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R89-18
27 August 2018

Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 Inclusive Finance Development Program (Philippines)

1. The Report and Recommendation of the President (RRP: PHI 51309-001) on the proposed programmatic approach and policy-based loan for subprogram 1 to the Philippines for the Inclusive Finance Development Program is circulated herewith.
2. This Report and Recommendation should be read with (i) *Country Partnership Strategy: Philippines, 2011–2016 and Corrigendum 1*, which were circulated to the Board on 5 and 19 October 2011, respectively (DOCS.Sec.M55-11 and Corrigendum 1); and (ii) *Country Operations Business Plan: Philippines, 2018–2020*, which was circulated on 6 December 2017 (DOC.IN.436-17).

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Report and Recommendation of the President to the Board of Directors

Project Number: 51309-001
August 2018

Proposed Programmatic Approach and Policy- Based Loan for Subprogram 1 Republic of the Philippines: Inclusive Finance Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 27 August 2018)

Currency unit	=	peso/s (₱)
₱1.00	=	\$0.01875
\$1.00	=	₱53.3410

ABBREVIATIONS

ADB	–	Asian Development Bank
BSP	–	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
DOF	–	Department of Finance
IFC	–	International Finance Corporation
IC	–	Insurance Commission
MSMEs	–	micro, small, and medium-sized enterprises
MNGO	–	microfinance nongovernment organization
NIS	–	national identification system
NSFI	–	National Strategy for Financial Inclusion
PDP	–	Philippine Development Plan
SEC	–	Securities and Exchange Commission
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

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CONTENTS

	Page
PROGRAM AT A GLANCE	
I. THE PROPOSAL	1
II. PROGRAM AND RATIONALE	1
A. Background and Development Constraints	1
B. Policy Reform and ADB's Value Addition	4
C. Impacts of the Reform	8
D. Development Financing Needs and Budget Support	9
E. Implementation Arrangements	9
III. DUE DILIGENCE	9
IV. ASSURANCES	10
V. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	13
3. Development Policy Letter	14
4. Policy Matrix	15

PROGRAM AT A GLANCE

1. Basic Data		Project Number: 51309-001	
Project Name	Inclusive Finance Development Program (Subprogram 1)	Department/Division	SERD/SEPF
Country	Philippines	Executing Agency	Department of Finance
Borrower	Philippines		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Finance	Inclusive finance		300.00
		Total	300.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Disaster risk management		
Regional integration (RCI)	Pillar 3: Money and finance		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Civil society participation	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Organizational development		
Partnerships (PAR)	Pilot-testing innovation and learning		
	Civil society organizations		
	Implementation		
	Private Sector		
Private sector development (PSD)	Conducive policy and institutional environment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Nation-wide	High
Household Targeting	Yes		
SDG Targeting	Yes		
SDG Goals	SDG10		
6. Risk Categorization:	Complex		
7. Safeguard Categorization	Environment: C	Involuntary Resettlement: C	Indigenous Peoples: C
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		300.00	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan):		300.00	
Ordinary capital resources			
Cofinancing		174.00	
Agence Francaise de Developpement - Programmatic Approach		174.00	
Policy-Based Lending (Loan) (Not ADB Administered)			
Counterpart		0.00	
None		0.00	
Total		474.00	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed programmatic approach for the Inclusive Finance Development Program and (ii) a proposed policy-based loan to the Republic of the Philippines for subprogram 1 of the Inclusive Finance Development Program.

2. The proposed program complements coordinated support by the Asian Development Bank (ADB) to develop a resilient and inclusive finance sector. The program supports the government's efforts to increase financial inclusion by (i) strengthening the institutional and policy environment, (ii) improving the financial infrastructure, and (iii) increasing the capacity and reach of service providers. The program is consistent with the Philippine Development Plan (PDP), 2017–2022¹ and is included in ADB's country operations business plan, 2018–2020.²

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **The development problem.** Despite rising and sustained economic growth, the Government of the Philippines faces a challenge of persistently high inequality. Sound economic stewardship, and an emphasis on governance and infrastructure led to an acceleration in economic growth – which averaged 6.2% from 2011–2017, and a decline in overall poverty incidence from 26.6% in 2006 to 21.6% in 2015.³ However, the Philippines has one of the highest levels of income inequality in Southeast Asia, with a Gini coefficient of 0.44 in 2015, compared with 0.39 in Indonesia in 2017 and 0.38 in Thailand in 2013. The per capita gross regional domestic product in the National Capital Region is the country's highest, and is more than 12 times that in the Autonomous Region in Muslim Mindanao (ARMM).⁴ In recognition of the challenges, the PDP, 2017–2022 set ambitious objectives for inclusive growth. The rural poverty rate is targeted to decline from 30% in 2015 to 20% in 2022, and the overall poverty rate from 21.6% to 14.0% during the same period. To achieve these targets, the government plans to create jobs, increase incomes, and strengthen the investment climate. The government's signature “Build, Build, Build” program calls for \$168 billion in total infrastructure investment from 2017 to 2022. Spending on education, skills, and public service delivery has been increased and the economy has responded, with economic growth further accelerating to 6.7% in 2017, the fastest in the Association of Southeast Asian Nations region.⁵

4. While higher economic growth will provide a strong foundation for reducing inequality, more needs to be done. High inequality in the Philippines is a result of several factors, but low levels of financial inclusion – especially in rural areas – represents a key contributor.⁶ In 2017, only 34% of Filipino adults held an account at a formal financial institution, compared with 49% of adults in Indonesia, 82% in Thailand, and 85% in Malaysia (Table 1). Only 10% of the adult

¹ Government of the Philippines, National Economic and Development Authority. 2017. *Philippine Development Plan, 2017–2022*. Manila; ADB. 2011.

² ADB. 2017. *Country Operations Business Plan: Philippines, 2018–2020*. Manila. The design and monitoring framework is in Appendix 1.

³ Government of the Philippines, Philippine Statistics Authority. 2015. *Full Year Poverty Statistics 2015*. Manila.

⁴ Government of the Philippines, Philippine Statistics Authority. <https://www.psa.gov.ph> (accessed 3 July 2018).

⁵ World Bank. 2018. *Global Economic Prospects, June 2018: The Turning of the Tide?* Washington, DC.

