

**MICROFINANCE COUNCIL
OF THE PHILIPPINES, INC.**

**ASSESSMENT OF THE RESEARCH
AND CAPACITY BUILDING FOR PRODUCT
DEVELOPMENT IN MICROFINANCE PROJECT**

**Final Report
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EXECUTIVE SUMMARY

In 2001, the Inter-Church Organization for Development Cooperation (ICCO), of the Netherlands, agreed with the Microfinance Council of the Philippines, to provide funding support for the *“Research and Capacity Building for Product Development in Microfinance Project”*. The main objective of the Project is to strengthen the capacity of Microfinance Institutions (MFIs) to design and develop new and improved financial products for poor clients.

It is envisioned that the Project will help bring about wider acceptance and integration of market research and product development in the operations of MFIs. This expected result would be in recognition of the greater goal to understand and meet the poor clients’ needs through the MFI’s sustainable products and services.

The Project has three major components;

- A. Compilation and documentation of successful innovative microfinance products
- B. Developing the MFI’s capacity to undertake market research; and
- C. Developing, testing and launching new or improved microfinance products.

The Project is expected to end in mid-2005, hence the need to evaluate the Project’s accomplishments and how the component activities and programs benefited the MFIs in the Philippines.

KEY FINDINGS AND CONCLUSIONS

On the whole, the Project is successful and very satisfactory. It has achieved its objectives and has produced the expected outputs. Component A has produced in-depth studies and documentation of product development process for each type of MFI: NGO, Rural Bank and Credit. The results of these studies were disseminated using the appropriate vehicles such as the Forum, publication and distribution of the studies, and open access of the documents through the MCPI website. In the sample survey undertaken for this assessment, majority or 67 percent indicated that they would use the document or studies as reference for their product development activities.

Component B has reached 44 MFIs that sent 82 participants in the training courses on Market Research. The Project has actually leveraged the funding for training to five (5) training courses on Market Research for Microfinance. The training has helped increase the knowledge and skills of microfinance practitioners in undertaking market research and product development, which have been translated into practical application of the market research toolkit and conduct of market studies in their own organizations. Influencing the MFIs to have a separate unit for market research and product development is indeed another major accomplishment of the Project. Institutions that have set up a separate market research and product development unit are among the leading and largest MFIs in the country. These include the TSPI, CARD, NWTF, among others. Further, the course has caused participating institutions to be client sensitive and to develop new or modify products that meet client demand, needs and preferences.

Institutions that continued to use the tool after the training were able to maximize the benefits by developing new microfinance products and services that are responsive to the clients' needs and preferences.

Component C perhaps had the most impact in terms of benefits to the organization because it is a direct form of technical assistance. It is assistance that is on-site and is hands-on. However, such form of assistance could cover only a limited number of the MFIs. Institutions that participated in this Component found the assistance extremely useful. It has led to the development of new products such as agriculture credit, which have not been offered by MFIs in the past due to lack of understanding of the risks and nature of agricultural production. With the technical assistance, two of the participating MFIs were able to gain better understanding of the sector and its market, and therefore were able to develop new products for small farmers. Further, the technical assistance helped increase the knowledge and skill of the staff in market research and product development, and provided potential income for the new product. While the new products developed by the MFIs are financially viable based on their projections, the pilot and roll-out phases have not yet been completed. Hence, the financial performance of these products cannot yet be firmly established. However, based on the initial responses of clients in the pilot phase, these products have potential to produce incomes to participating MFIs.

RECOMMENDATIONS

The following are the recommendations to further improve the Project and to maximize the gains that have so far been achieved:

1. Extend the technical assistance to the three MFIs until the full cycle of the product development process has been fully completed. The official termination of the technical assistance in June 2005 will not give opportunity for review and monitoring of the remaining activities that MFIs are expected to complete in the product development process.
2. Document the experiences of the three MFIs that received technical assistance on product development. Documentation of processes and lessons learned would be of great value to MFIs that would like to undertake product development in the future. There is great amount of information and lessons that can be drawn from the experience of the MFIs that have received technical assistance. It is best to document these experiences and disseminate them to practitioners and industry players.
3. Offer technical assistance on product development to other MFI members of MCPI in the future. MCPI could also accredit other service providers to expand the number of MFIs that will benefit from the assistance, provided funding is still available.
4. Review the selection criteria for participation in the training courses as well as the mechanism for completing the course. Most of the participants that did not fully meet the requirements of the course were from the operations staff of MFIs. It is suggested

therefore that the mechanism for compliance used by the Project be reviewed and made more effective.

5. Continue to offer the Market Research for Microfinance course after Project completion on a fee based arrangement. MCPI has developed its competency in market research and is strategically positioned in assisting MFIs in product development. Based on the sample survey for this assessment, there is strong demand for this training among MFIs.
6. MCPI could also consider follow-up training on other tools that are useful to MFIs. For example, the use of the poverty measurement tool and client impact assessment tool.
7. MCPI has started to systematically incorporate the expressed needs of members as basis for the provision of training and other services. The conduct of the first member satisfaction survey in December 2004 was a step in the right direction. MCPI need to regularly conduct these types of surveys as well as consultations/FGDs to determine member satisfaction and opinions. This process would help ensure that services provided to members are demand driven, and would meet the needs of MFI members. MCPI could also use the expressed capacity building needs of members as basis for drawing funding support from donors.
8. Finally, MCPI and ICCO may consider undertaking a Phase II of the Project. There are activities that need to be brought to the next level as well other unmet capacity building needs that merit a follow-up phase. In this regard, a second phase may include the following components:
 - a. Documentation of the product development process experienced and undertaken by the MFIs that received technical assistance from the Project. This component would help promote peer sharing of experiences and lessons learned from the product development process.
 - b. Conduct of training for capacity building of MFIs in specific areas where MCPI has developed its competence. Based on the responses of participants in the training, the course on Market Research for Microfinance was very helpful. MFIs would like MCPI to continue in offering the course to practitioners. Other training courses that MCPI may consider are training on client impact assessment and poverty measurement.
 - c. Roll-out of product development technical assistance. The Project could expand the assistance to other MFIs that meet the criteria for assistance. Technical service providers other than Punla could also be tapped or accredited to provide the technical assistance.

