

Realizing the Sustainable Development Goals through Microfinance

MCPI 2016 CONFERENCE SYNTHESIS

Raquel B. Castro

Quotable Quotes /“Hugot” Lines

Results-Oriented Leader:

“SDGs is our guide in implementing relevant and responsive programs”

“We are taking a path of greater challenge, like pushing a boulder uphill. But we are not alone as we are joined by advocates of economic fulfillment, of human rights, of economic justice”

“Work of service is a work of joy. Gawin natin ito ng may galang, giliw at galak”

Quotable Quotes aka “Hugot” Lines

Best Ally in Microfinance:

“This Congress will make sure na may tutulong sa mga nanay every step of the way, so they can cross over...from micro- to- SME. Hindi sila haharangan, [bagkus] ay bibigyan ng pagkakataon na umangat...”

On the fight for MF NGOs Act:

“Our efforts to explain the sector and clarify misconceptions about it helped. But we also stood firm with people who did not want to listen, “konting angas kung kailangan”

Quotable Quotes aka “Hugot” Lines

Champion of the Marginalized “nasa Laylayan ng Lipunan”

“For Financial inclusion to create a system of non-dependence, MFIs are in the perfect position to help. Your credit officers know the landscape and the terrain”

But:

“Don’t just measure your portfolio. Teach people how to save, use market-based principles. Rethink and restructure operations if needed”

As overseer of housing programs: “ I want to learn from the successes of microfinance”

17 Sustainable Development Goals (SDGs)...

169 targets ...230 indicators



Clear vision: no one left behind



Wholistic : you cannot view it in isolation

Transformative,
integrative



Achieving the SDGs



PLAN

INITIATE NOW

1. Public awareness

2. Multi-stakeholder approaches

3. Reviewing plans and adapting SDGs



DO

INITIATE LATER

4. Horizontal policy coherence
(breaking the silos)

5. Vertical policy coherence
(*localize*)

6. Budgeting for the future

7. Monitoring, reporting and accountability

8. Assessing risks and fostering adaptability



CHECK

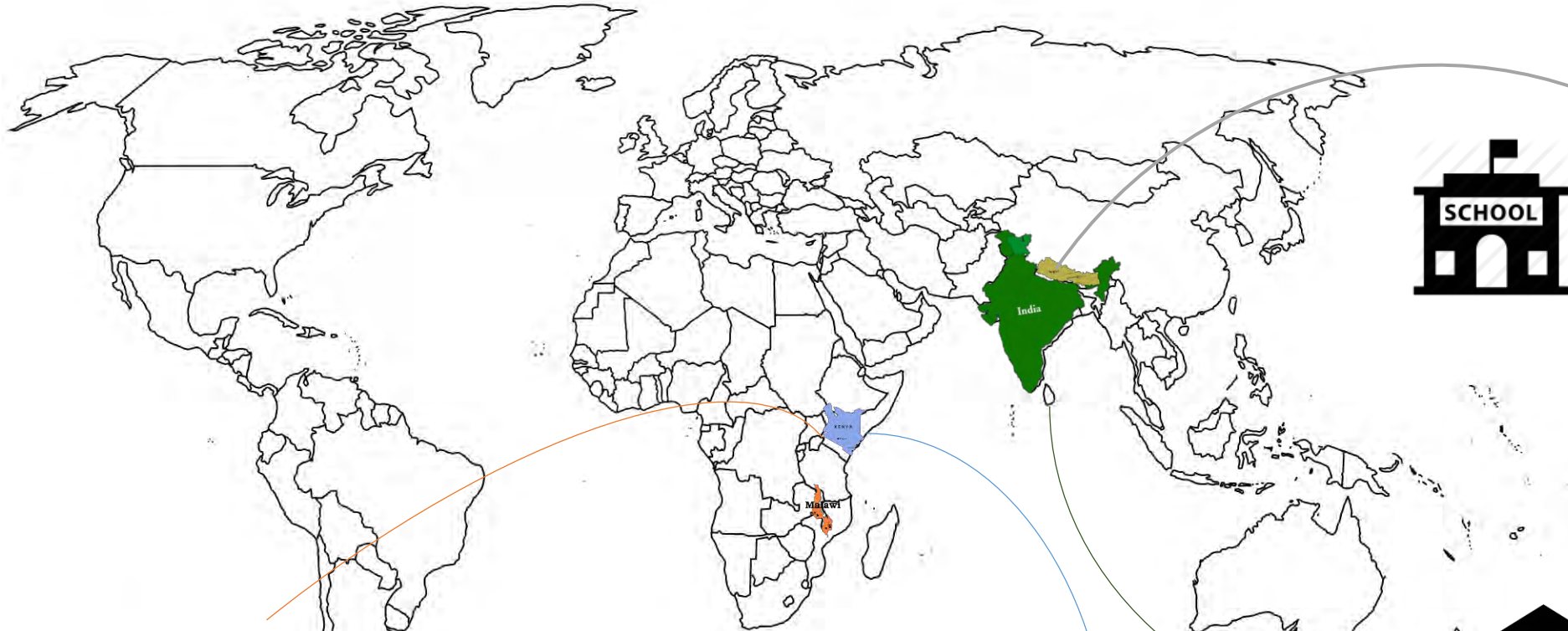
How can government, MFIs and private sector help in driving and achieving the SDGs?



