



# FAST Report

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## **PUBLIC**

Project Number: 54050-001  
July 2021

## Loan Center for Agriculture and Rural Development (CARD), Inc. (A Microfinance NGO) CARD Promoting Access to Finance for Low-Income Microborrowers Project (Philippines)

This is a redacted version of the document, which excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

**Asian Development Bank**

## **CURRENCY EQUIVALENTS**

(as of 14 July 2021)

Currency unit	–	peso/s (₱)
₱1.00	=	\$0.01997
\$1.00	=	₱50.07500

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
BSP	–	Bangko Sentral ng Pilipinas
CARD	–	Center for Agriculture and Rural Development, Inc.
COVID-19	–	coronavirus disease
GAP	–	gender action plan
MFI	–	microfinance institution
MIDAS	–	Microfinance Information Data Sharing System
MRI	–	Mutually Reinforcing Institution
MSMEs	–	micro, small, and medium-sized enterprises
NGO	–	nongovernment organization
NPL	–	nonperforming loan

## **NOTES**

- (i) The fiscal year (FY) for the Center for Agriculture and Rural Development (CARD), Inc. (A Microfinance NGO) ends on 31 December.
- (ii) In this report, "\$" refers to United States dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 54050-001	
<b>Project Name</b>	CARD Promoting Access to Finance for Low-Income Microborrowers Project	<b>Department/Division</b>	PSOD/PSFI
<b>Country</b>	Philippines		
<b>Borrower</b>	Center for Agriculture and Rural Development, Inc.		
<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=54050-001-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=54050-001-PortAtaGlance</a>		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Finance	Inclusive finance		10.00
		<b>Total</b>	<b>10.00</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
		<b>ADB Financing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 1.4		Gender Equity (GEN)	✓
SDG 5.5, 5.a, 5.b			
SDG 9.3		<b>Poverty Targeting</b>	
		General Intervention on Poverty	✓
<b>4. Nonsovereign Operation Risk Rating</b>			
<b>Obligor Name</b>		<b>Obligor Risk Rating</b>	<b>Facility Risk Rating</b>
Center for Agriculture and Rural Development, Inc.			
<b>5. Safeguard Categorization</b>		<b>Environment:</b> FI-C	<b>Involuntary Resettlement:</b> FI-C
			<b>Indigenous Peoples:</b> FI-C
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>10.00</b>	
Nonsovereign LIBOR Based Loan (Regular Loan): Ordinary capital resources		10	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Others<sup>a</sup></b>		<b>0.00</b>	
<b>Total</b>		<b>10.00</b>	
<b>Currency of ADB Financing:</b> Philippine Peso			

<sup>a</sup> Derived by deducting ADB financing and Cofinancing from Total Project Cost.

## I. INTRODUCTION

1. This is an eligible transaction under the Faster Approach to Small Nonsovereign Transactions (FAST) framework.<sup>1</sup> The transaction involves a senior unsecured loan from the Asian Development Bank (ADB) in peso equivalent of up to \$10,000,000 to the Center for Agriculture and Rural Development, Inc. (CARD) for the CARD Promoting Access to Finance for Low-Income Microborrowers Project in the Philippines.

2. ADB will support CARD's plan to expand its funding to finance the working capital needs of low-income micro-borrowers in the Philippines. This customer segment, in general, has been particularly impacted by the coronavirus disease (COVID-19) pandemic. ADB's loan to CARD will assist with implementing measures under a gender action plan (GAP) in the Philippines to further expand access to credit for women. Given that CARD supports the funding needs of micro-borrowers, the project is considered an inclusive business project.

