

**ASIAN DEVELOPMENT BANK**

**TAR:PHI 38597**

**TECHNICAL ASSISTANCE**  
(Financed by the Governance Cooperation Fund)

**TO THE**

**REPUBLIC OF THE PHILIPPINES**

**FOR**

**ENHANCING ACCESS OF THE POOR TO MICROFINANCE**

**SERVICES IN FRONTIER AREAS**

**December 2004**

## CURRENCY EQUIVALENTS

(as of 10 December 2004)

Currency Unit	–	peso (P)
P1.00	=	\$0.0178
\$1.00	=	P56.27

## ABBREVIATIONS

ADB	–	Asian Development Bank
KALAHI	–	Kapit Bisig Laban Sa Kahirapan (the Government's overarching program for poverty reduction)
MCPI	–	Microfinance Council of the Philippines
MFI	–	microfinance institution
NAPC	–	National Anti-Poverty Commission
NCC	–	National Credit Council
NGO	–	nongovernment organization
TA		technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	Targeted intervention
<b>Sector</b>	–	Finance
<b>Subsector</b>	–	Microfinance
<b>Themes</b>	–	Sustainable economic growth; governance, gender, and development

## NOTES

- (i) The fiscal year of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The Government of the Republic of the Philippines has requested technical assistance (TA) from the Asian Development Bank (ADB) to increase access and efficiency of microfinance services for the poor in frontier<sup>1</sup> areas that have little or no access to formal or semiformal financial services. Microfinance is recognized as the central strategy for poverty reduction in the Philippines under Republic Act 8425 Social Reform and Poverty Alleviation Act passed in 1997, and is an important part of President Arroyo's 10-point agenda. The Philippine Country Strategy and Program Update (CSPU) 2004–2006 includes microfinance as a key area of assistance to support the Government's poverty reduction program. Ensuring permanent access to institutional financial services for poor and low-income households at competitive prices is also a goal of ADB's Microfinance Development Strategy.<sup>2</sup>

2. Based upon consultations with the National Anti-Poverty Commission (NAPC) and other agencies from July-October 2004, the Government and ADB reached an agreement on the objectives, scope, cost estimates and financing plan, and implementation arrangements. The TA<sup>3</sup> will provide (i) capacity building to nongovernment microfinance institutions (MFIs) in frontier areas to increase skills and best practices for sustainable microfinance, and (ii) education for poor and low-income groups on microfinance services. NAPC is mandated under RA 8425 as the oversight body to ensure development and strengthening of the microfinance industry, and the chair of NAPC is the President of the Philippines. This TA will complement ongoing assistance and build on prior developments in the sector. The TA framework is provided in Appendix 1.

## II. ISSUES

3. The majority of poor households in the Philippines do not have access to microfinance services, and rely on self-finance or informal sources of microfinance, limiting their ability to participate in and benefit from development opportunities and income-generating activities. Access to microfinance services can help the poor build viable businesses, pursue economic opportunities and income-generating activities, and reduce vulnerability to external shocks. Of the 4.3 million poor households<sup>4</sup> in the Philippines, only 1.17 million, or less than one third have access to microfinance services. Improved access and efficient provision of services can enable the poor to smoothen their consumption, manage their risks better, build assets, develop microenterprises, and enhance their income-earning capacity. Microfinance encompasses a range of services including deposits, loans, payment services, money transfers, and insurance. Various microfinance services are provided in the Philippines by banks, cooperatives, and nongovernment organizations (NGOs), including nearly 120 banks (rural banks and thrift banks), about 500 NGOs, and many of the 3,000 registered cooperatives. Banks engaged in microfinance are presently reaching about 400,000 clients and the NGO and cooperative sectors are reaching around 600,000 clients.<sup>5</sup>

4. The Government seeks to support the development and strengthening of microfinance services and frameworks across all channels including banks, NGOs, and cooperatives to achieve a vibrant and competitive microfinance market. ADB has supported the development of microfinance

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<sup>1</sup> Frontier areas are municipalities and *barangays* with the following conditions: (i) hard to reach or where access is a problem because of geographic location (highlands or islands); (ii) high poverty incidence and high magnitude of poor families based on National Statistics Office (NSO) and National Statistical Coordination Board (NSCB) data; (iii) areas that lack access to other basic services and infrastructure facilities; and (iv) areas where the saturation rate, in terms of access to microfinance services, is very low or zero (saturation rate is the ratio between the potential poor target households and the actual number of clients reached in a given area).

