

MABS PROGRAM

Microenterprise Access to Banking Services

OCTOBER 1-DECEMBER 31, 2001 PERFORMANCE MONITORING REPORT

Sixteenth Quarter

Submitted by:

Chemonics International Inc.
Manila, Philippines

In association with:

Rural Bankers Association of the Philippines

February 2002

Under Contract No. 492-C-00-98-00008-00

**United States Agency for International Development
Office of Economic Development
Manila, Philippines**

EXECUTIVE SUMMARY

Through directed technical assistance, training, and limited commodity support to a minimum of 100 rural or cooperative rural banks/ bank branches, the MABS program is intended to bring about a sizable expansion of banking services—both loans and deposits—to microenterprises and other groups at lower socio-economic levels in the Philippines.

This document serves as the Program's *Sixteenth Quarterly Performance Report*, covering the period October 1 through December 31, 2001. It also describes work planned for the coming quarter.

Accomplishments and activities during this reporting period:

MABS now has 28 partner banks (PBs) comprising 74 participating branches. The number of active loan clients served by 28 MABS PBs increased from 19,975 to 22,159 - an increase of 11%, quarter on quarter. Their loan portfolio increased by 13%, quarter on quarter, from PhP114,070,193 to PhP128,750,910. The portfolio at risk over 30 days increased from 2.58% in September to 3.04% in December. The number of micro depositors served by MABS PBs has increased by 89,846 since MABS started to work with these PBs. Micro deposit balances have increased by PhP92,858,878.

- As of December 31, 2001, six of the nine 1st rollout banks had signed their CTSA. These are Rural Bank of Cantilan, Kapatagan Valley Bank, Enterprise Bank, Rural Bank of Talisayan, Rural Bank of Panabo, and Network Bank.
- MABS continued to receive reports generated from the Big Byte Shoppe MIS System of Rural Bank of Montevista. The reports are consistent and complete.
- The Beta testing of RB 2000 is still ongoing. The draft final user's manual was completed and is currently being edited by Mr. Anthony Petalcorin, MABS MIS Manager. The Rural Banker 2000 (RB2000) installer is ready for testing.
- The MABS website can now be accessed at www.rbapmabs.org. The site contains news on MABS activities in particular and on microfinance in general, reports on MABS accomplishments, upcoming MABS events, links to other sites, MABS contact information and feedback button for site visitors.
- The 1st Roundtable Discussions among the 3rd rollout banks was facilitated by MABS in October. MABS consultants reiterated the importance of microfinance best practices that the partner banks should follow. Comparisons among 3rd rollout banks and previous rollout banks were presented by MABS to the group. Progress to date as well as lessons learned during the first three months of operations were shared by the participants.
- MABS conducted the first product review activities for the 3rd rollout rural banks three months after releasing the first loans of First Isabela Coop Bank (FICO), Macro Bank, Bangko Kabayan, Florida Bank, Rural Bank of Bogo, and Victorias Bank.
- MABS continues to work with the Bangko Sentral ng Pilipinas (BSP) staff regarding the

developments in BSP's efforts to support microfinance. As of December, the BSP decided not to set up a separate Foundation but hired Mr. Ed Jimenez of the Microfinance Council of the Philippines as a consultant to the BSP on microfinance issues.

- Officers of the inter-agency policy-making body, National Credit Council (NCC) observed the microfinance operations of Rural Bank of Santo Tomas and Rural Bank of Panabo, MABS partner banks in Mindanao. They were first briefed on the MABS Approach and best practices before the actual field visits.
- MABS microfinance specialist Raike Quiñones gave a lecture on microfinance to BSP personnel and officers in Manila, highlighting the MABS Approach and MABS best practices.
- MABS submitted the final report on the operations review conducted for the Rural Bank of Cantilan. The report highlighted the history of microfinance operations in RB Cantilan; strategic positioning of the bank's microfinance unit (MFU); organizational structure for microfinance; management information system; portfolio management; MFU internal controls review; feedback from clients, account officers and branch managers; and savings mobilization.
- MABS continues to implement the weekly monitoring of portfolio at risk of all participating banks in order to quickly follow up on backsliding issues.
- Two applicants for microfinance specialists passed RBAP's evaluation process - one for Manila and one for Davao. RBAP will interview the shortlisted applicants for Cebu and Cagayan de Oro in February. A total four new microfinance specialists are expected to be on board by March.
- The expanded Credit Information Bureau was pilot-tested in Panabo City, Davao del Norte. The pilot phase includes two commercial banks, one of which is Land Bank, four rural banks, and one credit cooperative in Panabo City.
- USAID has approved Chemonics' proposal to exercise the three-year extension of the MABS contract with revised project targets.
- Chemonics hired Mr. Antonio Enoy as a short-term MIS specialist to build a data entry and reports generation program for the MABS bank performance monitoring reports. The final system is to be made available by February 2002.
- Kristin Thompson from Chemonics Home Office visited MABS in November. Ms Thompson visited MABS partner banks in Luzon and Mindanao to observe and write about their microfinance operations, the Expanded Credit Bureau, and RB2000.