## II. THE FINANCIAL INTERMEDIARY

### A. Investment Identification and Description

3. **Microborrowers.** Microfinance borrowers are one of the hardest hit segments of the Philippines economy as COVID-19 continues to disrupt economic activity. The extended lockdown and continued uncertainty over the trajectory of recovery has heavily impacted micro borrowers, many of whom had to close their businesses as revenues plunged during the lockdown. Moreover, household incomes have been disrupted because of job losses and salary cuts. Ongoing restrictions on cross-border travel hampered the deployment of migrant labor and exacerbated joblessness and weighed on remittances.<sup>2</sup> As a result, about 26% of households have been forced to reduce food consumption to cope with the crisis.<sup>3</sup> As households rely on their savings to handle shocks, many have taken out more expensive loans to repay previous lower-interest loans, often pawning and losing their productive assets. Low-income individuals are thus particularly at risk of relying on informal lenders at very high interest rates. To help micro, small, and medium-sized enterprises (MSMEs) in the Philippines, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) approved loans granted to MSMEs as part of banks' compliance with reserve requirements as a way of providing incentives for banks to lend to MSMEs. The latest package from the BSP—introducing a moratorium on payments for working capital—mirrors actions taken to keep small businesses afloat elsewhere in the region.<sup>4</sup> While interest will be due on those payments and can be recovered later, the delay on principal repayments will not be considered a default.

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<sup>1</sup> Asian Development Bank (ADB). 2015. *Faster Approach to Small Nonsovereign Transactions*. Manila.

<sup>2</sup> ADB. 2020. *COVID-19 Impact on Micro, Small, and Medium Sized Enterprises and Post Crisis Actions: Six months after the outbreak in the Philippines*. Manila.

<sup>3</sup> United Nations Children's Emergency Fund. 2020. *The Impact of the COVID-19 Crisis on Households in the National Capital Region of the Philippines*. Manila.

<sup>4</sup> In March 2020, the government declared a moratorium on all loans with principal and/or interest falling due within the enhanced community quarantine period under the Bayanihan to Heal as One Act. This essentially ended on 30 June 2020 when the enhanced community quarantine was lifted in most areas. The government implemented a second moratorium in September 2020 on the payment of loans and/or interest falling due between 15 September and 31 December 2020 under the Bayanihan to Recover as One Act.

4. **Access to finance.** In 2018, there were 1,003,111 registered enterprises operating in the Philippines.<sup>5</sup> MSMEs comprise 99.5% of all businesses and employ 63.2% of the workforce.<sup>6</sup> Moreover, the share of MSMEs owned by women is high, at 63%. The Philippines has about 850,000 microenterprises, equivalent to about 90% of the total registered business enterprises. However, they are generally excluded from the formal finance sector, as banks are hesitant to provide credit to microenterprises because of the perceived high risk and lack of collateral. The lack of access to financial services is a problem, particularly for lower-income households living in rural areas. As per the World Bank's Findex, the Philippines is the lowest ranked in the region with only 10% of the adult population having borrowed from a formal financial institution and 12% of the adult population having saved at a formal financial institution in 2017, down from 12% having borrowed from a formal financial institution and 15% having saved at a formal financial institution in 2014.<sup>7</sup>

5. **Gender and microfinance.** Women are one of the most vulnerable groups in the world's poorest populations, and a significant number of them remain unbanked. In the Philippines, while more women than men were able to borrow from financial institutions for various purposes, including the use of a credit card (11% for women compared with 10% for men in 2017), the unbanked female population remains significant (footnote 7). Businesses owned by women remain unevenly constrained by a lack of access to credit. Constraints include lack of a land title, lack of collateral needed to obtain credit, low income, lack of financial documents, and unfamiliarity with paperwork and procedures. Nonbank microfinance models have provided an alternative channel for provision of financial services to women because they address the constraints of traditional banking models by, e.g., having limited or no collateral requirements but using group guarantees or other methods to limit risks. Well-designed microfinance products provide an opportunity for women to enter the formal finance sector, build microfinance credit histories, and increase economic activities.

6. **Investment rationale.** Given the large access to finance gaps in the finance sector in the Philippines, ADB has targeted support for microentrepreneurs and smaller businesses. CARD is a pioneer in microfinance and the largest microfinance group in the country. Partnering with CARD will allow it to continuously support the most marginalized section of society—a critical pillar of financial inclusion.<sup>8</sup> ADB has selected CARD for its strong track record, good reputation, solid financial performance, wide operating network, extensive on-the-ground presence, and availability of a digital payment system—factors which are critical for reaching the most underbanked segments of the population. CARD also provides some of the lowest interest rates in the Philippines among microfinance institutions (MFIs) and does not charge processing or service fees.<sup>9</sup> CARD is a not-for-profit organization supporting livelihood and business loans to underserved micro borrowers, mostly low-income women and farmers. The typical clients of CARD are owners of small community stores, food vendors, re-sellers of clothing apparel, and backyard farmers and growers—economic activities associated with the poor and micro entrepreneurs. Therefore, CARD is considered a good candidate to help restore revenue and earnings of microenterprises during the pandemic. Moreover, the project also contributes to the

<sup>5</sup> Organisation for Economic Co-operation and Development. 2020. *Enterprise Policy Responses to COVID-19 in ASEAN*. Jakarta.

