

MABS PROGRAM

Microenterprise Access to Banking Services

2003 WORKPLAN

January 1 – December 31, 2003

Submitted by:

Chemonics International Inc.

In association with:

The Rural Bankers Association of the Philippines

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A. Background

The Microenterprise Access to Banking Services (MABS) program is a USAID-financed effort managed by the Rural Bankers Association of the Philippines (RBAP), MEDCO, 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 in the Philippines through expanded participation of lower income groups in more productive activities.

MABS is directed at bringing about a sizable expansion of banking services—both lending and savings—to microenterprises and other groups at lower socio-economic levels. Through MABS efforts, a minimum of 130 rural banks and/or bank branches will be assisted to significantly increase the level of services they provide to the microenterprise sector by September 2004. To date, the first phase of MABS efforts has demonstrated to participating banks and the rural banking community at large that it is sensible and profitable to offer services to the microenterprise sector. Virtually all of the participating banks have committed to making such services a significant part of their portfolios.

In 2003 MABS program activities will focus on six main areas:

- Continued expansion of the MABS Approach to more rural banks by developing a microfinance training and technical services program utilizing licensed consultants /organizations capable of carrying out the installation of the “MABS Approach” in interested rural banks.
- Continued support for appropriate measures to prevent “backsliding” or erosion of the quality, depth, and breadth of microfinance service delivery among participating banks.
- Increased efforts to assist banks to reach religious and ethnic minority clients through both new and existing banks.
- Expansion of credit reference bureau services to rural banks in the Philippines to enable them to effectively and profitably service the microenterprise market.
- Continued support in the updating of RB2000 and the expansion to rural banks in the Philippines;
- Providing BSP with consulting services to improve their manual of bank examination for rural banks and other regulated institutions engaged in microfinance.

B. Workplan Format

The annual workplan, covering the period January through December 2003 includes sections on background, activity components and expected results. In addition, as required in the MABS contract, this workplan contains a brief overview of results obtained during 2002. This overview, presented by quarter, is included in Annex A. The implementation plan for 2002, modified to include a “Status” column, is included in Annex B. The implementation plan for 2003 is included in Annex C. Note that references to MABS refer to activities that Chemonics will manage along with the RBAP/RBRDFI. Annex D includes the consolidated monthly performance indicators for 2002 and the consolidated monthly performance report by rollout group for the month of November 2002. Annex E includes a section on project goals and targets for December 2003. Annex F includes copies of MABS Winners and MABS press clippings for 2002.

C. Activity Components

The 2003 workplan is indicative of the major tasks MABS intends to carry out during the year, but it is not meant to be all-inclusive. Specific activities may be required which are not included in this schedule. In the MABS Quarterly Performance Reports, we will compare actual results against planned activities and provide explanations for areas where implementation exceeded or did not meet targeted goals, as the case may be.

The 2003 workplan is organized by major activity components as follows:

1. Bank Strengthening & 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. Program Management

Below, each of the components is addressed in detail, including explanations of the activities illustrated in the 2003 workplan calendar of activities (attached as Annex C).

1. Bank Strengthening & Anti-backsliding.

Component one, bank strengthening, incorporates Participating Bank (PB) activities including, but not limited to, PB selection, institutional assessments, market surveys, organizational and human resource development, systems development and installation, loan and savings product development, preparation of manuals, launching new products, maintaining zero tolerance toward delinquency, internal controls, and marketing. It also includes training activities such as formal course work, workshops, seminars, on-the-job training, internships, study tours, other capacity-building initiatives, and operational reviews. This component also includes activities supporting anti-backsliding measures in place for graduated MABS participant banks and expanding microenterprise services for all clients, especially underserved religious and ethnic minorities in Mindanao. Training courses and support to participating banks will continue to be funded through the SAF requests although these courses will increasingly be covered through fees charged by RBAP/RBRDFI and/or their licensed/accredited MABS private service providers.

a. Participating Banks. MABS is currently working with approximately 103 bank branches among the 37 rural banks. These 37 banks include four pilot banks, ten “1st Rollout” banks, and six “2nd Rollout” banks (all of which are in Mindanao), eight “3rd Rollout” banks in Luzon and Visayas, three “4th Rollout” banks in ARMM, and six new banks participating under the Accelerated MABS Approach.

b. MABS-MFBP Accreditation: During 2002, it was agreed that the large number of rural banks could not be reached with a single MABS unit located with RBAP. A study was conducted during the year to analyze the feasibility of training other service providers to install the MABS Approach. As a result of this study, the Private Service Provider (PSP) initiative (see below) and a MABS Microfinance Best Practices Accreditation program will be introduced during 2003. In order to preserve the high quality standards associated with the MABS Approach, MABS Microfinance Best Practices (MFBP) Accreditation will be offered to participating Rural Banks as confirmation of the quality and nature of their activities, as well as providing the glue that will hold together RBAP, PSPs, and Rural Banks in their collective effort to champion Microfinance Best Practices in the Philippines.

While participant Rural Banks will receive certificates upon the successful completion of the MABS Approach coursework, only after a given period of time (6-12 months) of actual provision of financial services to microentrepreneurs, and the satisfaction of set criteria, will a Rural Bank receive confirmation that it is a MABS-MFBP Accredited provider of microfinance. Combined with an effective branding and marketing campaign, obtaining MABS-MFBP Accreditation can then become a motivation in and of itself. Accreditation will be renewed each year as a means to prevent backsliding. The

process will require a standardized evaluation, coordinated through RBAP, paid for by the Rural Bank, and approved by the Accreditation Committee. If standards are not maintained, then accreditation will not be renewed.

During 2003, specific evaluation criteria will be established, procedures for accreditation developed, and an accrediting authority formed with the objective of awarding the first round of MABS-MFBP Accreditations by the end of the year.

c. *The MABS Approach Manual.* This package of services is a product of the MABS experience with participant banks as well as the extensive microfinance experience of the technical staff. Implementing *The MABS Approach* assures the delivery of a consistently high standard of training and technical assistance to each of our Participating Banks (PBs).

In order for MABS to meet a growing demand among rural bank for participation in the program, a compact and streamlined version of the *MABS Approach*, also known as the *Accelerated MABS Approach*, was designed and pilot-tested among six rural banks in Luzon in 2002. The pilot-test results showed that the *Accelerated MABS Approach* is just as effective in providing training and technical assistance to new participating banks, while increasing the capacity of the program to reach out to a greater number of banks. Instead of training each bank individually, banks are grouped together and trained at the same time with specific follow-up technical assistance provided by an assigned consultant. Under the *Accelerate Approach*, a consultant is able to handle twice as many banks as under the previous MABS Approach. This has also reduced the costs of providing support to a Rural Bank by about 50%.

MABS expects *The MABS Approach* to continue to evolve during 2003 as we begin working with new licensed/accredited private service providers to expand the MABS Approach to rural banks in the Philippines on a commercial basis. *The MABS Approach* continues to be a very successful tool to ensure that a consistently high level of technical assistance and training is delivered to MABS PBs and that the maximum level of outreach is attained. *The MABS Approach* manual will be further refined for use by private service providers. MABS has also hired a consultant who will focus on developing a program to license/accredit private service providers to install the *MABS Approach* in rural banks.

d. Continued support for measures to reduce “backsliding” and consolidate MABS progress. MABS will carefully monitor participating rural banks to ensure strict adherence to the "MABS Approach." Continued weekly and monthly reports combined with regular roundtable meetings and forums with banks gathered together has been both effective at maintaining MABS Approach Best Practices and have been more cost efficient. MABS will sign Memorandums of Agreement (MOAs) with graduated PBs to

allow MABS to continue to monitor the progress of these banks and provide for optional operational reviews to ensure that MABS Best Practices are in place and being followed.

Additional measures that will be studied in 2003 include:

- The development of standards under which MABS will “certify” that a rural bank is fully adhering to fundamental MABS principles.
- The feasibility of establishing a "MABS Network" to which all rural banks which had "graduated" from the MABS Program could belong including a periodic newsletter that focuses on innovations in microfinance and advances in the field.
- The feasibility of linking MABS graduated banks to external organizations such as the MicroBanking Bulletin.

