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Making Rural Credit Work: Emerging Lessons From The Local Resource Management Project

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by

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National Economic and Development Authority
Agricultural Credit Policy Council

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PREFACE

This joint undertaking by the National Economic and Development Authority (NEDA) and the Agricultural Credit Policy Council (ACPC) presents an evaluative study of the Community Projects Fund (CPF) credit scheme, a component of the NEDA's Local Resource Management (LRM) Program. It is the result of ACPC's assessment of the CPF as a tool for providing credit to the poorest of the poor. ACPC documented the experience and lessons from the project as implemented in three pilot provinces namely, Antique, Catanduanes and Southern Leyte. The scheme was evaluated vis-a-vis credit policies and viable approaches to alleviate poverty. Through the publication of the LRM's experience in administering the CPF, it is believed that private voluntary organizations and other government agencies engaged in rural credit financing will benefit from the insights and recommendations. This may also serve as reference for policy makers particularly in the design of credit programs for marginal groups.

This report is divided into five chapters: Chapter I provides a background on the LRM Project and the CPF credit scheme in particular; Chapter II contains the research design. Chapter III presents the highlights and a critique of the CPF experience in the selected pilot provinces. In Chapter IV the CPF credit scheme is compared with the current lending policies and programs of the government for the rural poor; and finally, Chapter V sums up the findings and presents the conclusions and recommendations drawn. The assessments of the CPF's implementation in each of the survey areas are presented as annexes.

ACPC acknowledges with gratitude the people who have given substantial contribution for the completion of the study, especially those from the survey areas who have generously provided the required data and information, such as the provincial and municipal governments in the provinces of Antique, Catanduanes and Southern Leyte and the participating Private Voluntary Organizations (PVOs), namely, Ilaw International Center (IIC), and the Ilaw ng Buhay Associations (INBAs) in Catanduanes, the Antique Development Foundation (ADF), the Antique Federation of Cooperative Credit Unions, Inc. (AFCCUI) and the Southern Leyte Economic Development Foundation (SLEDFO). We also wish to thank the participating community-based organizations (CBOs) and individual beneficiaries of the program who have yielded to interviews. The survey team likewise expresses its appreciation for the logistical support given by the National and Provincial Planning and Development (PPD) Offices and the Department of Agriculture provincial and municipal offices.

GILBERTO M. LLANTO
Executive Director
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FOREWORD

The National Economic and Development Authority's (NEDA) vision for the Philippine countryside has always been biased for the poor. While other development agencies - government and non-government alike have key roles in the country's development efforts, NEDA takes on planning as an essential tool of government in defining alternative strategies for uplifting the plight of the rural poor in our countryside.

The Local Resource Management Project is one of the most innovative endeavors undertaken by NEDA and the United States Agency for International Development (USAID). Its mission is to enhance the capability of local government units in responding to the needs of the rural poor while advocating a *"poverty group-focused planning framework"* towards addressing the vicious cycle of poverty.

A distinct and innovative feature of LRM's poverty group-focused planning is the recognition that poverty groups have unique constraints and opportunities revolving around access to and control of - productive local resources. While other planning approaches are more spatial and area-focused in nature, LRM anchors its development strategies on the basic tenet that control of such resources must be by those who depend on them for long-term survival.

A perennial problem which besets the Philippine countryside is the poor's inaccessibility to financial resources. While rural credit is primarily aimed at generating productivity through investments and profitable returns, the very nature of this group as *"non-bankable"* immediately disqualifies the poor as beneficiaries of the system. Thus, almost always the poor resort to usurious borrowings; more often the victims of this facet of poverty's cyclical nature.

LRM intends to combat this issue through its project assistance components. For instance, through its Community Project Fund (CPF), it was able to test various approaches to project financing that support the Project's thrust of institution-building and participatory planning. The CPF was implemented in partnership with private voluntary organizations (PVOs). It was intended to assist the rural poor groups to break their bondage from the informal credit sector enabling them to become active participants in promoting rural productivity.

In almost seven years of CPF implementation, much have yet to be done to integrate its valuable learnings and experiences into government policies on rural credit financing.

This partnership with the Agricultural Credit Policy Council (ACPC) is, therefore, in consonance with such effort. As the focus of the study is to assess the viability of providing credit to the poorest of the poor, we hope that the output of this joint undertaking will be the start of a functional avenue by which development advocates can continuously assess and refine policies on rural credit.

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Also, the study would have not been made possible without the support and cooperation of the NEDA officials and personnel of Regions V, VI, and VIII and the provincial and municipality officials of Catanduanes, Antique and Southern Leyte.

The Authors

LIST OF ACRONYMS

ADF	-	Antique Development Foundation, Inc.
AFCCUI	-	Antique Federation of Cooperative Credit Unions, Inc.
CALF	-	Comprehensive Agricultural Loan Fund
CAPITAL	-	Credit Assistance Project for Integrated Agricultural Livelihood
CB	-	Central Bank of the Philippines
CBO	-	Community-Based Organization
CBU	-	Capital Build-up
CCMMC	-	Chapter Credit Management and Monitoring Committee
CPF	-	Community Project Fund
CRB	-	Cooperative Rural Bank
DA	-	Department of Agriculture
DAPCOPO	-	Development Assistance Program for Cooperatives and People's Organization
DAR	-	Department of Agrarian Reform
DOLE	-	Department of Labor and Employment
DENR	-	Department of Environment and Natural Resources
DLG	-	Department of Local Government
DRDAP	-	Dutch Rural Development Assistance Program
DSWD	-	Department of Social Welfare and Development
DTI	-	Department of Trade and Industry
EDF	-	Economic Development Foundation, Inc.
FFSHA	-	First Farm-wide Self-Help Association
GFSME	-	Guarantee Fund for Small and Medium Enterprises
IB	-	Institution Building
IICI	-	Ilaw International Center, Inc.
INBA	-	Ilaw ng Buhay Association
IRF	-	Integrated Rural Financing Program
KASAMA	-	Kalipunan ng mga Samahan ng Mamamayan
LBP	-	Land Bank of the Philippines
LEAD	-	Livelihood Enhancement for Agricultural Development
LGU	-	Local Government Unit
LMMAC	-	Livelihood Monitoring and Management Assistance Committee
LRM	-	Local Resource Management
MASS-SPECC	-	Mindanao Alliance of Self-Help Societies/Southern Philippines Education Cooperative Center
MAP	-	Management Association of the Philippines
MCPFC	-	Municipal Community Project Fund Committee
MDC	-	Municipal Development Council

MPDC	-	Municipal Planning and Development Coordinator
MPDO	-	Municipal Planning and Development Office
MSC	-	Municipal Screening Committee
NEDA	-	National Economic and Development Authority
NGO	-	Non-Government Organization
NPMO	-	National Project Management Office
NEDA-RO	-	NEDA Regional Office
PBSP	-	Philippine Business for Social Progress
PCRSF	-	People's Council on Rural Savings and Finance
PEACE	-	Philippine Economic and Cultural Endowment
PBCCAD	-	Pad. ɔ Burgos Concerned Citizens Association for Development, Inc. .
PCPFC	-	Provincial Community Project Fund Committee
PCIC	-	Philippine Crop Insurance Corporation
PG	-	Poverty Group
PMO	-	Project Management Office
PPCC	-	Provincial Planning and Coordinating Committee
PDO	-	Planning and Development Office/Officer
PVO	-	Private Voluntary Organization
QGFB	-	Quedan Guarantee Fund Board
RDC	-	Regional Development Council
ROSCA	-	Rotating Savings and Credit Associations
RPCC	-	Regional Planning and Coordinating Committee
SDC	-	Social Development Committee
SHG	-	Self-Help Group
SLEDFO	-	Southern Leyte Development Foundation, Inc.
SPF	-	Sub-Project Fund
TA	-	Technical Assistance
USAID	-	United States Agency for International Development
VICTO	-	Visayas Cooperative Development Center

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THE LOCAL RESOURCE MANAGEMENT - COMMUNITY PROJECTS FUND CREDIT MECHANISM: IMPLICATIONS TO FUTURE RURAL LIVELIHOOD FINANCING PROGRAMS

EXECUTIVE SUMMARY

This evaluation assessed the viability of the Community Projects Fund (CPF) as a tool for providing credit to the poorest of the poor. It documented and analyzed the CPF experience in three of the seven pilot provinces, namely, Antique, Catanduanes and Southern Leyte. Further, the CPF was examined considering present lending policies and other credit delivery mechanisms for the rural poor. Finally, recommendations and policy implications were formulated for possible integration into government credit policies.

A Synthesis of LRM Experience in CPF Implementation

Overall Status and Performance in Antique, Catanduanes and Southern Leyte. Total CPF allocations to the three provinces reached P6.5 million, of which only 3% or P228,328 remained available for lending as of June 1991. Cumulative loan releases to groups/community-based organizations (CBOs) and individual beneficiaries have amounted to about P7 million financing mostly agriculture-based livelihood projects. So far, the LRM- CPF has served four INBAs (Ilaw ng Buhay Associations) in Catanduanes, 37 CBOs in Antique and 41 CBOs in Southern Leyte, for a total of 3,090 individual beneficiaries.

Of the total loans released, only 14 percent has been repaid. An aggregate P6.1 million remained outstanding as of date with P2.4 million reported as past due. The repayment performance is generally disappointing, particularly for the province of Catanduanes (4.8%) and Southern Leyte (27%). Antique fares much better with a 92% repayment rate.

Problems Encountered. The most pressing concern raised by the CPF beneficiaries is their inability to pay loans because of low project income primarily caused by natural calamities. The CBOs in Antique and Southern Leyte cited poor cooperation among officers and members. The problem of poor monitoring and supervision of loans and projects was also cited by beneficiaries.

Program managers (i.e. the contracted Private Voluntary Organizations (PVOs) and Local Government Units (LGUs) are also concerned with similar problems. However, they attributed the delayed or nonpayment of loans not only to low incomes but also to group disintegration, political interference and poor monitoring and supervision. The program is also reportedly hampered by the lack of coordination between the PVOsand LGUs particularly in Catanduanes and Southern Leyte.

A Critique of the CPF Credit Scheme

Program Accomplishments/Failures. The program was able to undertake the necessary institution-building (IB)/organizational process including the social preparation needed in implementing a

credit program. Also, the CPF has provided the beneficiaries the opportunity to establish good credit track records. The majority of these beneficiaries however have not shown themselves creditworthy enough to be able to avail themselves of credit from financial institutions. This is clearly evident from the poor repayment records they have established so far.

There is no strong evidence to show that the CPF scheme had a significant impact on the level of income among the beneficiaries. While the absence of a systematic benchmark data limits the ability to accurately measure changes in income, responses of beneficiaries and indicators such as income derived from the project and repayment rates, all point to a barely significant impact on income of beneficiaries.

While self-reliance has not yet been fully attained by most beneficiaries, there are indications which show their capability for mobilizing their own resources for capital build-up. This potential was particularly demonstrated by the beneficiaries in Antique.

Strengths and Weaknesses of the Program. The good features/components of the program are: 1) the institution building component including the provision of the social preparation necessary before the introduction of credit; 2) the partnership of the government and the private sector which gives opportunity for coordinative and collaborative arrangements between them; 3) the flexible lending and repayment guidelines that make possible the introduction of necessary changes mutually agreed upon by program managers and beneficiaries; 4) the provision of technical assistance to beneficiaries; and 5) the institutionalization of a participatory or bottom-up approach to development.

On the other hand, what can be considered as weaknesses of the CPF credit program include: 1) the lack of specific, well-defined and time-bounded credit scheme that would allow graduation of beneficiaries from being uncreditworthy and non-bankable to being self-reliant and/or capable of obtaining loans particularly from formal financing institutions; and 2) non-existence of an operational framework for systematic monitoring and evaluation of the effects and impact of the scheme.

Moreover, the program suffers from implementation problems associated with 1) poor monitoring of loans; 2) lack of follow-through by a local PVO; and 3) non-enforcement of capital build-up scheme and/or non-participation of members in any deposit-generating activity in majority of the sample CBOs.

On Informal Credit. The scheme has the potential for counteracting borrowing from various moneylenders by providing production credit to beneficiaries. In fact, 45 percent of the respondents claimed that with the CPF, their dependence on private moneylenders was reduced.

Replicability and Viability. The scheme will be replicable and viable under the following conditions: that the cost of administration is fully taken into account; that repayment problems are addressed; and that a "nurturing" scheme is pursued for local PVOs. Under the "nurturing scheme" a strong and mature NGO prepares a young local PVO for larger tasks in the province. The latter undergoes a social preparation process for its eventual takeover of the project instituted by a "mother" NGO.

The CPF Scheme and the Government's Rural Credit Policy

The CPF scheme is consistent with the current rural credit policy thrusts of (1) getting government out of direct lending; (2) reliance on private initiative and effort for the implementation of credit and livelihood programs, as far as practicable; (3) setting up of coordinative mechanisms between government agencies/ units (e.g. LGUs) and the private sector for effective program implementation; (4) identification of target beneficiaries especially for the provision of subsidies to training and organizing activities; (5) promotion of capital build-up schemes; and (6) the initial concepts of sustainability and self-sufficiency by allowing,at least in principle, for a "minimum interest rate that is equivalent to the lending cost of the loan".

The CPF scheme, like other current government programs, aims to create employment opportunities through the provision of a package of integrated services. To promote the establishment of income-generating activities for the poverty groups all of these programs provide both financial and technical assistance. While the CPF uses PVOs to channel their loans, other existing programs course the funds through banking institutions following the current policy thrust of getting government non-financial institutions out from direct lending. The latter strategy has the built-in advantage of helping marginal groups link with the formal financial institutions. Morever, the CPF compares well with privately-initiated lending programs.

An added bonus of the CPF is the involvement of LGUs which follows the current government policy of decentralization of government powers and functions up to the level of the municipality. This feature is absent in almost all private lending programs and even in the government-initiated special credit projects. What is not clear however, despite the desire for sustainability, is the vision and strategy with respect to credit and related activities after the CPF has been terminated. While self-sufficiency may be partly realized through the capital build-up and the revolving fund, it is submitted that these may prove to be insufficient without a policy towards a continuing review of the CPF interest rate structure and administrative costs of running the program and without a strategy to eventually link up with private banks and non-bank financial institutions whose greater amount of resources and financial expertise must be tapped and utilized to complement the indigenous financial schemes "perfected' by the CPF.

Recommendations

The following are the recommendations for the improvement of the CPF and of government policies on rural credit financing:

- A policy review should be made on the interest rate structure, the administrative costs of running the program and the eventual graduation or link-up of beneficiaries with financial institutions (bank and non-bank financial institutions) whose greater amount of resources must be tapped and utilized to complement the CPF scheme. Accounting for these factors is critical for the sustainability of rural credit programs.

- There should be strict enforcement of a capital build-up/savings mobilization scheme to develop self-reliance among the beneficiaries.

- Training for social preparation of beneficiaries should be continued.

- Strict criteria should be adopted in choosing PVOs that will act as conduits of credit funds to ensure viability. A "nurturing" strategy should be adopted for local PVOs.

- Rural credit programs should integrate a systematic operational framework for monitoring and evaluation of impact both at the national and provincial/municipal level.

- It is essential that a loan recovery scheme be developed for all rural credit programs. Much emphasis has been given on credit delivery and savings mobilization, but no parallel effort has been made on formulating an operational framework for loan recovery. This aspect of rural credit is critical because it will spell to a large extent the success of any credit program.

Chapter I

BACKGROUND

A. The LRM Project

The Local Resource Management Project (LRM or Project from hereon) is a joint undertaking of the National Economic and Development Authority (NEDA) and United States Agency for International Development (USAID). The Project aims to enhance the capability of local government units in responding to the needs of the rural poor.

Anchored on the "poverty group-focused" planning approach, LRM recognizes that poverty groups have their own unique set of opportunities and constraints that determine access to - and control of - productive resources. The Project implements this approach by strengthening the capabilities of the local government units (LGUs) and mobilizing depressed communities to participate meaningfully in local development planning by empowering them through community organizing.

The Project was pilot-tested in seven provinces in Regions V, VI, and VIII during Phase I of implementation (1982-1987). Phase I was aimed at identifying and testing replicable targeted approaches to provincial planning (Track I), local finance (Track II) and beneficiary participation (Track III). The LRM was evaluated in February 1987 to document lessons learned in the course of project implementation and to assess the readiness of LRM for expansion.

LRM was later expanded to six provinces within the pilot regions and two provinces in Regions IV and XII during Phase II (1988-1991). The focus of Phase II is on documentation and application of experiences in Phase I, with the view of the need to respond to the priorities of the Aquino government and changes in USAID policy. Thus, the Project hopes to promote greater self-reliance, productive employment, and real income among the rural poor. At present, LRM is in the process of consolidating and synthesizing lessons from the project experience and documenting viable approaches to poverty alleviation.

B. The CPF Scheme

The Community Project Fund (CPF) is a grant fund programmed under the beneficiary participation component (Track III) of the Project. This is a revolving fund earmarked to support livelihood projects of LRM beneficiaries and administered by a private voluntary organization (PVO) contracted by the Project to render technical assistance to selected government units (LGUs) and poverty groups. The PVOs provide training in organizational management, project development and rural enterprise management to poverty groups and/or community-based organizations (CBOs) prior to the release of CPF loans.

The general objective of the LRM-CPF Scheme is to promote greater self- reliance, productive employment and real income among disadvantaged residents and organized poverty groups in rural areas by financing their self-initiated livelihood projects and programs. Specifically, the objectives are:

- to finance the livelihood projects and activities identified, planned, managed and implemented by the beneficiary;

- to enable the beneficiaries to learn responsible use of credit, develop management skills and establish performance records normally required of borrowers by institutional sources of financing;

- to serve as seed capital/revolving fund to develop or strengthen an institution at the local level where the management/ administration of the fund will be ultimately lodged; and

- to serve as a tool to test locally administered credit schemes simulating the traditional financial arrangements tailored to the conditions of the beneficiaries.

The following are the general policies for the management and administration of the CPF:

- The CPF is initially a grant to the PVO and a loan to the beneficiaries.

- The CPF shall be utilized to support beneficiary group or individual livelihood projects.

- The CPF shall be loaned out without any collateral to beneficiary organizations and their members provided that a 10 percent equity of the total project cost is established by the beneficiary.

- The loan shall bear a minimum interest rate equivalent to the lending cost of the loan. The lending cost, to be determined by the PVO, shall refer to the recurring administrative and technical costs associated with lending. These include such factors as personnel costs on loan processing and collection.

- The amount of interest charges on all CPF loans shall be computed using the diminishing balance method whereby repayments are subtracted from the remaining balance when computing for subsequent interest charges. To ensure the sustainability of the credit fund, the lending scheme shall include a provision concerning losses and other risks involved.

- For capital build-up, the beneficiaries' organization and the PVO shall be allowed to retain a certain percentage each of the total interest charges as determined by both parties.

- Repayments for beneficiary group loans shall have a maximum of three (3) years maturity; individual loans shall have a one-year maximum maturity.

- The beneficiaries shall formulate and enforce an amortization scheme to repay the CPF loan.

- Interest and principal payments by the beneficiaries shall be deposited to a separate trust fund account and accounted for by the PVO and shall be utilized to finance other approved project proposals which were not previously accomodated before; and,

- The relending program shall follow the same policies and procedures stipulated in the approved CPF guidelines in terms of project processing, release and relending terms.

The general guidelines on CPF utilization can be simplified or modified, wherever appropriate, depending on the agreements among concerned PVOs, LGUs and CBOs in the provinces. Modifications are made with due approval of the LRM National Project Management Office (NPMO) and the concerned Regional Project Management Office (RPMO).

As of December 1990, LRM has released about P16.7 Million to finance 305 livelihood projects benefitting at least 8,000 poor rural households (LRM Annual Report, Dec. 1990).

C. Rationale and Objectives of the Study

The evaluation of the LRM's credit financing scheme is part of the Project's thrust of maximizing the LRM legacy to the development community. It is in line with LRM's present efforts towards consolidating the experience and lessons from the project and documenting viable approaches to poverty alleviation.

This policy study which documents the LRM experience on lending through the LRM-CPF component and which assesses the CPF scheme vis-a-vis existing rural credit programs will be useful to other government agencies and PVOs that are engaged in rural credit financing. The results of the evaluation will also be useful to policy-makers particularly the Agricultural Credit Policy Council (ACPC) in the formulation and design of credit policies for marginal groups.

This evaluation assesses the viability of the CPF Scheme as a tool for providing credit to the poorest of the poor. Specifically, the objectives are to:

- review the LRM management of the CPF scheme and identify replicable and viable approaches to rural credit financing for the poor and "non- bankables";

- document and review the impact of the relevant banking and credit policies considering the experiences of line agencies, rural banks, government financial institutions, and non-government organizations (NGOs);

- formulate recommendations to improve government policies on rural credit financing for the poor; and

- integrate findings from LRM's CPF implementation into government policies on rural credit.

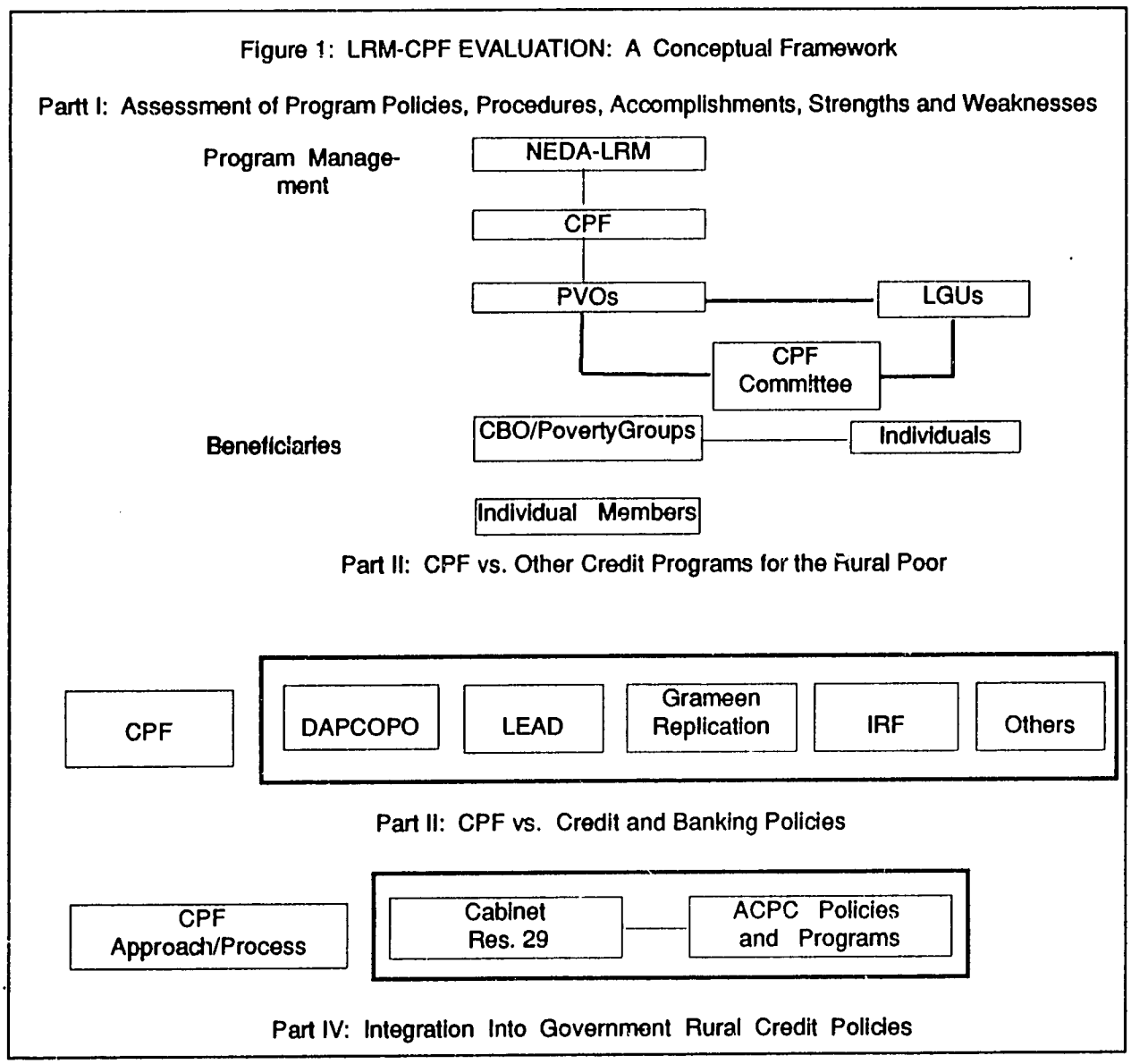
Chapter II

RESEARCH DESIGN

A. Conceptual Framework

To address the objectives of the evaluation, four major steps of analysis (see Figure 1) were undertaken: (1) an assessment of the CPF's policies, procedures, accomplishments, strengths and weaknesses undertaken at two levels: program management and beneficiary levels; (2) a comparison of the LRM-CPF scheme with other credit delivery mechanisms for the rural poor; (3) an examination of the CPF scheme considering credit and banking policies particularly the policies imposed by Cabinet Resolution No. 29 and other policies advocated by the ACPC; and the (4) integration of the major findings of the study into government rural credit policies.

Figure 1: LRM-CPF EVALUATION: A Conceptual Framework



The study entailed a documentation and an assessment of the CPF credit scheme as implemented in three of the seven pilot provinces namely: Albay, Catanduanes, Antique, Capiz, Leyte, Southern Leyte and Eastern Samar. Sources of data/information were the NEDA-LRM, (national and regional offices) participating PVOs, LGUs particularly the provincial and municipal planning and development offices, and CPF beneficiaries (community-based organizations/poverty groups and individual beneficiaries). Questionnaires or interview guidelines were administered to participating PVOs, LGUs, and sample poverty groups/CBOs as well as individual beneficiaries by well- trained and experienced researchers/interviewers.

The CPF was also compared with government-initiated credit delivery mechanisms for the rural poor such as the Grameen Bank Replication Project, the Development Assistance Program for Cooperatives and People's Organizations (DAPCOPO), the Livelihood Enhancement for Agricultural Development (LEAD) Program and the Integrated Rural Financing Program (IRF). Features of the CPF scheme were also examined vis-a-vis preliminary information from non-governmental lending programs.

Data/indicators and other inputs which were gathered and analyzed to respond to the research objectives are listed in Table 1. Note that the objectives were translated into specific questions which were envisioned to be answered by the research.

B. Selection of Study Areas

The three provinces where the survey was undertaken were chosen from among the seven pilot provinces using the following information/criteria:

- length of participation in the LRM-CPF program;
- volume of loans granted;
- number of participating poverty groups/CBOs;
- number of individual beneficiaries; and
- regional classification.

The first four indicators collectively provide a measure of the relative exposure of the CPF in the pilot provinces. The fifth information, on the other hand, assures representation of each of the pilot regions. Within each pilot region, the province with the longer experience in and greater exposure to the program was selected.

The data utilized in the selection of the survey areas are given in Table 2. As shown, the pilot provinces within the pilot regions were ranked according to the four indicators which were given equal weights in determining the overall rank. The process resulted in the selection of Catanduanes for Region V, Antique for Region VI and Southern Leyte for Region VIII:

Table 1: LRM-CPF EVALUATION: ISSUES ADDRESSED AND INDICATORS USED

Specific Research Objectives	Questions Addressed	Indicators/Inputs
To review the CPF scheme and identify replicable and viable approaches to rural credit financing for the poor and non-bankables	• How does the CPF scheme work? More importantly, why does it work/not work? • What are its accomplishments, strengths and weaknesses? • Is the CPF a replicable scheme for the poor and "non-bankables"? Or, is administering the CPF feasible, "easy" to implement, i.e., are the procedures simple enough? Would the program address (i) screening/sorting problems; (ii) interest rates issues; (iii) collateral requirements and related informational difficulties; and (iv) assurance of payments? Is the CPF a viable scheme for the poor? Can the government replicate the CPF? Do benefits outweigh costs? Is the CPF able to link the beneficiaries to the formal banking system? If not, does it have the potential to establish this link? To what extent has the CPF shifted the beneficiaries away from informal money lenders?	• Funding terms and costs • Program features including general policy guidelines on CPF utilization and delivery mechanisms • Project identification and prioritization process • Lending terms and conditions (application, processing and release) • Loan screening and project evaluation process (including evaluation criteria, composition of loan screening committee, etc.) • Repayment terms and loan collection schemes including policies on default, loan restructuring, relending, etc. • Support services/mechanisms (description and status) • Program performance/status - status of funds - number, volume and nature of loans granted - status of loans (collections, past due loans, restructured) - number and types of beneficiaries - problems encountered - costs of program administration/ implementation • Opinions/perceptions on the program (particularly on acceptability of the CPF policies, guidelines processes and terms to CPF beneficiaries) • Profile of CBOs/Poverty Groups (organizational set-up, projects and activities of the group/CBO, financial condition) • Socio-economic characteristics of CPF beneficiaries • Area Profile

Specific Research Objectives	Questions Addressed	Indicators/Inputs
To document and review the impact of releva nt banking and credit policies considering the experiences of line agencies, rural banks, government financial institutions and NGOs	• What are the different credit programs for the poor or other programs similar to the LRM-CPF? How do these programs perform? • What are the current banking and credit policies? What are its documented effects?	• Status and evaluation results of Grameen Replication Project, DAPCOPO, LEAD, etc. • Current guidelines in Credit Programs Implementation (Cabinet Resolution 29) • Other credit policies and policy directions
To formulate recommendations to improve government policies on rural credit financing for the poor; and To integrate findings from LRM's CPF implementation into government policies on rural credit	• How can government policies on rural credit financing for the poor be improved based on LRM experience?	

C. Selection of Sample CPF Poverty Groups and Individual Beneficiaries

One of the key respondents to this survey is the direct beneficiary of the CPF. Direct beneficiaries of the CPF credit scheme may be groups or individuals depending on how the CPF loans are utilized and who are liable to the participating PVOs contracted by LRM in the province. If an association or a group of individuals undertakes a common project and is liable or collectively accountable for the loan to the PVO, then the direct beneficiary is the group. If, however, individuals undertake a project of their own and are the ones accountable to the PVO, these individuals become the direct beneficiaries of the project.

Considering time, manpower and financial constraints, however, not all group and individual beneficiaries, were surveyed/interviewed. Stratified random sampling was used as a method to select beneficiary respondents. This sampling method groups candidate respondents into smaller, more homogeneous clusters depending on certain characteristics/variables crucial to the analysis. Program beneficiaries with CPF loans of at least one year were first classified into groups or individuals depending on who is liable for the CPF loan. Further, the beneficiaries were categorized by municipality where they were located. The stratification process is shown in a diagram in Figure 2.

Thereafter, a random sample equivalent to 50 percent of the total number of group beneficiaries (CBOs) and 7-10 percent of individual beneficiaries were drawn from each stratum. Individual members from the CBOs were also interviewed to validate preliminary findings. Actual PVOs surveyed and the number of sample beneficiaries in Antique, Catanduanes and Southern Leyte are shown in Table 3

Table 2: INDICATORS USED IN THE SELECTION OF SURVEY AREAS
As of last quarter of 1990

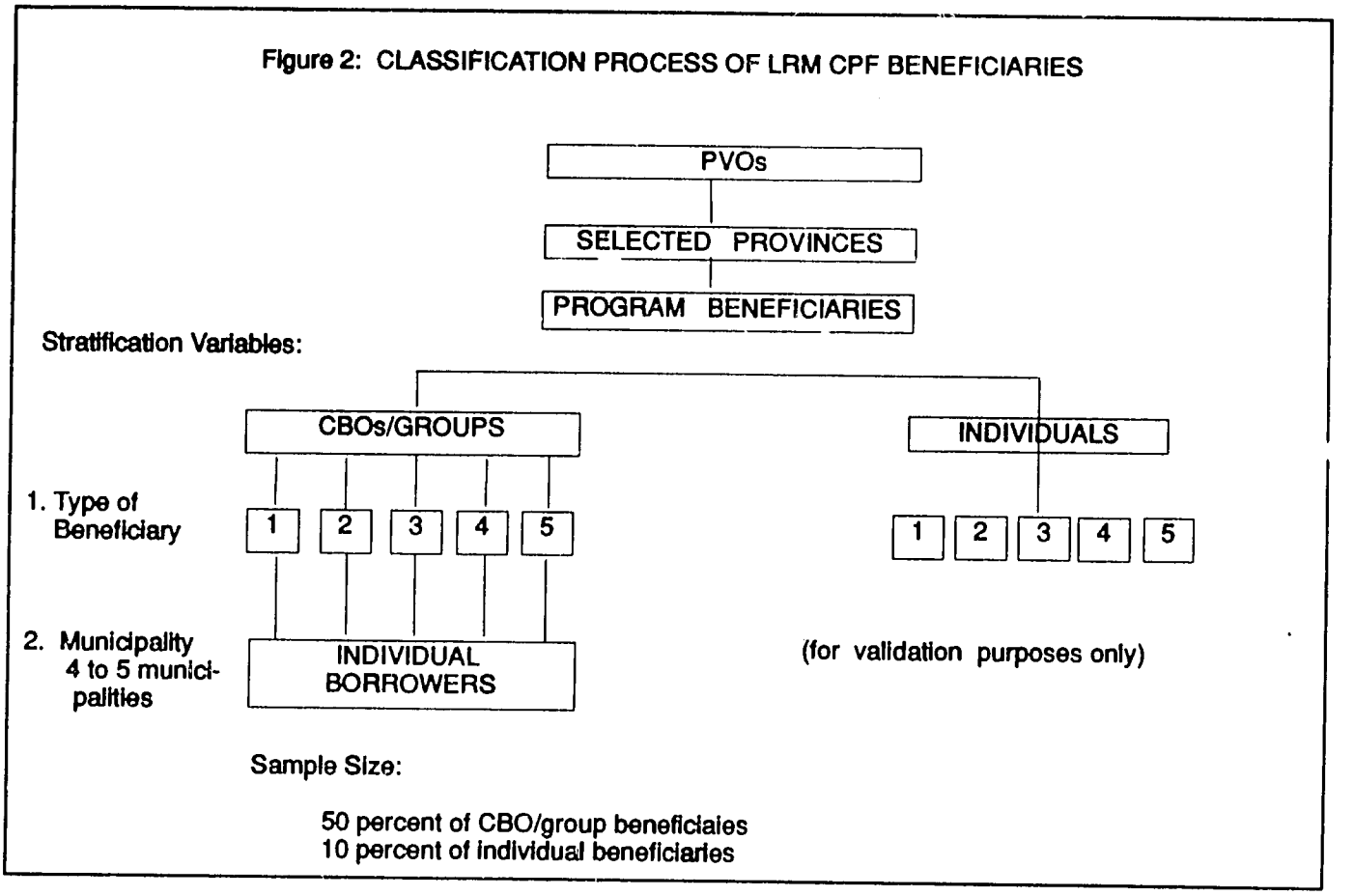
	No. of CBOs		No. of Individual Beneficiaries		Amount of Loans Released (P000)		Length of Participation		Overall Rank**
	No. (1)	Bank*	Total (2)	Rank*	Total (3)	Rank*	No. of Months (4)	Rank*	(5)
REGION V									
1. Catanduanes	53	1	911	2	2,639	1	41	1	1
2. Albay	42	2	1052	1	891	2	8	2	2
REGION VI									
3. Antique	38	1	907	1	2,249	1	66	2	1
4. Capiz	21	2	814	2	1,610	2	67	1	2
REGION VIII									
1. Southern Leyte	40	3	1,237	2	1,577	1	53	1	1
2. Eastern Samar	41	2	577	3	1,564	2	44	2	2
3. Leyte	46	1	1,481	1	1,103	3	19	3	3

* rank within the region, the province with the highest no. of CBOs/projects, beneficiaries, amount of loans and/or length of participation is ranked 1.

** derived by giving equal weights to 4 criteria.

Source: NEDA-LRM Program Office Reports

Figure 2: CLASSIFICATION PROCESS OF LRM CPF BENEFICIARIES



D. Study Limitations

The evaluation has to reckon with a number of limitations:

First, benchmark information/data particularly on the economic status of LRM beneficiaries were not available to the ACPC team. Hence, changes in productivity, incomes and living condition of the beneficiaries were not accurately measured. However, to the extent possible, respondents were made to recall their income levels before they joined the program and to express their perceptions of the program.

Second, most CBOs/poverty groups interviewed did not have complete records of operations, especially statements of financial condition as well as statements of incomes and expenses. In such cases, the team prepared estimates.

Third, there were sample CBOs/individual beneficiaries who were inaccessible during the survey period primarily because of the critical peace and order condition and/or bad weather condition (in Antique for instance, one barangay can be reached only on foot). These groups/individuals were replaced by other beneficiary groups/individuals, also drawn at random.

The fourth constraint was the communication barrier. Most of the interviewers could not speak and understand the local dialects and hence, in some cases, interpreters were asked to facilitate the interviews.

Table 3: PVOs AND NUMBER OF BENEFICIARY RESPONDENTS IN THE STUDY AREAS

	Beneficiaries		PVOs
	CBOs	Individuals	
ANTIQUE			
Pandan	7		Antique Development Foundation (ADF)
Bugasong	1		
Tibiao	4		Antique Federation of Cooperative-Credit Untions, Inc. (AFCCUI)
Tomas Fornier	5		
Laua-an	2		
Sub-Total	19		
CATANDUANES			
Caramoran		20	Ilaw ng Buhay Associations (INBA's) a/
Pandan		8	
Baras		9	
San Miguel		13	
Sub-Total		50	
SOUTHERN LEYTE			
Padre Burgos	7		Southern Leyte Development Foundation, Inc., (SLEDFO)
Tomas Oppus	7		
San Juan	4		
Saint Bernard	3		
Sub-Total	21		
TOTAL	40	50	

a/ The previous PVO was the Ilaw International Center (IIC) whose functions were transferred to the Provincial Government, the MDCs and the Municipal-level INBAS.

There was no time and money to hire and train interviewers who speak the dialect. In the process, important insights might not have been captured by the interviewers.

Finally, there was, of course, time constraint. The evaluation (i.e., from research conceptualization, conduct of survey and data processing to report writing) had to be completed within a period of eight weeks.

Chapter III

AN ASSESSMENT OF THE CPF CREDIT SCHEME IN ANTIQUE, CATANDUANES AND SOUTHERN LEYTE

This chapter provides an overall assessment of the experience of Antique, Southern Leyte and Catanduanes in the implementation of the CPF credit scheme. The status of CPF operations and the projects' performance are analyzed. The operational problems encountered are enumerated and a critique of the LRM-CPF based on survey data and anecdotal evidence is provided. A detailed analysis by area is provided in the attached Annexes.

A. A SYNTHESIS OF LRM EXPERIENCE IN CPF IMPLEMENTATION

Overall Status and Performance of the CPF in Antique, Catanduanes and Southern Leyte

LRM's entry into these provinces came as early as April 1984 in Southern Leyte and in Antique, under the consultative guidance of the Philippine Business for Social Progress (PBSP), a national non-profit, non-stock, non- governmental organization supported by funds from local multinational corporations and international donor agencies (Table 4). A similar organization with a nationwide network, the Ilaw International Center, Inc., initiated the LRM-CPF in Catanduanes in February 1985.

The current program in Antique is under the auspices of two local PVOs, namely, the Antique Development Foundation (ADF) and the Antique Federation of Cooperative Credit Unions, Inc. (AFCCUI). In Southern Leyte, the implementation of the program was transferred in September 1988 to the Economic Development Foundation (EDF) and in March 1990 to the current PVO-steward, the Southern Leyte Development Foundation (SLEDFO). In the case of Catanduanes, the administration and management of the CPF was turned over to the provincial government with the eventual phase out of the Ilaw International Center from the program in May 1990.

Table 4: PRIVATE VOLUNTARY ORGANIZATIONS (PVOS) CONTRACTED TO IMPLEMENT THE LRM-CPF SCHEME, BY PROVINCE

Province	Private Voluntary Organizations	Period of Contract * Start	End
Antique	Philippine Business for Social Progress (PBSP)	April 1984	July 1986
	Antique Development Foundation (ADF)	Oct. 1988	Dec. 1989
	Antique Federation of Cooperative Credit Unions, Inc. (AFCCUI)	Jan. 1989	Mar. 1990
Southern Leyte	Philippine Business for Social Progress (PBSP)	April 1984	April 1986
	Economic Development Foundation (EDF)	Sept. 1988	Feb. 1990
	Southern Leyte Development Foundation (SLEDFO)	Mar. 1990	Aug. 1991
Catanduanes	Ilaw International Center, Inc.	Feb. 1985	May 1990

* Official contract duration indicated on the contracts and memorandum of agreements (MOAs) entered into by PVOs concerned.

To date, a total of P6.5 million has been allocated and released to these PVOs/provinces to finance collective and individual livelihood activities of beneficiaries in the program.

Sources of Funds of the PVOs. The funds of these PVOs came mostly from grants (Table 5). Of the total cumulated funds of P2.5 million of the ADF as of December 1990, about 45 percent is reported to come from loans sourced from various agencies and 55 percent represents the NEDA-LRM fund. Although AFCCUI did not report details on its donor agencies, its financial statements indicate that for the year 1990, the PVO sourced some 89.8 percent or about P4,944,703 of its total revenue totalling to about P5,508,802.72 from grants (Please see Annex Table A.4). The other major sources of income of AFCCUI are management and consultancy services (6.7%) and interest on loans and deposits (1.6%). In addition, the same PVO also undertakes interlending activities among its member-cooperatives and credit unions generating from this activity a net savings of P32,554 for the year ending December 1990 (Please see Annex Table A.6).

Table 5: SOURCES OF FUNDS OF PARTICIPATING PVOs
As of December 1990

Source	ADF		AFCCUI		SLEDFO		TOTAL	
	Amount (P000)	% share	Amount (P000)	% share	Amount (P000)	% share	Amount (P000)	% share
GRANTS a/	1058.2	41.7	4944.7	89.8	4000	86.2	10002.9	78.9
NEDA-LRM	1000	39.4	1000	18.2	2000 b/	43	4000	31.5
PEACE (Phil. Economic and Cultural Endowment)								
Japan Red Cross					120	2.5	120	0.9
Presidential Monitoring					10	0.2	10	0.1
Staff (PMS)					1780	38.3	1780	14
NALGO-CFSI (Congressional Spouses Found. Inc.)					100	2.2	100	0.8
Others c/	58.2	2.3	3944.7	71.6			4002.9	31.6
LOANS	821	32.4			540	11.6	1361	10.7
USAID	521	20.6					321	4.1
DENR-Reforestration Proj.	300	11.8					300	2.4
DTI-Tulong sa Tao					540	11.6	540	4.2
OTHERS	656.9	25.9	561.1	10.2	103.1	2.2	1321.1	10.4
Savings generated from LRM-participating CBOs			23.1	0.4			23.1	0.2
Incorporators					4	0.1	4	0.03
Interest Earnings/Savings from administration of funds/projects	207.3 d/	8.2	85.2	1.6	99.1 e/	2.1	391.6	3.1
Management and consultancy services			370.3	6.7			3703	2.9
Others (unspecified)	449.6	17.7	82.5	1.5			532.1	4.2
TOTAL	2536.1	100	5505.8	100	4643.1	100	12685	100

a/ The other grants of ADF and AFFCUI were reconstructed from the financial statements.
b/ The Fund is owned by the Provincial Government of S. Leyte. The amount transfered by EDF to SLEDFO is only P488 thousand.
c/ Specific donors were not specified.
d/ Includes other unspecified grants.
e/ As of October 1990.
Source: PVO Questionnaire, ACPC.

SLEDFO's operations are largely financed by grants from the Philippine Economic and Cultural Endowment (PEACE), Japan Red Cross, Presidential Management Staff, and the Congressional Spouses Foundation, Inc.. These grant funds have been used in the construction of water systems, school buildings and in financing their fish vending project (see Annex Table C.1). SLEDFO was also able to avail of a loan from the Department of Trade and Industry (DTI) under the Tulong sa Tao Program amounting to slightly over P0.5 million to finance their soy sauce production from rootcrops project in Maasin. Grant and loan funds which have been administered by SLEDFO totalled P4.5 million roughly half of which are LRM-CPF funds which is actually owned by the Province of Southern Leyte.

Lending Terms and Conditions. The lending terms and conditions imposed on borrowers by the different PVOs manifest a few variations (Table 6). In Antique, ADF provides a maximum of P60,000 to community based organizations (group loans) while AFCCUI grants P84,000 to the same type of borrowers. Southern Leyte's SLEDFO provides loans not exceeding P100,000 per CBO. In Catanduanes, loans are relatively larger as these are channelled for individual lending through federations of CBOs or the INBAs. Each INBA in Catanduanes was given an allocation of P500,000 except the INBA of Caramoran which received a total of P1.0 Million, half of which was appropriated for projects under Phase I.

Table 6: LENDING TERMS AND CONDITIONS OF THE PVOS UNDER THE LRM-CPF SCHEME

Terms and Conditions	Antique ADF	Antique AFCCUI	S. Leyte SLEDFO	Catanduanes IIC
Maximum Amount of Loan (P)	60,000	84,000	100,000	1,000,000 a/
Minimum Amount of Loan (P)	27,000	64,000		500,000 a/
Collaterals Required	None	None	None	None
Maturity of Loan	1-3 years	5 years	3-4 years	1-4 years
Interest rate per annum (%)	12	12	15	12
Service Fees	None	2%	None	None
Other Charges	None	None	None	None
Percent (%) of Interest Earnings that goes to				
PVO	100	100	40	
LGU			40	70 b/
CBO/INBA			20	30

a/ These are loans granted to Ilaw ng Buhay Associations (INBAs), a municipal federation of chapters and units (CBOs).

b/ Portion of the interest earnings that is reverted back to the CPF for recycling.

The CPF loans are basically term loans pegged at an interest rate of 12 per cent per annum except those sourced from SLEDFO which carries an interest rate of 15%. Interest earnings go entirely to the ADF and AFCCUI to finance their CPF operations. In contrast, SLEDFO receives 40% of the interest earnings: the remaining 40% and 20% are shared between the municipal government and the CBOs, respectively. Maturities of the loans also vary among PVOs: they are not to exceed 5 years for AFCCUI, 4 years for SLEDFO and IIC, and 3 years for ADF. No collaterals are required but AFCCUI-sourced loans are charged a 2% service fee.

Status of CPF Loans. As of June 1991, total CPF allocations to the three provinces reached P6.5 million, with nearly 100% fully disbursed to the various beneficiaries, whether groups or individuals (Table 7). Total loan releases to the group and individual beneficiaries, meanwhile, have amounted to about P7 million financing various agriculture-based livelihood projects (production, farm mechanization, agricultural processing and marketing) and commitments (e.g.land redemption). For the latter, proceeds from the CPF loans were used to redeem farm lands mortgaged with other creditors. Other projects financed include agricultural trading/consumer store operation, credit services and other unspecified projects. Of the specified allocation, a fund balance of P228,328 represents the unreleased portions of the fund in Southern Leyte and Catanduanes.

Table 7: CPF ALLOCATIONS TO THE PVOs, BY PROVINCE
As of June 1991
(In Pesos)

Province	CPF Allocation	Total CPF Loans Released	Fund Balance (unreleased amount)
Antique	1,000,000	1,262,880	
ADF	1,000,000	1,000,000	
AFCCUI			
Southern Leyte			
SLEDFO	2,000,000	2,228,970a/	163,328 a/
Catanduanes			
INBAs	2,500,000	2,500,000	60,000b/
TOTAL	6,500,000	6,991,850	228,328

a/ As of March 31, 1991.
b/ Represents the unreleased but obligated amount of the CPF.

Served by the LRM-CPF are four (4) INBAs in Catanduanes, 37 CBOs in Antique and 41 CBOs in Southern Leyte, for a total of 3,090 individual beneficiaries in all three provinces (Table 8). About 80 percent and 63 percent of group and individual loan recipients, respectively, are engaged in agricultural projects, which are mostly crop production. The agricultural trading/consumer store operations engaged in collectively by 30 CBOs benefit some 907 individuals, while CBOs which ventured into providing credit services (6%) relent funds to some 171 individuals.