<sup>6</sup> BSP. 2020. *Financial Inclusion in the Philippines Dashboard as of Second Quarter 2020*. Manila.

<sup>7</sup> World Bank. 2017. *Global Findex Database*. Washington, DC.

<sup>8</sup> The MFIs and MFI-NGOs, including CARD, are acting as “frontliners” serving financially excluded and vulnerable micro borrowers during the COVID-19 pandemic. CARD and other MFI-NGOs serve as conduits to the hard-to-reach communities such as the island towns and provinces.

<sup>9</sup> CARD only deducts 1.5% from the loan amount upfront, which represents payment for the borrower's availed micro insurance premium.

recovery interventions of the government to mitigate the negative socioeconomic impacts of the COVID-19 pandemic.

## B. Business Overview and Strategy

7. **Business overview.** As noted, CARD is a nonstock, nonprofit organization established as a nongovernment organization (NGO).<sup>10</sup> It is part of the CARD Mutually Reinforcing Institution (MRI) group of companies and is the flagship business of the group.<sup>11</sup> CARD has grown into one of the country's most prominent MFIs. It provides access to credit for microenterprises in the Philippines including in the remote provinces of Visayas and Mindanao. It offers microloans to support the livelihood activities of low-income and underserved women and extreme poor micro borrowers.<sup>12</sup> In recent years, CARD has started providing loans to the spouses of female borrowers working in the agriculture sector. CARD does not have any service charges on its loans, but loans are linked to micro savings of ₱50. These deposits, which CARD refers to as capital build up, have a retention rate equivalent to 20% of the original loan amount.<sup>13</sup> The capital build up earns an interest rate of 2%, higher than the savings deposit rate of less than 1% given by commercial banks. The capital build up also acts as credit enhancement or loan security. CARD also provides consumer loans for education, home improvements, and health and sanitation. In addition, it extends free community development services through medical missions, calamity relief, education scholarship grants, assistance in obtaining government social security and health insurance benefits, and livelihood training to help improve the lives of poor families.

8. As of December 2020, CARD had about 1.3 million borrowers with an average loan size of ₱6,817.<sup>14</sup> CARD had an ₱8.8 billion loan portfolio with high rural exposure, geographically distributed throughout the country with 40.7% of total loans in Luzon, 19.8% in Visayas, and 39.5% in Mindanao. Loans to female borrowers account for 85.2% of the portfolio. CARD has extensive geographical coverage with a presence in 79 out of 82 provinces in the Philippines. Its substantial rural coverage, large outreach to women, and the deployment of loans to micro borrowers for productive activities demonstrate CARD's continued adherence to its social mission.

9. **COVID-19 impact.** CARD's micro borrowers have been significantly impacted by the lockdown because of community quarantines and social distancing, thereby reducing business activities and affecting incomes. The main branches of affiliated CARD banks have remained open even during the lockdown period, allowing micro borrowers access to their savings, and field officers have continued to be connected to clients through mobile phone or social media. This allowed CARD to determine and monitor the status of businesses and the well-being of its clients. Many family members of CARD's clients expressed concerns about wage reductions, unemployment, and/or repatriation of migrant workers from overseas. These issues created additional pressure on CARD members' household incomes. To help the affected micro borrowers, CARD offered restructuring schemes on existing loans and provided rehabilitation

<sup>10</sup> A nongovernment organization (NGO) is a business entity similar to any limited liability or corporation. In case of default, the lenders can pursue the NGO's assets, however lenders can only do so if the board of trustees has been proven to have acted illegally or fraudulently.

<sup>11</sup> Legal due diligence will be conducted to establish the legal corporate nature of CARD.

<sup>12</sup> An extreme poor borrower is defined by CARD as families living on an income of less than \$2.50 per capita per day.

<sup>13</sup> Microfinance NGOs are permitted to take deposits from clients as long as they are net lenders.