Financial Inclusion as an Enabler of SDGs



Financial inclusion and achieving SDGs



MALAWI

Farmer depositing into bank accounts spent 13% more on equipment; increased crop value by 21%



KENYA

Women who had savings account invested 45% more in businesses



NEPAL

20% increase in school related expenses



INDIA

Banks in rural areas cut rural poverty by 14-17%

Widened range of products

Microdeposit Micro-agri loan
 Microenterprise loan Housing microfinance
 Microfinance plus Microinsurance
 Agri Value Chain Financing

Expanded virtual reach

E-money issuers
 E-money network service providers
 Technology-driven business models

Expanded physical network

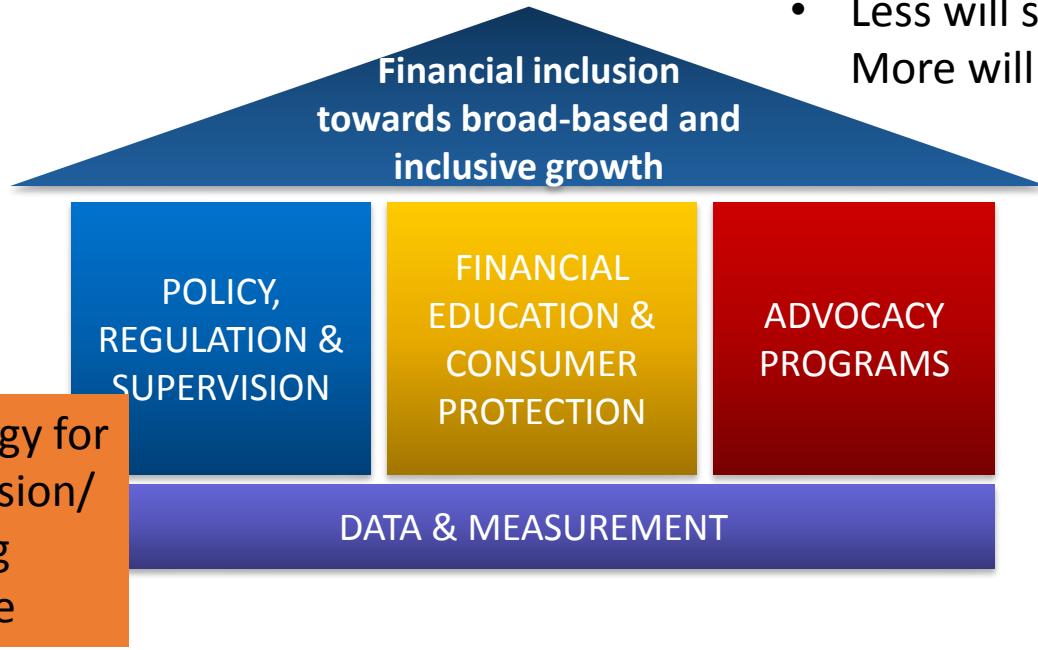
Liberalized bank branching
 Micro-banking offices