For Southern Leyte, repayments from the P2.0 million CPF fund allocated and subdivided equally to the four participating municipalities have already been partially collected and returned to the revolving fund for relending. In Padre Burgos, which is the pilot municipality in Southern Leyte, half of the amount has been collected and lent to current beneficiaries and new groups. Amount available for lending as of March 1991 was placed at P168,000 (Please see Annex Table C.9).

Table 8: NUMBER OF GROUP AND INDIVIDUAL BENEFICIARIES SERVED UNDER LRM-CPF, BY PURPOSE

	Catanduanes		Antique		Southern Leyte		TOTAL				
Project/Activity	INBAs	Individual	CBOs	Individual	CBOs	Individual	INBAs	CBOs	% Share	Individual	% Share
Agricultural					10	88		10	12.8	88	2.9
- Land Redemption	4	701	21	578	14	205	4	35	44.9	1484	48
- Production a/			7	189	4	127		11	14.1	316	10.2
- Farm mechanization b/					6	53		6	7.7	53	1.7
- Processing and marketing											
Total Agricultural	4	701	28	767	34	473	4	62	79.5	1941	62.8
Agri-Trading/consumer store/ other livelihood c/			9	243	21	664		30	38.5	907	29.4
Credit services					5	171		5	6.4	171	5.5
Others d/					1	71		1	1.3	71	2.3
Total No. of Beneficiaries	4	701	37	1010	41	1379	4	78	100	3090	
Total Responses	4	701	37	1010	61e/	1379	4	98d/		3090	100

a/ Includes poultry and livestock raising, rootcrops and fruit production and fishing.
b/ Includes farm mechanization.
c/ Includes rombion crafts and chain saw.
d/ Includes unspecified projects.
e/ Exceeds the total number of beneficiaries as a CBO may undertake multiple activities.

Seventy (70) percent of sample CBOs have undertaken or agreed to undertake deposit-generating activities and/or capital build-up programs (Table 9). However, half of them have actually enforced collection for capital build-up prior to the release of CPF loan. On the other hand, members' participation in these deposit generation and capital build up activities is quite minimal as the majority (57.5%) of the CBOs reported that none of their members participate in their savings mobilization schemes (Table 10). The large percentage of non-participation especially in Southern Leyte (86 %) implies that the capital build-up/ savings mobilization program of most sample CBOs are generally inoperative.

Table 9: CBOs REPORTING DEPOSIT-GENERATING OR CAPITAL BUILD-UP ACTIVITIES, BY AREA

Items	Antique		S. Leyte		Total	
	No.	% Share	No.	% Share	No.	% Share
Does the CBO have deposit-generating activities?						
YES	18	94.7	10	47.8	28	70
Description:						
No description	2	10.5			2	5
Members deposit a certain percent of sales	4	21.1			4	10
Collection of CBU was done during the time the project fund was not yet released	10	52.6	4	19	14	35
A certain percent of the total interest payment on loans goes to the association	1	5.3	5	23.8	6	15
A certain percent of net income for operation of equipment by members	1	5.3			1	2.5
Part of the profit from catch is considered as members' CBU			1	4.8	1	2.5
Members are required to deposit annual fees			1	4.8	1	2.5
NO	1	5.3	11	52.4	12	30
Total Number of Samples	19	100	21	100.0a/	40	100.0a/

a/ Individual responses do not total to 100 percent due to multiple answers.

Table 10: NUMBER OF PARTICIPATING MEMBERS IN THE DEPOSIT-GENERATING/CAPITAL BUILD-UP ACTIVITIES OF THE CBOs, BY AREA

Number of Participating Members	Antique		S. Leyte		Total	
	No.	% Share	No.	% Share	No.	% Share
None	5	26.3	18	85.7	23	57.5
Less than 10	2	10.5			2	5
10 - 20	3	15.7	1	4.8	4	10
21 - 30	4	21	1		5	12.5
31 - 40	4	21			4	10
More than 50	1	5.3	1	4.8	2	5
TOTAL	19	99.8	21	100	40	100

Loans released to finance abaca and tiger grass ("lasa") production/rehabilitation, and carabao-cow raising project in Catanduanes averaged P624,815 [1/] per INBA (Table 11). In Antique, the size of the loan per CBO was reported at P60,089 while in Southern Leyte, it was much smaller in volume at P40,763.

Table 11: TOTAL AND AVERAGE LOANS GRANTED UNDER CPF, BY PURPOSE
As of December 1990
(In P000)

Project/Activity	Catanduanes		Antique		Southern Leyte		Total	
	Total	Average	Total	Average	Total	Average	Total	Average
Agricultural								
- Land Redemption					234.8	23.5	234.8	23.5
- Production a/	2,499.3	624.8	1,102.9	52.5	520.3	37.2	4,122.5	105.7
- Farm mechanization b/			487.6	69.6	242.0	60.5	729.6	66.3
- Processing and marketing					250.0	41.7	250.0	41.7
Total Agricultural	2,499.3	624.8	1,590.5	56.8	1,247.1	36.7	5,336.9	80.9
Agri-Trading/consumer store/ other livelihood c/			632.8	70.3	584.3	53.1	1,217.1	60.9
Credit services					187.5	37.5	187.5	37.5
Others d/					60.0	60.0	60.0	60.0
Total No. of Beneficiaries								
Total Responses	2,499.3	624.3	2,223.3	60.1	2,078.9	40.8	6,801.5	73.9

a/ Includes poultry and livestock raising, rootcrops and fruit production and fishing.
b/ Includes farm mechanization.
c/ Includes romblon crafts and chain saw.
d/ Includes unspecified projects.

Status of Loans Granted to INBAs/CBOs. Total CPF loans released to four (4) INBAs add up to P2.5 million, and to CBOs, P4.5 million, bringing the total exposure of the LRM-CPF to the provinces close to P7 million as of June 1991 (Table 12). Of this amount, only 14 percent has so far been repaid. A total of P6.1 million remains to be outstanding as of date, with P2.4 million already reported as past due. The repayment performance is generally disappointing, particularly in the provinces of Catanduanes and Southern Leyte. In Catanduanes, the repayment rate across all INBAs was reported at 5 percent. Past due ratios are alarming, in particular, in Caramoran, and are reflective of the huge losses from the individual lasa production projects and the collective broommaking project of the INBAs in the area. Meanwhile, loans granted by the INBA of Pandan has not yet matured, while that in Baras has supposedly matured but collections have been postponed, citing the impoverished conditions of the beneficiaries resulting from the destruction caused by typhoon as the primary reason for the deferment. Moreover, the confusion as to whose responsibility it was to collect loans (i.e., whether the INBAs or provincial CPF authorities) has contributed to the low repayment performance in the province. Meanwhile in Southern Leyte, collection efforts appear

[1/] The actual loan amount granted per INBA is fixed at P500,000 each. However, the INBA of Caramoran received P1.0 million, equally divided to finance projects under Phase I and Phase II.

to be ineffective as the overall repayment rate recorded is only 27 percent implying a very high default rate of 73 percent. This is accounted for by the low income derived from projects, poor monitoring and lack of supervision by the PVO and poor cooperation between officers and members of CBOs.

Antique fares much better with a high 92 percent repayment rate. Total amount of loans granted by PVOs to the total beneficiary groups in the area is P2,262,880. This is broken down into P1,262,800 which was granted by ADF and P1,000,000 availed of through AFCCUI. All CBO beneficiaries under ADF had a repayment rate of 83.3 percent while those under AFCCUI even had advanced repayments exceeding its matured loans by 20 percent. The relatively better repayment performance of Antigue is largely explained by the close monitoring and supervision of loans by the PVOs.

Table 12: STATUS OF CPF LOANS TO CBOs
As of June 1991

	Catanduanes					Antique			S. Leyte			
	INBA Caramoran	INBA Pandan	INBA S. Miguel	INBA Baras	Sub-Total	ADF	AFCCUI	Sub-Total	Under PBSP/EDF	SLEDFO	Sub-Total	Total
Loans Granted (P000)	1,000.0	500.0	500.0	500.0	2,500.0	1,262.9	1,000.0	2,262.9	1,742.9	486.1	2,229.0	6,991.9
Loans Outstanding (P000)	983.1	500.0	479.9	500.0	2,463.0	997.8	876.2	1,874.1	1,515.7	253.2	1,768.9	6,105.9
Current Loans	473.2	500.0	373.0	404.2	1,750.4	997.8	876.2	1,874.1			521.8	4,146.3
Past due loans	509.9	*	106.9	95.8	712.6	318.2	102.5	420.7			1,247.2	2,380.5
Loans Collected (P000)	26.9	*	20.1	0.0	37.0	265.0	123.8	388.8	227.2	232.9	460.0	885.8
Loans Matured (P000)	565.4	*	106.9	95.8	768.1	318.2	102.5	420.7			1,710.2	2,899.0
Past due loans a/ (%)	51.9	*	22.3	19.2	28.9	31.9	11.7	22.4			70.5	39.0
Repayment Rate b/ (%)	3.0	*	18.8	0.0	4.8	83.3	120.8	92.4			26.9	30.6
Default Rate c/	97.0	*	81.2	100.0	95.2	16.7	0.0	7.6			73.1	69.4

* Loans have not matured yet.
a/ Loans Past due/Loans Outstanding
b/ Loans Repaid/Loans Matured
c/ Loans Past Due/Loans Matured
Source: PPDO of Catanduanes, AFCCUI, ADF, SLEDFO

Problems Encountered in the LRM-CPF Program

Various problems and bottlenecks have surfaced in the course of the program and have been identified with corresponding ramifications. For purposes of interpretation and presentation, the data are classified as to whether problems are encountered and/or cited by beneficiaries or by program implementors.

Beneficiary Level. For the provinces under review, it is widely indicated that the most pressing concern raised by the program beneficiaries is the poor loan repayment, which is chiefly attributed to low project income (Table 13). Low productivity, on the other hand, is caused by periodic natural calamities (i.e., typhoon and drought) in the areas.

Group cohesion is another matter in question. The CBOs in Antique and Southern Leyte have particularly cited poor cooperation among officers and members. Also, the problem of poor monitoring and supervision of loans and projects by the PVOs and/or program implementors prevailed especially in Southern Leyte because of manpower constraint on the part of the PVO.

Other related problems are area-specific in character. For instance in Catanduanes, few beneficiaries encountered delays in loan releases and stringent loan terms and procedures. Others with arrearages in real estate taxes, cited the difficulty in securing a certificate of tax non-delinquency while some regarded the loan maturity period as too short. Note however that a significant proportion of individual respondents (44 percent) in Catanduanes claimed they did not have any problems at all with respect to the CPF.

Table 13: MAJOR PROBLEMS REPORTED BY SAMPLE CPF BENEFICIARIES (CBOs AND INDIVIDUALS)

Problems	Catanduanes		Antique		Southern Leyte	
	No. of Reporting Individuals	% to Total Sample	No. of Reporting CBOs	% to Total Sample	No. of Reporting CBOs	% to Total Sample
Repayment/non-repayment due to low income from projects)	5	10	11	57.8	12	57.1
Poor cooperation between officers and members of CBOs	-	-	2	10.5	8	38
Records poor/not updated	-		1	5.3	2	9.5
Insufficient funds	-		3	15.7	1	4.8
High interest rate	-		2	10.5	1	4.8
Marketing of produce/low bargaining power of farmers/ project competition	1	2	2	10.5	1	4.8
No monitoring/supervision by PVO	-		-		4	19
Breakdown of equipment	-		5	26.3	-	-
Loan viewed as doleout hence project stopped	-		1	5.3	-	-
Stringent loan procedures	4	8	-	-	-	-
Delays in loan release	5	10	-	-	-	-
Long seminars	1	2	-	-	-	-
None at all	22	44	-	-	-	-
Total Sample Beneficiaries	50		19		21	

In Antique, among the commonly-raised problems are funds insufficiency, breakdown of project equipment and marketing problems particularly the beneficiaries' low bargaining power. Similar issues were noted by the CBOs in Southern Leyte especially on the matter of financial records, fund insufficiency, interest rate and bargaining power.

Program Management Level. The poblem on loan repayment, as the beneficiaries' foremost concern, takes on a grave consideration for the program. In Southern Leyte, the delayed or non-payment of loans by beneficiary groups are induced by factors of low income, group disintegration, perhaps due to PVO pull-out, political interference and poor monitoring and supervision (Table 14). The same poor repayment issue has constrained the INBA and the province of Catanduanes from recycling and maximizing the use of CPF loanable funds.

Table 14: MAJOR PROBLEMS/RAISED AT THE PROGRAM MANAGEMENT LEVEL

	Catanduanes	Antique	So. Leyte
RAISED BY PVOs AND/OR LGUs			
Low collection/delayed or non-payment of loans	/	/	/
Poor/minimal supervision and monitoring			
Irregular and delayed submission of reports by PVO			/
PVO lacks personnel and funds			/
Limited CPF funding			/
Disintegration of CBOs/INBA	/		/
Political interference	/ a/		/ b/
Lack of/poor coordination between PVO and LGU	/		/
Fund ownership	/		
Loan diversion		/	
Illiterate members			

a/ Refers to "abuse" of political influence.

b/ Cited by the PPDO which refers to the interference of Mayors and other LGU officials particularly in the identification of beneficiaries and in loan collection

Moreover, poor recordkeeping, and poor monitoring and supervision of loans/projects compounded by irregular and/or delayed submission of reports by the PVO are problems that diminished the envisioned effects and impact of the CPF. The program, specifically in Catanduanes, was likewise hampered by the lack of coordination between the PVO and LGU; issues about ownership of the CPF upon phase-out of the IIC and its attendant repercussion on monitoring and collection; and insufficiency of the LGU staff in performing monitoring and record-keeping functions.

In the case of the ADF in Antique, other problems encountered in assisting the CBOs are the illiteracy of the members and loan diversion. The illiteracy problem prove to be a constraint in terms of liability of the beneficiaries to absorb skills such as financial management, bookkeeping, etc.

B. A CRITIQUE OF THE CPF CREDIT SCHEME

This section attempts to assess to what extent the CPF scheme has realized its objectives and basic concerns. The discussion below is a synthesis of the assessments made of each of the assessments of the three provinces. The details are provided in the Annexes of this study.

Program Accomplishments

A starting point for assessing the program's accomplishments is to look into how far it has responded to its objectives. In this connection we ask the following questions: 1) has the program improved the beneficiaries' productivity, incomes and living standards?; 2) has it developed self- reliance?; and 3) has the program enabled the beneficiaries to learn responsible use of credit, develop management skills and establish performance records normally required of borrowers by institutional sources of financing?

Has the program improved the beneficiaries' productivity, incomes and living standards? This question would have been appropriately, although not completely, answered by quantifying the levels of productivity, incomes and living standards of individual members before and after participation in the CPF, and, thereafter by measuring any significant changes. But, since no systematic benchmark information/data were available, other indicators such as income derived from the projects and repayment performance were used. Also, the beneficiaries were asked on whether the program had a significant economic impact on them. The results slightly varied among the provinces.

In Antique, it was reported by a majority of the respondents (63 %) that only a few members benefitted economically from participation in the program (Table 15). This is supported by the low repayment rates reported by sample CBOs averaging 50.6 percent as shown in Table 18 which is indicative of less than satisfactory yields from the projects averaging only at about P8,496 per CBO (Table 16). The PVOs on the other hand were rather divided in their perception. The AFCCUI claimed that the program has improved the economic welfare of their beneficiaries judging perhaps from the impressive repayment/collection performance of CBOs under their supervision. The ADF however claims otherwise. Nevertheless, the program has promoted productive employment and promoted entrepreneurial skills which in the long-run are expected to have a significant impact on rural incomes.

Table 15: PROPORTION OF MEMBERS WHOSE ECONOMIC CONDITION IMPROVED FROM PARTICIPATION IN THE LRM-CPF PROGRAM AS PERCEIVED BY SAMPLE CBOS

	Antique		So. Leyte		Total	
	No.	% to Total	No.	% to Total	No.	% to Total
All Members	2	10.5	7	33.3	9	22.5
Majority of the Members	3	15.8	7	33.3	10	25
Only a few Members	12	63.2	5	23.8	17	42.5
None at all	2	10.5	2	9.5	4	10
Total Number of Sample CBOs	19	100	21	100	40	100

Note: Percent to total may not tally to 100 percent due to rounding.

Table 16: DISTRIBUTION OF CBOs BY LEVEL OF ANNUAL NET INCOME FROM CPF PROJECTS

	Antique		So. Leyte		Total	
	No.	% to Total	No.	% to Total	No.	% to Total
Net Income (P)						
10,000 and below	10	62.5	6	54.5	16	59.4
20,001-25,000	4	25	3	27.3	7	25.9
25,001-40,000	1	6.3	0	0	1	3.7
40,001-55,000	0	0	2	18.2	2	7.4
55,001-70,000	1	6.3	0	0	1	3.7
Total No. Reporting	16	100	11	100	27	
Average (P)	8496.46		14383.52		10894.89	100

In Southern Leyte, the PVO and CBO officers reported that the CPF, in general, improved the economic condition of the beneficiaries. This is primarily because the CPF provided the associations with livelihood projects where there previously were none. They even claimed that the majority of all the members of most sample CBOs had better economic conditions attributed to the CPF. While this is reported to be so, there are indications contrary to this effect. Profits from group projects of the organizations were not distributed among the members as reported by the majority (62%) of CBOs (see Table 17) hence, incomes of individual members were not at all affected. However, group and individual projects do not seem to be earning enough as the average repayment rate of CBOs and individual borrowers are 39 percent and 26 percent, respectively (Table 18). It can also be inferred that incomes of members from CPF projects, if any, are used first for their consumption needs before payment of loan obligations.

Table 17: NATURE OF DISTRIBUTION OF CBOs' PROFITS FROM INCOME-GENERATING PROJECTS AMONG THE MEMBERS

Nature of Distribution	Antique		So. Leyte		Total	
	No.	% to Total	No.	% to Total	No.	% to Total
Profits are not shared yet	4	21	9	42.8	13	32.8
No profit sharing	1	5.3	4	19	5	12.5
Revenues less all expenses are divided among the members equally/equitably	7	36.8	1	4.8	8	20
Dividends/Patronage Refunds are issued	4	21			4	10
No Answer	3	15.9	7	33.3	10	25
Total No. of Samples	19	100	21	100	40	100

Table 18: REPAYMENT PERFORMANCE OF SAMPLE CBOs AND INDIVIDUAL BENEFICIARIES*
As of June 1991

	Antique		So. Leyte		Total	
	No. Reporting	% to Total	No. Reporting	% to Total	No. Reporting	% to Total
CBO Level						
Repayment Rate a/	18	50.6	18	38.9	36	45
Default Rate b/	18	49.4	18	61.1	36	55
Past Due Ratio c/	16	41.4	17	51.7	33	35.1
Individual Beneficiary Level						
Repayment Rate a/	50	19.1	311	26.3	361	25.3
Default Rate b/	50	80.9	311	73.7	361	74.7

a/ Loans Repaid/Loans Matured
b/ Loans Past Due/Loans Matured
c/ Loans Past Due/Loans Outstanding

* Note: This table presents repayment performance of sample CBOs while Table 12 present among others, repayment performance of the total CPF beneficiaries.

Source: CBO Records/Questionnaire

The experience in Catanduanes also suggests that the program has barely created a significant impact on the incomes of the beneficiaries. This is supported by perceptions among the beneficiaries that the program has failed to improve their economic condition. Sixty-six percent (66%) of the beneficiaries reported very little or no improvement at all in their economic status as a result of the CPF loan (Table 19). The main reasons cited for this is the insufficiency of the loans released and the fact that their projects (particularly abaca plantation) are not yet earning. Based also on rough estimates of the income of these beneficiaries before, during and immediately after implementation of the CPF, the program apparently did not make much difference. For those with completed CPF projects, real incomes even decreased during and after their participation in the program by at least 9 percent (Table 20). It is not surprising therefore that repayments of CPF loans in the province is extremely low (4.8%).

Table 19: EXTENT AT WHICH CPF IMPROVED BENEFICIARIES' ECONOMIC CONDITION AS CLAIMED BY INDIVIDUAL BENEFICIARIES IN CATANDUANES

	No. Reporting	% to Total
Very much/much	16	32
A little	23	46
Not at all	10	20
No response	1	2
Total No. of Sample Individuals	50	100

Table 20: AVERAGE ANNUAL INCOME OF SAMPLE INDIVIDUAL CPF BENEFICIARIES IN CATANDUANES (In Pesos)

	With Completed Projects	% Change	Without Completed Projects	% Change
No. Reporting	6		46	
Income Before CPF				
Nominal	2647		6887	
Real*	751		1955	
Income During CPF				
Nominal	2552	(3.6)	8658	25.7
Real*	647	(13.9)	2195	12.3
Income After CPF				
Nominal	3356	31.5		
Real*	587	(9.2)		

* At 1978 prices.

Has the CPF developed self-reliance? It appears that most of the beneficiaries especially those in Southern Leyte and Catanduanes have not yet reached self-reliance. Evidence from the field survey shows that most of the CBOs still cannot depend on their own resources, financial or otherwise. In fact, most of them have very little resources primarily because of neglect or the low priority given to savings mobilization and capital build-up (in spite of the CPF's built-in mechanism for this). As a whole, 36 percent of the associations do not have any deposit-generating activity or capital build-up scheme (Table 21). While a higher percentage of sample CBOs reported to have a capital build-up/deposit-generating activity, only 42.5 percent are actually pursuing it particularly in Antique and Southern Leyte (Table 10).

Table 21: CBOs REPORTING CAPITAL BUILD-UP/DEPOSIT-GENERATING ACTIVITIES [a/]

Items	TOTAL No.	TOTAL % Share
Does the CBO have deposit-generating activities?		
Yes	26	63.6
No	16	36.4
Total No. of Samples	44	100.0

[a/] *In all sample areas, including responses of INBAS.*

Moreover, in Catanduanes, the INBAs did not even initiate capital build-up activities among the member beneficiaries. In Southern Leyte, among those which are implementing a capital build-up program, actual participation of individual members is very minimal (See Table 10). In Antique, majority of the respondents reported that they were able to comply with the capital build-up requirement which however was undertaken by many CBOs prior to the release of CPF loans. This nevertheless demonstrates that with the proper motivation, the rural poor are capable of mobilizing their own resources for capital build-up.

Has the program enabled the beneficiaries to learn reponsible use of credit, develop management skills and establish performance records normally required of borrowers by institutional sources of financing? The program was able to undertake the necessary institution-building (IB)/ organizational process including the social preparation needed for implementing a credit program by way of training particularly on the responsible use of credit, management skills, project proposal formulation and record keeping (see Table 22). Some of the CBOs especially the "older" ones were closely guided in the practical applications of what they learned in the trainings. These trainings provided them with the exposure essential for transacting with financial institutions in the future.

But the length of IB process undertaken by the CBOs varies depending on the organizing PVO and the latter's duration of contract under LRM. The PBSP and EDF, for instance, had 25-28 months contract enabling them to administer a longer organizational process in Antique and Southern Leyte. These trainings, however were undertaken as early as 1984. The province-based PVOs, on the other hand, came in only in 1988 and have had shorter contracts ranging 15-18 months and thus, were able to organize groups under a

shorter IB module (Table 23). Majority (80%) of the sample CBOs in this study were able to undergo a longer organizational process. In particular, about 58 percent of sample CBOs in Antique were organized by PBSP while in Southern Leyte, 38 percent and 43 percent of sample CBOs were organized by PBSP and EDF, respectively.

Table 22: CBO TRAINING PRIOR TO ACCREDITATION

	Antique	So. Leyte
Training conducted by	Training Committee of PVO	Municipal Devt. Council
Length of training	2 weeks (ADF) 4 - 8 mos. (AFFCUI)	
Nature of training	awareness value formation leadership capability/building organization management project management	value formation accounting & bookkeeping technical aspects

Table 23: DISTRIBUTION OF SAMPLE CBOs, BY ORGANIZING PVO

	Duration of Contract (In Mos.)	Antique		So. Leyte		Total	
		No. of CBOs	% to Total	No. of CBOs	% to Total	No. of CBOs	% to Total
Longer IB Module							
PBSP a/	28/25	11	57.9	8	38.1	19	47.5
EDF	25			9	42.9	9	22.5
Shorter IB Module							
ADF	15	2	10.5			2	5
AFCCUI	15	6	31.6			6	15
SLEDFO	18			4	19	4	10
Total CBOs		19	100	21	100	40	100

a/ PBSP's contract duration in Antique is 28 months while in So. Leyte is 25 months.

The PVOs might have been able to adequately prepare the CBOs for the initial years of CPF financing but as of the time of survey, the CBOs are obviously in need of a continuous on-the-job training/coaching on record keeping and financial management until such time that they are ready to be left on their own. Moreover, refresher courses and re-training especially on value formation are also necessary considering that many of the groups particularly in Southern Leyte which have been organized and trained as long as 7 years ago are experiencing disintegration as of the survey period.

With regard to performance records, while the CPF has provided the CBOs and individual beneficiaries the opportunity to establish a good credit track record, majority of the beneficiaries particularly in Southern Leyte and Catanduanes have not proven themselves creditworthy enough to be able to avail of credit from financial institutions in spite of the institution- building process that they have gone through. This is clearly evident from the poor repayment records that they have so far established. Interestingly, CBOs which have undergone a longer IB process have poorer repayment performance than those under

the shorter module (see Table 24). The same CBOs cited low repayment/nonpayment of loans (primarily due to low income from the project) as their most pressing problem at the moment. In fact, this was expressed by all of the sample CBOs (100%) which were organized and trained by PBSP and EDF while only about 42 percent of sample CBOs under ADF, AFCCUI or SLEDFO cited such a concern (Table 25). This is perhaps due to the fact that those under the shorter module were organized by the current PVOs administering the CPF and hence, were more closely supervised than those which have been organized earlier by another PVO. Also, as mentioned, the PBSP/EDP module, while longer, has been administered during the earlier years of the program. Therefore what have been learned by the CBOs in the past might have long been forgotten and not sustained even with the entry of a new province-based PVO that is province-based tasked to continue the functions of the previous PVOs.

Table 24: COMPARATIVE REPAYMENT RATES AND PAST DUE RATIOS OF CBOs, BY TYPE OF ORGANIZING PVO

	Antique			So. Leyte			IB Module	
	PBSP	AFCCUI	ADF	PBSP	EDF	SLEDFO	Longer a/	Shorter b/
LOANS GRANTED								
No. Reporting	11	6	2	8	9	4	28	12
Average/CBO (P)	48,470	76,508	57,350	66,009	50	76,600	53,863	73,346
REPAYMENT RATE								
No. Reporting	9	6	2	8	9	1*	26	9
Average/CBO (%)	39	86.9	61.2	49.6	46.1	57.9	44.7	78
PAST DUE RATIO								
No. Reporting	10	5	1	8	8	1*	26	7
Average/CBO (%)	53.6	8.5	47.8	89.2	29.4	21.6	57.1	16

* Three other CBOs have no matured loans as of interview period.
a/ Conducted by PBSP/EDF.
b/ Conducted by AFCCUI, ADF or SLEDFO.

Table 25: REPORTED PROBLEMS OF CBOs, BY TYPE OF ORGANIZING PVO

Problems Cited	Antique			So. Leyte			IB Module			
	PBSP	AFCCUI	ADF (Number	PBSF Reporting)	EDF	SLEDFO	Longer a/ No. of	% to Total	Shorter b/ No. of	% to Total
Low repayment/non payment of loans due to low income	7	2	2	4	7	1	28	100.0	5	41.7
Poor cooperation between officers and members of CBO	2	-	-	1	3	1	6	21.4	1	8.3
Records poor/not updated	1	-	-	-	1	1	2	7.1	1	8.3
Insufficient funds	-	3	-	-	1	-	1	3.6	3	25.0
High interest rate	-	1	1	-	1	-	1	3.6	2	16.7
Marketing of produce/ low bargaining power of farmer/project competition	-	-	1	-	-	1	-	-	2	16.7
Breakdown of equipment	4	-	1	-	-	-	4	14.3	1	8.3
Loan viewed as doleout hence project stopped	1	-	-	-	-	-	1	3.6	-	-
Total No. of Sample CBOs	11	6	2	8	9	4	28	100.0	12	100.0

a/ Conducted by PBSP or EDF.
b/ Conducted by AFCCUI, ADF or SLEDFO.

A few of the groups/CBOs however have proven themselves creditworthy and bankable. In fact. six CBOs in Antique have availed of loans other than the CPF from both banks and non-bank financial institutions. In particular, three CBOs were able to avail of loans from the Land Bank amounting to about P98 thousand each and another three CBOs borrowed from the DTI with average loans of P40 thousand. On the other hand, fund sources of three "creditworthy" CBOs in Southern Leyte, are the Department of Agriculture (DA) through its Livelihood Enhancement for Agricultural Development (LEAD) program [2/] and the Padre Burgos Concerned Citizens Association for Development, Inc. (PBCCAD) a non-bank financial institution servicing the municipality of Padre Burgos (Table 26).

Table 26: LOANS OTHER THAN CPF REPORTED BY CBOs IN ANTIQUE AND SOUTHERN LEYTE, BY SOURCE

	Antique		So. Leyte	
	No. Reporting	Amount Availed (P000)	No. Reporting	Amount Availed (P000)
Bank				
LBP	3	294.0	-	-
Non-Bank				
DTI	3	120.0	-	-
PBCCAD	-		2	22.2
DA-LEAD	-		1	80.0
TOTAL	6	414.0	3	102.2

Strengths and Weaknesses of the Program

Concept/Design. The CPF's strengths and weaknesses can be evaluated at two (2) levels: program concept/design and implementation. The program's conceptual framework in supporting livelihood projects of the rural poor via credit deserves commendation. In particular, the good features/components of the program are: 1) the institution building component including the provision of the social preparation necessary before the introduction of credit; 2) the partnership of the government and the private sector which gives opportunity for coordinative and collaborative work; 3) the flexible lending and repayment guidelines that pave the way for introducing necessary changes mutually agreed upon by program managers and beneficiaries; 4) the provision of technical assistance to beneficiaries; and 5) the institutionalization of a participatory or bottom-up approach to development.

On the other hand, what can be considered as weaknesses of the CPF credit program include: 1) the lack of specific, well-defined and time-bounded credit scheme that would allow graduation of beneficiaries from being uncreditworthy and nonbankable to being self-reliant and/or capable of obtaining loans particularly

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[2/] *Under the auspices of the Department of Agriculture, the LEAD Program is designed to develop the entrepreneurial capabilities of farmers to enable them to move from subsistence stage to one where they can independently sustain business enterprise. It has two major components: the bank-assisted and the grant-assisted mode. The former focusses on viable projects which are collateral or equity-short. For these kinds of projects the Department of Agriculture establishes linkages with the banks through the CALF guarantee facility. The latter mode supports the non-bankable projects, which are provided grants to overcome constraints towards the graduation of these projects/beneficiaries from nonbankability.*

from formal financing institutions (a proposed framework for a graduation scheme is presented in Annex E); and 2) non-existence of an operational framework for systematic monitoring and evaluation of the effects and impact of the scheme.

Implementation. The program in the three sample provinces suffer from implementation problems. First, there was no immediate follow-through of activities and systems established by national-based PVOs in the areas. This has left the beneficiaries unprepared to assume their responsibilities. Furthermore, it created collection problems as no new local PVOs were identified to supervise the CBOs. Second, poor monitoring of loans by the PVOs in provinces like Catanduanes and Southern Leyte resulted in low repayments and high past due rates. And third, there seemed to be minimal enforcement of capital build-up scheme/savings generation programs primarily indicated by the low level of members' participation in majority of the sample CBOs.

Informal Credit

The rural poor, in general, is believed to be dependent on informal sources for both production and providential/consumption credit needs. There is evidence that some of these informal loans are obtained at usurious interest rates. Given this premise, the CPF was designed as a credit delivery mechanism for the poor which hopefully would reduce, if not eliminate, such dependence on usurious lenders.

Notwithstanding the absence of initial information on the extent of informal borrowings of mombers of CBOs, an attempt was made to gather indications about the effects of the CPF on the informal borrowing behavior of beneficiaries. Based on interviews of the beneficiary respondents, the CPF seems to offer a potential for counteracting borrowing from usurious moneylenders. In fact, 45 percent of the CBO respondents claimed that with the CPF, their dependence on private moneylenders was reduced (Table 27). At the time when the CPF loans in Catanduanes were released, borrowing from moneylenders momentarily ceased. In Antique, about half of the beneficiaries covered in the sample reported that they were able to decrease their dependence on moneylenders. The main reasons were the lower interest rate offered by the CPF as compared to that of moneylenders, and, the greater accessibility to financing with the CPF. Sample respondents in Southern Leyte also gave similar reasons. It should be noted however that decreased reliance on moneylenders only meant production credit purposes. For consumption credit, they still approach the moneylenders.

Table 27: CBOs WHOSE MEMBERS HAVE DECREASED DEPENDENCE ON MONEYLENDERS

	All Provinces			
	No. of Individuals	% Share	No. of CBOs	% to Total Samples
YES	6	12.0	18	45.0
NO	17	34.0	4	10.0
Never depended on moneylenders	26	52.0	12	30.0
Total No. of Respondents	50	100.0	34	85.0
Total No. of Samples	50	100.0	40	100.0

Group Vs. Individual Lending

The LRM-CPF experience in Catanduanes, Antique and Southern Leyte is not conclusive as to whether group lending is better than individual lending. This is because the performance of a group or individual under any credit program depends on a number of factors that include the maturity of the borrower, values and attitudes towards credit and repayment, income levels and economic status, program monitoring and collection efficiency, fortuitous events, etc. Nonetheless, if the performance of these two types of borrowers were to be gauged on their repayment record as of the survey period, it appears that groups/CBOs are better borrowers than individuals. This is based on the repayment performance of individual borrowers in Catanduanes (only 4.8%) as against the recorded overall repayment rate of CBOs (39.8%) (Table 28). This is in relative terms because the repayment performance of CBOs is still way below satisfactory levels primarily due to the poor collection of loans from CBOs in Southern Leyte. However, if only the Antique CBO were taken into account, wherein the repayment rate is recorded at 92%, it can be said that CBOs are much better borrowers than individuals.

Table 28: COMPARATIVE REPAYMENT PERFORMANCE OF GROUP AND INDIVIDUAL BORROWERS, BY AREA

	Group Borrowers (CBOs)			Individual Borrowers
	Antique	So. Leyte	Sub-Total	Catanduanes
Repayment rate (%)	92.4	26.9	39.8	4.8
Default rate (%)	7.6	73.1	60.2	95.2
Past due ratio (%)	22.4	70.5	45.8	28.9

From the program management's point of view and considering the cost of administration, group lending is easier than individual lending simply because the former entails fewer but bigger amounts while the latter involves numerous (and perhaps, intractable) smaller amounts. Hence, group lending is cheaper and easier to handle. This has been proven empirically by various studies (Untalan and Cuevas, 1988; Untalan, 1988; Abiad, 1988).

Replicability and Viability

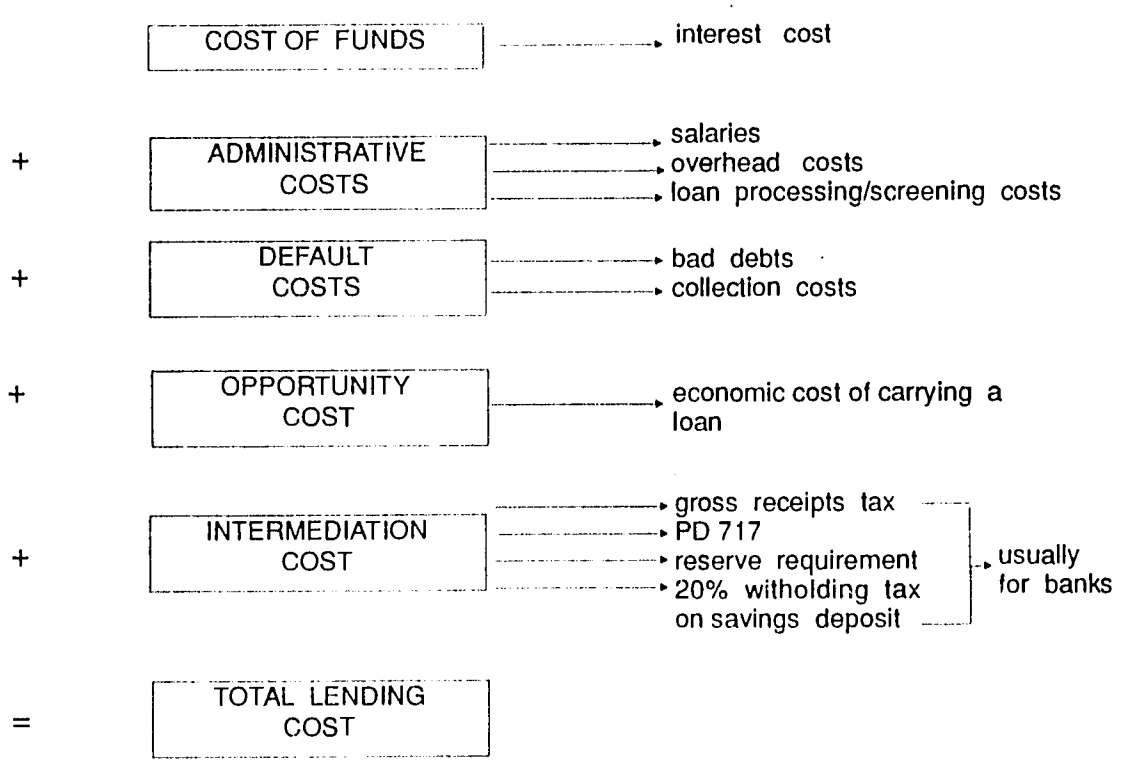
In terms of the over-all concept design the scheme is replicable and can be incorporate [illegible] the municipal and provincial planning system. Its replicability lies in the simplicity of its impleme[illegible]on procedures. Moreover, the role of each implementing agency is clearly defined. While beneficiaries [illegible] face some difficulty in complying with some of the requirements for securing loans, the PVOs neverthe[illegible] provide them the much needed assistance and training. For the scheme's replication to be effectiv[illegible] mechanisms such as the "nurturing" scheme for local PVOs, and a graduation scheme for beneficiaries, monitoring, evaluation system and a strong enforcement of a capital build up saving scheme should be installed to address the above-mentioned weaknesses as well as to arrest similar implementation problems.

In terms of viability, there are essentially three factors to consider. These are (a) the cost of administering the fund; (b) repayment; and (c) the social preparation of the PVOs.

With respect to the cost of administration, the CPF guidelines provide that the loan should bear a minimum interest rate equivalent to the lending cost of the loan. This cost is 12 % in all of the three provinces as of survey period. This rate has actually been in effect for three to four years already. Given the real increase in the cost of money over the past four years, the manpower and logistical requirements to administer the program, and the high transaction cost of small-sized loans, the 12 % interest may no longer be sufficient for long-term viability of the scheme. If this is so, then why is it that the PVOs are still around? The reason for this is the cross-subsidy sourced from other programs of these PVOs. All the PVOs included in the survey had other sources of income which most likely subsidize the operations of the CPF. Moreover, the PVOs are provided with technical assistance grants which increase their fund base. Grants however are offered only on a short-term basis or only during a transition period. Once the grants are terminated, the program's viability becomes a thorny issue.

Hence, this points to a strong need to review the interest rate policy of the program (or, any future credit program for that matter). Interest rates on loans must be high enough to cover lender's costs. Total cost of lending includes: (i) cost of funds; (ii) administrative costs; (iii) default costs; (iv) arrearages burden; and (v) costs of intervention (See Figure 3). Further, it should be noted that the rate may vary depending on the state of the local financial market as well as the overall macroeconomic condition.

Figure 3: COSTS FACED BY A FINANCIAL INTERMEDIARY



With respect to repayment in relation to viability, survey data show that the majority of the projects cannot sustain their operations. With the very low repayment rates and high level of past due loans (see Table 29), the CPF revolving fund will be depleted and perhaps at a fast rate if collection problems are not immediately addressed. The age of past due accounts provides further credence to this. Past due accounts of about 37 reporting CBOs amounting to about P567 thousand as of various months during the first-semester of 1991 are mostly overdue for more than one year (Table 29). Specifically, 20 loan accounts or about P401 thousand are already past due for more than one year, and these comprise 71 percent of total past due loans.

Corollary to this is the term loans (i.e., loans with 3-5 years maturity) which the PVOs provide to the CBOs. Term lending requires sufficient funds and some sophistication in intermediation. The PVOs that have no adequate funds to sustain the project after its official termination are likely to find themselves with liquidity problems.

The third aspect of viability is the social preparation not only of the beneficiaries but also of the PVOs. Since the Aquino administration took the helm of power in 1986, non-government organizations (NGOs) have mushroomed in number as a result of the policy thrust towards greater private sector participation in development processes. Some of these NGOs are mature and strong but some are not. It is in this regard that some "nurturing" strategy needs to be installed, wherein a strong and mature NGO prepares a young local NGO for larger tasks in the province. The "mother" NGO in this case guides and facilitates the take-over by the young NGO of the project. This results in smooth transition, continuity of project implementation, and capability build-up of the nurtured NGO. This is significant because whenever nationally-based PVOs phase themselves out of the CPF program , their member CBOs are unsupervised, which eventually leads some to disintegrate. In Antique for instance, it took some time before a local PVO took over what the PBSP had initiated. In Catanduanes, it was even worse. There was virtually no takeover by another PVO. The administration of the fund was left to the provincial government and this situation created problems in collection and even in fund ownership. It is also essential that strict criteria be adopted in choosing the PVOs that will administer the fund in the provinces, among which is maturity and experience and the willingness to go through a "nurturing" scheme.

Table 29: AGEING OF PAST DUE LOANS OF CBOs
Various Months During First Semester of 1991

Age of Past Due Loans	Antique a/			Southern Leyte b/			Total		
	No. Reporting	Amount (P000)	% Share	No. Reporting	Amount (P000)	% Share	No. Reporting	Amount (P000)	% Share
less than 3 mos.	1	4.3	2.0	1	1.9	0.5	2	6.2	1.1
over 3 mos. - 6 mos.	4	56.2	26.5	3	6.4	1.8	7	62.6	11.0
over 6 mos. - 1 year	3	52 9	24.9	5	44.3	12.5	8	97.2	17.1
over 1 year - 2 years	7	98.8	46.6	9	202.3	57.1	16	301.1	53.1
over 2 years	-	-	-	4	99.7	28.1	4	99.7	17.6
Total	15	212.2	100.0	22 c/	354.6	100.0	37	566.8	100.0

a/ Data from ADF is as of May 31, 1991.
b/ As of March 31, 1991.
c/ Exceeds the number of sample CBOs since one CBO has two past due loan accounts.

Chapter IV

THE CPF SCHEME AND THE GOVERNMENT'S RURAL CREDIT POLICY

A. Current Rural Credit Policies and Programs [3/]

For about twenty years, the Philippine government created a number of credit programs for the rural sector which attempted to provide access to formal sources of credit at concessional or subsidized rates. This approach was thought to be capable of encouraging farmers to adopt new technology, to increase farm yields and food production and to offset the policy biases against agriculture. Various incentives and regulatory schemes such as credit quotas, deposit retention and rediscounting privileges were made a part of this approach to induce banks to lend to small farmers and fisherfolk and the agricultural and rural sector, in general. More particularly, the (a) Agri-Agra Quota Scheme required banks to allocate 25% of net loanable funds for agricultural and agrarian reform credit; (b) the Deposit Retention Scheme required banks to retain 75% of total deposits in the region where deposits were generated; (c) interest rates were regulated and (d) special time deposits and rediscounting facilities at concessional rates were made available at the Central Bank of the Philippines and (e) private rural banks were made as credit conduits.

The intended effects did not materialize. The supply of formal agricultural credit in fact declined from a level of 18% of total bank loans in 1966 to 5% in 1975 and less than 10% in 1985. Survey results also showed that the proportion of farmers who borrowed from banks decreased from 37.1% for the period 1967-74 to 23% in 1981-86. Worse, credit subsidies were largely captured by formal lenders and not by the farmer- borrowers (Esguerra, 1981) while savings mobilization took a back seat as rural banks depended on the Central Bank for over half of their loanable funds (Llanto and Neri, 1985). The government's agricultural credit program was fragmented into 46 separate commodity-oriented programs which led to inefficient and wasteful utilization of credit funds and the subsequent impairment of the rural banking system because of high past dues and mounting arrearages. Out of 1,167 rural banks in 1981, only 856 were operational by 1986, of which 82% were in arrears with the Central Bank.

The failure of the so-called supply-led finance approach in the Philippines is not an isolated case. Braverman and Guasch (1989) observe that despite the expansion of targeted credit programs in developing countries, only a small fraction of the farmers seem to have benefited. It is estimated that only about 5% of farms in Africa and 15% in Asia and Latin America received such formal credit. Moreover, these credit programs exacerbated inequitable income distributions when only 5% of borrowers received 80% of the credit. One estimate of the Philippine experience showed high income farmers receiving 68% of total credit from rural banks (Llanto and Neri, 1985).

[3/] *This section draws from Llanto (1990).*

One explanation is that the past supply-led approach has failed to consider the particular nuances of rural financial markets. The banks' limited information about rural borrowers, the huge transaction costs involved in extending small loans, and the preference for observable collateral like land, all worked against the subsidized credit programs of the Philippine government. Moreover, the weak incentive design led borrowers to neglect their loan payment obligations, and formal lenders tended to be less careful in screening borrowers and approving loans while they continued to depend on the government for loanable funds. The failure of this credit strategy led to a market-oriented approach where the government funds are used primarily as credit guarantees and the private banks provide the loans.

The Philippines adopted major financial reforms in the 1980s. In November 1985, full deregulation of interest rates took place as the Central Bank's subsidized rediscounting facility was discontinued. The Central Bank moved away from a direct involvement in the provision of development funds to a more traditional role of managing the money supply and containing inflationary pressures. In December 1986 with the assumption of the new government into office, Executive Order 113 was issued. It consolidated twenty out of 46 separate credit programs into the Comprehensive Agricultural Loan Fund (CALF). The credit subsidies were withdrawn and the government shifted into an approach where rural credit is delivered at market-oriented interest rates by private financial institutions. The CALF was created primarily as a guarantee fund, albeit a substantial amount was placed by the Department of Agriculture (DA) at the Land Bank of the Philippines (LBP) for the Department's Integrated Rural Financing (IRF) Program. Thus except for the IRF, all credit funds were converted into a credit guarantee fund. The government's involvement now centers on creating the "proper credit environment" by supporting market-oriented policies which will induce private financial institutions to provide the credit and by providing the infrastructure and other support services that will improve project viability and enhance the creditworthiness of farmers.