<sup>14</sup> As of December 2020, CARD had transitioned 31,839 micro borrowers with a loan portfolio of ₱113.1 million to affiliated banks in the CARD group. These clients have strong credit history with businesses which have become viable ongoing concerns and require loans larger than ₱300,000. These are clients deemed ready to engage in formal banking.



loans.<sup>15</sup> The rehabilitation loans can be used to fund the additional working capital needs of micro borrowers who are most impacted by COVID-19. These rehabilitation loans, estimated to total ₱1.3 billion, are provided at a lower interest rate of 24% per annum, with a maximum loan size of ₱10,000 and a maximum tenor of 1 year.<sup>16</sup>

## 10. CONFIDENTIAL INFORMATION DELETED

11. **Digital finance.** COVID-19 and social distancing measures have accelerated CARD's adoption of digitalization. With CARD's newly developed Konek2CARD system being connected with the services of remittance centers and other alternative delivery channels, microborrowers are able to conduct financial transactions remotely using a mobile device. This quick action by CARD allowed it to collect voluntary repayments from those micro borrowers whose businesses continued to operate during the lockdown.

12. In 2019, CARD partnered with Asenso, a digital platform provider, to streamline the process of loan applications.<sup>17</sup> This platform allows micro borrowers to use their mobile phones to fill out and submit application forms, speeding up the application process. This provides convenience for micro borrowers in distant areas with no access to transportation as they need not be physically present in branches to apply for a loan. CARD's transition from manual disbursements and collections to digitalization is expected to open more doors for micro-borrowers, especially for those in hard-to-reach areas, who have been excluded from existing coverage.

## C. Ownership, Management, and Governance

13. **Ownership.** CARD, a nonstock company, was founded by Jaime Aristotle Alip together with 14 other members. He is recognized as the father of microfinance in the Philippines and has more than 40 years of experience in the finance sector focused on microfinance and rural development.<sup>18</sup> CARD, together with 20 other companies, operate under the umbrella of CARD MRI.<sup>19</sup> The affiliated companies under CARD MRI contribute to a holistic approach to CARD's poverty reduction process. The synergies among the 20 affiliate entities, which provide products and services to CARD's borrowers such as micro insurance, livelihood training and banking services have kept clients loyal to CARD.<sup>20</sup>

<sup>15</sup> CARD offered three restructuring schemes: (i) payment moratoriums up to December 2020 to severely affected micro borrowers with little to no capability to pay the existing debt; (ii) rescheduling existing loans with the new tenor not exceeding 1 year and at no additional or penalty interest; and (iii) refinancing existing loans applicable to clients who have repaid at least 70% of the existing loan, and the new loan can have a maturity of up to 1 year.

<sup>16</sup> The interest rate charged on rehabilitation loans of 24% per annum is lower than the interest rate charged on regular loans of 28% per annum.

<sup>17</sup> Asenso Tech Private Limited is based in Singapore and is jointly owned by CARD MRI and Talino Venture Labs. Asenso won the first prize in ADB's Fintech Innovation Challenge in 2019. Asenso is an end-to-end system which includes credit-scoring capability, chatbot-assisted loan applications, natural language processing to support local languages, frictionless loan approvals, cashless e-wallets, and a data-driven online marketplace (chatbot is a computer robot designed to simulate conversation with humans in the internet).

<sup>18</sup> CARD Group is a recipient of various awards from local and international award bodies. Worth noting was its award from ASEAN Business Awards for winning the Sustainable Social Enterprise category in the ASEAN region in 2018.

<sup>19</sup> CARD MRI is an informal structure and acts as holding company for CARD's affiliates in banking, microinsurance, leasing, tours, publishing and support groups which provides over-all support services such as treasury, human resources, legal, research, customer relations, marketing, client's business development, health and affordable medicines and security.

<sup>20</sup> No other MFI offers the same bundle of products and services which CARD, together with its other affiliates, can offer to clients. For instance, clients of other MFIs who require larger loans normally shift to rural or thrift banks.

