



Grant Assistance Report

Project Number: 41602
February 2008

Grant Assistance to the
Republic of the Philippines for Developing
Microinsurance Project
(Financed by the Japan Fund for Poverty Reduction)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 30 December 2007)

Currency Unit	–	peso (P)
P1.00	=	\$0.0242
\$1.00	=	P41.22

ABBREVIATIONS

ADB	–	Asian Development Bank
BSP	–	Bangko Sentral ng Pilipinas
CDA	–	Cooperative Development Authority
CSP	–	country strategy and program
DOF	–	Department of Finance
EA	–	executing agency
GTZ	–	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
JFPR	–	Japan Fund for Poverty Reduction
MBA	–	mutual benefit association
MDP	–	Microfinance Development Program
MFI	–	microfinance institution
NAPC	–	National Anti-Poverty Commission
NCC	–	National Credit Council
NGO	–	nongovernment organization
PIC	–	program implementation committee
PIU	–	project implementation unit
RIMANSI	–	Risk Management Solutions, Incorporated

NOTES

- (i) The fiscal year (FY) of the Government of the Philippines ends on 31 December.
- (ii) In this report, “\$” refers to US dollars.

Director General	A. Thapan, Southeast Asia Department (SERD)
Director	J. Ahmed, Governance, Finance, and Trade Division, SERD
Team leader	E. Sasaki, Financial Sector Specialist, SERD



**JAPAN FUND FOR POVERTYREDUCTION (JFPR)
JFPR Grant Proposal**

I. Basic Data	
Name of Proposed Activity	Developing Microinsurance Project
Country	Republic of the Philippines
Grant Amount Requested	\$1,000,000
Regional Grant	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Grant Type	<input type="checkbox"/> Project <input checked="" type="checkbox"/> Capacity building

II. Grant Development Objective(s) and Expected Key Performance Indicators

<p>Grant Development Objectives:</p> <p>1. The proposed Japan Fund for Poverty Reduction (JFPR) Project (the Project) aims to support the sound development of microinsurance, a microfinance service to protect the poor from unforeseen calamities and reduce severe poverty incidence.</p> <p>2. Poor households are most vulnerable to such perils as death, illness, and injury of family members who sustain household livelihoods, as the poor lack access to social security systems or commercial insurance. An affordable microinsurance scheme would be a potent tool to guard poor households from uncertainty and future losses. In the Philippines, microinsurance is provided through in-house operations conducted by mutual benefit associations (MBAs) and cooperatives, or through partnerships with commercial insurance companies. At the same time, many microinsurance providers face difficulties in sustaining their businesses because they lack actuarial and fund management skills, good governance structures, efficient premium collection and claim processing procedures, and other skills and structures.</p> <p>3. The Project will complement ongoing Asian Development Bank support for the Microfinance Development Program¹ and its associated grant assistance² by strengthening the capacity of the Philippines' microinsurance sector. The objectives of the Project are as follows:</p> <p>(i) To help the Government formulate and adopt suitable microinsurance regulations. This assistance includes reviewing the current policies and regulations, and improving the current insurance regulatory framework to make it more conducive to microfinance development (component A).</p> <p>(ii) To enhance capacities of Government regulators and microinsurance providers through training and mentoring (component B).</p> <p>(iii) To increase access by the poor to a range of microinsurance services through financial literacy activities (component C).</p>
<p>Expected Key Performance Indicators:</p> <p>(i) To formulate and adopt guidelines and standards for a safe, sound microinsurance service</p> <p>(ii) To increase the number of insurance providers adopting these guidelines and standards</p> <p>(iii) To increase the number of lives covered by microinsurance provided by MBAs from the current 3.1 million</p>

III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures

Category	Amount of Grant Allocated (\$)	Percentage of Expenditures
1. Equipment and Supplies	33,542	3.4
2. Materials Development	186,506	18.6
3. Training, Workshops, and Seminars	210,243	21.0
4. Consulting Services	316,800	31.7
5. Management and Coordination and other Project Inputs	156,000	15.6
6. Audit	6,000	0.6
7. Contingencies	90,909	9.1
Total	1,000,000	100.0

¹ ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Republic of the Philippines for the Microfinance Development Program*. Manila.

² ADB. 2006. *Grant Assistance to the Republic of the Philippines for Developing Financial Cooperatives Project (Financed by the Japan Fund for Poverty Reduction)*. Manila.

