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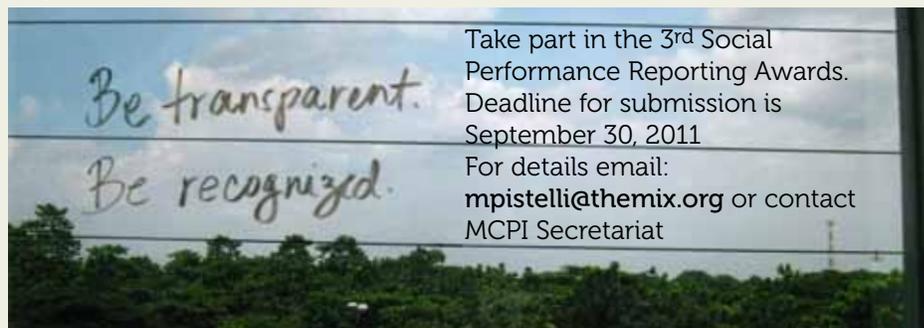
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MCPI Members Amend Articles of Incorporation and By-Laws

The Microfinance Council of the Philippines (MCPI) held a special meeting for its members last March 24 to ratify proposed amendments to the Articles of Incorporation and By-Laws of the organization.

The amendments include the increase in the number of members of the Board of Trustees from seven to nine, and the acceptance of network organizations and local associations as regular members of MCPI, giving them the right to vote and the opportunity to help govern the network. This is the second amendment to the by-laws of MCPI since it was established in 1999. The first was in 2006.

MCPI's decision for change is in line with its efforts to come up with a united front, broaden governance structure to include new stakeholders, and create a larger voice in the microfinance sector. ♦



Take part in the 3rd Social Performance Reporting Awards. Deadline for submission is September 30, 2011

For details email: mpistelli@themix.org or contact MCPI Secretariat



MCPI Attends Client Protection Training in Mexico City

Last January 24-28, two training sessions entitled “Putting Principles into Practice” and “Smart Assessor” were provided by the Smart Campaign and the SEEP Network. For five days, members of regional and national microfinance networks were oriented on how to implement client protection practices within their own networks or microfinance institutions.

Microfinance Council of the Philippines (MCPI) representatives

Ms. Mila M. Bunker, President of the Board of Trustees; Ms. Therese Marie Rico, Program Coordinator; and Ms. Mary Jane Macapagal, ASKI Director for Training and Corporate Planning; participated in the five-day training session in Mexico City, Mexico.

“Putting Principles into Practice Training” was a three-day session that was designed to introduce and stress the importance of the Six Client Protection Principles. On the third day, participants were given the

opportunity to visit Compartamos, a local microfinance institution that endorses the Smart Campaign. The visit gave the participants an overview of Compartamos’ Client Protection Practices.

The remaining two days of the program focused on Smart Assessor Training, where participants were oriented on the assessment process, took part in a mock-delivery, and were required to take the Smart Assessment exam. ♦

MCPI Holds Matchmaking Forum for MFIs

When people think of matchmaking, one usually does not associate this with microinsurance. What comes to mind are ideas of old ladies who pair up the sons and daughters of dynastic families or at the very least, of nosy friends. But this case could not be farther from this ‘matchmaking’ as it possibly could.

Last February 11, the Microfinance Council of the Philippines (MCPI) held a Matchmaking Forum on Microinsurance at the Hyatt Hotel in Manila. Being an influential force in the industry, MCPI took the lead in bringing together microfinance institutions and formal insurance providers. The main objective of the program was for these two groups to interact and learn from each other and to help them form links and partnerships.

poor’s access to insurance. The strategy and the framework were developed through the cooperation of several government agencies including the Department of Finance-National Credit Council; Insurance Commission; Bangko Sentral ng Pilipinas; Securities and Exchange Commission; Cooperative Development Authority, and the private sector including insurance providers and network organizations such as MCPI.

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The morning session started with the welcome remarks given by Ms. Lalaine Joyas, MCPI Executive Director. This was followed by a plenary session about the National Strategy and Regulatory Framework on Microinsurance led by Mr. Joselito Almario of the Department of Finance. This session outlined the objectives and roles of industry players and the key strategies to improve the

Following the plenary session, a workshop session entitled “How to Select the Appropriate Microinsurance Model” was conducted with the purpose of orienting MFIs on the different microinsurance models and guiding them in deciding which would best suit the needs of their MFIs and their clients. MFIs already with

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MOTY Winners, Semi-finalists Attend Citi-Bayan Entrep Eskwela

Previous winners and semi-finalists of the Citi Microentrepreneur of the Year (MOTY) awards attended the Citi-Bayan Entrep Eskwela Program last January 6 to January 28. The first run of the program was conducted last October 14 to November 5, 2010. The two batches of the program were held at the Bayan Academy in Quezon City.