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Appendix 1: Survey Results of Sample Project Participants

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I. INTRODUCTION

In 2001, the Inter-Church Organization for Development Cooperation (ICCO), of the Netherlands, entered into an agreement with the Microfinance Council of the Philippines, Inc., (MCPI), to undertake a Project to strengthen the capacity of Microfinance Institutions (MFIs) to design and develop new and improved financial products for poor clients. With funding from ICCO, the *“Research and Capacity Building for Product Development in Microfinance Project”* was launched with the following objectives:

1. Increase the body of information on successfully innovative microfinance products;
2. More microfinance staff with enhanced skills to undertake market research and product development;
3. More MFIs that have established a separate unit or have assigned personnel specifically to design new financial products for the poor and refine existing microfinance products;
4. Variety of microfinance products developed;
5. Greater number of MFIs achieving higher performance standards of outreach and financial sustainability; and
6. Increasing number of clients served with sustainable financial services.

The Project has three major components:

- D. Compilation and documentation of successful innovative microfinance products
- E. Developing the MFI’s capacity to undertake market research; and
- F. Developing, testing and launching new or improved microfinance products.

It is envisioned that the Project will help bring about wider acceptance and integration of market research and product development in the operations of MFIs. This expected result would be in recognition of the greater goal to understand and meet the poor clients’ needs through the MFI’s sustainable products and services.

The Project is expected to end in mid-2005, hence the need to evaluate the Project’s accomplishments and how the component activities and programs benefited the MFIs in the Philippines.

II. METHODOLOGY

The Project basically involves undertaking a research that documents the product development practices of selected MFIs; delivery of a course on market research for microfinance; and a technical assistance program that assists three MFIs in undertaking a systematic, step-by-step process in product development.

The objectives of this assessment are to:

1. Review the project’s accomplishments vis-à-vis its target objectives;

2. Analyze the benefits derived from the Project by institutions that received support or participated in the Project activities;
3. Identify actions taken or institutional changes that occurred as a result of the institution's participation in the Project; and
4. Review MCPI's over-all operations and performance to determine future services and activities.

The process of assessing the performance and benefits of the Project involved direct interviews with network Board members and the Council Secretariat, focus group discussion with member institutions, field visits and interviews with MFI participants, and conduct of a sample survey among Project participants to determine the benefits of participation. Data was also collected on the network's operations, performance and monitoring reports, and from other pertinent Project documents. These data and information were processed and reviewed for purposes of the assessment.

The sample survey that was undertaken for this assessment was intended to gather the views of participating institutions on how the project program and activities have benefited their organizations. Of the 44 participating institutions, 9 institutions responded to the survey representing 20 percent of the total number of organizations that participated in the Project activities. The results of the survey are discussed in this Report, while the details are presented in Annex A.

III. ANALYSIS OF FINDINGS

A. Documentation of Successful Innovative Microfinance Products

The first step in improving the product development skills of MFIs is to make available to them information on innovative microfinance products that have been successfully implemented by microfinance practitioners. It is in this light that Component A of the Project was conceived. MCPI has completed the expected activities and outputs in this component. A study documenting the successful microfinance products of selected MFIs has been completed and finalized to demonstrate the processes involved in product development. Consultants external to MCPI were contracted to undertake the study.

The following were the final outputs of Component A:

1. Integrative Report on the *Documentation of Product Development Processes in Selected MFIs*.
2. *Review of Literature on Product Development Practices of Selected MFIs*.
3. Case Studies on:
 - a. The Center for Agriculture and Rural Development's (CARD) *Mutual Benefit Association (MBA) Microinsurance Product*.
 - b. Rural Bank of Sto. Tomas' *SUKI* Microfinance Program.

- c. *Financial Products of Tubao Credit Cooperative.*
- d. *Credit and Savings Products of the United Sugarcane Planters of Davao (USPD) Savings and Credit Cooperative.*

These in-depth studies were presented during the “Forum on Product Development in Microfinance” sponsored by the MCPI on July 9, 2004 in Metro-Manila. The Forum was attended by 31 participants representing MFIs from different parts of the country. The findings of the study were presented during the forum, which brought awareness on the importance of client sensitive products for the poor. The Forum also encouraged the sharing of experiences among MFIs regarding microfinance product development.

In the survey conducted for this assessment, it was reported that only 22 percent of the sample MFI responses have copies of the studies, indicating somewhat a low distribution or dissemination rate. Recently however, these studies produced in Component A of the Project have been posted in the website of the MCPI and can be downloaded at www.microfinancecouncil.org. With this initiative, the studies have actually been made available to practitioners and advocates on a wider scale.

In terms of the usefulness of the *Documentation of the Product Development Processes*, 22 percent of the sample MFI respondents reported that it was either useful or very useful. The other responses were either they don’t know or cannot determine its usefulness presumably because they either have not reviewed the document or it does not apply to them at the moment. However, when asked if they would use the document as reference for their product development activities, majority or 67 percent reported that they would use the document.

On the whole, the performance of the Council in meeting the objectives of Component A is very satisfactory. The Project has produced in-depth studies and documentation of product development process for each type of MFI: NGO, Rural Bank and Credit Union. The results of these studies were disseminated using the appropriate vehicles such as the Forum, publication and distribution of the studies, and open access of the documents through the MCPI website.

B. Developing MFI Capacity for Market Research

1. Component Background

In this Project Component, the Council undertook training programs in the Philippines patterned after the course in Uganda. The training course entitled “Market Research for Microfinance” was developed by MicroSave-Africa in order to answer increased interest from MFIs in improving their product development skills following recent developments and growing competition among MFIs and in the light of growing numbers of drop-outs or exits from MFI programs. MicroSave-Africa undertook this course on market research as an important first step towards improving the MFIs’ product development skills. The course

offers a comprehensive approach to qualitative market research that can be used by the MFI for a wide variety of activities such as:

1. Developing new products and modifying old ones;
2. Understanding clients and their perceptions of the MFI and its services/products;
3. Developing/refining marketing programs;
4. Analysis of clients' risks/vulnerability opportunities and how people use financial services;
5. Understanding the "financial landscape" or environment within which the MFI is operating;
6. Analyzing problems such as drop-outs and growing trends loan default;
7. Impact assessment and evaluation;
8. Analysis of relative depth of outreach;
9. Detecting fraud/rent-seeking; and
10. Running strategic planning/staff meetings.

Implementation of this Component was be anchored on the participation of a Council staff member and representatives from member MFIs to the Uganda training in January 2001. Participants to the Uganda training were certified as trainers by MicroSave Africa and were encouraged to train as many MFIs as possible in their own countries. ICCO provided a grant for the participation of two persons nominated by the Council to the course in Uganda. The Council nominated participants to the course in Uganda agreed to undertake the Philippine run of the course, as trainers, within a few months after the training. Further, representatives from the Center for Agriculture and Development (CARD) and Negros Women for Tomorrow Foundation (NWTf), both members of the Council, also participated in the Micro-Save Uganda course. Representatives from these institutions also assisted the Council in conducting the Market Research Training for MFIs in the Philippines. An outline of the content of the Market Research for Microfinance Course is presented in Annex A.

