

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