For the Seventeenth quarter, January 1 – March 31, 2002 MABS will:

- Develop and plan the pilot testing of a revised MABS Approach that will cater to smaller banks that cannot afford the original MABS Approach technical assistance package. The revised MABS Approach will use more of group-based technical assistance a reduced level of on-site supervision.
- Conduct a focus group discussion (FGD) among rural banks in Luzon and Visayas regarding the revised MABS Approach. The objective of the FGD is to gather insights from rural bankers as to how the revised approach can be made more suitable to the needs of the rural banks.
- Send invitation letters to rural banks in ARMM and other neighboring areas for them to join the MABS expansion program in their area. The criteria for selecting participant banks will be developed during the next quarter. A short list of banks will be selected for institutional assessments, which will be conducted in February-March. A final list of newly selected banks will be recommended to the Steering Committee.
- Conduct the 2nd Roundtable Discussions among 3rd rollout banks.
- Test the RB2000 installer. Review the final user's manual for acceptance by MABS.
- Complete the other parts of the MABS website.
- Follow up with RBAP the results of its efforts to restore GTZ' project for RBAP's Academy for Banking in the Countryside.
- Continue to provide training to key BSP personnel on microfinance best practices.
- Continue to evaluate monthly MFU performance. Continue to monitor the performance of all branches of all 28 banks participating in the MABS Program.
- Finalize operations review reports of pilot and 1st rollout banks and submit to respective banks.
- Finalize product review reports of 3rd rollout banks and submit to respective banks.
- Conduct Roundtable Discussions and Workshop for all MABS banks in Mindanao. MABS and its partner banks in Mindanao will agree on the standards that MABS banks should meet for them to continue to be recognized as "best practice" microfinance banks.
- Submit an update of the report on "Financial Trends in Mindanao" to Mr. Paul Dominguez, based on his request at the January 18, 2002 Steering Committee meeting.
- Finalize and install the data entry and reports generation MS Access program for bank performance monitoring.

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- Have in place the four new RBAP microfinance specialists. They will be trained by the present RBAP microfinance specialists, with guidance from MABS staff.
 - Continue to monitor the developments in the pilot testing of the BAP Credit Bureau and plan for expansion to additional regions in Mindanao.
 - Submit Sixteenth Quarterly Performance Monitoring Report.
 - Hire two senior bank operations consultants to work on the MABS expansion to ARMM and other neighboring areas. They will design the technical assistance and training program for "bank strengthening" participant banks in ARMM and other neighboring areas.
 - Hire two short-term research assistants to help in the institutional assessment of candidate banks for the bank strengthening activity in ARMM and other neighboring areas.

1. Contractor's Report

A1. Background

The Microenterprise Access to Banking Services (MABS) program is a USAID-financed effort jointly implemented by the Rural Bankers Association of the Philippines (RBAP) and the Office of the President. 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 through expanded participation of Mindanao's lower income groups in more 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 in Mindanao. MABS is now present not just in Mindanao but in Luzon and Visayas as well.

Through MABS efforts, a minimum of 100 rural and community rural bank branches in the Philippines will be encouraged and assisted to significantly increase the services they provide to the microenterprise sector. It is intended that these efforts will 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 all 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.

Additionally, 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 January 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 new contract, exclusive of fixed fee, is \$10,890,406. The fixed fee is \$542,040. The estimated cost plus fixed fee is \$11,432,446, the total amount of which has been obligated. The contract budget is broken down into two Contract Line Item Numbers (CLINS), one for Expanding Access to Banking Services (\$9,143,146) and the other for the Special Activities Fund (\$2,289,300).

