

ISN 92472

PN-ABT-738

# PHILIPPINES

**Mother Rosa Memorial Foundation.**

**Working with the Landless Farmers**

The Mother Rosa Memorial Foundation is a PVO dedicated to increasing income, providing employment opportunities, and improving the standard of living of marginalized farmers, landless rural workers, and indigent women located in rural provinces of the Philippines. The Foundation provides credit assistance as well as formal skills training and on-the-job training to respond to the problems of low productivity and high unemployment. Since 1987, the United States Agency for International Development (USAID) has provided the Foundation with a total of \$395,000 in grants. The project in Pampanga alone has created over 20,000 permanent jobs at a cost of less than \$7.50 per job.

## **BEGINNINGS**

In 1966 the alumnae and friends of the Assumption College in Manila founded the Mother Rosa Memorial Foundation, in memory of a French nun who spent 66 years in service to the economically disadvantaged people of the Philippines. The Foundation ran a clinic in Manila until 1970 when, in response to urgent requests from the people of San Simon, it established the Assumpta Technical High School in San Simon, Pampanga. In 1972 terrible flooding occurred in San Simon, and the Mother Rosa Memorial Foundation responded by organizing the San Simon Integrated Rural Development Program.

## **DEVELOPMENT PROGRAMS**

Mother Milagros Dayrit, a septuagenarian Filipino nun and chief executive officer of the Mother Rosa Memorial Foundation, designed the San Simon Integrated Rural Development Project as a program for the development of local communities through credit assistance and non-formal education. USAID first funded the Mother Rosa Memorial Foundation in 1987, enabling the Foundation to initiate the "Productivity Program in Pampanga". This program aimed to increase the agricultural productivity of farmer beneficiaries, and create employment and income opportunities for landless rural workers, women, and out-of-school youths.

## **THE LAND**

The Mother Rosa Memorial Foundation currently operates projects throughout Central Luzon. Food crop production is the major source of income for most households in this region; however, the industry is stagnant. Rice farm productivity is low, and other food crops and livestock enterprises are small-scale.

## **PROBLEMS AND POTENTIAL**

Mother Milagros says, "Agricultural production in the area does not meet its potential due to the lack of access to credit, poor technology, and a lack of organizational awareness." The region has vast natural resources and much productive potential, but it lacks infrastructure as well as technical and financial assistance to support agricultural projects. Livestock production is widespread, and although this industry remains small scale at present, there is potential for commercialization.

## **VISION**

"The vision of the Mother Rosa Memorial Foundation," Mother Milagros says, "is to foster local independence among the farmers and workers of rural regions, and to help them to achieve self-sufficiency and self-reliance. We are working to improve the socio-economic status of marginal groups by turning communities into places of productive and self-reliant existence, where work is available." "Our goal," says Mother Milagros, "is to develop the economic productivity of the farmer, and to raise the quality of life through active participation of the people in community affairs." The programs catalyze land reform development, provide credit assistance, educate through intensive training, supply technical assistance, and promote technology transfer. "Through these goals," she says, "the Foundation will enable local farmers to become organized and self-sufficient."

## **OBJECTIVES**

Given training and technology on farming and crop management, farmers increase their productivity. They profit by controlling prices of agricultural products through a marketing credit support system incorporated in the loan program. For non-agricultural livestock development where supply is insufficient, local supply meets local demand if the industry is assisted. The women can engage in cottage industry other than agriculture by using indigenous resources such as tikiw, palay and bamboo. Mother Milagros explains, "Viable rural industries located in the barangay draw in traders, buyers and investors; and encourage income generating projects." Infrastructure support mechanisms such as better roads, electricity and water demands will be imposed by a growing local economy, commerce and trade. She says, "Crop and rice farms will lead to further land classification which will concretize the land reform program, and further protect areas from soil erosion through sustained vegetable farming and other crop diversification."