The program is a four-week entrepreneurship and management course for microentrepreneur-clients. The Citi-Bayan Entrep Eskwela, developed through a partnership with Citi Foundation and Bayan Foundation, is designed to enhance the entrepreneurial competencies of microfinance clients to help them

increase sales, assets, profits, and net worth. The program is divided into three sections: self-mastery, situational mastery and enterprise mastery. Self-mastery section tackles on learning the entrepreneurial mindset by being an entrepreneur in heart and mind, by having a personal vision, and through learning about personal wealth management. Situational mastery section discusses practical research methodologies particularly on external and internal assessments. The last section, enterprise mastery, focuses more on the many aspects of managing a business revolving around the following components: marketing, operations, human resource and finance.

Fourteen winners and semi-finalists of the MOTY from Negros Women for Tomorrow Foundation, Inc., Taytay sa Kauswagan, Inc., Alalay sa Kaunlaran, Inc., Bangko Kabayan, TSPI Development Corporation, Rural Bank of Mabitac, and First Macro Bank took part in the program. ♦

Workshop on Multiple Borrowing in the Philippines

In order to discuss the research initiative on multiple borrowing in the Philippines, a workshop was held on January 14, 2011 at the AIM in Makati City. The workshop brought together ten (10) MFIs operating in the Commonwealth area and MFIs operating in a few other selected communities. The workshop, with resource speakers from the AIM, discussed the research initiative, its design, including the research instruments and some protocols. The workshop also aimed to emphasize data-sharing effort under this research initiative and served as a kick-off to the main research work scheduled to start in February.

The following MFIs have been identified to participate in the research initiative:

1. Center for Agriculture and Rural Development, Inc. (CARD)
2. Kasagana-ka Development Center, Inc.
3. ASA Philippines
4. Pag-asa Philippines
5. CCT Credit Cooperative
6. Caritas SALVE Credit Cooperative
7. Kabalikatan para sa Maunlad na Buhay, Inc. (KMBI)
8. TSPI Development Corporation

The multiple borrowing research is an initiative being undertaken by Grameen Foundation, Oikocredit, Microfinance Council of the Philippines (MCPI) and the Asian Institute of Management. The workshop was attended by the following institutions: Center for Agriculture and Rural Development, Inc. (CARD), Kasagana-ka Development Center, Inc., ASA Philippines, Pag-asa Philippines, CCT Credit Cooperative, Caritas SALVE Credit Cooperative, Kabalikatan Para sa Maunlad na Buhay, Inc. (KMBI), TSPI Development Corporation, MicroSave, Bangko Mabuhay, First Macro Bank, MICRA, and People's Credit and Finance Corporation. ♦

MCPI HOLDS MATCHMAKING...

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Matchmaking Forum on MicroInsurance

microinsurance activities also had the opportunity to learn how they could further improve their current microinsurance practices.

After the workshop, the matchmaking proper commenced. The MFIs had the opportunity to meet formal insurance providers one-on-one to share the products that they have in

place or intend to implement. This session also allowed the insurance providers to learn from MFIs on how they can cater to the needs of low-income households by modifying their current products and be more accessible. Philippine Prudential, Country Bankers, Pioneer, and Mercantile were among the insurance providers invited to the forum. ♦



MCPI Holds Leaders' Retreat

A two-day leaders' retreat was held last February 24-26, exclusively for the top and middle management of Negros Women for Tomorrow Foundation, Inc. (NUTF). The retreat was convened by the Microfinance Council of the Philippines (MCPI), Grameen Foundation and Oikocredit. Dr. Juan A. Kanapi, Jr., a renowned Organizational Development expert, facilitated the retreat.

In the retreat, Dr. Kanapi used the "Theory U" framework of Otto Scharmer. He explained that "Theory U" process involves three spaces and seven capacities. These three spaces are I) Sensing, II) Presencing and III) Realizing. Each space has capacities involved- for Sensing- Suspending and Redirecting; for Presencing- Letting go and Letting Come; and for Realizing- Crystallizing, Prototyping and Institutionalizing. Dr. Kanapi emphasized the importance of reflecting on a situation, its issues and challenges, before acting on or providing solutions to it.