JAPAN FUND FOR POVERTY REDUCTION

**JFPR Grant Proposal
Background Information**

A. Other Data	
Date of Submission of Application	September 2007
Project Officer	Eiichi Sasaki, Financial Sector Specialist
Project Officer's Division, Email, Phone	Governance, Finance, and Trade Division esasaki@adb.org Phone: 63-2-632-6337 / 5906
Other Staff Who Will Need Access to Edit/Review the Report	Nimal A. Fernando, Practice Leader, (Microfinance) (Asian Development Bank [ADB] Microfinance Focal Point)
Sector	Finance
Subsector	Microfinance
Themes	Private sector development, capacity development, governance
Subthemes	Policy, institutional, legal and regulatory reforms, institutional development, financial and economic governance
Targeting Classification	Targeted intervention
Name of Associated ADB-Financed Operation	PHI: Microfinance Development Program (Approved in November 2005)
Executing Agency	National Credit Council (NCC), Department of Finance (DOF)
Grant Implementing Agencies	<p>NCC Gil S. Beltran, Undersecretary, NCC Executive Director 4th floor, DOF Building, BSP Complex, Roxas Boulevard, Malate, Manila, Philippines Phone: 63-2-523-5671 e-mail: gbeltran@dof.gov.ph Fax: 63-2-523-3825</p> <p>Insurance Commission Eduardo T. Malinis, Insurance Commissioner 1071 United Nations Avenue, Ermita, Manila, Philippines Phone: 63-2-525-2015 e-mail: oic@pltdsl.net Fax: 63-2-522-1434</p> <p>Cooperative Development Authority (CDA) Lecira V. Juarez, Chairperson 5th floor Ben-Lor Building, 1184 Quezon Avenue, Quezon City, Philippines Phone: 63-2-373-6894 / 6906 e-mail: cda_oc@cda.gov.ph Fax: 63-2-371-2077</p> <p>National Anti-Poverty Commission (NAPC) Domingo F. Panganiban, Lead Convener 2nd Floor, ATI Building, DA Compound, Elliptical Road, Quezon City, Philippines Phone: 63-2-927-9816 e-mail: secdfp@napc.gov.ph Fax: 63-2-426-5249</p>

B. Details of the Proposed Grant

1. Description of the Components, Monitorable Deliverables and Outcomes, and Implementation Timetable

Component A	
Component Name	Improving Regulatory Framework
Cost	\$688,137
Component Description	<p>This component will help the Government formulate and adopt a regulatory environment conducive to sound microinsurance development.</p> <p>Consultants will review the current status of microinsurance in the Philippines and evaluate the current policy and regulations applicable to microinsurance under the overall insurance regulatory framework set by the Insurance Code. Based on the review, NCC and the Insurance Commission will recommend improvements to the current microinsurance regulations that will make them more conducive to the development of microinsurance. The draft microinsurance regulations will be finalized through working-group discussions organized by the NCC and the Insurance Commission. Based on the approved regulations, appropriate policy and regulatory measures will be identified, drafted, and recommended for consideration by NCC, the Insurance Commission, and CDA.</p>
Monitorable Deliverables and Outputs	Formulation of draft microinsurance regulations, appropriate policy and regulatory measures, and guidelines and standards for soundness and safety in the provision of microinsurance services.
Implementation of Major Activities: Number of Months for Grant Activities	<ul style="list-style-type: none"> • Evaluating current policy and regulation (6 months) • Drafting a microinsurance policy and regulations (6 months) • Drafting appropriate policy and regulatory measures (6 months) • Simultaneously conducting 15 technical working group discussions, seven regional public hearings, and 12 regional consultations (24 months)
Component B	
Component Name	Strengthening the Capacity of Government Regulators and Micro-Insurance Providers
Cost	\$212,732
Component Description	<p>This component will enhance the capacities of Government regulators (Insurance Commission and CDA) and insurance providers through training and mentoring.</p> <p>Through the working group and training sessions, the microfinance regulations, pertinent rules, and performance standards developed will be disseminated to and internalized by concerned personnel at the Insurance Commission and CDA, as well as to microinsurance providers. Training materials, including the performance standards compliance procedures, will be developed for the Insurance Commission, CDA, and insurance trainers and insurance providers under this component.</p>
Monitorable Deliverables and Outputs	A number of training sessions to be conducted by NCC and the Insurance Commission for insurance trainers and insurance providers.

Implementation of Major Activities: Number of Months for Grant Activities	<ul style="list-style-type: none"> • Developing training materials (6 months) • Conducting seven regional public hearings, three training sessions for regional regulators, and six training sessions for regional insurance providers (36 months)
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Component C	
Component Name	Promoting Financial Literacy on Microinsurance
Cost	\$99,131
Component Description	This component will increase access of the poor to a range of microinsurance services through financial literacy activities. A guidebook on microinsurance will be written. It will be disseminated in hard copy and through NCC, Insurance Commission, CDA, and NAPC websites. Workshops and conferences will also be conducted to heighten financial literacy.
Monitorable Deliverables and Outputs	Increased number of poor households benefiting from micro-insurance.
Implementation of Major Activities: Number of Months for Grant Activities	<ul style="list-style-type: none"> • Completing a guidebook (6 months) • Conducting 12 regional workshops (36 months)

2. Financing Plan for Proposed Grant to Be Supported by JFPR

Financier	Amount
JFPR	\$1,000,000
Government	\$250,000 (in-kind contribution such as office space and fixtures)
Microinsurance providers	\$180,000 (cost of transportation and per diems for representatives participating in meetings, regional workshops, consultations, and seminars)
Total	\$1,430,000

3. Background

1. Microfinance, including microsavings, microcredit, and microinsurance services, has expanded in the Philippines and reduced poverty in the past decade. Microinsurance³ is an emerging financial service for the poor, which has been recognized as a potent tool to minimize the financial risks to poor households, especially when premium payments are affordable. Savings and credit are generally used to prepare for predictable life cycle events, but insurance can protect the poor from unpredictable shocks such as death, illness, injury, theft, and natural disasters. Low-income households are most vulnerable to these risks. The costs of funerals, hospitalization, and lost or damaged property forces working capital to be directed toward nonproductive ends, worsening poverty.