<sup>2</sup> ADB. 2000. *Finance for the Poor: Microfinance Development Strategy*. Board Paper R106-00. May.

<sup>3</sup> The TA first appeared in the ADB Business Opportunities (Internet edition) on 18 October 2004.

<sup>4</sup> Source: NAPC. Based on average household size of six persons.

<sup>5</sup> Stephanie Charitonenko. 2003. *Commercialization of Microfinance: Philippines*. Asian Development Bank.

in the Philippines, including through the Rural Microenterprise Finance Project concluded in 2002.<sup>6</sup> This project had a major impact on the institutional structure of the microfinance industry as it brought formal, regulated, small-scale financial institutions into the industry and made it a more diverse one, mainstreaming microfinance in regulated financial institutions and assisting to break a barrier to entry for many rural banks. NGO MFIs play an important role in providing services as they often operate in hard-to-reach areas where the private sector has not entered and there is less information available on the markets and potential clients. NAPC has targeted support for the NGO MFI sector, given the recognized needs for capacity building and the potential for increasing outreach to the poor in the frontier areas through this channel. Rural bank development is also important, and capacity building for rural banks has been provided on an ongoing basis under the Microenterprise Access to Banking Services Program, which was extended in 2004 for another three years.<sup>7</sup>

5. Limited institutional capacity of MFIs is a recognized constraint to growth and sustainable outreach.<sup>8</sup> Many MFIs lack basic skills for sustainable, effective, and efficient delivery of microfinance services to the poor. Inefficiencies in operations can result in higher operating costs that translate into unnecessarily high interest rates for the poor. Many MFIs need skills development in areas including (i) management, (ii) financial reporting and disclosure, (iii) credit and cash flow analysis, (iv) risk management, (v) performance monitoring systems and standards for MFIs, and (vi) best practices for sustainable microfinance. MFIs must set interest rates to cover their costs for sustainable operations; however, well-designed performance monitoring systems and standardized financial reporting could enable MFIs to better manage their costs and improve efficiencies, potentially lowering interest rates for the poor.

6. The limited outreach of microfinance services is shown in NAPC's 2004 report, *Status of Microfinance Outreach in 60 Poorest Provinces*, which shows the outreach, potential number of client households, and saturation level of microfinance services in each area. The Philippine National Strategy for Microfinance focuses on building a viable and sustainable private microfinance market with greater access by poor households and microentrepreneurs. However, many of the poor are not aware or informed of microfinance services or the rights and obligations of clients. Because the poor are often marginalized or disadvantaged, social intermediation and mobilization are necessary to introduce them to a formal or semiformal, market-oriented institutional environment. Increased consumer education, especially in the outer provinces and frontiers, is needed as the very poor often need assistance in obtaining the information to use those services.

7. Lessons learned include recognition of the need to encourage new players to enter the market, and the critical need for existing MFIs to expand outreach to the poor to meet demand. Lack of appropriate retail institutional capacity has been identified as one of the most significant constraints to expanding outreach. Assistance for microfinance studies and projects has been provided by USAID, World Bank, United Nations Development Programme (UNDP), Japan Bank for International Cooperation (JBIC), International Fund for Agricultural Development (IFAD), German Technical Cooperation (GTZ), and others. ADB through its membership in the Consultative Group to Assist the Poor (CGAP), established in 1995 with bilateral and multilateral funding agencies, will

<sup>6</sup> Prior to the \$20 million *Rural Microenterprise Finance Project*, ADB had approved three projects in microenterprise credit totaling \$108 million: Loan 940-PHI: NGO Microcredit Project for \$8 million approved in December 1988; Loan 1137-PHI Second NGO Microcredit Project for \$30 million approved in November 1991; and Loan 1216-PHI: Small Farmers Credit Project for \$75 million approved in 1992. Assistance was also provided under RETA 5670: Technical Assistance for Low-Income Women Entrepreneurs in Asia for \$600,000 approved in January 1996.