⁶ Economic Intelligence Unit. 2016. *Global Microscope 2016: The Enabling Environment for Financial Inclusion*. London.

population borrowed from and 12% saved at a formal financial institution in 2017—down from 12% and 15% in 2014—ranking the Philippines among the lowest in the region. Lower-income households are disproportionately excluded, with only 18% of adults from the bottom 40% income group holding an account at a formal financial institution in 2017 (the same level recorded in 2014). Additionally, regional disparities in financial access are substantial, with bank offices concentrated in highly populated regions such as the National Capital Region, Cavite, Laguna, Batangas, Rizal and Quezon, and Central Luzon. As of September 2017, 35% of cities and municipalities did not have a banking office.⁷ Taking nonbank financial institutions (e.g., microfinance institutions, cooperatives, pawnshops, and remittance agents) into account reduced the level of unserved municipalities from 35% to 10%, but these offer only a limited range of financial products and services. As a result, many individuals have limited access to or are completely excluded from financial services, including savings, credit, remittances, payments, cash drawdowns, e-money conversions, and insurance. Likewise, micro, small, and medium-sized enterprises (MSMEs), which are typically owned by individuals, lack access to similar types of financial services. While some indicators on access to finance indicate gender gaps in favor of women, 61% of women still lack a bank account at a formal financial institution.

Table 1: Financial Inclusion in the Association of Southeast Asian Nations
(%)

Country	Account ^a	Account Male	Account Female	Account Youth (age 15-24)	Account Poorest 40%	Borrowed from a Financial Institution	Saved at a Financial Institution
Cambodia	22	22	22	20	53	27	5
Myanmar	26	26	26	11	30	19	8
Lao PDR	29	26	32	24	42	9	18
Viet Nam	31	31	30	34	42	21	14
Philippines	34	30	39	24	18	10	12
Indonesia	49	46	51	47	37	17	22
Thailand	82	84	80	73	78	15	39
Malaysia	85	88	82	84	81	12	38

Lao PDR = Lao People's Democratic Republic.

Note: Indicators are defined as the percentage of people aged 15 and over who have an account.

^a Number of people who have an account, on their own or with someone else, at a bank or another type of financial institution, or have personally used a mobile money service in the past 12 months.

Source: World Bank. *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC.

5. **Binding constraints.** Recognizing the challenges, the government adopted its first National Strategy for Financial Inclusion (NSFI) in 2015 to coordinate broad-based initiatives for greater financial inclusion. Based on an assessment of the 2015 NSFI and a stocktaking of inclusive finance in the Philippines, three primary constraints have been identified: (i) structural impediments limit access to finance, especially for the rural poor; (ii) financial infrastructure is fragmented and does not provide an enabling environment; and (iii) financial institutions exhibit limited capacity to expand outreach and increase access to finance.⁸

6. **Structural impediments.** There are four primary structural impediments that limit access to finance: (i) lack of a national identification system (NIS); (ii) limited availability of agriculture finance; (iii) low penetration of microinsurance; and (iv) shallow financial literacy. In 2017, 32% of

⁷ Central Bank of the Philippines (BSP). 2017. *Financial Inclusion in the Philippines: Dashboard as of Third Quarter 2017*. Manila.

⁸ Sector Assessment (Summary): Finance (accessible from the list of linked documents in Appendix 2).

the population reported not having a bank account because of a lack of necessary documentation.⁹ Thus, a single NIS and an integrated national database represent a necessary starting point for accelerating financial inclusion. International experience shows that the establishment of an NIS, with a foundational identification card,¹⁰ can improve poor households' access to government benefits and services by making it easier to open a bank account.¹¹ In addition, the legal and regulatory environment needs to be strengthened to better encourage the finance sector to provide the financial products and services necessary for individuals in rural households to generate income and mitigate financial risks.¹² With 25% of employed persons working in agriculture (around 10 million individuals) rural areas often rely on MSMEs and agribusiness for growth and employment creation.¹³ While agricultural lending increased 17% from 2016 to 2017, agriculture finance overall remains underdeveloped and underutilized. Banks struggle to comply with mandatory agricultural lending requirements, preferring to pay the penalties for non-compliance rather than allocate part of their portfolio to the agriculture sector. Transaction costs are high, especially in rural areas, and financial institutions lack expertise in managing agricultural loan portfolios. Crop insurance coverage is available only from government entities, coverage of risk is narrow, fragmentation of the market limits demand, and value chains have not yet been developed. The number of farmers covered by the Philippine Crop Insurance Corporation in 2017 increased to 1,040,000, but less than 2.82% of actual total damages were paid out 2017.¹⁴ Finally, efforts to promote financial literacy have not been sufficient to ensure that consumers, especially poorer households and MSMEs, can make well-informed financial decisions. A coordinated financial education strategy and tailored financial literacy activities are necessary to meet the needs of specific groups (e.g., women, farmers, fishers, youth, and MSMEs) and for specific types of financial services, including digital financial services.

7. Fragmented financial infrastructure. There are three primary impediments to financial infrastructure: (i) an underdeveloped payment system; (ii) lack of comprehensive credit and collateral data; and (iii) a lack of alternative credit enhancement mechanisms. Financial inclusion is best served through a modern, efficient, and low-cost payment system. However, the payment system is costly, fragmented, and cannot support the efficient provision of electronic payments to reach the underserved. Digital payments represented only 1% of total financial transactions in 2013, demonstrating the lack of effective electronic delivery channels. Achieving higher levels of financial inclusion also depends on the ability of lenders to assess credit risks, and to compensate with collateral if necessary. A comprehensive credit reporting registry has been established. However, awareness of the registry among clients and financial service providers is low and participation is limited, especially for MSMEs. Moreover, the absence of a movable collateral registry exacerbates the lack of credit data and inhibits bank lending, as banks are unable to mitigate their credit risk. While the government has a network of credit guarantee mechanisms,

⁹ The Philippines has multiple forms of identification; none are integrated, and none provide comprehensive coverage.

¹⁰ A foundational national identification registry contains basic data which can be used for multi-purposes.

¹¹ For example, India has a biometric NIS with 1.19 billion enrolled members (as of 30 November 2017), and approximately 99% of households in both rural and urban areas in India now have at least one member with a bank account, up from 50% in 2011 at the inception of the NIS.P. Bhattacharya. 2016. 99% Indian households are covered by a bank account. *Mint*. 9 April. <http://www.livemint.com/Specials/vVKbQ0cMmiNbdwOlf0Z4N/99-Indian-households-are-covered-by-a-bank-account.html>.

¹² The agriculture sector represents 9.7% of gross domestic product and yet has a high unmet demand for more sophisticated agriculture and agriculture value chain finance (financial products and services supporting the full range of value adding activities required for bringing a product or service from the farm to the final customer or consumer) and crop insurance.