2. Impediments to microinsurance development include a lack of insurance regulations that would support microinsurance, weak institutional capacity at microinsurance providers, constraints on regulatory capacity, and poor understanding of insurance products and services among low-income clients. The ongoing Microfinance Development Program (MDP) has pointed out that as an important part of microfinance services, microinsurance needs assistance to develop further, respond better to future contingencies of microfinance clients, and achieve its overall objectives.⁴ The MDP aims to develop a sustainable, diverse, and market-oriented microfinance sector with a wider range of services offered to a

³ Churchill, Craig. 2006. *Protecting the Poor, A microfinance compendium*. Geneva: International Labour Organization. defines microinsurance as the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.

⁴ The overall objective of the MDP is to improve household incomes, reduce poverty, and reduce the vulnerability of the poor by developing a sustainable, diverse, and market-oriented microfinance sector with expanded outreach of a wider range of services at competitive prices to the poor.

greater number of poor clients at competitive prices. The proposed JFPR assistance is formulated to complement the MDP by strengthening the overall capacity of microinsurance as an integral part of the microfinance sector.

3. In the Philippines, successful microinsurance operations are led by mutual benefit associations (MBAs), which are supervised by the Insurance Commission under the Philippine Insurance Code.⁵ However, many microfinance institutions (MFIs)—rural banks, cooperatives, and nongovernment organizations (NGOs)—offer in-house insurance schemes that do not follow the provisions of this code. The operational sustainability of these schemes faces great risk as many of them fail to meet the code's standards for actuarial adequacy, professional risk and fund management, and governance. The Insurance Commission recently said it would regulate MBAs based on a set of performance standards.⁶ However, because the Insurance Commission's supervisory capacity is limited, most MFIs providing microinsurance remain unregulated. Meanwhile, there is substantial demand for microinsurance that has not been met. An NAPC impact study entitled *Microfinance Towards Financial Sustainability, Poverty Reduction and Women's Empowerment* found that "less than 50% of the 100 respondent-microfinance institutions provide emergency assistance and microinsurance" that their clients needed. It is necessary to increase the number of microinsurance operations that are made sustainable through improved professional skills and prudential management to meet clients' needs for reliable and affordable microinsurance products.

4. The current insurance regulatory framework set by the Insurance Code⁷ has focused on insurance products and services that target the middle- to high-income market. No regulations or guidelines are applicable to insurance companies, MBAs, cooperative insurance societies, or insurance brokers that are engaged in microinsurance. The current capital requirement is too onerous for the MBAs and the cooperative insurance societies that specialize in microinsurance. Delivery channels are key to successful microinsurance operations at insurance companies, which generally lack products for low-income segments of the population. A regulation allowing insurance companies to access new distribution channels would increase the number of insurance companies offering microinsurance products and services.

5. Clients need to understand insurance in general and their policies in particular so that microinsurance firms may avoid customer dissatisfaction and ensure legitimate claims for insured amounts. Some microinsurance is packaged with microcredit products. Inadequate understanding of the insurance component of the microcredit package may lead to grievances from clients who do not understand that microinsurance protects them against a few contingencies with many premium payments. Proper understanding of insurance conditions and claim procedures will prevent clients from failing to claim the insured sum of money. Client education on insurance is necessary as part of financial literacy program on microfinance products and services.

6. The Project will help the Government formulate and adopt suitable microinsurance regulations. This process includes (i) evaluating the current policies and regulations, (ii) drafting and finalizing microinsurance regulations that will form an insurance regulatory framework conducive to microinsurance development, (iii) identifying regulatory barriers, and (iv) recommending appropriate policy and regulatory measures (component A). It will also enhance capacities of the Insurance Code, the CDA, and insurance providers through training and mentoring. A microinsurance training module will be developed covering areas including governance, marketing, product development, actuarial and fund management skills, and auditing. Based on the training module, training sessions and mentoring on specific issues will be provided to microinsurance providers (component B). Financial literacy activities under the Project will be coordinated with the ongoing national financial literacy program conducted by NAPC to improve microfinance clients' understanding of insurance and increase their access to a range of microinsurance services (component C).

7. NCC, DOF's coordinating body for national credit policy established in 1993 by Administrative Order No. 86, will be the Executing Agency for the Project, overseeing implementation and coordination of the implementing agencies.

⁵ Commercial insurance companies focus on the middle- to high-income market. Some firms, however, serve the lower-income classes using MFIs and cooperatives as distribution channels, using a partner-agent model.

⁶ Insurance Memorandum Circular No. 9-2006 on Microinsurance Regulation and Declaration of Policy Objective dated 25 October 2006.

⁷ Ordaining and Instituting an Insurance Code of the Philippines.

4. Innovation

8. Mentoring under the training component of the Project (component B) will address the capacity of Government regulators and microinsurance providers to improve the quality of their service and insurance products, thus helping them meet their immediate regulatory and operational needs.

9. Financial literacy under the Project will be integrated with the ongoing national microfinance literacy program, thereby providing comprehensive finance education to poor clients.

5. Sustainability

10. The consultants' work funded by the Project will lay the foundation for a long-term supervisory and regulatory framework of the microinsurance sector. Training and financial literacy programs will be carried out by the insurance providers, MFIs, and their associations based on the training module, training sessions, and information campaigns developed by the Project after the Project period is over.

6. Participatory Approach

11. NCC will collaborate with the Insurance Commission, CDA, insurance companies, MBAs, cooperatives, cooperative federations, and the actuarial association to formulate a regulatory framework and a training module on sound microinsurance operations. Insurance companies, MBAs, cooperatives, and cooperative federations will be involved in formulating and implementing the financial literacy program. The Risk Management Solutions, Incorporated (RIMANSI), supported by the Canadian Cooperative Association, has been assisting microinsurance start-up businesses by providing them with capacity-building assistance. The Project will cooperate with RIMANSI in formulating an appropriate policy and conducting training and financial education.