2. Sustainable MABS Technical Services.

a. Private Service Providers. During 2003, the MABS Private Service Provider (PSP) initiative will be implemented as a means to increase and accelerate the dissemination and installation of the MABS Approach microfinance technology to rural banks in the Philippines through third party individuals and/or organizations on a fee for service basis. The proposal calls for RBAP to “license” PSPs to install the MABS Approach in new bank units. Under this scheme, RBAP will select several PSPs, train them in the MABS Approach, and then certify that they are fully capable of installing and servicing the MABS Approach. The PSPs will then market their services directly to interested Rural Banks. The function of the RBAP-MABS Unit will change from providing MABS approach installations, to overseeing the efforts of PSPs, and assuring that appropriate quality standards are maintained.

By the end of 2003, mechanisms will be in place to support the PSP installation of the MABS Approach microfinance technology, and all future installations of the MABS Approach will be performed by PSPs. Substantial preparatory work will be required during the first quarter of 2003 including the market research and strategic development, as well as MABS Approach product development. In order to accelerate the implementation of the PSP initiative while satisfying current commitments for MABS Approach installations, new MABS rollouts will be coordinated through PSPs utilizing already trained RBAP-MABS Unit consultants and MABS Approach practitioners in pilot operations beginning as early as the second quarter. Following product refinement throughout the first half of the year, full expansion by external PSPs during the second half of the year will be preceded by a targeted public relations campaign promoting the MABS brand in order to attract more potential PSPs and to increase the demand of MABS services from prospective rural banks.

b. Rural Bank Computer Software. MABS has been addressing the needs of rural banks for microfinance-friendly software on a *long-term* basis by developing the Rural Banker 2000 software and, on a *short-term* basis, we have supported these needs by upgrading the computer software of PBs. After a delay due to added programming requirements and testing, the RB2000 system version 1.0 was released in April 2002. Based on feedback from users and with the agreement of the MABS MANCOM, it was agreed that the project would provide support for certain modifications of RB2000. Version 1.1 is now being developed and is scheduled for release in March 2003. In order to continue to support RB 2000, it was agreed that the RBAP and MABS websites would include an interactive database to answer frequently asked questions. This will be developed during the first quarter of 2003. MABS will continue to monitor the progress of the rollout of RB 2000 along with RBAP in 2003.

c. Participant Bank Training. Training to graduated participant banks will include workshops on managing the growth of microfinance operations, loan administration, market research and area mapping, marketing & promotion, service quality, designing incentive schemes, savings mobilization, delinquency management, cash flow lending, and strategic planning for participant bank staff. Training to new rural banks will follow the *Accelerated MABS Approach* that was pilot tested in Luzon in 2002.

d. Regional Training. In coordination with regional rural bank federations, selected MABS training modules will be offered to all rural banks, as part of the program's commitment to enable non-participating rural banks to also benefit from the knowledge and experience that have been accumulated over the years by the program. A two-day course on Activity-Based Costing of Bank Products and Designing Staff Incentive Schemes will be offered in the third quarter of 2003 to members of five regional rural bank federations.

e. Develop Training Centers within PBs. MABS will also work with graduated participant banks to develop training centers which other banks can visit and learn about the *MABS Approach*. Three graduated participating banks will be selected in 2003 as training centers – one each for Luzon, Visayas, and Mindanao. MABS will help these model banks develop their training capacities, including the preparation of training materials, training the banks' trainers, and provision of limited commodity assistance (e.g. training equipment).

f. Integration of MABS Training with ABC. MABS will start training the staff of the Academy of Banking in the Countryside (ABC), the training arm of RBAP, on the various MABS training modules in 2003. The aim is to build the capacity of ABC to provide regional training courses on microfinance using the modules being used in the *Accelerated MABS Approach*, primarily for the benefit of non-MABS participating banks. To familiarize ABC on the various MABS training modules, the staff of ABC will

be involved in the planning, delivery and evaluation of MABS training modules, particularly in the preparation of training materials, facilitation of training sessions, and evaluation of the trainees' performance.

3. *Expanding Service Delivery to include Religious and Ethnic Minorities in Mindanao.*

MABS signed participant bank agreements with three banks in the ARMM and CAAM regions of Mindanao. This work entails working with new and existing MABS participating banks to expand their outreach to a greater number of religious and ethnic minority clients. While MABS was not originally designed as a bank-strengthening program, our activities with banks in these areas include such activities due to the poor conditions in which all of the potential banks find themselves. In 2003, MABS will begin expanding coverage to assist five additional new and/or existing MABS banks.

4. *Microfinance Policy.*

In coordination with USAID and the USAID-financed CPIP and AGILE projects, MABS supported microfinance and rural banking policy-related issues throughout 2002. Significantly, MABS has begun providing technical assistance to the BSP Bank Supervision Department in order to improve regulation and supervision of banks involved in microfinance. The technical assistance provided to the BSP will be conducted in collaboration with the BSP's Microfinance Committee.

The BSP technical assistance effort will focus on internalizing and institutionalizing microfinance supervision best practices within the BSP. Primarily, the effort will focus on enhancing the capability of the BSP to supervise microfinance operations of rural, thrift, and commercial banks. The technical assistance and training for the BSP will include the following:

- Developing an understanding of the microfinance operations of rural and thrift banks in the Philippines.
- Reviewing, in coordination with the Microfinance Committee, the Microfinance Unit, and other relevant operating and supervisory departments of the BSP, the current CAMEL instrument and Bank Examination Manual utilized by the BSP to examine rural, thrift, and commercial banks, and list modifications that will be required in order to analyze and evaluate microfinance operations.
- Working with the BSP's Microfinance Unit and Microfinance Committee, and other concerned and relevant departments of the BSP to draft an appropriate Microfinance Bank Examination Manual.
- Working with the BSP's Microfinance Unit and the Departments of Rural Banks and Thrift Banks to field test the Microfinance Bank Examination Manual in at least three

institutions comprising one new microfinance thrift banks, one rural bank focused exclusively on microfinance, and another rural bank with at least 25% of the loan portfolio comprised of microfinance loans.

- Finalizing the new Microfinance bank Examination Manual.
- Conducting training workshops, both in the office and the field, for developing a pool of trainers, and for relevant bank examiners at the BSP.

5. *Monitoring and Evaluation.*

This component includes activities relating to the establishment of Monitoring and Evaluation (M&E) systems for use by the individual PBs, the MABS project team, and the RBAP. This process has involved setting up a system to track the progress of the microfinance units in the banks through the submission of weekly and monthly performance monitoring reports. This helps to ensure that PBs maintain best practice disciplines and helps banks to monitor the profitability of their microfinance units. The monitoring and evaluation system has also involved preparing documentation on successful rural banks that have been used during several policy-related meetings during 2002, and has also been used to promote and sell technical services to additional rural banks. MABS-related success stories and activities will continue to be included in RBAP's bimonthly newsletter *The Rural Banker*, on the new RBAP website, in monthly MABS updates provided to the Management Committee, and in the local and national press. In 2003, there will be general training on the use of the Monitoring and Evaluation system for use within banks to better monitor their own Microfinance Units.

All banks are requested to continue providing performance data on a weekly and monthly basis to the MABS project.

6. *Other Activities.*

a. Credit Bureau. As the competition between rural banks and credit cooperatives increases in many communities, there is a desire to improve credit information sharing. Sharing information on credit clients will minimize the risks of lending and help maintain the healthy portfolio quality that will continue to assist rural banks to profitably expand microfinance services. In other countries, it has also been shown that credit bureau consultation helps to reduce transaction costs by weeding out early those clients with poor repayment histories, resulting in increased efficiency. During 2002, MABS continued the pilot test of the system in Mindanao and worked with the Bankers Association of the Philippines Credit Bureau (BAP-CB) to extend their credit bureau services to rural banks in Davao, Cagayan de Oro, and the Caraga region. In 2003, MABS will work with BAP to extend credit bureau services to the other regions in

Mindanao and will support the initial expansion to RB Federations in Luzon and the Visayas.

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 2004 Workplan in December 2003. Visits by Chemonics' head office staff, including specific scopes of work, will be approved by USAID on a case-to-case basis.

D. Actual vs. Expected Results

The MABS Monitoring and Evaluation results as of November 30, 2002 are included in Annex D. MABS has far exceeded the initial expected project results in 2001. In September 2002, new targets were agreed upon under an amended agreement with USAID. The following are the new targets and the actual project results as of November 30, 2002.