¹³ Government of the Philippines, Philippine Statistics Authority. <https://www.psa.gov.ph> (accessed 3 July 2018).

¹⁴ Legislation pending in Congress proposes to address weaknesses of the Philippine Corp Insurance Corporation through a recapitalization of funds and by allowing engagement in index-based insurance and reinsurance.

the credit guarantee system is undercapitalized, inefficient, and underused. This weakness especially limits the extension of credit to MSMEs, which usually lack collateral, particularly for agriculture finance.

8. **Limited capacity of financial institutions.** The limited capacity of financial service providers prevents wider outreach and constrains access to finance, especially in rural areas. The microfinance sector has approximately 1,400 operating microfinance institutions, including microfinance nongovernment organizations (MNGOs), rural banks, thrift banks, and cooperatives serving about 7 million active clients. As of 2017, the banking sector alone had 164 operating microfinance banks serving 1.8 million clients with outstanding loans amounting to around \$279 million.¹⁵ Despite this growth, MNGOs—which serve the most excluded populations, including poor women—are unable to meet existing demand. With the passage of the Microfinance NGOs Act in 2015, registered and accredited MNGOs now pay only 2% tax. The cost savings from the reduced tax burden can be translated into new product development, lower interest rates, and expanded outreach. However, MNGOs have not been subjected to a comprehensive regulatory structure, including social and governance performance standards and regular monitoring, which would ensure their financial sustainability and better protect their clients. Rural banks, which are best placed to reach MSMEs and agricultural enterprises in rural areas, also exhibit limited financial and operational capacity. Without cost-effective credit assessment or enhancement mechanisms, most rural banks limit their risk exposure, resulting in lower outreach. Financial technology has the potential to rapidly expand and scale financial services. However, most financial institutions lack the financial resources or ability to innovate. Finally, gaps in the legal and regulatory framework for Islamic finance have slowed development of Islamic financial services, particularly in the ARMM, limiting financial inclusion in that region.

B. Policy Reform and ADB's Value Addition

9. **The government's reform agenda.** Expanding financial services across the country, including regions with the highest levels of poverty, is critical to achieving the government's agenda of promoting inclusive growth. On 1 July 2015, the government launched the Philippines' first NSFI to coordinate broad-based initiatives for greater financial inclusion.¹⁶ The NSFI serves as a guide for stakeholders to systematically accelerate financial inclusion in the Philippines. The objective of the NSFI is to achieve a regionally responsive, development-oriented, and inclusive financial system that provides for the evolving needs of a diverse Filipino public. The four key areas of the strategy are (i) policy and regulation, (ii) financial education and consumer protection, (iii) advocacy programs, and (iv) data and measurement. NSFI initiatives and areas of policy reform cover (i) digital finance, (ii) financial literacy, (iii) credit information systems, (iv) development of a movable collateral registry, (v) diversification of financial products and services, and (vi) strengthening of the capacity of financial service providers. The NSFI has been embraced by the PDP, 2017–2022, which calls for the development of inclusive business models and social enterprises to better engage MSMEs and to increase their access to finance.

10. **Proposed policy reforms.** The use of a programmatic approach with a policy-based loan and technical assistance (TA) provides for comprehensive and flexible support to the government's reform program over the medium to long term. Subprogram 1, which is the first of two subprograms, contains 14 high-impact reforms, including seven policy triggers and seven

¹⁵ A microfinance bank is defined as either a rural or thrift bank with more than 50% of its portfolio in microfinance.

BSP. 2017. *Financial Inclusion in the Philippines: Dashboard as of First Quarter 2017*. Manila.

¹⁶ Government of the Philippines. 2015. *National Strategy for Financial Inclusion*. Manila.

policy milestones.¹⁷ All policy actions have been accomplished. The program will support the government's efforts under the NSFI to increase financial inclusion by (i) strengthening the institutional and policy environment, (ii) improving the financial infrastructure, and (iii) increasing the capacity and reach of service providers with a focus on nonbank financial institutions in rural areas. TA will support policy reforms proposed under subprogram 2 and the medium-term results framework.¹⁸ The scope of the TA includes (i) development of a road map for agriculture finance, (ii) development of diverse microinsurance products and services through public–private partnerships, (iii) promotion of digital financial services, (iv) a strategic plan for financial literacy initiatives, (v) strengthened capacity of financial service providers, and (vi) gender-responsive strategies to support key policy reforms. Subprogram 2 may include a TA loan. A medium-term direction and expected results policy framework covering 2016–2022 provides a structure for continued policy reforms and ongoing dialogue with government.

11. Institutional and policy environment for financial inclusion. This reform area reflects the implementation of institutional measures to improve access to finance among poorer households and MSMEs. Accomplishments under subprogram 1 included the government's submission of draft legislation to Congress for the development of a NIS with an identification card, and a commitment of \$40 million to support implementation through the General Appropriations Act for 2018–2020. Over time, the NIS will increase the reach of the government's financial inclusion efforts and improve data availability, leading to increased financial inclusion, especially among the poorest and most excluded segments of the population who are most likely to lack the identification needed to open a bank account or borrow from a financial institution. The government also adopted complementary regulatory reforms to expand the availability of products and services. The Central Bank of the Philippines (BSP) issued regulatory guidelines to support agricultural value chain finance and provided incentives to banks to offer agriculture finance products, including an increase of related single borrower limits. In addition, the government, through the Insurance Commission (IC), revised the regulatory framework to enable a broader distribution of microinsurance to reach a wider range of clients. Specifically, the new regulations allow licensed microinsurance general agents, brokers, cooperative insurance societies, and mutual benefit associations to contract services of microinsurance providers, drastically increasing the potential for opening new accounts. Finally, Congress passed legislation establishing an annual Economic and Financial Literacy Week to increase financial literacy across the country. Under subprogram 2, the government will launch development of the NIS and will provide a road map for the design and introduction of an identification card. The government will develop and implement a gender-sensitive agriculture finance road map and will roll out a new microinsurance scheme to increase coverage, especially for farmers. A financial education stocktaking assessment will support the development and of an enhanced financial learning program with tailored approaches for specific population segments, including women and youth.