The leaders' retreat aimed "to enhance the participants' ability to sense and bring into the present one's highest future potential—as an individual and as a group- and to collectively create the future that wants to emerge". The retreat is a follow-through to the Operationalizing Social Performance Management workshop conducted in 2010, where one of the key lessons learned was that SPM has to be woven into the MFIs' culture to make it work. ♦

MCPI Supports Microfinance Program for Water Supply Services in Un-Served Communities

Last March 18, the Microfinance Council of the Philippines (MCPI) and the Philippine Water Revolving Fund Support Program (PWRF-SP) signed a Memorandum of Understanding to seal a partnership promoting a microfinance program that will enable poor households to access piped water services. PWRF-SP is a USAID-funded program that aims to develop an innovative and sustainable financing mechanism for water supply and sanitation (WSS) projects, as well as supporting policy and



institutional reforms in the sector and capacity building of water service providers.

Under the MCPI and PWRF-SP partnership, the first activity is to push for advocacy activities and training workshops. These will be conducted to promote the program among microfinance institutions in order to develop their capacities to engage in partnership arrangements with water service providers. This is to promote suitable financing options that will facilitate the access of poor communities to piped

water and sanitation services. The activities also aim to facilitate the provision of capacity building and technical assistance to complement microcredit services and ensure the sustainability of water supply services to the clients.

PWRF-SP Chief-of-Party Alma Porciuncula further states that "the partnership with MCPI is a big push for our advocacy among MFIs to lend to poor communities for piped water connection and basic sanitation; and will sustain our capacity building efforts to MFIs who step up to the plate". ♦

Lessons from Andhra Pradesh

Notes from the report of the videoconference entitled "The Microfinance Crisis in India: Evidence from Rural Andhra Pradesh & Emerging Lessons for the Philippines" held on March 14, 2011 at Global Distance Learning Center, Asian Institute of Management, Makati City

The stories seemed like a cruel twist of fate. Located on the south eastern coast of India, lies the country's fifth most populous province, Andhra Pradesh (AP), with Hyderabad as its capital. It sits bordered by the provinces Maharashtra, Chhattisgarh, Odisha, Tamil Nadu, and Karnataka; and to the east, the Bay of Bengal. What was celebrated as a triumphant story of growth and possibilities of microfinance institutions in the world, with AP as its most successful model, took a grinding halt and dizzying stumble in late 2010 as a spate of suicides brought to light the struggle between MFIs and local politics.

Indian papers covered the suicides (totalling to 57 deaths, as reported in The Economist Magazine, November 4, 2010) accompanied by sensational headlines, and with it dragging the names of microfinance institutions and the cause of their coercive methods of having their clients pay loans. The state government responded by passing an executive order restricting operations of these organizations and disallowing borrowers to pay their loans in October 2010. This crisis has put MFIs not only in survival mode, but in a bad light when above their commercialization is the desire to fulfil a social mission to pull millions of people out of poverty.

Foreign media and individuals took notice, in turn sharing various opinions, assessments and lessons from the crisis in blogs, magazines, and conferences. This has also prompted the Asian Institute of Management (AIM), in collaboration with the Microfinance Council of the Philippines (MCPI), to organize a videoconference last March 14, for local MFI leaders to participate

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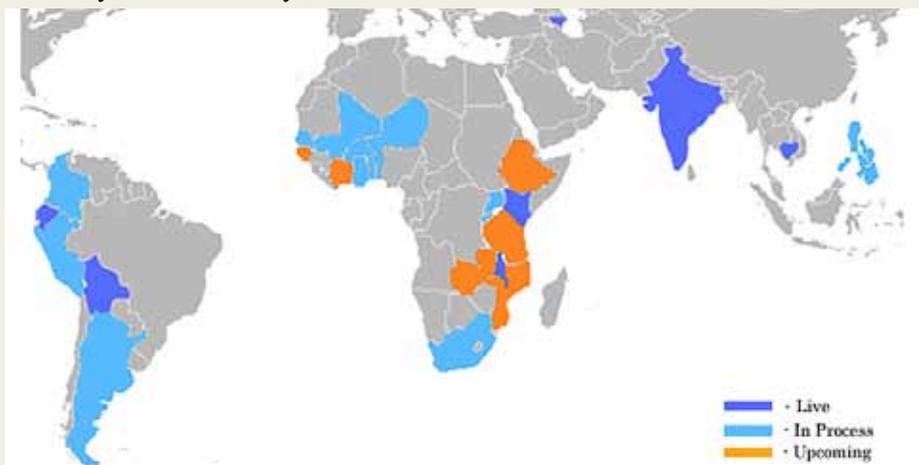
Launch of the Transparent Pricing Initiative in the Philippines

by: Laila Q. Deles, Research Associate, MicroFinance Transparency

Over the past decade, the microfinance industry experienced rapid growth, in the Philippines as well as internationally, both in terms of outreach and innovation in the products and services offered. While the industry has long been praised for its efforts to help alleviate poverty, more recently it has also been criticized for its increasingly commercialized and profit-oriented operations.