## **STRATEGY**

Below are illustrative components to the Foundation's strategy for achieving its objectives:

- **Community Education:** problems and resources are identified and assessed within the community, by the members of that community.
- **Cooperative Development:** the Foundation encourages farmers to work together to purchase warehouses and rice mills so that they can do their own marketing, as they do with communal irrigation and rice production.
- **Irrigation Pump Management and Rice Production:** the Foundation helps farmer organizations secure loans to purchase irrigation pumps which they then manage themselves; getting rid of middlemen who monopolize use of government-owned pumps while simultaneously building business relationships between farmers and banks.
- **Agribusiness Development:** provides a means of livelihood for non-farmer, landless rural workers.
- **Health and Nutrition Education:** provides training on proper diet and food production, sanitation, etc.

## **TECHNICAL ASSISTANCE**

The Mother Rosa Memorial Foundation provides training on project planning, implementation and budgeting. Gen. Cordero, a project officer, says, "For those who are farmers, we train in the management of a specific crop or livestock so that farmers increase their productivity." For female beneficiaries, landless rural workers and out-of-school youths who are not farmers, the Foundation provides training to establish and sustain small scale rural industries indigenous to the area.

## **CREDIT ASSISTANCE**

The Mother Rosa Foundation operates two different USAID-assisted loan programs: the Productivity Project in Pampanga and the Tarlac Integrated Development Project. The Foundation operates a revolving loan fund which is used to advance credit to beneficiaries, enabling them to afford the cost of production and/or expansion.

## **TARLAC LOAN PROGRAM**

In Tarlac, the Foundation carries out the initial selection of eligible borrowers, and assists them in the preparation of paperwork necessary to open a local savings account. There, the transfer of funds takes place from the Foundation to the beneficiary. The borrowers then deal directly with the bank regarding their loans. Payments are not deposited to the Foundation's account for re-lending to eligible borrowers. Jen Macalipsay, a project officer explains, "This system enables the beneficiaries to establish a credit record while simultaneously widening the bank's range of clients and developing a business relationship between the two."

## **PAMPANGA LOAN PROGRAM**

The Ugnayang Magsasaka ng San Simon (UMSS), or the Council of Farmers of San Simon, was organized by the Mother Rosa Memorial Foundation in 1976, as a federation of farmers' organizations in San Simon, Pampanga. After training the members, the Foundation gave this organization the responsibility of selecting beneficiaries, making loans, monitoring, and collecting amortizations for local beneficiaries. Mother Milagros says, "We want the beneficiaries to organize and manage projects themselves. Our process is participatory. The farmers run their own organization and implement its policies so that the greatest number of people benefit."

## **UMSS**

The original membership was 33 farmers from 5 communities. The UMSS has now grown into a federation of 274 members with over 1,000 farmers in 15 associations. The organization is completely self-governing, with the general assembly being comprised of 35 members from the five original farmer associations. The functions of the organizations are diverse, but a significant service of the organization is the livelihood arrangement composed of the loan window, warehouse, and farm supply. Before assistance from the Mother Rosa Memorial Foundation, the farmers earned an average of \$1600 per year from rice farming. With credit and technical assistance, farmers are now earning an average of \$3,500 per year; most of them having established supplemental livelihood projects such as duck raising, etc.

## **FARM LIVELIHOOD PROJECT**

With their newfound organizational strength and with the assistance of the Mother Rosa Memorial Foundation, the farmers were able to secure and repay production loans to gain management control of their own irrigation systems. The farmers then wanted to free themselves from the local rice/palay (unprocessed rice) traders. The farmers estimate that they were losing some 30% of their profits to traders, who, at harvest time, bought the palay from the farmers at prices far below those of the National Food Authority. The farmers received a loan from the Mother Rosa Memorial Foundation to supplement their own savings and use the funds to build a 20,000-cavan (a cavan is a 50-kilogram sack)-capacity warehouse, a rice mill, and a training center. The farmers are no longer at the mercy of rice/palay traders, as now they can do their own milling, and have facilities to store their rice until a time when they will receive a fair price for it.

## **NEW JOBS FOR LANDLESS RURAL WORKERS**

It is estimated that for every hectare being cultivated, a farmer must hire 10-20 workers; so for every hectare of land the Mother Rosa Memorial Foundation funds for farm production, approximately 15 permanent jobs are created.