2. Market Research Training Courses

The Project has conducted a total of five (5) training courses on *Market Research for Microfinance* during the period 2001 to 2004. A total of 82 participants representing 44 MFIs have attended these courses. Table 1 shows the outreach of the market research courses conducted by MCPI for the Project.

Table 1
Outreach of the Market Research for Microfinance Course

	2001	2002	2004	Total
Number of MFI participants	17	26	5	44^{a/}
• NGOs	14	13	4	27 ^{a/}
• Cooperatives	0	9	0	9
• Rural/thrift banks	2	3	0	5
• Others (networks, etc.)	1	1	1	3
• MCPI members	10	7	5	18 ^{a/}
• Non members	7	19	0	26
Number of participants	32	42	8	82
• NGOs	28	21	4	53
• Cooperatives	0	15	0	15
• Rural/thrift banks	3	5	0	8
• Others (networks, etc.)	1	1	4	6
• MCPI members	18	11	8	37
• Non members	14	31	0	45
• Female	13	20	4	37
• Male	19	22	4	45
• Resigned	6	4	2	12
• Still with MFI	26 ^{b/}	38 ^{c/}	6	70
• Board member	1	1	-	2
• President/CEO/ED	3	-	-	3
• Operations	17	29	-	46
• Research	5	-	3	8
• Finance / accounting	-	3	1	4
• Training	3	5	-	8
• Others	3	4	4	11
• Has completed the course	5	3	8	16
• Has not completed the course	27	39	0	66

^{a/} single count for 4 NGOs that sent participants in more than 1 course.

^{b/} 3 not validated.

^{c/} 7 not validated.

Majority or 65 percent of the MFI participants were NGOs while 15 or 18 percent were cooperatives. Rural/thrift banks and other organizations such as networks, also participated in the courses constituting 10 percent and 7 percent, respectively, of the total number of MFI participants.

Of those that went through the courses, 37 or 45 percent were MCPI members while 45 or 55 percent were non-MCPI members. Majority or 56 percent of the individuals that attended the training were people involved in the operations department of their organizations. It is interesting to note that of the 82 participants only 16 or 19 percent have fully met the

requirements of the course or have completed the course. An individual is said to have fully completed the course if he/she has undertaken a field test of the market research tools in his/her own MFI. Apparently, the reason for the high non-completion rate of 81 percent is because more than half of the participants were from the operations department of their respective MFIs. After the training, these staff members from operations immediately return to their field responsibilities and find it difficult to allot time for conducting a field market research using the tools and in preparing a report for MCPI. Without the follow-up activities after the course, it is difficult to ensure the practical application of the tools in the MFI's operations. In this regard, there is perhaps need to review the selection of participants in the course or to the mechanism that will ensure the application of the tools in the MFI's own operations.

The Market Research courses were conducted in different parts of the country and were hosted by different MFIs. The conduct of these courses in the regions gave MFIs in the provinces closer and greater access to the tools and knowledge in Market Research. The hosting of different institutions also strengthened the relations among the network members and MFI participants. Table 2 below summarizes the courses that were conducted during the period 2001-2004.

Table 2
Summary of Market Research for Microfinance Courses Conducted

	1st Batch	2nd Batch	3rd Batch	4th Batch	5th Batch
Date	August 2001	October 2001	May 2002	August 2002	April 2004
Venue	Iba, Zambales	Bacolod City	Opol, Misamis Oriental	Cagayan de Oro City	Bauang, La Union
No. of MFI participants	7	11	12	14	5
Number of participants	9	23	20	22	8
Number of 'graduates'	2	3	3	0	8
Host institutions	ABS-CBN Bayan Foundation	Negros Women for Tomorrow Foundation	MILAMDEC Foundation	Mindanao Savings Cooperative	ABS-CBN Bayan Foundation

3. Benefits and Impact on Participating MFIs

Follow-up activities of the course conducted on Market Research for Microfinance generated a number of studies that were of benefit to participating institutions. The following were the market studies completed by participants after the course:

Table 3
Market Studies Completed After the Market Research for Microfinance Course

MFI	Research Agenda
ABS-CBN Bayan Foundation (host institution)	<i>"Tinig ng Bayan"</i> Market Response to a Voluntary Savings Product of ABS-CBN Bayan Foundation (November 2001)
Agriculture & Rural Development for Catanduanes, Inc.	- Assessment of ARDCI's Product Line (December 2001) - Drop-out Study (July 2002) - Client Satisfaction (February 2003)
Hope for Change, Inc.	Effects Evaluation on Credit & Savings: A HFCI Experience
MILAMDEC Foundation (host institution)	<i>"Tingog sa Tibod"</i> (Voices at Tibod): Clients' Assessment of MILAMDEC's Tibod sa Barangay Project (July 2002)
FCB Foundation, Inc.	Reasons for Drop-Outs (March 2003)
Rural Bank of Talisayan	On THASK Program: A Market Research (impact evaluation)
Serviamus Foundation	A Market Research on Clients' Perceptions on Serviamus' Small Enterprise Development Project
Mindanao Savings Cooperative (host institution)	Member Satisfaction on MinSave's Products and Services (November 2002)
ABS-CBN Bayan Foundation	ABS-CBN Bayan Foundation - Plan Philippines Partnership Assessment (November 2004)

After running five (5) Market Research courses during the period 2001-2005, the MFIs listed in the Table above continued to use the tools to the benefit of their own institutions. Based on the reports that they submitted to the MCPI Secretariat, they have started to address operational issues by listening more intently to their clients and by being responsive to their needs, wants and preferences.

There have also been continuous consultations through phone and email exchanges between the MCPI Secretariat and the MFIs that have undertaken market research activities after the training. As a result of the client feedback gathered through client satisfaction surveys, MFIs have begun to learn how to revise or change policies and procedures related to the design and delivery of microfinance services. Market studies undertaken by these institutions have also raised the level of appreciation for appropriate microinsurance products that reduce risks and vulnerabilities normally faced by poor households. For example, TSPI, one of the leading MFIs in the country, introduced a life insurance product in collaboration with a mainstream insurance company that initially covered 37,000 poor women. The insurance coverage included life, accidental death, accidental disability, medical expense reimbursement in case of accident and settlement of unpaid loan balance in case of death of clients. The need for microinsurance by TSPI clients was actually discovered when TSPI Research Staff used the toolkit acquired from the Market Research for Microfinance course.