A2. Expected Results

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1. Expansion and consolidation of the MABS Program and its accomplishments in Mindanao.
 - a. A minimum of 100 rural banks and bank branches from throughout the Philippines will receive MABS assistance.
 - b. Expand their portfolios to reach a total of at least 50,000 borrowers among all participating banks.
 - c. Enroll at least 90,000 depositors among all participating banks.
 2. 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.
 3. An effective and "USAID-accepted" anti-backsliding program focused on participating banks which have "graduated" from the MABS program developed and being implemented by RBAP.
 4. Development of the capability of RBAP to install and strengthen the "MABS Approach" in rural banks.
 - a. All RBAP professional staff in place and fully capable of carrying out all key functions required to install the "MABS Approach" into participating banks.
 - b. Appropriate fee structure for various services to be offered by RBAP to prospective participating banks and other institutions developed and implemented.
 5. Installation of the MABS Approach into at least three new participating banks with branches located in areas with large concentration of religious and ethnic minorities.
 6. Significant expansion of the number of religious and ethnic minority clients of at least five participating banks in Mindanao.
 7. 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.
 8. 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 Activity

The work plan under the new MABS contract covers the period October 1, 2001 through September 30, 2004. The contractor is responsible for ensuring that these major components are addressed:

1. Bank Strengthening and Anti Backsliding
2. Microfinance Policy and Standards
3. Monitoring and Evaluation
4. RBAP Strengthening
5. Project Management

Below, each of the MABS component activities are summarized, highlighting tasks accomplished in the Sixteenth quarter, and tasks planned for the Seventeenth quarter (January 1– March 31, 2002).

1. Bank Strengthening and Anti Backsliding

Component one, bank strengthening, incorporates Participating Bank (PB) activities including, but not limited to, PB selection, diagnostic evaluations, organizational and human resource development, systems development and installation, loan product development, preparation of manuals, and marketing. It also includes training activities such as formal course work, workshops, seminars, on-the-job training, internship, study tours and other capacity-building initiatives. Bank strengthening activities and installation of the MABS Approach in banks in Muslim areas fall under this component. Training courses and activities and systems development such as the new rural bank software are funded through the SAF.

Tasks completed in the Sixteenth Quarter

Task One. Launch the microfinance lending operations of Rural Bank of Dulag. The microfinance lending operations of the Rural Bank of Dulag started in November. As of December 31, 2001, it had 101 active borrowers with a loan portfolio balance of PhP 672,863.

Task Two. Follow up with 1st rollout banks to ensure they sign their Continuing Technical Support Agreements (CTSAs) with RBAP-MABS. As of December 31, 2001, six of 10 1st rollout banks had signed their CTSA. These are Rural Bank of Cantilan, Kapatagan Valley Bank, Enterprise Bank, Rural Bank of Talisayan, Rural Bank of Panabo, and Network Bank.

Task Three. Continue to monitor the performance of the Big Byte Shoppe MIS system of RB Montevista, watching out in case of any inconsistencies in the reports. MABS continued to receive reports generated from the Big Byte Shoppe MIS System of Rural Bank of Montevista. The reports are consistent and complete.

Task Four. Finalize RB2000 and have it accepted by RBAP's MIS Steering Committee as final. RBAP will then advertise it to all rural banks in the country. The Beta testing of RB 2000 is still ongoing. The draft final user's manual was completed and is currently being edited by Mr. Anthony Petalcorin, MABS MIS Manager. The RB2000 installer is ready for testing.

Task Five. The MABS website can now be accessed at www.rbapmabs.org. The site contains news on MABS activities in particular and on microfinance in general, reports on MABS accomplishments, a list of MABS participating banks, upcoming MABS events, links to other sites, MABS contact information and feedback button for site visitors.

Task Six. The 1st Roundtable Discussions among the 3rd rollout banks was facilitated by MABS in October at the RBAP office in Manila. MABS consultants reiterated the importance of microfinance best practices that the partner banks should follow. MABS banks have a generic product and manual of operations. But each microfinance institution or bank modifies policies and procedures based on the market study of the microfinance sector and competitors in its area. Modifications and flexibilities are based still on best practices principles.

