

# **ADB ASSISTANCE: SUPPORTING PHILIPPINE GOVERNMENT INITIATIVES ON MICROFINANCE and MICROINSURANCE**

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**ADB**

# ADB Microfinance Development Strategy

*Adopted in 2000*

## Goal

To ensure permanent access to institutional financial services for the majority of poor and low income households and their microenterprises through the development of sustainable microfinance systems

# Where Microfinance is defined as ...

Broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their microenterprises

# ADB Microfinance Development Strategy

*Adopted in 2000*

## Key Strategies

- ◆ Creating a policy environment conducive to microfinance
- ◆ Developing financial infrastructure
- ◆ Building viable institutions
- ◆ Supporting pro-poor innovations
- ◆ Supporting social intermediation

# Philippine Microfinance Strategy

- Increased role of the Private Sector
- Government to focus on establishing the enabling policy and regulatory environment
- Adoption of market oriented financial and credit policies
- Non-participation of government line agencies in implementing credit programs

# In support of the Philippine Microfinance Strategy and in line with the ADB's Microfinance Development Strategy....

ADB implemented the following:

## ◆ Rural Microenterprise Finance Project (1996-2002)

- Provided assistance for the Operational and Institutional development of the People's Finance and Credit Corporation (PCFC) – a wholesale MF institution
- Provided assistance in promoting the expansion of microfinance services by formal financial institutions (mainly rural banks)

# In support of the Philippine Microfinance Strategy and in line with the ADB's Microfinance Development Strategy....

## ◆ Microfinance Development Program (2005-2007)

- A program loan that called for further development of the microfinance sector through the strengthening of the microfinance policy environment, improvement of regulatory capacity, MFI capacity, and financial literacy.

# In support of the Philippine Microfinance Strategy and in line with the ADB's Microfinance Development Strategy....

- ◆ ADB's JFPR Project for Developing Financial Cooperatives (2006-2010)
  - Support to the MDP program loan
  - Assisted the Government in further improving the regulatory environment for credit and savings cooperatives engaged in microfinance services.

# These assistance contributed to the further development of the Philippine Microfinance Industry:

**FROM**

only a few large MFIs with an outreach of less than half a million clients in the late 90's,

**TO**

some 1,400 microfinance institutions (over 2,000 including branches) providing microfinance services to about 7 million active clients

# Enactment of laws supportive of the development of the Philippine MF industry

## Credit Information Systems Act

- mandates the establishment of a centralized credit registry to which all lending institutions are required to submit borrower credit information.

## Amendments to the Cooperative Code

- strengthens the regulatory environment for cooperatives providing bank-like services to their members.

# Establishment of regulatory and supervisory tools to enhance capacities of MF regulators

## Supervision and Regulation of Cooperatives engaged in savings and credit services

- Development of supervision and examination manual
- Capacity building of coop regulator

**These projects mostly address the savings and credit needs of the poor**

**With sustained access to savings and credit services both MFIs and government recognized the need for risk protection**

**Poor need insurance to address their risk protection needs**

**THUS the need to develop the PHILIPPINE MICROINSURANCE industry**

## **HENCE, in 2008, ADB provided a new JFPR Project for Developing Microinsurance**

- The Project aims to:
  - Help Government formulate and adopt suitable microinsurance regulations;
  - Enhance capacities of government regulators and microinsurance providers through training and mentoring ;
  - Improve access by the poor to a broad range of microinsurance services through the conduct of financial literacy activities.

# To date the following have been accomplished under the Project...

## Provided technical and financial assistance to DOF-NCC and IC on:

- ❑ Formulation and development of the following:
  - Regulatory Framework for Microinsurance
  - Performance Standards for Microinsurance
  - Roadmap to Financial Literacy in Microinsurance
- ❑ Drafting of relevant circulars and regulations on Microinsurance

## Next Steps on ADB Assistance for the Philippine Microinsurance Industry

- ❑ Conduct of capacity building activities on the effective adoption and implementation of the Performance Standards for MI
  - Development of relevant training modules
  - Conduct of training activities for both regulators and MI providers
- ❑ Provision of Technical assistance in the drafting of relevant MI circulars

## Next Steps on ADB Assistance for the Philippine Microinsurance Industry

- Conduct of capacity building activities on the implementation of the roadmap on financial literacy on MI
  - Development of training modules
  - Publication and dissemination of relevant information, materials and documents on MI awareness
  - Training of trainers on MI literacy
  - Roll-out of the MI literacy program

# Project activities and accomplishments are mainly directed at....

Ensure that regulatory environment encourages private sector participation in Microinsurance

Ensure safe and sound provision of Microinsurance

Increase awareness and buy-in of relevant stakeholders regarding Microinsurance

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## Thank you

