

**MABS-M PROGRAM**  
*Microenterprise Access to Banking Services in Mindanao*

**YEAR 2 WORKPLAN**

**April – December 1999**

*Submitted by:*

**Chemonics International Inc.**  
Davao City, Mindanao, Philippines

*In association with:*

**The Rural Bankers Association of the Philippines**

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**A. The Workplan and the Year II Timeframe**

The Year II timeframe is the 12-month calendar year, from January through December, 1999. However, because the Year One workplan was revised in June 1998, including an extension of activities through April 1999, the Year II workplan contained herein is for the 9-month period, April 1 - December 31, 1999.

As required in the MABS contract, this workplan contains a brief overview of results obtained under the contract to date. This overview, presented by quarter, is included in Annex A.

**B. Workplan Format**

The Year II workplan is indicative of the major tasks MABS-M intends to carry out during the period in question, but it is not meant to be all inclusive. Specific activities may be required which are not included in this schedule. In MABS-M Quarterly Performance Reports, we will compare actual to plan and provide explanations for areas in which implementation exceeded or did not meet targeted goals, as the case may be.

The Workplan is organized by major activity components which do not coincide exactly with the breakdown of project inputs in terms of the two contractual CLINS. These coincide directly with the components included in the revised Year I workplan, except for the addition of "Microfinance Policy," as a major activity.

For Year II, the activity components are the following:

1. Institutional Strengthening
2. Training
3. Microfinance Policy
4. SAF Initiatives
5. Monitoring and Evaluation
6. RBRDFI
7. Project Management

Below, we address each of the components in more detail, including explanation of the activities illustrated in the Year II workplan calendar of activities (attached as Annex B).

**1. *Institutional Strengthening.***

Component one, institutional 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.

**Pilot Banks.** MABS-M signed Participating Bank Agreements (PBAs) with four pilot banks effective October 1, 1999, which included action plans for the first 6 month period of technical assistance. With the pilot banks, MABS-M has:

- Trained bank staff and managers and helped build a microfinance “culture” of good service and repayment discipline among staff and clients.
- Developed new savings and loan products or modified existing products targeted at small savers and microentrepreneurs.
- Introduced new management and operating procedures and product documentation, incorporating microfinance best practice technology.
- Upgraded the capacity of the Management Information System (MIS) used by the pilot banks. (Installation and conversion is underway.)
- Created and helped implement product marketing plans.
- Developed operating manuals so as to achieve and maintain a high standard of program implementation by the rural banks.

MABS-M will continue to work with the four pilot banks for at least the next 18 months developing capacity, systems, and products in the area of microfinance.

**Rollout Banks.** In accordance with the MABS-M technical Terms of Reference, the MABS-M team will work with a minimum of 20 RBs/CRBs during the life of the project. MABS-M proposes that the selection of approximately 16 additional institutions be completed by the end of project Year II. Additional groups of PBs—beyond the minimum of 20 required in the contract—will be selected in Year III. We anticipate the following timetable for working with new PBs:

Conduct institutional assessments for Group 2 PBs	April/May 1999
Select Group 2 PBs (8 banks)	June 1999
Conduct institutional assessments for Group 3 PBs	Nov./Dec. 1999
Select Group 3 PBs (8 banks)	Dec. 1999

To expand project outreach and impact, and to do so as efficiently as possible, MABS-M will likely provide some level of assistance to new branches of existing PBs in Year II. Two of the four pilot banks have more than one branch and based on results to date, both are interested in expanding the MABS-M initiative to their other branches.

MABS-M solicited interest in participating in the program from all rural banks in Mindanao. There were two requirements: 1) Letter of Interest and 2) Financial Statements for the previous 3 years. Forty-eight (48) rural banks responded. They were then categorized according to certain financial criteria including: past due ratio, liquidity, risk-asset ratio, net income - gross profit ratio, and profitability in at least one of the last three years. The results of that screening process are as follows:

15 “A” Banks - Passed all financial requirements

- 11 “B” Banks - Deficient in one financial requirement
- 12 “C” Banks - Deficient in one financial requirement, lacks BSP clearance
- 10 “D” Banks - Deficient in more than one financial requirement

The MABS-M team will conduct Institutional Assessments of the 14 “A” banks in April/May of this year. From the 14, 8 will be chosen to receive technical assistance from MABS-M beginning in June 1999 (Group 2). Those “A” banks not chosen this round will be eligible to participate with MABS-M in the future (subject to updated Institutional Assessments undertaken later in the year). Group 3 (an additional 8 banks) and Group 4 banks (in Year 3) will be chosen from among “A” and “B” rated banks. The Management Committee (Mancom) has indicated that in the future, special consideration may be accorded to banks operating in underdeveloped areas of Mindanao.

We anticipate that Group 2 will include approximately 6 banks in the vicinity of Cagayan de Oro and 2 banks (additional to the 4 pilot banks) that will be serviced from Davao. Given the large concentration of “A” and “B” banks in the Cagayan area, we plan to provide assistance to banks in the region through a new sub-office to be located in Cagayan de Oro.