Participants that used the tools and undertook the market studies in their microfinance operations were indeed able to realize benefits and positive results for their own organizations. Efforts resulted in changes in products and services, as well as in the systems and procedures that are client sensitive. For example, in some MFIs, the types of loans products were reduced, the number of days for group training was shortened and the loan approval process simplified.¹ All these were a result of the training received from the Project

¹ These institutions include TSPI, NWTF, CARD and ARDCI.

Further, institutions have also begun to organize a separate research unit to undertake market research. For example, CARD, TSPI, NWTF, ARDCI, Bayan Microfinance and Mindanao Savings Cooperative have set up separate market research units after realizing the immediate benefits that arise from conducting market research and regularly obtaining client feedback. By influencing the institutions to have their own separate units, the Project has indeed created tremendous impact on the participating MFIs.

Box 1

Sample of Actions Taken as a Result of Participation in the Market Research Course

The Agriculture and Rural Development for Catanduanes (ARDC) is an MFI operating in the Bicol region. It actively participated in the Market Research for Microfinance courses. After conducting its own market studies using the tools learned in the training, changes were made in their products and services, as well as in the systems and procedures to better respond to their clients' demand and preferences. The following were the results of the changes made:

- Flexible loan terms - 13, 26, 52 weeks, on all loan products.
- Retention of forced savings, but with a withdrawable feature.
- Refinancing window for existing clients.
- Staff training on Service Mileage.
- Regular implementation of the Client Exit Survey.
- Use of TMAD to assess debt capacity of the client.
- Credit line for clients and to minimize paper requirements for such product.

In its Report to MCPI, ARDCI had the following remark:

"What is amazing and inspiring about the Board and management is that the results are accepted and are given importance. When the results are discussed, no one ever dares to question the validity of the information as everyone knows that it is the clients themselves speaking. Everything else takes a backseat."

There has been a high level of satisfaction among institutions that participated in the Market Research Course. In the sample survey conducted among participating institutions, 56 percent reported that they were very satisfied, while 44 percent said they were satisfied. Further, in the focus group discussion with selected MFI participants, the course was rated outstanding by the MFI participants. The Federation of People's Sustainable Development Cooperative (FPSDC), a network of cooperatives that wholesales to cooperatives engaged in microfinance activities, is even planning to replicate the Microfinance Research Course with its member cooperatives.

After the training, 78 percent of the sample MFI respondents indicated that they continued to use the market research tools taught in the training. Some 22 percent have somewhat used it. The most common tools used are the FGD tools, which constituted 60 percent of the responses. The other tools used are the PRA (27%), Questionnaire (7%), and the Attribute Ranking (7%). These responses provide evidence that participating institutions, though not all of them, have indeed continued to use the tools for market research.

On the whole, sample respondents found the market research tools very useful (78%). Most of them, i.e., 78 percent, have undertaken a market study after the training. Those that were not able to undertake a market study indicated that there were not enough competent human resources to conduct market research within their organization. If they were to source it externally, it would be too expensive for them to bear. Further, they also indicated that they still do not have yet a research unit in place.

Sample institutions were also asked if the course led them to develop new microfinance products for the poor. Responses showed that 89 percent of the respondents have modified or developed new products during the past two years. The specific products that were modified or newly developed were mainly loan and savings product (Table 4).

Table 4
Products Modified and Newly Developed By Sample MFIs

Product	No.	% Share
Loan Product	6	38
Savings	5	31
Microinsurance	3	19
Others	1	6
No Answer	1	6
Total	16	100%

In modifying the products or in developing new ones, 56 percent reported that they used the tools introduced in the Market Research courses. Specifically, the tools used were the FGD (28%), PRA tools such as the Seasonality (11%), Product Attribution Ranking (22%), Life Cycle (11%), and Financial Services (6%).

Further, the sample institutions were asked about the benefits they derived from the market research training product development initiatives of the MCPI. They had the following comments:

"We were able to conduct our own market research, strengthen the research unit, and to things in a more systematic way."

"We learned to design new products and improve our existing ones".

"We continue using the FGD and the Questionnaire to check the impact and needs of our members, to modify or improve our products, if necessary."

"The FGD and Questionnaire is the easiest way for us to gather feedback from clients."

"It enabled us to strengthen our microfinance products and helped us to identify the needs of our various clients, which in turn improved the efficiency of our services."

"We were able to get material that will help us in conducting our own Market Study."

"The Market Research training conducted by the MCPI was really a big help to our organization since it enabled us to know the perceptions of our clients and the impact of the program on them."

"It helps us in making decisions based on our clients' demand and needs."

Finally, the sample participating institutions were asked in the survey what they think the MCPI needs to do to improve the training and the capacity of MFIs to undertake market research and product development. They had these to say:

“More hands-on training needed.”

“I really appreciate the usefulness of the training, but it will be more effective if it will actually be used by the MFIs. It will only be possible for the MFIs to do market research and product development if they have enough competent personnel within. Therefore, more training should be provided so that eventually, MFIs can have enough human resource to do market research.”

“The timing of the course should be considered. Market Research should be followed immediately by product development.”

“Give enough time on the actual application of the toolkit in the field. During our training, there was not enough time in learning the practical skills in the actual field interview and application.”

“MCPI could also give follow-up training on other tools such as the Poverty Measurement Tool and the Client Assessment Impact.”

In sum, the Project has successfully met the objectives for Component B. With 44 MFIs representing each type of MFI participating in the training courses, the Project has helped increase the knowledge and skills of microfinance practitioners in undertaking market research and product development. These knowledge and skills have been translated into practical application of the market research toolkit and conduct of market studies in their own organizations. One significant impact of the training course is the recognition of the need to have a separate unit or to have a team in the organization that focuses on market research and product development. To influence these MFIs to have a separate unit is indeed a major accomplishment. These institutions that have set up a separate market research and product development unit are among the leading and largest MFIs in the country.² Further, the course has caused the participating institutions to be client sensitive and to develop new or modify products that meet client demand, needs and preferences. Institutions that continued to use the tool after the training were able to maximize the benefits by developing new microfinance products and services that are responsive to the clients’ needs and preferences.

C. Product Development

Component C of the Project seeks to assist MFIs in developing, testing and launching new or improved microfinance products. The market research techniques and tools learned in Component B were envisioned to be used in this component of the Project.