At this critical stage, it is important for industry players to work together to show their commitment to the social mission of microfinance and to ensure that conditions are in place for a dynamic and healthy industry. This can be achieved through consumer protection, transparency of financial information and dialogue with regulators and policymakers. It is in this context that MicroFinance Transparency (MFTransparency) was launched in July 2008 at the Microcredit Summit in Bali, Indonesia.

Led by CEO and President Chuck Waterfield, MFTransparency aims to enable transparent communication between suppliers and consumers of microcredit products. MFTransparency collects pricing information from microfinance providers and presents it in a clear and consistent fashion, enabling comparison among prices and an understanding of the full costs paid by borrowers. MFTransparency supports this data publication with training, workshops and educational materials on interest rates and product pricing. MFTransparency is currently active in nearly 30 countries, identified below.



In March, Mr. Waterfield and MFTransparency Vice President of Global Programs Ms. Alexandra Fiorillo traveled to the Philippines to launch the *Transparent Pricing Initiative in the Philippines*. MFTransparency partnered with the Microfinance Council of the Philippines (MCPI), Rural Bankers Association of the Philippines (RBAP), Mindanao Microfinance Council (MMC) and the Alliance of Philippine Partners in Enterprise Development (APPEND) to host a series of half-day workshops on transparent pricing in key cities nationwide—Davao (March 22), Manila (March 24) and Iloilo (March 28). The workshops were attended by more than 150 participants representing a range of microfinance service providers including NGOs, banks and cooperatives as well as microfinance networks and other industry stakeholders.

The workshops were each divided into two parts. The first session focused on the need for transparent pricing and the new industry standards for calculating interest rates for microcredit products, Annual Percentage Rate (APR) and Effective Interest Rate (EIR). This session included a demonstration of the *Calculating Transparent Prices Tool*. This tool, available free of charge on



LAUNCH OF THE TRANSPARENT... FROM PAGE 5

the MFTransparency website (www.mftransparency.org), calculates the actual cost for a client to borrow a loan with a given set of terms, taking into consideration fees, compulsory savings and insurance, and demonstrating the effects of different charges on APR and EIR, cash flow and total cost of credit. The second session provided an overview of MFTransparency and how stakeholders can actively participate in the *Transparent Pricing Initiative in the Philippines*.

Ms. Fiorillo explained that microfinance service providers, including NGOs, rural banks and cooperatives, can participate by submitting pricing data on their various microcredit products. Submitting data is a unique opportunity for institutions to demonstrate their commitment to client protection and to play a leadership role in promoting transparency in the Philippine microfinance industry. Moreover, it is an effective way to gain the attention of investors and donors, prepare for transformation, rating or expansion and to market products and services to current and potential clients. Participating institutions will be issued a Certificate of Recognition as well as a Seal of Transparency. The first institutions to submit will be given special recognition through a press release as well. Directions on how to submit data can be found on the MFTransparency website (www.mftransparency.org). The process takes about 2-3 hours and MFTransparency staff are available to assist throughout.

In between the workshops, the MFTransparency team had the chance

to meet with key Bangko Sentral ng Pilipinas (BSP) officials, including Deputy Governor Nestor Espenilla, to discuss the proposed regulation for adopting a standard pricing disclosure format. While the BSP only supervises banking institutions, it is working closely with MCPI so that non-regulated entities adopt the regulation as well. Given this direction of BSP, the *Transparent Pricing Initiative* is one way in which the industry can start preparing for the implementation of this regulation and to show its capacity to self-regulate.

MFTransparency also held meetings with People's Credit and Finance Corporation (PCFC), Oikocredit and PlaNet Finance, all of which expressed their support for the *Initiative*. In addition to collecting data from financial institutions, MFTransparency is working on this Initiative with networks, regulators and policymakers, investors and donors, technical service providers and any other stakeholders of the Philippine microfinance market interested in becoming involved.