<sup>7</sup> The program is jointly implemented by the Rural Bankers Association of the Philippines and the Mindanao Economic Development Council, with oversight and funding provided by the United States Agency for International Development.

<sup>8</sup> *Delivering to the Poor: A Search for Successful Practices in Philippines Microfinance*. December 2003. Published by United Nations Development Programme, National Anti-Poverty Commission, People's Credit and Finance Corporation, and Asian Institute of Management.

draw upon best practices and experiences in microfinance as recognized by CGAP and build upon prior assistance to the Philippines.

### III. THE TECHNICAL ASSISTANCE

#### A. Purpose and Output

8. The purpose of the TA is to support the development of a sound and viable financial system that can provide efficient and sustainable microfinance services for the poor, enabling them to pursue economic opportunities and income-generating activities. The TA will support education for the poor on microfinance. RA 8425, which recognizes microfinance as the central strategy for poverty reduction, defines the poor in terms of “basic sectors”. The basic sectors are marginalized and disadvantaged groups whose income falls below the poverty threshold as defined by the National Economic and Development Authority (NEDA) and/or cannot afford in a sustained manner to provide their minimum basic needs of food, health, education, housing and other essential amenities of life. The basic sector groups identified in RA 8425 are farmer-peasants and landless rural workers, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sector, indigenous peoples and cultural communities, women, persons with disabilities, senior citizens, victims of calamities and disasters, youth and students, children, and urban poor.

9. The expected outputs of the TA are:

- (i) An assessment of (a) NGO MFIs; (b) microfinance access and demand; and (c) informal finance in frontier areas based on field survey to collect information including:
  - institutional capacity and operations of NGO MFIs in frontier areas (including outreach, client profile, information access on potential clients, and impact of microfinance services);
  - NGO MFIs concerns and issues for outreach and sustainability;
  - alternative financing sources available in the survey areas including informal sources of microfinance;
  - information on products and services provided through informal microfinance channels;
  - concerns and issues of poor households in accessing microfinance (including current clients and potential target groups);
  - information on poor households use and management of funds obtained from MFIs (including intra-household decision making and control of funds disaggregated by gender); and
  - training needs of NGO MFIs.

Based on the field survey results and studies produced from that data, NGO MFIs and branches will be selected for on-site mentoring and training, and the training modules will be prepared in accordance with the identified needs. The survey will identify the needs and concerns of the poor, and educational materials and seminars will be designed to address those issues. This field survey will also provide NAPC with important baseline information for the NGO MFI sector for further monitoring of performance, growth, outreach and impact of microfinance services.

- (ii) NGO MFIs trained in best practices for sustainable microfinance through on-site mentoring and training. Training will be conducted at 15 NGO MFIs and/or branches in designated frontier areas. The NGO MFIs will increase skills and best practices for effective and efficient service delivery to the poor. Training and reference materials will be prepared in consultation with NAPC, Microfinance Council of the Philippines (MCPI), and ADB for the on-site mentoring and training. Although the final training

modules will depend on the results of the field survey, basic skills development is expected to encompass (a) financial reporting and disclosure, including CGAP<sup>9</sup> Disclosure Guidelines for Financial Reporting by Microfinance Institutions; (b) credit and cash-flow analysis; (c) risk management; (d) performance monitoring systems; (e) performance standards including the National Credit Council Performance Standards for MFIs; and (f) other best practices for sustainable microfinance. Training materials will be prepared in English and local dialects (as needed). In addition to the on-site training, materials will be posted on the NAPC web site and distributed by NAPC to training centers, universities, and associations for broader circulation and use.