CALF: Rationale and Operation

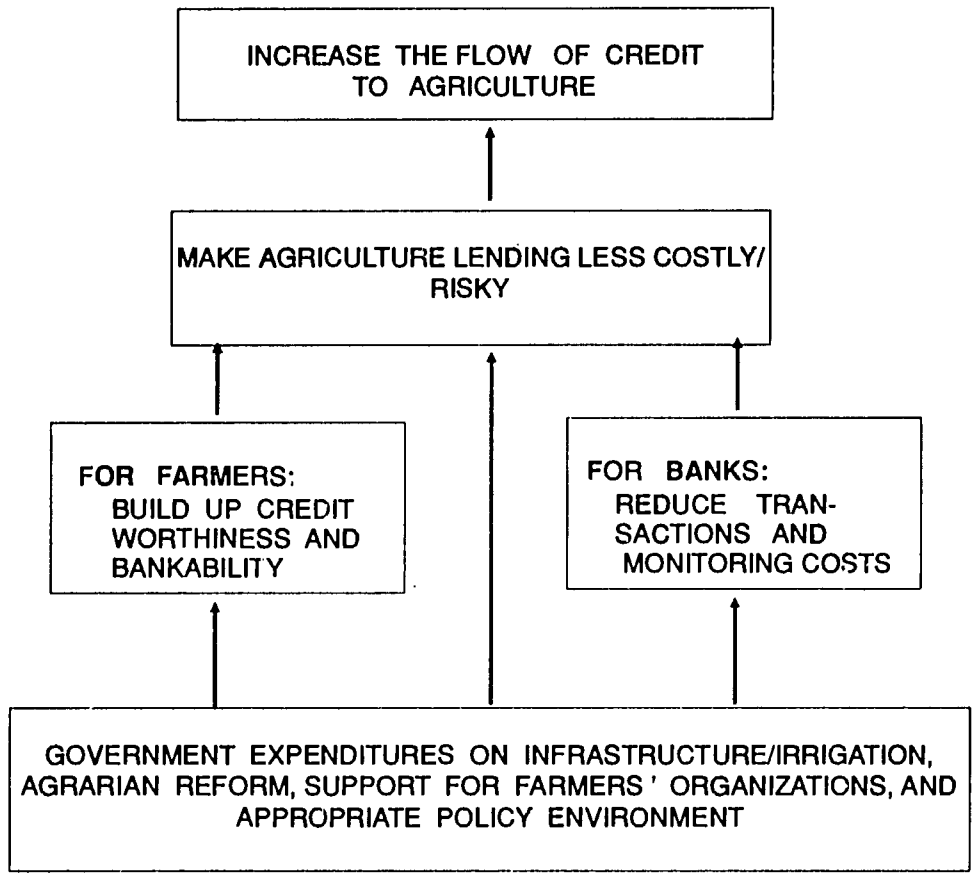
The new approach to rural finance is being conducted in the context of the government's economic philosophy of relying on private sector activity as the engine of growth. In this respect, the Agricultural Credit Policy Council (ACPC), created by Executive Order (EO) 113, embarked on a comprehensive credit strategy based on two guiding principles: (a) a greater reliance on the market mechanism in the allocation of financial resources and (b) the termination of direct lending activities by non- financial government institutions. The comprehensive credit strategy shown in Figure 4 has three broad measures addressed to three sectors of the economy: (a) farmers, (b) private financial institutions and (c) government. The three broad measures are the following (ACPC, 1989):

- measures to increase government expenditures for rural infrastructure, marketing facilities, and technical assistance to the rural sector and to continue policy reforms;

- measures to build up farmer creditworthiness and bankability; and

- measures to reduce the risks and transaction and monitoring costs faced by banks in lending to agriculture.

Figure 4: ACPC's COMPREHENSIVE CREDIT STRATEGY



The first measure regarding the role of the government is self-explanatory. The second and third measures merit some explanation. The farmers' creditworthiness and bankability can be increased, firstly, through training and education on credit responsibility, loan acquisition skills and project preparation and management. Second, stress should be given to building up strong and viable farmers' organizations such as cooperatives, credit unions, rotating savings and credit associations (ROSCAs) and non-government organizations (NGOs), which play a major role in increasing the small farmers' access to credit. Government support at this level can be done through:

- subsidies for the education, training and audit needs of such organizations; and
- the redistribution of land to the landless workers and tenants under the Comprehensive Agrarian Reform (CARP) and provision of support services.

The CALF Guarantee Scheme

The CALF as a guarantee fund is at the very heart of the third measure. It is operated through the facilities of three existing government guarantee institutions, i.e. (a) the Philippine Crop Insurance Corporation (PCIC) which provides a credit guarantee for production credit, (b) The Quedan Guarantee Fund Board (QGFB) which provides a guarantee to cover inventory financing and (c) the Guarantee Fund for Small and Medium Enterprises (GFSME) which provides a credit guarantee to the small and medium enterprises for medium and later, for long-term credits.

The guarantee scheme is part of the overall approach to support risk reduction and administrative costs in the rural financial markets. The CALF guarantees up to 85% of loans with the remaining 15% absorbed by the bank. Some view the present 85% guarantee coverage as too high which may encourage lending banks to relax on recovery as their exposure is not large enough (ADB, 1990). Others, like some commercial banks in the Philippines, claim that no less than a 100% credit guarantee is necessary to induce the banks to consider agricultural lending.

CALF Non-Guarantee Programs

Aside from the guarantee scheme, the CALF has other major components, such as the following:

1. Integrated Rural Financing (IRF) Program

The IRF is a pilot financing project started in 1983 which tries to validate the viability of the creditline approach for small farm households. This is different from the commodity-specific credit programs. Now a national program managed jointly by the Department of Agriculture/Agricultural Credit Policy Council (ACPC/DA) and the Land Bank of the Philippines (LBP), the program has two distinct features: (a) a comprehensive credit line type of financing open to rural banks and cooperatives through the LBP's rediscounting window and (b) institutional development focused on organizing and strengthening small farmers through participating non-governmental organizations (NGOs). The farmers are trained in basic enterprise management and bookkeeping skills and more importantly, value formation, prior to availment of bank credit. Value formation is a specific component of institutional development which seeks to inculcate respect for scarce credit resources, the virtue of repaying of loans and the value of a good credit track record, among others.

2. Cooperative Rural Bank (CRB) Formation

The Department of Agriculture infused equity amounting to P15.1 million into 28 CRBs out of a total 29 CRBs. The CRBs are a sub-system of the rural banking system with the unique distinction of not being owned by individual shareholders of an ordinary rural bank but by cooperatives. The CRBs are therefore mass-based. The equity infusion is intended to enable the CRBs to qualify for the rehabilitation program implemented by the Central Bank for the rural banking system, which suffered financial losses and incurred substantial arrears with the Central Bank. [4/] Table 30 shows the main features of the rehabilitation program while Table 31 shows the status of the program.

[4/] *Mismanagement, borrower defaults and the economic and financial crisis of 1983, among others, led to the undoing of many rural banks*

Table 30: PRINCIPAL FEATURES OF THE RURAL BANK REHABILITATION PROGRAM

- Fresh capital infusion to achieve the minimum 10 percent risk asset ratio.
- Option for the conversion of supervised credit into common stock in the name of the Land Bank of the Philippines (LBP) and/or a plan of payment with the Central Bank not exceeding 10 years.
- First option to purchase the common shares held by the LBP under the conversion scheme, under certain conditions.
- Increase in authorized capital.
- Waiver of liquidated damages and/or penalties under certain conditions.
- Restoration of rediscounting privilege.
- Exemption from equity ceiling.

Source: CB Circular 1143, as amended by CB Circulars 1158 and 1172.

Table 31: STATUS OF RURAL BANK REHABILITATION PROGRAM
(CB Circulars 1143, 1158 and 1172)
As of Dates Indicated

	No. of Applications Received	No. of Applications Approved by the Governor/Monetary Board	Under Consideration by the Governor	For Final Memo Preparation/ to be Forwarded to the Governor	In Process
As of July 31, 1987	101	1	-	7	77
As of Aug. 31, 1987	299	9	-	15	162
As of Sept. 30, 1987	393	15	-	14	219
As of Oct. 31, 1987	430	19	-	19	272
As of Dec. 14, 1987	480	59	23	72	229
As of Feb. 24, 1988	485	117	25	62	153
As of March 30, 1988	485	155	53	30	136
As of April 29, 1988	485	230	31	9	103
As of May 31, 1988	510	252	26	22	113
As of July 8, 1988	622	339	84	30	34
As of Aug. 11, 1988	522	374	89	10	13
As of Oct. 31, 1988	522	473	4	-	1
As of Dec. 31, 1988	522	476	2	-	-
As of Dec. 31, 1989	524	484	-	-	-
As of March 31, 1990	524	484	-	-	-

The ACPC's CRB Formation Assistance Program started in 1990 seeks to establish and organize CRBs in 48 provinces within 5 years in coordination with the Central Bank, the Land Bank of the Philippines, the Cooperative Development Authority and the Federation of CRBs in the Philippines. The ACPC intervention consists of identifying mature and viable cooperative/unions/federations which are already engaged in or are willing to engage in inter-lending. Successful operation as an inter- lending federation for at least one year is a pre-condition required by the Central Bank before a license is granted to operate as a CRB. After identification, the ACPC assists in providing training in various areas like management, organization, bookkeeping, etc. The principal criterion for ACPC assistance is that the cooperatives/cooperative unions voluntarily elect or decide to convert themselves into a CRB and request assistance from ACPC.

The CRB assistance will complement the objectives of the rehabilitation program which had a total of 484 approved applications for rehabilitation out of 524 applications as of March 31, 1990 (Table 31). A rehabilitated rural banking system and the entry of new CRBs will promote competition in the rural financial markets to bring reasonably-priced financial services to rural borrowers.

3. The Livelihood Enhancement for Agricultural Development (LEAD)

The LEAD is a Department of Agriculture (DA) program designed in 1988 to assist farmers and fishermen in securing financing for their livelihood projects. This is done through the provision of the following services: a link-up with banks for marketing and credit support, project development and institution building activities. A unique feature of this program is the commitment of the Management Association of the Philippines (MAP) to provide project managers and consultants for the farmers' projects for a period of one to two years. The MAP pays the salaries of the detailed managers under the project.

A specific example of a LEAD project is the contract growing of papaya between a group of farmers in Misamis Oriental and Del Monte Philippines, Inc. The Department of Agriculture funded the project feasibility study while Del Monte guaranteed a market and a minimum buying price for the produce. The MAP paid the salaries of a manager who will run the enterprise for two years and afterwards, turnover its management to a trained member of the farmers' group. By December 1989, LEAD has assisted 683 projects involving 17,000 beneficiaries from 700 associations and organized groups with P112 million pesos in bank loans and grants. [5/]

4. Grameen Bank Replication Project

The Grameen Bank Replication Project seeks to test an alternative credit delivery mechanism for the poorest of the poor, among whom are coconut farmers and coastal fishermen. This was patterned after the successful Grameen Bank in Bangladesh which has evolved into a viable financial institution serving thousands of villages and 500,000 borrowers. The ACPC assistance to NGOs/CRBs who are engaged in the 13 replication projects in 11 provinces consists of the following: training, CALF guarantee cover, operating support fund to participating groups, brokering for loan funds, research and documentation. A necessary and strict condition is for the farmers' groups to save and for the participating NGOs/CRBs to engage in savings generation. Training in credit management, delivery and repayment is strictly enforced prior to the

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[5/] *Preliminary evaluation of LEAD done by ACPC, December 1989.*

access to loan funds provided by the Department of Agrarian Reform-Dutch Rural Development Assistance Program (DAR-DRDAP).

5. Development Assistance Program for Cooperatives and People's Organizations (DAPCOPO)

The DAPCOPO established by ACPC and partner NGOs/cooperatives in May 1990 is a short-term program to bring the non-bankable small farmer, cooperatives and similar organizations into the mainstream of the financial system.

The DAPCOPO provides funds that serve as priming funds intended to create a "critical mass" of credit flows to small farmers. Where banking facilities are either absent or inadequate, the priming function will demonstrate the capacity of the small farmers to handle credit in a responsible way and to build a track record in finance that banks value. The long-term vision is for the small farmer to be able to gain access to the financial system's services and resources and for the cooperative to evolve as financial institutions which provide financial services not only to their own members but to the rural sector as a whole. The cooperative may also opt to continue to maintain an independent and stronger complementary existence with banks in the total financial system.

DAPCOPO is guided by two fundamental principles: (1) it is not envisioned to be a scheme for direct lending by government to end-users and (2) the credit conduits must be mature and viable organizations. The first principle is motivated by over twenty years of experience in direct lending which has proven disastrous to the government, the private rural banks and the small farmers. The second is premised on the belief that the priming strategy will have a better chance to succeed if coursed through responsible cooperatives, that is, those with a certain level of maturity and viability. It must be emphasized that only those cooperatives/people's organizations who have no credit access with a bank (whether government or private) can participate in the DAPCOPO.

The basis for eligibility are the following: (a) the number of years the cooperative has been operational; (b) the number of farmer-members actively served and availing of cooperative services; (c) income, capital formation and savings experience; and (d) reputation of the officers/managers. These are based on the well-known self-regulating character of genuine cooperatives. The DAPCOPO gives the task of screening eligible cooperatives to an accreditation committee composed of representatives from the cooperative and NGO community sector, the LBP and the ACPC. Initial funding has been provided from the Comprehensive Agricultural Loan Fund (CALF). To complement the lending activity the DA/ACPC provides subsidy to training and management needs under a limited time frame.

B. Guidelines for Livelihood and Lending Programs of the Government [6/]

Because the experience in direct lending confirms that the government is a poor banker and does not have the resources nor the capacity to assess the viability of projects, monitor these and collect the loans at a level and margin adequate to cover both the administrative costs and defaults, President Aquino signed

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[6/] *Agricultural Credit Policy Council (ACPC).*

Cabinet Resolution 29 on November 8, 1988. The Cabinet resolved to approve and adopt the following policy guidelines:

- Private sector participation in the formulation and implementation of livelihood programs and projects shall be expanded.

- The primary program targets shall be the unemployed and underemployed in the marginalized sector. Priority shall be given to poverty-stricken areas or areas where a large number of the unemployed and underemployed are located.

- Government agencies shall not be involved in direct lending activities except the Department of Social Welfare and Development; credit shall be extended through accredited financial institutions and non-governmental organizations (NGOs).

- The Department of Agriculture, Department of Trade and Industry, Department of Labor and Employment, Department of Agrarian Reform, Department of Social Welfare and Development, Department of Natural Resources, Department of Education, Culture and Sports and Department of Interior and of Local Government are designated as the primary agencies responsible for the execution of livelihood programs/projects. Other agencies shall work through the above-listed agencies first before embarking on their own livelihood programs and projects.

- The NEDA Board's Social Development Committee, the Regional Development Councils, the Provincial Development Councils, and the Municipal Development Councils are designated as the coordinating mechanisms for livelihood development programs and projects at the national, regional, provincial and municipal levels, respectively.

The implementing guidelines of Cabinet Resolution 29 are herein attached as Annex D. What is clear from the resolution and the Implementing Guidelines is the conscious effort by the government to (a) get out of an activity (lending) that is better implemented by private parties (i.e. banks, cooperatives, credit unions, non-governmental organizations, private foundations, farmers' associatives and federations); (b) recognize the need for coordinative mechanisms between government agencies and non- governmental organizations (NGOs) in livelihood program implementation; (c) promote the ideas of sustainability and self-sufficiency of lending programs; and (d) give priority to the marginalized and poverty-stricken areas in the implementation of livelihood programs.

C. Non-governmental Lending Programs

At this point it is instructive to consider some parallel effort by non- governmental organizations/private parties to provide loans to identified beneficiaries. Herein are preliminary data and documented experience. [7]

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[7] *Systematic analysis, regular monitoring and a compilation of relevant statistics on many of these private initiatives are yet to be conducted.*

The Credit Assistance Project for Integrated Agricultural Livelihood (CAPITAL)

The CAPITAL project was implemented in June 1986 by the People's Council on Rural Savings and Finance, Inc. (PCRSF) to provide comprehensive development and financial assistance to the marginal rural self-help groups (SHGs). Through this scheme the PCRSF envisages the improvement of the country's agricultural credit delivery system. The project stimulates people participation by motivating them to pool their resources and build- up their own capital. In cases where they have already organized themselves and undertaken their own savings-cum-lending activities, the project mobilizes people into specific economic activities. The vision is to turn their indigenous financial schemes into a more sound, viable and responsive financial system.

The CAPITAL was pilot-tested in four member organizations of the PCRSF. These organizations have their own financial programs which included linkages with financial institutions, both formal and informal (e.g. mutual funds of their respective organizations). Specifically, these are the farmers' organization in North Cotabato and the marginal rice producers cooperative in Cebu City. The status of the respective organizations under the project is as follows:

Kalipunan ng mga Samahan ng Mamamayan (KASAMA)

The KASAMA utilized the P130,000 CAPITAL fund as a seed fund to address the capital requirements of their small entrepreneur-members, who do not have access to banks. The repayment record will enable them to gain access to the financing resources of banks operating in Laguna. In the course of the implementation of the project, several collection problems were encountered. KASAMA immediately conducted a series of training and consultations in collaboration with the PCRSF to tackle these problems.

Visayas Cooperative Development Center (VICTO)

Under the CAPITAL project, VICTO (in Cebu City) used funds as guarantee facility for cooperatives who need access to bank financing facilities. Beneficiaries of the CAPITAL fund are the Sugbo rattan workers, who formed themselves into a cooperative. The VICTO, through CAPITAL fund, negotiated with the Far East Bank to allow the cooperative to have access to the bank's letter of credit facilities.

The members religiously comply with their pledged regular savings which range from P10 to 50 per week. These are deducted from their regular wages. The saved fund is used to address the consumption needs of the members.

Mindanao Alliance of Self-Help Societies/Southern Philippines Education Cooperative Center (MASS-SPECC)

The MASS-SPECC used the funds to undertake banking with marginal groups. In the first phase of its implementation, MASS-SPECC tapped the Mango Growers' Association, a group of marginal mango farmers in Initao, Lanao del Sur. One of the pressing problems of these farmers was their dependency on money lenders-cum-traders who charge exorbitant interest rates and buy their produce at prices well below the market rate. To solve this problem, a scheme was developed wherein farmers can regularly save in order

to build their own mutual fund for their consumption needs. Their production requirements, such as purchase of fertilizer and chemicals are sourced from the MASS-SPECC CAPITAL fund.

First Farmwide Self-Help Association (FFSHA)

The PCRSF extended credit amounting to P27,000 under CAPITAL to the FSSHA as an interim support to its members to develop an administrative structure and to encourage savings mobilization. Total loanable funds from the PCRSF and member savings amounted to P110,000 in March 1990.

The poor farmers have shown their capability in overcoming financial hardship without much reliance on external assistance. What the CAPITAL fund has accomplished is to bridge finance some of their immediate needs at a time when their own funds have not yet increased enough to support their lending activites.

D. The CPF in Perspective

In general, the CPF compares well with privately initiated lending programs. The credit program approach adopted by CPF recognizes the need to provide seed funds which will later become revolving funds to assure the marginal borrowers' access to reasonably-priced credit. It also recognizes the need for institution building as an important component of a successful lending program. In this regard, it has enlisted the support and cooperation of the LGUs, the primary organized government unit in the provinces and the PVOs which are better attuned to the nuances of and constraints in the program areas. Considering the ten general policies for the management and administration of the CPF, to wit:

- The CPF is initially a grant to the PVO and a loan to beneficiaries.
- The CPF shall be utilized to support beneficiary livelihood projects, whether group or individual.
- The CPF shall be lent without any collateral to beneficiary organizations and their members provided that 10% equity of the total project cost is established by the beneficiary.
- The loan shall bear a minimum interest rate equivalent to the lending cost of the loan. The lending cost, to be determined by the PVO, shall refer to the recurring administrative and technical costs associated with lending. These include such factors as personnel cost on loan processing and collection.
- The amount of interest charges on all CPF loans shall be computed using the diminishing balance method whereby repayments are subtracted from the remaining balance when computing for subsequent interest charges. To ensure the sustainability of the credit fund, the lending scheme shall include a provision concerning losses and other risks involved.
- For capital build-up, the beneficiaries' organization and the PVO shall be allowed to retain a certain percentage each of the total interest charges as determined by both parties.

- Repayments for beneficiary group loans shall have a maximum of three (3) years maturity; individual loans shall have a one-year maximum maturity.

- The beneficiaries shall formulate and enforce an amortization scheme to repay the CPF loan.

- Interest and principal payments by the beneficiaries shall be deposited to a separate trust fund account and accounted for by the PVO and shall be utilized to finance other approved project proposals which were not previously accomodated and

- The relending program shall follow the same policies and procedures stipulated in the approved CPF guidelines in terms of project processing, release and lending terms.

We note that they are consistent with the current rural credit policy thrusts of (1) getting government out of direct lending; (2) reliance on private initiative and effort for the implementation of credit and livelihood programs, as far as practicable; (3) setting up of coordinative mechanisms between government agencies/units (e.g. LGUs) and the private sector for effective program implementation; (4) identification of target beneficiaries especially for the provision of subsidies to training and organizing activities; (5) promotion of capital build-up schemes; and (6) promotion of the initial concepts of sustainability and self-sufficiency by allowing at least in principle, for a "minimum interest rate that is equivalent to the lending cost of the loan".

The CPF scheme, like other current government programs, aims to create employment opportunities through the provision of a package of integrated services. Table 32 showcases the major features of the CPF and other govemment credit programs. To promote the establishment of income-generating activities for the poverty groups all of these programs provide both financial and technical assistance While the CPF uses Private Voluntary Organizations to channel their loans, other existing programs course the funds through banking institutions following the current policy thrust of getting government non-financial institutions out from direct lending. The latter strategy has the built-in advantage of helping marginal groups linked with the formal financial institutions.

An added bonus of the CPF is the involvement of LGUs which follows the current government policy of decentralization of government powers and functions up to the level of municipality. This feature is absent in almost all of the private-lending programs and even in the govemment- initiated special credit projects. What is not clear however, despite the desire for sustainability, is the vision and strategy with respect to credit and related activities have been terminated. While self-sufficiency may be partly realized through the capital build-up and the revolving fund, it is submitted that these may prove to be insufficient without a policy towards a continuing review of the interest rate structure, the administrative costs of running the program and a strategy to eventually link borrowers with private and non-bank financial institutions whose greater amount of resources and financial expertise must be tapped and utilized to complement the indigenous financial schemes "perfected" by the CPF.

Table 32: CPF SCHEME VS. OTHER GOVERNMENT CREDIT PROGRAMS

Features	CPF	Grameen Bank Replication	DAPCOPO	LEAD	IRF
Major Objectives:	o to promote greater self-reliance, productive employment and increase in real income among the rural poor. income among the rural poor.	o to extend banking facilities to the poor & eliminate exploitation by money-lenders. o to create oppurtunity for self-employment for unutilized and under-utilized manpower.	o to provide credit financing to non bankable agri-based groups. o to hasten savings mobilization.	o to develop entrepreneurial capability and of the small farmers and to enable them to sustain business enterpise of their own. o enable farmers' groups to secure bank loans/assistance.	o to provide financing to small farmers. o to enhance the production income and repayment capacity of the small farmers.
Program Component;	o trainings on organizational management, project development and rural enterprise mmanagement. o loan assistance o technical assistance	o trainings/tech. assistance o guarantee on loans o research and documentation o NGO operating support fund	o credit delivery o institutional building o institutional building o bank linkage development and resource-base formation	Bank Assisted o link farmers to commercial banks o guarantee of loans o provision of management services o establish market linkage Grant Assisted o support to non-banakables o grants to farmers' organization start-up funds for projects o farmers' organization shall put up o equity in terms of land, labor or cash	o institutional building o credit delivery o equity base
Lending Channels:	o Private Voluntary Organizations	o Cooperative Rural Bank o Non-Governmental Organization	o Land Bank of the Phils.	o Land Bank of the Philippines	o LBP to Rural Financial Institutions and to Farmers' Groups
Lending Terms and Conditions:					
Loan Purpose	o shall be utilized to support beneficary livelihood projects	o to finance rural micro-enterprises	o shall wholesale loan funds to qualified intermediary NGO for relending to its primary-affiliates	o finance profit-earning projects which are not yet bankable	o to finance crop productivity, poultry, fishing & livestock, Quedan financing & commodity loans & to finance prodn.
Beneficiaries	o poverty groups/community based organizations	o landless rural workers, bottom 30%	o federations of farmers' groups and cooperatives	- farmers' groups	o farmers with landholdings of 7.0 has (P.D. 27) 5.0 has. and less
Collateral	o none, but a 10% equity of the total project cost should be put up by the beneficiaries	o none	o none, but required to put up 15% (hold-deposit) of the loan fund which shall be deposited in trust	- depending on bank turms (bankable)	o real estate mortgage
Interest rates per annum	o minimum which is equivalent to the lending cost of the loan	o as determined by the CBO/PVO	o prevailing rate offered by the gov't to LBP under IRF program	- depending on bank terms	o depending on bank terms
Maturity of Loans	o 3 years for group loans 1 year for individual loans	o short term (max. of 1 year)	o short, medium & long term	- short, medium & long term	o short, medium & long term

Chapter V

CONCLUSIONS AND RECOMMENDATIONS

A. Summary of Findings and Conclusions

The following are the major findings and conclusions of the study:

- The program has significantly established the necessary social preparation for implementing a credit program. The trainings provided the beneficiaries with the exposure essential for managing a rural enterprise and for transacting with financial institutions in the future.

- There is no strong evidence to show that the CPF scheme had a significant impact on the level of income among the beneficiaries. While the absence of a systematic benchmark data limits the ability to accurately measure changes in income, responses of beneficiaries and indicators such as income derived from the project and repayment rates all point to a barely significant impact on income of beneficiaries.

- While self-reliance has not yet been fully attained by most beneficiaries, there are indications of of their capability for mobilizing their own resources for capital build-up. This potential was particularly demonstrated by the beneficiaries in Antique.

- The CPF scheme contains good features which are: a) the institution building component; b) the partnership of government and the private sector; c) the flexible lending and repayment guidelines; d) technical assistance for beneficiaries; and e) the institutionalization of a participatory bottom-up approach to development.

- The weaknesses of the program are : a) the lack of emphasis on the importance of capital build-up/savings generation among CBOs as well as among individual members; b) the lack of specific, well-defined and time-bounded scheme that would allow graduation of beneficiaries from being uncreditworthy and nonbankable to being self- reliant and/or capable of obtaining loans particularly from formal financing institutions; and c) the non-existence of an operational framework for systematic monitoring and evaluation of the effects and impact of the scheme.

- The scheme is replicable and viable under the following conditions: that the cost of administration is fully taken into account; that repayment problems are addressed; and that a "nurturing" scheme is pursued for local PVOs.

- The program suffers from implementation problems associated with a) poor monitoring of loans; and b) lack of follow-through by a local PVO.

- The scheme has the potential of offsetting the negative impacts of informal moneylending.

- The scheme is consistent with the current rural credit policy thrusts.

B. Recommendations

Based on the lessons and findings drawn by the study, the following are the recommendations for the improvement of the CPF and of government policies on rural credit financing:

- While self-sufficiency for the beneficiaries may be realized through capital build-up and the revolving fund, these may prove to be insufficient if other critical factors are not taken into account. A market-determined interest rate is one critical factor in the sustainability of rural credit programs such as the CPF. Hence, a policy review of the interest rate structure is recommended, and the adoption of an interest rate that is reflective of the true market condition and the true cost of money is necessary.

- Other factors to consider include changes in administrative costs over time, the need for the eventual transformation of beneficiaries from being non-bankable to being bankable, and their linkage with financial (bank and non-bank) institutions, which have greater amounts of resources that must be tapped. A conceptual framework for linking marginal groups with the formal financial system is proposed in Annex E.

- Strict criteria should be adopted in choosing PVOs that will act as conduits of credit funds to ensure viability. A "nurturing" strategy should be adopted for local PVOs.

- There should be strict enforcement of capital build-up/savings mobilization scheme to develop self-reliance among the beneficiaries.

- Training for social preparation of beneficiaries should be continued.

- Rural credit programs should integrate a systematic operational framework for monitoring and evaluation of impact both at the national and provincial/municipal level.

- It is essential that a loan recovery scheme be developed for all rural credit programs. Much emphasis has been given on credit delivery and savings mobilization. No parallel effort however has been made on formulating an operational framework for loan recovery. This aspect of rural credit is critical because it will spell to a large extent the success of a credit program.

ASSESSMENT OF THE CPF SCHEME IN ANTIQUE

A. BACKGROUND

Antique, a narrow arc of land occupying the entire west coast of Panay Island, is bounded by Aklan on the north and northeast, Capiz on the east, Iloilo on the south and southeast and the Cuyo East Pass on the west. It is separated from the other provinces of the island, (Aklan, Capiz and Iloilo) by deep mountain ranges. About 80 percent of the province consists of mountains. Ribbons of big and small rivers irregularly lace its narrow plains. The province is composed of 18 municipalities, three of which are along the coast; three are inland municipalities and one is made up of six islands. San Jose serves as the provincial capital.

The land area of Antique measures 252,201 hectares, majority of which is suited for agriculture (Annex Table A.1). About 42.18 percent of the land area is cultivated. The province grows palay and coconut as its main crops. Other crops are corn, mongo, banana, cassava, green & leafy vegetables, peanut, mango and others. Antique is also known for its fertile fishing grounds. Abundant fisheries and aquatic resources are regularly harvested in the area. In 1986, the total production of the fish and aquatic products was 15,995 metric tons. The province is also rich in metallic and non-metallic deposits, such as coal, manganese, nickel, gold, silver and marble.

The province experiences the third climate type whose seasons are not very pronounced. The months of November until April is the dry season and wet months are experienced during the rest of the year.

As recorded on December 1984, the population of Antique was 344,879 (males-173,079.0 ; females-171.800.0), with a growth rate of 2.01% yearly.Urban dwellers, whose annual growth increased considerably, brought about the latest round of population growth acceleration. Meanwhile, the rural dwellers experienced a decrease in its growth rate. As a result, the proportion of the rural population decreased from 86.43 to 79.35 percent while the urban proportion went up from 13.57 to 20.65 percent.

The occupations of most of the people in Antique are artisanal farmers, sustenance fishermen and landless rural workers. The artisanal fishermen include fry catchers, landless workers, part-time fishermen-farmers living along the coastline of the province with fishing considered as their primary economic activity and farming as secondary source of income. These fishermen comprise 25 percent of Antique's rural poor population. With regards to the educational attainment, majority of these workers have attained a certain level of elementary education, some have completed high school and very few have reached college level. Due to lack of employment opportunities, these workers are forced to engage in fishing as a major economic activity, an occupation they have known and were brought up with since childhood. But these workers are being exploited by the big capitalists by handling almost all the concessionary (bangus fry) businesses in the province. Bangus fry catchers are forced to sell their harvests to the concessionaires at very low prices, which the latter regulates. Volumes of fish are caught during the months of January to April (peak season). Income-wise, they earn about P400 to P800 monthly from all sources.

The marginal lowland farmers comprise 4% of the province's rural poor population. They engage mainly in rice, vegetable and crop production. These farmers include agricultural workers and part-time sustenance fishermen. Most of them have landholdings, under the share and lease tenancy system of about 1.3 hectares per worker. Main reasons behind their poverty situation are small or no landholdings, low productivity, no support/access to credit and lack of alternative source of income. Based on the income profile, these workers fall within the P400 to P700 monthly income bracket.

Annex Table A.1
DEMOGRAPHIC PROFILE
As of 1984

Municipality/City	No. of Brgys.	Land Area (Kms.)	Population		
			Male	Female	TOTAL
TOTAL	590	2,522.0	173,079.0	171,800.0	344,879.0
Bugasong *	27	129.8	10,706.0	10,913.0	21,619.0
Tobias Fornier *	49	111.7	11,260.0	11,251.0	22,511.0
Laua-an *	40	207.8	9,454.0	9,454.0	18,785.0
Pandan *	34	137.0	10,395.0	10,001.0	20,396.0
Tibiao *	21	145.4	8,836.0	8,364.0	17,200.0
Anini-y	23	55.2	6,654.0	6,826.0	13,480.0
Barbaza	39	119.4	7,369.0	7,334.0	14,703.0
Belison	11	37.5	4,192.0	4,434.0	3,626.0
Culasi	44	192.2	12,903.0	12,771.0	25,674.0
Hantic	48	139.6	14,476.0	14,050.0	28,526.0
Libertad	19	76.0	4,966.0	4,094.0	9,870.0
Caluya	18	116.8	5,564.0	5,337.0	10,901.0
Patnongon	36	126.1	12,184.0	12,078.0	24,262.0
San Jose	28	25.6	14,849.0	15,417.0	30,266.0
San Remigio	45	264.9	9,744.0	9,464.0	19,208.0
Sebaste	10	96.9	5,407.0	4,962.0	10,369.0
Sibalon	76	246.7	17,680.0	17,835.0	35,515.0
Valderama	22	293.4	6,440.0	6,528.0	12,968.0

* Pilot municipalities of LRM-CPF Program.
Source: Philippines: Provincial Profile (March 1988)

The marginal upland farmer groups are the subsistence rice farmers, migrant workers and kaingeros. The rice farmers have an average of 2.2 hectares of land holdings. They are considered the impoverished group in the Province due to geography and the seasonality of their agricultural production. In addition, they are isolated from market outlets; traditional farming technology; lack of alternative employment and lack of access to basic services (e.i., schools, banks, health care, etc.). The acquired knowledge in writing and reading by a few of them during primary schooling have been lost due to non-use. Upland farmers earn an average income which ranges from P 150 to P 250 monthly.

B. SYNTHESIS OF LRM EXPERIENCE IN CPF IMPLEMENTATION

Program Management Level

Provincial Government of Antique. The Provincial Government of Antique through the Office of the Provincial Planning and Development Coordinator (OPPDC) (a) monitors and evaluates the administration of the CPF by the private voluntary organizations; (b) extends technical assistance to the private voluntary organizations in the administration of the CPF; (c) extends technical assistance to the beneficiary groups and Municipal Government in the implementation of the CPF-funded projects, when called upon; and (d) provide the NEDA-LRM VI (Regional Office) with quarterly monitoring reports.

Municipal Government. At the municipal level, the CPF Local Board serves as the only and final approval body. It makes decisions on the proposals of the CBOs based on the recommendation of the Municipal Development Council CPF Screening Committee. The CPF Local Board is composed of the PVO Executive Director, the Municipal Mayor and the Provincial Planning and Development Coordinator.

The Municipal Development Council CPF Screening Committee (MDC-CPF-SC) formed by the Municipal Government plays a critical role in the LRM-CPF Program. Its functions are as follows: (a) assists beneficiary organizations develop and package their project proposals; (b) assesses all project proposals submitted by beneficiary organization; (c) extends technical assistance as needed in refining the proposals; and (d) makes recommendations to the CPF Local Board.

At the policy-making level, the CPF Review Committee is responsible for reviewing the policies and procedures governing the credit program and recommending modifications/improvements/ necessary actions for efficient and effective program delivery. The committee also monitors the status of the loan program and determines the future administrator of the fund as recommended by the PVO.

The composition of the CPF Review Committee is as follows: the NEDA Regional Executive Director, the Provincial Development Coordinator, a Representative of the Sangguniang Panlalawigan and a representative from the Beneficiary Group.

Antique Development Foundation (ADF)

The National Economic Development Authority (NEDA), the government's lead implementing agency of the LRM project, contracted the services of the Philippines Business for Social Progress (PBSP) as consultant Private Voluntary Organization (PVO) in the province of Antique for a period of 24 months (April 1984 to July 1986).

At the end of PBSP contract in July 1986, fourteen (14) Community-Based Organizations (CBOs) were formally organized. Aside from organizing the target beneficiaries, PBSP had also made marked improvements in reorienting the Municipal Development Councils of the pilot municipalities towards beneficiary participation and bottom up planning processes.

With the termination of the contract with PBSP, the delivery of the needed technical assistance for a continuous group building process was significantly hindered. At this point in time, a province-based PVO, the Antique Development Foundation, (ADF) managed by former PBSP staff evolved and attempted to continue addressing the needs of the LRM client organizations. Working on its own without LRM funding assistance and with its very limited manpower and financial resources, ADF's intervention was merely trouble shooting in problematic areas. The long gap without the contracted services of a PVO for continuous technical assistance resulted in retrogression of the majority of the beneficiary group organizations including MDCs in the pilot municipalities.

In October 1988, NEDA formalized the agreement with ADF to administer a P 1 million LRM Community Project Fund (CPF) until December 1989 to cater to the funding requirements of small scale income-generating projects (IGPs) of cohesive CBOs in the pilot municipalities. This further strengthened the need to implement follow-on technical assistance to help sustain the viability of the CBO so that they can also start implementing their IGPs and therefore facilitate the realization of LRM's Phase II emphasis on impact generation. Under the agreement with the NEDA, the ADF was asked to evolve a mechanism wherein the outstanding funds shall eventually be turned-over to viable federations of the beneficiary group organizations upon approval by the CPF Review Committee.

In September 1989, ADF signed a Technical Assistance Grant Agreement with NEDA for the institutionalization of participatory approaches to local development through the organization/strengthening of poverty groups and Municipal Development Councils and federation of Community-Based Organizations as well as for the Management of the Community Project Funds. With this agreement, ADF was given a financial grant in the amount of Seven Hundred Sixty Nine Thousand Four Hundred and Eighty Three Pesos (P 769,483) to undertake the Follow-on Technical Assistance. In May 1990, ADF entered into an agreement with the Provincial Government for the management of the CPF up to August 1991.

The Antique Development Foundation, Inc. administers the CPF in the municipalities of Bugasong, Tibiao and Pandan, Antique by (a) assisting the beneficiary groups in the preparation of project proposals, project management, and monitoring and evaluation; (b) assisting the Municipal Development Council (MDC) and Municipal Screening Committee (MSC) in project screening and development, project monitoring & evaluation; (c) releasing the money to the beneficiary groups after the approval of the Local Board upon the endorsement of the MDC Screening Committee; (d) facilitating the turn-over of the outstanding funds to the viable CBO federation upon the approval of the Local Board; (e) extending/ coordinating/ facilitating the delivery of the needed CPF-related technical assistance inputs (e.g., training and on-the-job coaching) to ensure sustained implementation of the on-going and new CPF projects;

Financial Condition. For the year ended December 31, 1990, the ADF was able to generate a total income of P 1,716,091.87 (Annex Table A.2). The bulk of this income came mainly from grants and interest earnings (70 %). Total expenses was P1,531,485.48. Net income was P 184,485.48. Total assets of the Foundation was P3,186,406.86 (Annex Table A.3).

Annex Table A.2
ANTIQUE DEVELOPMENT FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
For the Year Ended Dec. 31, 1990

INCOME of which		1,716,091.87
Grants & Interests	1,207,302.17	
Membership Contribution	1,000.00	
Donations	58,200.00	
Other Income	449,589.70	
EXPENSES of which		1,531,485.48
Salaries and Allowances	923,837.76	
NET INCOME		184,485.48

Source: ADF

Annex Table A.3
ANTIQUE DEVELOPMENT FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
For the Year Ended Dec. 31, 1990

TOTAL ASSETS of which		3,186,406.86
Current Assets	2,605,275.22	
Other Assets	39,457.40	
Fixed Assets	491,674.24	
Employees Trust Fund	50,000.00	
LIABILITIES & FUND BALANCES of which		3,186,406.86
ADF Capital	120.00	
Capital Build-Up	18,289.25	

Source: ADF

Antique Federation Of Cooperative Credit Unions, Inc. (AFCCUI)

The Government of the Philippines, acting through the National Economic and Development Authority (NEDA), entered into a Technical Assistance grant agreement with the Antique Federation of Cooperative Unions, Inc. (AFCCUI) effective January 1989 for AFCCUI to provide technical assistance services to selected poverty groups in the two municipalities of the province of Antique and to manage and administer the Community Projects' Fund (CPF) as part of the NEDA-LRM Project's beneficiary participation component.

The technical intervention provided by AFCCUI was intended to address the structural and intervening causes of poverty groups until they are able to gain access to basic services and productive resources, establish strategic linkages and perform advocacy role.

Six hundred thirty four thousand eight hundred sixty three pesos (634,863.00) Technical Assistance financial support was provided by NEDA to AFCCUI along with the Community Projects Fund (CPF) of P1 million.

The Antique Federation of Cooperative Credit Unions, Inc. (AFCCUI) administers the CPF in the municipalities of Tobias Fornier and Laua-an, Antique. Its responsibilities are essentially the same as that of the ADF with the addition of the following : (a) identify and tap other sources of funds to finance the approved projects; (b) provide the necessary capability building interventions to help the two CBO municipal federations manage viably the CPF revolving fund.

Financial Condition. For the year ended December 31, 1990, total revenue of AFCCUI was P5,505,801.72. The major source of its revenue came from grants (89.81%) which amounts to P4,944,703. Other major sources of revenue are management and consultancy services, interest on loans and deposits which were 6.7 percent and 1.6 percent of the total, respectively. Total expenditures was P5,133,277.19 resulting in a net savings of P9,644.29 (Annex Table A.4). Total asset for the same period was P2,663,096.15 as shown in Annex Table A.5.

Annex Table A.4
ANTIQUE FEDERATION OF COOPERATIVE CREDIT UNIONS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
For the year ended Dec. 31,1990

Total Revenue/Grant of which		5,505,801.72
Interest on Loans	76,900.73	
Interest on Deposits	8,352.87	
Mgt. & Consultancy	370,331.20	
Grant	4,944,703.00	
Total Expenditures of which		5,133,277.19
Salaries & Wages	35,445.94	
Net Savings		9,644.29

Source: AFCCUI

Annex Table A.5
ANTIQUE FEDERATION OF COOPERATIVE CREDIT UNIONS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
For the year ended Dec. 31,1990

ASSETS	
Current Assets	2,257,500.19
Investments	27,809.11
Fixed Assets	377,421.85
Other Assets	365.00
TOTAL ASSETS	2,663,096.15
LIABILITIES RESERVES & OWNER'S EQUITY	
Current liabilities	667,071.65
Long-Term Liability	1,720,000.00
Reserves	243,535.61
Owner's Equity	32,488.89
TOTAL LIABILITIES, RESERVES & OWNER'S EQUITY	2,663,096.15

Source: AFCCUI

Annex Table A.6
ANTIQUE FEDERATION OF COOPERATIVE CREDIT UNIONS, INC.
INTERLENDING FUND
STATEMENT OF FINANCIAL OPERATION
For the year ended Dec. 31, 1990

Revenue	90,336.09
Expenditures	57,782.36
Net Savings	32,553.73
Net Savings Available for Interest on Capital	22,141.67

Source: AFCCUI

Annex Table A.7
ANTIQUE FEDERATION OF COOPERATIVE CREDIT UNIONS, INC.
INTERLENDING FUND
STATEMENT OF FINANCIAL OPERATION
For the year ended Dec. 31, 1990

TOTAL ASSETS		786,978.32
LIABILITIES & OWNER'S EQUITY		
Liabilities	599,949.74	
Owner's Equity	184,028.58	
TOTAL LIABILITIES & OWNER'S EQUITY		786,978.32

Source: AFCCUI

The AFCCUI also undertakes interlending activities among its member cooperatives and credit unions. Total revenue generated from this activity for the year ended December 31, 1990 was P90,336.09. Expenditures amounted to P57,782.36. Net Savings was P32,553.73.

Local Resource Management (LRM) Regional Project Management Office

At the regional level is the L.R.M. Regional Office which (a) monitors and evaluates the administration of the CPF by the PVOs; (b) extends technical assistance to the beneficiary groups in the implementation of the CPF- funded projects, as requested by the PVO; (c) determines the financial management capability of the PVO to administer the funds; (d) provides periodic reports to NEDA main office and USAID on the performance of PVOs. Also, the LRM Regional Office is involved in reviewing and approving the credit program and CPF operations manual submitted by the PVO.

The CPF Scheme: Policy and Implementing Guidelines

While there are two PVOs administering the CPF in the Province of Antique, the implementing guidelines of the two PVOs do not significantly differ from each other. The following are the policy implementing guidelines :

Beneficiary Identification. Beneficiaries eligible to borrow from CPF should be a full-pledged member of an LRM mobilized group in the municipality. The group must be duly registered with a legal registering agency (e.g., Bureau of Rural Workers, Bureau of Cooperative Development, Department of Labor and Employment, etc.) and should agree to comply with the following : submission of a simple project proposal and feasibility study; contribute a minimum of 10% of the total project cost in cash or in kind (e.g., materials, labor, etc.) as their equity; raise the necessary amount as an additional counterpart if needs exceed the total loanable amount to ensure project viability; use the financial assistance only for items appropriated for; operationalize a capital build-up scheme as a component of the project; guarantee repayment of the loan and corresponding charges per repayment schedule; set up and maintain an adequate accounting, book-keeping and recording system; make available at all times the project's financial records to the authorized representatives of the PVO, Provincial Government, Municipal Government, NEDA, and USAID for examination. Furthermore, the group should have no outstanding liability that may jeopardize its good credit standing.

For the individual members, the following are the qualifications: (a) be a permanent resident of the target barangay for at least two years and has no immediate plans to transfer residence within one year; (b) have a per capita income of not more than P250 per month; (c) have a good reputation and good credit standing in the community; (d) possess initial skills in managing/operating in the project; (e) be willing to maintain a simple recording system for monitoring purposes; (f) agree to the project's capital build-up scheme and paid the full of organization's initial capital requirement.

Project Identification. The Project types must : (a) be located in an MDC- LRM intervention area; (b) support or complement the provincial and/or municipal poverty alleviation strategies and programs; (c) be a single enterprise; be managed and operated by all members of the group; (d) be commercially feasible and viable, but can be financed by existing financial assistance management, generating at least 33% return on investment (using accounting rates of return); and comply with the existing local regulations and ordinances.

Loan Screening and Project Evaluation Process. The beneficiary organization submits the project proposal to the Municipal Development Council CPF Screening Committee. The MDC-CPF Screening Committee informs the private voluntary organization's Director of the receipt of the proposal and schedules a meeting to assess the proposal and prepare a report to the PVO. The feasibility of the project is assessed and then, the committee interviews the proponent beneficiary organization to assess capability to manage the project. After interview and verification of data the committee prepares and submits an assessment report to the PVO reflecting the following: qualification of the proponent; project feasibility and recommendation and justification for approval/disapproval of the loan application.

Priority is given to loans for income generating projects with high rates of return and fast capital turnover. All loans are extended on a supervised credit basis with a capital build-up schemes.

Lending Terms and Conditions. The lending terms and condition vary between the ADF and AFFCUI (Annex Table A.8). For ADF the maximum amount of group loan is P60,000 while for AFFCUI, P84,000. The former provides a maturity of not more than three (3) years, while the latter, five (5) years. There is no collateral required and interest rate is fixed at 12 % per annum to cover cost of administration. Of the two PVOs, only AFFCUI has a service charge of 2 percent.

Repayment Terms and Loan Collection Schemes. Time frequency of repayment by the beneficiary organization is based on the projected cash flow but not to exceed a maximum repayment period of three years for ADF loans and five years for AFCCUI loans. If part of the loan is used to purchase fixed assets, the repayment period may be extended to two years or depending on the investment level/life of the fixed assets whichever is lower.

Annex Table A.8
LENDING TERMS AND CONDITION OF THE PVO UNDER THE LRM-CPF SCHEME

Lending Terms and Conditions	ADF	AFCCUI
Maximum Amount of loan	60000.00	84000.00
Minimum amount of Loan	27000.00	64000.00
Collateral	None - project assets are used as guarantee	None
Maturity of loans	- not to exceed 3 years	5 years
Interest rate per annum	12%	12%
Service Fee	None	2 %
Other charges	None	None

Source: ADF, AFCCUI

The manner of repayment should be made in cash. For every repayment, simultaneous payments of interest charges are made. A grace period may be extended to the organization depending on the gestation period of the project but in no case should it exceed 30 calendar days. All delinquent accounts pay a penalty of 2% per month based on the amount up to the liquidation of the said amount. Request for restructuring of payment schedules or refinancing necessitated by the project failures caused by force majeure are evaluated on a case to case basis.

The beneficiary organization who reloans part of the loan to individual members as necessitated by the nature of the enterprise should observe a similar set of criteria on the terms of repayment mentioned above except that the normal repayment period for the individual member shall not exceed three years. In the case that the beneficiary organization reloans to the individual members as necessitated by the nature of the enterprise, the organization may charge a maximum of 18% per annum to the individual beneficiaries.

The PVO have the primary responsibility for collecting repayments from beneficiary organizations. Individual borrowers are to remit repayments to the beneficiary organization which should remit the same to the PVO. In all levels of repayments, standard recording systems and procedures are followed.

CBO Training Prior to Accreditation. Prior to accreditation by a PVO , CBOs are required to undergo training which is essential for institutional building. The trainings are conducted by the Training Committee of the PVO. The ADF conducts training for a period of about two (2) weeks. Topics include awareness, value formation and leadership. On the part of the AFCCUI, the length of training takes about 4-8 months depending on the level of preparedness of the CBO. Topics covered are value formation, capability building, leadership, organizational management and project management. (Annex Table A.9).