Primary Beneficiaries and Other Affected Groups and Relevant Description	Other Key Stakeholders and Brief Description
<p>Government regulators</p> <ul style="list-style-type: none"> • Benefit from strengthened capacity to regulate and supervise microinsurance providers for effective, safe, and sound operations <p>Microfinance clients</p> <ul style="list-style-type: none"> • Benefit from increased access to safe, sound, and credible microinsurance services for better management of future contingencies <p>Microinsurance providers</p> <ul style="list-style-type: none"> • Benefit from a conducive and friendly regulatory environment, and strengthened capacity in providing microinsurance services and enhanced transparency of microinsurance operations 	<p>NCC, Insurance Commission, CDA and NAPC</p> <ul style="list-style-type: none"> • Ensuring sound microinsurance operations based on international best practices

7. Coordination

12. RIMANSI aims to assist microinsurance start-up businesses by providing them with capacity-building assistance. The Project will coordinate its activities with RIMANSI as a partner. German development cooperation through the German Agency for Technical Cooperation (GTZ) is preparing for a grant project to expand the outreach of the national health insurance program, collaborating with PhilHealth by networking with microfinance institutions. ADB has coordinated with GTZ to avoid duplication of assistance.

13. The Project proposal was discussed with the Embassy of Japan, Manila on 4 September 2007.

8. Cost Estimates

14. A summary cost table is in Appendix 1, while the detailed cost estimates are in Appendix 2.

C. Link to ADB Strategy and ADB-Financed Operations

1. Link to ADB Strategy

Document	Document Number	Date of Last Discussion	Objectives
Philippine Country Strategy and Program (CSP) 2005–2007			The CSP identifies the development of microfinance as one of the key strategies for more rapid poverty reduction.
Microfinance Development Strategy			The strategy aims to ensure permanent access to institutional financial services for poor and low-income households at competitive prices.

2. Link to Specific ADB-Financed Operation

Project Name	PHI: Microfinance Development Program (MDP)
Project Number	ADB Loan 2199-PHI
Date of Board Approval	22 November 2005
Loan Amount	\$150 million

3. The Project's Development Objective

15. The overall objective of the MDP is to improve household incomes, to reduce poverty, and to reduce the vulnerability of the poor. To achieve this objective, the MDP will undertake reforms to (i) remove regulatory impediments and policy distortions to promote market efficiencies and increased outreach of services at competitive prices for the poor, (ii) build MFIs that can provide efficient and cost-effective retail delivery of services to the poor, (iii) strengthen regulatory and supervisory capacities and authority for a sound microfinance sector, and (iv) increase financial literacy and consumer protection for the poor. The proposed JFPR project will complement the MDP on (i), (ii), (iii), and (iv).

4. The Project's Main Components

No.	Component Name	Brief Description
1.	Remove regulatory impediments and policy distortions to promote market efficiencies and increase outreach of services to the poor at competitive prices	1.1 Support implementation of the NCC policy and strategy for microfinance 1.2 Remove Bangko Sentral ng Pilipinas (BSP) regulations on opening new bank branches in areas where there is existing service 1.3 Amend the Truth-in-Lending Act to strengthen MFI disclosure practices 1.4 Rationalize tax incentives to MFIs and remove distortions 1.5 Reduce the expansion of unregulated MFIs that cannot legally accept deposits and have limited sustainability 1.6 Support the establishment of an interim credit bureau in BSP, and development of implementing rules and regulations as required 1.7 Support the mobilization of savings on a large scale by establishing a legal and regulatory framework to facilitate remittances from overseas Filipino workers into MFI

No.	Component Name	Brief Description
		deposit accounts 1.8 Support privatization of the Philippine Postal Savings Bank to accelerate mobilization of savings through the postal savings network
2.	Build MFIs that can provide efficient and cost-effective retail delivery of services to the poor	2.1 Expand training programs through universities and training institutes, and consolidate various current training programs and materials into a Government certified and required program 2.2 Support the establishment of a central credit information bureau
3.	Strengthen regulatory and supervisory capacities and authority for a sound microfinance sector	3.1 Help restructure CDA into a full regulatory body 3.2 Provide capacity building for CDA staff, and support the development and formulation of prudential rules and regulations for deposit-taking cooperatives 3.3 Assist CDA in modernizing its registration and information system 3.4 Support capacity building and improvement of data and monitoring systems at BSP and the Securities and Exchange Commission
4.	Increase financial literacy and consumer protection for the poor	4.1 Prepare to amend the Consumer Act of 1992 for broader coverage and greater focus on the financial services sector 4.2 Develop a certification program to ensure that compliance officers understand applicable laws and regulations

5. Rationale for Grant Funding Versus ADB Lending

16. The MDP is supported by a program loan, Japan Special Fund-financed technical assistance, and a JFPR project for Developing Financial Cooperatives. The proposed JFPR project will complement the MDP in focusing on the sound development of microinsurance as an important part of microfinance services. The grant fund will finance comprehensive capacity-building efforts for the microinsurance sector.

