of Loan & Savings Ledger	Enhancement of Loans & Savings Ledger completed.	Oct-99	Closed	5,440.16	4,757.00				-	4,757.00
30	Purchase of MBXD95+	Completed	Nov-99	Closed	10,231.09	9,398.00				-	9,398.00
31	Delinquency Measurement and Control Course	Course done and completed	Nov-99	Closed	569.75	223.00				-	223.00
32	Canceled	Canceled	Canceled	Canceled						-	-
33	ST consultancy of Guillermo Bolanos	Completed	Dec-99	Closed	22,550.00	30,922.00				-	30,922.00
34	Use of CLIN2 Funds for MABS expansion	On-going on MIS component.	Dec-99	Open	1,300,000.00	1,352,803.74	14,191.47			14,191.47	1,366,995.21
35	Canceled	Canceled	Canceled	Canceled		-				-	-
36	Orentation for Sr. Officers of new PBs	Orientation of done.	Jan-00	Closed	3,596.15	1,718.00				-	1,718.00
37	Refresher course MicroBanker loans module	Course conducted and completed	Jan-00	Closed	1,755.09	1,340.00				-	1,340.00
38	Microfinance staff training course	Participant Banks MF Training	Jan-00	Closed	6,407.82	5,062.00				-	5,062.00
39	Pilot Banks Reps. Consultation and Evaluation meeting	Pilot Banks Consultation and Evaluation meeting	Jan-00	Closed	150.00	135.00				-	135.00
40	Purchase of MicroBanker MBXD95+Software for RB Lebak	Rural Bank of Lebak MBXD95+software delivered	Jan-00	Closed	900.65	3,363.00				-	3,363.00
41	Commodities and Support	PBA and Commodities Support	Feb-00	Open	105,057.52	72,446.00				-	72,446.00
42	Consultation and Evaluation meeting with roll out banks	Rollout banks and evaluation meet	Feb-00	Closed	1,767.61	1,488.00				-	1,488.00
43	Purchase of MicroBanker and related services Oroquieta/Green	Microbanker and related services of RB Oroquieta and Green Bank	Mar-00	Closed	5,721.35	1,599.00				-	1,599.00
44	Consultation and Planning Meeting with the RBAP ExeCom	RBAP Excom Consultation and Planning Meeting conducted.	Mar-00	Closed	618.75	312.00				-	312.00
45	Support Expansion to Branches	Support for expansion to branches	Apr-00	Open	35,750.00	1,226.42				-	1,226.42
46	Workshop on Cashflow Lending	Cashflow Lending Workshop of Rural Bankers in Mindanao completed	May-00	Closed	6,045.61	4,216.00				-	4,216.00
47	Enhancement for Hardcode Computer System for RB- Talisayan	Hardcode Computer System for RB Talisayan enhancement completed	May-00	Closed	4,778.67	4,123.00				-	4,123.00
48	Purchase of Microbanker MBXD95 and Software for CRB Bukidnon	Microbanker MBXD95 + Software for CRB Bukidnon delivered.	May-00	Closed	872.64	-				-	-
49	Canceled	Canceled	Canceled	Canceled		-				-	-
50	Consultation and Planning Workshop with RBAP and MABS Technical	RBAP and MABS Technical Consultation and Planning Workshop	Jun-00	Closed	1,561.90	1,126.00				-	1,126.00
51	Big Byte Savings & Loans System for RB of Montevista	Enhancement of Big ByteShope Savings & Loans System	Jan-00	Closed	5,136.79	4,160.17				-	4,160.17
52	SEEP/APPEND Financial Ratio Analysis Course	Technical staff attended Financial Ratio Analysis Course	Aug-00	Closed	537.78	244.00				-	244.00
53	MABS Phase out Consultative Meeting	Pilot Banks President, Gen. Manager and MFU Supervisor and MABS Management attended the Consultative Meeting	Sept-00	Closed	220.00	204.00				-	204.00
54	New RBAP Technical Staff Salaries & Support	On-going	Nov-00	Open	96,289.86	75,201.65	188.05	60.58		248.63	75,450.28
55	Training course for Sr. Management and MF Staff and Supervisors for Luzon and Visayas Banks	Conducted workshops/trainings in the Visayas and Luzon	Apr-01	Closed	9,085.71	6,693.99				-	6,693.99
56	Impact Evaluation Study	Evaluation completed	Jun-01	Closed	1,345.05	1,592.00				-	1,592.00
57	Travel to Hongkong of Ms. Solis & Pineda	Attended by Mrs. Solis and Mrs Pineda from RB of Sto Tomas.	Aug-01	Closed	3,478.16	1,076.57				-	1,076.57
58	Credit Reference Bureau Development Support	On-going	Sep-01	Open	2,480.43	1,639.19				-	1,639.19
59	Training on USAID admin and financial management requirements	Two MABS staff attened the training	Feb-02	Closed	717.05	-				-	-
60	Roundtable events for Senior Management	Conducted twice in Davao, and once in Dipolog City and Cebu City	Mar-02	Closed	4,536.53	4,640.15	457.82	5.37		463.19	5,103.34
61	Videos for RBAP-MABS	Produced videos of MABS successes	Mar-02	Closed	4,180.09	4,645.87				-	4,645.87