- (iii) Education of the poor. Educational seminars/workshops on microfinance will be conducted for the poor in frontier areas to increase their knowledge and understanding of microfinance services. It is expected that seminars/workshops will be conducted in 30 frontier areas, and that each seminar/workshop could accommodate up to 100 participants for a total participation of up to 3,000 people. Although the final educational materials/pamphlets will be designed based upon the results of the field survey, the educational materials are expected to cover (a) knowledge of financial intermediation, (b) microfinance policies, (c) microfinance services and practices, and (d) rights and obligations of clients. Educational materials will be prepared in English and local dialects.

## **B. Methodology and Key Activities**

10. ADB will continue to coordinate closely with other funding agencies during the implementation of the project. The TA will proceed in three phases. During the first phase a field survey will be conducted in frontier areas of (i) NGO MFIs and branches and (ii) the poor/basic sectors. Frontier areas will be selected by NAPC based on Government regional and provincial poverty indices and microfinance saturation rate. Those provinces with a high poverty index (greater than or equal to 40%) and low saturation rate (less than or equal to 20%) will be prioritized. The field survey will be designed in consultation with NAPC and the Microfinance Council of the Philippines (MCPI).<sup>10</sup> The second phase will include analysis of the survey results and selection of NGO MFIs and branches for on-site mentoring and training. NGO MFIs will be selected based on their potential for outreach and sustainability as determined from results of the field survey and studies and other available information, including reports from the MCPI, NAPC, and other agencies. NAPC will select the NGO MFIs and branches subject to ADB approval. During the second phase, the educational materials/pamphlets for the microfinance seminars/workshops for the poor will also be developed, based upon needs identified in the survey and other available information. The third phase of the TA will include the on-site mentoring and training of selected NGO MFIs and branches, and educational seminars/workshops for the poor in frontier areas. Participation of the basic sectors in frontier areas in the educational seminars/workshops on microfinance will be mobilized by NAPC through the Government's KALAH<sup>11</sup> system and basic sector councils under NAPC. The consultants will

<sup>9</sup> The Consultative Group to Assist the Poor (CGAP) was formally established in 1995 with bilateral and multilateral funding agencies, including ADB, to expand poor people's access to quality financial services from sustainable or potentially sustainable MFIs. The CGAP Secretariat is located in World Bank headquarters.

<sup>10</sup> The Microfinance Council of the Philippines is a federation of MFIs, mostly NGOs, created in 1997. Membership criteria includes: (i) a mission statement that includes a vision for the poor; (ii) at least 3,000 clients; (iii) a minimum portfolio of Php10 million (USD 200,000); (iv) a three-year track record; (v) a manual of operations and a management information system; (vi) membership fees and dues; and (vii) SEC documents for corporations.

<sup>11</sup> Pursuant to Memorandum Circular No. 33 Institutionalizing Kapit Bisig Laban Sa Kahirapan (KALAH) as the Government's Program for Poverty Reduction issued in November 2002, the Government, through KALAH, will solicit active participation of basic sector organizations, other civil society organizations, and the business sector in its poverty reduction programs or activities. This multi-stakeholder and interagency convergence policy is applied in all NAPC poverty reduction initiatives.

conduct a workshop presentation of TA results and findings for NAPC officials and other agencies and parties designated by NAPC.

### **C. Cost and Financing**

11. The TA is estimated to cost \$357,000 equivalent comprising a foreign exchange cost of \$70,000 and a local currency cost of \$287,000 equivalent. The Government has requested ADB to finance the entire foreign exchange cost of \$70,000 and \$180,000 equivalent of the local currency cost. The TA will be financed on a grant basis by the Governance Cooperation Fund and administered by ADB.<sup>12</sup> The Government will provide facilities and counterpart support valued at \$107,000 equivalent. The cost estimates and financing plan are in Appendix 2.