D. Implementation of the Proposed Grant

1. Implementing Agencies: NCC, Insurance Commission, CDA, and NAPC	<p>Day-to-day project activities will be undertaken by the project implementation unit (PIU), which will be headed by NCC. The project consultants will fall under the supervision of the project implementation committee (PIC), which will comprise the NCC executive director, the insurance commissioner, the CDA chair, and the NAPC lead convener. The implementation arrangements are in Appendix 3 and the fund flow arrangement is in Appendix 4.</p> <p>All procurement under the Project will be conducted in accordance with ADB's <i>Procurement Guidelines</i> (2007, as amended from time to time). ADB will recruit the consultants in accordance with its <i>Guidelines on the Use of Consultants</i> (2007, as amended from time to time).</p>
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2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Policy drift	Drift in Government policy on microfinance development.	Implementation of MDP can help reduce this risk.
Delay in implementation	Possible delays in Government procurement and consultant recruitment.	NCC and ADB will closely monitor project implementation and discuss as necessary any issues that arise.

3. Incremental ADB Costs

17. Not applicable.

4. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for M&E
Formulation of an improved regulatory framework, appropriate policy and regulatory measures, and guidelines and standards for a safe, sound microinsurance subsector.	PIU quarterly and annual reports	PIC meetings and review missions
A total number of training sessions conducted by consultants to Insurance Commission and CDA trainers and insurance providers.	PIU quarterly and annual reports	PIC meetings and review missions
A total number of workshops/seminars conducted for clients' education on microinsurance. Institutionalization of the financial literacy program.	PIU quarterly and annual reports	PIC meetings and review missions

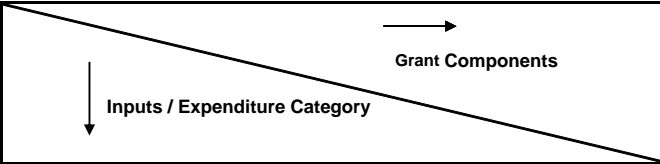
5. Estimated Disbursement Schedule

Fiscal Year (FY)	Amount (\$)
FY2008	150,000
FY2009	300,000
FY2010	250,000
FY2011	250,000
FY 2012	50,000
Total Disbursements	1,000,000

APPENDIXES

1. Summary Cost Table
2. Detailed Cost Estimates
3. Implementation Arrangements
4. Fund Flow Arrangement

SUMMARY COST TABLE
(\$)

	Component A Improving Regulatory Framework	Component B Strengthening the Capacity of Government Regulators and Microfinance Providers	Component C Promoting Financial Literacy on Microinsurance	Total (Input)	Percent
1. Civil Works					
2. Equipment and Supplies	15,042.04	11,000.00	7,500.00	33,542.04	3.35
3. Materials Development	102,518.04	64,188.04	19,800.00	186,506.09	18.65
4. Training, Workshops, Seminars, and Public Campaigns	55,618.89	91,805.00	62,818.90	210,242.79	21.02
5. Consulting Services	316,800.00			316,800.00	31.68
6. Management/Coordination and other Project Inputs	129,600.00	26,400.00		156,000.00	15.60
7. Audit	6,000.00			6,000.00	0.60
8. Contingencies (0–10% of total estimated grant fund):	62,557.90	19,339.31	9,011.88	90,909.08	9.09
Subtotal JFPR Grant Financed	688,136.87	212,732.35	99,130.78	1,000,000.00	100.00
JFPR Contribution	688,136.87	212,732.35	99,130.78	1,000,000.00	70.00
Government Contribution	100,000.00	100,000.00	50,000.00	250,000.00	17.50
Other Donor(s) Contributions					
Community's Contributions (mostly in kind)	60,000.00	60,000.00	60,000.00	180,000.00	12.50
Total Estimated Costs	848,136.87	372,732.35	209,130.78	1,430,000.00	100.00
Incremental Costs	Not Applicable	Not Applicable		Not Applicable	

Source: National Credit Council.

DETAILED COST ESTIMATES
Table A2.1: Component A: Improving Regulatory Framework
(\$)

Code	Supplies and Services Rendered	Unit	Costs			Contributions			
			Quantity Units	Cost per Unit	Total (\$)	JFPR		Gov't	Insurance Providers
						Amount	Method of Procurement		
1.1	Civil Works								
1.1.1	Rent				100,000.00			100,000.00	
1.1.2	Office Furniture								
1.1.3	Office Utilities								
	a. Electricity Power/Water								
	Subtotal				100,000.00				
1.2	Equipment and Supplies								
1.2.1	Laptop Computer	Pc	1.0	1,500	1,500.00	1,500.00	DP		
1.2.2	Desktop Computer	Set	2.0	1,200	2,400.00	2,400.00	DP		
1.2.3	Multimedia Projector	Pc	1.0	2,700	2,700.00	2,700.00	DP		
1.2.4	Printer	Pc	1.0	800	800.00	800.00	DP		
1.2.5	Supplies and Materials (includes telephone, e-mail, xeroxing/reproduction, postage, and delivery)	Month	16.0	478	7,642.04	7,642.04	DP		
	Subtotal				15,042.04	15,042.04			
1.3	Materials Development								
1.3.1	Steering Committee Meeting	Mtg	16/15	20/pax	4,800.00	4,800.00			
	Technical Working Group Meeting	Mtg	15/21/3	45/pax	42,525.00	42,525.00			
	a. Supplies and Materials	Mtg	15/21	7/pax	2,205.00	2,205.00	DP		
	b. Hiring of Vehicle	Mtg	15	666.67/trip	10,000.00	10,000.00	DP		
1.3.2	Public Hearing		7/100	28/pax	19,600.00	19,600.00			
	a. Airfares for Staff and Consultants		4/5	142.78/pax	2,855.55	2,855.55	DP		
	b. Airfares for Coordinators		4/6	142.78/pax	3,426.66	3,426.66	DP		
	c. Travel Per Diem for Staff and Consultants		5/6/2.75	48.3333/d	3,987.50	3,987.50			
	d. Travel Per Diems for Coordinators/Facilitators		6/6/2.75	48.3333/d	4,785.00	4,785.00			
	e. Hiring of Vehicles		2 trips	666.67/trip	1,333.33	1,333.33	DP		
	f. Miscellaneous Expenses		7/100	10/pax	7,000.00	7,000.00			
	g. Participants Out-of-Pocket Expenses				60,000.00				60,000.00
	Subtotal				162,518.04	102,518.04			