MABS BANKS MICROFINANCE PERFORMANCE REPORT
CONSOLIDATED - BY AREA OF OPERATION (LUZON, VISAYAS AND MINDANAO)
DECEMBER 2003

PERFORMANCE DATA	LUZON	VISAYAS	MINDANAO	TOTAL
Number of banks	11	3	24	38
Number of participating branches	30	7	77	114
Number of active borrowers outstanding	6,767	1,399	37,050	45,216
Number of new borrowers	449	79	2,664	3,192
Number of repeat loans	1,005	436	5,528	6,969
Loan portfolio balance	53,738,003	14,057,052	248,913,711	316,708,766
Net change in number of deposit accounts	5,072	1,676	181,921	188,669
Net change in deposit balance	27,594,113	2,061,762	219,635,744	249,291,619
Number of microfinance field staff	84	23	370	477
Number of loans disbursed during the month	1,454	515	8,192	10,161
Cumulative number of new borrowers	7,401	2,848	101,053	111,302
Cumulative number of loans disbursed	19,092	9,770	291,358	320,220
Amount of loans disbursed during the month	24,395,300	8,341,000	100,066,933	132,803,233
Cumulative amount of loans disbursed	339,601,060	133,167,167	2,841,737,622	3,314,505,849
Portfolio at risk more than 7 days	2,054,014	178,617	11,127,432	13,360,063
Portfolio at risk more than 7 days (%)	3.89%	1.27%	5.19%	4.75%
Portfolio at risk more than 30 days	1,131,939	117,704	7,680,063	8,929,706
Portfolio at risk more than 30 days (%)	2.14%	0.84%	3.58%	3.18%

MONTHLY INCOME AND EXPENSE	LUZON	VISAYAS	MINDANAO	TOTAL
Financial income				
Interest income on loans	2,436,894	707,054	15,772,783	18,916,731
Service charge	829,583	260,317	6,701,758	7,791,658
Penalty fee on loans	73,959	6,047	251,072	331,078
Total financial income	3,340,436	973,418	22,725,613	27,039,467
Total financial expense	339,431	21,598	1,130,329	1,491,358
Gross financial margin (spread)	3,001,004	951,820	21,595,284	25,548,108
Loan loss provision	169,307	16,108	671,630	857,045
Net financial margin	2,831,697	935,712	20,923,654	24,691,063
Direct operating expenses				
MFU salaries and benefits	763,030	105,520	2,155,571	3,024,121
Gross receipts tax	75,514	2,224	689,362	767,100
Depreciation	51,455	20,874	184,712	257,041
Transportation	63,475	15,072	4,701	83,248
Supplies	29,070	1,844	1,046,298	1,077,212
Communication	12,069	1,163	20,532	33,764
Others	139,981	24,241	323,562	487,784
Total direct operating expenses	1,134,593	170,938	4,424,738	5,730,269
Training and professional fees	65,568	2,107	6,000	73,675
Net income before indirect expenses	1,631,536	762,667	16,492,916	18,887,119
Indirect expenses	429,867	121,200	2,721,067	3,272,134
Net income (loss)	1,201,670	641,467	13,771,849	15,614,986