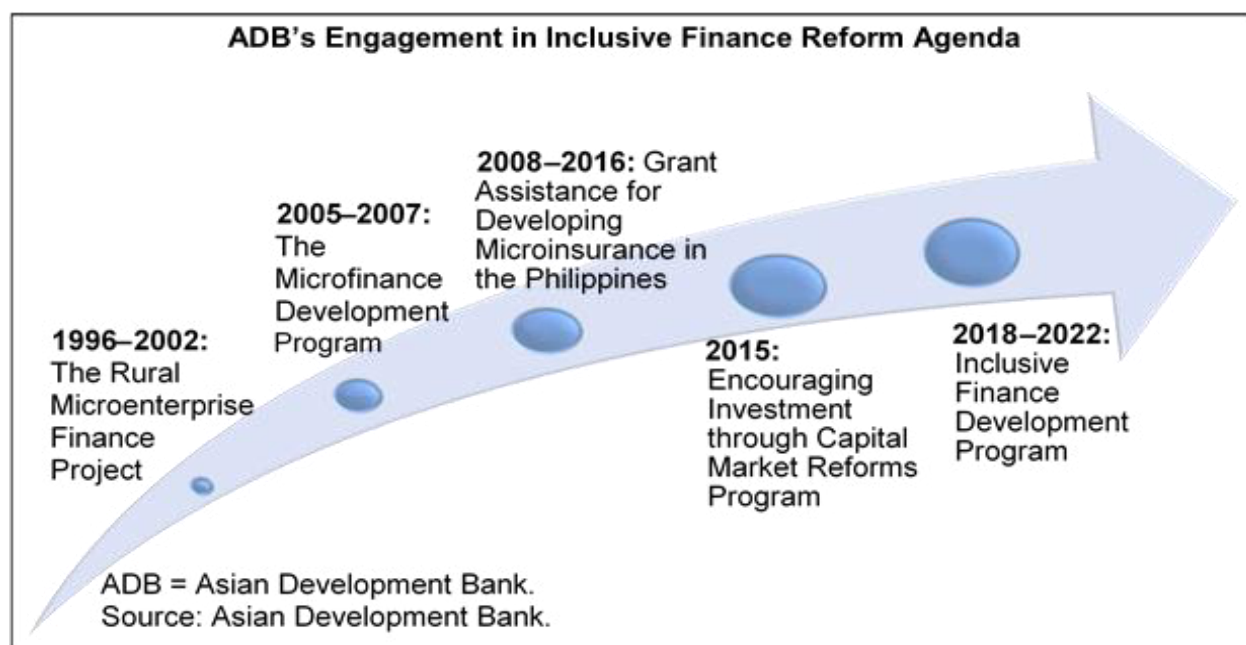
12. Infrastructure for financial inclusion. This reform area reflects the government's efforts to directly increase financial inclusion through investment in support systems and support networks. Accomplishments under subprogram 1 included the BSP's actions to upgrade the national retail payment system to provide a more varied and a safer means of payment, especially for lower-income customers. As part of the upgrade, the BSP established two clearing houses: (i) PESONet, which launched direct business-to-business and customer-to-business payments and enabled the digitization of government-to-government and person-to-government transactions; and (ii) InstaPay, which makes it easier and less costly for individuals and

¹⁷ Prior actions are considered loan disbursement conditions, and policy milestones strengthen the program.

¹⁸ ADB. 2016. *Technical Assistance to the Republic of the Philippines for Financial Inclusion Framework Strengthening*. Manila.

businesses to make real-time electronic payments of less than \$1,000 (without a daily limit) by eliminating the need to transact at bank branches or payments counters. In addition, the Securities and Exchange Commission (SEC) integrated microfinance credit information into the national credit information registry, which will expand access to credit for individuals and MSMEs. The government also submitted legislation to Congress to provide an updated legal framework for a national secured transaction registry, which will provide individuals and MSMEs with the ability to pledge movable collateral, thereby increasing their access to credit and reducing its cost. The government also completed an action plan to improve the existing credit guarantee schemes by consolidating and strengthening their management and governance. Under subprogram 2, the BSP will (i) continue enhancing the national retail payment system to support the expansion of digital payments, (ii) issue additional financial technology licenses, and (iii) increase the ability of banks to reach the underserved through agents and off-premise cash and deposit services. Coverage of the national credit information registry will continue to increase, and the Land Registration Authority will establish a collateral registry. Finally, the government will launch its plan to improve existing credit guarantee schemes.

13. Capacity of financial service providers. This reform area reflects actions taken to improve the capacity of MNGOs and to expand the reach of rural banks. Accomplishments under subprogram 1 included the establishment of a Microfinance NGO Regulatory Council with the SEC as chair. The council subsequently adopted accreditation standards to strengthen the financial and social performance standards and governance practices of MNGOs. The program also pilot-tested new technological innovations to improve the operational efficiency and outreach of rural banks. Finally, the government submitted legislation to Congress to establish a strong legal and policy framework for the development of Islamic finance to expand access to financial services in the ARMM in particular. Under subprogram 2, the council will accredit and monitor MNGOs and provide training programs to help build their capacity for compliance. Support for technical innovation will continue with the mainstreaming of cloud-based core banking solutions in the banking industry. The BSP will support passage of legislation, conduct gender-sensitive awareness-raising and capacity-building campaigns, and formulate regulations for issuance of *sukuk* (sharia-compliant bonds).



14. **ADB experience.** A strong government commitment, complemented by ADB's support, has created a vibrant microfinance industry and a conducive regulatory framework. The Rural Microenterprise Finance Project laid the foundation for successful microfinance wholesale lending operations and contributed to the growth of microfinance.¹⁹ The Microfinance Development Program improved the microfinance regulatory environment, strengthened regulatory and operational capacity, and implemented the national microfinance literacy program.²⁰ These programs were complemented by the Developing Financial Cooperatives Project, which improved the regulatory environment for credit and savings cooperatives.²¹ The Developing Microinsurance Project helped the government set up a suitable regulatory environment and launch the National Strategy for Microinsurance in 2010.²² The Capacity Building for Microinsurance Project produced the regulatory framework necessary to support the development of microinsurance.²³ Complementing this support, the Encouraging Investment through Capital Market Reforms Program, approved by ADB in 2015, has supported reforms to deepen the capital market and expand the institutional investor base to increase access to long-term finance, opening the door for ADB's shift to expanding financial inclusion.²⁴

15. **Lessons learned.** ADB's long engagement in the microfinance sector has informed the program design through four key lessons. First, increasing broad access to financial services requires a comprehensive strategy. This strategy must cover the institutional and policy environment, the types and accessibility of products and services offered, the infrastructure and payment system, and the capacity of financial service providers. Second, there should be strong government ownership of the reforms and widespread political will to implement them. This is especially important considering that certain barriers to financial inclusion (through initiatives such as an NIS, credit and collateral registries, and Islamic financial services) have not been addressed through earlier reforms because of the concerns of various stakeholders. Third, pilot projects testing new strategies through a regulatory "sandbox" approach (i.e., a test-and-learn approach) represent an important part of policy development and help build stakeholder support for institutional reforms.²⁵ Fourth, building capacity should include close ADB involvement with government and national and local government ownership of interventions.