Tasks to be completed in the Seventeenth Quarter

Task One. Develop a new, less expensive MABS training approach that will cater to smaller banks.

The new approach will use more of classroom training sessions and less of on-site training, making it less expensive and therefore more accessible to lower class banks.

Task Two. Conduct a focus group discussion (FGD) among rural banks in Luzon and Visayas regarding the new MABS microfinance training approach. The objective of the FGD is to gather insights from rural bankers as to how the new training approach can be made more suitable to the needs of the rural banks.

Task Three. MABS will send invitation letters to rural banks in ARMM and other Muslim areas for them to join the MABS expansion program in their area. The criteria for selecting participant banks will be developed. Institutional assessments of candidate banks will be conducted.

Task Four. Conduct the 2nd Roundtable Discussions among 3rd rollout banks.

Task Five. Test the RB2000 installer. Present the final user's manual to RBAP for acceptance.

Task Six. Complete the other parts of the MABS website. The other parts missing are the schedule of training events, summary of consultants' résumés, and banks' and microentrepreneurs' success stories.

2. Microfinance Policy and Standards

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

Tasks completed in the Sixteenth Quarter:

Task One. Carry out policy initiatives. MABS will continue to participate in ongoing coordination meetings with GTZ concerning joint work with RBAP. RBAP is working on the restoration of GTZ-funded project with RBAP. The funds of the project had been lodged in the general official development assistance (ODA) funds of the National Economic and Development Authority (NEDA) due to lack of NEDA-accepted project proposal from RBAP.

Task Two: Continue to follow up on BSP Microfinance Policy Initiative. MABS will monitor the developments in the new BSP Microfinance Foundation. MABS continues to communicate to the Bangko Sentral ng Pilipinas regarding the developments in the BSP Microfinance Foundation. As of December, the BSP Microfinance Foundation was still in the process of finalizing their role in promoting microfinance vis a vis the BSP.

Task Three. Arrange an exposure visit to MABS banks for the National Credit Council officers. Officers of the inter-agency policy-making body, National Credit Council (NCC) were exposed to the microfinance operations of Rural Bank of Santo Tomas and Rural Bank of Panabo, MABS partner banks in Mindanao. They were first briefed on the MABS Approach and best practices before the actual field visits.

Task Four. Continue to provide training to key BSP officers on microfinance best practices.

MABS microfinance consultant Raike Quiñones gave a lecture on microfinance to BSP personnel and officers in Manila, highlighting the MABS Approach and MABS best practices. The same lecture was delivered by Mr. Ed de Castro, Banking Operations and Training Specialist, and Ms Meliza Agabin, MABS Senior Microfinance and Policy Specialist to BSP personnel and officers in Davao and Cebu during the last quarter.

Tasks to be completed in the Seventeenth Quarter

Task One. MABS will follow up with RBAP the results of its efforts to restore GTZ' project for RBAP's Academy for Banking in the Countryside.

Task Two. Continue to provide training to key BSP personnel on microfinance best practices.

3. Monitoring and Evaluation

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

Tasks completed in the Sixteenth Quarter:

Task One: Evaluate Monthly MFU Performance. This quarter we continued to monitor financial data for all 74 MABS Participating Bank Branches (Annex 2). The information is based on the microfinance units of each of the branches we are working with including both performance data and revenue and expense data. As of December, MABS PBs had 22,159 active borrowers with an outstanding portfolio of PhP128,750,910. Since MABS worked with the 28 PBs, their microdepositors increased by 89,846 and total microdeposit balances increased by PhP 92,858,878.

Task Two: Conduct operational reviews of 1st rollout banks that have signed Continuing Technical Support Agreement (CTSA) with RBAP. RBAP-MABS submitted the final report on the operations review conducted for the Rural Bank of Cantilan. The report highlighted the history of microfinance operations in RB Cantilan; strategic positioning of the bank's microfinance unit (MFU); organizational structure for microfinance; management information system; portfolio management; MFU internal controls review; feedback from clients, account officers and branch managers; and savings mobilization. The fieldwork for the operations review of pilot banks and other 1st rollout banks were completed; report writing is in progress.

