



PHILIPPINES

FINANCIAL SECTOR ASSESSMENT



United Nations Advisors Group on Inclusive Financial Sectors
Private Sector Working Group



Introduction

Achieving economic and social development is greatly facilitated through access to a savings account, credit, and insurance. Financial services and products can minimize unforeseen risks and protect one from economic shocks. Access to a well-functioning financial sector offering a variety of financial products and services can directly provide the tools needed to protect, diversify and increase one's sources of income. Such access thus makes it possible for the poor to make their own economic decisions that can provide a path out of poverty.

Despite the broad consensus of the importance of financial access as a poverty alleviation tool, it is estimated that between two and three billion people around the world have no access to financial services. The majority of the population in developing countries do not have access to formal financial services. The situation is particularly dire in the Least Developed Countries, where more than 90 per cent of the population is excluded from the financial system. This situation has become an international policy concern.

The private sector can and should play a more active role in developing inclusive financial sectors. Some private sector financial institutions have been actively engaged in providing debt and equity capital to increase the provision of financial services to the formerly excluded population. The demonstrated potential for profitable return has encouraged commercial banks and other financial institutions to adopt microfinance as part of their core business strategy. Microfinance provides financial institutions with a way to achieve the double bottom line objectives of sustained profitability and socially responsible investment.

More than 200 commercial banks and other formal financial institutions are now engaged in the provision of financial services to the poor. However, not all attempts have succeeded. There is still a significant gap in the demand and supply of financial services. It is our firm belief that an increasing number of private sector institutions can and should play a more significant role in building well-functioning financial systems across the globe.

In this regard, in 2006, the Private Sector Working Group of the UN Advisors Group on Inclusive Financial Sectors brought together eight major commercial banks working in the provision of financial services to the poor and low-income population in the developing world. These banks include ABN AMRO, Deutsche Bank, Barclays, Citi, Gruposantander, HSBC, ICICI Bank, and Standard Chartered.

The group agreed to select a few countries for in-depth analysis of (the access to) the financial sector, representing the major regions of the world and to work collaboratively with various partners on the ground in 2007. Five countries were selected: Argentina, Egypt, Ghana, Philippines, and Romania. The partner institutions worked together to identify constraints in accessing the formerly un-tapped market of the lower income segment of the population, and the innovative ways some of the challenges are being resolved. The group also worked together with its partners on the ground to identify some possible approaches to tackling the remaining obstacles.

The year-long effort has resulted in individual analyses of the financial sector in each of the five countries and the challenges and opportunities in providing financial services to the previously excluded segment of the population. The findings show how the private sector and all relevant parties can actively contribute to building inclusive financial markets through activities oriented toward the private

sector. These five studies include a description of the enabling infrastructural, legal, technological, and other relevant requirements in the countries and explore how the private sector can best facilitate access to capital for microfinance institutions and other financial service providers as well as promote capacity development. The five studies can be found online at <http://ag.uncdf.org>.

On the basis of these five studies, we have broadly concluded that there is no one winning business model for the private sector to support microfinance solutions. One size indeed does not fit all. We have found that private sector entities can make significant and lasting solutions to the challenges of inclusive finance in different ways. But across the studies, it proved helpful that:

- Microfinance is a part of the core client business - not only an activity designated as Corporate Social Responsibility - and organized in a format suitable to your business model;
- There is a strong, safe and fully accessible payment system;
- There is top level commitment and operational level mandates to take this forward; and
- Original partnerships are forged, with private companies, NGOs, and other actors with local retail presence to ensure innovative solutions are developed and implemented.

No matter how well intentioned a company may be, it will never be able to design appropriate solutions on its own. The private sector should engage broadly with governments, development partners and regulators to create an enabling policy and regulatory environment for expanded provision of financial products and services to the un-banked, and to protect our investments.

In this regard, our Private Sector Group is organizing roundtables in the five countries in 2008 where we have conducted our research, together with local commercial and savings banks as well as regulators and government

officials. We trust such local platforms for collaborative action will create the change needed to ensure widespread access to financial services.

We would like to share the findings of our collaborative efforts with the wider world, especially our fellow private financial institutions. We hope the studies and conclusions will inspire others to continue the work we have started and will develop new findings and activities that will allow the private sector to actively contribute to the development of well-functioning and inclusive financial sectors around the world.

ABN AMRO	Barclays	Citi	Deutsche Bank
Gruposantander	HSBC	ICICI Bank	Standard Chartered

March 2008

Country Profile



Basic Macroeconomic Data	
Population	89.5m (2006 est.) <i>40% below poverty line (2001 est.)</i>
Gross Domestic Product	\$443.1b PPP (2006 est.) 5.4% real growth rate (2006 est.) \$61,678 per head - current prices (2005) \$5000 per capita PPP (2006 est.)
GDP by Sector (2006 est.)	Agriculture: 14.2% Industry: 32.1% Services: 53.7%
Inflation (2006 est.)	6.2%

Brief overview of political structure (Head of state, key political parties or government bodies).

- Pluralist democracy modeled on the US, with an executive presidency, a bicameral Congress and a Supreme Court that can rule on the constitutionality of government actions.
- In January 2001, Gloria Macapagal Arroyo, then VP, replaced the incumbent president, Joseph Estrada, in a civilian coup backed by the military. She served out the remainder of his 6-year term before winning re-election

in her own right in the next presidential election, held in May 2004. The congressional elections held on the same day produced a large pro-administration majority, headed by Arroyo’s party, Lakas ng Edsa-National Union of Christian Muslim Democrats (Lakas), in the House of Representatives (the lower house) and gave the president a larger majority in the Senate (the upper house). Concerns over the legitimacy of Arroyo’s presidential victory have emerged, plunging the Philippines into an ongoing political crisis.

- The largest party in Congress is Lakas. Although Arroyo won the election with the backing of Lakas, which she co-chaired with the speaker of the House of Representatives, Joe de Venecia, since the election she has attempted to revive her personal vehicle, Kampi, by persuading members of other parties to switch loyalties. Other important parties within Congress include National People's Coalition (NPC), Liberal Party (LP), and Laban.
- Outside the mainstream of congressional politics are political forces for which ideology is the determining factor. These include: the National Democratic Front (NDF), Moro Islamic Liberation Front (MILF), and the Catholic Church.
- There has been substantial migration out of the Philippines, permanent and also temporary (overseas employment under contract), which has held down both the population and the rate of unemployment. Overseas employment represents an important outlet for excess labor, and is a major source of income for Philippine households.
- The Philippines was less severely affected by the Asian financial crisis of 1998 than its neighbors, aided in part by its high level of annual remittances from overseas workers, no sustained run-up in asset prices, and more moderate debt, prior to the crisis.
- High levels of poverty continue to remain a significant problem in the Philippines. From a 0.6% decline in 1998, GDP expanded by 2.4% in 1999, and 4.4% in 2000, but slowed to 3.2% in 2001 in the context of a global economic slowdown, an export slump, and political and security concerns. Average GDP growth accelerated to about 5% between 2002-06 reflecting the continued resilience of the service sector, and improved exports and agricultural output. But it will take a higher, sustained growth path to make appreciable progress in the alleviation of poverty given the Philippines' high annual population growth rate and unequal distribution of income.