14. **Corporate governance.** CARD is regulated by the Microfinance NGO Regulatory Council (MNRC), a government body formed by the Securities and Exchange Commission under the Microfinance NGO Act.<sup>21</sup> ADB has provided technical support to help establish and operationalize the MNRC.<sup>22</sup>

15. **Management.** Effective 1 July 2021, CARD is led by its new executive director Vicente P. Briones Jr. and president Aristeo A. Dequito. Mr. Briones is supported by the new senior deputy executive director, Lyneth Derequito, who has spent 21 years working for CARD MRI as senior director for support services. The management team consists of about 50 directors and senior managers who are responsible for setting program targets and strategy and implementing policies. The next level is the regional directors, area managers, and unit managers who specifically supervise the field operations. The next staffing level is the field or account officers who have the local knowledge and are responsible for recruiting clients, disbursements, and loan payment collections and meetings, allowing them to monitor the business performance and financial status of the micro borrowers, prompting immediate action on potential loan impairment. As of December 2020, 64% of CARD's 6,305 staff were female with gender balance being achieved in key decision-making roles including the board (79%), executive (50%), and management (54%). CARD has a prevention of sexual harassment policy and all staff undertake annual online certification training for the policy. As of December 2020, 64% of CARD's 6,305 staff were female with gender balance being achieved in key decision-making roles including the board (79%), executive (50%), and management (54%). CARD has a prevention of sexual harassment policy and all staff undertake annual online certification training for the policy.

16. **CONFIDENTIAL INFORMATION DELETED**

D. **CONFIDENTIAL INFORMATION DELETED**

### III. THE ADB ASSISTANCE

#### A. The Assistance

17. ADB will provide a senior unsecured loan to CARD of up to \$10 million (in local currency equivalent) of up to 3 years.

#### B. Implementation Arrangements

18. **Use of proceeds.** The funding to CARD will support financial inclusion of micro borrowers in the Philippines with a focus on low-income female borrowers and the extreme poor as classified by CARD.

19. **Reporting arrangements.** ADB will carry out transaction monitoring. CARD will provide ADB with financial reports at predetermined regular intervals and as requested, including (i) annual audited financial statements; (ii) quarterly unaudited financial statements; (iii) quarterly compliance certificates for loan covenants; (iv) annual reporting on environment and social

<sup>21</sup> The Microfinance NGO Regulatory Council (MNRC) is tasked to accredit, supervise, monitor, conduct inspections, and revoke certifications of microfinance NGOs. Under this law, accredited microfinance NGOs are entitled to pay a preferential tax rate of 2% on gross receipts from their microfinance operations, which is in lieu of all national taxes.

<sup>22</sup> ADB. 2016. *Technical Assistance to the Republic of the Philippines for Financial Inclusion Framework Strengthening*. Manila.

performance; and (v) annual development indicators, including implementation of the GAP agreed by ADB and the borrower.<sup>23</sup>

20. **Evaluation.** Monitoring reports will be prepared and submitted regularly, and at least annually. The first report will be submitted no later than 12 months after the first disbursement.

### C. Value Added by ADB Assistance

21. **Supporting the growth of microenterprises.** ADB's funding to CARD is critical as it will support low-income women and extreme poor micro borrowers by providing funds to help these borrowers recover, restore revenue, recoup their capital, and sustain their microbusiness operations, particularly in this time of economic distress. ADB's funding will help to expand access to finance for borrowers in more remote regions, given that approximately 59% of CARD's portfolio is in Visayas and Mindanao, where there are higher poverty incidences. ADB's GAP, as described below, also will enhance CARD's outreach to women borrowers.

22. **Providing longer tenor local currency debt at a fixed rate.** Historically, CARD relied on clients' deposits and local commercial banks for the majority of its funding needs, which have been at predominately shorter tenors and repriced every 6 months to 1 year.<sup>24</sup> The loan will diversify CARD's funding base and provide a longer-term, stable funding source for CARD. The funding will have fixed interest rates for the duration of the loan. This will help reduce refinancing risk, which is often a challenge for many MFIs, particularly as private commercial banks are becoming more risk averse.

### D. CONFIDENTIAL INFORMATION DELETED

## IV. DEVELOPMENT IMPACT AND STRATEGIC ALIGNMENT

### A. Development Impact, Outcome, and Outputs

23. **Impact.** The ADB loan to CARD will support financial inclusion through expanded access to finance by low-income female borrowers and extreme poor micro borrowers in the Philippines. The project is aligned with the following impact: sustainability of the finance sector ensured to meet the financing requirement of MSMEs, and their access to loans improved.<sup>25</sup>

24. **Outcome.** The project will have the following outcome: access to finance for poor women and extreme poor improved.