allowed scaled down banking unit

Guidelines for suitable, affordably-priced products

- More delivery channels
- Less will save at home & More will borrow from banks

Government Initiatives: BSP



National Strategy for Financial Inclusion/ FI Steering Committee

Liberalized customer on-boarding

Updated anti-money laundering rules
 Outsourcing rules

Enhanced consumer protection framework

Revised rules for Truth in Lending Act
 Market conduct regulation
 Consumer assistance mechanism

Better protected clients

Expansion in products and services exemplified the MFI's track towards SDGs

Credit ++

- emergency fund
- insurance (from birth to heaven)
- trainings (back to back client and migrant workers)
- value chain
- green energy
- WASH (in partnership with Unilever's Pureit)
- digital infrastructure for remittances, paperless processing and mobile money
- Listening to clients

MFIs role in driving SDGs:

Implementation– infrastructure, branches and manpower

Relationship – client's trust and confidence

Linkage – government, private sector, local communities

Microfinance- Rural Bank (GM Bank of Luzon)

- Ensuring own institutions sustainability
- Confident with the policy decision and with the execution structure for exciting times ahead
 - greater competition
 - more complex regulation
 - succession

“Rome was not built in one day... but they were laying bricks every hour”

BSP of today is an outcome of the bricks laid on a day to day basis by champions in the sector.

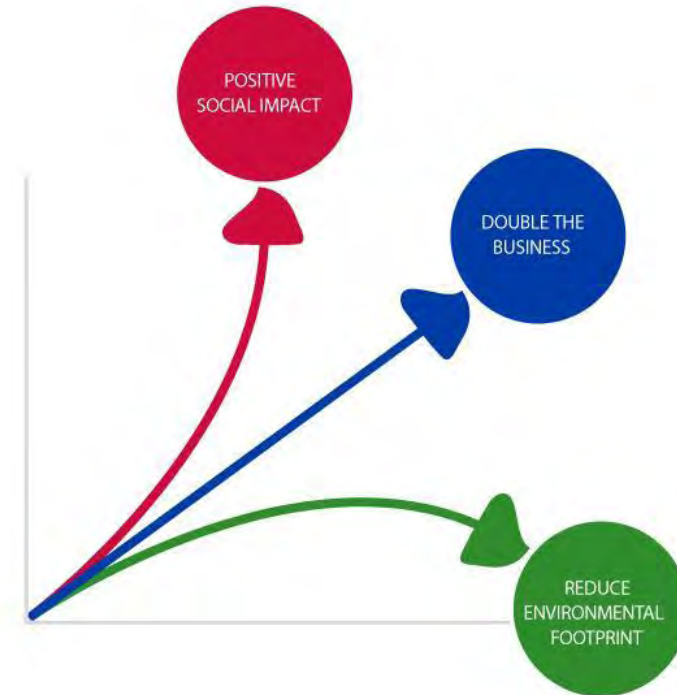
UNILEVER



PAUL POLMAN
CEO, Unilever
UN Sustainable Development Goal Advocate

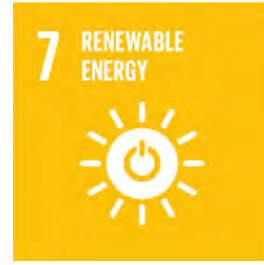
- *‘Every business will benefit from operating in a more equitable, resilient world if we achieve the Sustainable Development Goals’*