Annex Table A.9
CBO TRAINING PRIOR TO ACCREDITATION

ITEMS	ADF	AFCCUI
1. Do CBOs undergo training prior to accreditation?	YES	YES
2. If YES, who conducts the training	Training Committee	Training Committee
3. Length of training	2 Weeks	4 - 8 Months
4. Nature of training	- awareness - value formation - leadership	- value formation - capability/building - leadership - organization management - project management

Source: PVO Questionnaire, ACPC

Overall Program Performance/Status

Status of CPF Loan. As of June 1991, the total amount of loan granted by the PVOs is P2,262,880 (Annex Table A.10). This is broken down into P1262,880 for ADF and P1,000,000 for the AFCCUI. The total loan outstanding is P1,874,065. For ADF the outstanding amount is P997,830, while for AFCCUI, P876,235. Generally, repayment is very satisfactory reaching 92% and past due ratio of 22%. ADF had repayment rate of 83.3% while AFCCUI even performs much better as shown by its advanced collections exceeding its matured loans by almost 21%. This satisfactory repayment performance is largely attributed to the close supervision and monitoring of loans by ADF and AFCCUI.

Annex Table A.10
STATUS OF CPF LOANS
As of June 1991

	ADF	AFCCUI	TOTAL
Loan granted (P)	1,262,880.00	1,000,000.00	2,262,880.00
Loan Outstanding	997,830.00	876,235.00	1,874,065.00
Current Loan	997,830.00	876,235.00	1,874,065.00
Past Due Loan	318,192.00	102,504.00	420,696.00
Loan Collected (P)	265,050.00	123,765.00	388,815.00
Loan Matured (incldg. amortization)	318,192.00	102,504.00	420,696.00
Past Due Ratio (%)	31.9	11.7	22.4
Repayment Rate (%)	83.3	120.8	92.4
Default Rate (%)	16.7	0.0	7.6

Source: AFCCUI, ADF

Description of Beneficiaries and Projects. The sample beneficiaries for the province of Antique are essentially artisanal farmers, sustenance farmers, marginal lowland and upland farmers. In the town of Tobias Fornier, almost all the beneficiaries are marginal lowland farmers. The beneficiaries from Laua-an, Bugasong, Tibiao and Pandan are upland and lowland farmers and fishermen. Usually, members of the community organizations have the same primary occupation. However, some members of the groups are wives of the workers themselves.

As of December 1990, the total number of CBO members in the province of Antique is 1,010 (Annex Table A.11). These beneficiaries are organized into 37 groups, mostly engaged in fishing projects. Fishing projects constitute the largest share of loans granted (36.8 %), farm production has the least share (1.6 %). Other activities provided with loans are agri- trading/consumer store (28.5 %), pre and post harvest facilities (21.9 %) and cattle fattening (11.2 %).

Distribution of Beneficiaries and Loans by Municipality. Most of the CBOs in the municipalities have only one project financed by the LRM-CPF. The CBOs in the Tobias Fornier and Laua-an have two projects financed by the program. Among the municipalities, Pandan has the most number of CBOs (Annex Table A.12) and the highest amount of loans released (Annex Table A.12). Tobias Fornier however has the highest average loan per CBO (Annex Table A.13).

Problems Encountered by the PVOs. An interview was conducted with the key informants of the PVOs. In these interviews the informant was asked about the problems they have encountered in the administration of the fund. In the case of the AFCCUI, the problems encountered in assisting the CBOs were

Annex Table A.11
LOANS GRANTED UNDER CPF, BY PURPOSE
As of December 1990

Project/Activity	No. of group Borrower	No. of Individual Beneficiaries	Loans Granted	
			Amount	% to total
Agricultural				
Farm production	1	26	35,257.00	1.6
Pre & post harvest facilities	7	189	487,592.00	21.9
Fishing	17	471	819,094.00	36.8
Cattle Fattening	3	81	248,550.00	11.2
Agri-trading/consumer store	9	243	632,807.00	28.5
TOTAL	37	1,010	2,223,300.00	100.0

Source. AFCCUI, ADF

Annex Table a.12
DISTRIBUTION OF GROUP BENEFICIARIES NUMBER OF PROJECTS FINANCED BY CPF AND NO. OF GROUP BENEFICIARIES BY AREA
As of December 1990

Project/No of Activities Financed	No. of Group Beneficiaries					
	Pandan	Bugasong	Tibiao	T. Fornier	Laua-an	Total
1	11	6	8	5	5	35
2				1	1	2

Source : AFCCUI, ADF

Annex Table A.13
AVERAGE AMOUNT OF CPF LOANS, BY MUNICIPALITY
As of December 1990

Municipality	Total Loan Released (P)	No. of Group Beneficiaries	Average CPF Loan/Beneficiary (P)
Pandan	618,127.00	11	56,193.40
Bugasong	278,960.00	6	46,493.30
Tibiao	325,213.00	8	40,651.62
T. Fornier	509,300.00	6	84,883.30
Laua-an	490,700.00	6	81,783.30
Total	2,222,300.00	37	310,004.92

Source. AFCCUI, ADF

low repayment, illiterate members and loan diversion. To abate these problems the solutions they identified were as follows: frequent monitoring and supervision, proper planning of activities, conduct of loan utilization check and additional technical assistance. The ADF also faced some repayment problems. Restructuring the loans was their solution to the problem (Annex Table A.14).

The PVOs were also asked about the guidelines/requirements imposed by the National Project Management Office. The AFCCUI expressed that all the requirements were easy to comply with. The ADF on the other hand reported that none of the requirements were easy. The informant specifically cited the strict guidelines for fund release as the source of difficulty (Annex Table A.14).

Annex Table A.14
PROBLEMS ENCOUNTERED BY PVOs

ITEMS	ADF	AFCCUI
1. Problems Encountered	- repayment - illiterate members - loan diversion	- repayment
2. Solutions to abate the problems	- additional technical assistance - frequent monitoring and supervision - proper planning of activities - conduct loan utilization check	- loan restructuring
3. Requirements imposed by the National Project Management Office		
a) Easy to comply	- None	- all easy to comply
b) Difficult to comply	- strict guidelines on fund releases	

Source: PVO Questionnaire, ACPC

Perception of the PVOs on the Economic Condition of Beneficiaries. The PVOs were asked if the economic condition of the beneficiaries was improved as a result of the program. The ADF gave a qualified No as an answer, that is, the beneficiaries are moving toward an improvement in economic condition. It was reported that to attain this, continued technical assistance should be provided and that consultancy services for the group be continued to sustain the initial efforts. For the beneficiaries of the ADF, only a few members (about 10 % - 20 %) experienced improvement in the economic condition.

The AFCCUI on the other hand reported that majority of their member beneficiaries experienced increase in income. This came mainly as a result of the entrepreneurial skills developed among the beneficiaries.

Annex Table A.15
ECONOMIC IMPACT ON THE BENEFICIARIES

ITEMS	ADF	AFCCUI
1. Did the program improve the economic condition of the beneficiaries?	No. But is moving towards that. Technical assistance and consultancy for the groups should be continued to sustain initial effort.	Yes. There has been an increase in income
2. How many of the members were improved by their participation in the program?	Only a few. About 10 % - 20 % of the members.	Majority of the members. Entrepreneurial skills skills were developed.

Source: PVO Questionnaire, ACPC

Dependence of CBO/PG Members on Informal Moneylenders. Both PVOs claim that the program did reduce dependence on informal moneylenders by providing access to an alternative source of credit (ADF). When asked whether the CBOs are mature enough to be linked with financial institutions, the PVOs gave a No and Yes answer. Yes, in the sense that some CBOs have already established credit-worthiness and have reached a certain level of stability. For those which are not yet ready to be linked with financial institutions, strengthening of management capability need to be pursued further.

Annex Table A.16
DEPENDENCE OF CBO/PG MEMBERS ON INFORMAL MONEYLENDERS

ITEMS	ADF	AFCCUI
1. Did the LRM-CPF Program reduce the dependence of CBO/PG members on informal moneylenders?	Yes. But as the group cannot give assistance for consumption, there is still a possibility that they will borrow from moneylenders.	Yes. It offered access to an alternative source of credit.
2. Are all the CBOs mature enough to be linked with the formal financial institutions?	Yes. Some CBOs already reached a certain level of stability.	Yes. Some CBOs have already established credit worthiness.
	No. Technical assistance and consultancy for the group should be continued to sustain initial efforts.	No. There is still need to strengthen management capability.

Source: PVO Questionnaire, ACPC

Responsiveness of the LRM-CPF to the Needs of the Beneficiaries. According to the PVOs interviewed, the LRM-CPF program was able to meet the needs of the beneficiaries in terms of provision of loans for livelihood and the empowerment of beneficiary groups. However, the program has not yet reached the point of significantly improving the economic condition of the beneficiaries. The following suggestions were offered by the PVOs to make the program more responsive to the needs of the beneficiaries : First, the activities of the group should be integrated so that the middlemen will be eliminated from the transactions (ADF). The objective of eventually transforming the CBOs into federations will address this concern. Second, provision of technical and financial assistance to beneficiaries should be continued (Annex Table A.17).

Annex Table A.17
RESPONSIVENESS OF THE PROGRAM TO THE NEEDS OF THE BENEFICIARIES

ITEMS	ADF	AFCCUI
1. How did the LRM-CPF Program able to respond to the needs of the CBOs and PGs in your area?	Yes. In terms of provisions of loans for livelihood and and the empowerment of the beneficiaries. No. In terms of improving economic condition.	Yes. In terms of loan availment.
2. What suggestions can you offer to make the LRM-CPF Program responsive to the needs of the groups/ individuals.	There should be integrated activities of the group so that middlemen will be eliminated from the transactions.	Continuous technical and financial assistance to the beneficiaries.

Source: PVO Questionnaire, ACPC

Beneficiary Level

Nineteen (19) sample community-based organizations in Antique were surveyed wherein majority have been with the LRM-CPF program for almost two (2) to five (5) years now. Of the total samples, thirteen (13) CBOs were under the administration of ADF while the remaining six were organized by AFCCUI. After organizing, all CBOs were registered with the DOLE-Bureau of Rural Workers.

Objectives of the CBOs/PGs. Annex Table A.18 shows the reasons indicated by the CBOs/PGs for organizing. Of the nineteen groups surveyed, majority (63.2%) of them were formed for the purpose of improving their economic condition. Other major reasons cited were: improvement/creation of projects in the community (42.1%), availment of financial/technical assistance (31.6%), protection of the group's rights over their territory (10.5%) and acquisition of grants from different organization/agencies (5.3%).

It can be gleaned that the reasons cited for group formation were mainly for livelihood enhancement and institutionalization of participatory activities for development. These somehow paved the way for CBOs to establish a self-reliant community.

Annex Table A.18
REASONS FOR ORGANIZING THE CBO/PG IN ANTIQUE

REASONS	Pandan	Tibiao	Bugasong	Tobias Fornier	Laua-an	Total No.	Total %
To improve the economic condition of the members	3	2	4	1	2	12	63.2
To further improve existing projects in the community/start new ones	4	0	3	0	1	8	42.1
To avail of loan/technical assistance	2	3	1	0	0	6	31.6
Established a joint force to combat any danger/enemy within their territory	1	0	1	0	0	2	10.5
To acquire grants from different organization/agencies	0	1	0	0	0	1	5.3
Total	7	4	5	1	2	19	100.0

Source: CBO Questionnaire, ACPC

Organizational Set-up. The general assembly, the highest law-making body of a community-based organization, exercises full authority in all financial and administrative functions of the organization (Figure 1). It directly supervises the Board of Directors and the three committees, namely, election committee, auditing & inventory committee, and screening & credit committee.

The Board of Directors, is composed of officers of the community-based organization who legislate resolutions, policies and regulations for the welfare of every member within the objectives of the organization. The Board authorizes all repayments and fund acquisition for project implementation of the organization. It directly supervises the underlying committees :

a. Project Management Committee - makes plan/project proposal and in- charge of implementation and supervision of the projects of the organization.

b. Budget and Finance Committee - allocates the amount of money needed for organizational operations and in charge of tapping other resources for additional funds. It directly supervises the marketing committee including the administrative and operational group of the organization.

c. Education and Training Committee - renders education and implementation procedures of the organization.

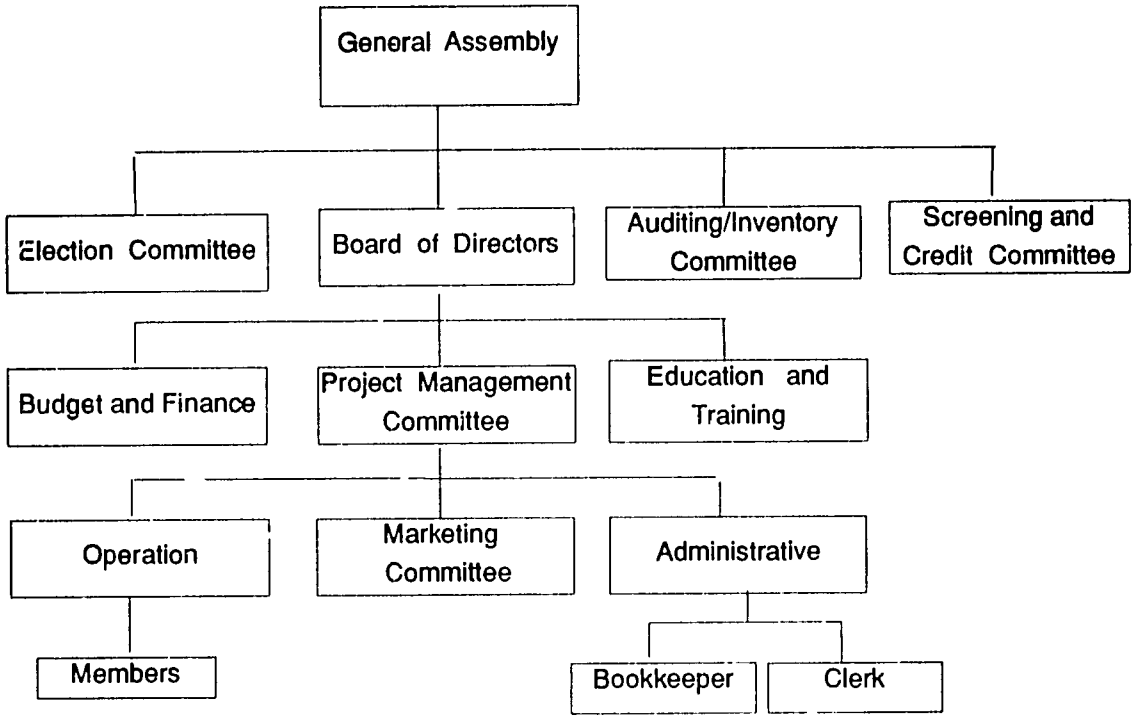
Three (3) committees which are directly under the surveillance of the general assembly are the following:

a. Election Committee - in charge of all the needs and facilities during elections and has the responsibility of informing the members regarding the organizational activities reports to the Board about the public apprehension towards the organization.

b. Auditing/Inventory Committee - audits and evaluates all the financial transactions of the organization.

c. Screening and Credit Committee - supervises the evaluation and approval of lending procedures of the organization.

Figure 1: ORGANIZATIONAL SET-UP OF A COMMUNITY-BASED ORGANIZATION



Annex Table A.19 presents the profile of CBOs'/PGs' Officers. On the average, officers were 41 years old. This suggests a general propensity of younger people who have more productive years ahead to commit themselves in various activities for the organization and to the community as well. Also, most (55.6%) of the officers in sample CBOs/PGs were male.

In terms of major occupation, most CBO officers are generally engaged in farming and fishing 33.9 percent and 31.2 percent, respectively. Laborers and social workers compose a minority of the officer. Furthermore, 28.4 percent of the officers are jobless. On the average, each CBO in the area was under the leadership of 6 officers.

Annex Table 19
PROFILE OF CBO/PGs OFFICERS, ANTIQUE BY MUNICIPALITY

Items	Pandan	Tibiao	T.Fornier	Laua-an	Bugasong	Total	
						No.	% Share
AGE							
>20		1				1	1
20 - 29	5	7	1		1	14	13.6
30 - 39	10	5	10	2	3	30	29.1
40 - 49	13	6	9	7	2	37	35.9
50 - 59	9	4	3	1		4	16.5
60 - 69	2		1	1		4	3.9
<69							
Average Age	48	33	40	45	37	41	
SEX							
Male	19	14	16	2	4	55	55.6
Female	20	10	3	9	2	44	44.4
MAJOR OCCUPATION							
Farmer	8	5	11	7	6	37	33.9
Fisherman	13	13	8			34	31.2
Laborer	3		1			4	3.7
Social Worker			2			2	1.8
Businessman	1					1	0.9
None	14	6	7	4		31	28.4
AVERAGE NUMBER OF OFFICERS/CBO	6	5	7	6	6	6	

Source: CBO Questionnaire, ACPC

Membership. The CBOs/PGs have a basic criteria for membership as shown in Annex Table A.20. Among mentioned, a great majority (78.9%) reported that a prospective member should be a resident of the barangay where the organization is located. Other major requirements mentioned were basically reflection of person's ability and commitment to CPF's concept and ideology (good moral character, active attendance in group activities and meetings, individual's attendance in LRM-CPF training programs, capacity to pay membership fee and the regular capital build-up that is required of individual members, literate and at legal age). Moreover, individuals were chosen from the poorest sector of the community.

Annex Table 20
CRITERIA FOR MEMBERSHIP IN A CBO/PG, ANTIQUE

CRITERIA	Pandan	Tiblao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
Permanent resident of the barangay	6	4	2	2	1	15	78.9
With good moral character	2	1	2	1	0	6	31.6
Must be 15 years old and above	2	0	1	1	1	5	26.3
Literate	0	1	1	0	0	2	10.5
Skillful in their means of livelihood	5	0	0	0	0	5	26.3
Has undergone trainings/seminars	3	0	2	0	0	5	26.3
Capacity to pay membership fee (and the regular capital build-up)	0	1	2	0	0	3	15.8
Proven commitment, interest	0	1	0	1	0	2	10.5
Must come from the poorest of the poor (marginal/upland farmers, sustenance fishermen, landless agricultural workers)/unemployed	2	0	1	1	1	5	26.3
Total No. of CBO's	7	5	4	1	2	19	100.0

Source: CBO Questionnaire, ACPC

It was observed that certain rights and privileges are enjoyed by each member in the organization (i.e., participation in income-generating activities, acquiring funds to maintain projects/emergency needs) thereby stimulating capital formation for livelihood projects/activities.

Across municipalities, there is a distinct increase in membership in the sample community-based organizations/poverty groups (Annex Table A.21) except in Tibiao and Bugasong. Generally, an average increase of almost 9 members (from the start of the organization up to interview period) was observed. Moreover, as of interview period, total members of the sample CBO ranged from 11 to 20.

Sources of Funds. It was found out that community-based organizations derive their funds from grants, deposit-generation (members capital share and savings) and income-generating activities and loans particularly from the LRM-CPF (Annex Table A.22). Continuous capital build-up is being done by every member by investing a monthly contribution of a fixed amount to the equity of the organization.

Six (6) CBOs reported that they source funds from the banks/NBFIs. The same number from the deposit-generating activities of the CBOs particularly on members' capital share, while five (5) CBOs were procuring funds from their income-generating activities which are mostly CPF financed projects. Two (2) CBOs received grants which were considered as calamity aid.

Annex Table A.21
NUMBER OF MEMBERS OF CPF-PARTICIPATING CBOS, ANTIQUE

Items	Pandan	Tibiao	Tobias	Laua-an	Bugasong	Total No.	Total %
Average Number of Members							
At organization	18.83	40.25	32.01	24.5	33.01	28.47	41.00
As of intereview period	24.57	36.51	40.50	35.51	26.00	32.05	66.14
% Change	11.43	-3.67	15.61	30.80	-26.00	8.88	26.57
As of Interview period (total members)							
< 10	4	2	2	2	1	11	30.56
11-20	6	3	2	1	0	12	33.33
21-30	1	2	2	1	1	7	19.44
31-40	1	1	2	0	0	4	11.111
No Answer	0	2	0	0	0	2	5.56
TOTAL	12	10	8	4	2	36	100.00
Total No. of Sample CBO	7	5	4	2	1	19	100.00

Source: CBO Questionnaire, ACPC

Annex Table A.22
SOURCES OF FUNDS OF CBO/PG, ANTIQUE

Sources of Funds	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
LOANS							
Community Project Fund	7	5	4	2	1	19	100
Others (includes Bank/NBFI)	2	0	1	2	1	6	31.6
GRANTS	1	1	0	0	0	2	10.5
DEPOSIT GENERATION							
Members' Capital Share	2	0	3	1	0	6	31.6
Members' Savings	0	0	0	1	0	1	5.3
INCOME-GENERATING ACTIVITIES	1	1	2	1	0	5	26.3
Total No. of Samples	7	5	4	2	1	19	

Source : CBO Questionnaire

Annex Table A.23 presents the average amount of funds released by fund source of the community-based organizations. It can be gleaned that among the different fund sources, loans from banks, non-bank financial institutions and other government offices had the highest amount, as it composes of more than half (55%) of the total funds of the organization. CPF loans ranked next amounting to P323,832 for the CBOs in 5 municipalities. Specifically, Tibiao and Pandan received grants amounting to P16200 which comprised 2.1 percent of the fund of the CBOs. Among the 5 municipalities, Tobias Fornier has the highest amount of funds released.

However, as of the interview period, CPF loan is the dominant fund source as indicated by the majority (78.3%) of the CBOs as shown in Annex Table A.24. This is the remaining amount of CPF (after project implementation costs were subtracted). Other fund sources include capital share, savings and funds from income-generating activities.

Description of Activities. Practically all the occupants in the study areas receive very minimal earnings thereby forcing them to live under the poverty threshold. The LRM-CPF therefore serves as an additional income source to help ameliorate the social and economic condition of the members of the community-based organization.

Annex Table A.23
AVERAGE AMOUNT OF FUNDS RELEASED, BY SOURCE OF FUNDS, ANTIQUE

Sources of Funds	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total		
						No	Amount	%
LOANS								
Community Project Fund	53,350.57	43,669.40	85,312.50	81,500.00	60,000.00	19	323,832.47	42.8
Others (Including Banks/NBFIs)	80,000.00	1,000.00	162,000.00	66,000.00	40,000.00	6	415,000.00	55.0
GRANTS	15,000.00	1,200.00				2	16,200.00	2.1
Total	85,850.57	44,869.40	247,312.50	147,500.00	100,000.00	27	625,532.47	100.0

Source: CBO Questionnaire, ACPC

Annex Table A.24
AVERAGE REMAINING AMOUNT OF FUNDS, BY SOURCE OF FUNDS - IN ANTIQUE

Sources of Funds	Pandan	Tibiao	Tobias	Laua-an	Bugasong	Total	
						No.	Amount
LOANS							
Community Project Fund	5,000.0	5,000.0	26,000.00	0	0	6	9,324.000
GRANTS						0	
OTHER DEPOSIT GENERATION							
Members' Capital Share	275.0		1,644.67	2,500.00	0	6	1,330.67
Members' Savings				8,000.00	0	1	8,000.00
INOCME GENERATING ACTIVITIES	450.0	6,500.0	3,847.0	4,500.00	0	5	3,838.00
ALL SOURCES	1,500.0	5500.0	11,328.50	19,750.00	0	19	10,112.000

Source : CBO Questionnaire, ACPC

The following projects/activities were financed by the LRM-CPF credit scheme:

1. Pre and Postharvest facilities

The amount loaned out was used to purchase equipments in land preparation and processing of harvested crops thereby pursuing agricultural mechanization. Among these are tractors, rice threshers, rice mill. In this regard, agricultural production is expected to increase.

It was found out that most of the CBOs' income were distributed equitably among members who participated in various farming activities at a particular time.

2. Gill Net/Beach Seine Fishing

CBOs used CPF loans to purchase fishing facilities and equipments: fishing nets and pumpboats for towing, guarding and fishing. Group members agreed to take turns in guarding those equipments in a particular area.

3. Agricultural trading

This is basically trading (buy and sell) of basic commodities and locally- produced cottage products. Farm inputs such as fertilizer, planting materials, goods such as palay, rice and cottage products ("pawid" as housing materials, etc.) are being sold by the CBOs to their members/community dwellers. Those goods are being sold in cash. In some situations, credits were allowed, but subject to fixed terms and condition.

4. Cattle Fattening project

In this project, the amount loaned by the organization was equally distributed to their members to purchase cattles. After 6 months of tending, cattles will be sold and eventually the 80 percent of sales will be returned to the organization for loan repayment and 20 percent will go to the beneficiaries. On the average, only 15 members were benefitted in this activity.

In the above-mentioned activities, there exists a group enterprise/joint ownership whereby members actively participate in a common activity and accordingly shares the same responsibility in loan repayment.

The presence of the private voluntary organizations, Antique Development Foundation and Antique Federation and Cooperative and Credit Union, Inc., equipped CBOs with trainings particularly on organizational management, project development and rural enterprise management.

External Linkages. Annex Table A.25a presents the existing external linkages of the community-based organizations by area. About 90% of the CBOs received assistance from different institutions. Private voluntary organization, the local government, Department of Agriculture, Department of Agrarian Reform and Department of Trade and Industry provided trainings/seminars to the existing CBOs in the area. Among the topics discussed in the trainings were the following:

1. PVO
   - Personnel and Group Efficacy
   - Development Perspective
   - Role of the Government
   - Community Organizing
   - Critical Organizing
   - Task and Technical Assistance Planning

2. Department of Agriculture
   - modern technology in crop production and livestock raising
   - introduction of livelihood programs
   - focused research and poverty analysis

3. Department of Trade and Industry
   - Food Processing

4. Local Government
   - Project management
   - Project monitoring and evaluation
   - Support facilities/program components

Some community-based organizations encountered problems with respect to linkage with the organization (Annex Table A.25b) These are as follows:

1. Local government

One (1) out of nineteen (19) CBOs was deprived of the right to direct management of the Bangus fry concession. The association explained that high income can be gained by the organization if they can acquire full ownership of the project.

2. PVO

Three (3) out of nineteen (19) CBOs have poor repayment rate. This can be accounted for by the breakdown and poor quality of the equipments used in crop production or fishing and the seasonality of production resulting to low income derived from projects.

The slow response of the PVO to the needs and problems of the association posed as a problem for the association. Thus, immediate actions were not taken to prevent unforeseen problems in the future (e.g. failure of projects, etc.).

Annex Table A.25a

NATURE OF ASSISTANCE RECEIVED BY CBO/PG, BY TYPE OF INSTITUTION, ANTIQUE

	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
LOCAL GOVERNMENT							
- trainings/seminars/workshops	1	1			1	3	15.7
- support facilities/program component	1						5.3
- calamity aid	1						5.3
- project management	1						5.3
PRIVATE VOLUNTARY ORG.							
- trainings/seminars/workshops	1	1	1	1	1	5	26.3
- calamity aid		1	1			1	5.3
- project management						1	5.3
DEPARTMENT OF AGRICULTURE							
- trainings/seminars/workshops			2			2	10.5
- focused research and poverty analysis				1		1	5.3
- livelihood programs		1				1	5.3
DEPT. OF AGRARIAN REFORM							
- livelihood programs			1			1	5.3
DEPT. OF TRADE & INDUSTRY							
- trainings/seminars/workshops						1	5.3
Total No. of Samples	7	5	4	2	1	19	a/

a/ Will not total to 100% due to multiple responses.

Source: CBO Questionnaire, ACPC

Annex Table 25b

PROBLEMS ENCOUNTERED BY CBOs/PGs WITH RESPECT TO LINKAGE WITH THE INSTITUTION BY TYPE OF INSTITUTION, ANTIQUE

TYPE OF INSTITUTION	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	No.	Total %
LOCAL GOVERNMENT							
Association was deprived of their right to direct management of the concession	1					1	5.3
PVO							
Payment of amortization	1	1	1			3	15.8
Slow response to the needs and problems of the association		2			1	3	15.8
Absence of monitoring/supervision scheme	1					1	5.3
None	1	1	1			3	15.8
TOTAL NO. OF SAMPLES	7	5	4	2	1	19	

Source: CBO Questionnaire, ACPC

CPF Loans and Projects

Description of Terms and Conditions. The CPF were utilized under a supervised credit scheme with liberalized terms - meaning, a collateral- free loan at low interest rate.

A maximum interest rate of twelve (12) percent per annum was charged to all CBOs inclusive of all charges. Interest which is the main cost of borrowing is used to cover the PVOs administrative and overhead expenses that are directly related to the CPF implementation. It was found out that unexpanded interest income was allocated to the capital build-up of the respective CBO/PG.

Annex Table A.26 presents the basic characteristics of the CPF loan availed by municipality/province. Loans approved in Antique for CBOs were mostly (68.4%) in high amounts averaging P60,845.00. Among the five (5) municipalities covered in the survey, Tobias Fornier reported the highest loan availed as shown by four (4) sample CBOs averaging at P85,313.00, followed by Laua-an (P81,500), Bugasong (P60,000) and lastly, by Pandan (P53,351). In contrast, the average CPF loan size availed by the group beneficiary in Tibiao is P43,669 which is way below the average for all CBOs in each municipality. It can be gleaned that a minimal number of CBOs acquired smaller funding. Thus, bigger loan sizes were granted to the groups as it concentrates on values not less than P55,000. This can be explained by program's lending limit (maximum ceiling) of P84,000.00 for group beneficiary.

More than half (52.63%) of the total respondents were granted loans in 1989 wherein most of the CBOs were organized, while few others were granted in 1986-1988. Furthermore, a single CBO was granted a loan for less than a year.

Annex Table A.26
NUMBER OF CPF LOANS AVAILED, BY VARIOUS DIMENSIONS, ANTIQUE

Items	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
BY LOAN SIZE							
< 25,000	0	0	0	0	0	0	0.0
25,000 - <35,000	1	1	0	0	0	2	10.5
35,000 - <45,000	0	2	0	0	0	2	10.5
45,000 - <55,000	2	0	0	0	0	2	10.5
> = 55,000	4	2	4	2	1	13	68.4
Mean	53,351	43,669	85,313	81,500	60,000	60,845	
YEAR GRANTED							
1986	1	1	0	0	0	2	10.5
1987	1	1	0	0	0	2	10.5
1988	2	1	0	0	1	4	21.1
1989	2	2	4	2	0	10	52.6
1990	1	0	0	0	0	1	5.3
BY MATURITY							
< = 2 years	0	0	0	0	0	0	0.0
> 2 yrs. to 3 yrs.	5	3	0	0	1	9	47.4
> 4 yrs to 5 yrs.	0	2	2	2	0	8	42.1
> 5 yrs to 6 yrs.	2	0	0	0	0	2	10.5
PURPOSE/USAGE OF LOANS							
Agricultural Trading	0	1	2	2	0	6	30.0
Gill Net Fishing	4	1	0	0	0	5	25.0
Farming (Crop Production)	0	2	0	0	1	3	15.0
Pre and Post Harvest Facilities	2	0	0	0	1	3	15.0
Cattle Fattening	0	0	0	0	0	1	5.0
Beach Seine Fishing	1	1	0	0	0	2	10.0
TOTAL	7	5	4	2	2	20	

Source: CBO Questionnaire, ACPC

As per CPF guidelines, time and frequency of repayment by the beneficiary organization will be based on the projected cash flow but not to exceed a maximum repayment period of five (5) years.

It is a mandate of the LRM-CPF to utilize the funds to support beneficiary livelihood projects. And so, in Antique various projects were established from the LRM-CPF. Of the sample CBOs, six (6) engaged in agricultural trading, five (5) in gill net fishing, three (3) CBOs each in farming, pre and post harvest facilities, two (2) in beach seine fishing and lastly, one (1) in cattle fattening.

Cost of Loan Transaction and Loan Requirements. Normally, loan processing is being administered by the private voluntary organizations. This implies that most transactions are direct and that majority of the CBOs/PGs incurred very minimal or no transaction cost at all in the processing of loans as shown by the average amount cost of CBOs per peso. On the average, total transaction cost incurred was P4,375.75 with an average amount of P230.30 and P.0049 average amount per peso loan availed (Annex Table A.27).

With regards to CPF loan procedures, certain requirements/documents were expected from the CBOs. Submission of constitution and by-laws, project proposal, feasibility studies, financial statements and board resolutions were done. As part of the pre-loaning activities, LRM-CPF trainings/seminars on various topics were conducted. These trainings required the active participation of the members.

CBOs/PGs enumerated the CPF guidelines/requirements which they perceived to be easy/difficult to comply with (Annex Table A.28). Among the difficult requirements listed, project proposal making was considered to be the most tedious task to accomplish. The complexities/technicalities of the process considered that requirement hard to comply. Among the difficult requirements mentioned were long and tiring trainings, short maturity period and high interest rate charges.

Annex Table A.27
Transaction Cost of Community-Based Organizations/Poverty Groups

Costs	ANTIQUE					
	Pandan	Tibiao	Tobias Fornier	Laua-an	Bug gasong	Total
<= 500	6	4	4	1	1	16
501 - 1000	1	0	0	0	0	1
1001 - 1500	0	0	0	1	0	1
1501 - 2000	0	1	0	0	0	1
Mean	153.39	412.00	10.50	600.00	0.00	230.30
Total	1073.75	2060.00	42.00	1200.00	0.00	4375.75
Ave. Amt./Peso Loan Availed	0.008	0.0093	0.0061	0.007	0.00	0.0049

a/ Includes expenses for loan documentation and processing, transportation, office supplies, meal and licenses.

Annex Table A.28
CPF GUIDELINES/REQUIREMENTS WHICH COMMUNITY BASED ORGANIZATIONS PERCEIVED TO BE EASY/DIFFICULT TO COMPLY WITH, ANTIQUE

CPF Guidelines/Requirements	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	% Share
Easy							
- registration papers	2		1		1	4	22.2
- residence certificate	2				1	3	16.7
- tax account number	2		2	2	1	3	16.7
- all		4				8	44.4
TOTAL						18	100.0
HARD							
- trainings		1	1	1		3	15.0
- project resolutions				1		1	5.0
- amortization schedule				1		1	5.0
- high interest rate				2		2	10.0
- organization of group				1		1	5.0
- project proposal-making		1	1	2		4	20.0
- short maturity period		1		1		2	10.0
- long processing time		1				1	5.0
- registration					1	1	5.0
- none		1		2	1	4	20.0
TOTAL						20	100.0

A great number of CBOs (8 or 44.4% of the samples) responded that all requirements were easy. Moreover, some enumerated that processing of registration papers, acquisition of residence certificates/tax account number were not difficult tasks.

None of the sample CBOs availed of loan refinancing and renewal. In case of loan restructuring, seminars were also required prior to processing. Also, submission of documents such as residence certificates and tax account number were demanded.

Status of Loans. Annex Table A.29 presents the status of CPF loans availed by sample CBOs/PGs. For all municipalities, the average volume per CBO of loan outstanding was P50,544.25 with a total volume of P960,340.75. Among the 5 municipalities, Laua-an, reported the highest average volume of (P73,511.60) per CBO with a total volume of P147,023.20 followed by Tobias Fornier (P69,007.50), Pandan (P47,688.88), Tibiao (P35,106.69) and lastly by Bugasong (P27,932).

The total loans repaid amounted to P223,663.39 with an average of P13,156.67 per CBO. Bugasong has the largest amount of loans repaid which is far greater than the average volume for all municipalities per CBO. Repayment rate was relatively high, at an average of 52.99% for all sample CBOs. Among the sample municipalities, Tobias Fornier had the highest repayment rate (69.99%) while Pandan had the least rate (29.97%).

The total loans matured were very minimal. In fact, only Pandan reported, amounting to a total of P112,756.02 with an average of P18,792.67 per CBO.

On past due loans, the average volume/CBO is P21,532.77 with a total volume of P344,524.32. Across municipalities, Pandan got the highest average volume/CBO of past due loans amounting to a P333,822.16 and the lowest volume on the average of past due loans were reported by Laua-an (P8,311.60) with a total of P16,923.20. For all CBOs, the average past due ratio is 54.05%. The highest past due ratio was observed at Tibiao (65.52%) and the least from Bugasong (36.34%).

Annex Table A.29
STATUS OF CPF LOANS OF SAMPLE CBOs IN ANTIQUE
(As of Interview period)

Items	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	TOTAL
A. LOANS GRANTED						
No.	7	5	4	2	1	19
Ave. Volume/CBO (P)	53,394.29	43,603.80	85,300.00	85,500.00	60,000.00	61,262.05
Total Volume (p)	373,760.00	218,019.00	341,200.00	171,000.00	60,000.00	1,163,979.00
B. LOANS REPAID						
No.	7	3	4	2	1	17
Ave. Volume/CBO (P)	8,621.53	14,169.29	16,317.50	11,988.40	31,558.00	13,156.67
Total Volume (P)	60,350.71	42,507.87	65,270.00	23,976.00	31,558.00	223,663.39
C. LOANS MATURED						
No.	6	-	-	-	-	6
Ave. Volume/CBO (P)	18,792.67	-	-	-	-	18,792.67
Total Volume (P)	112,756.02	-	-	-	-	112,756.02
D. LOANS OUTSTANDING						
No.	7	5	4	2	1	19
Ave. Volume/CBO (P)	47,688.88	35,106.69	69,007.50	73,511.60	27,932.00	50,544.25
Total Volume (P)	333,822.16	175,533.45	276,030.00	147,023.20	27,932.00	960,340.75
E. PAST DUE LOANS						
No.	7	3	3	2	1	16
Ave. Volume/CBO (P)	27,524.74	25,411.98	13,658.33	8,311.60	18,017.00	21,532.77
Total Volume (P)	192,673.18	76,235.94	40,974.99	16,623.20	18,017.00	344,524.32
F. AVE. REPAYMENT RATE (%)	29.97	67.82	69.99	60.46	63.66	52.99
G. AVE. PAST DUE RATIO (%)	64.94	65.52	40.00	39.53	36.34	54.05

a/ Informal sources

In Antique, most (36.84%) of CPF past due loans ranged from more than one (1) year to two (2) years amounting to P98,801.00 (Annex Table A.30). About 21 percent of the samples have loans on past due between three (3) months to six (6) months amounting to P56,211.01. Across municipalities, Pandan showed the largest amount of past due loans while Laua-an reported the lowest which were P96,965.00 and P10,223.00, respectively. Non- repayment which leads to accumulation of past dues can be attributed to project types and income levels in the area. Large amount cumulated can be classified as bad debts and can be a cause for non-recyling of CPF.

Annex Table A.30
AGE OF PAST DUE CPF LOANS OF COMMUNITY-BASED ORGANIZATIONS, ANTIQUE

	Pandan		Tibiao		Tobias Fornier		Laua-an		Bugasong		Total			
	Number Reporting	Amount P	Number Reporting	Amount P	Number Reporting	Amount P	Number Reporting	Amount P	Number Reporting	Amount P	Number Reporting	% to Total	Amount P	% to Total
< 3 mos.			1	4261.67							1	5.26	4261.67	2.01
> 3 mos. - 6 mos.	3	33194.01							1	18017.00	4	21.05	56211.01	26.49
> 6 mos. -1 yr.			2	42479.79	1	10455.00					3	15.79	52934.79	24.94
> 1 yr. - 2 yrs.	2	58770.80	1	16286.90	2	13520.00	2	10223.20			7	36.84	98800.90	48.56
TOTAL	5	96964.81	4	63028.36	3	23975.00	2	10223.20	1	18017.00	15	78.95	212208.37	100.00
Total No. of Sample CBOs	7		5		4		2		1		.19			

Source: ADF as of May 31, 1991
AFCCUI as of June 10, 1991

Within CBOs, loans were provided to members. The repayment performance of the individual members was seen to be low at an average rate of 19.1 percent (Annex Table A.31). This can be due to the seasonality of some of the projects specifically fishing. During lean months, from June to September, they have to forage on other minor sources of income such as farm labor and bangus fry gathering. Most of these members pay only the interest of their loans on. Tibiao has zero repayment most of the beneficiaries were highly dependent on fishing. Among the 5 areas covered, Tobias Fornier had the highest repayment rate and Laua-an the lowest. Past due ratio, on the other hand, is high at an average of 80.9 percent with 81.3 percent of the total individual members with most of the loans ranging from 81 to 100 percent.

Annex Table A.31
AGE OF PAST DUE CPF LOANS OF COMMUNITY-BASED ORGANIZATIONS, ANTIQUE

	Pandan		Tibiao		Tomas Fornier		Laua-an		Bugasong		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	% Share
REPAYMENT RATE												
0 - 20	0	0.0	0	0.0	0	0.0	12	100.0	0	0.0	12	24.0
21-40	15	100.0	0	0.0	0	0.0	0	0.0	0	0.0	15	30.0
41-60	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
61-80	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
81-100	0	0.0	0	0.0	23	100.0	0	0.0	0	0.0	23	46.0
Ave. Repayment Rate		6.0		0.0		50.0		2.0		0.0		19.1
PAST DUE LOLANS												
0 - 20	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
21-40	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
41-60	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
61-80	15	86.2	0	0.0	0	0.0	0	0.0	0	0.0	15	18.6
81-100	7	31.8	22	100.0	20	100.0	16	100.0	0	0.0	65	31.3
Total Individual Members with CPF loans	22		22		20		16		0		80	
Ave. past due loans		64.0		100.0		50.0		99.0		0.0		80.9

Problems. The most pressing problems of CBOs in the areas (Annex Table A.32) with regards to the LRM-CPF program can be generalized as follows:

1. Poor repayment rate due to low income from project
2. Lack of cooperation among members and officers
3. Fund management
4. Poor quality of equipments
5. Wrong perceptions of beneficiaries on LRM-CPF loans
6. Strong competition of various projects in the area
7. High price of equipments
8. Insufficient funds
9. High interest rate
10. Low bargaining power

Annex Table A.32
CURRENT CPF-RELATED PROBLEMS REPORTED, ANTIQUE

PROBLEMS	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
1. Repayment/non-repayment due to low income from project	5	4	1	1		11	57.9
2. Poor cooperation between officers and members	2					2	10.5
3. Records are not updated	1					1	5.3
4. Breakdown of equipment	4	1				5	26.3
5. Some members view the loan as a doleout and therefore have stopped operation of the project	1					1	5.3
6. Competition of projects because private agencies have entered the area	1					1	5.3
7. High price of equipment							
8. Insufficient funds			2	1		3	15.8
9. High interest rate	1		1			2	10.5
10. Low bargaining power of farmers					1	1	5.3
Total No. of Samples	7	5	4	2	1	19	

Source : CBO Questionnaire, ACPC

To solve the above mentioned problems, the CBOs suggested the following projects/activities that must be initiated by the local government units and private voluntary organization in the areas with due cooperation from individual members (Annex Table A.33):

1. Identification of other potential sources of income
2. Provision of additional funding
3. Proper trainings on agricultural mechanization
4. Lower interest charges
5. Extension of loan maturity (in cases of force majeure)
6. Conversion of CBOs into a cooperative to acquire larger benefits
7. Proper planning of activities
8. Withdrawal of membership of irresponsible members
9. Acquire funds from formal sources and private moneylenders

Annex Table A.33
MAJOR SOLUTIONS OFFERED BY THE CBOs/PGs, ANTIQUE

SOLUTIONS	Pandan	Tiblao	Toblas Fornier	Laua-an	Bugasong	Total No.	Total %
1. Withdraw membership	1		1			2	10.5
2. Activity should be continued even during 'lean' season	1					1	5.3
3. Identify other potential source of funds	2	3				5	26.3
4. Loan from other moneylenders - formal/informal	4		1			5	26.3
5. Proper planning of activities				1		1	5.3
6. Request for additional funding	1		6			7	36.8
7. Form a cooperative to avail of larger funding				1		1	5.3
8. Request for lower interest rates	1		1			2	10.5
9. Appeal for extension of loan maturity	1					1	5.3
10. Training on proper use of equipments	10	1				11	57.9
11. Impose penalty/laws to erring members							
12. Request for MDC's assistance		1				1	5.3
13. Regular meetings/constant reminders to members							
14. None	2				1	3	15.8
Total No. of Samples	7	5	4	2	1	19	

Source : CBO Questionnaire, ACPC

Perceptions on the LRM-CPF

Annex Table A.34 present the expectations of the CBOs from the LRM-CPF program. More than half (57.8%) of the CBOs in Antique expected to avail of loan for project establishment. Other mentioned were upliftment of economic condition of the member (47.3%), provision of technical assistance (21%) and acquisition of seminar/training for officer (5.3%).

Annex Table A.34
EXPECTATIONS FROM THE LRM-CPF PROGRAM IN TERMS OF BENEFITS, ANTIQUE

EXPECTATIONS	Pandan	Tiblao	Toblas Fornier	Laua-an	Bugasong	Total No.	Total %
Loan availment to be able to put up a project	6	1	3		1	11	57.9
Uplift the economic condition of the people	3	3	2	1		9	47.4
Provision of technical assistance/ financial assistance		2	1	1		4	21.1
Seminar/training for officers and members			1			1	5.3
Group formation for pooling funds							
No expectation							
Total No. of Samples	7	5	4	2	1	19	

Source : CBO Questionnaire, ACPC

It was found out that only a few members of the CBO have improved economic condition as a result of participation in the LRM-CPF program as reported by the twelve (12) CBOs or 63.1 percent of the total sample (Annex Table A.35). It can be concluded that majority of the members acquired insufficient income and thus only few members were benefitted. This can be accounted to poor management of the CBOs and the absence of a definite plan for project implementation. Whereas, the provision of additional sources of income, improvement in productivity, veering away from informal moneylenders, and the existence of cooperative and hardworking members explained the position of members with improved economic condition (Annex Table A.36).

Annex Table A.35

PROPORTION OF MEMBERS WITH IMPROVED ECONOMIC CONDITION UPON PARTICIPATION IN THE LRM-CPF PROGRAM, ANTIQUE

PROPORTION	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
All members		1	1			2	10.5
Majority of the members		1		2		3	15.7
Only a few members	5	3	3		1	12	63.1
None at all	2					2	10.5
Total No. of Samples	7	5	4	2	1	19	99.8

Source : CBO Questionnaire, ACPC

Annex Table A.36

INDIVIDUAL MEMBERS WHOSE ECONOMIC CONDITION HAS IMPROVED OR NOT UNDER THE LRM-CPF PROGRAM, ANTIQUE

	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
YES,	2	4	2	2	1	11	57.9
-for hardworking and cooperative members only	1	3	-	-	1	5	33.3
-improved farm/fish production			1			1	13.3
-members no longer dependent on moneylenders for purchase of production inputs			1			1	6.7
-provided additional source of income		2	1	1	2	6	40
-socio-economic condition has improved				1		1	6.7
NO,	-	-	5	1	2	8	42.1
-only a few benefitted	-	-	1	1	1	3	33.3
-no effect on income	-	-	4	-	2	6	66.7

Source: CBO Questionnaire, ACPC

Annex Table A.37 presents the future activities planned by the CBOs. It was found out that fifty-seven percent (57%) of the sample CBOs indicated that they will prioritize the identification of other potential sources of income. A great number also cited the conversion of the poverty groups into a strong cooperative. Others reported were also similar in intention as that of the two mentioned. In general, activities planned out by CBOs are real steps in reaching the stage of self-reliance.

Extent of Informal Borrowings

Informal borrowings refer to transactions outside of the formal financial system. In Antique, only two (2) CBOs, from Tibiao borrowed from informal lenders with a maximum of two borrowings (Annex Table A.38). In here, non- formal sources include coops and friends. Generally, loan from these sources are provided on the basis of a long and well established relationship with the CBOs. The borrowed funds were used to finance the maintenance of their pre and post harvest facilities and for additional working capital for agricultural trading.

The long period of processing loans and overwhelmimg collateral requirements of the institutional sources led farmers to seek the assistance of private money lenders. For friends, agreements in borrowing are often verbal while for cooperatives interest rates vary but usually they are high. These lenders only provide short terms loans.

Due to availability of a timely and sufficient loan amount to maintain the project, the CBOs directed their way to borrow from the non-formal credit sources.