### **D. Implementation Arrangements**

12. NAPC will be the Executing Agency for the TA. The TA will be implemented over 18 months and is expected to begin in February 2005 and be completed by July 2006. As the coordinating and oversight body for the Government's poverty reduction initiatives, NAPC coordinates through its committees and KALAHI groups that include the Department of Budget and Management, Department of Trade and Industry, National Economic and Development Authority, Department of Interior and Local Government, and many other Government agencies and commissions. The TA will require a total of 26 person-months of consulting services, consisting of 4 person-months of international and 22 person-months of domestic consulting services. Requirements for consulting services include one international microfinance specialist and two domestic microfinance specialists. NAPC will provide counterpart staff and office accommodation. ADB will engage individual consultants in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* and other arrangements satisfactory to ADB for the engagement of domestic consultants. The outline terms of reference are included in Appendix 3. The consultants will provide inception, interim, mid-term, and final reports, and provide weekly briefings to NAPC officials. NAPC will also undertake the administration and supervision of the field survey and purchase the equipment. Services and equipment will be procured in accordance with ADB's Guidelines for Procurement. The equipment will be turned over to NAPC upon completion of the TA.

13. The TA results will be distributed through the NAPC and ADB web sites and through NAPC's KALAHI network. There will also be a workshop for NAPC and other agencies and parties designated by NAPC on the TA results and findings. In addition to distribution of materials during on-site mentoring and training and seminars in the frontier areas, training materials for MFIs and educational materials/pamphlets for the poor will be posted on NAPC's web site and distributed by NAPC to designated training centers, universities, associations, and local governments.

## **IV. THE PRESIDENT'S DECISION**

14. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$250,000 to the Government of the Philippines to be financed on a grant basis by the Governance Cooperation Fund for Enhancing Access of the Poor to Microfinance Services in Frontier Areas, and hereby reports this action to the Board.

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<sup>12</sup> The Governance Cooperation Fund is a multidonor umbrella facility which helps to promote the basic goals of ADB's Medium-Term Agenda and Action Plan in the area of governance. Canada, Norway, and Denmark have contributed to the fund.

## PROJECT FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b> A sound and viable financial system that can provide sustainable microfinance services to the poor enabling them to pursue economic opportunities and income generating activities.</p>	<ul style="list-style-type: none"> <li>Increased outreach and access of the poor to sustainable microfinance services as measured by Consultative Group to Assist the Poor (CGAP) depth of outreach tools and guidelines.</li> <li>Improvement in economic lives of poor.</li> </ul>	<ul style="list-style-type: none"> <li>Reports from the Microfinance Council of the Philippines, Rural Bankers Association, Bangko Sentral ng Pilipinas (BSP), National Credit Council (NCC), National Anti-Poverty Commission (NAPC), and other agencies.</li> <li>Project completion report</li> <li>ADB missions.</li> </ul>	
<p><b>Purpose</b> Expand outreach of sustainable microfinance services to the poor in frontier areas.</p>	<ul style="list-style-type: none"> <li>MFI outreach indicators including increase in number of active microfinance clients; and increase in number of transactions in 2005-2006.</li> <li>MFI sustainability indicators show improvement.<sup>1</sup></li> <li>50% of clients are women.</li> </ul>	<ul style="list-style-type: none"> <li>Reports from the Microfinance Council of the Philippines, Rural Bankers Association, Bangko Sentral ng Pilipinas (BSP), National Credit Council (NCC), National Anti-Poverty Commission (NAPC) and other agencies.</li> <li>MFI reports and records.</li> <li>TA progress reports, project completion report.</li> <li>ADB missions.</li> </ul>	<ul style="list-style-type: none"> <li>The MFIs are committed to providing sustainable microfinance services in frontier areas.</li> <li>The basic sectors are committed to learning in the seminars/workshops on microfinance.</li> <li>No major political disruptions or violence.</li> </ul>
<p><b>Outputs</b></p> <ul style="list-style-type: none"> <li>Microfinance training materials in English and local dialects for NGO MFIs to support a consistent approach to sustainable, effective and efficient delivery of microfinance services.</li> <li>MFIs trained in best practices for sustainable microfinance services</li> </ul>	<ul style="list-style-type: none"> <li>Training materials disseminated through (i) on-site mentoring of selected NGO MFIs in 2005-2006, and (ii) distribution to resource centers, universities and other channels designated by NAPC.</li> <li>Fifteen NGO MFIs and/or branches in frontier areas trained</li> </ul>	<ul style="list-style-type: none"> <li>TA implementation progress reports,</li> <li>ADB missions.</li> <li>NAPC certificate of completion of training.</li> </ul>	<ul style="list-style-type: none"> <li>Training is effective and implemented.</li> <li>MFIs selected for on-site mentoring and training have potential for outreach and sustainability.</li> </ul>