16. **ADB's value addition to program design and implementation.** The program design benefited from the explicit commitment of the government through the NSFI. The program also incorporates knowledge gained from sustained ADB policy dialogue with key stakeholders as well as previous and ongoing TA implementation. Most recently, ADB has worked closely with the BSP to identify priority areas of reform and has helped identify ways to strengthen agriculture finance, improve coordination of financial literacy, and explore innovation in the banking sector.

¹⁹ ADB. 1996. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of the Philippines for the Rural Microenterprise Finance Project*. Manila.

²⁰ ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of the Philippines for the Microfinance Development Program*. Manila.

²¹ ADB. 2006. *Grant Assistance Report: Proposed Grant Assistance to the Philippines for the Developing Financial Cooperatives Project*. Manila.

²² ADB. 2008. *Grant Assistance Report: Proposed Grant Assistance to the Republic of the Philippines for the Developing Microinsurance Project*. Manila.

²³ ADB. 2012. *Grant Assistance Report: Proposed Grant Assistance to the Republic of the Philippines for Capacity Building for the Microinsurance Project*. Manila.

²⁴ ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of the Philippines for the Encouraging Investment through Capital Market Reforms Program*. Manila.

²⁵ A regulatory "sandbox" approach (i.e., a test-and-learn approach) is a framework set up by a finance sector regulator to allow small-scale live testing of innovations by private firms in a controlled environment (operating under a special exemption, allowance, or other limited, time-bound exception) under the regulator's supervision.

Through TA support, ADB has built on the lessons learned and is supporting the BSP's test-and-learn approach with a rural bank in Mindanao by funding the migration of its core banking system to a cloud-based core banking solution.²⁶ Based on previous ADB research, ADB TA is supporting a follow-on assessment to identify how an NIS can accelerate financial inclusion in the Philippines, particularly among the most marginalized population.²⁷ Together, ADB and the IC have worked to further develop microinsurance, including exploration of public-private partnerships to expand agriculture insurance. ADB has also worked closely with the SEC to develop financial, social, and governance standards for MNGOs and an accreditation framework to professionalize and scale their operations. ADB is also supporting the development of a regulatory framework for Islamic finance.²⁸

17. Development partner coordination. Since 2000, ADB has worked closely with the government and other development partners to support the government's goal of increasing financial inclusion in the Philippines. Since 2015, the NSFI steering committee, chaired by the BSP, has coordinated development partner support. Key development agencies actively involved in supporting financial inclusion include Agence Française de Développement (AFD). ADB and AFD are working closely to align technical assistance to support implementation of the Inclusive Finance Development Program. In addition, the AFD is exploring the possibility to provide parallel collaborative cofinancing for subprogram 2. Other development partners include German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit, the International Finance Corporation (IFC), the International Labor Organization, the United Nations Development Programme, the United States Agency for International Development, and the World Bank. Within this framework, ADB and the World Bank are closely collaborating to support implementation of the NSFI, including an expansion of agriculture finance and insurance. ADB has worked closely with Deutsche Gesellschaft für Internationale Zusammenarbeit to develop a strong regulatory framework and financial literacy for microinsurance. The IFC has worked with the Credit Information Corporation to establish a credit information system and has supported the development of an updated regulatory framework for secured transactions, including an online collateral registry. ADB and the IFC are collaborating on ways to raise awareness of the credit and collateral registries. The United States Agency for International Development has long supported innovation in the rural banking sector and the promotion of electronic money. Recent discussions with ADB have focused on coordinated support for Islamic finance in Mindanao.

C. Impacts of the Reform

18. Economic impact of the program. The program impact assessment estimates the potential net present value of benefits (benefits minus costs) of the program to range from \$1.5 to \$4.6 billion. Benefits arise primarily out of reforms which will increase the number of account holders and the average savings of the new account holders, which together boost GDP. The present value of the costs arise primarily from the adoption of a national identification system. In addition to the economic growth, the reforms supported by the program yield other economic benefits such as a reduction in poverty and increased participation in the formal economy.²⁹

²⁶ ADB. 2017. *Technical Assistance for Unlocking Innovation for Development*. Manila. Through this TA and the TA referenced in footnote 18, ADB is financing a pilot cloud banking project for a rural bank in the province of Mindanao, Philippines. Cloud-based banking involves full migration from a hardware-based core banking system to cloud infrastructure, reducing costs and improving efficiencies.

²⁷ ADB. 2016. *Identity for Development in Asia and the Pacific*. Manila.

²⁸ ADB. 2017. *Technical Assistance to the Republic of the Philippines for Islamic Finance in the Philippines*. Manila.

²⁹ Program Impact Assessment (accessible from the list of linked documents in Appendix 2).

D. Development Financing Needs and Budget Support

19. The government has requested a single tranche loan of \$300 million from ADB's ordinary capital resources to help finance subprogram 1, with an indicative \$300 million for subprogram 2. Subprogram 2 may include a \$10 million TA loan to help further develop financial inclusion. The loan will have a 15-year term, including a 3-year grace period, annuity method with 30% discount, an annual interest rate determined in accordance with ADB's London interbank offered rate-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions set forth in the draft loan agreement. The average maturity is 12.1 years, and there is no maturity premium payable to ADB.³⁰ The loan size is based on the Philippines' financing needs, the development impact of the policy reform package, and development spending arising from the reforms. In 2018, the government's total gross borrowing requirement is estimated at \$17.4 billion, one fifth of which will be from foreign borrowing. The foreign borrowing will comprise government bonds estimated at \$1.0 billion and official development assistance estimated at \$2.5 billion.

E. Implementation Arrangements

20. The Department of Finance (DOF) will be the executing agency with the BSP, Bureau of Treasury, Department of Justice, IC, Philippine Statistics Authority, and SEC as implementing agencies. A steering committee chaired by the DOF, with the implementing agencies as members, will oversee implementation of the program. The implementation periods are March 2016–April 2018 for subprogram 1 and May 2018–May 2020 for subprogram 2. The proceeds of the policy-based loan will be withdrawn in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time).