Code	Supplies and Services Rendered	Unit	Costs				Contributions		Gov't	Insurance Providers
			Quantity Units	Cost per Unit	Total (\$)	JFPR				
						Amount	Method of Procurement			
1.4	Training, Workshops, and Seminars									
1.4.1	Regional Consultation Workshop		12/50	28/pax	16,800.00	16,800.00				
	a. Airfares for Staff and Consultants		8/5 pax	150.14/trip	6,005.56	6,005.56		DP		
	b. Airfares for Coordinators		8/6 pax	150.14/trip	7,206.67	7,206.67		DP		
	c. Travel Per Diem for Staff and Consultants		12/2.75/5	46.67/d	7,700.00	7,700.00		DP		
	d. Travel Per Diem for Coordinators/Facilitators		12/2.75/6	46.67/d	9,240.00	9,240.00		DP		
	e. Hiring of Vehicles		4 trips	666.67/trip	2,666.67	2,666.67		DP		
	f. Miscellaneous Expenses		12/50	10/pax	6,000.00	6,000.00				
	Subtotal				55,618.90	55,618.90				
1.5	Consulting Services									
1.5.1	Long-Term Staff for Microfinance	Day	528	500/d	264,000.00	264,000.00		IS		
1.5.2	S/T Consultant- Expatriate Microinsurance Expert	Day	66	500/d	33,000.00	33,000.00		IS		
1.5.3	Facilitator for Trainings	Day	66	300/d	19,800.00	19,800.00		IS		
	Subtotal				316,800.00	316,800.00				
1.6	Management and Coordination of Component									
1.6.1	- Administrative/Finance Officer	Month	48.0	1,400	67,200.00	67,200.00		IS		
1.6.2	- Research Advice Specialist	Month	48.0	1,300	62,400.00	62,400.00		IS		
	Subtotal				129,600.00	129,600.00				
1.7	Audit Services									
1.7.1	External Auditor	Year	4	1,500	6,000.00	6,000.00		IS		
	Subtotal				6,000.00	6,000.00				
1.8	Contingencies (0–10% to total estimated grant fund)				62,557.90	62,557.90				
	Component Totals				848,136.87	688,136.87			100,000.00	
									60,000.00	

DP = direct purchase, IS = individual selection.

Source: Department of Finance.

Table A2.2: Component B: Strengthening the Capacity of Government Regulators and Microfinance Providers
(\$)

Code	Supplies and Services Rendered	Unit	Costs			Contributions			
			Quantity Units	Cost per Unit	Total (\$)	JFPR		Gov't	Insurance Providers
						Amount	Method of Procurement		
2.1	Civil Works								
2.1.1	Rent				100,000.00			100,000.00	
2.1.2	Office Furniture								
2.1.3	Office Utilities								
	a. Electricity/Power/Water								
	b. Telephone								
	Subtotal				100,000.00				
2.2	Equipment and Supplies								
2.2.1	Laptop Computer	Pc	1.0	1,500	1,500	1,500	DP		
2.2.2	Desktop Computer	Set	1.0	1,200	1,200	1,200	DP		
2.2.3	Multimedia Projector	Pc	1.0	2,700	2,700	2,700	DP		
2.2.4	Printer	Pc	1.0	800	800	800	DP		
2.2.5	Supplies and Materials (includes xeroxing/reproduction, postage, and delivery)	Month	16.0	300	4,800	4,800			
	Subtotal				11,000.00	11,000.00			
2.3	Materials Development								
2.3.1	Development of Training Materials	Day	66	300	19,800.00	19,800.00			
2.3.2	Public Hearing		7/100	30/pax	21,000.00	21,000.00			
	a. Airfares for Staff and Consultants		4/5	142.78/pax	2,855.55	2,855.55	DP		
	b. Airfares for Coordinators		4/6	142.78/pax	3,426.66	3,426.66	DP		
	c. Travel Per Diem for Staff and Consultants		6/5/2.75	48.33/d	3,987.50	3,987.50	DP		
	d. Travel Per Diem for Coordinators		6/6/2.75	48.33/d	4,785.00	4,785.00	DP		
	e. Hiring of Vehicles	Trip	2	666.67	1,333.33	1,333.33	DP		
	f. Miscellaneous Expenses		7/100	10/pax	7,000.00	7,000.00	DP		
	Subtotal				64,188.04	64,188.04			