In this Component, the Project specifically provided three MFIs with technical assistance (TA) on product development. These are the TSPI Development Corporation, Negros Women for Tomorrow Foundation (NWTF), and the Community Economic Ventures, Inc. (CEVI). Punla Sa Tao Foundation was contracted by the MCPI to be the TA provider for this Component. The following summarizes the phases of product development that has so far been completed by each of the participating institutions:

Table 5
Status of Product Development Technical Assistance

Completed Phase	TSPI	NWTF	CEV
Product Development Team Formed	Completed	Completed	Completed
Market Research	Completed	Completed	Completed
Product Designing	Completed	Completed	Completed

² These include TSPI, CARD and NWTF, among others.

Costing and Pricing	Completed	Costing	Completed
Pilot Testing 1	April 2005	On-going	On-going
Pilot Testing 2			

The selection of the MFIs in the technical assistance program was based on a step-by-step selection process. The screening process that was adopted can be summarized as follows:

- a. Meeting the basic selection criteria for experience in microfinance operations, institutional and management capacity, and market readiness;
- b. Undergoing the institutional diagnostic process to assess the microfinance institution's (MFI's) capacity to undertake new product development, and to determine how the new product fits into the MFI's competitive strategy and existing portfolio of products; and]
- c. Satisfying the conditions set by MCPI in order to participate in the sub-project such as undertaking the product development activities within the framework outlined in the New Product Development Guide.

The three MFIs, i.e., NWTF, TSPI and CEVI, were able to satisfactorily meet all the requirements for the technical assistance. The following describes the new products developed by these three MFIs under the technical assistance program. The benefits derived from the TA are also discussed.

1. TSPI Development Corporation

TSPI Development Corporation is a non-stock, non-profit organization that provides financial services to micro and small entrepreneurs. It is one of the leading MFIs in the country. Under the technical assistance, TSPI has gone through the process of market research using the FGD tools, and available secondary data for purposes of analyzing the market. It is also in the process of finalizing its product manual, which is expected to available within the month of April 2005.

As a result of the market research and product designing process, TSPI developed a new farm credit product concept called *TSPI Palayan Program* (TPP). The product is expected to be pilot-tested in Victoria, Tarlac in April 2005, where TSPI operates in nine *barangays*. Given the specialized nature of farm credit, TSPI designated an Agricultural Account Officer in the branch to directly handle the MAP product.

The TSPI Palayan Program (TPP) is designed to provide small farmers with access to technical and financial inputs that will maximize their farms' production on an efficient and sustainable basis. The new loan product will support the use of hybrid rice production technology and will be available to farmers who are owners or tenants of irrigated farmland of at least one hectare to a maximum of five hectares. Loans will cover production requirements including: (i) labor during land preparation/planting/weeding; (ii) inputs such as seeds, fertilizers, pesticides, gasoline for irrigation; and (iii) premium payment for crop insurance. The loan will be for a maximum of P20,000 per hectare at 3 percent per month . Loan term is six months, or one cropping season. An amount equivalent to 5 percent of the loan size shall be accredited to borrower's savings upon loan release. Further, compulsory savings amounting to P250 per month shall be collected over the loan term.

The loan is an individual liability but is secured by group savings and mutual guarantee. Unlike in the group guarantee system wherein 100 percent of the amortization of the defaulting member is absorbed by the group, the group's liability is only limited to the amount of group savings. However, if the balance of the delinquent loan can no longer be covered by the group savings it will have to be shared equally by the group members.

In case of non-payment due to calamities/natural disasters, the loan will be covered by crop insurance. Any outstanding loan balance, net of crop insurance coverage, shall undergo restructuring.

For the pilot testing phase of the MAP, a P1 million loan portfolio is targeted covering 60-75 client farmers. It is expected that the pilot phase will reach break-even of revenues and costs. While TSPI is just starting to launch the pilot phase, it has already gained the following important lessons from the experience:

1.a. Lessons Learned

Formation of a product development team and having a blueprint facilitates smooth implementation of the product development process. Roles and responsibilities of members of the team have been clearly defined; hence there is no confusion on roles in actual implementation. Further, having a clear Terms of Reference (TOR) for the departments that form part of the product development team allows for efficient coordination and involvement of department experts. As a result, the implementation process is well planned and coordinated.

Product features need to be clear because they have impact on pricing, costs and financial projections. TSPI went through an iterative process of refining and revising the product features to suit the product design to the needs and preferences of prospective clients. Corollary to this is re-calibrating the costs and financial projections to ensure that the product is financially viable. The iterative process of reviewing, refining and revising the product features is important in ensuring that the product eventually offered in the market is client sensitive and financially viable.

Support of the organization's leadership, particularly of the Executive Director is important in ensuring the success of the entire process. The product development team is composed of staff from different departments of the organization, with different expertise pooled together. Without support of the leadership, it would be difficult to bring these people together given that they have other responsibilities in their own departments. Further, the review of senior management on the progress and outputs of the product development team proved to be very helpful in having a product design that has buy-in of both management and staff.

TSPI had no experience in farm credit. MCPI responded to this lack of experience by providing TSPI with technical consultants who had long years of experience in agriculture credit. These consultants gave valuable inputs in the design of the loan product, which the product development team appreciated very much.

It is important that the step-by-step process in product development is followed. Short-cuts should be avoided because it will just result in inefficiencies and additional costs to the organization.

1.b. Impact of TA

The biggest impact of the technical assistance is the increase in knowledge and skills of the management and staff in product development. Because of the technical assistance, TSPI staff has become more confident in undertaking product development. The use of experienced consultants in agriculture credit as part of the technical assistance was of great value to the organization because it helped staff and management in understanding the dynamics of agricultural production and farm credit. In essence, the technical assistance enabled the staff to go in-depth in the demand driven product development process.

2. Negros Women for Tomorrow Foundation, Inc.

Negros Women for Tomorrow Foundation, Inc. (NWTF), is a non-government organization that seeks to help poor women achieve self-sufficiency and self-reliance. Established in 1984, it has grown to become one of the leading MFIs in the country.

NWTF has finished the steps in market research and has defined the product components and product prototype, gathered and analyzed sources of market information, solicited client feedback, and analyzed the collected information.

The new product developed by NWTF is a farm loan for sugar and palay farmers, or the micro-crop loan. As of the time of the assessment, NWTF is pilot-testing the micro-loan product and has already released P1 million in loans. This new product caters to both men and women. The farm loan is released monthly during the planting season. However, release of the loan is terminated if it was not used for farm production. Payment of the loan is be upon harvest.