Unilever sustainable living plan (USLP)



- *Our vision is to double the size of the business, while reducing our environmental footprint and increasing our positive social impact.*

USLP supports the sustainable dev't goals



IMPROVING HEALTH AND WELL-BEING
for more than
1 billion

health and hygiene

nutrition

REDUCING ENVIRONMENTAL
IMPACT
by **1/2**

greenhouse gases

water

waste

sustainable sourcing

ENHANCING LIVELIHOODS
For
millions

fairness in the workplace

opportunities for women

inclusive business

SUSTAINABILITY PROGRAMS IN THE PHILIPPINES

1

KNORR FEEDING PROGRAM



2

KABISIG SARI-SARI STORE DEVELOPMENT



3

DOVE SELF-ESTEEM



4

SACHET COLLECTION



5

SUSTAINABLE SOURCING/LIVELIHOOD



6

DOMEX SANITATION PROGRAM



7

#TEENWEEK



8

PUREIT SAFE DRINKING WATER



Immediate areas of partnership

Pureit Safe Drinking Water Program



20,000 homes installed
100,000 lives protected

- Kabisig Sari-Sari Store Development



109,000 small stores connected
42,000 owners trained

Coconut sourcing from small holder farmers



Plan to work with 20,000
small holder coconut farmers

MF-NGOs Act

- Covers all NGOs implementing microenterprise development , providing MF programs /services for the poor
- Defines activities that MF NGOs can undertake:
 - can collect compulsory savings/CBU for maintaining compensating balance;
 - Cannot directly engage in Microinsurance but can establish partnerships with authorized microinsurance agent
- Microfinance regulatory council
 - Accredite MF NGOs (accreditation fees)
 - Monitor performance
 - Suspend/revoke accreditation certificates if warranted
- Technical Support for MF NGOs
- Tax Incentives (2% of GRT of bundled MF operations)