Task Three. Maintaining the MABS Approach discipline, particularly "zero tolerance" toward delinquency, will be the key focus of MABS work with the 28 banks now participating in the MABS program. MABS continues to implement the weekly monitoring of portfolio at risk of all participating banks. The microfinance consultants assigned to the banks with problems in portfolio at risk discuss the problem with the bank's microfinance head whenever there's an increase or occurrence of portfolio at risk. MABS also monitors closely the Mindanao banks with PAR greater than 5 percent every month.

Task Four. Submit the final report on the study of the borrowing behavior of Muslim clients of

MABS participating banks. The report for this study has not been finalized. MABS will submit the final report in the next quarter.

Task Five. MABS conducted the first product review activities for the 3rd rollout rural banks three months after releasing the first loans of First Isabela Coop Bank (FICO), Macro Bank, Bangko Kabayan, and Florida Bank, Rural Bank of Bogu, and Victorias Bank. MABS has submitted the final report to FICO. Report writing for the other banks are in progress.

Tasks to be completed in the Seventeenth Quarter

Task One. Continue to evaluate monthly MFU performance. Continue to monitor the performance of all branches of all 28 banks participating in the MABS Program.

Task Two. Finalize operations review reports of pilot and 1st rollout banks and submit to respective banks.

Task Three. Finalize product review reports of 3rd rollout banks.

Task Four. Conduct a Roundtable Discussions and Workshop for all MABS banks in Mindanao. In this activity, Mindanao banks are expected to assess their microfinance operations, recognize their strengths and weaknesses and formulate solutions to their problems. Some major issues to be discussed are the managing of portfolio at risk and issues regarding restructuring. MABS and its partner banks in Mindanao will agree on the standards that MABS banks should meet in order to be regarded as MABS Best Practice Banks.

Task Five. Submit an update on the report on "Financial Trends in Mindanao" to Mr. Paul Dominguez, based on his request at the January 18, 2002 Steering Committee meeting.

Task Six. Finalize and install the data entry and reports generation MS Access program for bank performance monitoring.

4. RBAP Strengthening

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 Sixteenth Quarter:

Task One: Recruitment of additional microfinance specialists and an administrative/communications assistant. Two applicants for microfinance specialists passed RBAP's evaluation process - one for Manila and one for Davao. RBAP will interview the shortlisted applicants for Cebu and Cagayan de Oro in February. A total of four new microfinance specialists are expected to be on board by March. RBAP has postponed the hiring of an administrative/communications specialist pending the review of its personnel's job descriptions and budget allocation.

Task Two. Pilot testing of BAP credit information bureau. The Credit Information Bureau was

pilot-tested in Panabo City, Davao del Norte. The expansion of the BAP credit bureau, a joint effort between the Rural Bankers Association of the Philippines (RBAP) and the Bankers Association of the Philippines (BAP), marks the first time that a negative file information system (NFIS) will be established outside the National Capital Region (NCR). The pilot phase includes two commercial banks, one of which is Land Bank, four rural banks, and one credit cooperative in Panabo City.

Tasks to be completed in the Seventeenth Quarter

Task One. RBAP will have in place the four new microfinance specialists. They will start their training under the MABS staff.

Task Two. Continue to monitor the developments in the pilot testing of the BAP Expanded Credit Bureau.

5. Program Management

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

Tasks completed in the Sixteenth Quarter:

Task One: Submit Fifteenth Quarterly Performance Monitoring Report. The Fifteenth Quarterly Performance Monitoring Report covering the period July 1-September 30, 2001 was submitted to USAID in January.

Task Two: Chemonics will follow-up with USAID the approval of Chemonics' proposal to exercise the three-year extension of the MABS contract. USAID has approved Chemonics' proposal to exercise the three-year extension of the MABS contract. MABS is expected to have 100 participating banks and bank branches by September 2004. The target number of borrowers have been increased to 50,000 and the target number of depositors to 90,000. MABS will provide technical assistance and training to rural banks in ARMM and other areas with large religious and ethnic minority populations so that they can expand their financial services to microentrepreneurs in these areas. MABS activities in these areas are intended to first strengthen the rural banks to make them capable of implementing microfinance operations. Once they are financially and logistically strong, the MABS Approach will be installed.

