

Developing the National Strategy for Microfinance in the Philippines

Presentation by

Mr. Gil S. Beltran

*Assistant Secretary, Department of Finance,
Republic of the Philippines*

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Today's Presentation

- Background
- The National Credit Council
- Identifying bottlenecks
- Formulating National Strategy for Microfinance
- Ensuring adoption of the strategy
- Lessons learned
- Challenges ahead

Background

- Absence of a comprehensive government policy on credit
- Proliferation of subsidized government directed credit programs (DCPs)
- Weak private sector participation in credit delivery due to extensive government competition

Background (cont.)

- Low repayment rates on DCPs caused fiscal losses
- Poor lacked access to formal credit
- Unsustainable private financial institutions
 - Dependent on government-subsidized funds

The Beginnings

TO PROVIDE THE POOR GREATER ACCESS TO FINANCIAL SERVICES, GOVERNMENT WILL PROVIDE THE APPROPRIATE ENABLING POLICY ENVIRONMENT TO STRENGTHEN THE PRIVATE SECTOR IN THE DELIVERY OF MICROFINANCIAL SERVICES TO THE POOR

- Feedback studies show that government DCPs are ineffective
- A broad-based multi-sectoral group (Social Pact on Credit) calls for credit policy reforms
- President created the National Credit Council (NCC) in October 1993

The National Credit Council

- Composed of nineteen representatives with Department of Finance (DoF) as Chairman
 - Government regulatory bodies, financial institutions and line agencies involved in credit delivery
 - Private sector associations for banks, cooperatives and NGOs
- NCC Secretariat transferred from Land Bank of the Philippines to DoF in early 1996

NCC's Objectives

- Rationalize government DCPs
- Develop alternative credit delivery mechanisms for greater private sector participation
- Create environment conducive to credit policy

How NCC Identified Bottlenecks

- Complete inventory of all DCPs
- Series of credit policy related studies including an evaluation of these programs
- Workshops with key stakeholders to validate findings and recommendations

Institutional Solution to Bottlenecks

- NCC formulated the National Strategy for Microfinance in 1997 with:
 - Vision of strong and viable private microfinancial market
 - Four basic credit policy principles
 - Microfinance framework and action plan defined

Implementing the Strategy

- National Anti-Poverty Commission created by law to coordinate and monitor all poverty-related programs, particularly microfinance
- Exposure and study visits on best practices, both foreign and local, for key officials
- NCC created technical working groups with private sector for each individual task

Implementing the Strategy (cont.)

- Regional consultations and aggressive advocacy conducted
- Continuous briefings and presentations to newly elected or appointed officials held
- Government appropriation for DCPs to line agencies stopped
- NCC clearance required for all government credit programs, to ensure policy consistency

Results in the Process

- Four laws passed
- One Executive Order issued
- Seven BSP Circulars enunciated
- Three government agency circulars approved
- GFI operating manuals amended
- Regulatory Framework and Uniform Standards of performance for all MFIs established

Lessons Learned

- Strong private sector collaboration, from the onset, imperative to push critical reforms
- Credible, independent body with multi-sectoral representation is an effective venue for continuous policy dialogues
- Institutionalization of reforms through legislation and executive fiat can mitigate policy reversals
- Private sector ownership of reforms can ensure continuity

Remaining Challenges

- Inconsistent and uncoordinated donor policy and agenda tend to undermine credit policy reforms
- Fiscal autonomy and independence of local government units and some government corporations from national government objectives and policy reforms

For More Information

Gil S. Beltran

gbeltran@dof.gov.ph

NCC website: ncc.dof.gov.ph

RETA website:

<http://www.adb.org/Projects/Supporting-PSD-Strategies>

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