25. **Outputs.** The project's outputs are (i) CARD's ability to promote and deliver more inclusive finance to poor women and the extreme poor increased and (ii) skills and capacity of women borrowers to sustain business or livelihood improved.

<sup>23</sup> Gender Action Plan (accessible from the list of linked documents in Appendix 2).

<sup>24</sup> CARD's credit lines with the local commercial banks are repriced every 6 months to 1 year and, therefore, exposes CARD to fluctuating market rates on these facilities.

<sup>25</sup> BSP. 2020. *Financial Inclusion Initiatives*. Manila.

## B. Alignment with ADB Strategy and Operations

26. **Consistency with ADB strategy and country strategy.** The project is consistent with ADB's Strategy 2030 vision of eradicating extreme poverty.<sup>26</sup> Priorities are given to the region's poorest and most vulnerable group in the Philippines on addressing poverty and reducing inequalities by increasing human development and social inclusion. The project also supports gender equality and women's empowerment. The project is consistent with ADB's country partnership strategy for the Philippines which aims to support capacity development and financing investments that promote high and inclusive growth.<sup>27</sup> ADB's country partnership strategy identified one of the constraints on increased financial inclusion is the limited scale and outreach of financial service providers (MFIs and rural banks), which this project targets to support.

## V. POLICY COMPLIANCE

### A. Safeguards and Social Dimensions

27. ADB has categorized the investment as FI (treated as C) for environment, involuntary resettlement, and indigenous peoples in compliance with ADB's Safeguard Policy Statement (2009).<sup>28</sup>

28. The business activities of CARD have minimal or no adverse environmental or climate change impacts and are unlikely to entail impacts on involuntary resettlement and indigenous peoples. The nature and scale of CARD's financing program are not expected to fund enterprises and livelihood activities that are classified category A or B for environment, involuntary resettlement, and indigenous peoples. CARD's existing loan application screening process excludes business activities that are declared prohibited by the country's Anti-Money Laundering Law. Evaluation of the intended use of loans includes review of environmental issues, health and safety incidents, and labor risks associated with the business activities of potential micro borrowers. Proof of compliance with local permit requirements and land use rights or ownership are also validated during the loan approval process. CARD conducts loan utilization checks within 15 days from loan disbursement to verify the use of proceeds. Regular monitoring of micro borrowers' activities is done during weekly center meetings and random house-to-house visits.

29. CARD will (i) revise its operations manual to include ADB's prohibited investment activities list; (ii) exclude activities which are category A and B for environment and social safeguard impacts; (iii) ensure that investments using ADB funds comply with ADB's Safeguard Policy Statement and abide by applicable national laws and regulations, including labor laws, pursuant to ADB's Social Protection Strategy (2001); and (iv) take measures to comply with internationally recognized core labor standards. CARD will confirm this in its periodic report to ADB and need not apply any other specific safeguard or social requirements.<sup>29</sup>

30. **Gender equity as a theme.** Following ADB's Policy on Gender and Development<sup>30</sup>, CARD has incorporated measures to promote gender equality and/or women's empowerment in its business activities. Key features of the GAP are (i) at least 230,000 additional women borrow from CARD for the first time, (ii) at least 33,000 additional female borrowers graduate from being

<sup>26</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>27</sup> ADB. 2018. *Country Partnership Strategy: Philippines, 2018–2023—High and Inclusive Growth*. Manila.

<sup>28</sup> ADB. 2009. *Safeguard Categories*. Manila.

<sup>29</sup> Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

<sup>30</sup> ADB. 1998. ADB's [Policy on Gender and Development](#). Manila.

classified as extreme poor, (iii) the number of annual loans disbursed to female borrowers increases to at least ₱20 billion, and (iv) at least 50,000 female borrowers are trained on digital finance technologies. CARD will submit periodic reports on the implementation of gender measures to ADB.

## **B. Anticorruption Policy**

31. CARD was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism, and remedies for ADB in the event of noncompliance.