## **LOANS**

The UMSS operates a "loan window", funded by USAID through the Mother Rosa Memorial Foundation, which is used to fund income-generating projects and farm production loans. It selects non-bankable but credit-worthy beneficiaries and advances them loans at market rates. For farming, the barrio associations submit their farm budgets to the loan window when the production cycle begins. The farmers pay back their loans in terms of palay to the warehouse. The excess palay can be deposited or purchased directly by the warehouse. Presently, 50% of the loans being granted by the UMSS is for farm production, while the other 50% is used to fund other income-generating projects for landless workers.

## **LOAN CONDITIONS**

The Mother Rosa Memorial Foundation charges interest rates based upon the prevailing rate of lending institutions in the area. The size of the loan that a beneficiary receives is structured to fit the needs of the enterprise. The Foundation makes loans anywhere from \$17 for individual borrowers to \$5,500 for organizational borrowers. The maximum term for a loan is 36 months, and disbursements and amortizations are set to coincide with normal returns of the activity (i.e. harvest) concerned. Ernesto Man-

lapaz, a member of UMSS says, "If a beneficiary repays his loan according to schedule, he becomes eligible for a second loan so that he can continue to expand or diversify his business."

## **PROFITS**

Profits earned by UMSS are primarily re-channelled back into the revolving loan fund. The UMSS has also established an emergency loan fund which generates savings from each borrower at a rate of \$8 per year in case of family, crop, or educational emergency. Any other purchases made by UMSS are under the supervision of the Foundation, and agreed upon by the council and the members of UMSS. These purchases, such as the rice mill and warehouse, are for the benefit of all the members of the organization, and serve to strengthen the cooperative and its activities.

## **ELIGIBILITY**

Mother Milagros says, "We make eligibility requirements as lenient as possible, since our beneficiaries are from marginal groups and cannot provide collateral." The participants need to have completed organization and/or technical training, and must belong to one of the following groups:

- limited resource farmers cultivating 5 hectares or less;
- unemployed/seasonal workers;
- landless rural workers;
- unemployed women.

No collateral is required, but in Pampanga, the UMSS requires that a beneficiary be endorsed by his local Barangay Livelihood Council.

## **MONITORING**

The Foundation carries out its monitoring duties through reports and site visits. The reports document association activities such as community meetings and training programs. Site visits determine feasibility of the proposed project, ascertain whether loan funds are being used for the stated purpose, and assess the accomplishment of organizational objectives. Site inspection also includes monitoring of production output, market deadlines and sales reports. For both individual beneficiaries and associations, the Foundation monitors all bank transactions. In Pampanga, the UMSS handles all of its own monitoring under Foundation supervision and guidance.

## **WHEN A LOAN GOES BAD**

In Pampanga, if a beneficiary cannot make his amortization payment, his group as a whole is responsible for that payment. Mother Milagros explains, "When one member of a group cannot make his payment, the other members compensate for him, so the UMSS almost never needs to take any action regarding default." As the loan program in Tarlac is handled through a bank, the bank follows regular policy regarding payment, default, and foreclosure. Since the Mother Rosa Memorial Foundation puts up the funds for the loan, the organization absorbs the loss.

## **USAID REPORTING**

USAID required the Mother Rosa Memorial Foundation to submit an implementation Plan at the outset of the project, which listed scheduled activities by quarter. The Foundation submitted its Baseline Report which provided a socio-economic profile of its beneficiaries; as well as an Evaluation Plan which outlined methods and participation in evaluation of the project. USAID also requires that the Mother Rosa Memorial Foundation submit a Financial Review Plan, which provides for a periodic review of the financial management of project resources, compliance with reporting requirements, and maintenance of adequate internal controls.

## **FIRST ATTEMPT**

In 1970 when the Mother Rosa memorial Foundation moved to the province of Pampanga, the Foundation implemented its first rural development project in the barangay of Santa Monica. At that time, the Board of the Foundation had no experience with development projects, and the project failed. The Foundation loaned funds to farmers and other target groups who needed capital to fund income generating projects, but there was no transfer of community organization and development skills. The beneficiaries received no training on how to organize and run a project, and farmers were not trained in methods of increasing productivity.