Annex Table A.37
FUTURE ACTIVITIES PLANNED BY THE CBOs/PGs, ANTIQUE

Activities	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
1. Conversion of the association into a cooperative/federation	1	4		1	1	7	36.842
2. Identify other potential sources of income	4	4	3			11	57.895
3. Encourage mass and active participation of the members			1	1		2	10.526
4. Acquire equipments for projects			1			1	5.3
5. Increase membership			1			1	5.3
6. Increase loan amount/loan from other sources		1	1			2	10.526
7. Enforce collection rules	1					1	5.3
8. Recycle funds							
9. None	1		1	1		3	15.789
10. Distribute dividends							
11. Lower prices of goods to help even non-members							
Total No. of Samples	7	5	4	2	1	19	

Source : CBO Questionnaire, ACPC

Annex Table A. 38
CURRENT INFORMAL BORROWINGS OF THE COMMUNITY-BASED ORGANIZATIONS/ POVERTY GROUPS a/ , ANTIQUE

Items	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
A. BY SIZE							
1000 and below	0	2	0	0	0	2	66.67
1001 - 3000	0	1	0	0	0	1	33.33
Mean	0	1666.7	0	0	0	1666.7	
Total	0.00	5000.00	0.00	0.00	0.00	5000.00	
B. NUMBER OF CBO/PG BORROWED FROM INFORMAL SOURCES	0	2	0	0	0	2	100.0
C. NUMBER OF TIMES BORROWED							
once	0	1	0	0	0	1	33.3
twice	0	2	0	0	0	2	66.7
D. BY MATURITY							
< = 6 months	0	2	0	0	0	2	100.0
E. PURPOSE OF LOAN							
Pre and Postharvest facilities	0	1	0	0	0	1	50.0
Agricultural Trading	0	1	0	0	0	1	50.0
F. INFORMAL SOURCE							
Friend	0	1	0	0	0	1	50.0
Coop	0	1	0	0	0	1	50.0

a/ As of interview date.
Source: CBO questionnaire, ACPC

The effect of the LRM-CPF loans on the members' level of dependence on informal lenders was also monitored. Majority reasoned out that the presence of the organization discouraged them to depend on informal lenders because they can avail of loans from their friends with a very minimal or no interest at all. One commented that the program has geared them to be self-sufficient through the financial assistance extended. However, due to members preference to borrow from their relatives/friends and the insufficient funds for daily sustenance, three (3) members in 2 municipalities continuously depend on informal lenders (Annex Tables 39 and 40).

Annex Table A.39
REASONS CITED BY CBOs/PGs FOR THE CONTINUED/INCREASE DEPENDENCE OF ITS MEMBERS ON INFORMAL LENDERS, ANTIQUE

REASONS	Pandan	Tiblao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
N O							
1. Still prefer to borrow from relatives/friends	1					1	5.3
2. Funds still insufficient, the project was a failure to them	1	1				2	10.53
3. Because association can not lend in terms of money, only in terms of goods							
No. of Respondents	2	1				3	15.7
N E V E R B O R R O W E D		1				1	5.3
Total No. of Respondents	2	2				4	21.0
Total No. of Samples	7	5	4	2	1	19	

Source : CBO Questionnaire

Annex Table A.40
REASONS CITED BY CBOs/PGs FOR THE DECREASE DEPENDENCE OF ITS MEMBERS ON INFORMAL LENDERS, ANTIQUE

REASONS	Pandan	Tiblao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
Y E S							
1. Informal lenders charge higher interest rates	1					1	5.3
2. They can now turn to the association/group in case of emergency for loans with low/zero interest	1	1	2	1		5	26.32
3. People are afraid to borrow	1	1				2	10.53
4. The program has helped the members augment their income	1					1	5.3
5. LRM-CPF loan is sufficient and with less interest							
6. No given reason		1				1	5.3
Total No. of Respondents	4	3	2	1	0	10	52.63
Total No. of Samples	7	5	4	2	1	19	

Source : CBO Questionnaire, ACPC

Deposit Generation/Income Distribution

Deposit generating activities are required of every community-based organization as stated in their by-laws.

Almost all (95%) CBOs have a continuous capital build-up (Annex Table A.41). The capital build-up scheme of the organization comprised of generating internal capital to build-up capital sufficient to pay back the loan and to help finance the income generating project on a sustainable basis. However, single CBO from Pandan have no deposit-generating activity due to meagerness of the members' income.

In 11 CBOs (57.9% of the total), members are required to invest monthly contributions to the equity of the organization which were derived from their net income while 5 or 26.3 percent of the CBOs required to deposit a certain percent of their earnings from the CPF financed project/enterprise as shown in Annex Table A.41.

Annex Table A.41
RESOURCES AVAILABLE TO THE CBO/PG FROM DEPOSIT-GENERATING ACTIVITIES, ANTIQUE

ITEMS	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
Does the CBO have deposit-generating activities?							
YES	6	5	4	2	1	18	94.7
Description:							
Members deposit a certain percent of sales	3	2				5	26.3
A certain percent of net income from operation	2	2	4	2	1	11	57.9
No Description	1	1				2	10.5
NO							
Total No. of Samples	7	5	4	2	1	19	100.0

Source : CBO Questionnaire, ACPC

The percentage of the loan retained, percentage of the loan amortized together with the principal amortization and interest payment or has a predetermined amount were paid during principal and interest amortization.

Allocation and distribution of income vary from one CBO to another. Annex Table A.42 shows that seven (7) out of 19 CBOs derive their profits among the members equally/equitably on certain activities performed. While four (4) or 21 percent of the total of the CBO allocate their profits to members by the issuance of dividends/patronage refunds. However, existence of no- profit sharing group, definitely and in due time, were reported by 5 CBOs.

Financial Condition

Assets, Capital build-up and Retained Earnings. Resources of the sample CBOs range from P20,000 to more than P50,000 averaging P59,161.27 per CBO. About 65 percent of the samples have a total assets about P50,000. Most of these assets include items such as material loan receivables and fixed assets such as warehouses, farm machineries and fishing equipments that are used for their operations. Among the 5 areas surveyed, the CBOs in Laua-an have the highest average assets amounting to P103,938.3. Pandan, on the other hand, have the lowest with an average total assets of P42,206.01 per CBO (Annex Table A.43).

Annex Table A. 42

NATURE OF DISTRIBUTION OF CBOs/PGs PROFITS FROM INCOME-GENERATING AMONG THE MEMBERS, ANTIQUE

Nature of Distribution	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	%
Profits are not shared yet	2	1			1	4	21.053
Revenues less all expenses are divided among the members equally/equitably	2	2	1	2		7	36.842
No profit sharing	1					1	5.3
Dividends/Patronage Refunds are Issued		2	1	1		4	21.053
No answer	2	1	2			5	26.316
Total No. of Samples	7	5	4	2	1	19	a/

Source : CBO Questionnaire, ACPC

Annex Table A.43

DISTRIBUTION OF CBOs BY AMONG OF RESOURCES AND CAPITAL, ANTIQUE a/

Items	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	%
ASSETS							
10,000 and below	0	0	0	0	0	0	0.0
10,001 - 20,000	0	0	0	0	0	0	0.0
20,001 - 30,000	2	2	0	0	0	4	23.5
30,001 - 40,000	0	0	0	0	0	0	0.0
40,001 - 50,000	1	1	0	0	0	2	11.8
50,001 and above	2	2	4	2	1	11	.64.7
Total No. Reporting	5	5	4	2	1	17	100.0
Average	42206.01	46654.77	75753.82	103938.30	50545.81	59161.27	
CAPITAL BUILD-UP							
1,000 and below	1	-	3	1	1	6	66.7
1,001 - 2,000	1	-	1	0	0	2	22.2
2,001 - 3,000	0	-	0	0	0	0	0.0
3,001 - 4,000	0	-	0	0	0	0	0.0
4,001 - 5,000	0	-	0	0	0	0	0.0
5,001 and above	0	-	0	1	0	1	11.1
Total No. Reporting	2	0	4	2	1	9	100.0
Average	1044.74	-	799.85	4283.65	129.07	1553.92	
RETAINED EARNINGS							
500 and below	2	3	0	0	0	5	45.5
501 - 1,500	0	1	0	1	0	2	18.2
1,501 - 3,000	0	0	0	0	0	0	0.0
3,001 - 4,500	0	1	0	0	0	1	9.1
4,501 - 6,000	0	0	0	0	0	0	0.0
6,001 and above	1	0	1	0	1	3	27.3
Total No. Reporting	3	5	1	1	1	11	100.0
Average	556.80	-2988.45	7768.52	604.26	8717.12	347.09	

a/ As of various dates, between August 1990 to June 1991.

Capital build-up generation of the CBOs is not regularly and persistently implemented, although it is required. Only few of the members religiously contribute. It was found out, only 9 out of the 19 surveyed CBOs have remaining funds from their capital build-up activity with samples from Tibiao having zero balance. The average amount per CBO is P1,553.92

Moreover, forty-five percent of the sample CBOs have retained earnings of less than P500. It can be noted that Bugasong reported the highest earnings by P8,717.12 while in Tibiao was a negative earnings of P2,980.45. For all municipalities, retained earnings were averaged to P347.09.

Income and Expense Profile. Annex Table A.44 presents the major income and expense accounts of the sixteen (16) sample CBOs. Community-based organizations reported a net income averaging at P8496.46 per year. Across municipalities, Tobias Fornier and Tibiao reported the highest average net income amounting to P17,399.41 and P15,805.53, respectively which are much higher than net earnings of all reporting CBOs. Community-based organizations of the two municipalities, Bugasong and Pandan showed signs of bad performance as manifested by their reported net loss of P6,350.28 and P5,403.16, respectively.

Annex Table A.44
DISTRIBUTION OF CBOS BY INCOME AND EXPENSE, ANTIQUE

Items	Pandan	Tibiao	Tobias Fornier	Laua-an	Bugasong	Total No.	Total %
GROSS INCOME							
10,000 and below	3	1	1	1	0	6	37.5
10,001 - 20,000	1	0	1	1	0	3	18.8
20,001 - 30,000	0	2	0	0	0	2	12.5
30,001 - 40,000	0	1	2	0	0	3	18.8
40,001 - 50,000	0	0	0	0	1	1	6.3
50,001 - 60,000	0	0	0	0	0	0	0.0
60,001 and above	0	1	0	0	0	1	6.3
Total No. Reporting	4	5	4	2	1	16	100.0
Average	6849.05	123385.73	25638.46	9728.00	42910.80	50577.84	
OPERATING EXPENSES							
10,000 and below	2	1	2	2	0	7	43.8
10,001 - 20,000	1	1	2	0	0	4	25.0
20,001 - 30,000	1	2	0	0	0	3	18.8
30,001 - 40,000	0	0	0	0	0	0	0.0
40,001 - 50,000	0	0	0	0	1	1	6.3
50,001 - 60,000	0	0	0	0	0	0	0.0
60,001 and above	0	1	0	0	0	1	6.3
Total No. Reporting	4	5	4	2	1	16	100.0
Average	12252.22	107580.00	8239.05	2087.50	49262.28	42081.40	
NET INCOME							
10,000 and below	4	3	1	1	1	10	62.5
10,001 - 25,000	0	1	2	1	0	4	25.0
25,001 - 40,000	0	0	1	0	0	1	6.3
40,001 - 55,000	0	0	0	0	0	0	0.0
55,001 - 70,000	0	1	0	0	0	1	6.3
70,000 and above	0	0	0	0	0	0	0.0
Total No. Reporting	4	5	4	2	1	16	100.0
Average	-5403.16	15805.53	17399.41	7640.5	-6350.28	8496.46	

The projects of community-based organizations in the area can be classified as individual or group projects. Individual projects include cattle fattening and crop production while group projects include agricultural trading, gill net and beach seine fishing, and pre and post harvest facilities. It can be observed that sixteen (16) sample CPF participating CBOs were involved in group projects while only two (2) dwelt in individual projects specifically in Tobias Fornier and Tibiao (Annex Table A.45).

Generally, group projects received higher net income than individual enterprises amounting to P7,116.35 and P6,321.00, respectively, per annum. Moreover, good repayment performance was shown by CBOs involved in group undertakings as manifested by their high repayment rate of 50.39 percent.

Across municipalities, Laua-an reported the highest net income of P71,640 for group project. Thus, showing a good repayment performance as exhibited by its relatively low past due ratio of 39.53 percent and a high repayment rate of 60.46 percent. Notwithstanding, Pandan experienced a net loss of P5,403.00 and showed the poorest repayment performance having a repayment rate of 29.97 percent and past due ratio of 64.95 percent which is the lowest and highest, respectively among sample CBOs in identified municipalities with group projects. This indicates that repayment performance is relatively dependent on income regardless of project types.

Annex Table A.45
LEVEL OF REPAYMENT BY TYPE OF PROJECT, ANTIQUE a/

Area	Individual	Group
PANDAN		
No. Reporting		7
Total Amount of Repayment (P)		60350.69
Ave. Amount/CBO (P)		8621.53
Repayment Rate (%)		29.97
Past Due Ratio (%)		64.94
Net Loss (P)		-5403.16
TIBIAO		
No. Reporting	1	3
Total Amount of Repayment (P)	0	42507.86
Ave. Amount/CBO (P)	-	14169.29
Repayment Rate (%)	0	67.82
Past Due Ratio (%)	50	48.28
Net Income (P)	6235.2	21776.74
TOBIAS FORNIER		
No. Reporting	1	3
Total Amount of Repayment (P)	11850.00	53420.00
Ave. Amount/CBO (P)	11850.00	17806.67
Repayment Rate (%)	251.06	69.49
Past Due Ratio (%)	0	45.76
Net Income (P)	6408.00	21063.21
LAUA-AN		
No. Reporting		2
Total Amount of Repayment (P)		23976.8
Ave. Amount/CBO (P)		11988.40
Repayment Rate (%)		60.46
Past Due Ratio (%)		39.53
Net Loss (P)		71640.5
BUGASONG		
No. Reporting		1
Total Amount of Repayment (P)		31558.00
Ave. Amount/CBO (P)		31588.00
Repayment Rate (%)		63.66
Past Due Ratio (%)		36.34
Net Loss (P)		-6340.28
TOTAL		
No. Reporting	2	16
Total Amount of Repayment (P)	11850.00	193970.52
Ave. Amount/CBO (P)	5925.00	12123.16
Repayment Rate (%)	34.28	50.39
Past Due Ratio (%)	22.63	41.30
Net Income (P)	6321.60	7116.35

a/ CBOs under ADF as of May 31, 1991, AFCCUI as of June 30, 1991.
Source: CBO Questionnaire, ACPC

C. CRITIQUE OF THE CPF CREDIT SCHEME

Program Accomplishments. Assessing the impact of the program on the beneficiaries' productivity, income and living standards is a bit difficult due to absence of systematic benchmark data. Nevertheless, a second best option was administered, that is getting the beneficiaries' perception on whether the program has indeed a significant economic impact on them. As pointed out in the previous section, majority of the respondents (63 %) reported that only a few members benefitted economically from participation in the Program. The PVOs on the other hand were rather divided in their perception. The AFCCUI claims that the Program has improved the economic welfare of the beneficiaries while the ADF claims otherwise. Nevertheless, the Program has promoted productive employment and promoted entrepreneurial skills which in the long-run is expected to have a significant impact on rural real incomes.

A significant accomplishment of the program is the development of the management skills of the beneficiaries. The training that CBOs underwent on financial management, project proposal formulation, etc. are means to prepare them to deal with the banks in the future. These trainings have given them the exposure on management skills and record keeping procedures normally required of borrowers by banks. It should be noted however that most CBOs have not yet reached that point of self-reliance where they could already administer the fund at their level and could access credit from the formal system. In this regard, the trainings should be continued even during the project implementation stage. It was observed that CBOs need to be re-trained and refreshed on project management because of the significantly limited capacity among the members to absorb new skills and ideas (e.g., bookkeeping, recording system, preparation of financial statements, etc.) A progressive training system therefore need to be instituted in all stages of project life. On a positive note, the regular visits of the PVOs in project areas have been helpful in providing guidance to the CBOs especially on proper bookkeeping entry of transactions.

The inclusion of a compulsory capital build-up fund is essential for the attainment of self-sufficiency among the CBOs. The majority of the samples in the survey reported that they were able to comply with this requirement. This demonstrate that the rural poor are capable of mobilizing their own resources for capital build-up.

Strengths and Weaknesses of the Program. A strength in the design of the Program is that it is participatory and promotes a bottom-up approach to development. The beneficiaries are the ones who identify and develop the projects that they would like to undertake. The municipal government on the other hand gets a direct hand in determining which barangay in the municipality is most depressed and need intervention.

The project suffers from unsatisfactory repayment rate and high past due ratios. This can be accounted for by the the low-income generated from the project; deliberate and willfull stubborness of some CBOs to default; and the perception of some that the funds are dole-outs. In this regard, the role of value formation needs to be highlighted.

The program envisions that outstanding funds will eventually be turned-over to a viable federation of CBOs. However, there has been no significant accomplishment this particular goal. Also, the Program lacks a systematic program for graduation of beneficiaries into bankable groups. Absence of a strong systematic program for graduation may lead to disintegration of the CBOs. Ideally, at the end of the Program CBOs are supposed to have been linked with the formal financial system.

Replicability and Viability of the Program. In terms of the over-all design, the program is replicable and can be incorporated in the municipal and provincial planning system. Its replicability lies in the scheme's not too complicated procedures for implementation, and, in the clearly defined roles of implementing agencies (i.e., the provincial government, municipal government, NEDA and the PVO). The beneficiaries however have expressed their difficulty in formulating project proposals. Other than this, it was reported that all the other requirements were relatively easy to comply.

The Program was able to replicate to a large extent arrangements normally adopted by formal financial institutions with clients. These include project proposal formulation, adoption of an accounting system and contribution of at least ten percent (10 %) equity.

The program contains the essential elements of a rural credit program. Namely, a credit component for beneficiaries, institution building and a capital build-up fund. While these elements are present, it cannot be readily concluded that the scheme is viable. An important factor to consider is the cost involved in administering the program. The interest rate charge is 12 % and is supposed to cover the cost of administration. There are no spreads for the PVOs. Given the manpower and other logistical requirements to administer the program, and taking into account high transaction cost of small sized loans, the 12 % interest may not be sufficient to cover all administrative costs. The reason why PVOs continue to operate is because of income/revenues they are able to generate from other sources or projects. In other words, the LRM-CPF credit program is enjoying a cross-subsidy from other programs of the PVOs. One may argue that there is a grant anyway to cover administrative cost. Grants however are offered only on a short-term basis or only during a transition period. Once the grants are terminated, the affordability of the PVOs to run the program becomes a critical issue.

Another issue related to viability is the term lending under the program (i.e., with loans having a maturity of 3-5 years) which require sufficient amount of funds. Certainly, PVOs that have no adequate funds to sustain the project after its official termination will either abandon the project, or, continue the project but face liquidity risks.

Informal Credit. The CPF as an innovative credit scheme in Antique has been quite successful in veering away the beneficiaries from the informal moneylenders. About half of the beneficiaries covered in the sample reported that they were able to decrease their dependence on moneylenders who charge usurious interest rates. The main reasons for this reduced dependence are the relatively low interest rate, and the accessibility to financing being made available by the CPF.

ASSESSMENT OF THE CPF CREDIT SCHEME IN CATANDUANES

A. BACKGROUND

CPF Entry In The Province

The implementation of the Beneficiary Participation (Track III) component of the Local Resource Management (LRM) in the province of Catanduanes took effect in February 1985. The province was chosen as one of the seven pilot areas to be covered within the project's three-year Phase 1 period (February 1985 to December 1987), the rest being Albay in the Bicol region, Antique and Capiz in Western Visayas, and Southern Leyte, Leyte and Eastern Samar in Eastern Visayas. These provinces were chosen primarily for the high incidence of poverty among their disadvantaged groups and the proven commitment of their local governments to LRM's concepts and ideology.

Regarded as the most tangible incentive for beneficiary participation in the program, the Community Projects Fund (CPF), a fund integrated within the LRM Track III budget is made available to the Private Voluntary Organization (PVO) to enhance its community organizing efforts in the province and functions as a tool to test locally administered credit schemes tailored specifically to the condition of the beneficiaries. As such, the CPF acts as seed capital/revolving fund to finance credit requirements of livelihood projects identified jointly by the beneficiaries, the PVO and the local government unit.

The Catanduanes LRM-CPF program was carried out under the auspices of the Ilaw International Center, Incorporated (IIC), a national private voluntary organization whose Ilaw ng Buhay (INB) approach[1/] was used as a unique tool in the province-wide implementation of the program. The IIC was contracted to implement the beneficiary participation component initially for a period of 18 months, but as some activities had to be reprogrammed due to factors beyond the PVO's control and a need to facilitate the beneficiary organizations' capability to manage the CPF emerged, the services of the PVO were eventually extended to cover three more quarters culminating in May 1990.

The CPF was pilot tested initially in three barangays in Caramoran, namely Hitoma, Inalmasinan, and Bulalacao (Phase I) and later extended to cover other barangays in Caramoran and in the expansion areas of Pandan, Baras, and San Miguel. Under Phase I, about P559,523.75 [2/] has been released out of the P1.0 Million grant fund approved by the USAID for the Iasa production and broom-making projects covering a total of 268 beneficiaries. As of June 1991, an additional P1,977,637.00 has been released to the expansion areas under Phase II of the program benefitting an additional 433 beneficiaries, bringing the total beneficiaries to 701.

[1/] The Ilaw ng Buhay Approach is characterized by the resultant collaborative undertakings among the LGUs and the community which arise from a three-phased development process, namely: social preparation, pre- consolidation and consolidation process. Inherent to the INB approach are complementary component activities which include trainings, field operations and beneficiary organizing. The entire process consisted of innovative strategies aimed at uplifting the plight of the disadvantaged groups in the pilot areas (NEDA-RPMO IIC CPF Phase IA Projects Assessment and Evaluation Report, April 1990).

[2/] Includes P37,161.25 representing the value of spoiled materials under the broom-making project which was later written off from the loan.

The Catanduanes LRM-CPF Implementation Areas

The primary reason behind the choice of Catanduanes as an LRM area was perhaps, its being poverty-stricken. This is attributed mainly to the fact that the province of one huge mountain mass with a few coastal plains is "home" to typhoons (as it practically lies along the typhoon belt of the country) and is virtually isolated from the rest of the Bicol peninsula. Several factors are also suggestive of its sad plight:

(1) ten out of its eleven constituent-municipalities are ranked either as fifth or sixth in income class, only Virac, its capital is classed as second;

(2) the average household income is P1,956 (as of March 1983), way below the poverty income level of P2,700;

(3) although it grows a variety of crops (notably coconut, palay, abaca, corn, cassava), none of these crops contribute significantly to Bicol's aggregate crop input; and

(4) its livestock and poultry inventory appears adequate only for domestic consumption.

Given this, households in the province resort to agri-based livelihood projects, notably broom and twine making, nipa shingles production and rattan splitting.

With intervention starting in three depressed barangays of Caramoran (Phase I), the LRM-CPF later spread to 24 others in the same municipality and to a total of 68 in the municipalities of Pandan (22), Baras (25) and San Miguel (21) bringing the total number of barangays covered to 95 (Annex Table B.1), and the number of chapters to 128. [3/]

Annex Table B.1
TOTAL NUMBER OF BARANGAYS COVERED AND CHAPTERS ORGANIZED UNDER THE LRM-CPF, CATANDUANES

Municipality	Number of Barangays		Number of Chapters	
	Phase I	Phase II	Phase I	Phase II
Caramoran	3	24	5	37
Pandan	-	22	-	27
Baras	-	25	-	30
San Miguel	-	21	-	29
TOTAL	3	92	5	123

The municipalities where the LRM-CPF was implemented have several physical and socio-economic features in common (Annex Table B.2): family size averages six members in all four municipalities; farming and fishing are major sources of income; the supply of rice (particularly for Baras and San Miguel) is inadequate as areas are largely mountainous and therefore unsuitable for agricultural production; malnutrition and rapid population growth (particularly in coastal barangays) are predominant stumbling blocks to the development of the area. A brief description of each municipality is provided further in the succeeding paragraphs.

[3/] *A Chapter is a barangay-level aggrupation of about 20 families. Chapters in a municipality are further federated into municipal-level associations called INBAs.*

Caramoran. A mountainous municipality located at the western side of the main island, Caramoran is the largest municipality of Catanduanes in terms of land area. The territory also includes two smaller islands, Palumbanes and Parongpong. The main sources of income for households in the municipality are farming (notably abaca, coconut and tiger grass or "lasa" production) and fishing. Families in the area consist of an average of 6 members, and child mortality due to bronchopneumonia, gastroenteritis and malnutrition a normal occurence. The latter is indicative of the adverse socio-economic condition that characterize the municipality.

Pandan. A fifth class municipality at the northern tip of the main island, one of the major reasons for the relatively compliant environment of Pandan is the municipality's inaccessibility. Travel to Pandan from Virac requires more than five hours due to poor road condition. The route is traversed only twice daily by a public bus.

Just like Caramoran, Pandan folks thrive from rootcrop, coconut, abaca farming and fishing. The farmers in Pandan are considered the most vulnerable to social and economic ills as government services barely reach them. High population and malnutrition pairs as the most serious problems that delay the development of the area.

Baras. Baras is a mountainous municipality with a land area of about 109.5 square kilometers only half of which is agriculturally productive. As a large portion of its terrain (only 4 percent is considered as plain) is unsuitable for agriculture, rice production in Baras is inadequate to meet the total consumption requirements of its constituents. The municipality, however has a rich marine resource but this is currently threathened by the entry of foreign fishermen and by the destruction of coral reefs due to the rapid siltation of shores. As the soil of Baras is highly prone to erosion, the practice of kaingin in the upland areas contributes to the dwindling supply of its marine resources. The area however, has a huge potential for abaca production. A large portion of its idle land can be planted to the crop provided an agricultural technology suited to sloping terrains is introduced in the area.

Annex Table B.2
PHYSICAL AND SOCIO ECONOMIC PROFILE OF PARTICIPATING MUNICIPALITIES, CATANDUANES

Physical/Socio-Economic Characteristics	Caramoran	Pandan	Baras	San Miguel
PHYSICAL				
Total Land Area (sq.km.)	252.4	119.9	109.5	125.1
Terrain	mountainous with a few coastal areas	mountainous with a few coastal areas	mountainous with a few coastal areas	mountainous with no coastal areas
DEMOGRAPHIC (as of 1988)				
Population (no.)	18,311	16,895	11,691	13,023
Households (no.)	2,173	2,711	1,879	1,983
Average Family Size	6	6	6	6.5
ECONOMIC				
Income class	5th	5th	5th	5th
Major economic activity	farming/fishing	farming/fishing	farming/fishing	farming/fishing
Crops produced	abaca, coconut, tiger grass, marine resources	rootcrops, abaca, coconut, marine resources	rootcrops, marine resources	copra, rootcrops, banana, rattan
MAJOR SOCIO-ECONOMIC PROBLEMS	pre-school age mortality due to bronchopneumonia, gastroenteritis, malnutrition	high population growth in coastal towns malnutrition	outmigration malnutrition dwindling marine supply rapid siltation of shores due to kaingin inadequate rice supply	malnutrition rapid siltation of shares inadequate rice supply

a/ DA Agribusiness Unit, Provincial Profiles. Process Documentation (Terminal) Report Bicol Local Resource Management Project Phase II: Beneficiary Participation Component, Province of Catanduanes (1988-1990)

One unique characteristic of the municipality is its low population growth rate. This is attributed not to the reduction in birth rates but to out migration. The transfer to urban centers in the Bicol region and in Metro Manila where job opportunities abound is the usual recourse of residents seeking practical means to improve the plight of their typhoon-wrought plantations and bail-out their poverty-stricken households. As in the other LRM municipalities in Catanduanes, malnutrition persists in Baras, and is identified to be severe in six barangays.

San Miguel. San Miguel is also largely a forested area where illegal logging and kaingin are common practices. As there is not much room for agricultural production, rootcrops at most times, substitute for the inadequate supply of rice. Aside from rootcrops, copra, banana and forest products (e.g. rattan) sustain the livelihood of a number of families.

Although the population growth in the area is not alarming, malnutrition among pre-school children ranges from moderate to severe in several barangays.

The Catanduanes LRM-CPF Sample Beneficiaries

Unlike Antique and Southern Leyte, the sample LRM-CPF beneficiaries in Catanduanes are primarily individuals and not community-based organizations (CBOs). These individuals, however, have been trained and organized into units of 20 to 30 members. Units in a barangay are aggregated further into chapters (a barangay normally constitutes one chapter except in large barangays where two or more chapters may be created) and federated into municipal-level associations using the Ilaw ng Buhay approach, a unique strategy resulting from the mutual collaboration of the local government unit with the community. These federations are popularly known as Ilaw ng Buhay Associations or INBAs.

For purposes of distinction, they shall be referred to as such (INBAs) and treated separately from the CBO samples of the other provinces. The reasons for this distinction are: (1) they are considered more as variants of a CBO (federated CBOs or a network of chapters and units) in the context used in this evaluation, and (2) livelihood projects are implemented by the members individually and liability for the loans lie not in the federation but in the borrowing member.

Four INBAs representing the four participating municipalities were evaluated and about 50 member-beneficiaries sampled. These INBAs, as well as the individual beneficiaries (where the analysis focus more) are described in detail in the subsequent chapters.

B. A SYNTHESIS OF LRM EXPERIENCE IN CPF IMPLEMENTATION

Program Implementation and Management

1. Program Structure. Administration of the CPF is built-in under the technical assistance (TA) contract of the PVO and the fund is earmarked or committed simultaneously with the approval of the TA contract. For about 27 months, the administration of the CPF credit scheme in Catanduanes was the main responsibility of the Ilaw International Center (Figure 1). Linkage with the local government unit was made possible through the creation of a Community Project Fund Committee (CPFC) at both the provincial and municipal levels. With IIC's eventual phase-out in May 1990, administration of the fund was transferred to the Provincial CPF Committee.

2. Roles and Responsibilities. Enumerated below are the roles and responsibilities of the Ilaw International Center, the CPF Committees, and the INBAs, the major actors in the administration/implementation of the CPF:

a. Ilaw International Center as Track III PVO

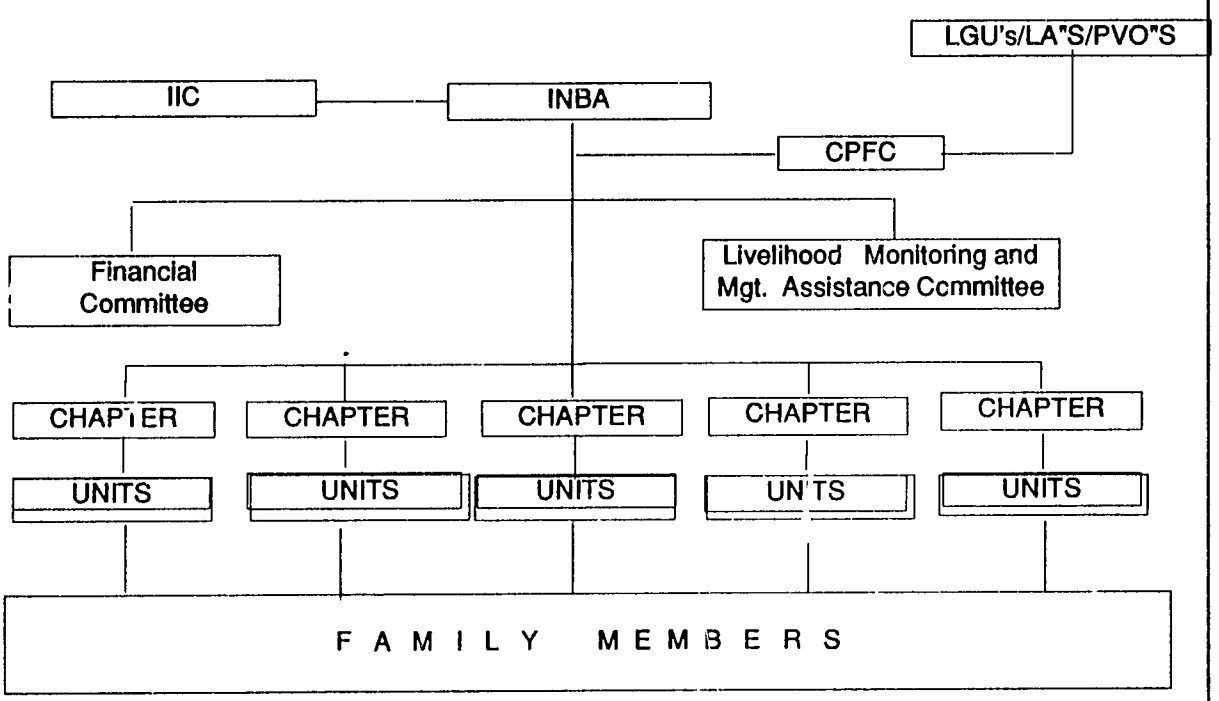
The IIC was directly responsible for the initial administration of the CPF, until such time that a mechanism has been established on its eventual transfer to the INBAs. Hence, during the period

when the PVO's contract was still in force, all activities related to the CPF revolved around the IIC. Essentially, the IIC's responsibilities were:

- initially administer the Community Project Fund; organize the CPF Committee; prepare and submit final package of CPF proposals for CPF funding;
- prepare and submit requests for cash advance from CPF and liquidate such advance to NRO-LRM for clearance/endorsement to LRM-PMO and USAID;
- prepare INBA in the actual management and administration of the CPF;
- assist beneficiaries and CPF Committee in assessing and evaluating community projects periodically;
- report financial status of loans to CPF committee;
- train beneficiary groups on specific tasks prior to project implementation; and
- submit quarterly reports to NRO-LRM and MPDO on the status of capital investment and community projects.

b Community Project Fund Committees. (CPFC) provides the link between the PVO and the local government unit in the administration of the LRM-CPF. This committee was created at both the provincial and municipal levels. The provincial CPF Committee (PCPFC) acts as the "umbrella" body for the four Municipal CPF Committees (MCPFC).

Figure 1: INTERIM ORGANIZATION STRUCTURE, CATANDUANES LRM-CPF



At the municipal level, this committee is composed of the INBA president as chairman, the Municipal Planning and Development Coordinator (MPDC) as Secretary, and a Sangguniang Bayan Kagawad, a Development Core Group representative, and a civic or religious sector representative as members. The MCPFC:

- Reviews, evaluates and approves/disapproves project proposals submitted by the INBA for funding;
- Decides on the loan applications of the beneficiaries;
- Monitors the status of the CPF loan program;
- Continuously reviews policies and procedures governing the CPF and recommend to the project actors measures to improve its implementation;
- Receives, investigates and acts on written complaints from the beneficiaries concerning the Implementation of the LRM. Their decision, however, can be appealed to the Provincial CPF Committee;
- Decides on requests of the INBA Board on the use of the interest earnings of the CPF following the guidelines and the Articles of Incorporation and By-Laws of the INBA and other appropriate and applicable corporation laws of the Philippines;
- Decides on requests for restructuring and writing off of loans following the provisions of the CPF guidelines on "force majeure".

The Provincial CPF committee on the other hand is a five-man committee chaired by the Provincial Planning Development Officer (PPDO), with the four INBA presidents as members. A CPF Committee was established at the provincial level to check and act on possible violations of the INBA in the availment of the CPF. The PCPFC performs the following tasks:

- As administrator and custodian of the fund after the phase out of the IIC, it deposits in the bank the funds for each of the four beneficiary organizations;
- It accepts repayment of loans from the borrowers through the INBA, issues corresponding receipts, and deposits the same in an interest-bearing account in the name of the INBA concerned. Withdrawals from this account can only be made by the concerned INBA official with the countersignature of the Provincial CPF Committee chairman for livelihood projects duly approved by the corresponding Municipal CPF Committee;
- It keeps records, minutes of the CPF Committee meetings and render periodic reports in accordance with the LRM reporting guidelines;
- It oversees and monitors the proper implementation of the CPF guidelines and policies. It is also empowered to impose sanctions and disciplinary action on the INBAs under the following cases:

  (i) it can reduce CPF allocation and/or transfer funds to other municipalities when the INBA fails to come up with project proposals to utilize the funds within three months after having been notified about its availability;

  (ii) it may limit the use of the recycled funds depending upon the INBA's efficiency to collect and remit repayments to the committee; and

(iii) it may suspend the release of cash advances for loans to the concerned INBA upon discovery and verification of anomalous procedure [4] and implementation of the CPF.

The CPF Committee can impose the first by a two-thirds vote of its entire members, the second by a simple majority vote of members present, and the third by a majority vote of the members present there being a quorum.

- It promulgates other regulations or rules not inconsistent with the general guidelines designed to improve the CPF implementation; and

- It continuously reviews the policies, guidelines, and other regulations under the CPF and recommends to the NEDA and USAID measures, policies and guidelines to improve operations of the CPF.

Initially, the function of the provincial CPF committee centers on beneficiary screening, coordination, and information dissemination. These have expanded , however, to full administration of the fund when the IIC was phased out.

In reality, the provincial CPF Committee in Catanduanes does not meet as a five-member committee since issues and matters concerning the CPF (as well as others concerning the province) are deliberated upon every quarter by a 23-member Provincial Planning and Coordinating Committee (PPCC) where all CPF committee members also sit as members (Figure 2). As the main policy- deciding body of the province, the PPCC is chaired by the governor with representatives from the INBAs and from local government line agencies as members.

Under the guidelines issued by the governor for the members of the CPF committee, the PCPFC is also allowed to appropriate from the interest earnings of the loans paid by borrowers, an unspecified amount for its operational and administrative expenses.

c. The Ilaw ng Buhay Associations (INBAs)

Although program management rests entirely on the PVO and the CPF Committees, the INBAs also perform significant tasks in the implementation of the CPF:

- Prepares and endorses to the CPF Committee project proposals for INBA supervision, in consultation with the chapters, and reviews chapter- supervised ones before endorsing the same to the committee;

- Prepares jointly with the IIC administration and management procedures governing the use of the CPF and implementation of community projects for use in the post interim period;

- Recommend to the CPFC the approval of loans;

- Assists in monitoring and implementation of community projects;

- Submits financial and monitoring reports and periodic cash advance requests to IIC; and

- remits loan repayments to IIC regularly.

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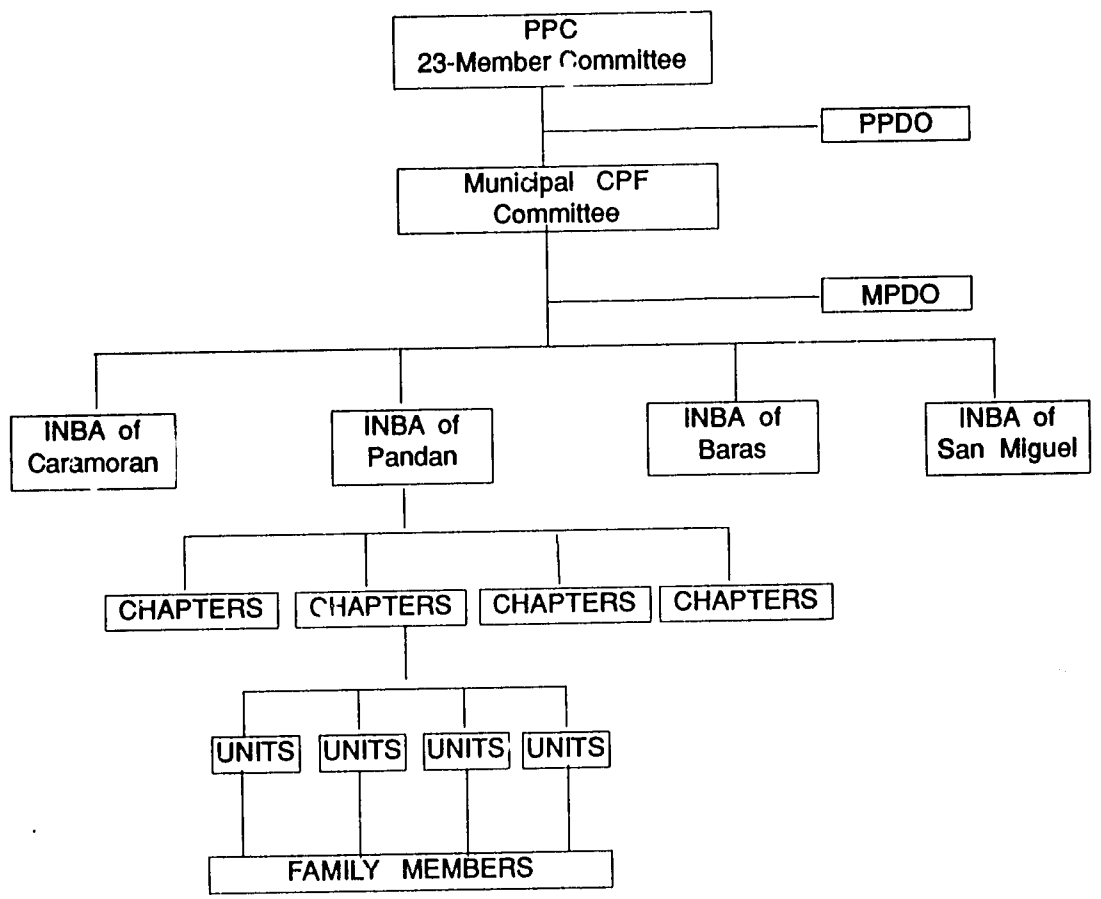
[4] *The following are considered anomalous: (1) diversion of funds, (2) disapproval of applications with complete requirements but perceived to be a political "enemy" of any of the INBA officials processing the application, (3) falsification of documents.*

Figure 2: CURRENT ORGANIZATIONAL STRUCTURE OF THE LRM-CPF IN CATANDUANES



The IIC envisioned the INBAs to take over the management of the CPF after the PVO's phase-out from the program. Hence, capacity build-up efforts were initiated by the PVO to prepare them for the huge and challenging task ahead. The evaluation of the Team however confirmed initial apprehensions about the INBAs' inadequacy to manage the CPF. This is perhaps the reason for the current moves by the province towards "legalizing" [5/] fund ownership and its management/administration to the Provincial government instead of the individual associations.

Policy and Implementation Guidelines

1. Identification of Beneficiaries and Projects

Based on the degree of economic depression, the municipalities of San Miguel, Baras, Caramoran and Pandan were identified as prospective recipients of the LRM-CPF project in Catanduanes. Within these municipalities, priority chapters were classified on the basis of the size and number of the prospective beneficiaries and the ability of the target groups to sustain the livelihood projects.

[5/] *The PPCC has proposed a draft resolution delineating the LRM provinces as the owners of the CPF released to their respective CBOs (see Attachment). As the meeting has not yet materialized during the evaluation period, the status of the resolution is not known.*

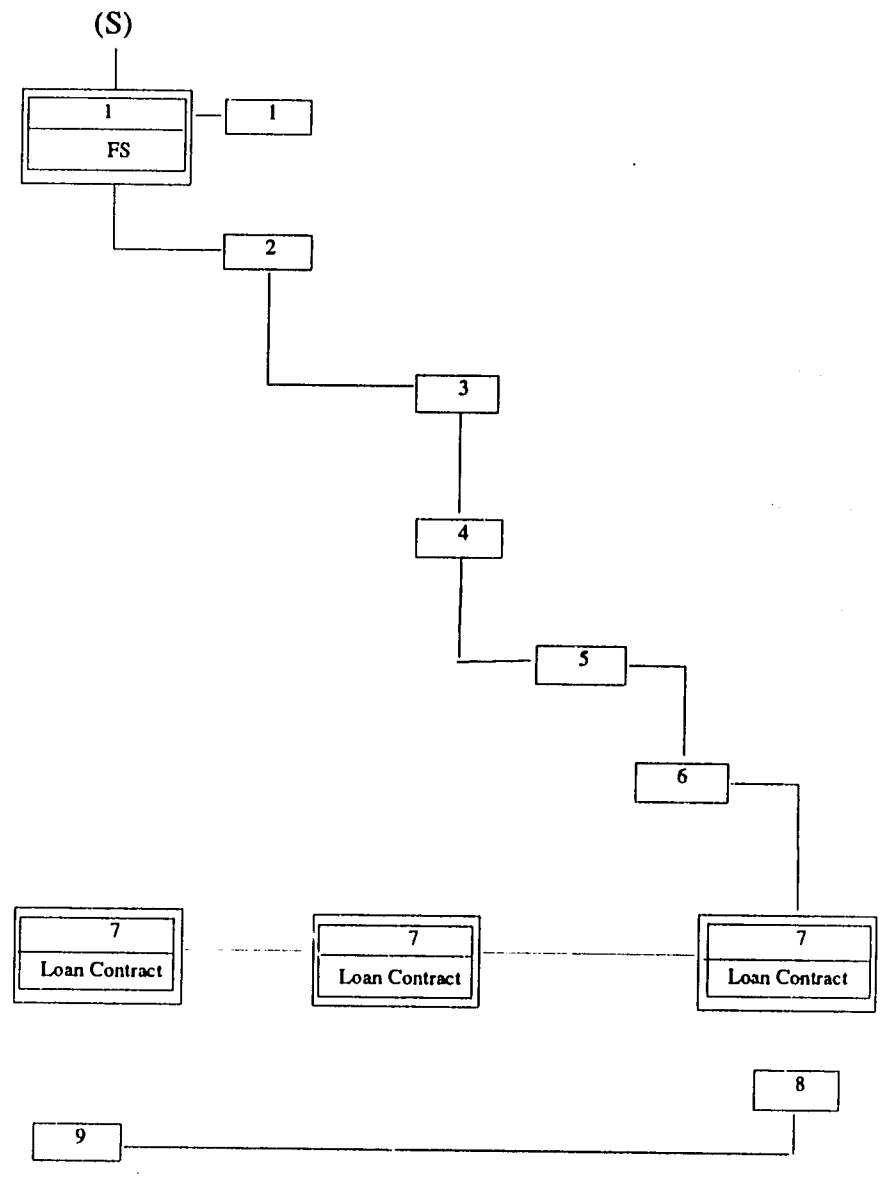
Figure 3: CPF SYSTEMS FLOWCHART (INTERIM PERIOD) FOR LOAN PROCESSING, APPROVAL AND RELEASE

ACTIVITIES	FAMILY MEMBERS	UNITS	CHAPTER	INBA	CPFC	IIC

LOAN PROCESSING, APPROVAL AND RELEASE

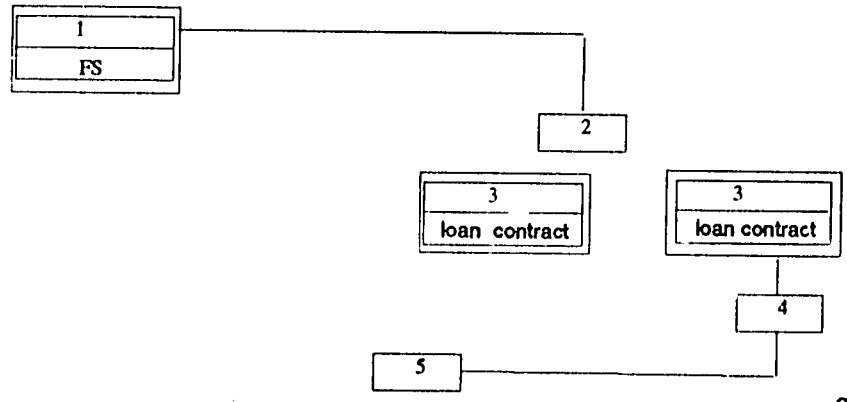
A. CHAPTER-SUPERVISED PROJS.

1. The unit leader shall assist the applicant-beneficiary prepare the necessary project papers
2. Applicants shall be screened initially by their respective unit leaders and recommended to the Chapter Credit Management and Monitoring Committee.
3. The Chapter Credit Management and Monitoring Committee shall conduct investigation on the track record of the applicant and recommend to the chapter president.
4. The chapter president shall endorse FS of recommended applicant to INBA Board of Director.
5. The INBA Board of Directors shall further screen the application and will forward the same to CPFC.
6. The application shall be submitted to the CPFC together with the feasibility study (ies) and the Certificate of Project Feasibility (from the line agency (LA) concerned. The CPFC shall then review, evaluate and approve/disapprove the loans.
7. Individual contracts shall be executed between the beneficiaries and the chapter and INBA to IIC.
8. The loan shall be released based on the program of work submitted by the individual applicant.
9. The beneficiaries will implement the project.



B. INBA-SUPERVISED PROJECTS

1. The INBA shall prepare the necessary project papers and submit to CPFC.
2. The CPFC shall evaluate, process and approve the loans.
3. A contract shall be executed between INBA and IIC.
4. The loan shall be released based on the program of work submitted by the INBA.
5. The beneficiaries will implement the project.



Source: NEDA Region & IIC CPF Phase IA Projects Assessments and Evaluation Report, April 1990.