Code	Supplies and Services Rendered	Costs					Contributions			
		Unit	Quantity Units	Cost per Unit	Total (\$)	JFPR		Gov't	Insurance Provider	
						Amount	Method of Procurement			
2.4	Training, Workshops, and Seminars									
2.4.1	Training, Workshop for Regulators and Insurance Providers		9/30/4d	48.3333/d	52,200.00	52,200.00				
	a. Airfare for Staff and Consultants		5/6	157.50/pax	4,725.00	4,725.00		DP		
	b. Airfare for Coordinators, Facilitator, etc.		6/6	157.50/pax	5,670.00	5,670.00		DP		
	c. Travel and Per Diem for Staff and Consultants		5/9/4d	51.67/day	9,300.00	9,300.00		DP		
	d. Travel and Per Diem for Coordinators, Facilitators, etc..		6/9/4d	51.67/day	11,160.00	11,160.00		DP		
	e. Hiring Vehicle		3	666.67	2,000.00	2,000.00		DP		
	f. Miscellaneous Expenses		9/30	25/pax	6,750.00	6,750.00				
	g. Participants Out-of-Pocket Expenses								60,000.00	
	Subtotal				151,805.00	91,805.00				
2.5	Management and Coordination of Component									
2.5.1	-Research Advocacy Specialist	Month	12	1,300.00	15,600.00	15,600.00		IS		
2.5.2	-Travel and Per Diem		4/20/3d	45/day	10,800.00	10,800.00		DP		
	Subtotal				26,400.00	26,400.00				
2.6	Contingencies (0–10% of total estimated grant fund)				19,339.31	19,339.31				
	Component Totals				372,732.35	212,732.35			100,000.00	
									60,000.00	

DP = direct purchase, IS = individual selection.
 Source: Department of Finance.

Table A2.3: Component C: Promoting Financial Literacy on Microfinance
(\$)

Code	Supplies and Services Rendered	Unit	Costs			Contributions			
			Quantity Units	Cost per Unit	Total (\$)	JFPR		Gov't	Insurance Providers
						Amount	Method of Procurement		
3.1	Civil Works								
3.1.1	Rent				50,000.00			50,000.00	
3.1.2	Office Furniture								
3.1.3	Office Utilities								
3.1.4	Office Maintenance								
	a. Electricity/Power/Water								
	b. Telephone								
	Subtotal				50,000.00				
3.2	Equipment and Supplies								
3.2.1	Laptop Computer	Pc	1.0	1,500	1,500.00	1,500.00	DP		
3.2.2	Desktop Computer	Set	1.0	1,200	1,200.00	1,200.00			
3.2.3	Multimedia Projector	Pc							
3.2.4	Printer	Pc							
3.2.5	Supplies and Materials (includes xeroxing/reproduction, postage, and delivery)	Month	16.0	300	4,800.00	4,800.00	DP		
	Subtotal				7,500.00	7,500.00			
3.3	Materials Development								
3.3.1	Finalization of Guidebooks	Day	66	300	19,800.00	19,800.00			
3.4	Training, Workshops, and Seminars								
3.4.1	Workshop on Promoting Financial Literacy		50/12	40/pax	24,000.00	24,000.00			
	a. Airfare for Staff and Consultants		5/8	150.14/pax	6,005.56	6,005.56	DP		
	b. Airfare for Coordinators/Facilitators, etc.		6/8	150.14/pax	7,206.67	7,206.67	DP		
	c. Travel and Per Diem (staff and consultants)		5/12/2.75d	46.67/day	7,700.00	7,700.00	DP		
	d. Travel and Per Diem Coordinators/Facilitators, etc.		6/12/2.75d	46.67/day	9,240.00	9,240.00	DP		
	e. Hiring of Vehicle		4	666.67	2,666.67	2,666.67	DP		
	f. Miscellaneous Expenses		50/12	10/pax	6,000.000	6,000.00	DP		
	g. Participants Out-of-Pocket Expenses				60,000.00				60,000.00
3.5	Contingencies (0–10% of total estimated grant fund)				9,011.89	9,011.88			
	Component Totals				209,130.78	99,130.78		50,000.00	60,000.00

Source: National Credit Council.

IMPLEMENTATION ARRANGEMENTS

A. Project Management

1. Executing Agency

1. The National Credit Council (NCC) in the Department of Finance (DOF) will be the Executing Agency (EA) of the Japan Fund for Poverty Reduction (JFPR) Project.

2. Implementing Agency

2. The implementing agencies are NCC, Insurance Commission, Cooperative Development Authority (CDA), and National Anti-Poverty Commission (NAPC). The day-to-day activities will be undertaken by the project implementation unit (PIU) to be represented by NCC, under the supervision of the project implementation committee (PIC) which will comprise NCC, Insurance Commission, CDA, and NAPC.

3. Procurement

3. Procurement under the Project will be conducted in accordance with the *Procurement Guidelines* (2007, as amended from time to time) of the Asian Development Bank (ADB). ADB will recruit consultants in accordance with its *Guidelines on the Use of Consultants* (2007, as amended from time to time), to provide the services for the study, implementation, management, and progress monitoring of the Project.

4. Consulting Service

4. ADB will contract the JFPR consultants (national) in accordance with its *Guidelines on Use of Consultants*, and based on a no-objection from NCC.

5. Reporting

5. The JFPR PIU will prepare quarterly, semiannual, and annual reports on project implementation, the form and content of which will be agreed upon with ADB. The PIU and PIC will endorse these reports to ADB with their comments. The PIU will maintain separate accounts for all project components financed by JFPR and the Government, and have them audited by an independent external auditor that has adequate knowledge and experience of international accounting practices and is acceptable to ADB. The auditor's report will be furnished to ADB within 6 months after the end of the financial year. The report should include certified copies of the audited accounts and financial statements and the report of the auditors relating to said statements, including the auditors' opinion on the use of the JFPR Funds, the operation of imprest account and the application of any statement of expenditures procedure authorized under the JFPR Project. The Government will be informed of ADB's requirement on the timely submission of audited project accounts and financial statements, including the suspension of disbursements in case of noncompliance. ADB will also finance, through the Project, annual audits by an independent audit company acceptable to ADB. To facilitate post-evaluation of the Project, the Government will provide a grant completion report to ADB with the support of the PIU within 3 months of physical completion of the Project. All reports will comprise an assessment of the Project's impact and output, project performance monitoring and evaluation, as well as suggestions for further improving project implementation.