The loan amount granted to the farmer borrower depends on the production need of the client. Computation of the production need is based on the assessment of the center as whole and of the client, with the guidance of the Loan Officer.

The Loan Amount is released on a monthly basis depending on the arising production needs. Loan assistance is provided at the start of the production process right after the approval of loan application and assessment of client's production needs.

Interest rate charged is 2.67% per month plus a service charge of 2% of the total loan amount. Loan term covers the whole production period, according to the choice of crop to be cultivated.

2. a. Lessons Learned

The product has to be marketed aggressively. There was delay in piloting the product because there were no takers due to the lack of marketing. Rice and sugar farmers have been beneficiaries of failed government programs in the past and seemed not to be interested in the new product. However, after more aggressive marketing and information campaign, the farmer become more interested and eventually participated in the pilot phase.

The MIS must be established before launching the new product. This is important to ensure accurate and timely monitoring of the portfolio.

The pilot phase is important in the product development process in that it draws out the issues that need to be addressed before roll-out. For example, NWTF found out that farmers have difficulty formulating a one year farm plan. NWTF therefore have to assist these farmers in drawing out their plans to determine the amount needed for production.

2. b. Impact of TA

The TA has been viewed by NWTF to be very good. No problems were encountered in how the TA was delivered and applied to them. The most significant benefit of the TA has been the knowledge on product development processes that has been imparted to the organization. Going through the step-by-step process and using the appropriate tools at each phase has significantly helped build the capacity of NWTF to undertake product development.

The monitoring of MCPI and technical assistance provided by the service provider enabled NWTF to push the activities and deliver the outputs envisioned in the Project. NWTF very much appreciated the role of both the MCPI and the technical service provider in seeing to it that the activities are on track and in line with the goals of the Project.

3. Community Economic Ventures, Inc.

The Community Economic Ventures, Inc. ((CEV) is an NGO organized to respond to the needs of micro-entrepreneurs engaged in trading, manufacturing and service-type businesses through the provision of financial and technical assistance services. CEV has undertaken financial projections of its new product, product design, product testing protocol, product manual and training on credit evaluation. CEV has already started to pilot test its new product. As of March 28, 2005, it has granted P125,000 in loans to client of the new product.

The technical assistance to CEV has resulted in the development of a new product called "Greater Access to Microfinance Services for Developed Entrepreneurs (GRADE)". The new product is designed to reward clients who have exhibited exceptional performance in terms of loyalty, participation, loan repayment and enterprise management under CEVI's group lending approach. The purpose of the loan is to finance larger businesses of existing clients that needs larger capital requirements.

Loan size is assessed based on business capitalization and repayment capacity through cashflow analysis in order to avail of the minimum loanable amount of P25,000 and the maximum amount of P80,000. Interest rate on loans is 2% per month with 2.5% upfront deduction on the loan amount. Loans are paid either weekly or in equal installments based on the borrower's timing of cash inflow. A minimum capital build-up deposit of P200 is required from the borrower. The deposit earns an incentive of 5% per annum based on the monthly minimum balance.

3.a. Lessons Learned

One of the most important lessons by CEV in the technical assistance is that an MFI can't rely merely on the weekly group meetings to know what clients want. Market research is essential in order to know what client demands, needs and preferences are, and therefore to be able to respond to them with appropriate products and services. Clients have needs and preferences that are often neglected. For example, the need for individual and educational loans were some of the products clients expressed they needed based on CEVI's market research.

Previously, products were based on standard features such as those practiced in *Grameen* and Village banking. No formal studies were undertaken on client needs and preferences. However, by going through the step-by-step process of product development CEVI has learned to determine if the product being considered is indeed feasible or not, and if it is client sensitive.

Due to lack of experience in product development, CEVI has miscalculated the schedule for the product development process. It is for the reason that the new product being introduced to clients is still in its pilot-phase. The management and staff have not anticipated the tedious process of testing which feature would work and which would not. Hence, the delay in implementation.

Providers of technical assistance need to consider CEV's decision making process. As an MFI of the World Vision, policy decisions are usually referred to the national office. If no decisions are reached at that level, the issue is referred to the regional office. This process takes time and would often cause delays in project implementation.

3.b. Impact

The primary impact of the technical assistance on CEVI is the increase in knowledge and skill of the staff in product development. Tools and techniques such as the cashflow, client credit and background investigation, and market research tools, were extremely helpful to the staff. Going through the process of conceptualization and developing new products significantly increased CEVI's capacity to undertake product development. The hands-on experience enabled the staff to learn the process in a practical way.

Mistakes in products offered to clients can be costly. Hence, the step-by-step process that CEVI learned in the technical assistance is a valuable experience that would help prevent mistakes in the future.

The development of a new product that fits the need of clients will help CEVI fight competition. There is growing competition in areas where CEVI operated. The new product will help them become more competitive. Further, it will generate potential income for the institution. Financial projections on the GRADE product indicate that positive net incomes will be achieved during the fiscal year 2005.

4. Remaining Issues

Technical assistance to the three MFIs will officially end in June 2005. However, none of these participating institutions would have completed the full cycle of product development process when the TA is officially terminated. They would still be in the pilot phase by then. Hence, activities after the technical assistance will no longer be subject to review and evaluation of MCPI and the technical service provider. These activities would include evaluation of the pilot-phase, review and refinement of the product, product launching and roll-out, and monitoring and evaluation of the roll-out. Orientation and training are also needed in the roll-out phase.

Further, the experience of TSPI, NWTf and CEVI in product development needs to be documented. There are valuable lessons to be learned from their experience that would be of great value to other MFIs. The Project however doesn't include a component for documentation of these experiences, or drawing out case studies of the experiences of these institutions.

MFIs that have developed new products for farmers have no expertise on farming technology. To introduce a new technology to farmers using credit is really a challenge. In response to this need, TSPI has decided to hire an agriculture account officer who has background in agriculture. During the product design phase, this officer needs to be part of the product development team. However, some institutions may not be able to sufficiently cover the cost of such personnel during the product development process if their scale of operations is still small. Hence, the cost may be initially subsidized as part of the technical assistance.

As institutions begin to gain success in offering loan products for rice and sugar production, there might be excellent opportunities for offering loans for other types of crops. MFIs may want to expand product development to other crops, which may need another technical assistance. Any assistance however should build on the previous experience of MFIs in product development.

Financial projections of participating MFIs indicate that the new products they are introducing in the market are expected to be financially viable. While indeed costs have been realistically considered in the projections, financial viability cannot be firmly established yet until the full cycle of the pilot and roll-out phases have been completed. The pilot phase would indicate the response of the market and if there is enough volume to guarantee net positive returns to institutions.