Brief overview of socio-economic situation.

- A comparatively high rate of population growth means that the Philippines has a young population, with 35% under the age of 15 in 2006 (est.). But the rate of population growth has been slowing in recent decades, from an average of 3% per year in the 1960s to 2.1% in the 1990s.
- The proportion of the population living in rural areas has decreased, from 70% in 1960 to 48% in 2000, whereas the urban population grew by just under 4% per year on average during the period.

- The Philippines also faces higher oil prices, higher interest rates on its dollar borrowings, and higher inflation.
- 35.79m were employed in the labor force (2006 est.). 36% of the labor force was employed in agriculture; 15% in industry; and 49% in services (2004 est.). The unemployment rate is estimated at 7.9% (2006 est.)
- Although the government claims that 93.4% of the population was literate in 2003, in reality a significant proportion of the population is believed to be functionally illiterate (14.2% in 1994, according to the most recent government figures).
- The Philippines is a very linguistically and culturally diverse and geographically-dispersed country. The UN has recorded a total of 110 regional and ethnic groups in the Philippines and many different dialects exist, even in the same geographic area.
- There are estimated 19m people in the informal sector. This figure represents 70% of the total employment population. This figure is not very accurate as one of the more basic problems concerning the informal sector is the lack of formal mechanisms that address their unique needs. Hence, a formal definition and complete and accurate statistics are not yet available.
- More and more people are entering the informal economy because of the effects of globalization and the Asian economic crisis, which have gravely affected the already precarious employment situation in the Philippines. The informal economy includes activities such as street hawking, market vending, pedicab and tricycle driving, small construction work, and home-based industries. The unfriendly business environment also plays a part in the Philippines having the second largest informal sector in the Asian region.

Demand for Financial Services

Brief overview of the informal economy.

- The informal sector contributes roughly about 44% of GDP. Thus it plays a significant role in creating employment, producing goods and services and augmenting income in the Philippines.
- The informal sector now comprises the majority of the country's workforce and poverty abounds in the sector.
- From 1994-2005 there were 806,866 MSMEs in the country. The informal economy represented almost 44% of the economy in the Philippines in 2003 so it is likely that many MSMEs are found in this sector of the economy.
- Comprising over 99% of business establishments, SMEs play an important role in the economy of the

Philippines. The SME potential for creating jobs is large, yet its growth is hampered by a weak business and investment climate – the multitude of regulations and policies they must comply with; a lack of venue for SMEs to push for changes in government service delivery; and a lack of access to finance and competent business development services.

- MSMEs comprise 67.9% of total employment in 2003 (DTI Data, see below)

Breakdown of MSMEs by industry and region.

Please see DTI Statistical report (available at http://www.dti.gov.ph/SME_Basics_SMEstatistics.php)

Major characteristics of MSMEs in the country.		
Category	Total Assets	No. of Employees
Microenterprises	PHP 3,000,000 or less	1 – 9
Small Enterprises	PHP 3,000,001 – 15,000,000	10 – 99
Medium Enterprises	PHP 15,000,001 – 100,000,000	100 – 199

Percentage and nature of migrant and immigrant labor (legal and undocumented).

- An estimated 2,500 Filipinos continue to leave the Philippines everyday to seek employment abroad due to continuing economic crisis besetting the country.
- As of 2002, there were 8.1 m Filipino migrants (or 10.6% of its total population) deployed in the Middle East, Asia and Europe. 50% from 1999-2001 are working as domestic workers and entertainers.
- Export of labor by the government is a profitable industry and their remittances serve as lifeline not only to the families of migrants but that of the country in general. Migrant Filipinos are called Overseas Filipino Workers (OFWs). OFWs remit in excess of USD1b back to the Philippines per month and many of these migrant workers support extended families and not just their spouses and children.

Estimated demand for Microfinance Services and breakdown of demand.

- Studies show that microfinance services were delivered to only one-third of the total poor households in the Philippines. This indicates that the potential market for microfinance institutions (MFIs) in the Philippines is 2.9m families.

- The majority of poor households in the Philippines do not have access to microfinance services due to high interest rates, lack of collateral and a lack of information on where to get loans, 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.
- The 3 major providers of microfinance services in the Philippines are NGOs, rural banks, and cooperatives.

Estimated percentage of demand currently being met by formal and informal sources:

- The Philippine financial system is composed of a formal and informal financial sector that is either regulated or non-regulated.
- The formal financial sector includes banking institutions that are authorized to provide credit and accept deposits from the general public. Non-bank institutions are also part of the formal financial sub-system. These non-bank institutions are authorized to provide credit but are not allowed to accept deposits from the public.
- The informal financial sector is composed of a variety of organized and singular sources of credit.

Formal financial sector:

- The banking system is composed of commercial banks (universal and regular commercial banks), thrift banks, rural banks/cooperative rural banks (RB/CRBs) and government banks.
- Rural banks are the main entity within the formal financial sector that provides microfinance services.
- In general, commercial and thrift banks in the Philippines are not engaged in microfinance because they have no expertise in handling and appetite for small loans without any collateral.

Government banks / programs:

The government plays a role in microfinance services in the Philippines. Several government financial institutions include:

- *People's Credit and Finance Corporation (PCFC)*: provides wholesale funds to retail MFIs for on-lending to poor clients and is the only government financial institution with a sole focus on microfinance. PCFC reported total resources of P3.01b, gross loan portfolio of P2.89b, and net income of P66.1m.
- *Land Bank of the Philippines (LBP)*: provides guarantees to loans obtained from the ADB-IFAD Rural Microenterprise Finance Project (RMFP) and the World Bank for the

funding needs of PCFC. As of Dec 2004, the loans of LBP to PCFC amounted to P1.52b. LBP has not lent directly to retail MFIs for microfinance purposes but some LBP branches are known to have lent to MFIs, mostly rural banks/cooperative rural banks, cooperatives and NGOs. As of December 2005, wholesale loans to these MFIs amounted to P104.46m.