Task Three: From the short-listed applicants, hire additional MABS staff needed for the activities under the three-year extension of the MABS contract. Chemonics hired Ms Tuesday Soriano as Operations Manager. Ms Soriano was the Administrative and Contracts Manager of the Industrial Initiatives for a Sustainable Environment (IISE) Project from 1998 to August 2001. Among her tasks as MABS Operations Manager is reviewing MABS' administrative and management procedures as they relate to providing adequate and timely support to technical operations at all MABS regional offices. She will also prepare a MABS marketing packet and document MABS success stories. Chemonics also hired Mr. Antonio Enoy as a short-term MIS specialist to build a data entry and reports generation program for the MABS bank performance monitoring reports. The database will use MS Access.

Task Four. Kristin Thompson from Chemonics Home Office visited MABS in November. Ms Thompson visited the Rural Bank of Cantilan in Mindanao and Bangko Kabayan and First Macro Bank in Luzon to observe and write about their microfinance operations. She also visited Network Bank in Mindanao to see how the RBAP-BAP Expanded Credit Bureau works. She went to Florida Bank in Pampanga to observe the developments on RB2000.

Tasks to be completed in the Seventeenth Quarter

Task One: Submit Sixteenth Quarterly Performance Monitoring Report. Chemonics will submit the Sixteenth Quarterly Performance Monitoring Report covering the period October 1-December 31, 2001.

Task Two. The two senior bank operations consultants on the MABS expansion to ARMM and other neighboring areas will be hired. They will design the bank strengthening component of the technical assistance and training program for MABS participant banks in ARMM and other neighboring areas.

Task Three. Hire a short-term research assistant and a financial analyst to help in the institutional assessment of candidate banks for the bank strengthening activity in ARMM and other neighboring areas.

A4. Performance

Current status vs. expected end of project results:

1. Expansion and consolidation of the MABS Program and its accomplishments in Mindanao.

a. Expected end of project results: A minimum of 100 rural and/or cooperative rural bank branches from throughout the Philippines will receive MABS assistance.

Current status: Seventy (74) banks/bank branches have now received assistance from MABS and are implementing the MABS Approach.

b. Expected end of project result: PBs will expand their portfolios to include a total of at least 50,000 microenterprise borrowers among all participating banks.

Current status: The total number of active microfinance borrowers outstanding for 74 banks/bank branches is 22,159.

c. Expected end of project result: Increase the number of microenterprise depositors to reach a total of at least 90,000 new depositors among all participating banks.

Current status: The net change in the number of active depositors for the 74 bank branches is 89,846.

2. 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.

Current status: At the end of the quarter, all 20 operating PB microfinance units in Mindanao posted a positive net income. Three partner banks in Luzon and Visayas posted a positive net income, five months into their microfinance lending operations.

3. 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.

Current status: MABS is scheduled to meet with all 20 participating banks in Mindanao to establish an agreement with them regarding MABS standards that they should meet in order for them to continue to be recognized as MABS banks and receive MABS technical assistance. As of December 31, 2001, five banks are in the MABS watchlist of banks with portfolio at risk over 30 days greater than 5 percent. Banks in the watchlist will be carefully monitored. The banks and MABS technical staff together will formulate an action plan on how the bank will manage/lower portfolio at risk.

4. All RBAP professional staff in place and fully capable of carrying out all key functions required to install the "MABS Approach" into participating banks.

Current Status: As of December 31, 2001, there were four RBAP microfinance specialists working with MABS participating banks. Four more are expected to start training by February 2002.

5. Appropriate fee structure for various services to be offered by RBAP to prospective participating banks and other institutions developed and implemented.

Current Status. A draft fee structure has been designed by RBAP to be finalized with the Board of Directors.

6. Installation of the MABS Approach into at least three new participating banks in ARMM and neighboring areas of Mindanao.

Current Status. Thirty-three banks in ARMM and neighboring areas of Mindanao have been sent invitation to apply to the MABS Program. Banks that submit application will be analyzed during the next quarter and institutional assessments of a select number of rural banks will be conducted in February.

7. Significant expansion of the number of religious and ethnic minority clients of at least five participating banks in Mindanao.

Current Status. MABS will develop a technical assistance and training approach to help interested participating banks lend profitably and sustainably to Muslim clients.

8. 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.

Current Status. The pilot-testing of the expanded BAP credit reference bureau is still ongoing.

9. Support for the development of an appropriate microfinance software that will enable bank management to support a viable and sustainable microfinance operations.