**Strategy for Institutional Development.** Institutional development of our PBs will be accomplished through implementation of training and technical assistance under what we call the *MABS Approach*, discussed below in **Training**, and presented in draft form in Annex C. The goal of the *MABS Approach* is the development of products, practices, and procedures for each PB that follow microfinance best practice principles, implementation of profitable microfinance programs, integration of microfinance into bank operations, development of the capacity within PBs to not only manage the programs but continually improve them. Although MABS-M is developing a standard approach to working with PBs, our services to individual banks will be tailored to their specific needs. Institutional Assessments will help us determine the specific requirements of each PB and PBAs, Action Plans and contracts for MABS financial support will be developed accordingly. Each PB will receive approximately two years of focused support and attention. The general pattern is one of building up and then phasing out the level of dedicated consultancy effort.

## **2. Training.**

Training incorporates formal course work, workshops, seminars, on-the-job training, internships, study tours and other capacity-building initiatives. Although training will be funded through the SAF, for purposes of planning and monitoring, we have programmed training separately. In Year 2, training will be provided at 3 levels: MABS-M technical staff, MABS-M PBs, and non-MABS-M PBs.

**MABS-M Technical Staff Training.** MABS professionals must have the technical knowledge and training ability to provide high quality training to PBs. The project has hired professional staff that have many of the required skills but true microfinance “experts” are few and far between and additional investment is required. Furthermore, as the project expands in the coming year, new staff will be needed and they will have to be trained as well. Training for our technical staff will include study tours, training by local and international trainers and

consultants (including Training of Trainers), and, for 1 or 2 technical staff, training at the Microfinance Institute of the University of Colorado .

**MABS-M Participating Bank Training.** The vast majority of training will be directed at PBs. A viable, sustainable microfinance operation requires the incorporation of microfinance technology and best practice techniques into a financial operation which is based upon sound management routines and prudential banking norms. The training and technical assistance MABS will offer in Year 2 is based in large part on our experience with the pilot banks and includes a range of support and courses targeted at various constituencies within the PBs. The training MABS will provide to PBs is presented in draft form in the *MABS Approach*, attached as Annex C.

Implementing the *MABS Approach* will assure the delivery of a consistently high standard of training and technical assistance to each of our PBs. Through the *MABS Approach* we will provide services to PBs over 24 months in two phases. The “Start-Up Phase” will last for approximately six months and the “Expansion Phase” will last from approximately month 7 through month 24. MABS technical staff includes banking operations specialists, microfinance specialists, and MIS specialists. Each PB will be assigned a MABS technical staff member as point person, who will be responsible for leading the *MABS Approach* with that bank, but our entire range of technical experts will be employed to provide each bank with the best trainer of technical assistance provider for the task at hand.

**Non-MABS-M Participating Banks.** There are approximately 140 rural banks in Mindanao. MABS is working with only 4 at this time, will reach a total of 12 by June 1999 and will be working with 20 by the end of the year. MABS will work with a relatively small number of rural banks in Mindanao and some of those that will become PBs will not begin receiving technical assistance for as long as a year. For those banks that will not become PBs and for those that must wait to begin participating, MABS will offer 2 regional training events in Year 2.

### **3. *Microfinance Policy.***

In coordination with USAID and the USAID financed projects CPIP and AGILE, in Year 2 MABS will undertake a number of policy initiatives related to microfinance and rural banks. MABS has already begun working with CPIP on the issue of a possible BSP cap on unsecured loans by rural banks, the implementation of which could negatively impact the expansion of financial services to microentrepreneurs in Mindanao and the Philippines. MABS will work with CPIP early in the year to develop a microfinance policy agenda and assist throughout the year in its implementation. MABS will likely dedicate an increasing amount of time to this activity in the year ahead.

### **4. *SAF Initiatives.***

For the purposes of the workplan, SAF initiatives will continue to incorporate a variety of incentives such as procurement of equipment and salary support for PBs, as well as the ongoing modifications of the MicroBanker software.

Once the year II workplan is approved by the Management and Steering Committees, MABS will submit a large SAF request to the Management Committee for approval. At this time, it is anticipated that this request will include:

1. Funding for a sub-office in Cagayan de Oro, including 1 expatriate advisor, 3 local technical staff, and 2 support staff
3. Two (2) 2 additional local technical staff and 2 additional support staff in the Davao office.
2. MIS Manager Peter Glibbery to manage the extensive MIS related work associated with the rollout to additional PBs, the modification of Microbanker software, and the possible development of a new software product

Other possible SAF initiatives such as a Bank Incentive Scheme will continue to be programmed and approved under the current arrangement with the ManCom.

## **5. *Monitoring and Evaluation.***

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

**PB Management Information Systems.** Microfinance best practices demand a management information system that can provide specific information in a certain format in a timely manner. MABS developed a list of system specifications and reporting formats required to manage a microfinance program, evaluated the systems in use by the pilot banks, and contracted RBRDFI and Microbanker Philippines to make the necessary programming and reporting functionality changes (coincidentally, all 4 pilot banks use Microbanker software). These changes were finished in early February 1999 and the modified system is undergoing installation at the four pilot banks.