The subsequent step involves the identification of the group or barangays with the highest incidence of poverty. In the case of Catanduanes, these were the abaca and lasa producers.

Starting with the devastation brought by Typhoon Sening during the early 70s, and the subsequent "howlers" that hit the country thereafter, the plantations of these group of beneficiaries remained idle and unproductive for years. For some who were able to replant portions of their farms, capital for rehabilitation of their farms became increasingly scarce.

Interviews were conducted with the abaca and lasa producers to establish initial strategy formulation. Prospective beneficiaries were then organized and assisted in coming up with project designs. Among the factors considered in project identification were consistency with provincial and regional strategies, viability and the projects' social and economic impacts. The project identification process resulted to the selection of abaca and lasa production/rehabilitation and broom making as the feasible projects to be financed by the program.

For abaca and lasa projects, beneficiaries were further screened on the basis of the magnitude and extent of poverty, their level of participation in the activities of the INBA, and their capability/skills and repayment record. Morever, loans were made available only to literate (able to read and write) beneficiaries who had undergone training and can show proofs that they own lands devoted to abaca/lasa or suitable for abaca/lasa production.

2. Lending Terms and Conditions

The Community Projects Fund (CPF) is primarily a revolving fund used for financing economic livelihood projects of the INBA. Although the guidelines on the utilization of the fund is silent about its ownership, the fund is perceived to be owned by the PVO to be transferred later to the INBA, after they have been prepared by the PVO in terms of fund management, upon their phase out. The provincial government, however, is initiating a resolution that will transfer ownership to the province and delineate the PVO or the PVO-organized CBOs as the administrator of the fund.

CPF provides collateral-free loans to cover all expenses required in the implementation of the project such as the procurement of goods or materials, equipment and building rentals, and hiring of laborers.

The amount and mode of repayment, a schedule of which is normally prepared by the PVO for the INBA, is based on the type of project and projected cash flow. The repayment of the principal includes the simultaneous payment of interest which is pegged at 12% per annum. These are deposited in a CPF Interest Bearing Account under the name of the INBA. Thirty percent (30%) of the interest earnings are appropriated to the INBA for its operational and administrative expenses while 70% is reverted back to the fund for recycling.

Borrowers who fail to pay on the scheduled repayment dates are granted a grace period and are allowed to restructure their loans upon recommendation of the chapters.

The documents required from the individual beneficiary includes: a duly accomplished loan application form, credit investigation report of the committee, real estate tax clearance, a farm plan and budget and a loan contract. Loans are given to the recipients on a staggered basis following the conditions set by the CPF Committee.

3. Loan Procedures

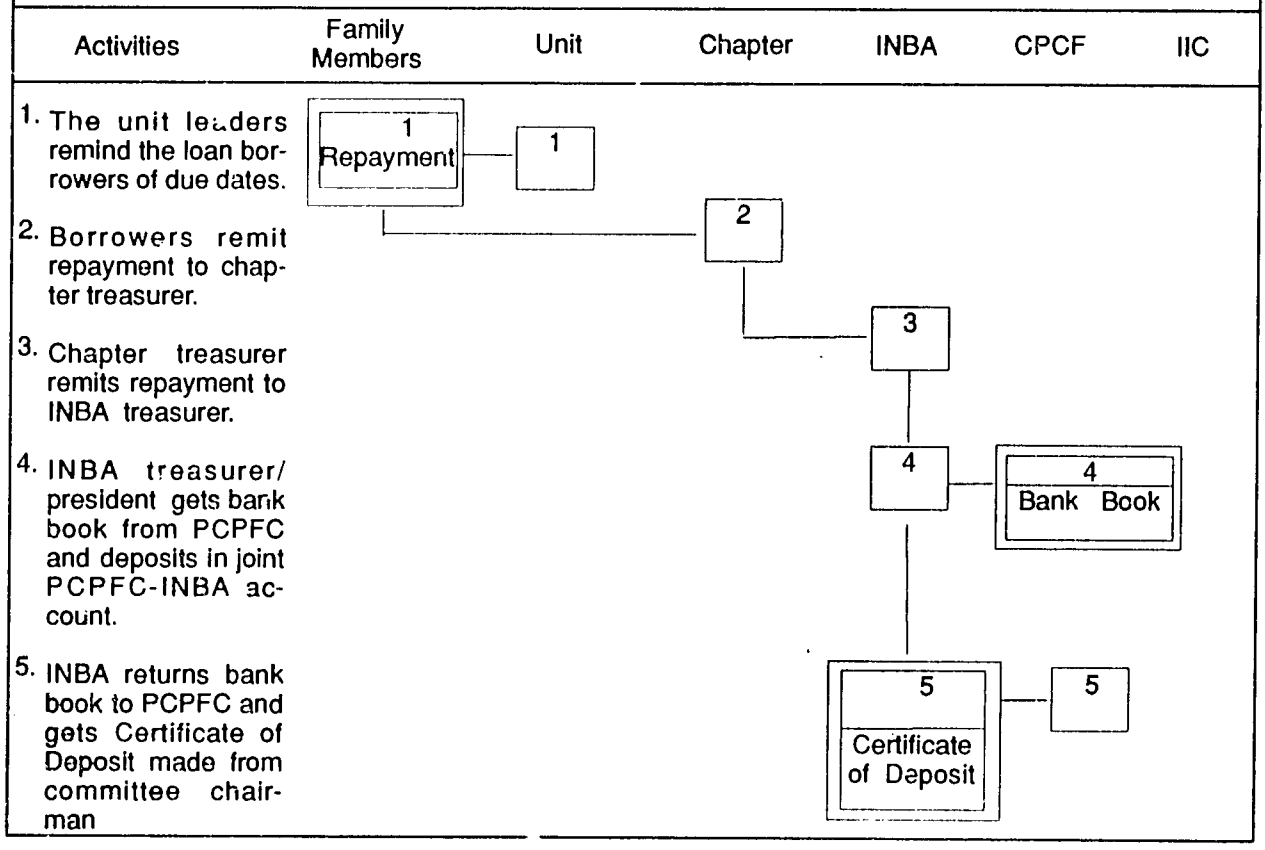
Loan Application, Processing, Approval and Release. The entire lending process from loan application to release is shown in Figure 3. Essentially, unit leaders assist the applicants in accomplishing application forms and in preparing feasibility studies. The applicant is then screened by their unit leaders and recommended to the Chapter Credit Management and Monitoring Committee (CCMMC). After an investigation of the applicant's track record by the CCMMC, he is recommended to the chapter president, who endorses the applicant's feasibility study to the INBA Board of Directors. Another screening process

occurs at the INBA Board of Directors level and upon approval, the papers are forwarded to the CPF Committee. The CPF Committee conducts a final review of the application, processes and approves or disapproves it. Once approved, the loan is released to the beneficiary on a staggered basis.

For collective projects of the INBA, project papers are submitted to and evaluated by the CPF Committee, and loans are also released on a staggered basis.

Loan Repayment. The loan repayment process commences with unit leaders reminding the beneficiaries or borrowers about their repayment schedule/due dates (Figure 4). Repayments of the borrowers are then made to the chapter treasurer who in turn remits to the INBA treasurer not later than three (3) days after receipt of the payment. To remit to the CPF Committee, the INBA treasurer or president requests for the bank book from the Provincial CPF Committee (PCPFC) and deposits the amount collected into a joint account of the PCPFC and the INBA. The INBA president gets a certificate of deposit as evidence of the remittance.

Figure 4: LRM-CPF FLOW CHART FOR REPAYMENT OF LOANS



Loan Restructuring. Loan restructuring is allowed under the following grounds: destruction of the project caused by calamities, pests or fire; and misfortunes in the family such as death or an accident. The process of loan restructuring requires certifications that will support the claims such as death certificates (Figure 5). The request is filed with the INBA Board of Directors, who upon approval endorses the application to the CPF Committee. Revisions and adjustments to the repayment schedule and interest are subsequently made. When approved, the borrower executes a promissory note with the modified repayment schedule and interest.

Loan Recycling. Funds remitted to the PCPFC, may be recycled and relent to qualified borrowers. The guidelines also allow the utilization of 30% of the interest earnings by the INBA and the CPF Committee for operational/administrative expenses and capital build-up.

The utilization of recycled funds for relending goes through the same process of loan application (Figure 6). However, priority is given to beneficiaries who were not able to avail of loans during the first cycle due to their inability to complete the requirements or due to some other reasons. New projects may also be financed following the normal evaluation process. Once approved, the committee submits a resolution to the INBA, the INBA requests the PCPFC to release the loan as cash advances, and the fund is transferred from the joint PCPFC-INBA account to the INBA account. The fund is then given to the chapter treasurers for distribution to the loan recipients. Confirmation receipts are compiled for submission to the PCPFC for the purpose of liquidating the cash advance.

Figure 5: LRM-CPF FLOW CHART FOR RESTRUCTURING OF LOANS

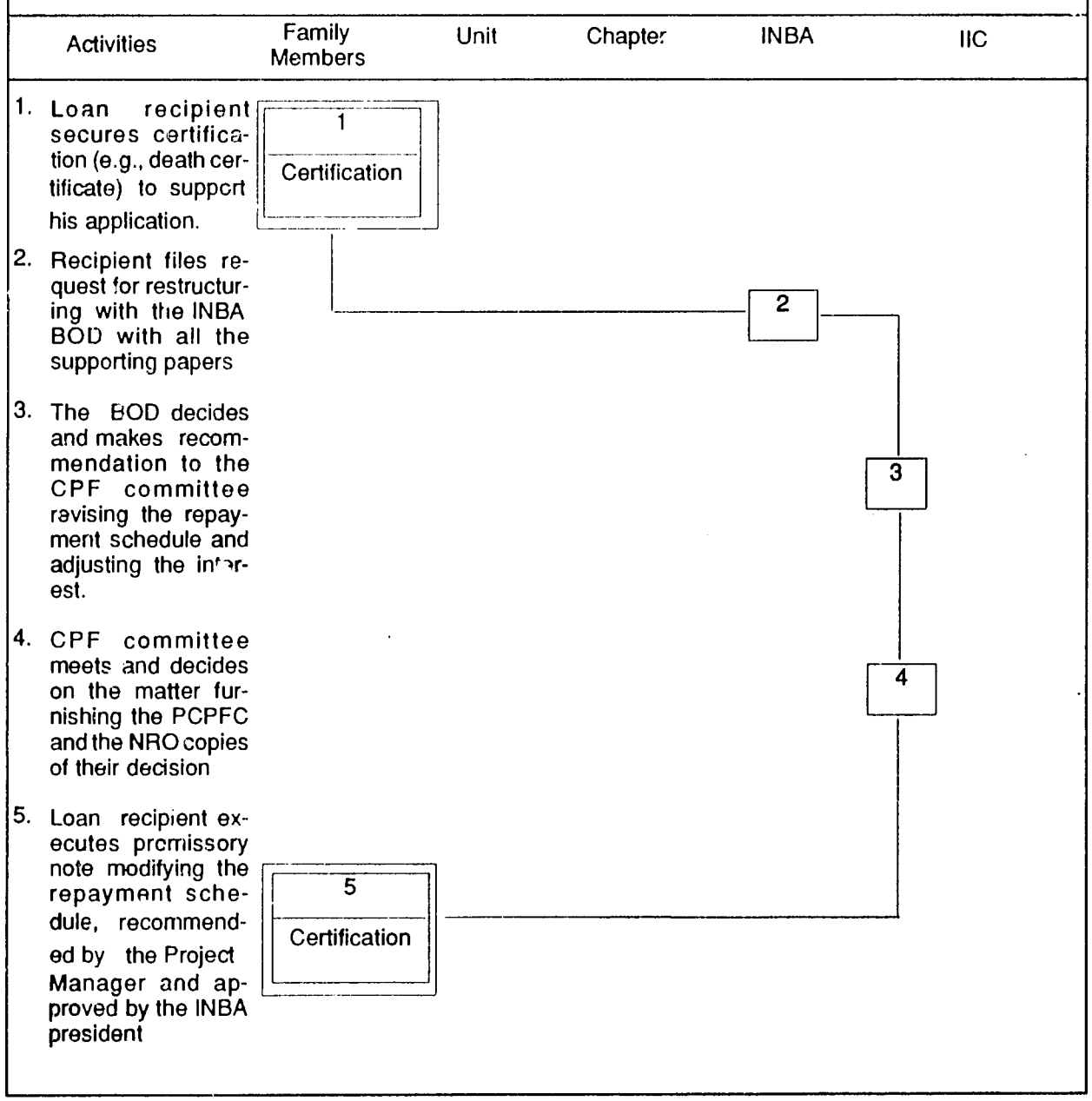


Figure 6: LRM-CPF FLOW CHART FOR UTILIZATION OF RECYCLED FUNDS

ACTIVITIES	FAMILY MEMBERS	UNITS	CHAPTER	INBA	CPFC	IIC
1. Project proposals are gathered from families or groups of families.	1					
2. Board of Directors (BOD) evaluates and endorses the project proposal to municipal CPF committees.			2		2	
3. Municipal CPF committee approves/ disapproves project, submits resolution to INBA.			3 Contract		3 Contract	
4. INBA requests PCPFC to release loan as cash advances.			4 Voucher for CA		4 Voucher for CA	
5. INBA withdraws amount from PCPFC-INBA joint account and transfers amount to INBA bank account..			5			
6. INBA treasurer/president withdraws from INBA account.			6 BOD resolution to withdraw			
7. INBA releases loan amount to chapter treasurer.			7 Vouchers			
8. Chapter treasurer distributes to loan recipients.	8 Confirmation Receipts					
9. Chapter treasurer remits confirmation receipt to INBA treasurer			9		9	
10. INBA president remits consolidated list of receipts to PCPFC to liquidate cash advance.					10	

4. Monitoring and Evaluation Scheme

The Chapter Credit Management and Monitoring Committee (CCMMC) is responsible for monitoring the status of the fund and the projects being implemented in their area (Figure 7). Status reports are submitted to the Livelihood Monitoring and Management Assistance Committee (LMMAC). The LMMAC consolidates the reports submitted by CCMMC and submits them to the INBA. The INBA in turn provides the IIC with monthly status reports on the funds and projects. These are consolidated by the IIC and submitted to the NEDA-LRM Regional Office, the PPDO and the MPDO.

Figure 7: LRM-CPF FLOW CHART FOR PROJECT AND FUND MONITORING

ACTIVITIES	FAMILY MEMBERS	UNITS	CHAPTER	INBA	CPFC	IIC
1. The Chapter Credit Management and Monitoring Committee shall monitor the status of fund and project implementation and prepare reports to be submitted to the Livelihood Monitoring and Management Assistance Committee (LMMAC). The CPF Committee shall monitor independently the status of the CPF loan program			1		1	
2. The LMMAC shall consolidate the monitoring reports of the Chapter Credit Management and Monitoring Committee and reports to the INBA.				2		
3. The INBA will submit monthly status report on fund and livelihood projects to IIC.				3		
4. IIC will submit status report on the status of the capital investment funds and livelihood projects to NRO-LRM, PPDO and MPDO						4

Program Performance and Status

a. Status of the Catanduanes Community Projects Fund

Total CPF Allocation to the province of Catanduanes amounted to P2.5 Million allocated in equal amounts of P500,000 each to the four municipalities, except Caramoran (Annex Table B.3). The latter garnered some P1.0 Million inclusive of the P522,362.5 released to three pilot barangays to support the lasa production/rehabilitation and broommaking projects under the LRM-CPF Phase I.

To date, this fund has completely been obligated to the various livelihood projects in the area, with 98 percent already released to the beneficiaries. The remaining 2 percent represents the unreleased portion of the allocation for Baras which amounts to P60,000 and due for release in October 1991. The amount left in the interest-bearing accounts of the beneficiaries amounts to only P72,198.82 inclusive of the P60,000 to be released to the beneficiaries in Baras this October. On the other hand, the amount that is under the custody of the Provincial CPF, which is deposited in a joint account between the INBA and the PCPFC and which reflects the loan repayments that may be used for recycling, amounts to P37,047. Fifty-four percent (54%) of this represents the repayments made by borrowers from San Miguel and the remaining from repayments made by borrowers from Caramoran whose loans were granted way back in 1987.

Annex Table B.3
STATUS OF COMMUNITY PROJECTS FUND, CATANDUANES
(As of June 1991)

	Caramoran			Pandan	Baras	San Miguel	All Municipalities
	Phase 1	Phase 2	Total				
CPF Allocation (P)	522,362.5	477,637.5	1,000,000.0	500,000.0	500,000.0	500,000.0	2,500,000.0
Total amount released (P)	522,362.5 a/	476,000.0	1,000,000.0	499,260.0	440,000.0	500,000.0	2,439,260.0
No. of Beneficiaries	268	120	388	86	100	127	701
Balance in Bank (P)			5,141.94	3,955.84	62,553.43 b/	547.61	72,198.82
unobligated amount		1,637.50	1,637.50	740.00	-	547.61	2,925.11
Interest earnings			3,504.94	3,215.84	2,552.43	-	9,273.21
Amount released (interest) (P)			1,800.00	1,800.00	-	2,700.00	6,300.00
Funds Under Custody of CPF Administrator c/ (P)			16,917.00	-	-	20,130.00	37,047.00

a/ Excludes the amount of P37,161.25 for spoiled materials of broom making project which was written off.
b/ Includes P60,000 for second release to borrowers.
c/ Represents repayments to principal.

b Projects Financed

The projects financed by the LRM-CPF in the province of Catanduanes are shown in Annex Table B.4.

The Iasa (tiger grass) production and rehabilitation and broom-making projects were launched as the pilot LRM-CPF projects in Catanduanes. The broommaking is a group undertaking of the INBA of Caramoran.

Under its second phase, LRM-CPF embarked on abaca as the base agricultural crop for its livelihood projects. Baras, San Miguel and the expansion areas in Caramoran went into abaca rehabilitation while Pandan opted to convince its constituents to start an abaca plantation project. Pandan later diversified into caracow raising and piggery.

Annex Table B.4
PROJECTS FINANCED UNDER THE CATANDUANES LRM-CPF PROGRAM

Municipality/Phase	Project Financed	Date Implemented	Date Completed
CARAMORAN			
(Phase I)	Iasa (tiger grass) production/ rehabilitation	June 1987	March 1989
	broom-making *	July 1987	August 1989
(Phase II)	Abaca Rehabilitation	June 1990	February 1993
PANDAN			
(Phase II)	Abaca Production	March 1990	July 1993
	Caracow Project	October 1990	February 1995
	Piggery Project	November 1990	February 1995
BARAS			
(Phase II)	Abaca Rehabilitation	March 1990	July 1993
SAN MIGUEL			
(Phase II)	Abaca Rehabilitation	March 1990	September 1992

* Collective project of the INBA of Caramoran.

Beneficiaries of the CPF Phase II came largely from San Miguel (127), the expansion areas in Caramoran (120) and Baras (100). Ten (10) of the 86 borrower-beneficiaries from Pandan ventured into caracow and piggery raising.

c. Loan Status

The overall performance of CPF in Catanduanes is not very encouraging. The province posted an average repayment rate of 5% for all the projects financed by the program. The past due ratio is particularly alarming under Phase I, posted at 100%. Initial repayments of Phase II loans are also minimal, recorded only at 8% of total loans for Caramoran and 19% for San Miguel.

Phase I Projects

Under the pilot-phase, loans of P1,675 each to finance labor and other production requirements, were granted to 75 farmers willing to start new lasa plantations and an average of P1,434 to 64 farmers for rehabilitation of their existing lasa plantations (Annex Table B.5). New plantation owners were required to pay the interest only during the first year and the full loan the succeeding year. Borrowers under the rehabilitation program, meanwhile were required to pay their loans after one year. Released in June 1987, these loans remain to be largely unpaid for more than 4 years now.

Various evaluations of the Catanduanes phase I projects (tiger grass production and broommaking) point to signs of program failure. The repayment figures under the projects confirm these observations (Annex Table B.5). For instance, of the total P206,012.5 released to lasa producers, only about P12,477 or a disappointing 6 percent has been generated so far as repayments. The outstanding balance of P193,535.5 remains unpaid to this date.

Annex Table B.5
STATUS OF CPF LOANS, BY MUNICIPALITY AND PROJECT FINANCED, CATANDUANES
As of June 1991

	CARAMORAN			PANDAN			BARAS	SAN MIGUEL	ALL
	Lasa Production	Broom-making	Abaca Rehab	Abaca Prod'n	Caracow	Piggery	Abaca Rehab	Abaca Rehab	MUNICIPALITIES/ PROJECTS
Date Implemented	June 1987	July 1987	June 1990	Mar. 1990	Oct. 1990	Nov. 1990	Mar. 1990	Mar. 1990	
Date of Completion	Mar. 1989	Aug. 1988	Feb. 1993	July 1993	Feb. 1995	Feb. 1995	July 1993	Sept. 1992	
Maturity (Mos.)	21	13	32	40	52	51	40	30	
Number of Beneficiaries	139	129	120	76	9	1	100	127	701
Amount of Loan Per Borrower (P)	1,675 (new) 1434 (rehab)	*	4,000	6,060	4,300	740	5,000	4,000	3,146
Amount of Loan Approved (P)	206,013	316,350	477,638	460,560	38,700	740	500,000	500,000	2,500,000
Amount of Loan Released (P)	206,013	316,350	477,638	460,560	38,700	740	500,000	500,000	2,500,000
Total Repayments (P)	12,477	-	4,440	-	-	-	-	20,123	37,040
Amount of Loans Outstanding (P) (out of matured loans)	193,536	316,350	473,198	460,560	38,700	740	500,000	479,877	2,462,961
Amount of Loans Matured	193,536	316,350	55,560	-	-	-	95,800	106,870	768,116
Loans Past Due	193,536	316,350	-	-	-	-	95,800	106,870	712,556
Repayment Rate (%) a/	6.5	0	8.0	-	-	-	-	18.8	4.8
Past Due Ratio (%) b/	100.0	100.0	-	-	-		19.2	22.3	28.9

* group project.
a/ Loans Repaid/Loans Matured
b/ Loans Past Due/Loans Oustanding

The INBA as well as the IIC have attributed the poor repayments to: (1) delays in the construction of a warehouse which was supposed to store payments in kind (lasa) by individual borrowers and raw materials procured by the INBA for its broommaking project; and to (2) low prices of lasa in 1988. The beneficiaries were caught between worst conditions: the INBA was practically refusing their payments in kind as spoilage brought about by a lack of storage facility has already caused huge losses to the INBA; and even if beneficiaries processed their produce into brooms and resell them to generate funds to repay their loans, the price of the finished product was even lower than the cost of production.

The broommaking project similarly suffered huge losses as no warehouse was then ready to protect stocks of lasa raw materials from a series of typhoons that hit the province in 1987 and 1988. The portion of the loan representing the spoiled materials, valued at P37,161.25, was later written off. To date, the warehouse of the INBA of Caramoran has been completed but remains unoperational. Also, a total of P316,350.00 representing total releases to the INBA for the broommaking project remains past due for about 3 years now.

Phase II Projects

Loans ranging from P740 to P6,060 and maturing in a little less than 3 years to a little more than 4 years were granted to Phase II beneficiaries. Loans for abaca have started to matured since March 1991 while caracow and piggery loans will mature in October and November this year.

As of June 1991, the matured portions of the loan under CPF Phase II amounts to P258,230. Only Caramoran and San Miguel have made initial repayments to their matured loans amounting to P4,440 (8%) and P20,123 (19%), respectively. In contrast, the INBA of Baras has not made initial efforts to collect P95,800 representing the matured loans of its borrower-beneficiaries citing various reasons [6/] for its inability to do so. Collection due dates were postponed without notifying the borrowers, some of whom were already prepared to remit repayments.

The Ilaw ng Buhay Associations' (INBAs) Experience

As mentioned earlier, the INBAs in this evaluation report are treated separately from the sample community-based organizations (CBOs) of the other sample provinces since they do not appear to be the recipients of the loan nor do they appear to be liable as a group to the loans granted by the IIC. Except for the INBA of Caramoran, these federated CBOs do not undertake collective activities and thus appear to be mere conduits of the credit granted by the PVO to the individual beneficiaries. The evaluation on INBAs thereon in the succeeding paragraphs is based only on information available from four INBAs assessed by the Team.

The four INBAs evaluated represented the four participating municipalities in Catanduanes. These were the INBAs of Caramoran, Pandan, Baras and San Miguel.

Pioneering all four associations was the INBA of Caramoran which was organized as early as February 1985 under the LRM-CPF Phase I Program (Annex Table B.6). Implementation of the CPF component, however, came about a year later for Caramoran. The expansion areas of Pandan and Baras both participated in the CPF in 1989 while San Miguel only in March 1990.

The sample INBAs in Catanduanes have a total of about 2,435 members, with San Miguel having the strongest membership force of 1,960. Growth in membership, however, was small with only the INBA of Pandan exhibiting an increase in membership of about 27% from its original number of 92 members.

[6/] *The INBA president cited the hard-up conditions of borrowers resulting from typhoon and the forthcoming expenditures for education of the borrower's children as the major reasons for postponing the collection of loans twice. A reference was also made to the lack of incentives among the INBA offices to collect the loans.*

Annex Table B.6
PROFILE OF PARTICIPATING ILAW NG BUHAY ASSOCIATIONS (INBAs)

	Caramoran	Pandan	Baras	San Miguel	Total
Year					
Organized	1985	Dec. 1988	Jan. 1989	1988	
Registered	1985	April 1989	Nov. 1989	July 1988	
Participated in CPF	1986	June 1989	1989	March 1990	
Total No. of Members					
at organization	258	92	100	1,960	2,410
at interview date	258	117	100	1,960	2,435
Projects Financed					
	Lasa Prodn. Broommaking	Abaca rehab. Carabao/Cow raising Piggery	Abaca rehab.	Abaca rehab.	

Source: CBO Survey Questionnaire

By all indications, the INBAs were utilized as a mechanism for facilitating the release and collection of individual loans but were not held liable for the obligations of their members. If there were any accountabilities at all, these were not exercised and therefore not apparent from the evaluation of their functions nor from their operations. Moreover, the facilitation of the lending transactions became the most important (or only) activity by the INBAs. No income-generating activities nor capital- build up efforts, which a regular CBO undertake, were initiated by the units nor by the chapters. While the federations could have handled related activities for the beneficiaries (such as marketing of the beneficiaries' produce, input procurement, etc.), their performance indicated that they have not yet reached the stability and maturity level that will allow them to efficiently and effectively diversify their activities.

These INBAs were also envisioned by the IIC to eventually take over the management and administration of their CPF allocation during the IIC's phase out. However, preliminary insights derived from the dialogues with the INBA leaders and INBA-affiliated beneficiaries point to their weakness and unpreparedness to efficiently and judiciously manage finances.

For instance, the INBA chapters, units and committees have failed to monitor the physical and financial status of both its collective project (broom- making) and the projects of its members (NEDA-RPMO, Assessment and Evaluation report of the CPF Phase IA projects, April 1990). Although the committees were created, these committees did not perform their vital functions and responsibilities. They failed to collect, record repayments and remit these to the IIC or to the present administrator, the Province. Lacking in incentives, the INBAs were also lenient in their collection of repayments, one (Baras) even resorting to continuous postponement and rescheduling of collection due dates without duly notifying its beneficiaries.

Group efforts were not sustained as the INBA lacked the spirit and drive to weather the huge losses it has incurred from the spoilage of its raw materials. With the phase out of the IIC and the eventual take over of the province as administrator of the fund, issues particularly on the ownership of the fund arose between the INBAs and the Provincial government.

The Individual Beneficiaries' Experience

This evaluation of the CPF scheme in Catanduanes focussed more on the individual beneficiaries as these were the actual recipients and users of the fund. A dialogue/interview with some fifty individual beneficiaries, representing 7 percent of the total served under the program, was conducted by the Team

(Annex Table B.7). A sizeable number (20) were taken from Caramoran as this was the area with the longest exposure to the CPF credit scheme.

Annex Table B.7
DISTRIBUTION OF SAMPLE INDIVIDUAL CPF BENEFICIARIES IN CATANDUANES BY INBA-AFFILIATION

INBA	No. of Individual Beneficiaries	Total Number of Beneficiaries	% of Beneficiaries Evaluated
INBA of Caramoran	20	388	5.0
INBA of Pandan	8	86	9.0
INBA of Baras	9	100	9.0
INBA of San Miguel	13	127	10.2
TOTAL	50	701	7.0

Profile. These beneficiaries exhibited the following household characteristics: A large proportion belong to the over-50 age category with the average age reported to be 48; those interviewed were mostly males, with more than half of them reaching/completing elementary academic training. They belong to relatively large households, which average 7 in size, and feed an average of 5 family members daily (Annex Table B.8).

Annex Table B.8
PROFILE OF SAMPLE INDIVIDUAL CPF BENEFICIARIES, BY SELECTED HOUSEHOLD CHARACTERISTICS

Household Characteristic	No.	% to Total
A. Age	50	100.0
25 and below		
26 - 30	2	4.0
31 - 40	12	24.0
41 - 50	13	26.0
over 50	23	46.0
Average Age	48	
B. Sex	50	100.0
Male	37	74.0
Female	13	26.0
C. Educational Attainment	50	100.0
Post-graduate	-	-
College graduate	1	2.0
College level	6	12.0
Voc. graduate/level	-	-
High School Graduate	8	16.0
High School Level	7	14.0
Elementary Graduate	19	38.0
Elementary Level	8	16.0
No Formal Schooling	1	2.0

Continuation Annex Table B.8

Household Characteristic	No.	% to Total
D. Household Size	50	100.0
1 - 2	—	—
3 - 4	13	26.0
5 - 6	13	26.0
7 - 8	13	26.0
9 - 10	6	12.0
above 10	5	10.0
Average HH Size	7	
E. No. of Dependents	50	100.0
1 - 2	15	30.0
3 - 4	9	18.0
5 - 6	14	28.0
7 - 8	5	10.0
> 8	7	14.0
Average No. of Dependents	5	
F. No. of Years as a CBO-member	50	100.0
Not a member	2	4.0
1-2 years	29	58.0
3-4 years	17	34.0
Over 4 years	2	4.0
Average Membership	2	

These households have been members of the INBA for an average of two years. Affiliation, however, was triggered largely by the desire to avail of the loans (31 responses) and benefits (17 responses) which the INBA can offer (Annex Table B.9).

Annex Table B.9
REASONS CITED FOR MEMBERSHIP IN THE ILAW NG BUHAY ASSOCIATION

Reasons	No. Reporting	% to Total
Good reputation/efficient service of INBA	1	2.0
Know somebody in the INBA	1	2.0
To avail of loan	31	62.0
To avail of benefits offered	17	34.0
Total Responses	50	100.0

Approximate Income. The income of the households before, during and immediately after implementation of the CPF was only estimated, based on recall by the respondents. From the sample beneficiaries, a separate analysis was made for samples with completed projects, i.e. eight samples from Hitoma, Caramoran, one of the barangays with the longest exposure to the program, to gather insights on the possible effects of the program on the households' income.

The beneficiaries' incomes are mostly derived in cash (Annex Table B.10). Beneficiaries from San Miguel and Caramoran report the largest pre-CPF incomes roughly estimated to be P298,118 and P225,578, respectively. In terms of averages, beneficiaries earned P6,000 in Catanduanes with Pandan and Caramoran reporting the lowest levels with P4,165 and P5,399, respectively.

Farming remains to be the major source of the beneficiaries'incomes followed by the practice of profession and contribution from family members (Annex Table B.11). The latter validates the high outmigration from Catanduanes as family members search for better-paying jobs notably in Manila and the urban centers of the Bicol region, which contributes to the income basket back home. The before and after-CPF levels do not give interesting insights about the program vis-a-vis income of the beneficiaries as most of their projects are still at the initial stages and returns from their investments have not yet been derived. Given this, a separate examination of the samples with completed projects was thought to be necessary.

Annex Table B.10
TOTAL AND AVERAGE ANNUAL INCOME OF SAMPLE INDIVIDUAL CPF BENEFICIARIES, BY MUNICIPALITY

Municipality	Total Annual Income (In P000)			Average Annual Income		
	Cash	Non Cash	Total	Cash	Non Cash	Total
CARAMORAN						
Before CPF	206.3	19.3	225.6	6,483	2,612	5,399
During CPF	356.9	7.5	364.3	13,423	1,075	10,336
After CPF	984.0	4.6	988.6	61,835	2,290	54,829
PANDAN						
Before CPF	90.1	13.5	103.6	7,181	1,148	4,165
During CPF	89.8	8.1	97.9	6,041	945	3,689
After CPF	11.6	3.6	15.2	5,800	3,600	5,067
BARAS						
Before CPF	135.8	49.5	185.3	8,847	5,577	7,589
During CPF	167.0	49.5	216.5	10,192	5,577	8,917
After CPF	77.5	49.1	126.6	8,243	5,507	7,103
SAN MIGUEL						
Before CPF	274.2	24.0	298.1	11,112	1,988	7,202
During CPF	292.6	15.7	308.4	11,444	2,101	8,174
After CPF	74.0	19.6	93.6	6,355	3,205	4,923
ALL AREAS						
Before CPF	706.4	106.2	812.6	8,246	2,575	6,071
During CPF	906.4	80.7	987.0	11,178	2,280	8,127
After CPF	1,147.1	77.0	1,224.0	34,498	3,980	2,522

Annex Table B.11
TOTAL AND AVERAGE ANNUAL INCOME OF INDIVIDUAL CPF BENEFICIARIES, BY SOURCE, CATANDUANES

Income Source	Total Income				Average Income			
	Before CPF		During CPF		Before CPF		During CPF	
	No. Reporting	Amount	No. Reporting	Amount	No. Reporting	Amount	No. Reporting	Amount
Farming	40	333,510	42	492,882	40	6,149	42	10,379
Fishing	5	41,800	5	41,800	5	7,040	5	7,040
Livestock Raising	20	63,645	20	63,645	20	2,432	20	2,432
Practice of Profession	8	143,364	8	143,364	8	17,921	8	17,921
Business	6	71,660	6	71,660	6	11,943	6	11,943
Contribution from Family Members	10	136,840	10	136,840	10	13,684	10	13,684
Others	8	21,800	8	21,800	8	2,644	8	2,644
All Sources	46	812,619	46	987,028				
Average Source					46	6,887	46	8,658
% Change						25.7		

Total incomes of beneficiaries with completed projects reached P88,588, P79,260 and P52,204 for the years preceding, during and immediately after the CPF implementation. Farming is the major contributor to the beneficiaries' income (Annex Table B.12).

For incomes sourced from farming and livestock raising, the after CPF levels were significantly lower than the before and during-CPF levels. Although inconclusive, this suggests the project's failure to improve farm- based incomes. Dialogues with the beneficiaries validated this observation, as most of them considered their participation with the LRM-CPF as having very little or no impact on their economic condition. Some who managed to replant portions of their farms are still awaiting harvests and could not yet quantify the program's contribution. However, they attach great value to the trainings and seminars they attended under the program.

Annex Table B.12
TOTAL AND AVERAGE ANNUAL INCOME OF INDIVIDUAL BENEFICIARIES WITH COMPLETED CPF PROJECTS
(Amounts in Pesos)

Income Source	Total Income			Average Income		
	Before CPF	During CPF	After CPF	Before CPF	During CPF	After CPF
Farming	49,860	55,460	19,854	8,310.00	7,922.85	4,963.50
Fishing	6,000	6,000	12,000	6,000.00	6,000.00	12,000.00
Livestock Raising	14,200	2,200	400	1,577.78	1,100.00	400.00
Practice of Profession	8,928	12,000	12,000	8,928.00	12,000.00	12,000.00
Business	-	-	450	-	-	450.00
Contribution from household members	3,600	3,600	7,500	3,600.00	3,600.00	3,750.00
Others	6,000	-	-	6,000.00	-	-
	-	-	-	-	-	-
	88,588	79,260	52,204	2,647	2,552	3,356

Pre-CPF, During-CPF and Post-CPF Loans. A comparative assessment of the individual beneficiary loans before, during and after the CPF was done to capture insights on borrowing frequency and dependence on informal sources; and examine variations in lending terms and conditions.

Seventy one percent (71%) of the sample beneficiaries have built track records as borrowers prior to the CPF, reportedly borrowing from 1 to 10 times a year (Annex Table B.13). Four households (29 % of total) borrowed more than 10 times in a span of one year. These loans were normally sourced from informal sources, notably moneylenders (46%) and relatives (32%). A few also had the opportunity to avail from government lending programs (14%), particularly from the KKK program.

A large number of the loans made by the beneficiaries before the implementation of the CPF matured in less than 3 months (82%), suggesting that these may have been sourced from informal lenders as formal government loans carry a six month-to-one year maturity. Further, the bulk of these pre-CPF loans carry an interest rate of less than 10 percent and are uncollateralized.

Annex Table B.13
BORROWING PROFILE OF SAMPLE INDIVIDUAL CPF BENEFICIARIES, CATANDUANES
(In Percent of Sample with Responses)

	Before CPF	During CPF	After CPF
Borrowing Frequency (No/years)	100.0	100.0	100.0
1-10	71.4	100.0	83.3
More than 10	28.6	-	16.7
Loan Sources	100.0	100.0	100.0
LRM-CPF	-	81.5	46.6
Government Agency	14.3	3.7	-
Coop/NGO	7.1	1.8	-
Moneylenders	46.4	3.7	26.7
Relatives	32.2	9.3	26.7
Loan Maturity	100.0	100.0	100.0
Less than 3 mos.	82.0	34.0	88.0
3 mos - year	6.0	-	4.0
More than 1 year	12.0	66.0	8.0
Interest Rate (per annum)	100.0	100.0	100.0
Less than 10 percent	88.0	30.0	88.0
10% - 15%	10.0	70.0	12.0
More than 15 percent	2.0	-	-
Collaterals	100.0	100.0	100.0
None	100.0	97.8	100.0
Abaca plantation	-	2.2	-

With the implementation of the CPF scheme, beneficiaries relied solely on the program for their production credit requirements. Borrowing frequency was reduced (Annex Table B.14), the number reporting informal loans declined from 46% to 4 % suggesting that the program has somehow managed to limit the prevalence of informal lending transactions in the area.

Annex Table B.14
STATUS OF LOANS MADE BY INDIVIDUAL CPF BENEFICIARIES, CATANDUANES
(Amounts in Pesos)

	Before CPF	During CPF	After CPF
LOANS APPLIED			
No. reporting	26	48	15
Total Amount	52,353	176,865	123,400
Average Amount	2,014	3,685	8,227
LOANS RELEASED			
No. reporting	24	46	13
Total Amount	50,750	167,600	117,260
Average Amount	2,115	3,644	9,020
REPAYMENT			
No. reporting	8	9	3
Total Amount	22,700	6,225	10,600
Average Amount	2,838	692	3,533
MATURED LOANS			
No. reporting	3	8	1
Total Amount	2,800	22,638	800
Average Amount	933	2,830	800
OUTSTANDING LOANS			
No. reporting	2	27	6
Total Amount	4,500	91,723	87,700
Average Amount	2,250	3,397	14,617
PAST DUE LOANS			
No. reporting	1	11	2
Total Amount	2,000	11,367	5,045
Average Amount	2,000	1,033	2,523

A local example is the decline of the "tampa" credit system reportedly popular in Caramoran prior to the implementation of the CPF Phase 1. The "tampa"system is a modified contract buying arrangement based on word of honor. In this system, tampa creditors (normally volume buyers/shippers or processors) and their middlemen loan out farm inputs, goods and cash for subsistence as well as for emergency purposes to needy farmers in exchange for part of their lasa produce at harvest. The price set is normally lower than the prevailing market price putting the farmers at a disadvantage. At harvest, the actual income of farmers is substantially reduced prompting them to again depend on the system for the next cropping cycle and subsequent subsistence needs. The easy access to CPF loans at the time of the program's implementation reduced the number of "tampa" middlemen in the area.

With the shift by borrowers from informal lenders to the LRM-CPF, reported maturities of the beneficiaries' loans has also shifted to reflect the long-gestations allowed under the program. Thus, 66% of reporting beneficiaries reported loans with maturities of more than one year. Reported interest rates also hovered over the 10%-15% category.

A glance at the after-CPF figures, however, suggests that the program was not able to sustain the reduced dependence of borrowers on informal lenders. For instance, beneficiaries started reporting additional non-CPF loans a year after CPF's implementation and the role of informal lenders heightened once again. The latter can be deduced from the increase in reported borrowing from informal lenders and relatives after CPF implementation. Short term lending gained popularity once again with 88% of the beneficiaries reporting interest rates of less than 10%.

The loans of the individual beneficiaries during the pre-CPF stage were used to finance consumption requirements (60% of sample reporting) (Annex Table B.15) During its implementation, loans were confined to abaca and lasa plantation/rehabilitation and broommaking as these were the priority livelihood projects financed by the program. Although loans were largely tied up with productive purposes, the number reporting loans for consumption increased dramatically from 7% during CPF implementation to 36% after implementation.

Status of Loans. Prior to CPF-affiliation, twenty four (24) sample beneficiaries had a total of P50,750 or an average of P2,114 as borrowings from various sources (Annex Table B.15). The amount of loans tripled to P167,600 during program implementation but the increase was due largely to the noticeable change, from 24 to 46, in the number of households reporting loans. It is suspected that the difference (22) represents the new entries to the credit market, through the LRM-CPF program. Th LRM-CPF has caused the average size of loan of the sample to increase to P3,643.48 during its year of implementation and to P9,020 after implementation.

The magnitude of loan repayments, however, is seen to be smallest during the CPF implementation. This may be due to the fact that most abaca loan recipients were allowed to pay back only the interests of their loan during the first year as the plantations were not productive yet during this period. Outstanding amounts remain substantial from implementation to post-implementation years, averaging P3,397 and P14,616 per reporting borrower, respectively.

Annex Table B.15
PURPOSE OF LOANS CITED BY SAMPLE INDIVIDUAL CPF BENEFICIARIES, CATANDUANES

PURPOSE	Before CPF		During CPF		After CPF	
	No. Reporting	% to a/ Total	No. Reporting	% to a/ Total	No. Reporting	% to a/ Total
Household needs/consumption	12	60.0	3	6.7	5	35.7
Abaca plantation/rehabilitation			31	68.9	7	50.0
Education expenses	2	10.0	1	2.2		
For business	4	20.0			1	7.1
Lasa production/broom making			8	17.8	1	7.1
Livestock raising	2	10.0	2	4.4		
No answer	30		7		36	
Total	50	100.0	52	100.0	50	99.9

a/ Percentages to total are computed based only on number with responses.

Borrowing-Related Costs. Borrowing-related costs incurred by sample individual beneficiaries cannot be measured accurately due to wide variations in the number that reports these costs. Nonetheless, rough estimates show that these costs appeared to be minimal: P9 per beneficiary before the CPF, P38 during the CPF and P50 after the CPF period (Annex Table B.16). The CPF-related costs were mostly spent for service fees and others (e.g. expenses in securing tax declaration clearances, notarization of contracts, etc.)

Annex Table B.16
BORROWING-RELATED COSTS INCURRED BY SAMPLE INDIVIDUAL CPF BENEFICIARIES, CATANDUANES

	Before CPF		During CPF		After CPF	
	Total Amount (P)	Cost/ Benefi-ciary	Total Amount (P)	Cost/ Benefi-ciary	Total Amount (P)	Cost/ Benefi-ciary
Loan Documentation and Processing	15	15	380	48	0	-
Transportation	220	110	0	-	0	-
Service/Other Fees	200	4	1,000	20	0	-
Others	70	70	1,139	142	50	50
Total	505	9	2,519	38	50	50

Borrowing-Related Problems Faced by Beneficiaries. Although households who never faced problems in their CPF transactions comprise the majority (e.g. 81% before CPF, 57% during CPF and 63% after CPF) of the reporting beneficiaries (Annex Table B.17), a few others encountered delays in loan releases and found the loan terms and procedures stringent. Two beneficiaries for instance, cited the numerous documents as a difficult requirement of the CPF (Annex Table B.18). For prospective borrowers with arrearages in real estate taxes, securing a tax declaration clearance was obviously difficult. Surprisingly, about 7 beneficiaries regarded the loan maturity periods (which per CPF guidelines ranged from 1 to 5 years) too short. This was expected since it normally takes about two to three years for a new abaca plantation to yield harvest. The majority were not aware of the repayment schedule prepared for them by the IIC nor were they regularly reminded by their unit leaders.

Annex Table B.17
BORROWING RELATED PROBLEMS ENCOUNTERED BY INDIVIDUAL CPF BENEFICIARIES

Nature of Problem	Before CPF		During CPF		After CPF	
	No. Reporting	% to Total	No. Reporting	% to Total	No. Reporting	% to Total
High interest rates	1	6.2	-	-	-	-
Stringent loan procedures	1	6.2	3	10.0	1	12.5
Delays in loan release	-	-	5	16.7	-	-
Repayment difficulties	-	-	4	13.3	1	12.5
Long seminars	-	-	1	3.3	-	-
Marketing of produce	1	6.2	-	-	1	12.5
None at all	13	81.2	17	56.7	5	62.5
Total No. of Responses	16	100.0	30	100.0	8	100.0

Annex Table B.18
CPF GUIDELINES/REQUIREMENTS WHICH INDIVIDUAL BENEFICIARIES' PERCEIVE TO BE EASY/DIFFICULT TO COMPLY WTH

CPF Guidelines/ Requirements	All Beneficiaries	
	Number	% to Total
EASY		
- All requirements	29	56.9
- Tax declaration	4	7.8
DIFFICULT		
- Tax declaration (for those with arrears)		
- Too many documents required	2	3.9
- Repayment period (too short)	7	13.7
- High interest rates	3	5.9
- Penalty of 30 percent	1	2.0
- Membership criteria	2	3.9
- Long trainings	1	2.0
TOTAL	51	100.0

Perceptions on the LRM-CPF Program In general, the beneficiaries regarded the LRM-CPF as a good program since it is socially oriented towards the poor and marginalized groups (26 % reported this) (Annex Table B.19). The concept of recycling funds to other beneficiaries in the community is also a welcome feature (10% reporting). It strengthens the local government technically and financially as the CPF provides adequate training to LGUs and increases tax revenues as a result of the imposition of a tax declaration clearance prior to approval and release of loans. This was realized in two municipalities, where tax collections doubled or tripled as a result of the settlement of arrears by prospective CPF beneficiaries.

Annex Table B.19
IMPRESSIONS AND COMMENTS ON THE CPF POLICIES AND PROCEDURES

Impressions and Comments	All Beneficiaries	
	Number	% to Total
NONE	9	16.6
FAVORABLE IMPRESSIONS		
- good concept especially the idea of recycling of funds	5	9.3
- good income-earning activity for the municipality because of taxes paid	1	1.9
- a good program because it was able to help small farmers/poor	14	25.9
- good training design	1	1.9
- easy loan terms	2	3.7
UNFAVORABLE IMPRESSIONS		
- stringent repayment schedule	10	18.5
- high interest rates	3	5.5
- policies are not strictly followed	5	9.3
- weak management (no monitoring especially with the collection of loans)	3	5.5
- funds insufficient to cover all prospective beneficiaries	1	1.9
TOTAL	54	100.0

Despite these good points of the program, some perceive the loan repayment schedule to be stringent as it requires payment immediately a year after loan release when abaca plantations have barely grown. Others also criticized the INBA management's inconsistency in implementing policies. The INBA has been lenient with some borrowers, and strict with others.

In addition, there is a widespread perception among the beneficiaries that the program has failed to improve their economic condition. Almost 60 percent of them reported that the CPF loan made very little or no improvement at all in their economic condition (Annex Table B.20). Some of the reasons cited for this is the insufficiency of the amount of loan released to each beneficiary and the long gestation required for abaca plantations before they yield harvests/produce.

Indicative evidences also point to the fact that the program has failed to reduce dependence on informal lenders. Seventeen (17) of the 23 beneficiaries reporting informal loans confirmed that they still borrowed from informal lenders to finance their consumption needs. The "tampa" system was not totally eradicated as several families from barangay Hitoma where the CPF was initially implemented and projects were supposed to have been completed refer continuously to a certain "Tagalog" who finances capital inputs and subsistence needs deductible from their anticipated harvests at no interest, in large volumes, minus the long loan procedures and cumbersome paper requirements.