<sup>1</sup> Asian Development Bank, Selected Monitoring Indicators for Microfinance Projects, September 2003.

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>for the poor.</p> <ul style="list-style-type: none"> <li>• Educational materials/ pamphlets on microfinance in English and local dialects for the basic sectors in frontier areas.</li> <li>• Seminars/workshops to Increase knowledge and understanding of microfinance by poor/basic sectors in frontier areas.</li> <li>• Report on NGO MFIs in frontier areas covering institutional needs, capacity, profitability and growth; client profile and utilization of funds; services offered; and linkages and impact of microfinance services on economic and community development.</li> <li>• NAPC database expanded to include NGO MFIs data in frontier areas.</li> </ul>	<p>on-site by 2006 to provide sustainable microfinance services to the poor. 50% of staff trained are women.</p> <ul style="list-style-type: none"> <li>• Educational materials/ pamphlets for the basic sectors distributed through (i) seminars/ workshops in frontier areas in 2005-2006; (ii) MFIs; (iii) Microfinance Council of the Philippines; (iv) Local Government offices; and (iv) NAPC website.</li> <li>• Completion of seminars / workshops on microfinance by basic sectors in 30 frontier areas by 2006.</li> <li>• 50% of participants in educational seminars are women</li> <li>• Report on NGO MFIs in frontier areas completed in 2005.</li> <li>• NAPC database expanded in 2005 to include NGO MFI data in frontier areas.</li> </ul>	<ul style="list-style-type: none"> <li>• MFI reports and records</li> <li>• TA implementation progress reports</li> <li>• Reports/ press releases from Microfinance Council of the Philippines</li> <li>• NAPC website and reports</li> <li>• NAPC certificate of completion of educational seminar/ workshop</li> <li>• Local Government reports</li> <li>• TA implementation progress reports</li> <li>• NAPC reports and website.</li> </ul>	<ul style="list-style-type: none"> <li>• Educational materials/ pamphlets provide practical knowledge on how to access microfinance services, and rights and obligations of clients.</li> <li>• Educational seminars/ workshops are effective and implemented.</li> <li>• MFIs provide full and accurate data.</li> <li>• Adequate data is available to assess need and impact of microfinance services on economic and community development.</li> </ul>
<p><b>Activities</b></p> <ul style="list-style-type: none"> <li>• Conduct survey of NGO MFIs and poor in frontier areas covering institutional needs, capacity, profitability and growth; client profile and utilization of funds; services offered; and linkages and impact of microfinance services on economic and</li> </ul>	<ul style="list-style-type: none"> <li>• Survey completed in 2005 in frontier areas selected by NAPC.</li> </ul>	<ul style="list-style-type: none"> <li>• TA implementation progress reports</li> <li>• ADB missions</li> <li>• Consultations with Government, MFIs and other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• MFIs provide full and accurate data for survey.</li> <li>• Timely recruitment of consultants.</li> <li>• Effective communication and</li> </ul>