6. Monitoring and Evaluation

6. Preliminary indicators for monitoring and evaluating the performance of the Project will be discussed with key stakeholders. The final project performance management system will be finalized prior to the ADB's approval. Monitoring indicators will be measured during project implementation. Comments and findings regarding these monitoring indicators will be included in semiannual reports to ADB. In addition to indicators for implementation monitoring, indicators for project evaluation will be measured at project completion. Where relevant, indicators will be disaggregated by gender. A final report will consist of an evaluation of changes that occurred in the preceding 4 years.

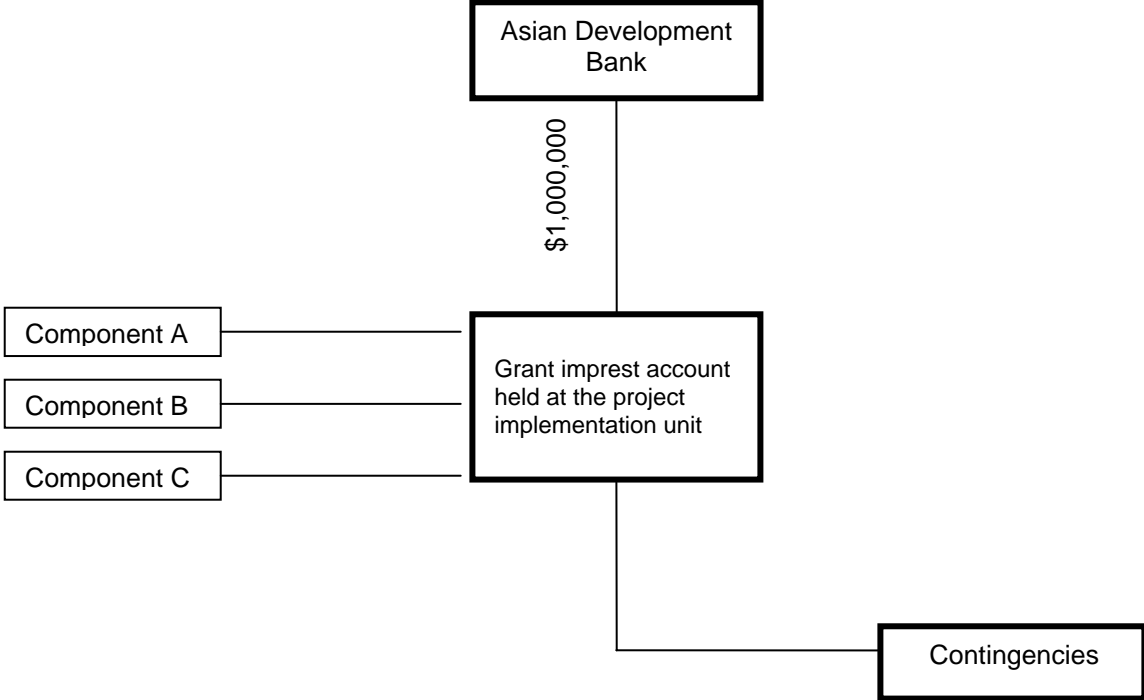
B. Implementation Schedule

7. The Project will be implemented over 4 years, from April 2008 to March 2012.

FUND FLOW ARRANGEMENT

1. The Asian Development Bank (ADB) will channel the funds from the Japan Fund for Poverty Reduction Fund (JFPR) directly to a JFPR imprest account. The project implementation unit (PIU) in the implementing agency will open and maintain this account at a bank endorsed by the Executing Agency and acceptable to the ADB to facilitate day-to-day local expenditures of the JFPR Project. The PIU will keep the Executing Agency informed about all transactions and receive copies of all financial statements and audit reports. The PIU will manage the JFPR imprest account on the principles of a cosignatory arrangement with the Executing Agency, initially based on the first 6-month activity plan and related budget, and afterwards based on the approved annual work plan and budget.
2. The initial deposit into the JFPR imprest account will be based on the estimated expenditures for 6 months or \$100,000, whichever is lower. The imprest account will be established, managed, replenished, and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time).
3. The statement of expenditures procedure will apply for all payments and transactions under \$10,000 to ensure speedy project implementation. Detailed implementation arrangements, such as the flow, replenishment, and administrative procedures, will be detailed in the grant implementation manual. ADB and the Government will establish these arrangements through the JFPR letter of agreement. The schematic fund flow for the JFPR Project is shown in Figure A4.
4. Interest earned on the JFPR imprest account can be used for the Project, subject to ADB's approval, within the approved total amount of JFPR. Any unutilized interest should be returned to the JFPR account maintained at ADB on completion of the Project and before closing of the JFPR account. If the remittance fee and other bank charges are higher than the amount of interest earned, such interest will not have to be returned to the JFPR account maintained at ADB.

Figure A4: Fund Flow Arrangement for the JFPR Project



Source: Asian Development Bank.