Annex Table B.20

INDIVIDUAL BENEFICIARIES' PERCEPTIONS ON THE LRM-CPF PROGRAM

Nature of Problem	No. Reporting	% to Total
1. Extent by which program improved beneficiaries' economic condition	50	100.0
Very much	16	32.7
A little	23	46.9
Not at all	10	20.4
No Response	1	
2. Reasons cited for:		
Significant Improv ment	15	100.0
o financed and sustained expansion of project	11	73.3
o generated additional income	3	20.0
o financed the construction of house	1	6.7
Little Improvement	22	100.0
o loan amount was not sufficient to cover all expenses of project	13	59.1
o financed project but no harvest/returns yet	5	22.7
o facilitated asset acquisition only	1	4.6
o income increase was very slight	3	13.6
No Improvement	10	100.0
o project failed	1	10.0
o no harvest/returns yet	9	90.0
3. Has LRM-CPF reduced dependence on informal lenders?	49	100.0
Yes	6	12.2
No	17	34.7
Not applicable, never depended on informal lenders	26	53.1
4. Has LRM-CPF prepared beneficiary for possible transactions with banks	49	100.0
Yes	26	53.1
No	23	46.9

D. Problems Encountered in the Program

The terminal report prepared by the Ilaw International Center, Inc. of the Phase II: Beneficiary Participation Component of the Bicol LRM has enumerated several problems with regards implementation of the CPF which has serious effects on program performance. Apart from these problems, new issues were observed and validated by the Team in the course of the survey and dialogues with the key actors of the program.

1. The antagonism of the incumbent mayor against the LRM and the politically-motivated rivalry between him and the INBA president has rendered efforts for coordination between the municipal government and the INBA futile.

The lack of support from the local government created delays in the implementation of the CPF, as no community affairs worker or local organizer has been re-appointed to assist in the program. The separate co- existence of the INBA and the municipal government can potentially ruin the program and the anti-LRM campaign that the local officials are disseminating can create tension not only among implementors but also among beneficiaries. In addition, the INBA cannot be assured of government support for its activities. A specific example is the use of the LRM-appropriated motorcycle which is supposed to be for INBA's monitoring activities. It was never turned over to them by the incumbent mayor but was instead being used by one of his sons.

2. With the phase out of the Ilaw International Center, issues about ownership of the CPF has emerged.

Fund ownership became a serious issue with the phase out of the PVO contracted to implement the program. The general guidelines of the NEDA-LRM designates the PVO as the owner of the TA grant as well as the fund earmarked for lending to the community-based organization. This was accepted by both INBAs and the PVO, but not by the provincial government (Province). The IIC envisioned the INBAs to be managers of their CPF funds. Hence, a program to prepare the latter for funds management was pursued by the PVO. With the phase-out of the IIC, however, the administration of the fund was turned over to the Province and not to the expectant INBAs.

The evaluation team surmised that the IIC's phase-out was yet uncalled for as the INBAs were not prepared to manage funds, especially with respect to credit collections and monitoring. The turn-over of funds administration and management to the province made the project vulnerable to political influence. Thus, while the INBAs claim that the program envisioned them to be the eventual owners of the fund, with the Province acting merely as administrators, the provincial government perceives it otherwise and is pursuing a move to "legalize" ownership by proposing a resolution delineating the Province as the owners of the fund and the PVO or the association created by the PVO (the INBAs in this case) as its administrators and holding them accountable to the province.

This problem pose several implications with respect to the choice of priority projects and municipalities as recipients of the program. The INBAs believe for instance, that any amount collected as repayment should be recycled to other priority projects in the same municipality while the Province believes it should have the hand in determining this and has in fact, issued guidelines on reduction of allocations and/or transfer of allocations to other municipalities should the need arise.

3. **The phase out of the IIC has also brought about problems in monitoring and collection.**

Although there was a formal turn-over of functions between the IIC and the Province (through a seminar), the new administrators of the CPF were not made aware of the policies and guidelines governing its implementation. Moreover, the task of collecting the repayments was not clarified. The province claim that they were merely responsible for the monitoring of these repayments and the INBAs were responsible for the actual collection. Lacking in motivation and incentive to collect the loans, and with no similar activities that will facilitate the monitoring and collection of the loans, the INBA was not eager to do this for the province. If the resolution delineating the province as the owner of the fund is approved, the Province plans to transfer the responsibility of collecting the loans to the provincial treasurer to impose stricter measures on loan repayment.

4. **The provincial government staff involved in the LRM is not sufficient to perform monitoring and record-keeping tasks effectively.**

Apart from the Provincial Planning and Development Officer, only two staff members are practically responsible for the record-keeping, monitoring and preparation of reports for the program. Being regular staff members of the PPDO, they are likewise burdened with other responsibilities.

5. **Internal problems among the INBA officers of Baras should be threshed out to ensure the efficient operation of the association.**

The team suspects that internal problems exist between the president and the treasurer of the INBA which has caused difficulties in reconstructing financial records of the association. The treasurer claims that the INBA president has taken hold of the bankbook of the INBA while she was on leave and despite several requests for its turn-over to the treasurer for her updates on the status of the funds, the INBA president would not comply.

6. **The poor repayment performance of beneficiaries constrains the INBA and the province from recycling and maximizing the usage of the CPF.**

So far, only San Miguel and Caramoran has made partial repayments of 8% and 19% on their matured loans. The loans granted to beneficiaries in Baras have likewise matured but the INBA has made no efforts to collect them, citing the impoverished conditions of the beneficiaries as the major reason for postponing collection. Thus, even as some beneficiaries were ready to remit payments, no INBA officer has come to collect. This lack of motivation on the part of the INBA can be misinterpreted as leniency and result in sheer reluctance to repay loans.

In the case of Phase I projects in Caramoran, no measures have been instituted to collect the loans long past due from its members and from the association as a group. Unless repayments

can be assured from CPF- financed projects, the program faces the same fate faced by previous government credit programs.

C. A CRITIQUE OF THE CPF CREDIT SCHEME IN CATANDUANES

This section criticizes the LRM-CPF rural credit scheme on the basis of its pre-defined objectives and provides some insights on the various issues derived from dialogues with the implementors and beneficiaries of the program.

Program Accomplishments

The experience in Catanduanes has shown that the LRM-CPF program has barely created a significant impact on the incomes of program beneficiaries.

Although this is quite inconclusive as it is based only on a few samples with completed projects, the insights gained from interviews and the figures gathered from the beneficiaries point to very minimal changes in their economic condition. Prospects were bright during the initial year of the program, as the CPF loan allowed beneficiaries to rehabilitate abaca and lasa farms, but the series of losses from typhoon-wrought plantations and the losses from their collective undertaking (broommaking project) resulted in the current passive attitude towards the program. Recipients of the Phase II loans are looking forward, though, to returns from their very recent investments in abaca and lasa, whose prices have increased compared to previous years, provided nature maintains a peaceful course.

Neither was the program able to develop self-reliance among the program beneficiaries.

Most of the beneficiaries attach great value to the trainings and seminars offered by the PVO, but the value formed and skills supposedly developed through these trainings/seminars were not sustained as the beneficiaries still lacked the motivation to save (the INBAs did not even initiate a capital build-up system among its beneficiaries) and did not make extra efforts to repay loans. As far as completed projects are concerned, the program failed to build a credit track record for its beneficiaries, a record which could be vital in directing the borrowers to traditional formal loan sources after the tenth year, the LRM's designated phase out period.

Although it is too early to assess the capacity of the beneficiaries of LRM-CPF phase II to repay loans, as these have just started maturing, preliminary impressions suggest that repayments may fare poorly unless the INBA officers aggressively perform their monitoring and collection responsibilities.

The reduction in dependence on informal loans was also not sustained.

Easy access to CPF loans showed positive indications in eradicating the "tampa" system only during the height of the CPF loan release periods. As loan amounts were considered insufficient, and returns from their abaca and lasa investments took some time, beneficiaries still depended on "tampa" creditors for their consumption needs and even for capital inputs after the CPF loans have been exhausted.

Strengths and Weaknesses of the Program

A major strength of the program is that it was able to strengthen local government units, financially and institutionally.

Through the LRM-CPF, real estate tax revenues for most of the municipalities improved. The Terminal Report of the Bicol LRM cited the case in San Miguel where quarterly collections in real property tax revenues averaged only P15,000 but increased to P50,000 with the launching of the CPF in the municipality. The skills of municipal staff members involved in the LRM-CPF were also continuously upgraded.

The operationalization of the LRM-CPF has resulted in the institutionalization of the participatory approach or the bottom-to-top process in program planning.

Through this approach, the LRM-CPF was able to come up with beneficiary- identified, local-government-backed projects. This approach was even institutionalized by appointing local organizers (at the PVO level) and community affairs workers at the municipal level in coordinating with the beneficiaries. The beneficiaries and the LGUs, being more attuned to the local conditions, are in the best position to identify potential livelihood projects in the area. Plans and projects identified at the chapter levels were incorporated in the barangay development plans and subsequently in the municipal development plans.

Investment choices for Catanduanes, however, were limited to agricultural crops traditionally planted in the area (abaca and lasa) which unfortunately were always at risk due to typhoons that regularly hit the province. Program implementors and the beneficiaries themselves may have to consider widening their investment choices to include other less-risky livelihood projects. Another option is to pursue the inclusion of abaca and lasa in the list of crops covered by insurance. This was one of the recommendations made in the terminal report of the IIC, but to date, no collective effort towards this end has been initiated by the INBAs nor by the PPCC.

Still another option is to program CPF projects such that they match the needs of the abaca and lasa beneficiaries. For instance, storage warehouses may have to be constructed using the special projects fund for the collective use of the abaca and lasa producers in the area. This kind of warehouse is available in Caramoran but not in other municipalities.

The program has also validated emerging views about the effectivity of NGOs as channels and partners in credit delivery particularly to marginal groups.

The experience in Catanduanes, i.e. the untimely phase out of the PVO at a stage when the INBAs and the beneficiaries were not completely prepared to assume their responsibilities, created problems with respect to monitoring and collection. The assumption of the administration functions by the Province also gave rise to issues on fund ownership.

As the organizer of the INBA network, the PVO exerted a lot of effort towards building the capabilities of these households/beneficiaries. The same PVO would thus be influential in actively collecting and monitoring the repayments of these beneficiaries. The aggressiveness of the PVO in performing these tasks has to be simulated by the Province and the INBAs for the repayment performance to improve.

There is a need for collective effort to instill the spirit of cooperativism among members of the INBA.

The compliant attitude of some members of the INBAs can be traced to the absence of collective activities among them. The INBAs should not be used merely as a network for chanelling credit and monitoring repayments. These INBAs can be used as a mechanisms to facilitate procurement of inputs and marketing of the beneficiaries' produce. They should also engage in income-generating and capital build up activities as a group to instill cooperativism among its members.

Attachment

RESOLUTION NO. 2, SERIES 1991, DELINEATING THE LRM PROVINCES AS THE OWNERS OF THE COMMUNITY PROJECTS FUND (CPF) RELEASED TO THEIR RESPECTIVE COMMUNITY-BASED ORGANIZATIONS (CBOs)."

WHEREAS, the meeting of the RPCC for Bicol LRM held on March 8, 1991 at the NEDA V Library was attended by the regular members and/or representatives, namely:

CHAIRMAN JOSE S. ESTEVEZ	-	RPCC and RDC Chairman, Region V
DIR. VENANCIO S. BACLAGON	-	Director IV for NEDA V and LRM RPED
GOV. LEANDRO I. VERCELES	-	Governor of Catanduanes, Member, RDC
DIR. SEBASTIAN R. TEVES	-	Regional Director, Dept.of Budget & Management
SIR. JESUS I. INGENIERO	-	Regional Director, Dept.of Interior and Local Government
DIR. SALVADOR P. SENAR	-	Regional Director, Dept.of Finance
ARD ANTONIO S. BUENVENTURA	-	Director III for NEDA V and LRM DPED
Other Staff In Attendance:		
KGD. JORGE A. DE LEON	-	LRM Prov'l Project Mgt.Officer of Catanduanes
ARCH. MADONNA A. ABULAR	-	PPDC of Camarines Norte
MR. VALENTIN S. TORRECAMPO	-	PPDO Staff, Albay
MS. MA. BEATRIZ B. BARELA	-	RPTC, LRM-RPMO V
MS. JOCELYN E. LLAGUNO	-	DMO III, LRM-RPMO V
ENGR. GINA V. REBANCOS	-	DMO III, LRM-RPMO V
MS. JASMIN A. CASIN	-	DMO II, LRM-RPMO V
MS. IMELDA B. BALETA	-	PEO II, LRM-RPMO V
MS. JILLIAN A. NOVIO	-	PEO II, LRM-PRMO V

WHEREAS, the Community Projects Fund (CPF) is a grant fund initially managed and administered by the contracted PVO and released to the organized beneficiaries as loan to finance the capital requirements of their identified livelihood projects;

WHEREAS, the guidelines on the utilization of the CPF specifies only the local group as the administrator of the fund but is silent as to its fund ownership;

WHEREAS, the premise to designate the LRM Province's as the owner of the CPF is in accord with the thrust of the Province to replicate the concept to non-LRM areas;

WHEREAS, as owner of the CPF, the Province shall abide to the terms and conditions set forth in their respective CPF Manual of Operations and the signed Agreement between the local group and local government units;

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, to delineate the LRM provinces as the owners of the CPF while the local group developed by the PVO, and certified capable both by the Province and the RPMO V to administer the CPF and to be responsible and accountable to the province;

RESOLVED FURTHER, that copies of this resolution be distributed to the four (LRM) provinces, the contracted Private Voluntary Organizations (PVOs), and the Community-Based Organizations (CBOs).

APPROVED, this 8th day of March, 1991 at Legazpi City, Philippines.

I hereby certify to the correctness of the foregoing resolution.

(Sgd) JASMIN A. CASIN
RPCC Secretary

ATTESTED:

(Sgd) JOSE S. ESTEVEZ
Chairman, RPCC

(Sgd) VENANCIO S. BACLAGON
Co-Chairman, RPCC

ASSESSMENT OF THE CPF CREDIT SCHEME IN SOUTHERN LEYTE

A. BACKGROUND

The CPF scheme in Southern Leyte has been pilot-tested in the municipality of Padre Burgos during Phase I (1984-1987) and consequently implemented in three other municipalities namely, Tomas Oppus, Saint Bernard and San Juan starting in 1988. These municipalities are mainly agricultural where at least 60 percent of the labor force are in the agriculture sector and at least half of the total land area are farms/arable lands. Like most municipalities in the province, those covered by the survey belong to the 5th revenue class, except San Juan which belong to the 4th income category. (See Attachment for the Area Profile).

In the CPF credit scheme, a grant was given to the provincial government of Southern Leyte to finance viable livelihood or income-generating projects of qualified community-based organizations. It is, however, administered by a private voluntary organization (PVO) contracted by the National Economic and Development Authority (NEDA). So far, three PVOs have been involved in the project, namely, the Philippine Business for Social Progress (PBSP), the Economic Development Foundation (EDF) and the Southern Leyte Development Foundation, Inc. (SLEDFO). PBSP has been contracted to administer Phase I of the CPF. The EDF took over in 1988 and operated in the province for 18 months, until the administration of the CPF was turned over to SLEDFO, a province-based PVO.

B. A SYNTHESIS OF THE LRM EXPERIENCE IN CPF IMPLEMENTATION

The implementation of the CPF in Southern Leyte which is now on its tenth year, is reviewed at two levels: program management and beneficiary. This study tried to capture the experiences of these key actors in the CPF operations particularly those encountered in the more recent years under the SLEDFO administration.

Program Management Level

As conceptualized, the CPF, a credit component of the LRM program, enjoins the active involvement of the private sector and the local government unit (LGU). Specifically, the CPF was designed to be implemented jointly by the LGU as the fund owner, and a chosen PVO as the fund administrator. Municipal-level CPF committees chaired by the respective town mayors also play an important role in the implementation of the program. The NEDA through the LRM - Regional Project Management Office (RPMO) of Region VIII oversees the project in the province. Details of the roles of these institutions and an assessment of their performances are discussed below.

The Southern Leyte Development Foundation, Inc. (SLEDFO)

Objectives and Strategies. The SLEDFO was organized in May 1988 with a start-up capital funds of P4,050.00 put in by 15 individual incorporators. It envisions to develop self-reliance and improve the quality of life of every Southern Leyteño socially, economically, morally and physically. Specifically, its objectives are to 1) organize self-reliant communities in order to facilitate the delivery of social services and give the people control over their own destinies; 2) generate job opportunities, enhance productivity and assist in the establishment of an effective marketing system in the province; 3) restore and maintain ecological balance; and 4) develop morally responsible and upright citizens.

SLEDFO has identified the following strategies to achieve their objectives: 1) adoption of community organizing approaches and methodologies to organize beneficiaries and enable them to participate in their own development; 2) promote and facilitate establishment of income generating projects; 3) promote and disseminate improved production technologies; 4) establish linkages among producers and con-

sumers/buyers; 5) assist in the implementation of programs to restore, conserve, protect and sustain the development and utilization of the province's natural resources; and 6) undertake a program on value reorientation and character formation.

Organizational Structure and Personnel. At the helm of SLEDFO is its Board of Trustees composed of 15 individuals and an Executive Committee composed of three members of the Board and an Executive Director who at the same time attends to the daily operations of the Foundation. Backstopping the Executive Director are four personnel which includes a program officer, an accounting/finance officer, an operations officer and an administrative support staff.

Sources of Funds and Current Activities. The major sources of funds of the SLEDFO are various grant funds from a number of institutions in addition to their share of interest earnings in administering the CPF. These grant funds (listed in Annex Table C.1) have been utilized in the construction of deep and shallow wells, school buildings and in financing their fishermen and fish vending projects. SLEDFO was also able to avail of a loan from the Department of Trade and Industry under its Tulong sa Tao Program to finance its root soy sauce production project being implemented in the municipality of Maasin. Total grant and loan funds which have been administered by SLEDFO since it started operations three years ago amounted to P3.0 million, including the CPF fund (P488 thousand) transferred to them by the EDF as trust liability/fund.

Annex Table C.1
SLEDFO's SOURCES OF FUNDS

	Year Granted	Amt. Released (P000)	Main Purpose/Usage
A. GRANTS			
PEACE (Philippine Economic and Cultural Endowment)	April 1990	120	construction of deep wells in Maasin
JAPAN Red Cross	Oct. 1990	10	shallow wells
Presidential Management Staff (PMS)	July 1989	1780	7 units of school bldg.
NALGO-CFSI (Congressional Spouses Foundation, Inc.)	Feb. 1990	100	fisnermen/fish vending project
NEDA-LRM a/	July 1990	488	CPF projects
B. LOANS			
DTI-Tulong sa Tao Program	1990	540	root soy-sauce production
C. OTHERS			
Incorporators	1988	4	
Savings/Earnings from Administration of funds/projects	various years	99b/	honorarla payments to personnel
Total Grants and Loan Funds		3,038	

a/ Fund is owned by the Provincial Government of Southern Leyte.
b/ As of October 1, 1990.

Involvement in the CPF. SLEDFO became involved in the CPF in view of the need for a province-based PVO to continue the administration of the fund since the EDF's contract with the NEDA-LRM expired in February 1990. Prior to SLEDFO's administration of the CPF in June 1990, an assessment of the LRM's implementation under the EDF was undertaken. One of the findings was that the SLEDFO had "doubts about its own capability to undertake CPF administration founded mainly on its uncertain financial status after its earnings from earlier projects are exhausted." A recommendation made was for EDF to assist SLEDFO in sourcing funds and to further orient them on their (SLEDFO's) role in the program.

As stipulated in the memorandum of agreement signed by the NEDA-LRM, the Provincial Government of Southern Leyte (referred to as PROVINCE), and SLEDFO on June 22, 1990, SLEDFO shall a) administer the CPF in accordance with the policies and procedures provided for in the CPF Manual of Operations; b) regularly furnish NEDA-LRM and the PROVINCE copies of program reports and maintain

accounting books and records; and c) assume the supervision of CPF borrower groups and the collection of their repayments.

In general, the SLEDFO has adopted the policies and procedures established by the EDF in administering CPF funds which have not yet been loaned out to poverty groups, amounting to P488 thousand at the time of the transfer. With regard to forms and reports, however, they maintained only those which are essential, such as monthly fund status reports and quarterly reports on the status of CPF loans which are regularly submitted to the NEDA-LRM/RFMO. Moreover, the SLEDFO keeps separate books of accounts on the CPF.

With respect to the supervision of CPF borrower groups and the collection of loans, the SLEDFO has been coordinating very closely with the Municipal Development Council (MDC) personnel and/or community development workers assigned by the Mayors in the four municipalities to assist in the CPF program. It conducts visits to the MDCs, albeit irregularly, essentially inquiring on the status of CPF collections. Among the group loan beneficiaries, however, the SLEDFO's presence is not generally felt especially in the municipalities of Padre Burgos and Tomas Oppus. Ironically, it is in these municipalities where most of the group beneficiaries, if not all of them, have availed of the CPF under the administration of the PBSP/EDF. It therefore appears that the SLEDFO had just been monitoring collections. In the other two municipalities namely, San Juan and Saint Bernard, six beneficiary groups were able to borrow under the CPF during the SLEDFO's administration of the fund. These groups seem to be monitored more closely by SLEDFO than the rest of the beneficiaries. In fact, a number of groups have not been visited by the SLEDFO nor are they aware of its existence.

SLEDFO's Earnings and Financial Condition. The SLEDFO has been registering positive incomes since October 1989 until June 1991 with accumulated revenues of P310 thousand, half of which have been derived from a school building construction project (Annex Table C.2). Meanwhile, cumulative earnings from the CPF comprised 18 percent of the SLEDFO's aggregate incomes. Over the same period, total operating expenses of SLEDFO amounted to P204 thousand a large portion of which went to salaries of personnel. Net income obtained by SLEDFO so far reached P106 thousand.

Annex Table C.2
INCOME AND EXPENSES OF SLEDFO
October 1989-June 25, 1991
(In Thousand Pesos)

	As of Oct. 1, 1989	Nov. 1989 to Oct. 1990	Oct. 1990 to June 25, 1991	Oct. 1989 to June 25, 1991 Amount (P000)	% Share
INCOME					
from School Bldg. Construction Project	106	40.4	-	146.4	47
from Deepwell Construction Project	-	64	-	64	21
from Shallowwell Construction Project	-	-	3	3	1
from Community Projects Fund	-	9.5	46.4	55.9	18
Interest Income	0.5	6	34.9	41.4	13
TOTAL INCOME	106.5	119.9	84.3	310.7	100
EXPENSES					
Personnel	15	61.5	55.7	132.2	65
Travel expenses	9.2	11.8	3.4	24.4	12
Conference/Seminar/Training	2.4	6	nil	8.4	4
CPF administration expense	-	2.5	8.6	11.1	5
Office supplies	1.3	2.3	3.5	7.1	4
Representation expense	1.8	1.8	1.5	8.1	2
Maintenance	0.9	3.9	2.8	7.6	4
Miscellaneous	0.7	6.3	1.6	8.6	4
TOTAL EXPENSES	31.3	96.1	77.1	207.5	100
NET INCOME (to Retained Earnings)	75.2	23.8	7.2	103.2	

SLEDFO's total resources before CPF (i.e. as of October 1989) amounted to P79 thousand. After one year, this increased to P2.2 million mainly because of the transfer of CPF funds amounting to P2.0 million as trust liability (Annex Table C.3). Excluding trust liabilities/funds, SLEDFO's capital increased to P110.4 thousand as of June 1991 reflecting an increase of 39 percent after 20 months of operation. The increase can be largely attributed to retained earnings derived from the various projects engaged in by SLEDFO. Considering a start-up funds of only P4,050.00, SLEDFO's net return on investment (ROI) is twenty-five-fold.

Annex Table C.3
SLEDFO'S FINANCIAL CONDITION
As of Dates Indicated
(In P000)

	As of Oct. 1, 1989	As of Oct. 1, 1990	As of June 24, 1991*
ASSETS	79.3	2224.2	753.8
Current	79.3	2224.2	752.2
Fixed	-	-	1.6
LIABILITIES	0	19.6	546.3
CAPITAL	79.3	2204.5	207.6
SLEDFO Fund	4.1	4.1	41.1
Trust fund/liability	-	2101.3	97.2
Retained earnings	75.2	99.1	106.3

*Interim financial report and therefore, not consolidated; essentially excluding CPF trust liability.

The Provincial Government of Southern Leyte or the PROVINCE

The PROVINCE, which is the owner of the CPF fund and represented by the Governor, agreed to a) monitor the utilization of the CPF, validate the reports submitted by the SLEDFO and see to it that the fund is being utilized according to the provisions in the CPF Manual of Operations; b) monitor and evaluate the performance of SLEDFO in administering the CPF; c) review the policies and procedures provided in the CPF Manual of Operations and assess whether such policies and procedures are still applicable to the prevailing provincial situation; and d) initiate actions and make policy recommendations, based on its assessment of CPF administration and utilization, that would further facilitate the release and collection of funds.

Unlike Catanduanes and Antique where a provincial level CPF committee has been created in order to perform the above functions, the Provincial Planning and Development Office (PPDO) acts as the program overseer in Southern Leyte. The PPDO virtually performs all monitoring and evaluation functions. Specifically, the PPDO monitors the performance of SLEDFO keeping track of the reports being submitted by the Foundation. In addition, the PPDO designates two or three members of its staff to go to LRM municipalities and validate/evaluate reports of the SLEDFO.

At the municipal level, a CPF committee is created composed of one representative each from the Municipal Development Council (MDC) and the SLEDFO with the municipal Mayor as chairman. The Mayor also acts as the program manager in the municipality. However, it was learned that the committees had never really sat down to discuss/thresh out CPF-related problems and issues. It seemed that the SLEDFO has not yet developed a harmonious working relationship with the MDCs which can be partly explained by their infrequent visits and few encounters with the MDCs. Both parties do not seem to have a clear understanding of their specific roles. In the municipality of Tomas Oppus for instance, both parties have

been expecting the other to monitor and supervise CPF beneficiaries. As a result, the SLEDFO is perceived to be remiss in performing their monitoring function while the MDC attends to the problems of the beneficiary groups only as the need arises.

NEDA-LRM/Regional Project and Management Office (RPMO)

This office supervises the implementation of the LRM project in the region including the CPF. With respect to the CPF operations in Southern Leyte, the RPMO has agreed to: a) see to it that the SLEDFO and the PROVINCE are performing their tasks; b) address policy concerns raised and/or recommendations made by the PROVINCE which can be resolved at the regional level; and c) periodically update the NEDA-LRM/National Project Management Office (NPMO) on the status of the CPF and bring up policy concerns which can only be addressed at the national level. The RPMO in Region VIII also facilitated the turn over of the CPF and all pertinent documents and books related to its management from the EDF to the SLEDFO.

The RPMO has designated a staff to monitor the status of funds and collections under CPF. The assigned person conducts occassional provincial visits especially when their records have to be reconciled with those of the SLEDFO. They receive monthly fund status reports and quarterly reports on the status of collections from SLEDFO, although the said reports are usually delayed due to the SLEDFO's very limited manpower resources.

The CPF Scheme: Policies and Procedures as Implemented by the SLEDFO

The CPF scheme under the supervision of the SLEDFO was essentially an adoption of the policies and procedures established by the EDF. In a particular municipality, the MDC chooses organized and trained beneficiaries, assists them in accomplishing application forms and in the preparation of feasibility studies, and submits its recommendation to the SLEDFO. The SLEDFO, in turn, reviews and finally approves the loan. Loans are released by the SLEDFO together with the MDC representative. Projects and beneficiaries are monitored and supervised. The cycle is completed upon full payment of the loan.

Identification of Beneficiaries and Projects. Group beneficiaries chosen by MDCs are those which are duly registered with the appropriate government agency, without outstanding liability with any government or private lending institution and capable of putting up the equity counterpart requirement for the project (cash or non cash). Officers of these groups should have undergone training on operations and management credit administration and project supervision and monitoring. They should be clear of any suspicion for fund or property malfeasance.

The projects submitted for financing are formulated by the organization members themselves in consultation with the MDCs. These projects must be in the list of priority projects of the respective municipalities. Their corresponding credit requirements are also submitted.

Lending and Repayment Terms and Conditions. The SLEDFO makes available to group borrowers loans not exceeding P100,000.00 at a uniform interest rate of 15 percent per annum. No service fees are charged. Interest earnings are shared by the SLEDFO, the MDC and the beneficiary group in the following manner: 40% of the 15% interest earnings goes to SLEDFO, another 40% to the MDC and the remaining 20% goes back to the beneficiary group for capital build-up. The loan should be utilized to finance any livelihood project which is specified at the time of loan application. Diversion of loan proceeds to other activities/purpose is considered a violation.

The contracted loans are payable within three to four years and amortized monthly, quarterly or semi-annually with a grace period of 2-4 months, depending on the group's project cash flow. This means that the first amortization of the borrowing group is to coincide with the period at which the project of the group is expected to take in initial earnings. SLEDFO allows refinancing, renewal or restructuring of the loan. Moreover, it accommodates delayed payments without penalty charges in cases of calamities.

Group borrowers are required to submit an accomplished application form, together with the following documents: certificate of registration, the association's resolution to avail of loan, a simple feasibility study or project proposal and MDC's approval and endorsement of project/loan.

Overall Program Performance/Status

Status of CPF Loans. Total CPF loans granted to 41 beneficiary groups amounted to P2.23 million as of June 1991. Only about 22 percent or P486 thousand was released under SLEDFO's administration. Loans outstanding totalled P1.77 million, 70 percent of which is already past due. Collection efforts appear to be ineffective as the overall repayment rate recorded is only 27 percent (Annex Table C.4).

Annex Table C.4
STATUS OF CPF LOANS
As of June 1991

	Under EDF/PBSP	Under SLEDFO	TOTAL
Loans Granted (P)	1,742,870	486,100	2,228,970
Loans Outstanding (P)	1,515,701	253,221	1,768,922
Current Loans			521,751
Past due Loans			1,247,171
Loans Collected (P)	227,170	232,978	460,148
Loans Matured			1,720,216
Past due ratio a/ (%)			70.50%
Repayment Rate b/ (%)			26.75%
Default Rate c/ (%)			72.50%

a/ Past Due Loans/Loans Outstanding
b/ Loans Collected/Matured Loans
c/ Past Due Loans/Matured Loans
Source: SLEDFO, July 1991

Majority of group beneficiaries (26 out of 41) are engaged in only one livelihood project financed by CPF while the rest undertake more than two types of income-generating activity. Multiple projects are mostly undertaken by beneficiaries in Padre Burgos (Annex Table C.5). By type, at least 60 percent of loans are invested in agricultural projects which are mostly production activities. Meanwhile, 28 percent of loans were used to finance non-agricultural projects, the bulk of which went to the capitalization of consumer stores. Relending or credit services are also ventured in by a handful of beneficiary groups (Annex Table C.6).

Annex Table C.5
DISTRIBUTION OF GROUP BENEFICIARIES BY NUMBER OF PROJECTS/
ACTIVITIES FINANCED BY CPF, BY AREA

	Padre Burgos	Tomas Oppus	Saint Bernard	San Juan	All Municipalities
1	4	14	3	5	26
2	3	1	3	2	9
3	4	-	-	-	4
4	1	-	-	-	1
5	1	-	-	-	1
Total Groups	13	15	6	7	41
Ave. No. of Projects	2	1	2	1	2

Source: NEDA-LRM/RPMO

Annex Table C.6
LOANS GRANTED UNDER CPF, BY PURPOSE/ACTIVITY
As of December 1990

	No. of Group Beneficiaries	No. of Individual Beneficiaries	Loans Granted Amount	% to Total
AGRICULTURAL				
- Land Redemption	10	88	234.8	11.3
- Production a/	14	205	520.3	25
- Processing	1	2	15	0.7
- Marketing	5	51	235	11.3
- Farm mechanization	4	127	242	11.6
Total Agricultural	34	473	1247.1	60
NON-AGRICULTURAL				
- Consumer Store	18	613	528.3	25.4
- Others b/	3	51	56	2.7
Total Non-Agri	21	664	584.3	28.1
OTHERS				
- Credit Services	5	171	187.5	9
- Others c/	1	71	60	2.9
Total Others	6	242	247.5	11.9
GRAND TOTAL	61d/	1,379	2,078.9	100.0

a/ Includes carabao breeding, carlang/camote/ubi production, broiler production, mongo/peanut production, piggery, farm inputs, fishing.
b/ Includes romblon crafts, chair saw, trading.
c/ Includes unspecified projects.
d/ Exceeds total beneficiaries (41) since a group can undertake more than one project.

Description of Beneficiaries. The beneficiaries of CPF in Southern Leyte or the direct recipients of loans are all community-based organizations (CBOs) registered either with the Securities and Exchange Commission (SEC) or the Department of Labor and Employment (DOLE). Beneficiary groups in four municipalities of Southern Leyte totalled 41. One-third of these groups are located in Tomas Oppus (15) and roughly another third in Padre Burgos (13). The rest are associations situated in St. Bernard (6) and San Juan (7).

The profile of beneficiary groups is shown in Annex Table C.7. Eight groups were actually the first recipients of CPF loans in the province during 1986-87. To date, beneficiary groups totalled 41, two-thirds of whom have been in the program for not more than 2 years. The average number of members is 40, most of whom are farmers and/or fishermen.

Annex Table C.7
DISTRIBUTION OF CPF GROUP BENEFICIARIES IN SOUTHERN LEYTE
BY NUMBER OF MEMBERSHIP AND LENGTH OF PARTICIPATION

	No. Reporting	% to Total Group Beneficiaries
A. NO. OF MEMBERS		
15 and below	4	9.8
16-30	7	17.1
31-45	19	46.3
46-60	5	12.2
61-75	3	7.3
more than 75	2	4.9
Average		40
B. LENGTH OF PARTICIPATION		
> 1 yr. - 2 yrs.	27	65.8
> 2 yrs. - 3 yrs.	2	4.9
> 3 yrs. - 4 yrs.	0	0
> 4 yrs.	10	24.4
TOTAL	41	100

Average amount of CPF loans released per beneficiary group is approximately P54 thousand. On the average, smaller loans were granted to beneficiary groups in Tomas Oppus while bigger amounts were granted to associations in St. Bernard (Annex Table C.8).

Status of Funds. As of March 1991, the P2.0 million CPF fund allocated in Southern Leyte and divided equally among the four participating municipalities had practically been loaned out. Repayments have already been collected and returned to the revolving fund, for relending. In fact, in Padre Burgos, about half (P236 thousand) of the original amount allocated has already been collected and lent to current beneficiaries as well as new groups. Amount available for lending as of March 1991 was placed at P168 thousand (Annex Table C.9).

SLEDFO's Income from CPF and Cost of Program Administration. For the past year, the CPF's income reached P141 thousand made up of interest earnings on loans receivable (87 percent) and bank deposits (Annex Table C.10).

Annex Table C.8
AVERAGE AMOUNT OF CPF LOANS, BY MUNICIPALITY
As of March 31, 1991

Municipality	Total Loan Released (P)	No. of Group Beneficiaries	Average CPF Loan/Beneficiary (P)
Padre Burgos	736,970	13	56,690
Tomas Oppus	492,000	15	32,800
Saint Bernard	500,000	6	83,333
San Juan	500,000	7	71,428
TOTAL	2,228,970	41	54,365

Annex Table C.9
STATUS OF FUNDS AS OF MARCH 1991

Municipality	Total Loan Allocation	Total Loan Releases	Fund Repayments	Balance
Padre Burgos	500,000	736,970	262,259	25,259
Tomas Oppus	500,000	492,000	92,440	100,440
Saint Bernard	500,000	500,000	42,600	42,600
San Juan	500,000	500,000		
TOTAL	2,000,000	2,228,970	397,299	
TOTAL FUND BALANCE				168,329

Source: SLEDFO

Annex Table C.10
CPF STATEMENT OF OPERATIONS UNDER SLEDFO ADMINISTRATION
As of June 25, 1991

	Amount
INCOME OF CPF	141,173
Interest on loans receivable	122,378
Interest on bank savings deposit	18,795
SLEDFO'S INCOME	54,294
EXPENSES	15,483
Honorarium	5,100
Travelling Expenses	9,574
Miscellaneous Expenses	809
SLEDFO'S net income	38,811

Note: Cost per peso loan released = P15,483/486,100=0.0318

The SLEDFO's share in interest earnings amounted to P54 thousand, while its total expenses in administering the CPF is roughly P15.5 thousand, the bulk of which was spent for travel in the course of collection and/or monitoring loans/projects. The Foundation's administration of the CPF yield P39 thousand in net earnings (Annex Table C.10).

Moreover, administrative cost incurred by the SLEDFO alone is estimated at P0.03 per peso loan released or roughly P2,500 per beneficiary group. Considering its earnings from the administration of the fund, this cost is more than covered.

Problems Encountered by Program Implementors. One of the major problems cited by the PPDO, SLEDFO, MDCs and the NEDA-LRM/RPMO in the implementation of the program (Annex Table C.11) is the "delayed or non-payment of loans by beneficiary groups" which, as explained by the MDCs, is due primarily to their low project incomes because of natural calamities. On the other hand, the SLEDFO attributed this problem to negative attitudes at the borrower level and the eventual disintegration of some groups probably brought about by the pull out of the EDF. The EDF actually had volunteers who integrated themselves into the community and dealt very closely with the beneficiary groups which, the SLEDFO claims, it cannot do because of manpower and financial constraints.

Annex Table C.11
PROBLEMS ENCOUNTERED BY PROGRAM IMPLEMENTORS IN SOUTHERN LEYTE

	PPDO	Raised by SLEDFO	MDC	NEDA-LRM RPMO
Collection problems/delayed or non-repayment	/	/	/	
Political interference in identifying beneficiary groups and implementation of program	/			
Irregular and delayed submission of reports by SLEDFO	/			/
No clear guidelines at the outset		/		
SLEDFO lacks personnel and funds	/	/		/
Disintegration of group beneficiaries				
Limited CPF funding			/	
Difficulty of converting groups into cooperatives			/	
Poor monitoring and supervison	/			
- by MDC		/		
- by SLEDFO			/	
Lacks coordination with other government agencies	/			

The collection problem as cited by the PPDO may also be explained by political interference in the implementation of the program especially in the identification of beneficiaries and in repayment. This is particularly true of most borrowers who have access to and/or are personally known to mayors and other municipal govemment officials, and who willfully do not pay or continually request for allowing delayed payments without penalty charges.

Poor monitoring and supervision of loans and projects of beneficiary groups is another issue commonly raised by both the MDC and the SLEDFO, and which they both blame on the others. The PPDO, on the other hand, claims they cannot closely monitor the program, especially the repayments, because of the irregular and delayed submission of reports by the SLEDFO.

Beneficiary Level

In order to document and analyze the experience of beneficiary groups i.e, the community-based organizations (CBOs) with respect to their participation in the CPF, as well as to validate the findings at the program management level, sample beneficiary groups were visited and interviewed. Selected beneficiary groups were those which have been participating in the program for at least one year. In Southern Leyte, a total of 21 sample groups or 50 percent of all beneficiaries representing the four municipalities, were surveyed. The distribution of sample beneficiary groups is shown in Annex Table C.12.

Annex Table C.12
DISTRIBUTION OF SAMPLE BENEFICIARY GROUPS IN SOUTHERN LEYTE BY MUNICIPALITY

Municipality	No. of Sample Groups	Total No. of Beneficiary Groups
Padre Burgos	7	13
Tomas Oppus	7	15
Saint Bernard	3	6
San Juan	4	7
TOTAL	21	41

Profile of Sample Beneficiary Groups/Community-Based Organizations (CBOs)

Criteria for Membership and Objectives. The 21 sample CBOs in Southern Leyte are all registered with either the DOLE or SEC. They were organized by the LRM-contracted PVOs (i.e., PBSP, EDF or SLEDFO), together with the local MDCs after they have completed the trainings and seminars required. To be a member, one must satisfy a number of criteria set by these associations. A common criteria is that one must at least "have the capacity to pay the membership fees" and "have completed trainings/ seminars". Other important criteria for membership include "good moral character", and "active, voluntary attendance in group activities and meetings" (Annex Table C.13). Considering that the CPF is meant to be a program for the poor, it must be noted that only 24 percent of CBOs required that one "must come from the poorest of the poor" to be a member of any of the CBOs.

Annex Table C.13
CRITERIA FOR MEMBERSHIP IN A BENEFICIARY GROUP IN SOUTHERN LEYTE

CRITERIA	Number Reporting				Total	
	Padre Burgos	Tomas Oppus	Saint Bernard	San Juan	No.	%
- permanent resident of the barangay	1	2	0	0	3	14.3
- must come from the poorest of the poor (marginal/upland farmers, sustenance fishrmen, landless agricultural workers)/unemployed	1	2	0	2	5	23.8
- with good moral character	3	1	0	2	6	28.6
- must be 15 years old and above	0	0	0	0	0	0.0
- knows how to read and write	0	0	0	0	0	0.0
- skillful in their means of livelihood	1	0	0	0	1	4.8
- has undergone trainings/seminars	4	3	3	1	11	52.4
- capacity to pay membership fee (and the regular capital build-up)	4	5	3	3	15	71.4
- proven commitment, interest	0	0	0	0	0	0.0
- must not have any outstanding loans w/previous gov't. projects	0	0	0	1	1	4.8
- active, voluntary attendance in group activities and meetings	5	2	0	1	8	38.1
- must be married	1	1	0	0	2	9.5
Total No. of CBO's	7	7	3	4	21	100.0

The primary reasons for organizing CBOs as mentioned by officers of sample beneficiary groups are not purely economic. However, almost all of them (19 out of 21) claimed they have grouped themselves primarily to uplift their economic condition and/or to improve existing community projects or start new ones. A significant number of respondents (about 1 out of 3) disclosed that they formed their CBOs to be able to avail of loans, grants and/or technical assistance from concerned institutions. Two of the CBOs on the other hand, regard their group as a union that could protect them from danger (Annex Table C.14).

Membership and Officers' Profile. At the time of interview, average membership of CBOs is 42, which is 20 percent bigger than their average size at the time they organized. By municipality, relatively larger associations are in Padre Burgos (Annex Table C.15). On the average, women members comprised 32% of the membership of these groups.

Annex Table C.14
REASONS FOR ORGANIZING AS CITED BY THE CBO/PG IN SOUTHERN LEYTE

Reasons	Number Reporting				Total	
	Padre Burgos	Tomas Oppus	Saint Bernard	San Juan	No	%
to uplift the economic condition of the members	3	4	3	3	13	61.9
to improve existing projects of the community/start new ones	2	3	0	1	6	28.6
to avail of loan/technical assistance	2	1	1	1	5	23.8
to unite against any danger/enemy within their territory	0	1	1	0	2	9.5
to acquire grants from different organization/agencies	2	1	0	0	3	14.3
Total No. of Sample CBOs	7	7	3	4	21	100.0

Annex Table C.15
NUMBER OF MEMBERS OF CPF-PARTICIPATING CBOs IN SOUTHERN LEYTE

	Padre Burgos	Tomas Oppus	Saint Bernard	San Juan	Total No.	Total %
A. Average number of members						
At organization	41	32	34	27	35	
As of interview period	66	27	27	36	42	100.0
Male	47	20	18	19	29	68.3
Female	20	7	9	16	13	31.7
% change	61.3	-15.7	-21.9	-32.1	20.1	
As of interview period (total members)						
<= 10	2	4	4	0	10	24.4
11 - 20	3	6	2	4	15	36.6
21 - 30	3	1	1	2	7	17.1
31 - 80	4	1	0	0	5	12.2
> 80	1	1	0	0	2	4.9
No Answer	0	2	0	0	2	4.9
TOTAL	13	15	7	6	41	100.0
Total No. of Sample CBO	7	7	4	3	21	100.0

Source: CBO questionnaire

Like most members of the beneficiary groups, majority (57%) of the officers derive their income primarily from farming. On the other hand, a significant number of members comprising 18 percent, are reportedly housemakers. Officers of the groups are, on the average, 45 years old and mostly men (69%).

Annex Table C.16
PROFILE OF OFFICERS OF CBOs IN SOUTHERN LEYTE, BY MUNICIPALITY

Items	Padre Burgos	San Juan	Saint Bernard	Tomas Oppus	Total No.	% Share
AGE						
20 - 29	1	1		5	7	4.9
30 - 39	10	7	3	21	41	28.9
40 - 49	10	5	3	14	32	22.5
50 - 59	23	4	3	13	43	30.3
60 - 69	5	3		5	13	9.2
>69	4	2			6	4.2
Average Age	56	38	45	39	45	
SEX						
Male	35	14	12	47	108	68.8
Female	19	10	6	14	49	31.2
MAJOR OCCUPATION						
Farmer	25	7	7	47	86	57.0
Fishermen	6				6	4.0
Laborer	1	2		1	4	2.6
Businessman	3	1			4	2.6
Employee	7				7	4.6
Housemaker	3	5		14	27	17.9
Barrio Councilor	1	3			4	2.6
Retired Teacher	1	3			4	2.6
Teacher	1			1	2	1.3
Seaman	1				1	0.7
Military				1	1	0.7
Auto Mechanic				1	1	0.7
Gov't. Employee			1		1	0.7
None	1	2			3	2.0
Total No. of Officers	57	24	9	60	150	
Average No. of Officers/CBO	8	6	9	9	7	

Sources of Funds. The dominant source if not the only source of funds of sample CBOs is the CPF (details of which will be discussed in the next section). Another important source of financing for CBOs, particularly those in Padre Burgos, is a non-government, non-bank financing institution called Padre Burgos Concerned Citizens Association for Development, Inc. (PBCCAD). The PBCCAD, which is chaired by the Mayor of Padre Burgos, provides individual loans to residents of the municipality directly or thru associations. As of survey period, two reporting CBOs have availed of loans financed from PBCCAD averaging P'22 thousand each. Other sources of credit include the LRM- Subproject Funds (SPF) which is being administered by the Provincial government, the Department of Agriculture's Livelihood Enhancement for Agricultural Development (DA-LEAD) Program and storeowners (Annex Table C.17). Average amount of loans obtained by six CBOs from sources other than CPF is about P 36 thousand.

Internally-generated funds, albeit small compared to those tapped from external sources contribute to the beneficiary groups' fund base. These funds include membership fees, savings generated from fees deposits/ contributions of members and/or profits from livelihood projects.

Annex Table C.17
FUNDS OF CBOs IN SOUTHERN LEYTE, BY SOURCE a/

Items	Number Reporting	Average Amount Granted/Generated (P)	Fund Balance a/ (P)
A. LOANS			
CPF			
Others	21	45,690.0	-
LRM-CPF	2	94,500.0	950.0
PBCCAD	2 b/	22,166.7	5,633.7
Storeowners/Dealers	1	10,000.0	-
LEAD	1	80,000.0	0
B. SAVINGS/PROFITS			
Members' Savings/Capital	2	901.0	n.a.
Capital Build-up	4	1,950.0	n.a.
Earnings from Livelihood Project(s)	1	n.a.	n.a.

a/ As of interview period.
b/ One CBO did not report loan amount.
n.a. - No data available.

CPF Loans and Projects

Features of CPF Loans. Of the 21 sample beneficiary groups, only three so far have availed of CPF loans more than once. These three groups are all in Padre Burgos which is the LRM-CPF pilot municipality in Southern Leyte. These loans were released as early as 1986 and have been with the CBOs for an average of 2 years (Annex Table C.18).

CPF loans granted to these beneficiary groups are all non-collateralized and payable within an average of 4 years at an effective interest rate of 12% per annum. A schedule of amortization (principal and interest) payments was drawn for each beneficiary group.

Average size of loan per CBO was estimated at P60,517. Sixty-two percent of the beneficiaries however, borrowed amounts not exceeding P45,000 (Annex Table C.18).