## **FAILURE**

In a short time, the funds that had been given to different groups ended up consolidated into the hands of a few who had taken advantage of the others. Cooperatives were formed, but those leading the co-ops kept the profits for themselves. Mother Milagros explains, "We had neglected to see the importance of education and training. The most valuable tools are useless if they are given to someone who does not know how to use them."

## **COURSE CORRECTION**

As a result of the lesson of Santa Monica, the Foundation restructured its program. The type of assistance given to beneficiaries became two-fold, incorporating a comprehensive technical and theoretical training component, as well as credit assistance. The strategy that evolved as a result of the Santa Monica failure stresses not only education in technology and organization, but also centers on participation as the core of the project: participation in all aspects of development, implementation, and management.

## **ASPIRATION**

Before Rolando Cunanan procured a loan from UMSS, he earned a living from the mango trees that grew on his property. He says, "My wife and I harvested the fruit together, and we usually earned less than \$1,500 per year through the harvest of our crop." Rolando and his wife had three children who were very young at that time; but his oldest child has dreams of going to college. Rolando says, "I knew that I would need to earn more money to support such a dream."

## **ROLANDO CUNANAN**

Rolando Cunanan is 44 years old and has lived his entire life in the barangay of San Jose in San Simon, Pampanga. In 1978 Rolando arranged with a local landowner to lease 2.5 hectares of land for rice farming, and he applied to the Mother Rosa Memorial Foundation for a loan to begin production. The farmer organization agreed to make him a loan for \$288 per hectare, or approximately \$720.

## **THE FARM**

Rolando hired 15 workers to help him prepare the fields for planting. He pays his worker based upon the activity that they are doing; for example, when the workers are planting, Rolando must hire 20-30 workers, and they each receive \$2.00 per day. During the harvesting season, the same group of workers usually stay on, but they are paid in kind; for every 6 cavans (50-kilo sacks) the men harvest, the farmer gives them 1 sack to divide among themselves. When the activity is threshing, the workers keep 5 sacks for every 105 that they thresh. Most of the farmers of Pampanga are able to plant two crops per year, which keeps the landless rural workers employed throughout the year.

## **DIVERSIFICATION**

Rolando Cunanan was able to repay his loan in full after one year (two harvests). His farm became, at that time, self-sustaining and profitable. Rolando says, "I used the profits from the farm to start new projects around my home which my wife and I manage". They continue to harvest mangos, raise chickens, and recently started raising turkeys.

## **DREAM COME TRUE**

Rolando's oldest child is now 21 years of age and attends a School of Dentistry. Through the success of his projects, Rolando is able to pay the tuition which costs him over \$2,200 per year. Before he applied to UMSS for a loan, Rolando earned less than \$1,500 per year from mango harvesting. Through his projects, he now earns an average of \$3,200 per year, and has created 25 permanent jobs for landless rural workers, women and out of school youth.

## **JOVITA SABALLA**

Jovita Saballa is 41 years of age and lives with her husband and four children in the barangay of San Miguel in San Simon, Pampanga. In October of 1989, Jovita applied to the Mother Rosa Memorial Foundation for training and set-up support for a rice-paper making project (the Foundation would provide the chemicals and equipment necessary to begin production). "Up until that time," Jovita says, "my family depended upon my husband's salary of \$3.00 per day."

## **COMPETITION**

Jovita attended training courses which taught her to make the rice paper, however, the Foundation had overlooked one problem. Jovita was sent to a rice-paper manufacturing business for training, and that business, not desiring to give up its trade secrets, did not give the trainees all of its knowledge regarding production. Jovita explains, "They taught us to make the product, but of inferior quality."

## **NEW BEGINNINGS**

Jovita is not a person to be defeated: "During the next eight-months," Jovita says, "I traveled on my own initiative to independent rice-paper making businesses and observed their techniques so that I could improve the quality of my product." She consulted the staff at the Mother Rosa Memorial Foundation to find out how to secure

buyers for the paper. The Foundation found clients for Jovita, and in October of 1990, she began production with two large, on-going work orders to keep her business active. Jovita currently employs 4 full-time out-of-school youth workers, whom she pays \$35 per month. She also employs some part-time help.