D. MCPI Operations

One of the objectives of this assessment is to review the over-all performance and operations of MCPI to help determine future services and activities. An analysis therefore of the performance of MCPI is undertaken in this section.

1. Member Performance

The Microfinance Council of the Philippines, Inc. (MCPI) is composed of 34 institutions working towards the growth and development of the microfinance industry in the Philippines. The 34 institutions include: 26 practitioners, and 8 technical and service providers. While membership among the practitioners is currently dominated by non-government organizations

(NGOs), the practitioner members of the network also include six microfinance-oriented rural banks and one thrift bank.

Reporting MFI members of the MCPI show increasing trends in aggregate outreach and scale of operations. Aggregate data shows an increase in gross loan portfolio of P1.6 billion in 2002 to P2.3 billion in 2003 or an increase of 44 percent. As of June 2004, it increased further to P2.6 billion. In terms of outreach, the consolidated outreach of network members in 2002 was 314,225 active clients to 578,493 clients, or a growth rate of 84 percent. As of June 2004, outreach increased further to 624,552 clients.

Table 6
Summary Performance of MCPI members

Indicator	<i>Dec 2002</i>	<i>Dec 2003</i>	<i>Jun 2004</i>
No. of Active Borrowers	314,225	578,493	624,552
Value of Loan Portfolio	1,566,435,367	2,334,494,701	2,546,493,207
No. of MFI Members with Data	15	22	23

In terms of the scale of operations, four institutions, or 22 percent of those reporting are large scale MFIs, i.e., institutions that have loan portfolios of over P200 million. Medium size MFIs, i.e., those that have loan portfolios of between P50 million to P200 million, constitute 44 percent of the reporting members, or eight MFIs. Small MFIs are those that have loans outstanding of less than P 50 million. There are six of them in this category, or 33 percent of the reporting MFIs.

Table 7
Scale Of Operations
As of June 30, 2004

Size	Value of Portfolio	Ave. Value of Loan Portfolio	MFIs
Large	Value of portfolio > P200 million	286,222,751	NWTF, TSPI, CARD,TSKI
Medium	P50 million ≤ Value of portfolio ≤ P200 million	104,665,374	ARDCI, ASKI, CCT, CEVI, KMBI, NRBSL, OMB, Talisayan
Small	Value of portfolio < P50 million	24,823,764	ASHI, CMEDFI, FCBFI, JVOFI, MILAMDEC, NORFIL

Data as of December 2004 indicates that majority of the reporting MFI members of MCPI have already reached financial self-sufficiency. Of the 18 MFIs that submitted their reports using the MIX toolkit, 14 or 78 percent have achieved financial self-sufficiency in operations. This is a significant improvement from performance reported in December 2003 wherein only three institutions or 21 percent of 14 reporting MFIs have crossed the 100 percent mark in financial self-sufficiency.

Table 8
FSS Status of MCPI MFI Members
As of December 2004

By FSS Levels	MFI Member
FSS MFIs	ARDCI, CARD Bank, CARD NGO, CCT, CEVI, CMEDFI, FCBFI, KMBI, MILAMDEC, NWTF, NORFIL, RB Talisayan, TSKI, TSPI
Non-FSS MFIs	ASHI, ASKI, JVOFI, OMB

2. Network Capacity

In March 2005, a network capacity assessment of MCPI was conducted using the Network Capacity Assessment Tool (NCAT) developed by SEEP. The tool evaluates networks like on six areas of effectiveness: Governance, Operations, Financial Sustainability, Human Resources, Service Delivery and External Relations. The NCAT provides a framework to assess networks based on standards developed for each area and assigns a score of performance for each. Rating marks are assigned to each indicator, and subsequently, through averaging and “rolling up”, are consolidated for each level of network effectiveness. The results of the network capacity assessment place networks into one of four stages of development according to their competence in the six levels of network effectiveness. These are the Nascent, Emerging, Expanding, and Mature stages. The following summarizes the over-all score of MCPI in the NCAT assessment:³

Table 9
Over-All Score of MCPI in the NCAT Assessment

Network Effectiveness	Score
Governance	4.12
Operations	3.63
Financial Sustainability	3.25
Human Resource	2.88
Service Delivery	3.69
External Relations	4.23
Overall Score	3.63

The overall score of 3.63 indicates that MCPI is still an “emerging network”. It means that the fundamentals of network excellence are beginning to take shape. The overall score of 3.63 is actually an improvement from the score of 3.20 garnered in the 2002 when MCPI had its first NCAT assessment. The improvement in the score implies that MCPI is beginning to move towards the expanding network stage of development.

Based on the results the assessment, MCPI’s strengths are the following:

- Highly qualified and experienced Board members who are also the recognized leaders in the microfinance industry.
- Strong advocacy to-date translated into:
 - *Bangko Sentral Ng Pilipinas* circulars on licensing of microfinance oriented banks;
 - Recognition and adoption of microfinance standards by the MFIs and funding agencies such as the PCFC and DBP;
 - Representation of the MCPI in the National Credit Council.
- Technically competent secretariat staff.
- Good relationships with international organizations such as the ADB, USAID, UNDP, CORDAID, ICCO.

³ Details of the assessment are discussed and presented in Network Capacity Assessment, Draft Report, March 2005.

- Good relationships with other network organizations such as MABS-RBAP, APPEND, NATCCO.
- Member institutions that are among the largest MFIs in the country.
- Competence in performance monitoring and benchmarking, and in market research and product development.

Weaknesses of MCPI, which are areas that needs improvement are:

- Absence of long-term funding strategy for operations.
- No manuals for administration, personnel and accounting.
- Strategic and business plan that is not yet in place.
- Membership lacks institutional diversity. Does not include the cooperatives.
- Weak promotion, communication and marketing strategies.
- Lack of a systematic approach to helping build the capacities of members.
- By-laws not revised to fit recent development and future directions.
- Performance standards not strictly enforced among members.

3. Member Satisfaction and Needs

In December 2004 to January 2005, a member satisfaction questionnaire was conducted by the MCPI together with a consultant to determine the members' level of satisfaction and opinions on various areas of network concern. The survey had a total of 21 respondents, of which 19 were regular members while 2 were affiliate members.