- *Development Bank of the Philippines (DBP)*: provides banking services principally to small and medium enterprise and is relatively new to microfinance. At the end of 2003, its microfinance portfolio was only P36m.
- *Small Business Corporation (SB)*: undertakes microfinance operations. Its microfinance loan portfolio as of end 2003 was P40m and 12 cooperatives had outstanding microfinance loans from SB Corporation.

Specialized microfinance providers:

- NGOs are a major provider of microfinance services in the Philippines. It is estimated that 500 NGOs are engaged in microfinance services.

Informal Providers

- Informal providers supply about two thirds of microcredit loaned outside the handful of urban centers and highly-populated rural areas.

Cooperatives and/or informal lending circles:

- 4,579 savings and credit cooperatives are engaged in microfinance. But many other types of registered cooperatives also provide some form of financial services.

Moneylenders:

- In areas with low population density and little physical infrastructure where few if any formal and semi-formal MFIs operate, informal providers, including moneylenders called "5-6ers" that provide micro-credit for 1-6 months, usually at nominal interest rates ranging between 10-30% (flat)/month.

Existing Financial Services Available to the Poor

How many providers of microfinance currently operate in the country?

- Until recently, the performance of the microfinance sector in the Philippines has been largely disappointing. Although there are hundreds of small-scale rural banks, cooperatives, and NGOs that provide microfinance, total outreach has been quite limited. Only in the last 5 years or so have significant numbers of rural banks and cooperatives begun to consider microfinance

as a profitable market niche. In addition, only a few microfinance NGOs have achieved scale or become financially viable.

- 195 banks are engaged in microfinance. 4 of these banks are microfinance-oriented thrift banks and another 4 are microfinance-oriented rural banks. The remaining 187 banks are rural and cooperative rural banks engaged in some level of microfinance operations ranging from 3-30% of their gross loan portfolio.
- Approximately 500 NGOs provide microfinance services.
- 4579 savings and credit cooperatives are engaged in microfinance.

If there are government initiatives that provide microfinance services, are they at commercial or concessional rates?

There are several government initiatives that provide microfinance services at concessional rates.

How does this impact the rest of the microfinance industry?

- Government directed programs, although declining now, have been historically costly and unsustainable, leading to gross financial sector distortions and inefficiencies and a general weakening of private sector incentives to innovate. They have contributed to the limited outreach of the microfinance sector in the Philippines.

What types of products and services are currently available in the market?

Credit products:

- Credit products are unsecured loans based on clients' cash flow analysis. The average outstanding loan ranges from P3742 – 5321 (US \$75-105). Microloans do not exceed P150,000 (US \$2,667) and are usually extended to micro-enterprises and farmers.
- Generally, microfinance NGOs charge interest on loans at rates ranging from 24-40% per year flat rate, inclusive of upfront service fees of 2-5% and weekly collection of loan payments. NGOs are not authorized by law to collect deposits from the public but still collect compulsory savings from member-borrowers as a form of compensating balance for members' outstanding loans.
- RBs/CRBs charge 24-36% per year, computed on a flat basis. The rates include payment of upfront service fees, commonly in the range of 1.75-4%. Frequency of loan collection for microfinance loans is daily, weekly or monthly. The majority of loans are collected weekly.
- Savings and credit cooperatives charge interest rates on individual loans to members ranging from 18%-24% per year. Some cooperatives additionally charge an upfront service fee ranging from 2-5% on loans. Collection frequency on loans is weekly, bi-weekly, or monthly.

Savings products:

- Of the 3 major microfinance providers, only RBs/CRBs and cooperatives are allowed to mobilize savings. NGOs are not allowed to mobilize savings from the public.

Insurance products:

- Many sustainable microfinance NGOs offer microinsurance as part of their service to clients. For a fixed amount of weekly payments, clients of MFIs such as TSPI Development Corporation, Tatay sa Kauswagan, Inc. (TSKI), and Negros Women for Tomorrow Foundation (NWTF), are entitled to receive a certain amount in case of death due to sickness or accident. The microinsurance program of the Center for Agriculture and Rural Development and CARD Rural Bank is being provided by its member-owned CARD Mutual Benefit Association.

Remittances:

- As mentioned above, about 10% of the Filipino population is outside its country. They regularly send back part of their income for the basic needs of their families and contribute to urgently needed humanitarian causes and socioeconomic projects in their communities of origin.
- The average amount of remittance sent is \$340. Monthly remittances range from \$205 to \$524.

- A 2002 ADB study found that a high percentage (80%) of Filipino remitters channeled their remittances through the banking or regulated channels.
- Because of the huge amount of remittances channeled back to the Philippines, there is vibrant competition in the Philippines remittance market. Remittance services are offered by Philippine banking institutions, licensed non-bank money transfer agencies, courier companies and ethnic stores acting as agents for banks in an industry characterized by partnerships, alliances or tie-ins and revenue sharing among different players in the remittance market. Banks have also adopted the marketing, and promotional features that have endeared Filipino remitters to informal remittance agencies, such as door-to-door or courier services.
- Remittance services are being tested by the MFIs.

What are the general lending methodologies used?

- Group lending is still predominantly the norm, reflecting the early widespread adopting of the Grameen methodology adopted by the vast majority of early, major microfinance NGO leaders.
- The ASA methodology, whereby groups are still formed but group members are solely accountable for the payment of their respective loans, is also popular in the Philippines.

- Another group lending methodology utilized is the APPEND Scale-Up Branch Model, which is practiced by the majority of NGO-members of the Alliance of Philippine Partners for Enterprise Development (APPEND) network. This is an upgraded version of the Trust Bank methodology, which is being used in more than 20 countries by member-MFIs of Opportunity International.
- Rural banks/cooperative rural banks use the individual lending approach through a USAID-funded project, called the Microenterprise Access to Banking Services (MABS).¹

Who are the target clients of the existing providers of microfinance services?

- The Grameen Banking and ASA methodologies specifically target poor women with existing microenterprises.
- RBs/CRBs target the entrepreneurial poor located in small towns and rural communities.

What are the main distribution channels for the provision of financial services to the rural poor?

The rural poor are served through the RBs/CRBs.

Are there any particular groups being excluded by the existing MFIs? If so, why?

- In general, commercial microfinance has made the most headway in areas with developed physical infrastructure and adequate social service provision. MFI Market penetration is highest around urban centers and highly populated rural areas outside Metro Manila. Such areas include San Fernando, Bacolod, and Davao as well as Cagayan de Oro. There are a few exceptions to this, including VisionBank's expansion in five municipalities within the province of Catanduanes, which has low population density and traditionally no access to microfinance. But on the whole, the MFIs are mostly working in the same areas.
- Farmers whose earnings are irregular or volatile are also excluded.

