

**Remarks of President and CEO Emmanuel G. Herbosa
Rural Bankers Association of the Philippines 66th Annual National Convention
20 May 2019/ 11:00-11:30 a.m./ Baguio Country Club, Baguio City**

BSP Governor Benjamin E. Diokno

BSP Deputy Governor Chuchi G. Fonacier

RBAP President Dr. Armando Bonifacio

Landbank President Cecilia C. Borromeo

Distinguished officers and members of the RBAP

Ladies and gentlemen

Good morning.

On behalf of the management and staff of the Development Bank of the Philippines, I would like to congratulate the Rural Bankers Association of the Philippines on your 66th annual national convention and general membership meeting. Thank you to the officers and directors of RBAP led by Dr. Armando Bonifacio for giving me the opportunity to discuss DBP's efforts to promote financial inclusion in the country.

Allow me to note that the theme of this year's convention, "Rural Banks: Bridging the Gap in Financial Inclusion," reflects our collective goal of bringing more unbanked Filipinos into the financial mainstream. For DBP's part, we have

expanded our branch network to 127 branches and 10 branch lite units. More importantly, we have opened offices in unbanked and underserved areas like Dolores in Easter Samar, Siaton in Negros Oriental, and Banga in South Cotabato.

DBP has also installed more than 820 ATMs in unbanked areas of the country. Last year, we became the first financial institution to install three ATMs in the island of Sibuyan in Romblon province and serve the banking needs of more than 60,000 residents in the area.

Our prepaid cards also provide a convenient and secure way of disbursing indemnity claims of farmers and fishermen as well as loan proceeds of members of the Pag-IBIG Fund and the Social Security System. We have partnered with the Philippine Crop Insurance Corporation for the timely and convenient disbursement of indemnity claims of farmers and fishermen through the use of DBP prepaid cards.

It is thus with encouragement that I consider you, rural bankers, as natural partners in developmental efforts. After all, you are really at the cutting edge: you know your communities best particularly the good creditors among primary producers like farmers and fisherfolk and the small businesses that support

them. Together, we can enhance marginal credits that can help catalyze the rural economy and make it robust.

I'd like to mention some of the areas of cooperation which DBP and rural banks can explore. We offer digital banking services which rural banks can tap to improve their operational efficiency. Our DBP Digital Banking Portal or DBP² offers a complete suite of payments, disbursement, and collection services. It has 23 modules of cash management solutions, offering additional security, flexibility, and greater control than traditional online banking applications.

The most basic function that the DBP² offers is the account services module. Through this, our corporate clients like rural banks can view their balances online and in real time. This is very useful for banks which have a piggybacking arrangement with DBP as monitoring balance will be easier, and rural banks will know when to replenish or tap up. DBP² also offers collection, disbursement, accounts and liquidity management, and special services such as outward remittance and checkbook reorder.

We can provide ATM, Point of Sale, and electronic banking services to rural banks in remote and underserved areas through an ATM piggybacking

arrangement or Cash@POS Program. We can also do remittance tie-up for pick up and credit to account transactions with rural banks as cash payout agents or remittance partners.

Those are just our initiatives from the branch banking side-- DBP also has development lending facilities designed to support the projects of the so-called agripreneurs, improve productivity, and uplift the lives of marginalized farmers and fisherfolk.

Let me discuss briefly our four financing programs for the agriculture sector:

- Sustainable Agribusiness Financing Program (SAFP)— this provides credit assistance for agribusiness projects engaged in the production, harvest, processing, and marketing of crops, poultry, livestock, and fishery. There are 184 projects assisted under this program with a total loan portfolio of P2.47-billion.
- Broiler Contract Growing Program -- this is a sub-program of the SAFB that supports the poultry industry through the financing of poultry broiler contract growing projects across the country. So far, we have supported 64 projects under this project with a total loan portfolio of P3.15 billion.