III. DUE DILIGENCE

21. **Safeguards.** Subprogram 1 will not entail any involuntary resettlement or affect indigenous people or the environment. It is classified category C for environment, involuntary resettlement and indigenous peoples.

22. **Poverty and social.** The direct beneficiaries of the program include the central government, private stakeholders such as rural banks, financial technology companies, MSMEs, industry associations, and nongovernment organizations. The indirect beneficiaries of the program include investors, enterprises, entrepreneurs, farmers, workers, consumers, and vulnerable households. Entrepreneurs, farmers, workers, and poor households will benefit from a broader range of financial products and services, better access to services by gaining financial literacy, and stronger protection frameworks that boost resilience to shocks. Subprogram 1 is categorized as some gender elements, with key gender actions including collection of credit information disaggregated by sex and promotion of gender diversity on MNGO boards. The program is expected to generate benefits for women and increase their access to financial services through the development of an NIS (considering that women are less likely than men to have identification documents required to open a bank account) and efforts to strengthen MNGOs, which predominantly serve women. A gender gap assessment will be conducted through TA to strengthen the gender focus of subprogram 2 for categorization as effective gender mainstreaming.

23. **Governance.** The latest public expenditure and financial accountability assessment confirmed that three of seven core areas (transparency, policy-based budgeting, asset–liability

³⁰ The loan may be disbursed in one or more installments.

management) have improved and are now considered strong. Areas of weakness identified in the assessment—budget credibility, predictability and control in budget execution, and external scrutiny and audit—are being actively addressed by government. The proposed Public Financial Accountability Act will help to enforce accountability in the public financial management system and increase budget transparency and participation. The government is implementing a comprehensive results-based anticorruption plan to strengthen the Office of the Ombudsman and the justice subsector, which have achieved positive results. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government.

24. **Risks and mitigating measures.** The program has two substantial risks. Public financial management is assessed as a substantial risk because of a dispersion of responsibilities among oversight agencies, weak budget execution, and a lack of transparency. These weaknesses are being mitigated by government by improvements in transparency, policy-based budgeting, and accounting and record keeping. The government has also strengthened the budget review process, reduced the number and size of special purpose funds, and institutionalized transparency as a precondition to accessing public funds. A second substantial risk, corruption, is being mitigated through the Philippines' Cabinet Cluster on Good Governance and Anti-Corruption, which has implemented a comprehensive and results-based anticorruption action plan.³¹

IV. ASSURANCES

25. The government has assured ADB that implementation of the program shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the loan agreement.

V. RECOMMENDATION

26. I am satisfied that the proposed programmatic approach and policy-based loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the programmatic approach for the Inclusive Finance Development Program; and
- (ii) the loan of \$300,000,000 to the Republic of the Philippines for subprogram 1 of the Inclusive Finance Development Program, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

27 August 2018

³¹ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. Capacity of financial service providers	<p>3.1 Microfinance NGO Regulatory Council established, adopting financial, social, and governance performance standards for microfinance NGOs (including gender diversity on the board) and prescribing a standard chart of accounts for accredited microfinance NGOs (2016 baseline: NA)</p> <p>3.2 Cloud-based banking system approved as part of a test-and-learn pilot approach^d (2016 baseline: NA)</p> <p>3.3 Legislation establishing a legal and policy framework for Islamic finance submitted to Congress (2016 baseline: NA)</p>	<p>3.1. Securities and Exchange Commission reports</p> <p>3.2. BSP reports</p> <p>3.3. Draft legislation</p>	
Budget Support Asian Development Bank Subprogram 1: \$300 million (loan) Subprogram 2: \$300 million (indicative loan) \$10 million (possible technical assistance loan)			
Assumptions for Partner Financing French development cooperation through AFD: €150,000,000 or its equivalent in United States dollars (indicative)			

BSP = Bangko Sentral ng Pilipinas (Central Bank of the Philippines), NA = Not Applicable, NGO = nongovernment organization, NRPS = national retail payment system.

^a Government of the Philippines, National Economic and Development Authority. 2017. *Philippine Development Plan, 2017–2022*. Manila.

^b Number of people who have an account, on their own or with someone else, at a bank or another type of financial institution or have personally used a mobile money service in the past 12 months.

^c Youths are defined as teenagers and young adults aged 15–24 years.

^d Cloud-based banking involves full migration from a hardware-based core banking system to cloud infrastructure. This frees the financial institution from the technological infrastructure limitations, reduces costs, and puts the financial institution in control of their portfolio and processes.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=51309-001-3>

1. Loan Agreement
2. Sector Assessment (Summary): Finance
3. Contribution to the ADB Results Framework
4. Development Coordination
5. Country Economic Indicators
6. International Monetary Fund Assessment Letter
7. Summary Poverty Reduction and Social Strategy
8. Risk Assessment and Risk Management Plan
9. List of Ineligible Items

Supplementary Documents

10. Program Impact Assessment
11. Public Financial Management Assessment



Republic of the Philippines
DEPARTMENT OF FINANCE
 Roxas Boulevard, Corner Pablo Ocampo, Sr. Street
 Manila 1004

DEVELOPMENT POLICY LETTER

August 17, 2018

Mr. TAKEHIKO NAKAO
 President
 Asian Development Bank (ADB)
 Manila, Philippines

SUBJECT: Inclusive Finance Development Program, Subprogram 1 (IFDP1)

Dear **Mr. NAKAO**:

On behalf of the Philippines, we would like to thank the ADB for its continuing support to our national development agenda. This development policy letter outlines our reform program and interest in obtaining a USD300 million budget support loan to fund Government operations and priority reforms, including expanding financial services consistent with the objectives of the Inclusive Finance Development Program (IFDP).

The Philippine Development Plan (PDP) 2017–2022 has set ambitious targets to further reduce rural and overall poverty rates, and address income inequality by increasing access to finance. Supportive of the PDP, we have embarked on a comprehensive program under IFDP with two subprograms involving policy actions structured around three major outputs – (i) strengthened institutional and policy environment for financial inclusion; (ii) strengthened infrastructure for financial inclusion; and (iii) enhanced capacity of financial service providers.

From March 2016 to April 2018, major reforms under the first subprogram of the IFDP have been completed, including among others, the submission of a draft legislation on the development of a national identification system (NIS); introduction of a framework to promote agriculture value chain finance (AVCF); adoption of a National Retail Payment System (NRPS) Framework; submission of a draft legislation on the establishment of a modern secured transactions system; and approval of an innovative pilot for a rural bank to migrate its physical core banking system to a cloud-based system.