With the launch successfully completed, MFTransparency has proceeded to the data collection phase. Discussions are now ongoing with individual institutions regarding this process. In the next few months, as data collection progresses, we will begin to develop a better understanding of product pricing in the country. The objective for this pricing disclosure and education is to enable more informed decisions by microfinance clients, microfinance institutions and regulators.

More resources and tools on pricing transparency are available for download free of charge at the MFTransparency website, www.mftransparency.org. All questions about the *Transparent Pricing Initiative in the Philippines*, including information about submitting pricing data, should be directed to philippines@mftransparency.org. ♦

MFIs, Partners Meet for Imp-Act Annual Learning

The Imp-Act Consortium brought together partners and microfinance institutions (MFIs) to discuss and further expand the influence of embedding Social Performance Management (SPM) in the operations and practices of MFIs. Last March 9-11, the Annual Learning Meeting (ALM) of the Imp-Act Consortium was held in Brighton, UK.

The Microfinance Council of the Philippines (MCPI) is an active member of the Consortium. MCPI, together with EDA Rural, shared its experience in the gathering of data on Social Performance Reporting. The session on Social Performance Reporting covered the following topics such as: (1) benefits to MFIs in understanding issues in Social Performance (SP) and SPM; (2) challenges in quality control and consistency of data; and (3) cost implications of implementation.

It was also during the ALM that the initial results of the Decision Tree, a tool being developed by Imp-Act in collaboration with CERISE and

and learn from the Center for MicroFinance (CMF) India's study on financial service providers in Andhra Pradesh. CMF representatives in India were Executive Director Ajay Tannirkulam and Senior Research Manager Santadarshan Sadhu, presenting the report "Access to Finance in Andhra Pradesh" by Doug Johnson & Sushmita Meka.

A discussion followed to critically assess the information and research presented. Prof. Ronald Chua of AIM observed that the statistics present the borrowers in Andhra Pradesh as having relied on multiple financial sources, mostly from informal sources. He wondered if these organizations limit lending the full amount based on their assessment of the borrower's ability to pay. Maria Anna Ignacio of Kasaganaka Development Center, Inc. (KDCI) noted that MFIs seem to be a small percentage in creating the crisis – if it is a crisis at all that makes MFIs responsible for. If such is the case, then is there really a crisis? If yes, is it now over?

Based on the report, here is the response from CMF India on the height of the crisis:

"MFI activity in Andhra Pradesh came to a halt and repayment rates fell down. This was in response to an alleged spate of suicides that were blamed on MFIs.

the MicroFinance Center (MFC) in Poland, were shared. The Decision Tree Tool is a systematic approach enabling microfinance networks to define their members' SPM needs and identify strategies to effectively respond to these, drawing on industry tools available.

The Consortium will continue to develop different sets of learning materials for MFIs, produce practical resource guides on SPM, and collaborate on projects to eventually mainstream the SPM initiative in other MFIs. ♦



While they (CMF) stated outright that it is unclear whether it was the MFIs or the local politics that precipitated the crisis, they suggested three main factors that most probably triggered the crisis:

1. The truth that some, but not all, MFIs were practicing unacceptable loan collection practices;
2. The politicians who used this as an excuse to impose restrictions on MFIs, probably due to their own political agendas, thus requiring MFIs (in Andhra Pradesh only) to recollect in the presence of a government officer; and
3. In addition, the media caught on to the reports that MFIs seemed to be making large profits.

All these, in turn, led to a greater problem for MFIs all over India when banks began to fear for their portfolios. So they stopped lending to MFIs, since the MFIs had no savings.

In conclusion, they stated that the crisis is not over, although steps are now being made to restructure loans and create clearer policies for MFIs."

After CMF presented their analysis, the participants at AIM shared their perspective of local MFI practices and how competition is based on products and services offered compared to pricing. The participants also realized that as much as the politicians were seen as taking advantage of the crisis that fell on AP without a better understanding of the situation, everyone took into account how MFIs should also be held accountable in their practices and the significance of their social mission when growth was made top priority.

Another realization emerged such as identifying the microfinance industry in India as a "microcredit movement" rather than a "microfinance movement". MFIs should be more sensitive and innovative in their approach to provide a whole package of services to complement the needs of the poor such as health and education. Much needs to be done and if MFIs in India continue to soul-search on their social mission and reassess their practices, they can emerge better and more effective in creating quality lives for millions of poor Indians across the country, not only in Andhra Pradesh. ♦

something new
is coming soon....

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