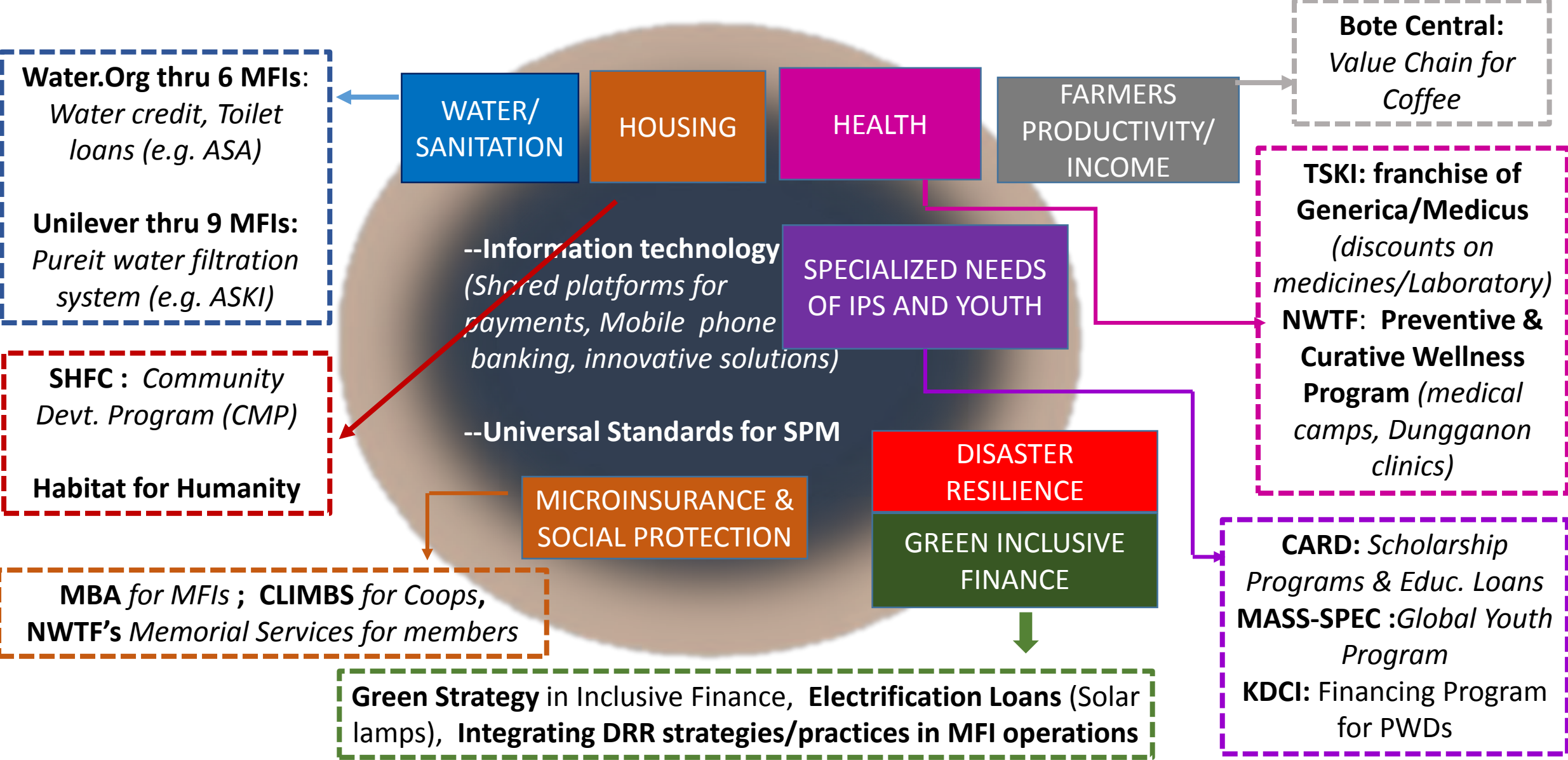
Remaining Issues for the IRR

1. The DOF and BIR proposes the provision for the application of the 2% tax to **refer to lending activities and insurance commission which are bundled and forming integral part of the qualified lending activities of the Microfinance NGOs.**
2. Low Income threshold : two times (2x) the official national poverty threshold set by the NEDA
3. The IRR of RA 10693 is not a requirement in the approval of an Authority to Print (ATP).

Microfinance for SDGs



MFI Initiatives for Driving the SDGs



LISTEN TO YOUR MICROFINANCE CLIENTS

Sharmaine Crisologo, KMBA

- Nanay gets funds from KMBI (ballot, penoy, sari sari store, sideline jobs)
- Member passed away due to accident
- Fast action by KMBI for death benefits, assistance even when member is already gone
- Mother is proud to be a member of an MFI

“wag nyo pakawalan, kasi hanggang dulo, makakatulong ito”

Jordan Inalisan, Leyte, TSKI

- Citi ME awardee (P100K, laptop, insurance, training)
- 1st loan for pastillas making
- 35 employees (priority are working students)
- Carabao dispersal program (source of raw materials for business)
- P3.4 Mn per SALN
- availed of burial benefits for mother

“Hindi masama umutang, nasa pag-handle . Loans open doors”

Shiela Vitto, Mindoro, CARD

- Slipper business; 7 employees
- Citi award use for construction of factory
- CARD bank loan for equipment for the business
- Recycled tires used for slipper business

“we bring your slippers back to life”

“Being Citi MF awardee makes you an instant celebrity”

Issues & Recommendations

TOPIC	ISSUES	RECOMMENDATIONS
MF-NGOS ACT	Can assessment of previous transactions of the NGOs (prior to IRR approval) be covered under the Law?	<p>Entitlement starts after the approval of the IRR. Previous transactions of the MF NGOs cannot be covered by the Law/IRR particularly on taxation.</p> <p>MCPI willing to help members who find themselves in the situation, i.e. inconsistencies in the assessments of current and previous transactions</p>
	Need for 3 NGO representatives to the MF Regulatory Council	<p>Representatives may come from MCPI & regional councils but has to clarify overlaps in membership in regional councils and MCPI</p> <p>Need to reconvene regional councils , e.g. reactivate Visayas MF council</p>
	Inclusion of NGOs which perform wholesale lending in the Law	NGOs that grant wholesale funds are also included in the coverage of the IRR/Law