- SAFF for the Dairy Industry (SAFF-DAIRY)—this is another sub-program of the SAFF designed to help the National Dairy Authority in attaining its objective of promoting a vibrant local dairy industry. DBP has supported three projects under this program with a total loan portfolio of P15.5 million.
- Tree Plantation Financing Program— a credit assistance program for the expansion, harvest, maintenance, and protection of existing tree plantations with at least 4-year old standing trees and in at least 1% of the plantation area of qualified private and public land. So far, we have financed 2 projects under this program with a combined loan portfolio of P9.2 million. I believe we can do more projects under this program that’s why we are talking with the Department of Environment and Natural Resources to relax some of its regulatory requirements and provide technical assistance to our borrowers.

Let me backtrack a bit and focus on a keyword that I have mentioned a couple of times before—‘developmental.’ This word alludes to a divide. Sometime last year, author Steven Brill wrote about what truly divides the United States in his book “The People and Forces behind America’s Fifty-Year Fall—and Those Fighting to Reverse It.” I was intrigued by his thoughts—as it

does not put the blame on Donald Trump nor locally, not at all on President Duterte! It is rather all about the included versus the excluded: although symbolically, it is about Trump's border wall.

The US is a highly meritocratic society. You are given all the opportunities for success for as long as you perform well. Thus, we talk of the American Dream. However, such meritocracy somewhat hijacked that American Dream as those who succeeded have excluded a vast majority of the population. It is, after all, the survival of the fittest. Though this 'divide' is not white versus black, north versus south, blue versus red states, Republicans vs. Democrats, but those who have gained much more versus those now excluded from a proportionate share of the nation's wealth. It is a split between the 'protected few' or those who have achieved wealth and the 'unprotected many' or those who covet for good health care, education, and other services. This has become a very large noise known as "income inequality."

We face a very similar problem in our country; it's not management versus labor, Christians versus Muslims, Right versus Left—we are now engaged by a 20-80 problem which is all about the unbankability and great exclusion of

our less fortunate countrymen. This is the gap that you, my rural banker friends, and GFIs like DBP have to correct. This is our developmental role.

But we cannot give what we do not have. This requires the initial and at times painful task of looking into our back room to improve operating procedures, eventually automating manual processes, ensuring our accounting and financial reporting comply with international auditing standards, upgrading our credit risk capabilities, and managing well our capital base. In this way, we can deliver meaningfully to our proven credits while giving financial advisory to upgrade marginal credits. Our pricing can be more relevant to better risks and must not compromise our capital adequacy. Our roles have tremendous ripple effects throughout the communities we are in. I hope not to see more rural banks become mere branches of the private unibanks-- it is time we believe in our purpose and be our true selves.

Among the various roles of DBP, what I have chosen to focus on is our advocacy program. For instance, we have the PASADA program to address replacement of old jeepneys with eco-friendly units. Through this initiative, we are encouraging the transport cooperatives to regularize independent drivers so that they can be regular employees who are part of a corporate payroll program.

They will have their own deposit accounts that will eventually help them save and avail of government benefits as well as our investment products.

We also have the DBP Forest program which supports and encourages the reforestation of open and denuded areas through planting of high value fruit trees and plant species. Aside from the massive reforestation that our country needs—because trees produce water through condensation and forest cover, this will provide a sustainable livelihood because lumber and wood products are in great demand.

Before I end, let me share with you my recent eye-opening experience in Mindanao. I was there last May 2 to visit a large renewable energy plant in Kauswagan, Lanao del Norte. The Presidential Peace Adviser General Carlito Galvez, Jr. happened to be in the area and invited me to join his visit to the main MILF Camp Bilal which is under Hadji Abdullah G. Makapaar, nom de guerre Commander Bravo. I seized the opportunity to secure peace. We were a small group and went there completely unarmed as a gesture of sincerity. This was appreciated as certainly no banker, more so the President of DBP, has ever been in that part of the country.

I thought that was symbolic—it is more of a symbol of change. The MILF is another case of economic exclusion. I believe that if we are to talk of financial inclusion, they should also be part of it. Let's join hands to make this dream come true for the rest of the country.

Thank you and good morning.