- *Expected: Expansion of the number of MABS participating bank units to 130 units.*
- **Actual through November 2002: 103 rural bank units are currently receiving assistance from MABS.**

The MABS program will assist these banks to:

- *Expand the total number of micro-borrowers to 55,000.*
- **Actual through November 2002: The total number of active borrowers outstanding for the existing PB units was 33,792.**
- *Expand the total number of new micro-depositors to 130,000.*
- **Actual through November 2002: MABS has exceeded this target with the total number of new active depositors for the PB units at 137,030.**
- *Installation of the MABS Approach into at least three new participating banks into areas with significant concentrations of religious and ethnic minorities.*
- **Three new participating banks are now receiving MABS technical assistance and training support and all three are expanding services to religious and ethnic minorities.**

- *Significant expansion of the number of religious and ethnic minority clients of at least five participating banks.*
- **Five banks will be chosen in 2003.**
- *An effective “USAID-accepted” anti-backsliding program focused on participating banks which have “graduated” from the MABS Program developed and implemented by RBAP.*
- **MABS assistance continuous to focus on weekly monitoring of the bank’s portfolio-at-risk reports and monthly performance monitoring reports. Semi-annual roundtable meetings are held with all participating banks and regular forums are held with microfinance supervisors to instill best practices within the “graduated” rural banks.**
- *Professionals in place and fully capable of carrying out all key functions required to install the “MABS Approach” into participating banks.*
- **RBAP-MABS staff have been trained; however, only four staff members were in place at the end of 2002. RBAP/RBRDFI plans to hire a program manager in 2003 who will focus on supervising private service providers that will install the MABS Approach in banks under license from RBAP/RBRDFI. MABS also contracted an international consultant who will work with the RBRDFI program manager to set up the private service provider program in 2003.**
- *Appropriate fee structure for various services to be offered by RBAP MABS to prospective participating banks, to “graduated” banks, and to non-participating banks and other institutions developed and implemented.*
- **Fees were agreed upon in 2002; however, these are now being reviewed and will be revised in 2003 as private service providers are trained to install the MABS Approach.**
- *Appropriate manual of bank examination for rural banks and other regulated institutions engaged in microfinance accepted and utilized by the BSP.*
- **A consultant started the review process of the existing bank examination manual and procedures as well as current bank regulations and drafted several recommendations to revise various regulations and supervision practices. These recommendations will be followed up with dedicated technical assistance in 2003 to ensure that changes are made to both the regulations and supervision practices.**

Annex A

Results by Quarter

Seventeenth Quarter, January 1 –March 30, 2002:

- As of this quarter MABS had 28 participant banks (PBs) comprising 80 participating branches that report their microfinance operations performance to the program. Cumulative amount of loans disbursed was PhP1 billion. Active micro loan clients stood at 23,754. Portfolio at risk ratio over 30 days was 3.07% as of end-March. Micro depositors had increased by 95,409 corresponding to PhP134,448,624 deposit balance.
- The streamlined MABS Approach was presented to selected rural bankers from Luzon and Visayas in a focus group discussion (FGD). Seven banks signified interest to avail themselves of the new MABS approach.
- Three rural banks from the Autonomous Region of Muslim Mindanao (ARMM) and neighboring areas - Maranao Rural Bank in Marawi City, Rural Bank of Datu Paglas in Maguindanao, and Rural Bank of Isulan in Sultan Kudarat - were approved by the MABS Management Committee as MABS participant banks.
- MABS facilitated the 2nd Roundtable Discussions among its 3rd rollout participant banks in Luzon and Visayas.
- MABS 3rd rollout participant banks had a cross-visit to Bangko Kabayan as part of their training under the MABS Approach.
- MABS accepted as final Rural Banker 2000 (RB2000).
- Success stories of MABS participant banks' clients were posted on the MABS website at www.rbapmabs.org.
- As of March 31, 2002, nine of the ten 1st rollout banks had signed their Continuing Technical Support Agreements (CTSAs).
- MABS continued to monitor GTZ's project with RBAP. RBAP expected that the GTZ project would start by the end of 2002 or early 2003.
- MABS offered a two-day workshop on Microfinance Best Practices for Rural Banks to 73 Bangko Sentral ng Pilipinas (BSP) examiners. The workshop was intended to help BSP examiners better understand the nature of microfinance operations and improve BSP's risk-based approach to bank examination.
- MABS discussed the proposed BSP-MABS Microfinance Standards Project with BSP Monetary Board member Antonio Alindogan. A draft final scope of work had been discussed by MABS with Mr. Ed Jimenez, the prospective local consultant. Mr.

Jimenez, in turn, submitted the draft final scope of work for comments to the BSP Operating Departments, which consist of the Department of Rural Banks, the Department of Loans and Credit, and the BSP Training Institute.

- The operations review reports for three of the four pilot banks that signed the amended participant bank agreement were completed and submitted to the banks. Likewise, six of the ten 1st rollout banks received their operations review reports.
- The product review reports of seven of eight 3rd rollout banks were completed and submitted to the respective banks.
- MABS sponsored a Roundtable Discussion for its participant banks in Mindanao. The meeting, which was attended by Presidents, General Managers, and Chairmen of the Board, aimed to ensure that microfinance best practices were in place and efforts to counter backsliding was being exerted.
- The new Bank Performance Monitoring MIS System was completed and installed in all four MABS regional offices.
- The four new RBAP microfinance specialists were in place in RBAP-MABS' four regional offices. They underwent classroom and field training in Manila for two weeks and had been assigned to their regional offices for more intensive hands-on training.
- The Bankers Association of the Philippines (BAP) agreed in a meeting with RBAP to sign an agreement rolling out the BAP expanded credit bureau by Rural Bank federation to speed up the process of installing the credit bureau to rural banks.
- Two short-term banking operations specialists were hired by MABS as consultants on the MABS expansion program in ARMM. They were tasked with designing the MABS technical assistance and training program on general banking operations and on expanding the MABS Approach in the region and neighboring areas.
- A short-term research assistant and a financial analyst were hired to support the two senior consultants in conducting the institutional assessments of candidate banks for the MABS activity in ARMM and neighboring areas.
- A signing ceremony for the extension of the MABS Program was held at the Rural Bankers Association of the Philippines (RBAP) Head Office. Present during the signing ceremony were USAID officials headed by USAID Mission Director Patricia Buckles, RBAP officials, and BSP officials.
- A briefing on the MABS Program's activities in Mindanao was given to Mr. Peter Lapera, USAID Director for Asia and the Near East.
- Mr. Douglas Tinsler, Chemonics' new Vice President for Asia, visited the MABS

office in Manila. Mr. Tinsler met with USAID officials and MABS staff members. He also met with some officers of MABS participant banks in Luzon.

Eighteenth Quarter, April 1 –June 31, 2002:

- As of this quarter MABS had 28 participant banks (PBs) comprising 83 participating branches that report their microfinance operations performance to the program. Cumulative amount of loans disbursed was PhP1.3 billion. Active micro loan clients stood at 26,880. Portfolio at risk ratio over 30 days was 2.7% as of end-June. Micro depositors had increased by 100,766 corresponding to PhP117.2 million deposit balances.
- The three new participant banks in the Autonomous Region of Muslim Mindanao (ARMM) and other conflict-affected areas in Mindanao (CAAM) – Maranao Rural Bank, Rural Bank of Isulan, and Rural Bank of Datu Paglas – signed their participant bank agreement with MABS.
- The pilot phase of the *Accelerated MABS Approach* was commenced among six rural banks from Southern Tagalog. The six pilot rural banks are Rural Bank of Mabitac (Laguna); Rural Bank of Tanza (Cavite); Rural Bank of Pagbilao (Quezon); The Country Bank (Mindoro); Rural Bank of Libon (Albay); and Jose P. Laurel Rural Bank (Batangas). RBAP and MABS consultants conducted an orientation session for the banks' senior managers and market research training.
- MABS started work with the three new participant banks in ARMM and CAAM with a review of operational systems, overall bank management/administration, microfinance operations, and improvement in MIS capabilities. MABS and each participant bank developed a detailed action plan to address the weaknesses identified.
- A Senior Managers' exposure training course for ARMM and CAAM participant banks was conducted by MABS in association with Bangko Kabayan, a MABS participant bank, in Ibaan, Batangas. The senior managers of the new participant banks received a comprehensive lecture-discussion and exposure to the overall operations of Bangko Kabayan and its microfinance operations.
- MABS sponsored a Strategic Planning Workshop for ARMM and CAAM participant banks. The workshop assisted the banks to develop an action plan to improve their banking operations in general and microfinance operations in particular.
- In partnership with RBAP, MABS conducted the 3rd Roundtable Discussions with its 3rd rollout participant banks in Luzon and Visayas. The topics tackled were: latest BSP regulations on microfinance; the role of top management in the success of microfinance operations; and designing incentive schemes for microfinance staff.
- The rollout of RB2000 to RBAP member banks started. Including those that availed

of the early general ledger module rollout in November 2001, RB 2000 had been installed in 87 bank units (head offices and branches) - 45 in Luzon, 24 in the Visayas, and eight in Mindanao.