Issues & Recommendations

TOPIC	ISSUES	RECOMMENDATIONS
MICRO INSURANCE	Relatively high tax on insurance premiums (about 25%)	Need to lobby to lower this
	Delays in settlement of claims	Industry should fast track settlement of claims
	Fragmented provision of micro insurance (e.g. MBA for NGO-MFI members, CLIMBs for coop members)	<p>Explore opportunities for Coop-NGO-MFIs collaboration in terms of micro insurance, especially those wanting to go public;</p> <p>Explore joint ventures to create one big insurance company</p>
	Social Protection Mechanisms	Innovate! It's all about innovation, e.g. NWTF's partnership with private memorial service providers
HEALTH	Distinguishing the poor from poorest? (ASHI)	Various tools may be used, e.g. Progress out of Poverty Index and Income Generation Survival Score
	Universal coverage of Phil health will change how MFIs service the health requirements of their members.	Promoting coverage and remittances to Philhealth by members may be the best intervention. MCPI to have a role in arranging collaboration for inter-MFI partnership and a universal partnership with Phil health for members' clients.

TOPIC	ISSUES	RECOMMENDATIONS
HEALTH	Effect/Impact of engaging into health services by MFIs	Need for an Impact Assessment of health services provided by MFIs to members
	Is there a possibility for MFIs with health service facilities to extend service to small MFIs operating in the same areas? (CEVI).	The services of TSKI are extended to APPEND members. MCPI to initiate and explore possibility of shared service facilities in the provision of health services for MFI members
HOUSING	Long term nature of housing loans is a mismatch with short term sources of microfinance funds	Pursue ongoing discussions with commercial banks to provide long term funding to MFIs for housing loans and guarantee provision by the Asian Development Bank (ADB) NHMC has programs that provide long term loans for extending the term of short term loans provided by microfinance
	Absence of guarantee to a rather risky venture as housing microfinance	
	Processing of ownership of titles and delays in payment as hurdles faced by MFIs engaging in housing loans	SHF Corporation practices “accommodation mortgage” , i.e. Acceptance of the mortgage on the original owner instead of the new owner to avoid the long wait for the transfer of title.
	MFIs hesitance to participate in PPP initiatives is rooted on lack of full knowledge of the housing aspect	

Issues & Recommendations

TOPIC	ISSUES	RECOMMENDATIONS
<p>GAPS IN FARMERS' PRODUCTIVITY AND INCOME</p>	<p>Alarming statistics about the agriculture sector highlights need to address its current state (WB)</p>	
	<p>Need for a model for MFIs wanting to venture into value chain (e.g. similar to that presented on coffee)</p> <p>Model for value chain already existing with the “how tos” already perfected by joint ventures between the Government/LGUs -Catholic Relief Services (international NGO) and MFIs (like ASKI, etc.). There are sites which have been transformed into enterprising farming communities under the value chain financing approach where farmers are directly supplying their produce to institutional buyers.</p>	<p>MCPI to initiate knowledge sharing on value chain, direct market linkages and on other solutions to address productivity and income gaps in agriculture</p>
	<p>Multiple borrowings of farmers puts pressure on their repayment capacities forcing MFIs and Land Bank to cut back on funding for the sector</p>	<p>Government to ensure an environment that is supportive for profitable and sustainable business opportunities/models to thrive (e.g. Improving performance of government's agricultural guarantees and crop insurance)</p>