## **C. CONFIDENTIAL INFORMATION DELETED**

## **D. Assurances**

32. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),<sup>31</sup> ADB will proceed with the assistance upon establishing that the Government of the Philippines has no objection to the assistance to the Center for Agriculture and Rural Development, Inc. ADB will enter into suitable finance documentation in form and substance satisfactory to ADB.

## **VI. PRESIDENT'S DECISION**

33. The President, acting under the authority delegated by the Board, has approved the unsecured loan of up to \$10,000,000 (in peso equivalent) from the ordinary capital resources of the Asian Development Bank (ADB) to the Center for Agriculture and Rural Development, Inc. (A Microfinance NGO) for the CARD Promoting Access to Finance for Low-Income Micro-borrowers Project in the Philippines, and hereby reports this action to the Board.

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<sup>31</sup> ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

## DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned With			
Sustainability of the finance sector ensured to meet the financing requirements of micro, small, and medium-sized enterprises, and their access to loans improved (Financial Inclusion Initiatives) <sup>a</sup>			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<b>Outcome</b>  Access to finance for poor women and extreme poor improved <sup>b</sup>	By 2023:  a. Number of women borrowers that borrow from CARD for the first time increased to XX (2020 baseline: XX) (OP 2.1.2)  b. Number of women borrowers that have graduated from being classified as extreme poor increased to XX (2020 baseline: XX)  c. Number of extreme poor borrowers enrolled in the Development Services for Hard Core Poor Program <sup>b</sup> is at least XX (2020 baseline: XX) (OP 1.2.2)	a.–c. Annual development effectiveness monitoring reports from CARD	Significant disasters or prolonged economic crises affect CARD's business model
<b>Outputs</b>  1. CARD's ability to promote and deliver more inclusive finance to poor women and the extreme poor increased  2. Skills and capacity of women borrowers to sustain business or livelihood activities improved	By 2023:  1a. Annual loans disbursed to women borrowers increased to at least XX (2020 baseline: XX)  1b. Annual loans disbursed to extreme poor borrowers increased to at least XX (2020 baseline: XX)  2. At least XX women borrowers completed training on digital finance technologies (2020 baseline: XX). (OP 2.2)	1a.–2. Annual development effectiveness monitoring reports from CARD	Demand for microfinance loans not as strong as expected because of economic slowdown or disasters triggered by natural hazards  The general level of nonperforming loans increases significantly

<p><b>Key Activities with Milestones</b></p> <p><b>1. CARD's ability to promote and deliver more inclusive finance to poor women and the extreme poor increased</b></p> <p>1.1 Increase financial and institutional capacity of CARD to serve borrowers in the Philippines.</p> <p>1.2 Execute a loan agreement by second half of 2021.</p> <p><b>2. Skills and capacity of female borrowers to sustain business and livelihood activities improved</b></p> <p>2.1 Organize training of female borrowers on digital finance technologies by Q4 2023.</p> <p><b>Project Management Activities</b></p> <p>Monitoring and data collection</p> <p>Hire additional personnel, if needed</p>
<p><b>Inputs</b></p> <p>Asian Development Bank: Up to \$10 million (loan, in peso equivalent)</p>
<p><b>Assumptions for Partner Financing</b></p> <p>Not applicable</p> <p>CARD = Center for Agriculture and Rural Development, Inc.; OP = operational priority; Q = quarter.</p> <p><sup>a</sup> Government of the Philippines, Bangko Sentral ng Pilipinas. 2020. <i>Financial Inclusion Initiatives</i>. Manila.</p> <p><sup>b</sup> Development Services for Hard Core Poor program provides lending to micro borrowers classified as extreme poor. Extreme poor is defined as families living with less than \$2.50 per person per day.</p> <p><b>Contribution to Strategy 2030 Operational Priorities</b></p> <p>Expected values and methodological details for all OP indicators to which this project will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2). This project will contribute results for</p> <p>OP 1.2.2 Measures for business development and financing established or improved (number)</p> <p>OP 2.1.2 Women opening new accounts (number)</p> <p>OP 2.2 Women and girls completing secondary and tertiary education, and/or other training (number)</p> <p>Source: Asian Development Bank.</p>

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/FastReport/?id=54050-001>

1. Contribution to Strategy 2030 Operational Priorities
2. Country Economic Indicators