Is there competition between MFIs for clients?

- There is increasing competition in the microfinance industry which can be seen through the rising incidence of credit "pollution" among MFI clients (whereby borrowers take advantage of the availability of credit by borrowing from multiple MFIs). This is a result of the growing number of microfinance providers

¹ The MABS Program provides technical assistance and training to rural banks/cooperative rural banks in microfinance best practices. The program is designed to develop the capability of RBs/CRBs to profitably provide financial services to microenterprises. The MABS approach involves training and technical assistance geared toward understanding microfinance best practices.

such as NGOs, rural banks, and cooperatives operating in similar geographical areas within the country.

- Loans sharks and informal money-lenders also offer credit with faster loan releases but with higher interest rates. But competition is intense only in areas where MFIs are highly concentrated such as Metro Manila, Central Luzon, and Southern Tagalog.

If so, on what factors do they currently compete?

- The MFIs are dealing with increased competition by broadening the range of their services to include savings, microinsurance, and micro-agricultural loan products.
- MFIs also offer non-financial services to clients such as client trainings, livelihood skills development, product development, and marketing. By offering these additional services to clients, MFIs try to differentiate themselves from other MFIs.
- The interest rates of loan products have yet to decrease.

Under what accounting standards do MFIs operate?

Microfinance NGOs are required to file annual audited financial statements and general information sheets to the SEC.

Enabling Environment and Support for Microfinance

1. Regulatory Framework and Government Support of Microfinance

Is there a limit on interest rates financial institutions can charge?

If so, what is it?

- Central Bank of the Philippines Circular No. 272 (2001) defines microfinance as small loans given to the poor and low-income houses to raise income levels and living standards. Loans are unsecured and based on cash flow analysis and do not exceed US \$2,667 [P150,000].
- Section 43 of the General Banking Law of 2000 (GBL) mandates that “the Monetary Board shall regulate the interest imposed on microfinance borrowers by lending investors and similar lenders, such as, but not limited to, the unconscionable rates of interest collected on salary loans and similar credit accommodations”. This provides regulators the authority to regulate microfinance interest rates, the exercise of which could be influenced by several factors, including political motivations.

Does any legislation specifically regarding MFIs exist in the country?

The basic law that paved the way for the creation of the favorable environment for banks engaged in microfinance is the Republic Act 8791, more popularly known as the General Banking Law (GBL). A summary of the regulatory/supervisory regime in the Philippines is presented below.

Is there a regulatory body to oversee MFIs?

- Formal institutions are licensed and regulated by the Bangko Sentral ng Pilipinas (BSP), the Central Bank of the Philippines, except for insurance companies which are the responsibility of the Insurance Commission. BSP's main responsibility is to formulate and implement policy in the areas of money, banking, and credit.

Type	Ownership	Legal Basis	Regulated by	Supervised by	Main Funding Sources	Authorized Activities
<i>Formal Institutions</i>						
Thrift Banks	Private investors	Thrift Banks Act (1995), Law on Corporations (2001)	BSP, PDIC	BSP, PDIC	Equity, commercial loans, deposits	Savings deposits and loans
Rural Banks	Private Investors	Rural Banks Act (1992), Law on Corporations	BSP, PDIC	BSP, PDIC	Equity, commercial loans, deposits and loans	Savings deposits and loans
Pawnshops	Private Investors	General Banking Law (2000)	BSP, SEC	None	Equity, commercial loans	Pawn loans
Lending Investors	Private Investors	General Banking Law, Law on Corporations	SEC	None	Equity, commercial loans	Loans
<i>Semiformal Institutions</i>						
Savings and Credit Coops	Individual members	Cooperatives Code (1990)	CDA	None	Capital plus member deposits	Saving deposits and loans to members
NGOs	Private trustees	Law on Trusts and Nonprofit Foundations	Annual Reports to SEC and BSP	None	Grants, donations, commercial loans	Loans to individuals and groups.

* Reproduced from: *Commercialization of Microfinance: The Philippines*.

- All NGOs, including those engaged in microfinance, are required to register with the Securities Exchange Commission (SEC) as non-stock, non-profit organizations. Although MFI NGOs are required to file annual audited financial statements and general information sheets to the SEC, they are not subject to prudential regulation and supervision by any government regulatory body.

Can MFIs legally accept deposits?

- NGO MFIs can not legally accept deposits.
- Savings and credit cooperatives, rural and thrift banks can accept deposits.

If not, do some institutions take deposits anyway?

- A 2001 survey of 23 of the largest MFI NGOs showed that almost half of their combined outstanding loan portfolio was funded by a combination of savings or capital build up, despite legal prohibition of such mobilization from the general public except with BSP licensure.
- So far, BSP has ignored the practice because the savings are mobilized from microfinance NGO members only and mainly on the basis of compulsory deposits, making the vast majority of members net borrowers.

Are MFIs permitted to on-lend these deposits? If so, under what conditions?

Not applicable.

Are there any restrictions on the types of credit products MFIs are allowed to offer?

Information not found.

What other type of financial services are MFIs allowed to offer (insurance, remittances, etc.)?

- Some MFIs have started to offer remittances services.
- Many MFIs also offer microinsurance as part of their service to their clients. But now MFIs such as CARD have started to realize that an insurance business must be managed by insurance professionals. It was also realized that the insurance business of an MFI should not be tied to the capital of a MFI. MFIs are now starting to formalize their microinsurance services by setting-up Mutual Benefit Associations (MBSAs).

Briefly outline the tax laws for NGOs. Focus on withholding tax and income tax.

- Profits generated from business activities are taxed, regardless of the disposition of the income (Sec. 30, Tax Code). Accredited NGOs can seek additional tax benefits. But an accredited NGO is also subject to additional restrictions, including a requirement that it devote no more than 30% of its total expenses for

the taxable year to administrative expenses (Section 1(b)(ii), Revenue Regulation No. 13-98).

Is there a limit to foreign borrowing? If so, outline (a) the amount of the limits and (b) the process for obtaining permission to borrow from abroad.

None. However, prior approval and/or registration with the Bangko Sentral ng Pilipinas may be required if to be serviced using foreign exchange purchased from the banking system.

Does the government recognize microfinance as an important development tool?

The government gave formal recognition to microfinance in 1997 through its National Strategy for Microfinance and has been steadily improving the environment for MFI commercialization.

2005 was declared by the President as the Year of Microfinance per Proclamation No. 719.

If so, are there any government incentives to carry out microfinance activity?