- Green Bank of Caraga added more branches to its 11-branch microfinance operations. To prepare the bank officers in managing the expansion, MABS conducted a microfinance orientation course for them in Butuan City.
- MABS consultants facilitated the mid-year review and planning workshop for Green Bank of Caraga's microfinance unit.
- MABS has submitted a draft final memorandum of understanding between USAID and BSP regarding the technical assistance to BSP on the integration of microfinance standards in the BSP Bank Examination Manual. MABS had identified two international consultants and recommended them to BSP.
- The operations review reports for two of the remaining 1st rollout banks were submitted to the respective banks.
- The final report on “Financial Trends in Mindanao” was submitted.
- MABS continued to monitor the portfolio at risk ratios of participant banks in Mindanao, Luzon, and Visayas on a weekly and monthly basis.
- The new RBAP microfinance specialists were evaluated. Three of them passed the evaluation while the other one did not. RBAP decided to give the one who did not pass a chance to improve before the final evaluation during the next quarter.
- MABS held separate signing ceremonies with Rural Bank of Datu Paglas in Maguindanao and Maranao Rural Bank in Marawi City.
- A staff member from the office of US Senator Joseph Biden visited Rural Bank of Digos, a MABS participant bank in Mindanao. He was provided with a briefing on MABS.
- Five participant banks received the MABS STAR Awards (Success Towards Attaining Rural Microbanking Sound Practices) in an awarding ceremony held during the 49th National Convention of the Rural Bankers Association of the Philippines (RBAP) in Cagayan de Oro City.
- MABS completed the production of two videos highlighting the success of the MABS program and one video promoting the Strategic Development Plan of RBAP and RBAP results achieved to date. All three videos were shown during the RBAP National Convention in Cagayan de Oro City.

- The MABS brochures and folder for use in the marketing kit were finalized and printed.
- MABS was featured in 23 news articles and photo releases in 12 national and regional newspapers, including the internet edition of a national newspaper.

Nineteenth Quarter, July 1 – September 30, 2002

- As of this quarter MABS had 28 participant banks (PBs) comprising 88 participating branches. Cumulative amount of loans disbursed was PhP1.6 billion. Active micro loan clients stood at 32,306. Portfolio at risk ratio over 30 days was 3.24% as of end-September. Micro depositors had increased by 118,611 corresponding to PhP135.4 million deposit balance.
- MABS and RBAP consultants completed the following training and technical assistance for the six pilot banks (5th rollout banks) under the *Accelerated MABS Approach*:
 - (a) *Market research*. The output from this training and TA was a market research report from each bank.
 - (b) *A five-day training course on product development*. The provision of technical assistance on product development to the 5th rollout banks commenced as these banks finalized, pilot-tested, and launched their loan and saving products.
 - (c) *Training, with hands-on experience, on credit and background investigation (CIBI) and cashflow analysis*. Field follow-up TA began.
- The 1st Microfinance Supervisors' Forum and the 2nd Senior Management's Roundtable Discussion on anti-backsliding among MABS participant banks in Mindanao were held in Dipolog City. In addition, the participants got to observe the actual use of the personal digital assistant (PDA) in loan collection at the Rural Bank of Dipolog.
- A signing ceremony with the Rural Bank of Isulan was held in Isulan, Sultan Kudarat.
- MABS completed a generic bank operations manual that became the basis for developing the manual of operations of the three ARMM and CAAM banks.
- MABS consultants began assisting the ARMM and CAAM participant banks in improving their organizational structure, governance, and management capability.
- A Senior Managers' orientation course and exposure in microfinance was conducted for Rural Bank of Isulan, Rural Bank of Datu Paglas, Maranao Rural Bank, and UCPB Rural Bank at the Rural Bank of Cantilan in Surigao del Sur.

- A training course on microfinance product development was given to Rural Bank of Isulan and Rural Bank of Datu Paglas.
- The MABS team trained the 4th rollout or ARMM/CAAM banks, hands-on, on CIBI and cashflow analysis.
- MABS completed the review of Maranao Rural Bank's existing group loan product and its manual of operations. Technical assistance on expanding the bank's group loan product started.
- MABS continued to follow up on the portfolio at risk ratios of participant banks on a weekly basis.
- A Manifesto of Support for the expansion of the Bankers' Association of the Philippines' (BAP) NFIS (Negative File Information System) services to selected financial institutions in Mindanao was signed by Credit Union Empowerment and Strengthening (CUES) Program; Davao Federation of Rural Banks; and Davao City Bankers Association.
- MABS was featured in "Mindanao Business Talk," a TV program produced by the Mindanao Economic Development Council (MEDCo), the Mindanao Business Council (MBC), and the Philippine Information Agency (PIA).

Twentieth Quarter, October 1 – December 31, 2002

- MABS conducted a joint Roundtable Discussion among its 3rd and 5th rollout participant banks at the RBAP office in Manila. The Roundtable discussed how the banks could sustain microfinance operations in a competitive environment. Mr. Raymundo "Bong" Roxas of First Isabela Cooperative Bank presented his bank's experience in using the personal digital assistant (PDA) for collection.
- In line with the expansion of the BAP Credit Bureau to selected financial institutions in Mindanao, the Bankers Association of the Philippines Credit Bureau (BAP-CB) trained over 50 future users of the Negative File Information Sharing (NFIS) system from commercial banks, savings banks, rural banks, and cooperatives in Davao City.
- The BAP-CB and MABS launched the expansion of the Negative File Information Sharing (NFIS) system in Cagayan de Oro City. Over 90 officers from commercial banks, savings banks, rural banks, and cooperative banks attended the launching. An initial orientation on the NFIS was delivered in Butuan City by MABS before the Caraga Rural Bankers' Federation and the Butuan Bankers Association.
- RBAP and MABS consultants provided a three-day training workshop on management information system (MIS) to the 5th rollout banks.

- The MABS team provided technical assistance to Rural Bank of Datu Paglas and Rural Bank of Isulan in pilot-testing their individual loan products. At Maranao Rural Bank, the group loan product was modified and a product manual was assembled to standardize policies and procedures.
- The MABS team provided a seminar-workshop on deposit mobilization for senior managers and microfinance staff of Rural Bank of Datu Paglas and Rural Bank of Isulan.
- MABS held the 2nd Microfinance Supervisors' Forum among Mindanao participant banks. As part of the anti-backsliding activities of the MABS program, the forum discussed how to measure and improve client retention. Other topics tackled during the Roundtable were: designing microfinance organizational structure for efficiency; supporting the Code of Ethics among microfinance players earlier drafted by MABS banks' senior managers; and the feasibility of organizing the MFU Supervisors as part of the MABS training resource pool.
- A client of a MABS participant bank was awarded by Citibank as Microentrepreneur of the Year. Two other MABS participant banks' clients were each awarded 1st runners up in Visayas and Mindanao.
- A five-day training on loan delinquency management, internal control, and product review was held at RBAP for the MABS 5th rollout banks. The module culminates the 5th rollout banks' training under the *Accelerated MABS Approach*.
- The updated and revised MABS financial projection tool, Micro Pinoy, was successfully utilized by a relatively mature microfinance unit, that of the Rural Bank of Cantilan, in its planning session. Before the completed modifications to accommodated existing loan portfolio data and only start-up MABS banks had used the financial projections template.
- RBAP and MABS consultants distributed MABS' marketing kits and brochures of the *Accelerated MABS Approach* during the Visayas Credit Conference held in Cebu City. The staff of the RBAP Microfinance Technical Services Unit (MTSU) gave one-on-one orientation on the *Accelerated MABS Approach* to interested rural bankers.
- MABS presented the developments on the credit bureau expansion to rural bankers during the Mindanao Credit Conference in General Santos City. MABS also provided an update on the developments and modifications on the rolled out RB 2000 and plans for MABS' expansion in 2003.

- MABS hired Carlos Alba, an experienced bank examiner with many years experience in supervising microfinance-oriented banks, to provide support to the BSP to review and improve regulation and supervision of banks involved in microfinance operations in the Philippines.
- In December, the USAID Mission Director and the BSP Governor signed a Memorandum of Understanding agreeing to the support to be provided under the project to the BSP to improve the regulation and supervision of banks involved in microfinance.