Sample member institutions were asked about their overall level of satisfaction with MCPI. Specifically, in terms of the level of quality of services with respect to the organization's investment as a dues paying member. The responses were generally positive in that 38 percent reported that their level of satisfaction was good, while 33 percent said that they had an excellent level of satisfaction. There were however respondents who expressed that their satisfaction was only fair, i.e., 29 percent of the responses.

Dissemination of microfinance best practices has been generally satisfactory to members. Of the 21 respondents, 52 percent or 11 reported that they were satisfied, while 5 percent said they were very satisfied. Some 29 percent reported that they were somewhat satisfied.

Sample respondent members constituting 45 percent of the responses reported that membership in the network has been of considerable importance particularly in learning about best practices in microfinance. Respondents representing 18 percent of the responses said that it was of considerable importance, while 27 percent reported it was of some importance. These results indicate how important learning of microfinance best practices is to the members.

The training courses conducted by MCPI were appreciated by the members. 38 percent expressed that they were satisfied; 29 percent were somewhat satisfied, while 19 percent were very satisfied.

Provision of technical assistance to members has been on a limited basis depending on the availability and source of funds. Nonetheless, 29 percent reported that they were somewhat

satisfied, while 19 percent said they were very satisfied. Some 14 percent indicated that they were satisfied. Some 33 percent of the respondents gave no response to the question asked presumably because the provision of the technical assistance does not apply to them.

The following are the areas where members feel they need assistance from MCPI:

- Continuous training, not only for senior management, but also for front-liners both in classroom settings and in exchanges and cross visits.
- Training and technical assistance at subsidized cost.
- Regular dissemination of microfinance best practices, publications and newsletters valuable to the MFIs.
- Publication of benchmarks wherein rating of individual members are compared with each other.
- Advocacy for policy reforms such specifically in taxation of microfinance NGOs.

IV. CONCLUSIONS AND RECOMMENDATIONS

On the whole, the Project is successful and very satisfactory. It has achieved its objectives and has produced the expected outputs. Component A has produced in-depth studies and documentation of product development process for selected MFIs. The results of these studies were disseminated using the appropriate vehicles such as the Forum, publication and distribution of the studies, and open access of the documents through the MCPI website.

Component B has reached 44 MFIs that sent 82 participants in the training courses on Market Research. This component of the Project has helped increase the knowledge and skills of microfinance practitioners in undertaking market research and product development, which have been translated into practical application of the market research toolkit and conduct of market studies in their own organizations. Influencing the MFIs to have a separate unit for market research and product development is indeed another major accomplishment of the Project. Institutions that have set up a separate market research and product development unit are among the leading and largest MFIs in the country. Further, the course has caused participating institutions to be client sensitive and to develop new or modify products that meet client demand, needs and preferences. Institutions that continued to use the tool after the training were able to maximize the benefits by developing new microfinance products and services that are responsive to the clients' needs and preferences.

Component C perhaps had the most impact in terms of benefits to the organization because it is a direct form of technical assistance. It is assistance that is on-site and is hands-on. However, such form of assistance could cover only a limited number of the MFIs. Institutions that participated in this Component found the assistance extremely useful. It has led to the development of new products, increase in knowledge and skill of staff in market research and product development, and potential income for the new product. While the new products developed by the MFIs are financially viable based on their projections, the pilot and roll-out phases have not yet been completed. Hence, the financial performance of these products cannot

yet be firmly established. However, based on the initial responses of clients in the pilot phase, these products have potential to produce incomes to participating MFIs.

The following are the recommendations to further improve the Project and to maximize the gains that have so far been achieved:

9. Extend the technical assistance to the three MFIs until the full cycle of the product development process has been fully completed. The official termination of the technical assistance in June 2005 will not give opportunity for review and monitoring of the remaining activities that MFIs are expected to complete in the product development process. MCPI and ICCO may consider extending the Project until all phases of the product development cycle, including the roll-out, have been completed by the MFIs.
10. Document the experiences of the three MFIs that received technical assistance on product development. Documentation of processes and lessons learned would be of great value to MFIs that would like to undertake product development in the future. There is great amount of information and lessons that can be drawn from the experience of the MFIs that have received technical assistance. It is best to document these experiences and disseminate them to practitioners and industry players.
11. The success of the Project provide basis for offering technical assistance to other MFI members of MCPI in the future. MCPI could also accredit other service providers to expand the number of MFIs that will benefit from the assistance. Expansion of the assistance to other MFIs however would need external funding similar to the ICCO support.
12. Review the selection criteria for participation in the training courses as well as the mechanism for completing the course. Most of the participants that did not fully meet the requirements of the course were from the operations staff of MFIs. They were not able to complete the course because they were immediately assigned to the field after the training and therefore did not have the time to do the market studies. Operations people have direct contact with clients. They provide valuable inputs to the product development team of an organization. It is therefore still essential that they participate in the Market Research courses. However, a different mechanism may have to be set in place to enable them to comply with the requirements of the course. It is in this regard that the mechanism for compliance used by the Project be reviewed.
13. Continue to offer the Market Research for Microfinance course after Project termination on a fee based arrangement. MCPI has developed its competency in market research and is strategically positioned in assisting MFIs in product development. Based on the sample survey, there is strong demand for this training among MFIs.
14. MCPI could also consider follow-up training on other tools that are useful to MFIs. For example, the use of the poverty measurement tool and client impact assessment tool.
15. MCPI has started to systematically incorporate the expressed needs of members as basis for the provision of training and other services. The conduct of the first member

satisfaction survey in December 2004 was a step in the right direction. MCPI need to regularly conduct these types of surveys as well as consultations/FGDs to determine member satisfaction and opinions. This process would help ensure that services provided to members are demand driven, and would meet the needs of MFI members. MCPI could also use the expressed capacity building needs of members as basis for drawing funding support from donors.

16. Finally, MCPI and ICCO may consider undertaking a Phase II of the Project. There are activities that need to be brought to the next level as well other unmet capacity building needs that merit a follow-up phase. In this regard, a second phase may include the following components:
 - a. Documentation of the product development process experienced and undertaken by the MFIs that received technical assistance from the Project. This component would help promote peer sharing of experiences and lessons learned from the product development process.
 - b. Conduct of training for capacity building of MFIs in specific areas where MCPI has developed its competence. Based on the responses of participants in the training, the course on Market Research for Microfinance was very helpful. MFIs would like MCPI to continue in offering the course to practitioners. Other training courses that MCPI may consider are training on client impact assessment and poverty measurement.
 - c. Roll-out of product development technical assistance. The Project could expand the assistance to other MFIs that meet the criteria for assistance. Technical service providers other than Punla could also be tapped or accredited to provide the technical assistance.