■ The government has abolished its use of subsidized directed credit programs and has laid the framework for all government directed credit programs to be transferred to financial institutions by February 2002. But this phase-out and transfer process is still ongoing.

- In addition, several new government programs on poverty reduction have begun, giving interest-free loans.
- The role of government financial institutions, especially that of the PCFC in providing wholesale funds to retail microfinance institutions for on-lending to poor clients, has already been described.
- The government has also established the National Credit Council (NCC) to create an enabling policy environment to encourage greater private sector participation in the delivery of financial services to the poor.

Briefly describe anything else you feel is relevant to the regulatory environment not included above.

- Because of the convenient nature of direct credit programs, there is a threat that policymakers could revert to the previous policy of regulating interest rates and supporting directed credit programs.
- Although significant improvements have been made in the last few years by the Government and BSP in recognizing microfinance and adapting regulation and supervision to the specialized nature of microfinance operations, the process of implementing several sections of the General Banking Law (GBL) of 2000 is still in progress.
- Another issue is the regulation of NGOs engaged in microfinance. As mentioned above, they are not

subject to prudential regulation and supervision by any government regulatory authority. In relation to the issue of regulation, enforcing standards may stifle innovation and lead to the stagnation of the microfinance industry. But there is a need to balance the use of prudential regulations particularly among NGOs engaged in microfinance.

2. International and Local Support for Microfinance

Which international development agencies are promoting microfinance in the country?

The Philippines has several sources of Overseas Development Assistance (ODA) and technical assistance including: USAID, Australian Agency for International Development (AUSAID), CORDAID, UNDP, ADB-IFAD, European Union (EU), World Bank, and Canadian International Development Agency (CIDA).

Briefly outline their programs and how long they have been active.

- USAID funds projects on technical assistance services such as: Microenterprise Access to Banking Services (MABS) Program, Credit Union Empowerment and Strengthening (CUES) Project, and Credit Policy Improvement Program (CPIP).

- CIDA provided funding for the National Confederation of Cooperatives – Financial Intermediation (NATCCO-FI) project, which is a network for cooperatives.
- ADB-IFAD provided funds to the PCFC in 1995 for on-lending to MFIs that provide micro-credit and micro-savings to the poor through the Grameen Bank replication approach.

Are there other international donors working to promote microfinance in the country?

Canada Fund, Plan International, CARE Philippines, World Vision, and Catholic Relief Services are other international donors working to promote microfinance in the Philippines.

Briefly outline their programs and how long they have been active (i.e. technical assistance, advocacy, grants, loans, etc.). (Please exclude those operating their own microfinance institutions as these should be included above).

Information not found.

Are there any locally sponsored programs promoting microfinance?

Local organizations include the Peace and Equity Foundation, Foundation for Sustainable Societies, Inc. and the Federation of People's Sustainable Development Cooperatives.

Briefly outline their programs.

These organizations usually cater to the capital needs of relatively smaller MFIs.

Is there a national or regional association of MFIs in the country?

The Microfinance Council of the Philippines, Inc. (MCPI)² is a national network of 40 institutions created in 1997 that works towards the rapid development of the microfinance industry in the Philippines. The 40 institutions include 33 practitioners and 7 service providers.

Is membership limited to certain types of microfinance providers?

There are two types of membership in MCPI: regular and associate membership. Regular members are institutions engaged in retail microfinance operations; membership is restricted to NGOs, thrift banks, development banks, rural banks, cooperatives, and credit unions. To become a regular member, the MFI must have a minimum number of 1,000 active clients and a loan portfolio outstanding of at least P3m.

What type of activities does it undertake?

Its mission is to help build the capacity of members to serve poor households in a sustainable, innovative, and client-responsive manner.

3. Sources of Funds

What are the main sources of funds for MFIs? (Please check all that apply).

- Government programs
- International donors or concessional lenders
- Local donors or concessional lenders
- International commercial specialized MF funds
- Local commercial specialized MF funds
- Local banks
- Other.

Please describe:

Which international microfinance funds are work in the country?

The major international funds include Oikocredit, responsAbility Fund, Dexia Microcredit Fund, Rabobank and the Triple Jump Oxfam Novib Fund.

With which institutions have they worked?

Information not found.

Are there any local funds or funds with local orientation (i.e. Oikocredit in Uganda)?

Information not found.

² Other networks include: the Alliance of Philippine Partners for Enterprise Development (groups together Christian development organizations engaged in microfinance), Rural Bankers Association (network of rural banks), and Bicol Microfinance Alliance, Central Luzon Microfinance Council, and Mindanao Microfinance Council (regional associations of MFIs).

With which institutions have they worked?

Information not found.

4. Telecommunications Infrastructure

What is the ratio of fixed broadband subscribers to the total population?

3.3m subscribers,
4 per 100 inhabitants (2005).

What is the ratio of mobile broadband subscribers to the total population?

34.8m subscribers,
41.30 per 100 inhabitants (2005).

What percentage of the population has internet access?

4.4m internet users,
5.32 per 100 inhabitants (2005).

Who are the local telecommunications services providers?

- The major telecommunications services providers include Bayantel, Belltel, Broadband Philippines, Destiny Cable, Digitel, ETPI, Globe, Infocom, Innove, Meridian, Mozcom, Netvoice, NowCable, Pacific Internet, Philcom, Piltel, PLDT, PT&T, Skycable, Smart, Sun Cellular, and Tri-Isys.
- SMS/text messaging is very popular in the Philippines and has become an important source of revenue for Philippine telecommunications companies. Thus Mobile commerce is also increasing in popularity here. The two major m-commerce service

providers in the country include Globe Telecom (with a 36% market share in 2005) and SMART Communication (59%).

Who are the local technology providers in the financial field (focus on agents of larger corporations)?

Information not found.

What is the number of payment cards currently being used? How are payment cards used? What is the relationship between the usage of payment cards to the overall population?

- While the use of cash is still prevalent, the last 10 years has seen the dramatic growth in the use of ATM cards and credit cards, with the trend towards more use of technology.
- In general, the Philippines payment card market is characterized by: low credit card penetration; even lower debit card penetration; and a preponderance of pre-paid cellular phone accounts.

What is the number of existing Point of Service (POS) systems and what is the extent of their outreach in rural areas?

- Big networks concentrate in the urban areas and those in the provinces still do not enjoy modern banking facilities/system.

- Thus in May 2006, Nationlink ATM Network announced plans to cover the whole Philippines. In the first 12 months, 200 Nationlink ATMs were planned to be installed.

What is the geographic and demographic outreach of ATMs? What fees do the ATMs charge? Are these fees too high for the customer base?