MICROENTERPRISE ACCESS TO BANKING SERVICES

2003 WORKPLAN

ACTIVITY COMPONENT	DESCRIPTION	TARGET DATE	LOE	LEVEL OF EFFORT (PERSON-DAYS)	PLANNER	RESOURCES REQUIRED	PERSONS
I. Bank Strengthening & Anti-Backsliding							
	Deliver 3rd Rollout Expansion Phase TA	Jan-April Aug-Sept 2003	30	Luzon - 30 days Jan-April 15 days Aug-Sept Visayas - 15 days Jan-April	NONOY & ARAH	Regional Managers time and two RBAP/private service provider staff to work in each region	Luzon & Vis Managers
	Follow up with graduated PBs through roundtable meetings	Feb-03 - National & Aug-03 - Regional	51	15 days prep time for National 8 days each for regional attendance at roundtable 20 days	MELY	Regional Managers for Regional Roundtables and all Technical staff for National Roundtable	All Regional
	Technical Assistance to Graduated Banks	Monthly	70	40 days assessment - 30 days TA & training	ARAH	Regional Managers in Mindanao, MIS Manager, National Training Manager	National Tec Manager, Tr Regional Ma
	Conduct PB Operational Reviews - fee basis	Monthly	20	20 days for pilot banks	CECILE D.	Ed & Emy to complete pilot bank reviews	All Regional
	Training Workshops on Fee Basis	Monthly	450		RAIKE		Training Ma Regional Ma
	Offer PB Supervisors Forum - 1 every 4 months	January, March, June, October	24	24 days	ED	2 technical persons for each course, venue & facilities per forum PhP 15,000	Training Ma Regional Ma
	RBRDFI Regional Microfinance Workshops	1 courses on two topics regional = 5	36	Prep time - 16 days 20 days course time	RAIKE	Regional Managers, National Training Manager, private service provider	
	Finalize new bank TA accelerated approach	Dependent on number of RBAP staff and private service providers 3-4 banks per consultant at a time	102	21 days per series & 15 days TA per bank over 6 months	NONOY	Regional Managers Luzon and Visayas, RBAP, Private Service Providers, National Training Manager	Training Ma
	Follow-up on RB2000 development	Jan-Mar development of system revisions monitoring Apr-Dec	90	7.5 days per month = 90 days	TONTON	MIS Manager - 60 days MIS Assistant - 30 days	MIS Manage
	Expansion of PDA system	Monthly	84	7 days per month = 84 days	TONTON	MIS Manager - 24 days MIS Assistant - 60 days SAF funding required for pilot test	MIS Manage Assistant
	Develop Learners Centers within PBs	January-March	60	60 days	CECILE D. & ED	Regional Managers, National Training Manager	Training Ma

	Implement Muslim Expansion activities: 8 banks	Jan-Dec	457	457 - 510 days depending on if there are more new banks	MELY	National Technical Manager, Regional Managers, Banking Specialist, National Training Manager, MIS Manager SAF Funding	National Technical Manager, Regional Manager, Mindanao
2. Microfinance Policy	Follow up on BSP Examinations Manual	Jan- Sept	110	110 days	JOHN	Two short-term consultants	COP & National Manager
	Training of BSP	Ongoing		No additional days required	RAIKE	SAF funding	Training Manager
& Standards	Develop Standards/ Certification for Microfinance Banks with BSP	Phase one Feb 2003 - developing & testing standards Phase two Dec 2003 - BSP system in place	89	Phase 1 - 71 days Phase 2 - 18 days	MELY	National Technical Manager, MIS Manager, MIS Assistant, National Training Manager, Regional Managers SAF Funding	National Technical
3. Monitoring and Evaluation	Performance Monitoring deployed to PBs	June-Dec 2003	106	40 days June-Sept 56 days training Oct-Nov	TONTON	MIS Manager, MIS Assistant, Regional Managers, National Training Manager, SAF Funding	MIS Manager
4. RBAP Strengthening							
	Expansion of credit bureau in other regions	Jan, Feb, April, June, Aug, Oct, Dec	140	140 days	ED	Additional short-term TA required SAF Funding for monitoring & BAP partial funding	Regional Manager Mindanao & Managers
	RBAP-MABS RBRDFI PLANS BUSINESS PLAN AND INCOME STATEMENT	Ongoing		Unknown	NONOY & JOHN		National Technical & Training Manager
	RBAP-MABS website on microfinance best practices	Ongoing	108	9 days per month (3 days - RA, MIS Manager, Operations Manager) 108 days	TONTON	Anita Campion to assist reviewing and proposing materials on site	Operations Manager
	Train RBAP microfinance staff	Ongoing		No additional days	NONOY	Dependent on future of staff existing staff will be ready in 6 months	All Regional
	Implement options to expand MABS Approach using private service providers	Jan-Dec 2003	109	109 days	RAIKE	Expat advisor and one local expert	Training Manager National Technical



MICROENTERPRISE ACCESS TO BANKING SERVICES

SUMMARY OF TARGETS FOR 2002, 2003, and 2004

Project Goals	Status as of September 2002	Target for December 2003	Target for June 2004
1. Expansion and consolidation of the MABS Program and its accomplishments throughout the Philippines.			
a. Minimum of 130 rural and/or cooperative rural bank branches	88	125	130 minimum
b. At least 55,000 microenterprise borrowers	32,306	42,000	55,000 minimum
c. At least 130,000 new micro depositors	118,611	128,000	130,000 minimum
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.	At the end of Sept 2002, 19 of 20 operating PB microfinance units in Mindanao posted a positive net income. Seven partner banks (out of eight) in Luzon and Visayas posted a positive net income.	Majority of the banks have MFU with positive net income	Majority of the banks have MFU with positive net income
3. An effective and "USAID-accepted" anti-backsliding program focused on participating banks which have "graduated" from the MABS program.	With the aim of reminding partner banks about the need for maintaining portfolio quality, MABS held two Roundtable Discussions among senior managers of Mindanao partner banks and a microfinance supervisors' forum. The meetings highlighted the banks' experiences in dealing with portfolio at risk.	Certification/Standards in place and being tested. Performance transferred to participating banks.	Certification/Standards in place and accepted by BSP.
4. 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.	The original 4 RBAP staff in place are capable of carrying out most of the key functions in the MABS Approach. Four new staff members were hired, but of these, two resigned and one was terminated. The remaining one new staff member is undergoing hands-on training in Luzon and Visayas partner banks.	RBAP-MABS Licensed/Accredited "MABS Approach" providers identified and trained.	RBAP-MABS Licensed/Accredited "MABS Approach" providers are in place and providing services to member rural banks in all regions.
5. An appropriate fee structure for the 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..	A fee structure has been designed by RBAP and approved by the RBAP Board of Directors.	A fee structure for RBAP-MABS Licensed/Accredited "MABS Approach" providers tested and in place.	Fees being charged for "MABS Approach" services being charged to all banks.

<p>6. Installation of the MABS Approach into at least three new participating banks in ARMM and neighboring areas of Mindanao.</p>	<p>Three banks in the ARMM/CAAM region and other conflict-affected areas have been approved by the ManCom for participation in the MABS Program. All three banks have received the following training and technical assistance: 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. Training and technical assistance on the MABS Approach has been started with two banks.</p>	<p>All three banks strengthened and provided with the "MABS Approach"</p>	<p>All three banks strengthened and provided with the "MABS Approach" and reaching religious and ethnic minority client targets.</p>
<p>7. Significant expansion of the number of religious and ethnic minority clients of at least five participating banks in Mindanao.</p>	<p>One bank signed up to expand services to clients in Basilian</p>	<p>All five banks are selected and trained in the "MABS Approach" to expand to religious and ethnic minorities</p>	<p>All five banks reaching religious and ethnic minority client targets.</p>
<p>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.</p>	<p>The pilot testing of the expanded BAP credit reference bureau has been completed. Discussion on the expansion to rural bank federations are ongoing with RBAP, BAP, and the Davao Federation of Rural Banks.</p>	<p>Credit reference bureau for rural banks rolled out to interested federations in Luzon, Visayas, and Mindanao.</p>	<p>Credit reference bureau available to all interested rural bank federations.</p>
<p>9. Support for the development of an appropriate microfinance software that will enable bank management to support a viable and sustainable microfinance operation..</p>	<p>RB2000 was released in March 2002. As of September 2002, RB 2000 is installed in 46 banks - 30 in Luzon, 11 in the Visayas, and five in Mindanao. In terms of bank units, i.e., head offices and branches, RB2000 is installed in 87 bank units - 45 in Luzon, 24 in the Visayas, and eight in Mindanao.</p>	<p>Version 1.1 completed, tested, accepted, and being rolled out in all regions. Additional licensed service providers trained and accredited.</p>	<p>An appropriate microfinance banking system available from various service providers in all parts of the Philippines.</p>