Issues & Recommendations

TOPIC	ISSUES	RECOMMENDATIONS
<p>GREEN INCLUSIVE FINANCE AND DISASTER RESILIENCE</p>	<p>There are significant challenges in convincing MFIS to take action against climate change and go green. Their priorities for survival and sustainability most often pushes back environmental concerns.</p>	<p>Emphasize on the costs to NOT go green. In introducing loans for “green products”, focus on the needs of the clients than the features of the products. Advocate for using loans on eco-friendly livelihoods. Use the Universal Standards for Social Performance Management tool for assessing your pursuits towards green.</p>
	<p>For instance, the challenges faced in convincing people to use solar powered technologies include the (a) high cost, (b) proliferation of poor quality products, and (c) doubts on the benefits of the products</p>	<p>MFIs should emphasize on the opportunity cost/savings compared to using candles and the certification of product quality by international organizations</p>
	<p>On the policy side, what can a regulator do to incentivize banks to consider the risks in not going green?</p>	<p>The banking sector can take the initiative itself in crafting the guidelines for green inclusive finance or craft the same jointly with the banks. Solutions to the problem can be found jointly.</p>

“Take Out “ Messages from the Conference

- There is a compelling need to push/drive the SDGs. The volume of families whose minimum basic needs are not yet addressed are still alarming (UNDP and WB statistics/surveys)
- MF has a role to play in driving the SDGs. For **implementation**, it has the infrastructure, branches and manpower; for **Relationship**, it has the client’s trust and confidence; for **Linkage**, it has created these with government, private sector, local communities.
- Government has paved the road for an easier journey for the MFIs, i.e. BSP initiatives in Inclusive Finance and SEC’s MF-NGOs Act;
- Private Business Enterprises (e.g. UNILEVER) are slowly joining the wagon in driving SDGs, crafting “sustainable living plans”, implementing sustainable programs for their products and defining areas of partnership with MFIs;

“Take Out “ Messages from the Conference

- MFIs have started to implement programs in pursuit of SDGs, on their own or in partnership with private entities, to address minimum basic needs of their members. Outside MFIs' regular CSR programs, there are loans for water installation and treatment, loans for construction /improvement of toilets, education loans, and loans for simple home renovation/ construction.
- Social protection mechanisms are also in place. Microinsurance for MFIs is implemented through RIMANSI-- an association of MBAs which is extended even to 4Ps members; for coops thru CLIMBS Insurance. There are MFI services for members' health, both curative (medical camps) and preventive (health clinics) and MFIs have even embarked on directly providing memorial services to accord their members a dignified death.
- With climate disturbances now becoming a regular phenomena, MFIs have started to adopt the green strategy approach in inclusive finance ---paperless transactions, loans for solar lamps, financing livelihoods that use recycled materials and even integrating DRRM practices in their operations.

“Take Out “ Messages from the Conference

- As we implement SDG-pushing programs, let us not forget the urgency of our efforts. We need technology providers that can speed up our processes and improve point-to-point delivery channels: shared platforms for remittances/payments, one stop transactions thru mobile phones, innovative solutions.
- And there are effective tools to use to check if are on track in our inclusive finance and green approach, the Universal Standards for Social Performance Management.
- Lay the bricks now, one at a time. “Rome was not built in one day, but they laid the bricks every hour...”
- Laud our achievement and flaunt, if necessary. Administration knocks at banks and big enterprises to push for economic growth, but cannot help but knock on microfinance institutions to bring the economic growth down to the hinterlands, the vulnerable and the marginalized.
- Looking at the direction that microfinance has treaded now, we can't help but be amazed. Who would ever think that from livelihood loans and activities bundled with credit (credit plus), MFIs are now driving the attainment of the SDGs? This reminds me of a tagline from a commercial back in the 60s: **“You've come a long way, baby!”**



You've come a long way, baby.

MICRO FINANCE

To credit ++

To driving the SDGs:
*(Shelter, health, green
finance, value chain,
micro insurance,
memorial services,
social protection)*

From Livelihood Loans...