Under Subprogram 2 of the IFDP, we will continue and upgrade these reforms through actions such as allocation of sufficient budget for the development of the NIS; implementation of an enhanced Economic and Financial Learning Program; implementation of programs to increase the share of digital payments; and issuance of regulations to promote and enable the use of cloud-based core banking technology.

The Government remains steadfast in its commitment to promote inclusive growth through comprehensive reform programs including those aimed at increasing financial inclusion. We will continue to work in coordination with the ADB and other development partners to pursue relevant, high-impact, and timely reforms including those under the succeeding subprogram.

Very truly yours,


CARLOS G. DOMINGUEZ
 Secretary of Finance
 AUG 20 2018



POLICY MATRIX

Policy Actions – PHI Inclusive Finance Development Program			
Outputs	Subprogram 1 Accomplishments (Policy triggers in bold) March 2016 to April 2018	Subprogram 2 (Policy triggers in bold) May 2018 to May 2020	Medium-term direction and expected results (2016 to 2022)
Output 1 – Institutional and policy environment for financial inclusion strengthened.			
1.1 National single identification system reformed. IA: PSA	To achieve higher levels of financial inclusion, the government-initiated reforms to the national identification system to make it easier for citizens to establish an account at a financial institution. Accomplishments included: 1. The government submitted proposed legislation to Congress to develop a foundational national single identification system (NIS) with an identification card to provide for a range of benefits and government services and improve access to finance. 2. The government allocated US\$40 million (equivalent) through the 2018 General Appropriations Act (GAA) for NIS development.	The government begins implementing the National Identification System. Actions include: 1. The government begins to install the NIS by: (i) issuing implementing rules and regulations and (ii) completing a roadmap for the development of the NIS, foundational identification card, and links to increased financial inclusion through digital transfer payments and other financial services. 2. The government allocates sufficient budget through the GAA for 2019 and 2020 for NIS development.	<ul style="list-style-type: none"> • The NIS system launched.
1.2 Financial products and services expanded. IA: BSP	The government expands financial inclusion with a focus on agricultural finance, microinsurance and consumer protection. Accomplishments included: 3. The BSP introduced a policy framework to promote agriculture value chain finance (AVCF). Under this framework, BSP-Supervised Financial Institutions participating in AVCF would be able to address risks associated with lending	The government continues to expand agricultural finance, microinsurance and consumer protection. Actions include: 3. The BSP continues to implement the AVCF Framework to foster value chain finance lending to agriculture enterprises, to support the objectives of the proposed roadmap for agriculture development in the Philippines.	<ul style="list-style-type: none"> • Number of financial institutions offering agriculture value chain financing products increases.

Policy Actions – PHI Inclusive Finance Development Program			
Outputs	Subprogram 1 Accomplishments (Policy triggers in bold) March 2016 to April 2018	Subprogram 2 (Policy triggers in bold) May 2018 to May 2020	Medium-term direction and expected results (2016 to 2022)
IA: IC	<p>to the agriculture sector by shifting the focus of lending from individual farmers to the whole value chain.</p> <p>4. The issuance by the Insurance Commission of several regulatory frameworks for microinsurance which: (i) allows microinsurance providers to further develop microinsurance products on agriculture and health insurance; (ii) enhancement of functions of licensed microinsurance general agents, brokers, Cooperative Insurance Societies, and Mutual Benefit Associations to increase the outreach of microinsurance; (iii) defines acceptable distribution channels and permissible functions to further increase outreach; and (iv) enhancement of performance indicators and standards for microinsurance providers.</p> <p>5. Legislation was enacted for an annual Economic and Financial Literacy Week to increase financial literacy awareness among the public and policymakers.</p>	<p>4. The government, through the Insurance Commission, develops a guideline for the registration of distribution channels.</p> <p>5. The BSP implements an enhanced Economic and Financial Learning Program, focused on strategic partnerships, informed by a Financial Education Stocktaking Study; and a Financial Inclusion Survey to include information related to gender and age, and their access to financial services such as savings and credit).</p>	<ul style="list-style-type: none"> Number of microinsurance policy holders increases to 35 million by 2020 and 40 million by 2022 (2015 baseline: 28.7 million)

Policy Actions – PHI Inclusive Finance Development Program			
Outputs	Subprogram 1 Accomplishments (Policy triggers in bold) March 2016 to April 2018	Subprogram 2 (Policy triggers in bold) May 2018 to May 2020	Medium-term direction and expected results (2016 to 2022)
Output 2 – Infrastructure for financial inclusion strengthened.			
2.1 Payment infrastructure developed. IA: BSP	<p>The government took steps to strengthen the retail payment system to facilitate improved and modernized service delivery. Accomplishments included:</p> <ol style="list-style-type: none"> The BSP issued a policy framework to promote the establishment of a safe, efficient and interoperable national retail payment system (NRPS) that allows (i) transfer funds from one bank or financial service provider to another through transaction accounts; and (ii) any qualified financial service provider to participate on a level playing field. The goal is to drive usage of electronic payments from the current 1% to 20% by 2020 and promote a digital finance ecosystem which can facilitate the deployment of a wide range of affordable financial products and services. The BSP collaborated with the banking and payments industry to establish two automated clearing houses (ACH) for: (i) batched electronic fund transfer credit that could be used to replace checks; and (ii) real time low value push that enables low value electronic fund transfers. To extend the reach of traditional branches, the BSP (i) issued new guidelines for banks allowing them to use 	<p>The government continues to upgrade the retail payment system. Actions include:</p> <ol style="list-style-type: none"> The BSP and NRPS participants continue to implement policy reforms and programs to increase the share of digital payments to 20% of total transaction by 2020 (up from 1% share in 2013). The BSP continues to promote and utilize fintech sandboxes, or the “test and learn” framework to develop solutions that can expand the range and reach of financial services BSP continues to support implementation of the cash agents and branch-lite 	<ul style="list-style-type: none"> The National Retail Payment System, increases the share of digital payments to 25% of total transactions by 2022 (up from 1% share in 2013). New electronic service delivery channels increase number of