ACTIVITY COMPONENT	DESCRIPTION	TARGET DATE	STATUS
I. Bank Strengthening	Deliver Expansion Phase TA and Training to 2nd Rollout PBs	Jan-Feb	Completed
& Anti-Backsliding	Deliver 3rd Rollout Expansion Phase TA	Jan-Dec	Ongoing. Banks continue to expand microfinance operations to other branches.
	Follow up on Continuing Tech Support Agreements	Jan-Dec	All banks signed CTSA.
	Conduct PB Operational Reviews	Jan-Dec	Operational reviews were conducted of all 1st and 2nd rollout banks.
	Offer PB Refresher Courses - 3 courses every 6 months	Jan-Dec	Courses were combined with roundtable meetings for senior managers and supervisors forums during 2002.
	Integrate MABS training with ABC	Jan-Dec	Ongoing.
	Institutional Assessments (IAs) for new rollout banks	Feb-Mar, Sep	IAs conducted in 10 rural banks in ARMM and neighboring CAAM regions.
	Finalize new bank TA contracts	Apr, Nov	Contracts with 5th rollout banks were finalized in May. The 6th rollout was delayed due to plans to start the PSP program in 2003.
	Install Updated software in 4th Rollout Banks	Jun-Jul	Completed.
	Follow-up on RB2000 development	Jan-Dec	The beta test of RB 2000 was completed in March 2002 and the system was certified as being complete. Further revisions to the program are ongoing and are expected to be completed in March 2003.
	Develop and pilot test new products	Feb-Jun	New streamlined training approach developed and pilot-tested from May until November 2002.
	Develop Training Centers within PBs	Apr-Dec	Ongoing. Training sessions were held at existing banks in 2002.
	Implement Muslim Expansion activities: 2 new banks in 2002	Apr-Dec	Three new banks were selected in 2002.
	Assist existing PBs to expand to religious and ethnic minorities	Apr-Dec	Ongoing.
2. Microfinance Policy	Follow up on BSP Policy Initiatives with RBAP	Jan-Jun	Support for improving BSP regulation and supervision of banks involved in microfinance was started in 2002 and will be completed in 2003.
& Standards	Develop Standards for Microfinance Banks with RBAP, PDIC, BSP	Jan-Dec	Ongoing.
	Build RBAP linkages with international training & microfinance network	Jan-Dec	Meetings were held with Global Network for Banking Innovation and the CGAP supported MicroBanking Bulletin. This process will be ongoing in 2003.

ACTIVITY COMPONENT	DESCRIPTION	TARGET DATE	STATUS
3. Monitoring and Evaluation	Refine income/expense portion of M & E system	Jan	Completed
	Implement monitoring and evaluation system in 3rd & 4th Rollout PBs	Jan-Dec	Completed
	Monthly evaluation of performance	Jan-Dec	Completed
4. RBAP Strengthening	Implement pilot credit bureau	Jan-Mar	Completed
	Expansion of credit bureau in other regions	Apr-Dec	Expansion began in the Davao, Misamis Oriental, and Caraga Federations in Mindanao. Expansion is expected to continue in 2003.
	Revise business plan for RBAP microfinance unit	Jan-Feb	Completed
	Update RBAP-MABS website on microfinance best practices	Jan-Dec	Completed
	Update organizational structure to include regional offices	Aug	Completed
	Train RBAP microfinance staff	Jan-Dec	4 new RBAP microfinance specialists were trained in 2002.
	Assess feasibility of using private sector organizations	Jan-Mar	Study completed work to start in 2003.
5. Program Management	Submit quarterly reports	Jan, Apr, Jul, Oct	Completed
	Submit monthly highlights	Jan-Dec	Completed
	Hire new MABS staff for expansion activities	Jan	Completed
	Annual Inventory of Commodities	Dec	Ongoing
	Submission of 2003 workplan	Dec	Completed



**MICROENTERPRISE ACCESS TO BANKING SERVICES
2003 WORKPLAN**

ACTIVITY COMPONENT	TASKS	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
I. Bank Strengthening & Anti-Backsliding	Deliver 3rd Rollout Expansion Phase TA												
	Follow up with graduated PBs through roundtable meetings												
	Technical Assistance to Graduated Banks												
	Conduct PB Operational Reviews - fee basis												
	Training Workshops on Fee Basis												
	Offer PB Supervisors Forum - 1 every 4 months												
	RBRDFI Regional Microfinance Workshops												
	Develop Learners' Centers within PBs												
	Implement Muslim Expansion activities: 8 bank												
II. Sustainable MABS	Complete preparation work for Private Service Provider Program												
Technical Services	Pilot test Private Service Provider Program												
	MABS Accreditation Development and Certification for MABS banks												
	Certification of new MABS banks under PSP program												
	Follow-up on RB2000 development												
	Expansion of PDA system												
III. Expansion of Banking	Continued assistance to 3 - fourth rollout banks in ARMM and CAAM												
Services to Religious and Ethnic Minorities	Institutional Assessments of new/existing banks in ARMM and CAAM												
	Approval of support and signing of agreements with banks												
	Technical Assistance to selected new and existing banks in ARMM & CAAI												
IV. Microfinance Policy & Standards	Training of BSP												
	Develop Standards/ Certification for Microfinance Banks with BS												
V. Monitoring and Evaluation	Performance Monitoring deployed to PBs												
VI. Other Activities	Expansion of credit bureau in other regions												
	RBAP-MABS RBRDFI Business Plan												
	RBAP-MABS website on microfinance best practices												
	Train RBAP microfinance staff and program manager												
	Training of MABS Technical Education and Resource Service Provider												
5. Program Management	Submit quarterly reports												
	Submit monthly highlights												
	Semi-Annual Inventory of Commodities												
	Submission of 2004 workplan												

		
ACTIVITY COMPONENT	DESCRIPTION	TARGET DATE
I. Bank Strengthening & Anti-Backsliding		
	Deliver 3rd Rollout Expansion Phase TA	Jan-April Aug-Sept 2003
	Follow up with graduated PBs through roundtable meetings	Feb-03 - National & Aug-03 - Regional
	Technical Assistance to Graduated Banks	Monthly
	Conduct PB Operational Reviews - fee basis	Monthly
	Training Workshops on Fee Basis	Monthly
	Offer PB Supervisors Forum - 1 every 4 months	January, March, June, October
	RBRDFI Regional Microfinance Workshops	1 courses on two topics regional = 5
	Finalize new bank TA accelerated approach	Dependent on number of RBAP staff and private service providers 3-4 banks per consultant at a time
	Develop Learners Centers within PBs	Feb-Dec
II. Sustainable MABS Technical Services	Complete preparation work for Private Service Provider Program	Jan-April
	Pilot test Private Service Provider Program	Feb-Aug
	MABS Accreditation Development and certification of MABS Banks	Feb-Mar
	Certification of new MABS banks under PSP program	Dec
	Follow-up on RB2000 development	Jan-Mar development of system revisions monitoring Apr-Dec
	Expansion of PDA system	Monthly