- At end-June 2004, 57 banks (41 domestic banks and 16 foreign banks) provided electronic banking services. Out of the 57 banks, 36 were universal and commercial banks (85.7% of the 42 operating universal and commercial banks) and 21 were thrift banks (23.6% of the 89 operating thrift banks).
- Although ATMs have a nationwide presence, there is a concentration in urban areas, which are not easily accessible to those residing in the countryside. As of September 2005, there are a total of 5,996 ATM units in the country where only 38 are rural bank ATMs.
- In addition, ATMs require that the customer has a bank-issued ATM card. The banks that typically issue ATM cards are the larger banks with which poor and low income individuals do not transact. The smaller banks like rural banks do not yet have the vast ATM networks as the bigger banks.
- All banks surveyed by INQ7money.net in 2004 charge ATM fees ranging from P7-10.80 if customers use a machine not owned by their own bank.

Existing Private Sector Involvement in MF

Banking Sector Overview.

What are the major commercial banks in the country? Who owns them?

- Banking in the Philippines is highly concentrated, with the largest six commercial banks controlling around 60% of all financial assets and 90% of all banking assets. Commercial banks are often part of family-owned business conglomerates, and tend to operate as in-house banks for the nonbank business and commercial operations of the controlling families.
- The major domestic commercial banks include: Philippine National Bank, The Bank of the Philippine Islands, Metropolitan Bank & Trust Company, Far East Bank & Trust Company, and Equitable Banking Corporation.

What types of products are offered by the commercial banks?

- Commercial banks offer a variety of standard banking products, such as loans, savings accounts, etc. In addition, many commercial banks also offer remittances services.
- The majority category of loans made by commercial banks (24% of the total) in 2001 was for manufacturing. The largest category of lending (26%) by thrift banks was real estate, renting, and business activities.

Which of these banks has any current involvement with microfinance?

- In general, commercial banks do not provide microfinance services because they do not have the expertise in managing and credit appetite for small loans without collateral.
- Commercial banks are predominantly located in urban areas including first-class municipalities and do not conduct microfinance operations.
- Thus the majority of rural people must rely on the services provided by semiformal financial institutions and informal financial providers.
- But some private commercial banks have made lines of credit available to particular MFIs. However, in one case this occurred at a submarket rate of interest (below prime) and in another, the bank channeled the money through its charitable foundation to allow for a tax write-off in case the loan failed.

Please provide a brief overview of the performance of the commercial banking sector.

- Philippine's financial sector is dominated by banks, which on a combined basis make up over 90% of financial assets.
- Since the mid-1980s, the regulatory framework for the financial sector has improved in terms of increasing the efficiency and stability of the banking system.

- A series of measures tightened the regulations related to minimum capitalization, the limitations and restrictions of loans to a single enterprise, and the allocation of loans to management and shareholders. The capital adequacy ratio is uniform for all banks at 10% of risk-weighted assets.

Are commercial banks familiar with microfinance? In general how receptive are they towards microfinance?

- Most private commercial banks have been extremely tentative in their approach to microfinance. While there is a long tradition of government-subsidized loans channeled through banking systems, lending to MFIs as a profitable business has been comparatively rare.

Is there any legislation which prohibits / encourages commercial banks to engage in microfinance? (i.e. provisioning policies for non-collateralized loans).

- The lack of an existing credit information bureau is problematic for commercial banks to engage in microfinance. A credit information bureau can be a significant tool to reduce risks in micro-lending, increase financial transparency, promote a more efficient microfinance sector, and encourage the expansion of microfinance services by a wider range of players including commercial banks.

Has the formal financial sector been opened up to international players? What restrictions continue to exist on foreign firms?

- Foreign banks operate either through branches (e.g. Bank of America, Citibank, Deutsche Bank, etc.) or through local subsidiaries (e.g. ABN AMRO, Chinatrust (Phils.) Commercial Bank, Maybank, etc.).

Is there a surplus or dearth of liquidity in the local banking sector?

Information not found.

Do most nationals keep their savings at home or abroad?

Information not found.

Non Bank Participation in Microfinance.

How is microfinance perceived by the upper and middle classes in the country?

Information not found.

Are private sector individuals with relative experience involved in the BODs of MFIs or in other advisory capacity?

Information not found.

Have private sector players invested in microfinance directly or through funds? To what extent?

Some private commercial banks have made lines of credit available to particular MFIs.

Constraints

Summary of any constraints to the enabling environment for microfinance identified.

- There is a continuing threat of government policy reversal on the ending of subsidized credit programs in the nonagricultural sector and the capping of interest for political reasons.
- The traditional tools of regulation and supervision cannot adequately handle the prudential and safety requirements of microfinance where loans are provided on the basis of cash flow, trust and intimate knowledge of the borrowers; dispensed in small amounts without collateral to almost asset-less borrowers in the extreme; and collected on the basis of cash flow (weekly, monthly). The BSP has tried to issue Circulars that are intended to ensure the safety and soundness of MFIs as well as taken steps to develop a risk-based supervision approach to microfinance in response to the demand for appropriate regulation and supervision but the process is ongoing.
- Despite the success of credit cooperatives/credit unions in providing financial services to small-scale clients, the regulation and supervision of these credit unions/cooperatives is neither effective nor efficient.

- Building the capacity of MFIs to lend to more clients, either by going down-market to poorer clients, going up-market to larger microenterprises, or including market segments that have previously been excluded by microfinance services, is a major challenge facing the sector.
- An emerging challenge for microfinance providers is the spread of credit pollution, whereby borrowers obtain a loan from one MFI in order to repay their loan with another MFI.

Summary of other constraints to the growth of the microfinance sector.

- Another challenge for the microfinance industry is good governance of financial institutions. Rural banks need to include independent Board members to provide expert advice on the bank's financial operations. Cooperatives and NGOs need to improve the quality of their Boards whose members serve on a voluntary basis. In the absence of personal investments in the MFI, volunteer Boards may not be able to implement the appropriate management systems required in managing an MFI.
- The product development skills of MFIs need to be improved. Many MFIs continue to consider their clients as recipients of credit programs instead of customers that need to be satisfied. But client preferences change over time.

MFIs need to respond to these changes by introducing and/or restructuring their loan products.

- Although the NCC has developed a set of performance standards to be applied to all types of MFIs in the Philippines, the performance standards have not been widely adopted by MFIs due to the absence of incentives for the adoption of such standards and the issue of applicability of the standards to all types of MFIs.
- Another challenge for MFIs is lowering the cost of delivering microfinance services to clients. On average, the operating expense ratio of MFIs in the Philippines is 38.8% but the worldwide industry standard for operating expenses is 20% or less.
- Other constraints include: "crowding out" of private sector by government grants, no credit information bureau, unclear regulations, inadequate access to commercial sources of funds, and the variable quality and quantity of management information.