**PB Monitoring and Evaluation.** MABS and the PBs will monitor performance at three levels - MABS loans and savings information (only new microfinance loans and small savers), Microfinance Unit Performance (new and existing microfinance loan clients, portfolio performance, and profitability), and overall branch and bank performance. Information at all three levels is important to help gauge the success of the programs at the banks and the MABS project overall. The MABS loan and savings information is currently tracked manually but will be available electronically once the modified MIS system is installed in all the banks. Information for the microfinance units will come from the modified MIS and inputted into a spreadsheet for analysis. For the branch and banks, financial statements will be entered into a spreadsheet model in the MABS office for analysis. A financial analyst will be added to the Davao staff to collate and analyze monthly Monitoring and Evaluation data and results.

The MABS M&E system is currently undergoing installation in each of the four pilot banks. During year 2, we will expand the system to cover Group 2 banks. This will include conducting the MIS gap analyses, software upgrades and/or modifications, and finally, installing the M&E system itself. As indicated in the workplan, we anticipate installing the M&E system in the eight Group 2 banks from June through September 1999. Four months is needed due to the potential need to modify existing bank software, or, in some cases, work with software other than MicroBanker.

Beginning in April 1999, we will submit monthly M&E reports on a monthly basis to the Management Committee. These reports will show the key MABS indicators of new

microenterprise borrowers and savers at each PB. As new banks are added and have had their respective M&E systems installed, the monthly M&E reports will expand to include the new banks. Due to software changes and modifications, there will be as much or more than a 4 month delay between formally bringing a bank on board through a signed PBA and the time we are able to include each new bank in our monthly M&E reports.

## **6. *RBRDFI.***

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

In Year 2 the MABS-M program will provide assistance to strengthen the ability of the RBRDFI to respond to the needs of its membership. As a first step in this process, a specialized subcontractor, International Technology Investment (ITI) Ltd., will work with the Foundation to develop a comprehensive strategic growth plan. This exercise will provide an opportunity to explore new revenue-generating services and initiatives, including those related to microfinance.

Fielded from March 15 through April 10, the subcontractor will:

- i). Meet with the MABS-M COP and team, USAID, RBAP/RBRDFI leadership (in both Manila and Davao City), RBRDFI staff, and the RBRDFI's Mindanao-based rural banks to gain a good understanding of the MABS-M program, RBAP, and RBRDFI.
- ii.). Conduct a detailed assessment of the RBRDFI's current operations and services, identifying strengths and recommended improvements. This will include an overview of RBRDFI's costs, pricing of services, revenue, activities, management and organizational structure, linkages with other institutions (both public and private), and levels of donor funding and collaboration. The consultant will pay particular attention to the current plans to move RBRDFI's computer maintenance and installation group to MicroBanker/Philippines. This may include advice to the foundation and to MicroBanker/Philippines on the best corporate and legal arrangements for both organizations.
- iii.) With the MABS-M COP, review the list of ideas for possible RBRDFI expansion, including, but not limited to, the Academy for Banking in the Countryside (ABC); an apex or "mother" rural bank, with specific analysis of the Rabobank joint venture currently under consideration by the RBAP/RBRDFI; credit reference facilities; REEF; etc.
- iv.) Based on the tasks listed above, assist the RBRDFI in creating, and building internal consensus for, a strategic growth plan covering the next 12-18 month period. This plan should be clearly demand-driven, and include:
  - (a) A comprehensive business plan,
  - (b) Recommended improvements to RBRDFI's current operational and management structures,
  - (c) Recommended improvements to RBRDFI's current service menu, including improved service pricing and plans for increased revenue generation,

- (d) Additions and/or deletions to the RBRDFI's current services,
- (e) Concrete plans for the integration of MABS-M type microfinance services into the RBRDFI's service menu, and
- (f) A work plan and proposed time line to implement the strategic growth plan.

Based on this consultancy, final internal agreement on the business plan and strategic growth plan will happen within RBRDFI in May 1999. For the rest of the year, MABS will assist the RBRDFI in implementing the specific components of the business plan which fall within the microfinance mandate of MABS-M. Because the specific activities involved here have not yet been identified, they are not yet delineated in the workplan.

## **7. *Program Management.***

Program management takes into account meetings, project evaluations, report submission, visits by Chemonics' Head Office staff, and other activities related to overall project management. For the most part, the tasks illustrated in the workplan calendar are self-explanatory, including submission of the quarterly reports, the annual inventory of commodities, and the submission of the Year III Workplan in December 1999.

In April, with USAID approval, Chemonics home office project manager, Lief Doerring; and administrative specialist, Tori Paide, will be fielded to facilitate the expansion of MABS. Mr. Doerring will assist in screening, hiring, and training technical staff, conducting the institutional assessments of the rollout banks, and other technical tasks. Ms. Paide will assist in moving the Davao office to a larger space, setting up the Cagayan office, and screening, hiring, and training additional support staff.