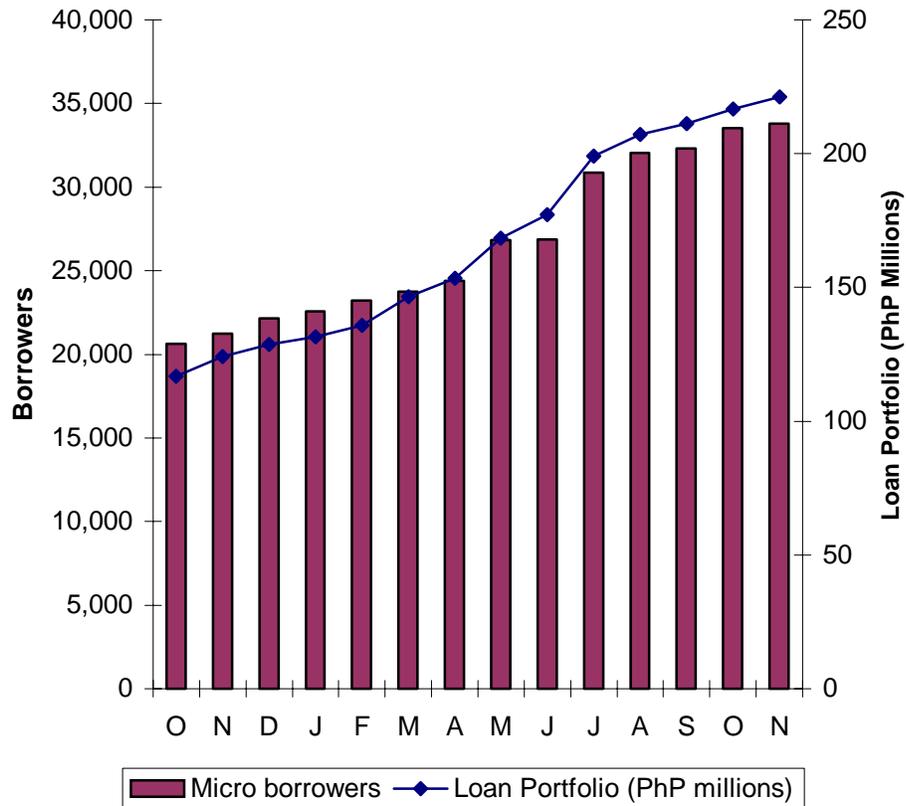
		
ACTIVITY COMPONENT	DESCRIPTION	TARGET DATE
III. Expansion of Banking Services to Religious and Ethnic Minorities	Continued assistance to three fourth rollout banks in ARMM and CAAM	Jan-Dec
	Institutional Assessments of new/existing banks in ARMM and CAAM	Jan-Feb
	Approval of support to new and existing banks in ARMM and CAAM	Feb-Mar
	Technical Assistance to selected new and existing banks in ARMM and CAAM	Mar-Dec
IV. Microfinance Policy & Standards	Training of BSP	Ongoing
	Develop Standards/ Certification for Microfinance Banks with BSP	Phase one Feb 2003 - developing & testing standards Phase two Dec 2003 - BSP system in place
V. Monitoring and Evaluation	Performance Monitoring deployed to PBs	June-Dec 2003
VI. Other Activities	Expansion of credit bureau in other regions	Jan, Feb, April, June, Aug, Oct, Dec
	RBAP-MABS RBRDFI business plan revised and updated	April
	RBAP-MABS website on microfinance best practices	Ongoing
	Train RBAP microfinance staff	Ongoing
	Training of MABS Technical Education and Resource Service Providers	Jan - Dec 2003
VII. Program Management	Submit quarterly reports	Jan, Apr, Jul, Oct
	Submit monthly highlights	Monthly
	Semi-Annual Inventory of Commodities	Jun - Dec
	Submission of 2004 workplan	Dec

MABS BANKS MICROFINANCE PERFORMANCE REPORT
 LUZON, VISAYAS & MINDANAO
 JANUARY-NOVEMBER 2002

PERFORMANCE DATA	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	Jun 2002	Jul 2002	Aug 2002	Sep 2002	Oct 2002	Nov 2002
No of participating bank units	79	80	80	80	83	83	85	87	89	97	101
# of Active Borrowers Outstanding	22,619	23,204	24,399	26,654	26,821	26,880	30,848	32,031	32,306	33,540	33,792
# of New Borrowers	2,471	3,058	3,154	3,220	3,632	3,089	3,608	3,738	2,979	3,307	2,767
Cumulative Number of New Borrowers	40,086	43,144	46,298	49,518	53,150	56,239	59,847	63,585	66,564	69,871	72,638
# of Repeat Loans	4,657	3,874	4,353	4,440	5,142	5,457	5,799	6,274	5,937	7,082	6,047
Loan Portfolio Balance	3,220	135,940,813	146,906,192	155,135,294	168,343,102	177,282,696	198,924,290	207,280,243	211,140,435	216,592,317	221,151,583
Net change in no. of deposit accts.	89,231	89,047	90,468	92,506	96,884	100,766	99,479	124,997	119,028	130,814	137,030
Net change in deposit balance	98,759,666	109,306,665	123,111,695	119,501,084	112,416,161	117,236,411	114,340,781	138,825,803	135,605,189	156,822,795	161,922,244
# of Microfinance Field Staff	303	319	321	331	333	318	406	400	390	398	400
# Loans Disbursed during the Month	7,128	6,932	7,507	7,660	8,774	8,546	9,407	10,012	8,916	10,389	8,814
Cumulative # Loans Disbursed	103,497	110,429	117,936	125,596	134,370	142,916	152,323	162,335	171,251	184,463	193,277
Amt. of Loans Disbursed during the Month	69,100,869	65,452,095	71,882,044	82,303,909	104,360,731	92,646,943	98,618,013	102,798,524	94,798,214	113,743,665	101,854,815
Cumulative Amt. of Loans Disbursed	907,013,106	977,396,985	1,049,279,029	1,131,582,938	1,235,943,669	1,328,590,612	1,453,053,725	1,552,949,549	1,647,706,763	1,761,390,928	1,847,962,743
Portfolio at Risk more than 7 days (%)	5.70%	4.45%	5.10%	5.27%	4.61%	4.17%	4.40%	4.85%	4.60%	4.73%	4.46%
Portfolio at Risk more than 7 days	7,494,580	6,042,862	7,490,124	8,172,139	7,764,769	7,384,853	8,733,928	10,062,571	9,345,217	10,236,685	9,868,991
Portfolio at Risk more than 30 days (%)	3.36%	2.73%	3.08%	3.47%	2.93%	2.70%	2.84%	3.03%	3.20%	2.83%	3.14%
Portfolio at Risk more than 30 days	4,417,191	3,706,553	4,518,569	5,390,848	4,939,140	4,781,538	5,650,417	6,285,081	6,714,561	6,129,288	6,951,857