Policy Actions – PHI Inclusive Finance Development Program			
Outputs	Subprogram 1 Accomplishments (Policy triggers in bold) March 2016 to April 2018	Subprogram 2 (Policy triggers in bold) May 2018 to May 2020	Medium-term direction and expected results (2016 to 2022)
	third party cash agents as a cost-efficient service delivery channel. Among others, the guidelines allow the cash agents to collect deposits, disperse cash, and provide other financial services on behalf of banks.	guidelines and established standards for the conduct of these activities.	active formal accounts by at least 5% per year (baseline: 10% growth 2014–2017).
2.2 Comprehensive credit reporting and collateral registry systems deployed. IA: SEC IA: DOJ	To increase the provision of credit to the underserved, the government implemented reforms to provide accurate and timely credit information and to strengthen the collateral registry system. Accomplishments included: 9. The government, through the SEC, increased the number of people with a formal financial credit history by: (i) requiring financing companies to provide their 3-year historical and current credit data to the Credit Information Corporation (CIC); and (ii) enable microfinance NGOs to submit credit data to the CIC with the assistance of the Microfinance Data Sharing System (MiDAS – a credit bureau for microfinance NGOs). 10. The government submitted legislation to Congress to establish a modern secured transactions system and the creation of a centralized, online national collateral registry.	The government expands coverage of credit information and collateral systems. Actions include: 9. The SEC, continues to increase coverage of the credit reporting system by requiring microfinance NGOs to submit credit data to the CIC. 10. The government establishes and operationalizes the online national collateral registry.	<ul style="list-style-type: none"> At least 50 additional submitting microfinance NGOs reporting to the CIC (baseline 2016: NA). The on-line collateral registry is actively used by financial institutions. (2017 baseline = 0)

Policy Actions – PHI Inclusive Finance Development Program			
Outputs	Subprogram 1 Accomplishments (Policy triggers in bold) March 2016 to April 2018	Subprogram 2 (Policy triggers in bold) May 2018 to May 2020	Medium-term direction and expected results (2016 to 2022)
2.3 Credit enhancement mechanisms streamlined. IA: BTr	The government-initiated reforms to improve the system of credit guarantees to facilitate enhanced access to credit. Accomplishments included: 11. The government submitted a draft Executive Order to bring the state-financed guarantee funds (e.g., PhilEXIM, Agriculture Guarantee Fund Pool (AGFP), Small Business and Guarantee Finance Corporation (SBGFC or SB Corporation), Industrial Guarantee and Loan Fund (IGLF) and the Home Guaranty Corporation (HGC) together under one governing entity to increase efficiencies and expand access to finance.	The government implements reforms to the system of credit guarantees. Actions include: 11. The government formulates an action plan which includes: (i) the reorganization of PhilEXIM; review of guarantee policies, pricing and enterprise risk management, and (ii) infusion of capital, if necessary.	<ul style="list-style-type: none"> Percentage of MSMEs with state-financed guarantee-backed lending increases by 10% from 2017–2022 (baseline for MSMEs in 2016: ₱178 million and baseline for agriculture-related guarantees in 2016: ₱1.7 billion).
Output 3 – Capacity of financial service providers enhanced.			
3.1 Capacity of microfinance NGOs increased. IA: SEC	To improve the capacity of microfinance NGOs, rural banks and support expansion of Islamic finance, government has provided structured support mechanisms. Accomplishments included: 12. The government established the Microfinance NGO Regulatory Council (MNRC) as a microfinance standard setting body. The MNRC: (i) adopted governance performance standards for microfinance NGOs (including gender diversity on the board); and (ii) prescribed a standard chart of accounts for accredited microfinance NGOs.	The government continues to provide structured mechanisms to improve the capacity of MNRC and microfinance institutions. Actions include: 12. The MNRC (i) designs an electronic system to collect data from microfinance NGOs; (ii) implements training programs including to build capacity of microfinance NGOs to comply with MNRC accreditation and CIC requirements, and (iii) accredits microfinance NGOs according to performance standards. At least 75% accredited microfinance NGOs have female representation on their boards.	<ul style="list-style-type: none"> Microfinance NGOs increase number of clients (accounts) to 5 million, of which at least 50% are women (baseline: 3.9 million in 2015).

Policy Actions – PHI Inclusive Finance Development Program			
Outputs	Subprogram 1 Accomplishments (Policy triggers in bold) March 2016 to April 2018	Subprogram 2 (Policy triggers in bold) May 2018 to May 2020	Medium-term direction and expected results (2016 to 2022)
3.2 Outreach by rural banks scaled. <i>ADB TA 9017-REG “Unlocking Innovation for Development” (ADB TASF – 5 million)</i> IA: BSP	<p>The government supports the use of financial technology innovations with the potential to replicate, scale and enhance financial services throughout the country. Accomplishments included:</p> <p>13. The BSP approved an innovative pilot for a rural bank to migrate its physical core banking system to a cloud-based system, to showcase how digital innovation can enable banks to manage operations and serve clients more effectively.</p> <p>14. The government submitted legislation to Congress to establish a strong legal and policy framework for the development of Islamic finance in the country. This framework also ensures an environment of increased consumer awareness and capacity building of providers on Islamic finance.</p>	<p>The government continues to support the use of financial technology innovations. Actions include:</p> <p>13. Informed by results of the rural bank pilot, the BSP issues regulations to promote and enable the use of cloud-based core banking technology throughout the banking sector.</p> <p>14. The BSP will continue to support the passage of the Islamic Banking Bill; conduct awareness-raising and capacity-building campaigns; and formulate regulations that support government's issuance of "sukuk" or sharia-compliant bonds.</p>	<ul style="list-style-type: none"> • Number of rural banks using cloud-based core banking system increases (baseline: 0 in 2016). • Increased awareness and capacity to deliver Islamic financial services.

ADB = Asian Development Bank, BSP = Bangko Sentral ng Pilipinas, BTr = Bureau of Treasury, CIC = Credit Information Corporation, DOF-NCC = Department of Finance – National Credit Council, DOJ = Department of Justice, IA = implementing agency, IC = Insurance Commission, MiDAS = Microfinance Data Sharing System, NGOs = non governmental organizations, PSA = Philippine Statistic Authority, SEC = Securities and Exchange Commission, TA = technical assistance

^a Number of people having an account (by themselves or together with someone else) at a bank or another type of financial institution or personally using a mobile money service in the past 12 months.

^b Youth defined as individuals ages 18–25.

^c The first ACH is Peso Net is a batch electronic fund transfer credit payment scheme which can be used for salary payments and batch transfers. The second ACH is InstaPay which allows real-time low value push payments which will be especially useful for toll fees, tickets, and e-commerce for MSMEs.