## **SUCCESS**

Jovita pays herself the same salary that she pays her workers. She says, "For the time being, I put all remaining profits back into the business. I know how to make a good product and how to look for people who will buy it. I am sure that the business will continue to be successful."

## **COURSE CORRECTION**

The Mother Rosa Foundation learned two valuable lessons from the experience of Jovita Saballa's project difficulties and success. The Foundation decided to place more emphasis on the marketing of its beneficiaries' products. Mother Milagros says, "The Mother Rosa Memorial Foundation now participates in trade fairs where it displays the products created by its beneficiaries, and aids them in procuring orders." The Foundation also educates the beneficiaries regarding the competitive nature of some businesses. It advises them that they will be trained in basics; however, they must do some research on their own, and develop new products if they wish to be successful.

## **EDELITA FAJARDO**

Edelita Fajardo and her husband Nicanor Fajardo were both born and raised in barangay San Pedro in San Simon, Pampanga. Nicanor worked as a rice farmer and Edelita worked in the home as a seamstress, and together they raised three children on a combined income of \$1,200 per year.

## **FIRST LOAN**

Edelita is an industrious woman; and in the early 1980's, she joined the San Juan Women's Group, an 83-member organization of local women who were interested in working together to help one another establish income generating projects. In 1983, endorsed by the group, Edelita applied to the Mother Rosa Memorial Foundation for a loan of \$55. Edelita says, "I used the money to buy 25 chicks, with which I started a poultry business. We made hen houses from scrap wood, and slowly the project began to grow." Two months after Edelita had accepted the loan, she had repaid it in full.

## **SECOND LOAN**

In December of 1990, Edelita again applied to the Mother Rosa Foundation, for a loan of \$200. Edelita says, "From the profits of our poultry business, I was able to re-invest funds into the ongoing venture." Nicanor says, "The loan and savings were used to build a larger chicken house, and to buy chicks and feed." Edelita needed help running the project, so Nicanor quit farming and now works with his wife and children.

## **SUCCESS**

Edelita still makes amortization payments on the loan she received, but has continued to invest the majority of her profits back into the business. She and Nicanor now have over 500 chickens, and recently they opened a small sari-sari store. Edelita says, "Working together, my husband and I earn just over \$200 per month." Edelita hopes to further expand her livestock to include duck-raising, and will hire an additional four workers to help her maintain all of the projects.

## **LESSONS LEARNED**

When asked what lessons the PVO had learned, Mother Milagros says, "There are two factors that are of primary importance in running a project such as this one:

- The first is education. We learned from the failure of Santa Monica that credit assistance alone is not enough; beneficiaries must be trained in the skills of management, production and organization if they are to be able to successfully operate and maintain a business that is self-sustaining."
- "The second factor," Mother Milagros says, "is that the entire program must be participatory in nature. Beneficiaries must take part in every step of the program; from needs assessment and project development, to implementation, monitoring and management. Only in this way were we able to achieve our Vision, which includes independence, self-sufficiency and self-reliance."

## **DEVELOPMENT NOT CHARITY**

The people of the area are quite poor; however, Mother Milagros emphasizes the development characteristics of such a project. "It is important that an organization such as ours inform its beneficiaries that they will not be the recipients of charity. We do not want to act as a crutch which will foster dependence. Instead, we wish to teach people to become self-reliant, and this cannot be achieved through dole-outs." Organizations are encouraged to establish a loan fund which is available in case of emergency; but, "charity" is seen as an obstacle in the path to self-reliance. Not only does it hinder the development of the individual; it also threatens the sustainability of the PVO.

## **SUCCESS**

Since 1987, USAID has granted a total of \$395,000 to the Mother Rosa Memorial Foundation for all of its work. This funding has enabled the Foundation to provide community development, technical and credit assistance loan, and has created over 20,000 jobs at a cost of less than \$7.50 per job. The Mother Rosa Memorial Foundation is a PVO truly serving the landless and limited resource rural people of the Philippines.

**Note:** We have expressed all of the money in this paper in U.S. Dollars so that readers outside of the Philippines will be able to understand the amounts used as well as readers inside the Philippines.