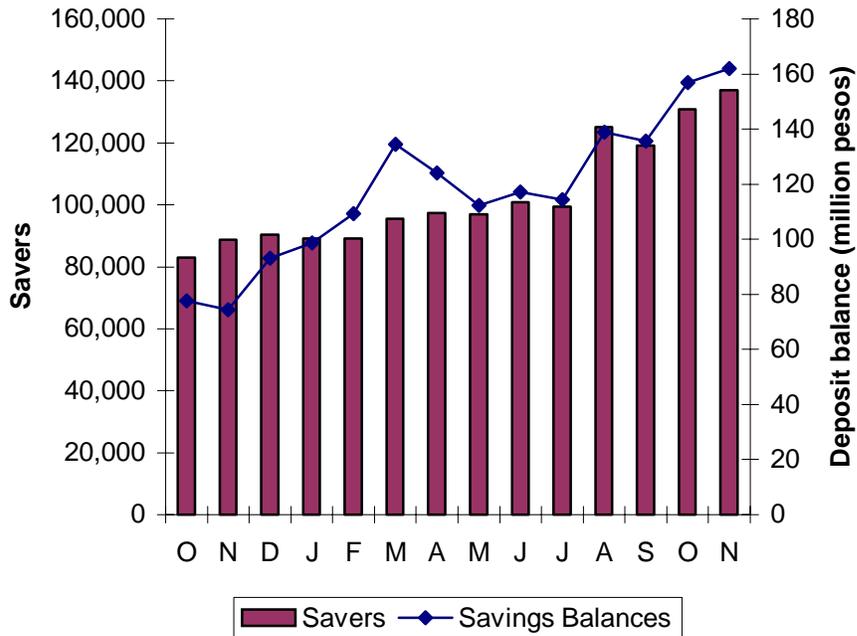
MABS BANKS MICROFINANCE PERFORMANCE REPORT							
CONSOLIDATED - BY ROLLOUT							
NOVEMBER 2002							
PERFORMANCE DATA	Pilot Banks	1st Rollout Banks	2nd Rollout Banks	3rd Rollout Banks	4th Rollout Banks	5th Rollout Banks	TOTAL
Number of participating banks	4	10	6	8	2	5	35
Number of participating branches	4	44	24	21	2	6	101
Number of active borrowers outstanding	2,305	20,879	7,858	2,538	83	129	33,792
Number of new borrowers	215	1,745	472	254	36	45	2,767
Number of repeat loans	271	3,465	1,662	633	11	5	6,047
Loan portfolio balance	15,346,528	111,317,845	62,497,142	30,173,748	695,494	1,120,826	221,151,583
Net change in number of deposit accounts	5,148	65,755	64,655	-1,229	28	2,673	137,030
Net change in deposit balance	10,427,239	70,041,245	68,158,060	9,884,808	29,863	3,381,029	161,922,244
Number of microfinance field staff	24	202	111	49	6	8	400
Number of loans disbursed during the month	486	5,210	2,134	887	47	50	8,814
Cumulative number of loans disbursed	18,591	121,276	44,843	8,399	96	72	193,277
Amount of loans disbursed during the month	4,592,440	48,429,298	31,061,075	16,587,002	589,000	596,000	101,854,815
Cumulative amount of loans disbursed	169,387,189	972,364,205	558,721,882	144,796,967	997,500	1,695,000	1,847,962,743
Portfolio at risk more than 7 days	1,150,949	5,317,487	2,892,380	508,175	0	0	9,868,991
Portfolio at risk more than 7 days (%)	7.50%	4.87%	4.63%	1.68%	0.00%	0.00%	4.46%
Portfolio at risk more than 30 days	821,292	3,545,728	2,301,593	283,244	0	0	6,951,857
Portfolio at risk more than 30 days (%)	5.35%	3.19%	3.68%	0.94%	0.00%	0.00%	3.14%
MONTHLY INCOME AND EXPENSE	Pilot Banks	1st Rollout Banks	2nd Rollout Banks	3rd Rollout Banks	4th Rollout Banks	5th Rollout Banks	TOTAL
Financial income							
Interest income on loans	491,834	4,330,891	3,033,028	1,282,861	17,747	34,237	9,190,598
Service charge	170,715	1,613,252	1,494,819	528,205	17,909	16,470	3,841,370
Penalty fee on loans	5,647	33,502	80,525	59,024	0	316	179,014
Total financial income	668,196	5,977,645	4,608,372	1,870,090	35,656	51,023	13,210,982
Total financial expense	59,888	596,756	406,965	178,208	26,876	4,296	1,272,989
Gross financial margin (spread)	608,308	5,380,889	4,201,407	1,691,882	8,780	46,727	11,937,993
Loan loss provision	19,254	268,153	91,211	84,251	5,124	5,089	473,082
Net financial margin	589,054	5,112,736	4,110,196	1,607,631	3,656	41,638	11,464,911
Direct operating expenses							
MFU salaries and benefits	123,301	1,038,466	554,834	489,985	62,041	42,430	2,311,057
Gross receipt tax	33,409	255,717	262,885	96,270	1,783	2,553	652,617
Depreciation				62,151	504	2,776	65,431
Transportation				23,594	460	3,839	27,892
Supplies				19,179	392	1,890	21,461
Communication				3,318	138	215	3,671
Others				21,818	1,011	24,916	47,744
Total direct operating expense	156,710	1,294,183	817,719	716,315	66,329	78,618	3,129,873
Training and professional fees				15,001		54,365	69,366
Net income before indirect expenses	432,344	3,818,553	3,292,477	876,315	-62,672	-91,345	8,265,672
Indirect expenses				15,342		42,127	57,469
Net income (loss)	432,344	3,818,553	3,292,477	860,973	-62,672	-133,472	8,208,203

Micro Loan Portfolio MABS Participating Banks October 2001- November 2002



	<u>Micro Borrowers</u>	<u>Loan Portfolio (PhPM)</u>
Oct-01	20,628	116.70
Nov-01	21,225	124.05
Dec-01	22,159	128.75
Jan-02	22,551	131.60
Feb-02	23,204	135.90
Mar-02	23,754	146.48
Apr-02	24,409	153.36
May-02	26,821	168.30
Jun-02	26,880	177.30
Jul-02	30,848	198.98
Aug-02	32,031	207.28
Sep-02	32,306	211.14
Oct-02	33,540	216.59
Nov-02	33,792	221.15

Growth in Micro Savings Deposits MABS Participating Banks October 2001-November 2002



	<u>Savers</u>	<u>Savings Balances (PhPM)</u>
Oct-01	82,920	77.60
Nov-01	78,801	71.77
Dec-01	89,846	92.80
Jan-02	88,870	98.63
Feb-02	89,047	109.31
Mar-02	95,409	134.45
Apr-02	97,399	124.02
May-02	96,884	112.40
Jun-02	100,766	117.20
Jul-02	99,479	114.34
Aug-02	124,997	138.82
Sep-02	119,028	135.60
Oct-02	130,814	156.82
Nov-02	137,030	161.92

 MICROENTERPRISE ACCESS TO BANKING SERVICES				
Project Goals			Status as of November 2002	Target for December 2003
1. Expansion and consolidation of the MABS Program and its accomplishments throughout the Philippines.				
	a. Minimum of 130 rural and/or cooperative rural bank branches		103	125
	b. At least 55,000 microenterprise borrowers		33,792	42,000
	c. At least 130,000 new micro depositors		137,030	150,000
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.			At the end of November 2002, all 20 MABS Participating Rural Banks in Mindanao were operating with positive net monthly returns on their microfinance units. Seven of the eight MABS Participating Rural Banks from the third rollout group in Luzon and Visayas posted a positive net monthly return on their microfinance units by November 2002.	Majority of the banks have microfinance units with positive net income.
3. An effective and "USAID-accepted" anti-backsliding program focused on participating banks which have "graduated" from the MABS program.			With the aim of reminding partner banks about the need for maintaining portfolio quality, MABS held two Roundtable Discussions among senior managers of Mindanao partner banks and two microfinance supervisors' forums. The meetings highlighted the banks' experiences in dealing with portfolio at risk and focussed on strengthening best practices.	Certification/Standards in place and being tested. Performance monitoring system transferred to participating banks.
4. 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.			Three of the original RBAP staff in place are capable of carrying out most of the key functions in the MABS Approach. Four new staff members were hired, but of these, two resigned and one was terminated. The remaining one new staff member is undergoing hands-on training in Luzon and Visayas partner banks. It is clear at this point that MABS will need to focus attention on licensed/accredited PSPs to handle ongoing training due to constraints within RBAP.	RBAP-MABS Licensed/Accredited "MABS Approach" providers identified and trained.
5. An appropriate fee structure for the 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..			A fee structure has been designed by RBAP and approved by the RBAP Board of Directors. This is to be revised in 2003 in coordination with the private service providers.	A fee structure for RBAP-MABS Licensed/Accredited "MABS Approach" providers tested and in place.

 MICROENTERPRISE ACCESS TO BANKING SERVICES		
Project Goals	Status as of November 2002	Target for December 2003
6. Installation of the MABS Approach into at least three new participating banks in ARMM and neighboring areas of Mindanao.	Three banks in the ARMM/CAAM region and other conflict-affected areas have been approved by the ManCom for participation in the MABS Program. All three banks have received the following training and technical assistance: 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. Training and technical assistance on the MABS Approach has been started with all three banks.	All three banks strengthened and providing microfinance services to religious and ethnics minorities.
7. Significant expansion of the number of religious and ethnic minority clients of at least five participating banks in Mindanao.	UCPB was approved for MABS support; however, the bank's board underwent significant changes in ownership and this stalled the signing of an agreement with the MABS program and the bank.	All five banks are selected and trained in the "MABS Approach" to expand to religious and ethnic minorities.
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.	The pilot testing of the expanded BAP credit reference bureau has been completed. Expansion has begun in the Davao, Misamis Oriental, and CARAGA Federations of Rural Banks. Meetings are ongoing with the other Federations in Mindanao with plans for expansion to all regions in Mindanao in 2003.	Credit reference bureau for rural banks rolled out to interested federations in Luzon, Visayas, and Mindanao.
9. Support for the development of an appropriate microfinance software that will enable bank management to support a viable and sustainable microfinance operation..	RB2000 was released in March 2002. As of November 2002, RB 2000 is installed in 46 banks - 30 in Luzon, 11 in the Visayas, and five in Mindanao. In terms of bank units, i.e., head offices and branches, RB2000 is installed in 87 bank units - 45 in Luzon, 24 in the Visayas, and eight in Mindanao.	Version 1.1 completed, tested, accepted, and being rolled out in all regions. Additional licensed service providers trained and accredited.
10. Appropriate manual of bank examination for rural banks and other regulated institutions engaged in microfinance accepted and utilized by the BSP.	A consultant started the review process of the existing bank examination manual and procedures as well as current bank regulations and made suggestions for regulations and practices that needed to be revised. Follow-up work will continue in 2003.	Appropriate bank examination manual in place and being utilized to supervise banks involved in microfinance.