Current Status. The RB2000 installer is being beta-tested. The draft final user's manual for

all modules is currently being edited.

2. Administrative Information

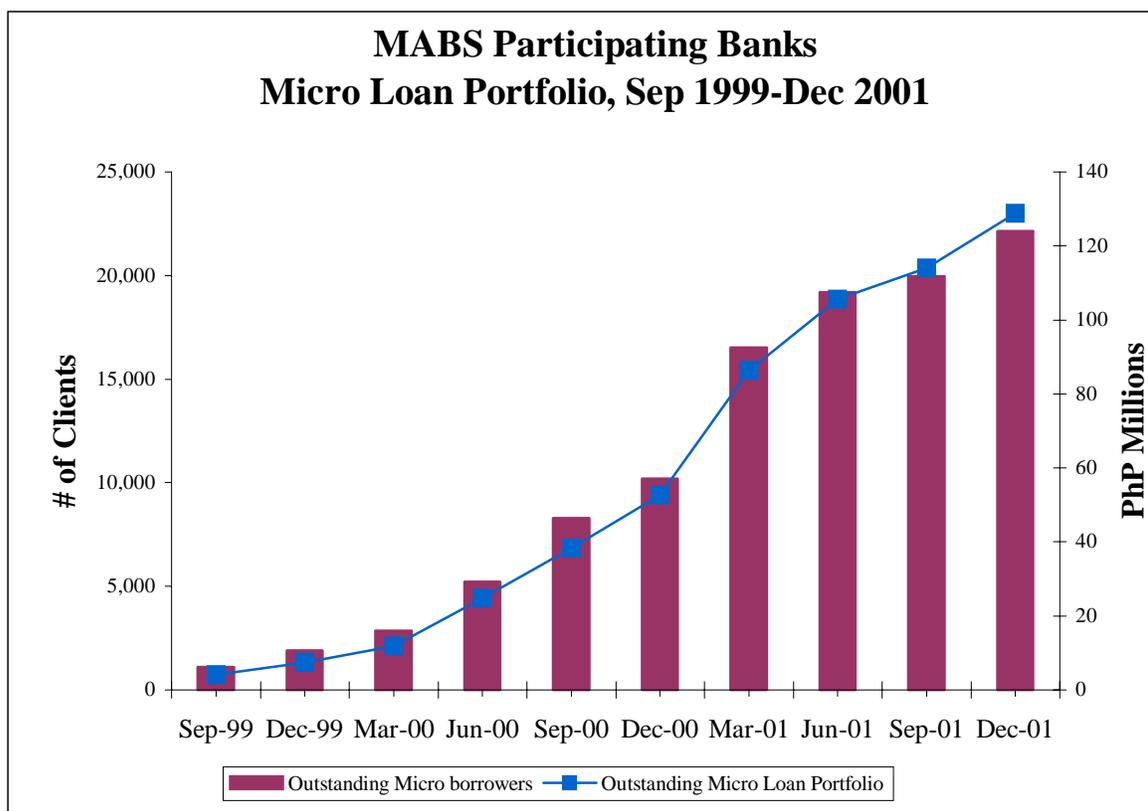
Contract Data: Total Estimated Cost	\$11,432,445.92
CLIN #1 Total Estimated Cost	\$9,143,145.92
1. Expenditures (October 1-December 31, 2001)	214,705.46
2. Cumulative Expenditures through December 31, 2001	5,692,897.33
3. Remaining Unexpended Balance	3,450,248.59
CLIN #2 Total Estimated Cost	2,289,300.00
1. Expenditures (October 1-December 31, 2001)	158,872.16
2. Cumulative Expenditures through December 31, 2001	2,074,334.49
3. Remaining Unexpended Balance	214,965.51

SAF requests approved during the sixteenth quarter:

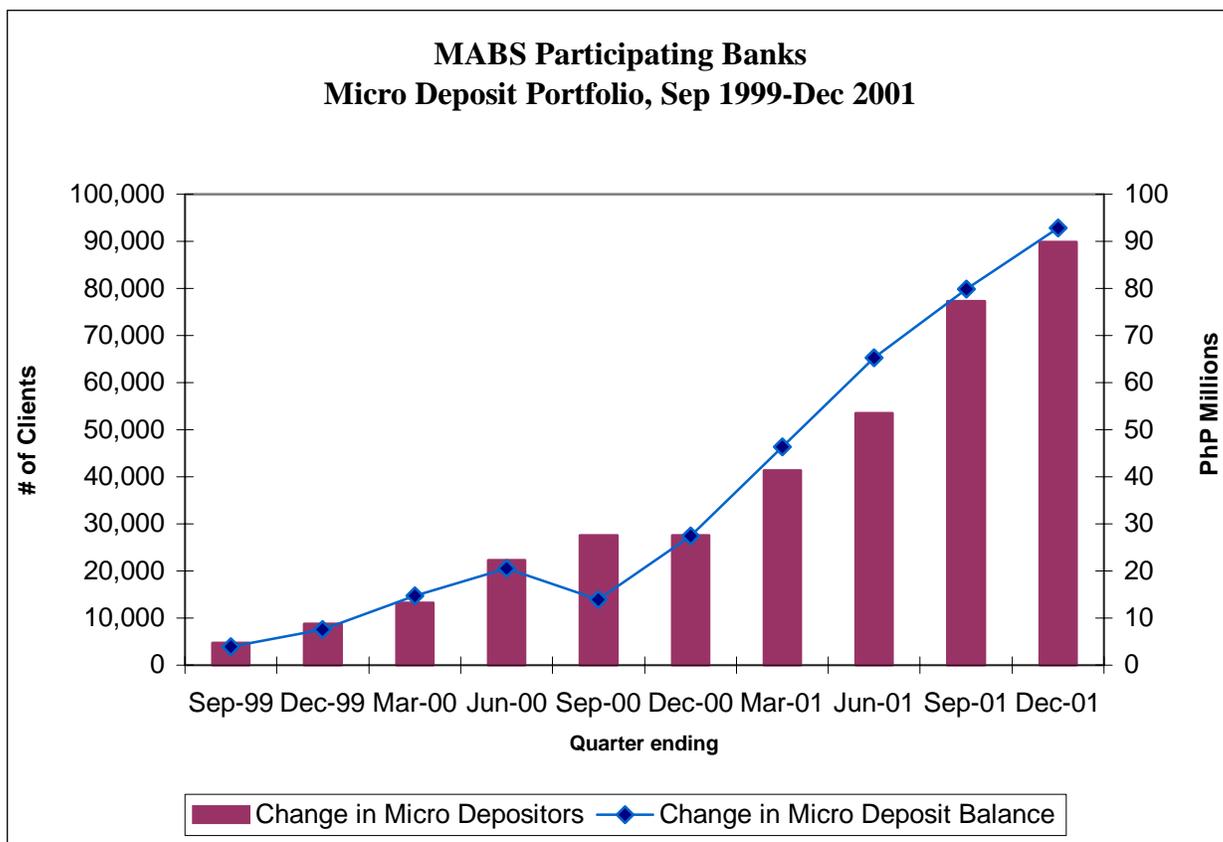
None.

SAF requests expected during the seventeenth quarter:

1. SAF 59: Request to send Mr. Zacharias Catulong, MABS Senior Finance and Contracts Manager, and Ms Tuesday Soriano, MABS Operations Manager, to a "Training on USAID Administrative and Financial Management Requirements" on March 11-12, 2002 and March 14-15, 2002. The training will be conducted by Center for Public Management, a Maryland-based consulting firm.
2. SAF Request for procurement of personal computers for the Rural Bankers Association of the Philippines.



Quarter Ending	Sep99	Dec99	Mar00	Jun00	Sep00	Dec00	Mar01	Jun01	Sep01	Dec01
Outstanding Micro Borrowers	1,094	1,905	2,870	5,210	8,279	10,185	16,509	19,180	19,975	22,159
Outstanding Micro Loan Portfolio	4.1	7.4	11.8	24.7	38.4	52.6	86.4	105.6	114.1	128.8



Quarter	Sep99	Dec99	Mar00	Jun00	Sep00	Dec00	Mar01	Jun01	Sep01	Dec01
Net Change in Micro Depositors	4,668	8,802	13,231	22,291	27,592	27,603	41,410	53,498	77,328	89,846
Net Change in Micro Deposit Balance (Php Millions)	3.9	7.6	14.7	20.6	13.9	27.4	46.3	65.3	79.9	92.8