Continued on next page

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>community development.</p> <ul style="list-style-type: none"> <li>• Prepare training and reference materials for MFI capacity building, including translation into local dialects, where needed.</li> <li>• Conduct on-site mentoring and training of selected MFIs.</li> <li>• Prepare educational materials/pamphlets on microfinance for the basic sectors, including translation into local dialects.</li> <li>• Conduct seminars/workshops for the basic sectors.</li> <li>• Conduct workshop presenting TA results and findings.</li> </ul>	<ul style="list-style-type: none"> <li>• Training and reference materials for MFI capacity building prepared in 2005.</li> <li>• On-site mentoring and training of 10 NGO/MFIs in the frontier areas in 2005–2006.</li> <li>• Educational materials/pamphlets prepared in 2005.</li> <li>• Educational seminars/workshops in 30 frontier areas in 2005–2006 (up to 100 persons in each frontier seminar).</li> </ul>	<ul style="list-style-type: none"> <li>• TA implementation progress reports</li> <li>• MFI reports and records</li> <li>• TA implementation progress reports</li> <li>• NAPC reports</li> <li>• Local Government reports</li> <li>• TA implementation progress reports</li> <li>• NAPC reports</li> </ul>	<p>coordination in the frontier areas.</p> <ul style="list-style-type: none"> <li>• NGO MFIs and the poor/basic sectors effectively communicate needs, concerns, and issues.</li> </ul>
<p><b>Inputs</b></p> <p>Asian Development Bank:</p> <ul style="list-style-type: none"> <li>• International consulting services</li> <li>• Domestic consulting services</li> <li>• Communication and reports</li> <li>• Seminars/ workshops</li> <li>• Translation</li> <li>• Survey</li> <li>• Equipment, printing &amp; office supplies</li> <li>• Misc. administration and support costs</li> <li>• Contingencies</li> </ul> <p>Government: Local counterpart staff and office facilities</p>	<ul style="list-style-type: none"> <li>• \$66,000</li> <li>• \$105,000</li> <li>• \$3,000</li> <li>• \$30,000</li> <li>• \$3,000</li> <li>• \$12,000</li> <li>• \$8,000</li> <li>• \$8,000</li> <li>• \$15,000</li> <li>• \$107,000</li> </ul>	<ul style="list-style-type: none"> <li>• TA implementation progress reports</li> <li>• ADB missions and consultations with Government and other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Consultants are competent.</li> <li>• Resources are used efficiently.</li> </ul>

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Governance Cooperation Fund<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International	60.0	0.0	60.0
ii. Domestic	0.0	100.0	100.0
b. International and Local Travel	6.0	5.0	11.0
c. Communication and Reports		3.0	3.0
2. Seminars and Workshops	0.0	30.0	30.0
3. Translation	0.0	3.0	3.0
4. Field Survey	0.0	12.0	12.0
5. Equipment, <sup>b</sup> Printing and Office Supplies	0.0	8.0	8.0
6. Miscellaneous Administration and Support Costs	0.0	8.0	8.0
7. Contingencies	4.0	11.0	15.0
<b>Subtotal (A)</b>	<b>70.0</b>	<b>180.0</b>	<b>250.0</b>
<b>B. Government Financing</b>			
Local counterpart staff and office facilities	0.0	107.0	107.0
<b>Subtotal (B)</b>	<b>0.0</b>	<b>107.0</b>	<b>107.0</b>
<b>Total</b>	<b>70.0</b>	<b>287.0</b>	<b>357.0</b>

<sup>a</sup> Administered by the Asian Development Bank.

<sup>b</sup> The equipment is one laptop computer and one printer to be turned over to the National Anti-Poverty Commission upon completion of the project.

Source: Asian Development Bank estimates .