Summary of constraints to private sector involvement in microfinance.

- Financial institutions are reluctant to enter the market due to high perceived risks and comparatively high cost of credit analysis.

Opportunities

Identify potential solutions to the constraints above and who are the principal actors of each solution.

- The government should stay the course and continue the market orientation of financial and credit policies which have helped MFIs attain a high outreach and financial sustainability level. It should totally abandon any plan to revive subsidized credit programs and instead consider using well targeted subsidies, e.g., output-based assistance, in cases where there would be a need to extend subsidies in fulfilling a particular goal or objective.
- There is a need to develop the government authority's capacity to regulate and supervise the different entities in the Philippines that offer microfinance services to ensure their safety and soundness. This will uphold the welfare of hundreds of thousands of small-scale borrowers and savers.
- The Cooperative Development Authority (CDA) should build its capacity for more effective regulation and supervision of credit unions/ credit cooperatives.
- To build the capacity of MFIs, the government and donors may develop a systematic and sustained program of providing technical assistance to the MFIs in various areas such as strategic planning, financial management, audit and control system, basic banking skills, simple accounting and financial analysis and MIS, loan delinquency management, asset and liability management, product development and packaging, risk management, appropriate pricing of financial products, information tools and appraisal systems, internal control, human resource development and client development.
- Relaxing collateral and provisioning requirements, if accompanied by technical assistance to hone credit analysis skills and the establishment of a microcredit information bureau, should help more financial institutions expand into microlending.
- Microfinance practitioners should use the latest innovations in communications and technology to lower costs. Although a number of MFIs have begun pilot testing Personal Digital Assistants (PDAs) and mobile commerce in microfinance, real benefits are yet to be demonstrated.
- MFIs also need to expand their operations in areas with a high magnitude of poor families and where access to microfinance is limited. Some of the challenges involved in serving the bottom segment of the poor are the need for capital expansion and the appropriate infrastructure to support operations in very poor communities.

- Other opportunities include offering technical assistance, offering credit bureaux information, building infrastructure in rural areas, as well as offer remittances, savings and insurance solutions.

Appendix 1: MFIs Operating in Philippines

	Name	Country	Type of Institution	Gross Loan Portfolio in US \$	Number of Active Borrowers
1.	Green Bank	Philippines	Rural Bank	19,589,951 (31/12/06)	68,167 (31/12/06)
2.	1 st Valley Bank	Philippines	Rural Bank	15,729,679 (31/12/05)	30,239 (31/12/05)
3.	TSPI	Philippines	Non-Profit (NGO)	11,897,040 (31/12/06)	142,370 (31/12/06)
4.	TSKI	Philippines	Non-Profit (NGO)	11,376,035 (31/12/05)	162,867 (31/12/05)
5.	Bangko Kabayan	Philippines	Rural Bank	9,785,832 (31/12/05)	9,288 (31/12/05)
6.	CARD NGO	Philippines	Non-Profit (NGO)	8,596,650 (31/12/05)	98,194 (31/12/05)
7.	NWTF	Philippines	Non-Profit (NGO)	6,480,776 (31/12/05)	67,982 (31/12/05)
8.	Valiant RB	Philippines	Rural Bank	5,982,273 (31/12/06)	5,736 (31/12/06)
9.	Cantilan Bank	Philippines	Rural Bank	5,848,680 (31/12/05)	19,813 (31/12/05)
10.	KMBI	Philippines	Non-Profit (NGO)	5,675,498 (31/12/06)	82,962 (31/12/06)

11.	Life Bank	Philippines	Non-Profit (NGO)	5,661,935 (31/12/06)	61,524 (31/12/06)
12.	CCT	Philippines	Cooperative/Credit Union	5,291,884 (31/12/05)	63,084 (31/12/05)
13.	FICO	Philippines	Rural Bank	5,218,272 (31/12/05)	8,218 (31/12/05)
14.	CARD Bank	Philippines	Rural Bank	5,096,466 (31/12/05)	24,955 (31/12/05)
15.	CBMO	Philippines	Rural Bank	4,708,092 (31/12/05)	8,224 (31/12/05)
16.	RB Digos	Philippines	Rural Bank	3,238,825 (31/12/05)	5,464 (31/12/05)
17.	DSPI	Philippines	Other	3,114,196 (31/12/06)	56,626 (31/12/06)
18.	RB Oroquieta	Philippines	Rural Bank	3,103,652 (31/12/05)	2,912 (31/12/05)
19.	OMB	Philippines	Bank	3,084,892 (31/12/06)	26,585 (31/12/06)
20.	Bangko Mabuhay	Philippines	Rural Bank	3,068,693 (31/12/05)	3,363 (31/12/05)
21.	RB Solano	Philippines	Rural Bank	2,951,557 (31/12/05)	5,448 (31/12/05)
22.	BCB	Philippines	Rural Bank	2,875,960 (31/12/05)	10,462 (31/12/05)

23.	ASKI	Philippines	Non-Profit (NGO)	2,502,428 (30/06/06)	35,453 (30/06/06)
24.	RB Talisayan	Philippines	Rural Bank	2,466,451 (31/12/05)	11,970 (31/12/05)
25.	SAMBALI	Philippines	Bank	2,203,389 (31/12/98)	8,107 (31/12/98)
26.	RB Tangub City	Philippines	Rural Bank	1,710,050 (31/12/04)	2,543 (31/12/04)
27.	Kazama Grameen	Philippines	Non-Profit (NGO)	1,611,097 (31/12/05)	19,733 (31/12/05)
28.	ASHI	Philippines	Non-Profit (NGO)	1,490,844 (31/12/05)	11,466 (31/12/05)
29.	BCS	Philippines	Cooperative/Credit Union	1,424,109 (31/12/03)	3,171 (31/12/03)
30.	PALFSI	Philippines	Non-Profit (NGO)	1,350,675 (31/12/05)	11,750 (31/12/05)
31.	RB Sto. Tomas	Philippines	Rural Bank	1,325,126 (31/12/05)	2,915 (31/12/05)
32.	Partner RB Cotabato	Philippines	Rural Bank	1,293,623 (31/12/05)	1,767 (31/12/05)
33.	ARDCI	Philippines	Non-Profit (NGO)	1,260,308 (31/12/03)	12,630 (31/12/03)
34.	RB San Enrique	Philippines	Rural Bank	1,257,032 (31/12/04)	6,186 (31/12/04)