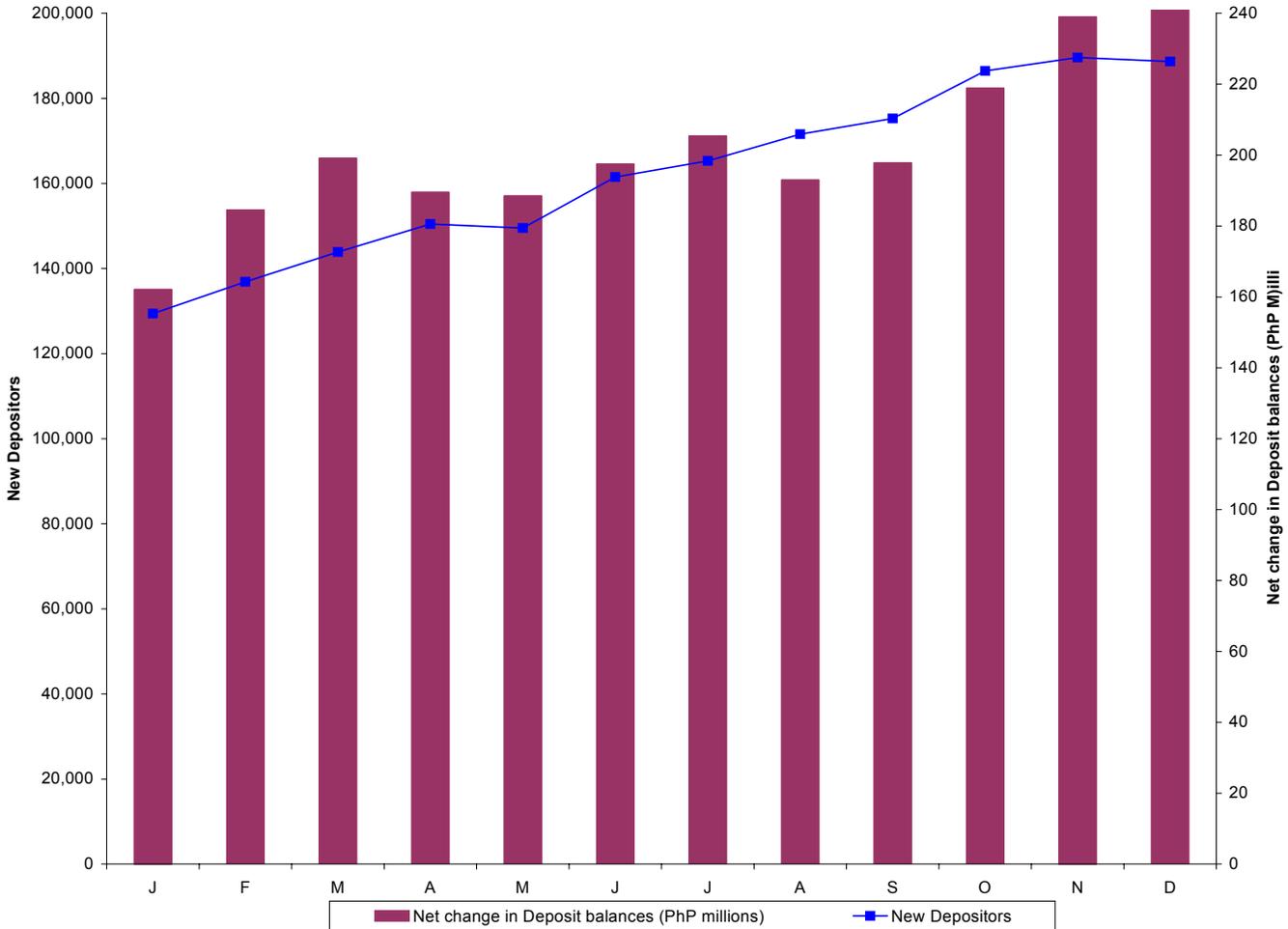
Micro Loan Portfolio MABS Participating Banks January 2003 – December 2003



	Loan Portfolio (PhPM)	Micro Borrowers
Jan-03	229.06	34,176
Feb-03	230.19	33,579
Mar-03	239.63	35,364
Apr-03	234.36	35,402
May-03	260.86	38,005
Jun-03	272.95	39,456
Jul-03	282.88	42,202
Aug-03	291.65	43,226
Sep-03	294.18	43,717
Oct-03	301.32	44,658
Nov-03	307.66	44,683
Dec-03	316.71	45,344

Annex 2.2 Micro Loan Portfolio

Growth in Micro Savings Deposits* MABS Participating Banks January 2003 - December 2003



	Net Change in Deposit Balances (PhPM)	New Depositors
Jan-03	162.12	129,437
Feb-03	184.51	136,904
Mar-03	199.11	143,917
Apr-03	189.53	150,468
May-03	188.48	149,522
Jun-03	197.47	161,534
Jul-03	205.40	165,319
Aug-03	193.76	171,603
Sep-03	198.81	175,269
Oct-03	218.88	186,490
Nov-03	238.98	189,606
Dec-03	249.29	188,669

* Deposit balance and Depositors listed exclude baseline deposit balance and depositors when MABS started to work with the rural bank.