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. International Expert

#### 1. Microfinance Specialist (4 person-months)

1. The rural/microfinance expert will have an advanced degree in finance, banking, or related fields and at least 10 years international experience in microfinance, cooperatives, and rural/cooperative banking, including in the Philippines. The expert will carry out the following tasks:

- (i) Design a field survey, in consultation with the National Anti-Poverty Commission (NAPC), the Microfinance Council of the Philippines (MCPI), and Asian Development Bank (ADB), to collect data including information for (a) assessments of nongovernment organization (NGO) microfinance institutions (MFIs); (b) microfinance demand survey; and (c) study on informal finance in frontier areas. Information collected would include:
  - institutional capacity and operations of NGO MFIs in frontier areas (including outreach, client profile, information access on potential clients, and impact of microfinance services);
  - NGO MFIs concerns and issues for outreach and sustainability;
  - alternative financing sources available in the survey areas including informal sources of microfinance;
  - information on products and services provided through informal microfinance channels;
  - concerns and issues of poor households in accessing microfinance (including current clients and potential target groups);
  - information on poor households use and management of funds obtained from MFIs (including intra-household decision making and control of funds disaggregated by gender); and
  - training needs of NGO MFIs.
- (ii) Analyze the data collected in the field survey and prepare a report on findings including (a) NGO MFI assessments, (b) microfinance demand, and (c) study on informal finance in frontier areas. Based upon the field survey and other data available, provide recommendations to NAPC for NGO MFI candidates for the on-site mentoring and training, and recommendations for the training modules to be used for NGO MFIs based upon the needs assessment;
- (iii) Prepare training and reference materials, in consultation with NAPC, MCPI, and ADB, for on-site mentoring and training of designated NGO MFIs. Many best practice materials are available and the expert will be responsible for advising on the selection of appropriate materials to address the needs identified. Basic skills development could include (a) financial reporting and disclosure including the Consultative Group to Assist the Poor (CGAP)<sup>1</sup> Disclosure Guidelines for Financial Reporting by Microfinance Institutions; (b) credit and cash-flow

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<sup>1</sup> The Consultative Group to Assist the Poor (CGAP) was formally established in 1995 with bilateral and multilateral funding agencies, including ADB, to expand poor people's access to quality financial services from sustainable or potentially sustainable MFIs. The CGAP Secretariat is located in the World Bank headquarters.

analysis; (c) risk management; (d) performance monitoring systems; (e) performance standards including the National Credit Council Performance Standards for MFIs; and (f) other best practices for sustainable microfinance;

- (iv) Conduct on-site mentoring and training of selected NGO MFIs and branches in designated frontier areas;
- (v) Based upon the field survey and other available data, prepare educational materials/pamphlets on microfinance for the basic sectors in consultation with NAPC and the MCPI;
- (vi) Participate in NAPC's Interagency Coordination Committee as needed; and
- (vii) Design and supervise the workshop where the TA results and findings are presented to NAPC and other agencies and parties designated by NAPC.

## **B. Domestic Experts**

### **1. Microfinance Specialists** (22 person-months), two experts

2. The rural/microfinance experts will have an advanced degree in finance, banking, or related fields and at least 10 years experience in microfinance, cooperatives, and/or rural/cooperative banking in the Philippines. The experts will:

- (i) Assist the international microfinance specialist in the design of the field survey for NGO MFIs and analysis of survey data;
- (ii) Assist the international microfinance specialist in preparing training and reference materials for on-site mentoring and training of NGO MFIs and/or branches in frontier areas;
- (iii) Conduct on-site mentoring and training of selected NGO MFIs and branches in frontier areas;
- (iv) Assist the international microfinance specialist in preparing educational materials/pamphlets for the basic sectors;
- (v) Conduct the educational seminars/workshops for the basic sectors in designated frontier areas;
- (vi) Prepare the basic sectors issues paper in consultation with the basic sectors in the field to address current needs, issues, and concerns;
- (vii) Participate in NAPC's Interagency Coordination Committee as needed; and
- (viii) Participate in the workshop presentation of TA results and findings.