35.	RB Santiago de Libon	Philippines	Rural Bank	1,218,389 (31/12/05)	10,669 (31/12/05)
36.	USPD	Philippines	Cooperative/Credit Union	1,194,283 (31/12/03)	2,995 (31/12/03)
37.	ECLOF - PHL	Philippines	Non-Profit (NGO)	1,189,002 (31/12/05)	5,560 (31/12/05)
38.	CEVI	Philippines	Non-Profit (NGO)	1,181,778 (30/09/05)	16,989 (30/09/05)
39.	New RB of Victorias	Philippines	Rural Bank	1,146,159 (31/12/05)	3,796 (31/12/05)
40.	KC	Philippines	Cooperative/Credit Union	1,061,733 (31/12/04)	4,587 (31/12/04)
41.	MILAMDEC	Philippines	Non-Profit (NGO)	573,124 (31/12/05)	13,024 (31/12/05)
42.	MMIPC	Philippines	Cooperative/Credit Union	558,297 (31/12/04)	2,362 (31/12/04)
43.	SCMPC	Philippines	Cooperative/Credit Union	531,257 (31/12/03)	1,445 (31/12/03)
44.	Kasagana-Ka	Philippines	Non-Profit (NGO)	464,587 (31/12/05)	8,553 (31/12/05)
45.	CMEDFI	Philippines	Non-Profit (NGO)	448,550 (31/12/05)	6,378 (31/12/05)
46.	PMDF	Philippines	Non-Profit (NGO)	414,290 (31/12/05)	5,552 (31/12/05)

Appendix 1 (Cont'd) ▶

47.	Ugyon	Philippines	Non-Profit (NGO)	310,956 (31/12/06)	4,045 (31/12/06)
48.	PCCC	Philippines	Cooperative/Credit Union	294,718 (31/12/03)	1,517 (31/12/03)
49.	TRD	Philippines	Cooperative/Credit Union	166,536 (31/12/05)	1,737 (31/12/05)
50.	MEDF	Philippines	Non-Profit (NGO)	136,257 (31/12/03)	1,184 (31/12/03)
51.	VEF	Philippines	Non-Profit (NGO)	107,632 (31/12/05)	2,461 (31/12/05)
52.	JVOFI	Philippines	Non-Profit (NGO)	86,002 (31/12/05)	1,157 (31/12/05)

(Source: MIX Market data)

Appendix 2: Funds Operating in Philippines

Fund Name	Country of Incorporation	Fund Assets (US \$)	% of Fund Assets Allocated to MF Investments	# of Active MF Investments	Projected new Funds allocated to MF Investments
1. Oikocredit	Netherlands, The	304,242,000 (31/12/05)	41.47% (31/12/05)	219 (31/12/05)	82,475,000 (31/12/05)
2. responsAbility Fund	Luxembourg	96,154,726 (31/01/07)	93.17% (31/01/07)	111 (31/01/07)	- (31/01/07)
3. Dexia Microcredit Fund	Luxembourg	161,837,903 (06/02/07)	66.73% (06/02/07)	105 (06/02/07)	20,000,000 (06/02/07)
4. CORDAID	Netherlands, The	63,473,991 (31/12/04)	54.58% (31/12/04)	90 (31/12/04)	9,473,730 (31/12/04)
5. Rabobank	Netherlands, The	12,180,900 (30/06/04)	78.20% (30/06/04)	89 (30/06/04)	- (30/06/04)
6. Triple Jump Oxfam Novib	Netherlands, The	28,125,000 (31/12/06)	100.00% (31/12/06)	77 (31/12/06)	- (31/12/06)
7. Triodos-Doen Foundation	Netherlands, The	38,541,944 (31/12/05)	86.04% (31/12/05)	71 (31/12/05)	5,919,750 (31/12/05)
8. IFC	United States	- (30/09/04)	N/A (30/09/04)	52 (30/09/04)	- (30/09/04)
9. Citigroup Foundation	United States	63,000,000 (31/12/01)	N/A (31/12/01)	42 (31/12/01)	2,400,000 (31/12/01)
10. FMO	Netherlands, The	- (31/12/03)	N/A (31/12/03)	30 (31/12/03)	- (31/12/03)

Appendix 2 (Cont'd) ▶

11.	DBMDF	United States	3,259,923 (31/05/05)	86.81% (31/05/05)	28 (31/05/05)	1,000,000 (31/05/05)
12.	MicroVest I	United States	24,230,000 (30/09/06)	93.15% (30/09/06)	25 (30/09/06)	7,500,000 (30/09/06)
13.	USAID Credit Guarantees	United States	- (30/09/04)	N/A (30/09/04)	25 (30/09/04)	- (30/09/04)
14.	ICCO	Netherlands, The	6,496,272 (31/12/04)	72.92% (31/12/04)	20 (31/12/04)	- (31/12/04)
15.	PlaNet MicroFund	France	407,129 (14/11/05)	93.50% (14/11/05)	18 (14/11/05)	100,000 (14/11/05)
16.	Gray Ghost	United States	75,000,000 (30/09/06)	100.00% (30/09/06)	16 (30/09/06)	- (30/09/06)
17.	BIO	Belgium	- (30/06/04)	N/A (30/06/04)	16 (30/06/04)	- (30/06/04)
18.	OTI	United States	13,500,000 (31/08/04)	N/A (31/08/04)	13 (31/08/04)	5,000,000 (31/08/04)
19.	Microfinance Alliance Fund	Philippines	1,700,000 (31/12/01)	70.59% (31/12/01)	10 (31/12/01)	- (31/12/01)
20.	Dignity Fund, L.P.	United States	5,495,000 (31/03/07)	90.99% (31/03/07)	8 (31/03/07)	5,000,000 (31/03/07)
21.	St. Honore Microfinance	Luxembourg	15,874,783 (01/08/06)	53.54% (01/08/06)	6 (01/08/06)	15,000,000 (01/08/06)
22.	Partners for the Common Good	United States	9,000,000 (28/02/07)	20.00% (28/02/07)	5 (28/02/07)	- (28/02/07)

23.	Geisse Foundation	United States	14,000,000 (31/12/03)	2.14% (31/12/03)	3 (31/12/03)	100,000 (31/12/03)
24.	CMI	Netherlands, The	20,000,000 (31/12/06)	100.00% (31/12/06)	2 (31/12/06)	15,000,000 (31/12/06)
25.	VDK MFI Loan Portfolio	Belgium	- (31/12/06)	N/A (31/12/06)	- (31/12/06)	32,988,750 (31/12/06)

(Source: MIX Market data)

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