Annex Table C.18
DISTRIBUTION OF CBOs, BY VARIOUS CHARACTERISTICS OF CPF LOANS, SO. LEYTE

Items	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	TOTAL No.	%
A. By Loan Size						
< 25,000	0	1	1	0	2	9.5
25,000 - <35,000	1	5	1	0	7	33.3
35,000 - <45,000	3	1	0	0	4	19.0
45,000 - <55,000	2	0	1	0	3	14.3
>= 55,000	1	0	1	3	5	23.8
Mean	71,882	29,857	71,875	90,396	60,517	
B. Year Granted						
1986	2	0	0	0	2	9.5
1987	4	0	0	0	4	19.0
1988	1	0	0	0	1	4.8
1989	0	5	2	2	9	42.9
1990	0	2	0	0	2	9.5
1991	0	0	2	2	3	14.3
C. By Maturity						
> 2 yrs. to 3 yrs.	6	1	0	0	7	35.0
> 4 yrs. to 5 yrs.	1	6	4	3	14	70.0
D. Purpose/Usage of Loans						
Capital for Consumer Store	0	6	3	0	9	30.0
Land Redemption	6	1	0	0	7	23.3
Gill Net Fishing	2	0	1	0	3	10.0
Relending/Credit	0	1	1	1	3	10.0
Farming (Crop Prodn)	2	0	0	2	4	13.3
Pre and Post Harvest Facilities	0	0	0	1	1	3.3
Livestock Raising	2	0	1	0	3	10.0
E. Number of Times Borrowed from CPF						
Once	4	7	4	3	18	
Twice	2	0	0	0	2	
More than 3x	1	0	0	0	1	
Total CBOs	7	7	4	3	21	

CPF-financed activities of CBOs may be collectively or individually undertaken by the association members. Majority of the loans obtained were reportedly for purposes of operating consumer stores. Other group projects include gill net fishing, relending/credit, and pre and post harvest facilities. Individual "loans" on the other hand, were basically for land redemption and farm development.

Loan Requirements and Transaction Costs. Applying for a CPF loan and getting hold of the loan proceeds have been generally easy for group beneficiaries. This is not surprising since they have been assisted by MDCs and PVOs specifically in loan documentation, i.e. in filling up forms and in the preparation of feasibility studies or project proposals. Nonetheless, at least three CBOs had difficulty in accomplishing requirements for their registration and one in the preparation of project proposals (Annex Table C.19). Three of the CBOs also cited difficulties in conforming with the repayment terms of the program particularly its amortization schedule and interest rates which they regard to be quite high.

Annex Table C.19
CPF GUIDELINES/REQUIREMENTS WHICH COMMUNITY-BASED ORGANIZATIONS OF SO. LEYTE PERCEIVED TO BE EASY/DIFFICULT TO COMPLY WITH, BY MUNICIPALITY

CPF Guidelines/ Requirements	Padre Burgos	Tomas Oppus	Saint Bernard	San Juan	Total No.	%
EASY						
- registration paper		1	1	1	3	27.3
- residence certificate/tax account no.						
- all requirements	3	2	1		6	54.5
Total No. of Respondents	3	3	1	4	11	100.0
DIFFICULT						
- organization/registration	-	1	-	2	3	42.9
- project proposal	-	-	1	-	1	14.3
- repayments terms	3	-	-	-	3	42.9
Total No. of Respondents	3	1	1	2	7	100.0
Total No. of Samples	7	7	3	4	21	

The beneficiary groups reported expenditures reaching an average of about P326 per group, 73 percent of which were spent on meals and supplies (Annex Table C.20). Other expenses include payments for loan documentation and processing (16% of total cost) and transportation expenses (14% of total transaction cost). CBOs in Tomas Oppus had bigger expenses in loan availment, in fact, twice the amount spent by CBOs in San Juan and St. Bernard. Beneficiaries in Padre Burgos had very little expenses. Average transaction costs per peso loan availed of is less than one centavo. This is much lower than the transaction cost of borrowing from banks which in 1987 was estimated at P0.031 centavos per peso of loan received 1/.

Status of Loans. Total CPF loans granted to 21 CBOs reached P959 thousand, 19 percent of which has already been paid as of interview period. This leaves about P36 thousand per CBO to settle within the next 2 to 3 years. Of the outstanding loans, about 52 percent have matured and are already past due (Annex Table C.21). As of interview period, high past due ratios are reflected by CBOs in Padre Burgos (98%).

1/ Obtained from the database of the Rural Savings Mobilization Action Research Project of the ACPC which conducted a survey of sample households/borrowers and banks in Pangasinan, Batangas, Camarines Sur, Iloilo and Misamis Oriental.

The average repayment rate of beneficiary groups (i.e., ratio of loans repaid to total loans matured) was estimated to be very low at 39 percent. This is primarily on account of low repayment rates of CBOs in Padre Burgos and Tomas Oppus. This further supports the claim of program managers in the province that one of the major problems of the program is the low repayments. Beneficiaries with unpaid due loans cited low incomes as the primary reason for not having been able to settle their obligations on time.

Annex Table C.20
TRANSACTION COSTS OF COMMUNITY-BASED ORGANIZATIONS IN SOUTHERN LEYTE
(In Pesos)

COST a/ (P)	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	TOTAL
<= 500	7	5	3	2	17
501 - 1000	0	0	1	1	2
1001 - 1500	0	0	0	0	0
1501 - 2000	0	2	0	0	2
Mean	7.14	614.29	375.00	333.33	326.19
Total	50.00	4,300.00	1,500.00	1,000.00	6,850.00
Ave. Amt./Peso Loan Availed	0.0002	0.02	0.005	0.006	0.007

a/ Includes expenses for loan documentation and processing, transportation, meals and supplies.
Source: CBO questionnaire

Annex Table C.21
STATUS OF CPF LOANS OF SAMPLE CBOs IN SOUTHERN LEYTE
(As of interview period)

Items	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	TOTAL
A. Loans Granted					
No.	7	7	4	3	21
Ave. Volume/CBO (P)	41,227	29,857	71,875	58,133	45,690
Total Volume (p)	288,590	209,000	287,500	174,400	959,490
B. Loans Repaid					
No.	7	7	2	2	18
Ave. Volume/CBO (P)	12,665	4,843	8,687	7,300	8,585
Total Volume (P)	88,655	33,902	17,375	14,600	154,532
C. Loans Matured					
No.	7	7	2	2	18
Ave. Volume/CBO (P)	35,914	13,861	10,859	14,500	22,105
Total Volume (P)	251,400	95,767	21,719	29,000	397,886
D. Loans Outstanding					
No.	7	7	4	3	21
Ave. Volume/CBO (P)	21,761	25,346	67,531	54,980	36,175
Total Volume (P)	152,324	177,420	270,125	159,800	759,669
E. Past Due Loans					
No.	7	7	2	1	17
Ave. Volume/CBO (P)	21,418	8,838	2,171	14,400	13,561
Total Volume (P)	149,927	61,865	4,344	14,400	230,536
F. Ave. Repayment Rate (%)	35.26	35.40	80.00a/	50.34a/	38.90
G. Ave. Past Due Ratio (%)	98.43	34.87	8.33a/	22.5a/	51.7

a/ Excludes those areas with no matured loans yet.

Ageing of past due loans revealed that 28 percent which have matured and remained unpaid as of the survey period has already been past due for more than 2 years (Annex Table C.22). Total loans of about P302 thousand of 13 CBOs is estimated to be past due for more than one year and hence would be quite difficult to collect.

Annex Table C.22
AGE OF PAST DUE CPF LOANS OF COMMUNITY-BASED ORGANIZATION, SOUTHERN LEYTE
As of March 31, 1991

	PADRE BURGOS		TOMAS OPPUS		SAN JUAN		SAINT BERNARD		TOTAL		
	No. Report-ing	Amount (P)	No. Report-ing	Amount (P)	No. Report-ing	Amount (P)	No. Report-ing	Amount (P)	No. Report-ing	Amount (P)	%
< 3 mos.			1	1,875					1	1,875	0.5
> 3 mos. - 6 mos.	1	850	2	5,625					3	6,475	1.8
> 6 mos. - 1 yr.			1	5,500	2	17,375	2	21,400	5	44,275	12.5
> 1 yr. - 2 yrs.	6	172,272	3	30,035					9	202,307	57.1
> 2 yrs.	4	99,616							4	99,616	28.1
TOTAL	11	249,021	7	43,035	2	17,375	2	21,400	22	354,548	100.0

The record of repayments and past due loans of individual CBO beneficiaries is also discouraging (Annex Table C.23). Average repayment of 311 reporting individuals to 16 CBOs is 26 percent of total matured loans. Corollarily, the default ratio is high, averaging at 74 percent.

Annex Table C.23
DISTRIBUTION OF INDIVIDUAL MEMBERS WITH CPF LOANS TO CBOs, BY LEVEL OF REPAYMENT RATE AND PAST DUE LOANS, SOUTHERN LEYTE

	PADRE BURGOS		TOMAS OPPUS		SAN JUAN		SAINT BERNARD		TOTAL	
	No.	%	No.	%	No.	%	No.	%	No.	%
NO. OF REPORTING CBOs	7		5		3		1		16	
REPAYMENT RATE										
0 - 20	48	35.6	98	86.7	0	0.0	0	0.0	146	46.9
21 - 40	40	29.6	0	0.0	43	100.0	0	0.0	83	26.7
41 - 60	35	25.9	15	13.3	0	0.0	20	100.0	70	22.5
61 - 80	12	8.9	0	0.0	0	0.0	0	0.0	12	3.9
81 - 100	0	0.0	0	0.0	0	0.0	0	0.0	0	-
Total Individual Members with CPF Loans	135		113		43		20		311	
Average Repayment Rate		36.0		13.0		27.0		50.0		26.3
DEFAULT RATE										
0 - 20	0	0.0	0	0.0	0	0.0	0	0.0	0	-
21 - 40	12	8.9	0	0.0	0	0.0	0	0.0	12	3.6
41 - 60	35	25.9	15	13.3	0	0.0	20	100.0	70	21.1
61 - 80	40	29.6	0	0.0	43	68.3	0	0.0	83	25.1
81 - 100	48	35.6	98	86.7	20	31.7	0	0.0	166	50.2
Total Individual Members with CPF Loans	135		113		63		20		311	
Average Past Due Ratio		64.0		87.0		82.0		50.0		73.7

CPF-Related Problems Encountered

CBOs have been confronted with several problems that affected their performance in the program. It appears that their most pressing problem, as disclosed by the majority, is the "delayed or non-payment of loans (i.e., amortizations due) primarily because of low incomes from projects." Also eight CBOs have revealed that there is little cooperation among officers and members of CBOs. (Annex Table C.24). These responses are actually consistent with those given by the program managers. Other internal problems cited are poor records and insufficient CPF funds.

On the other hand, the most commonly-raised problem which has to do with other agencies/or persons is the lack of monitoring and supervision by the SLEDFO, mentioned particularly by CBOs in Tomas Oppus. (See Annex Table C.24 for other CPF-related problems).

Annex Table C.24
CURRENT CPF-RELATED PROBLEMS, CITED BY SAMPLE CBOS IN SOUTHERN LEYTE

PROBLEMS	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	Total No.	Total %
Repayment/non-repayment due to low income from project	3	6	1	2	12	57.1
Poor cooperation between officers and members	1	1	5	1	8	38.1
Records are not updated				2	2	9.5
Breakdown of equipment						
Some members view the loan as a dole-out and therefore have stopped operation of the project						
Competition of projects because private agencies have entered the area						
High price of equipment						
Insufficent funds			1		1	4.8
High interest rate		1			1	4.8
Low bargaining power of farmers						
Total No. of Samples	7	7	4	3	21	

Impressions and other Perceptions on the CPF

When asked about their expectations from the CPF project, majority (57%) of the respondents declared that they participated in the program expecting "technical and financial assistance". At the same time, a substantial number of CBOs hoped that they would be able to put up a project and/or uplift the economic condition of their members (Annex Table C.25).

But did the program actually improve the economic condition of the beneficiaries? Based on the opinion of the officers of the groups, it appears that generally speaking, the program has a positive effect on the incomes/economic status of their members. Two out of three respondents estimated that majority if not all of their members have been helped by the program economically. The CPF has provided them with an alternative source of income and hence additional income, albeit minimal. They claimed that at the very least, it has eased their burden of finding capital for their production activities. However, these comments on the positive impact of the CPF on their economic condition are strongly contradicted by the poor repayment performance of CBOs, as discussed earlier.

Annex Table C. 25
EXPECTATIONS FROM THE LRM-CPF PROGRAM IN TERMS OF BENEFITS, BY AREA

EXPECTATIONS	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	TOTAL No.	TOTAL %
Loan availment to be able to put up a project	1	1	2	1	6	28.5
Uplift the economic condition of the people	1	4	1	2	8	38
Provision of financial/technical assistance	8	2	-	12	57.1	
Seminar/training for officers and members	1	2	-	-	2	9.5
Group formation for pooling funds	1	-	-	-	1	0.5
No expectation	-	-	1	-	1	0.5
Total No. of Samples	7	7	4	3	21	a/

a/ Will not tally to 100% due to multiple responses.

On the other hand, seven groups declared that none or only a few members have improved their economic condition as a result of their participation in the CPF project (Annex Table C.26).

Other impressions or comments about the CPF (listed in Annex Table C.27) are positive except for the problems on repayment terms. Officers of the beneficiary groups believe that the program is "very helpful" (cited by 9) and the program's "concept is good" (cited by 6).

Annex Table C.26
PROPORTION OF MEMBERS WITH IMPROVED ECONOMIC CONDITION UPON PARTICIPATION IN THE LRM-CPF PROGRAM, SOUTHERN LEYTE

PROPORTION	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	TOTAL No.	TOTAL %
1. All members	2	3	1	1	7	33.3
2. Majority of the members	3	3	-	1	7	33.3
3. Only a few members	2	-	2	1	5	23.8
4. None at all	-	1	1	-	2	9.5
Total No. of Samples	7	7	4	3	21	100.0

Annex Table C.27
CBOs/PGs IMPRESSION/COMMENTS ON THE LRM-CPF PROGRAM, SOUTHERN LEYTE

IMPRESSIONS/COMMENTS	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	TOTAL No.	TOTAL %
Program is very helpful/has good concept	6	5	3	1	15	71.4
Program is a pre-testing in fund mgt.	-	-	-	1	1	4.8
Interest rate is low	1	-	-	-	1	4.8
Difficult to pay the loan	-	1	1	-	2	9.5
Amortization schedule is not flexible	-	-	1	-	1	4.8
Lacks monitoring	1	1	-	-	2	9.5
TOTAL	7	7	4	3	21	a/

a/ Will not tally to 100% due to multiple responses.

Extent of Informal Borrowings

One of the underlying objectives of the CPF program is to wean beneficiaries away from informal lenders who charge usurious interest rates. Notwithstanding the absence of benchmark information on the extent of informal borrowings of members of beneficiary groups, CBO officials and some members were asked if the CPF has somehow minimized their dependence on informal lenders. Of the 21 sample groups, 38 percent answered "yes," and only 5 percent said "no". Meanwhile, majority responded that their members were, in general, never borrowers from informal sources (Annex Table C.28), because they were hesitant to borrow due to the consequences of not being able to pay. Those who said that the CPF had somehow decreased their members' dependence on informal sources further claimed that it has to some extent augmented their income and therefore borrowing from another source is unnecessary. They also cited that interest rate charges under the CPF is lower compared to that obtained from informal lenders.

Annex Table C.28
CBOs' RESPONSES TO THE QUESTION: HAS THE LRM-CPF LOANS SOMEHOW REDUCED DEPENDENCE OF MEMBERS OF THE CBOs ON INFORMAL LENDERS?

REASONS	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	Total No. Reporting		% to Total
YES							
Informal lenders charge higher interest rate		1			1		4.8
The CPF has helped the members augment their income	3				3	3	14.2
CPF loan is sufficient and with less interest	1			2	3		14.2
No given reason			1		1		4.8
Total "Yes"	4	1	1	2	8		38
NO							
Because association cannot lend in terms of money, only in terms of goods	1				1		4.8
Total "No"	1				1	1	4.8
NEVER BORROWED	2	5	3	1	11		52.4
Total No. of Samples	7	7	4	3		21	

Source : CBO Questionnaire

Incomes and Resources of Sample Beneficiary Groups

Most of the sample groups do not have complete records of finances that would clearly show their financial status. Thus, their incomes and expenses and/or their assets and liabilities have been roughly estimated. On the average, 11 CBOs reported gross incomes of P25 thousand per annum. Over the same period, CBOs' operating expenses, which are largely for operations of CPF-financed projects reached P11 thousand per CBO. Hence, average net income of reporting CBOs was estimated at P14 thousand (Annex Table C.29). Note that 6 out of the 11 reporting CBOs had net revenues of not more that P10 thousand per annum.

Income of CBOs. Net earnings of beneficiary groups, if any, accrue to the associations' funds. This was reported by at least half of the sample CBOs (Annex Table C.30). Nine groups mentioned that profits are not as yet divided among members as they do not have enough funds, while four CBOs categorically stated that they really have no plans of dividing the groups' profits among themselves.

Annex Table C.29
DISTRIBUTION OF CBOs BY INCOME AND EXPENSE
As of Various Dates Between June 1989 to May 1991
(Southern Leyte)

Items	Padre Burgos	Tomas Oppus	San Juan	Sali Bernard	TOTAL No.	%
GROSS INCOME						
10,000 and below	2	1	1	1	5	45.5
10,001 - 20,000	2	0	1	0	3	27.3
30,001 - 40,000	0	0	0	1	1	9.1
60,001 and above	0	1	0	1	2	18.2
Total No. Reporting	4	2	2	3	11	100.0
Average	12901.49	41259.26	14237.55	39175.44	25466.12	
OPERATING EXPENSES						
10,000 and below	4	1	2	1	8	72.7
10,001 - 20,000	0	0	0	1	1	9.1
30,001 - 40,000	0	1	0	1	2	18.2
Total No. Reporting	4	2	2	3	11	100.0
Average	5962.58	18958.53	3660.70	17606.62	11082.60	
NET INCOME						
10,000 and below	3	1	1	1	6	54.5
10,001 - 25,000	1	0	1	1	3	27.3
40,001 - 55,000	0	1	0	1	2	18.2
Total No. Reporting	4	2	2	3	11	100.0
Average	6938.91	22301.44	10576.85	21568.82	14383.52	

Annex Table C.30
NATURE OF DISTRIBUTION OF CBOs/PGs PROFITS FROM INCOME-GENERATING AMONG THE MEMBERS, SOUTHERN LEYTE

Nature of Distribution	Padre Burgos	Tomas Oppus	San Juan	Sali Bernard	TOTAL No.	%
Profits are not shared yet	3	3	2	1	9	42.8
Revenues less all expenses are divided among the members equally/equitably				1	1	4.8
No profit sharing	3		1		4	19.0
Dividends/Patronage Refunds are issued						
No answer	1	4	1	1	7	33.3
Total No. of Samples	7	7	4	3	21	99.9

a/ Will not tally to 100% due to multiple responses.

Source : CBO Questionnaire

CBO projects can be classified as individual or group projects. Individual projects include fish peddling, fish processing, farm development (planting of root crops), land redemption, carabao dispersal, livestock raising, motorbike peddling, and relending/credit. On the other hand, group projects include running a consumer store, farm mechanization, acquisition of farm inputs and fishing equipment. Group projects registered a higher repayment rate and a lower past due ratio compared to individual projects. This is exemplified by the 37 percent repayment rate and corresponding 98 percent past due ratio of Padre Burgos which implements individual projects, and the 40 percent repayment rate and 33 percent past due ratio of Tomas Oppus which implements groups projects (Annex Table C.31). Accurate information on the CBOs' income and expenses was not obtained. But it is reasonable to infer that high past due ratio may be attributed to the seasonality of the yield of individual projects.

Annex Table C. 31

LEVEL OF REPAYMENT BY TYPE OF PROJECT, SOUTHERN LEYTE

	Individual		Group	
	Number Reporting	(P)/Ratio	Number Reporting	(P)/Ratio
PADRE BURGOS				
Total Amount of Repayment (P)	8*	94,058.83		
Average Amount/CBO (P)		11,757.35		
Total Gross Income (P)	1	164.89		
Ave. Gross Income/CBO (P)		164.89		
Repayment Rate (%)		37.40		
Past Due Ratio (%)		98.40		
TOMAS OPPUS				
Total Amount of Repayment (P)	1	3,152.08	6	30,749.94
Average Amount/CBO (P)		3,152.08		5,124.99
Total Gross Income (P)	1	7,619.44	3	40,003.91
Ave. Gross Income/CBO (P)		7,619.44		13,334.64
Repayment Rate (%)		26.60		39.60
Past Due Ratio (%)		40.70		33.30
SAN JUAN				
Total Amount of Repayment (P)			2	17,375.00
Average Amount/CBO (P)				8,687.50
Total Gross Income (P)	1	2,000.00	1	25,000.00
Ave. Gross Income/CBO (P)		2,000.00		25,000.00
Repayment Rate (%)				80.00
Past Due Ratio (%)				8.30
SAINT BERNARD				
Total Amount of Repayment (P)	1	2,100.00	1	12,500.00
Average Amount/CBO (P)		2,100.00		12,500.00
Total Gross Income (P)	2	33,575.50	1	19,000.00
Ave. Gross Income/CBO (P)		16,787.75		19,000.00
Repayment Rate (%)		12.70		a/
Past Due Ratio (%)		22.50		a/
TOTAL				
Total Amount of Repayment (P)	10	99,310.91	9	60,224.94
Average Amount/CBO (P)		9,310.09		6,691.66
Total Gross Income (P)	5	43,359.83	5	84,003.91
Ave. Gross Income/CBO (P)		8,671.97		16,800.73
Repayment Rate (%)		34.70		48.40
Past Due Ratio (%)		70.90		26.60

* One CBO availed of loan twice.

a/ No matured loans as of date of interview.

b/ Excludes those areas with no matured loans as of date of interview.

CBOs' Resources and Capital. Average total resources of 8 reporting CBOs which are mostly cash and receivables (or liquid assets) amount to P 35,525. By municipality, CBOs in Padre Burgos have relatively greater assets than those in the other LRM-CPF municipalities (Annex Table C.32).

The CPF has a built-in mechanism for generating funds for the association as capital build-up. CBOs have the option to get 3 percent of the 15 percent interest rate charged to CPF loans. Most of the CBOs however are not enforcing this as suggested by the effective rates of interest charged to CBO beneficiaries of 12 percent per annum. In addition to the share in interest earnings, net revenues from group projects accrue to the organizations' capital, particularly net incomes from sales. Not a single beneficiary group, however, mobilizes savings of individual members. Average amounts of capital generated by 8 reporting CBOs is roughly P5,033. (Annex Table C.32).

Annex Table C.32
DISTRIBUTION OF CBOs BY AMOUNT OF RESOURCES AND CAPITAL
As of Various Dates Between August 1990 to June 1991
SOUTHERN LEYTE

Items	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	TOTAL No.	%
ASSETS						
10,000 and below	0	0	2	1	3	37.5
10,001 - 20,000	0	1	0	0	1	12.5
20,001 - 30,000	1	0	0	1	2	25.0
30,001 - 40,000	0	0	0	0	0	-
50,001 and above	1	0	1	0	2	25.0
Total No. Reporting	2	1	3	2	8	100.0
Average	85239	16002	24010	12846	35525	
CAPITAL						
1,000 and below	0	1*	0	1	2	25.0
1,001 - 2,000	1	0	2	1	4	50.0
5,001 and above	0	0	1	0	1	12.5
10,000 and above	1	0	0	0	1	12.5
Total No. Reporting	2	1	3	2	8	100.0
Average	13500	(5306)	5008	1773	5033	

* Negative networth

Planned Future Activities

Seventy-six (76) percent of the sample CBOs expressed their desire to be able to identify and venture into other activities to augment their income. At least 3 of them are thinking of converting their association into a cooperative, i.e., they want to be registered as cooperatives with the Cooperative Development Authority (CDA). It was learned that community based organizations in the municipality of Southern Leyte have difficulty registering themselves as cooperative because of the inavailability of CDA personnel that would attend to their needs. Other activities/goals of the sample CBOs in the future are cited in Annex Table C.33.

Annex Table C. 33
FUTURE ACTIVITIES PLANNED BY THE CBOs/PGs, SOUTHERN LEYTE

Activities	Padre Burgos	Tomas Oppus	San Juan	Saint Bernard	Total No.	%
Conversion of the association into a cooperative/federation	1	1		1	3	14.3
Identify other potential sources of income	6	6	3	1	16	76.2
Acquire equipments for projects			1		1	4.8
Increase loan amount/loan from other sources		1			1	4.8
Enforce collection rules				1	1	4.8
Recycle funds			1		1	4.8
Distribute dividends		1			1	4.8
Lower prices of goods to help even non-members		1			1	4.8
None	1	1			2	9.5
Total No. of Samples	7	7	4	3	21	

C. A CRITIQUE OF THE CPF CREDIT SCHEME

Based on the survey findings, an attempt is made to draw conclusions as to whether or not the CPF has realized its objectives, and determine the extent to which the program was able to address its basic concerns particularly in the province of Southern Leyte.

Program Accomplishments. The program's achievements can be measured in terms of how far it has responded to its objectives formulated at the outset. In relation to this, the following questions will be addressed: 1) Has the program improved the beneficiaries' productivity, incomes and living standards? 2) Has it developed self-reliance? and 3) Has the program enabled them to learn responsible use of credit, develop management skills and establish performance records normally required of borrowers by institutional sources of financing?

The first question would have been appropriately, although not completely, answered by quantifying levels of productivity, incomes and living standards of individual members before and after participation in CPF and measuring significant changes, if any. But, since no benchmark information/data were available, other indicators will be used to respond to this query. Based on the opinions of SLEDFO and officers of the sample CBOs, the CPF program has, in general, improved the economic condition of majority of the associations, especially where CPF-financed projects were undertaken individually. This is because the CPF has provided the associations with livelihood projects which were previously not in place. Some projects even generate profits large enough to cover loan amortization payments.

There are indications, however, which are contrary to or not supportive of this opinion. For group projects, profits of the association, if any, are not (as yet) divided among members and hence, incomes of individual members have not been affected at all by the CPF program. In the case of members who individually undertake projects financed by CPF (i.e., indirectly) not enough empirical evidence was gathered. It can be said, however, that they appeared not to be earning enough as the average repayment rate was placed at 26 percent and their past due loans comprised 73 percent of their payables. In fact, some of the respondents reasoned that whatever incomes they have is used first for their basic needs rather than for payment of loan obligations. This, of course, discounts their values and attitudes towards credit which might

have influenced their repayment performance. (N.B. The survey did not cover attitudes towards credit but it was mentioned by the SLEDFO as an important factor in explaining the poor repayments.)

Corollarily, it appears that the CPF has not as yet developed self- reliance among beneficiaries, i.e. CBOs. This is supported by the observation that most of the associations still cannot depend on their own resources, financial or otherwise. In fact, most of them have very little resources primarily because of neglect or the low priority given to savings mobilization and capital build-up (in spite of the CPF's built-in mechanism for this which in most cases however is not operational). This may also be explained by the observation that earnings from their livelihood projects, if any, are used in paying previous obligations to the program such that very little is left for capital build- up.

In response to the third question, the program has no doubt conducted the necessary social preparations in implementing a credit program by way of training particularly on the responsible use of credit, management skills, value formation and record keeping. To a certain extent also, some of the CBOs especially the older ones have been closely guided in the practical application of what have been learned in the trainings. But at present, what is obviously needed by the CBOs is a continuous on-the-job training/coaching on record-keeping and financial management until such time that they are ready to be left on their own. Moreover, refresher courses and continuing education on value formation are also necessary considering that some of the groups have been organized and undergone training nearly 10 years ago.

Strengths and Weaknesses of the Program. The CPF's strengths and weaknesses can be evaluated at two levels: program concept/design and implementation. The program's conceptual framework in supporting livelihood projects of the rural poor via credit deserves commendation. In particular, good features/components of the program that have been identified are: 1) institution building component including the provision of the so-called social preparation necessary before the introduction of credit; 2) participation of both the government and the private sector which gives opportunity for coordinative and collaborative arrangements between them; 3) flexible lending and repayment guidelines that pave the way for introducing necessary changes mutually agreed upon by program managers and beneficiaries; and 4) accomodation of requests by beneficiaries for technical assistance.

On the other hand, what can be considered as weaknesses of the CPF credit program, which may be attributed to its design, include: 1) the non- emphasis of the importance of capital build-up/savings generation among CBOs as well as among individual members; 2) lack of specific, well- defined and time-bounded scheme that would allow the transformation of beneficiaries from being uncreditworthy and nonbankable to being self- reliant and/or capable of obtaining loans particularly from formal financing institutions; and 3) non-existence of an operational framework for systematic monitoring and evaluation of the effects and impact of the scheme.

Current implementation bottlenecks in Southern Leyte clearly point to the minimal monitoring and supervision of loans, projects and beneficiaries. This may have been brought about by the lack of technical staff on the part of SLEDFO and the poor coordination between the SLEDFO and the municipal local government units, which rendered the municipal CPF committees virtually non-functional.

On Informal Borrowings. The rural poor, in general, is believed to be dependent on informal sources for both production and providential/consumption credit needs. It is further believed that these informal loans are obtained at usurious interest rates. Given this premise, the CPF was designed as a credit delivery mechanism for the poor with the hope that such dependence on usurious lenders would be reduced if not completely eliminated.

Notwithstanding the absence of initial information on the extent of informal borrowings by members of CBOs, the study attempted to gather indications about the effects of the CPF on the informal borrowing behavior of beneficiaries. Based on interviews with the officers of 11 sample CBOs (representing 52 percent of the sample), individual CPF beneficiaries had no prior experience in borrowing from such informal sources even before the CPF, primarily because they were "afraid to borrow."

Of those who believed otherwise, CBO officers consider the CPF as instrumental in the reduced dependence of beneficiaries on informal lenders, citing that with the CPF, borrowing from moneylenders particularly for production purposes/capital is no longer necessary. In addition, they reasoned that the interest rate charged by most informal lenders is higher than that effected under CPF.

Replicability and Viability of the CPF. The CPF credit scheme was intended to cater to the poor and non-bankables. If we were to base our definition of the 'poor and nonbankables' on those who actually participated in the CPF in Southern Leyte, this would include those residing in the rural, lower-income class municipalities (4th and 5th revenue class) who are members of registered associations. Further, based on membership criteria, they should be able to complete the required trainings and be willing and able to pay at least the membership fees.

Assuming that these really were the intended beneficiaries, can the CPF scheme be replicated in other areas similar to the pilot-tested municipalities/provinces? The CPF approach is, in fact, acceptable and workable as a livelihood-pumping scheme via credit. Moreover, it can be easily implemented as the procedures and guidelines are clear and simple. It can therefore work and hence, be replicated to cater to the poor and nonbankables in other areas, provided mechanisms shall be installed to address the above-mentioned weaknesses of the program as well as forestall similar implementation problems. However doubts on the viability of the project in Southern Leyte stem from the fact that the SLEDFO, who as administrator of the program funds, plays a vital role in the project, is itself financially weak and has serious manpower constraint.

Considering project profitability, and therefore, viability however, the CPF experience in Southern Leyte showed no convincing signs that the project can sustain its operations financially. With the very low repayment rate and high level of past due loans, it is not too pessimistic to expect the depletion of the CPF revolving fund, perhaps at a fast rate, if the collection problem is not immediately attended to.

D. CONCLUDING REMARKS

1. Based on the perceptions of the participating PVO and CBO officials, the CPF project has, in general, improved the economic condition of majority of the CBOs. This is because the CPF provided the associations with livelihood projects where there previously were none. Further, CBO officials generally believe that there is an improvement in the economic status of individual members due to the CPF.

Survey data, however, revealed no convincing evidence that the CPF has indeed improved the economic condition of beneficiaries. In fact, there are indications contrary to or not supportive of such perceptions. For group projects, any profit obtained by the CBO is not readily divided among members and hence, incomes of individual members are not at all affected by the CPF program. Also, the very poor repayment ratio and huge past due ratios of both the CBOs and individual beneficiaries do not in any way support the perceptions of the CBO officers. Some respondents, however, reasoned that whatever income they earn is used first for their basic needs rather than the payment of their obligations.

2. Corollarily, it appears that the CPF has not as yet developed self- reliance among beneficiaries, i.e., CBOs, primarily because of the observation that most of them still cannot depend on their own resources, financial or otherwise. This is supported by the low levels of savings/ capital build-up.

3. The CPF program had undoubtedly enabled the CBOs to develop management skills and provided opportunities for them to learn responsible use of credit and establish performance records normally required of borrowers by institutional sources of financing. This was deliberately and carefully undertaken during the organizational/ institutional building stage wherein PBSP and EDF, in particular, conducted intensive trainings and immersed themselves in the CPF municipalities. At present, though, refresher courses are needed as well as continuous education and guidance particularly on business management, record keeping and value formation until such time that they have reached a certain stage of maturity.

4. The program's conceptual framework in supporting livelihood projects of the rural poor via credit deserves commendation.

5. Program design weaknesses identified are (a) low priority or non- emphasis given to capital build-up or savings mobilization; (b) lack of specific, well defined and time-bounded scheme that would allow graduation of beneficiaries into self-reliant, creditworthy and bankable associations or individuals; and (c) non-existence of an operational framework for the systematic monitoring and evaluation of effects and impact of the scheme.

6. At present, the most pressing issue that needs to be addressed immediately is the very low repayment rate at the individual beneficiary level and (consequently) at the CBO level, due primarily to the minimal supervision and monitoring efforts by SLEDFO and the MDCs. The underlying problems that can further explain this is the lack of manpower resources on the part of SLEDFO and the poor coordinative linkage between the MDCs and the SLEDFO.

7. The CPF scheme can be easily replicated in other areas but measures should be installed to prevent serious implementation bottlenecks currently being faced by the program. More importantly, an operational framework directed towards viability, profitability and sustainability should be clearly formulated and strictly followed.

SOUTHERN LEYTE: AREA PROFILE

Southern Leyte occupies the southernmost portion of Leyte island in the Eastern Visayas region. The provincial terrain is characterized by limited flat coastal areas and a wide expanse of rugged and mountainous land in the interior. With a land area of 1,734.8 square kilometers, composed of 18 municipalities, it is bounded on the north by the province of Leyte; on the east by Pacific Ocean; Canigao Channel and the Visayan Sea on the west; and Surigao Strait in the south. Pronounced maximum rainfall from November to January typifies the eastern part of the province while the western part is characterized by an even distribution of rainfall throughout the year. Agricultural, animal husbandry and forestry workers, fishermen and hunters, make up the single largest group (71.45%) of all gainful workers followed by production and related workers, transport equipment operators and laborers (9.07%); service workers emerge as the third largest group at 6.12 percent. In terms of income, the province has been classified in 1987 in the fourth class, quite far from the first revenue classification to which the main island of Leyte belongs.

Padre Burgos, one of the LRM Program municipal beneficiaries, is located in the southern tip of the province facing the Panaon island and Surigao provinces; bounded on the east by Sogod Bay; and on the west by Canigao Channel. The mainland area comprises 11 barangays with the interior barangays of Laca and San Juan contributing heavily to the agricultural output. Eighty percent (80%) of the total labor force are agriculture-based while the average family income is P7,800.00 per annum. About 59.82 percent of the total land area (1,917.95 has.) are farm area. Being the smallest municipality, its population stands at 8,288.

Tomas Oppus lies along the coast of Sogod Bay. It has a total land area of 6,454.49 hectares about 63.50 percent of which comprise the farm area. Agriculture workers make up 76 percent of the labor force with .25 hectares considered as average farm size. The average family income for 3,375 families (individual population is 13,139) is P9,849.00. Of its 29 barangays, 15 are located along the national highway and 14 are interior barangays. The farming system is characterized by multiple cropping, diversified, and crop rotation. Livestock and poultry are also raised.

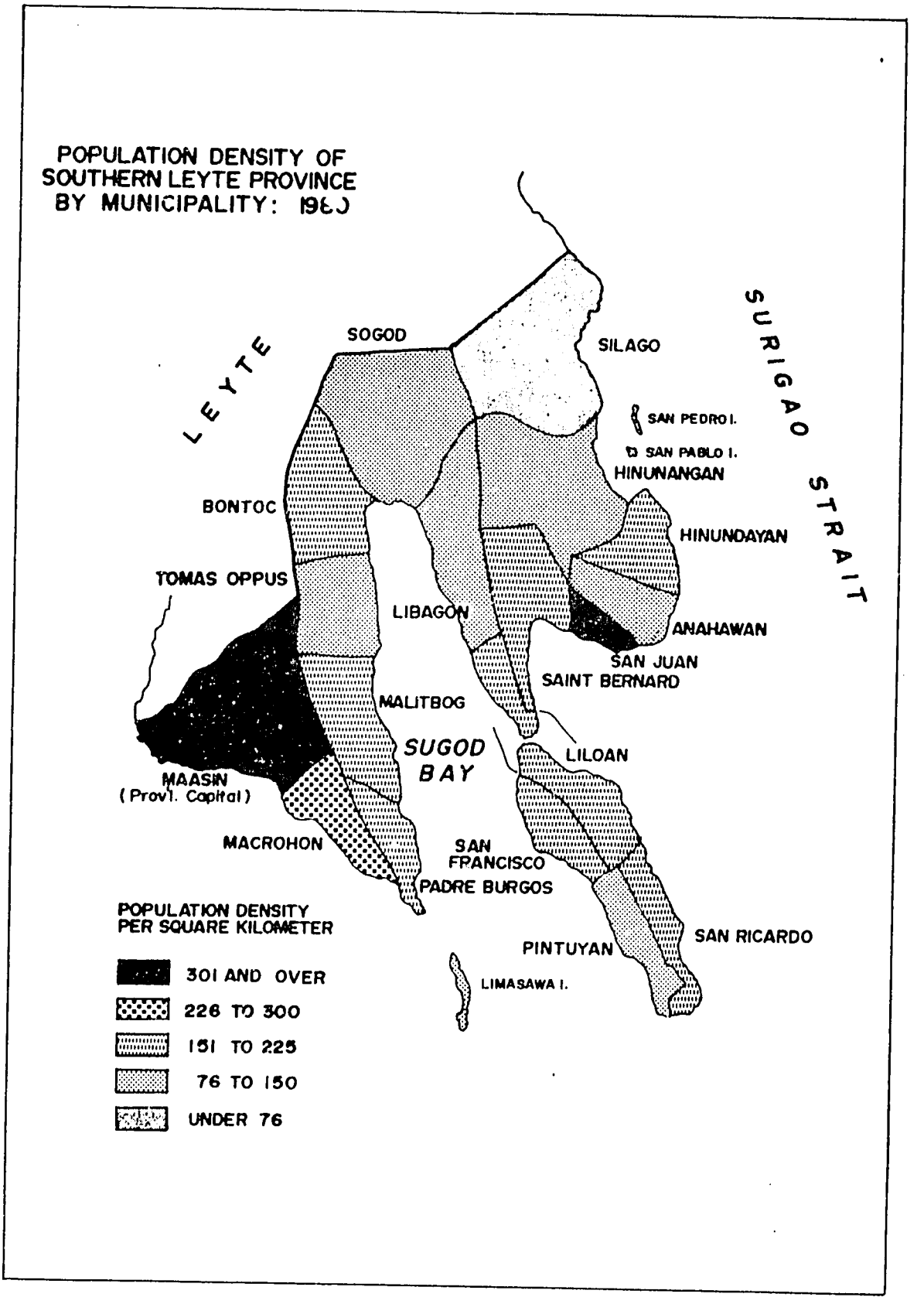
St. Bernard is a coastal town bounded on the north by the municipality of Hinunangan; Panaon Strait and Caballan Bay on the south; the municipalities of San Juan and Libagon in the west. Its total land area is 8,168 hectares and has an arable land of 3,544 hectares planted to rice, corn, mongo, peanut, camote, cassava, gabi, coconut, coffee, cacao, and banana. Animal production includes cattle, carabao, hogs, chicken, ducks, and goats. Ninety five percent (95%) of the labor force are engaged in agriculture. The average family income is posted at P15,918.00 per annum for the families of 3,714.

San Juan is another coastal municipality with a total land area of 4,728.13 hectares, consisting of 18 barangays. The average farm size is .5 hectares planted to rice, com, mongo, peanut, camote, cassava, gabi, coconut, cacao, and fruit trees. Fishing is another source of livelihood aside from animal production (cattle, hogs, carabao, goat, duck, and chicken). Only forty percent (40%) of the productive workers are engaged in non- agricultural occupation. About P11,000.00 is registered as the average family income for a population of 14,408.

SOUTHERN LEYTE AREA PROFILE

Indicator	Padre Burgos	Tomas Oppus	St. Bernard	San Juan	So. Leyte
Land Area	1,917.95 has.	6,454.49 has.	8,168 has.	4,728.13 has.	173,480 has.
Total Farm Area	1,147.25 has.	4,098.54 has.	6,823 has.	1,831.51 has.	
No. of barangays	11 (mainland)	29	30	18	503
No. of municipalities					18
Population					
- Individual	8288	13139	22,283	14,408	308,913 (projected 1987)
- Families	1381	3,375	3,714	2,401	
Labor Force					
- Agriculture	4419	5,014	3,528	2,305	58,521
- Non-agriculture	1105	1,566	185	1,561	23,383
Average Family Income	P 7,800	P 9,849	P15,918	P 11.037	
Per Capita Income	P 450T - P 650T	P 1,970	P 2,549	P 5,542	
Revenue Classification	5th	5th	5th	4th	4th

Sources: Municipal Profiles Provided by the DA-Southern Leyte Office and the 1988 Provincial Profiles.


POPULATION DENSITY OF
SOUTHERN LEYTE PROVINCE
BY MUNICIPALITY: 1960
LEYTE
SURIGAO STRAIT
SOGOD
SILAGO
SAN PEDRO I.
SAN PABLO I.
HINUNANGAN
BONTOC
HINUNDAYAN
TOMAS OPPUS
LIBAGON
ANAHAWAN
SAN JUAN
SAINT BERNARD
MALITBOG
SUGOD BAY
LILOAN
MAASIN
(Provl. Capital)
MACROHON
SAN FRANCISCO
PADRE BURGOS
SAN RICARDO
PINTUYAN
LIMASAWA I.
POPULATION DENSITY
PER SQUARE KILOMETER
301 AND OVER
226 TO 300
151 TO 225
76 TO 150
UNDER 76

IMPLEMENTING GUIDELINES OF CABINET RESOLUTION NO. 29 "APPROVING A SET OF POLICY GUIDELINES GOVERNING LIVELIHOOD PROGRAMS AND PROJECTS"

I. OBJECTIVES

1. To rationalize and coordinate all livelihood development programs and projects undertaken by the government in order to properly focus government activities and resources towards the smooth and cost-effective implementation of these programs and projects.

2. To prescribe the implementing guidelines to complement the provisions of Cabinet Resolution No. 29 which provides the policy guidelines governing livelihood programs and projects.

II. COVERAGE

These implementing guidelines shall apply to all government agencies and instrumentalities undertaking livelihood programs and projects consistent with their principal mandates and functions. Programs funded by contributions from members are not covered.

III. DEFINITION OF TERMS

1. Livelihood Programs and Projects - Livelihood programs and projects include all those schemes which aim to create employment opportunities through the provision of a package of integrated services, i.e., technical, financial and other assistance that promote the establishment of income-generating activities for poverty/marginal groups.

   These schemes can either be directly providing livelihood assistance, or indirectly implementing livelihood programs as part of the bigger programs undertaken by government agencies in line with their principal mandates. Specifically, the basic elements of livelihood program/project are:

   - by target clientele - the welfare and marginal sector such as the disadvantaged, poverty and non-bankable groups;

   - by type of project - based on an economic activity to generates a product or service for which a market exists and is expected to realize a positive net-income;

   - by type of assistance - provision of an integrated package financial, technical, management, marketing or training assistance based on beneficiaries' needs. If required assistance component cannot be provided by the agency, same agency shall refer the beneficiaries to other agencies providing such assistance; and

   - by end-result - enables end-beneficiaries to be employed or to engage in income-generating activities on their own.

2. Non-Government Organizations (NGOs) - Non-Government Organizations are private, non-profit, voluntary organizations that are committed to the task of socio-economic development and established primarily for service. Cooperatives shall be considered as NGOs for purposes of this definition.

3. Micro Enterprises - enterprises with total assets of P50,000 or less before financing.

4. Cottage Enterprises - enterprises with total assets of more than P50,000 but not more than P500,000 before financing.

5. Accredited Financial Institutions - government and private financial institutions performing lending services which have been accredited by the government, e.g. the Central Bank, the Land Bank and the Development Bank of the Philippines.

6.. Disadvantaged, Poverty and Non-Bankable Groups - those who cannot seek wage employment either because they are uneducated, unskilled, or lack the necessary qualifications to compete in the formal labor market and those who cannot put up their own business concerns because they lack either the financial capital, the borrowing/credit capability required by lending institutions, and/or the enterpreneurial ability (e.g. municipality fishermen, and landless workers).

IV. TARGET BENEFICIARIES

1. The primary program beneficiaries shall be the unemployed and underemployed in the marginalized sector.

2. Livelihood programs and project assistance should primarily cater to eligible micro and cottage enterprises, both existing and proposed to be established.

V. AREA FOCUS

Priority shall be given to poverty-stricken areas or areas where a large number of unemployed and underemployed are located.

VI. PRIVATE SECTOR PARTICIPATION

1. Non-government organizations' participation shall be subject to the guidelines on GO-NGO Collaboration as provided in the NEDA Board Resolution No. 2 (s.1989).

2. In the implementation of lending programs assisted by accredited financial institutions and/or NGOs, financing institutions/NGOs should be involved in all stages of program development.

3. Only accredited NGOs which meet the eligibility requirements of the agencies concerned will be tapped as conduits of government agency funds.

VII. AGENCY RESPONSIBILITIES

1. The Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Education, Culture and Sports (DECS) Department of Environment and Natural Resources (DENR), Department of Labor and Employment (DOLE), Department of Local Government (DLG), Department of Social Welfare and Development (DSWD), the Department of Trade and Industry (DTI) and the Office of the President (OP) are designated as the primary agencies responsible for the execution of livelihood programs and projects. Other agencies shall not be allowed to implement their own livelihood programs and projects. Their on-going livelihood programs and projects shall, however, be allowed to continue but only up to 31 December 1989. From then on, they shall work through any of the nine primary agencies to ensure non-duplication and equitable distribution of services to priority areas.

2. The extent of agency responsibility over livelihood programs and projects shall involve the provision of a package of integrated services which includes financial, technical, and other assistance. Each agency shall primarily cater to the following target beneficiaries, namely:

- Department of Agriculture - farmers and fishermen

- Department of Agrarian Reform - agrarian reform beneficiaries

- Department of Education, Culture and Sports - unemployed and underemployed out-of-school youth

- Department of Environment and Natural Resources - kaingineros, upland farmers and small-scale miners

- Department of Local Government through the Local Government Units (LGUs) - marginal groups in depressed localities

- Department of Labor and Employment - out-of-school youth, unemployed, underemployed, returning overseas workers and self-employed workers

- Department of Social Welfare and Development - socially disadvantaged family heads, women, disabled persons, elderly and youth who do not have access to and are no eligible for any livelihood assistance of other agencies, of need of social work interventions prior to and during their engagement in income generating activities.

- Department of Trade and Industry - micro and cottage industry enterpreneurs

- Office of the President - marginal producers, farmers, small entrepreneurs (microentrepreneurs), and other sectors whom the President wishes to prioritize consistent with her social development agenda.

  While agencies may have the same target beneficiaries, there shall be no duplication in terms of program location and/or assistance whenever possible, to ensure the equitable distribution of livelihood opportunities.

3. The implementing government agencies should initiate programs and projects for sustained capability-building for NGO participants and target beneficiaries in the management of livelihood programs and projects.

4. The implementing agencies at the various levels of government should be made possible for selecting accredited financial institutions and NGOs participating as conduits of government lending activities.

5. Information centers of livelihood programs and projects should be set up within the implementing agencies, and information exchange among government agencies should be continously improved.

6. Extension services should be provided until beneficiaries are on their own.

VIII. GOVERNMENT LENDING

1. Government agencies shall not be involved in direct (retail) lending activities except the Department of Social Welfare and Development. All other government agencies should wind up their direct lending activities by 31 December 1989. Their subsequent lending activities should be extended through accredited financial institutions and/or NGOs subject to the implementing agencies' mandates and existing lending guidelines.

2. Lending programs should be self-sufficient and self-sustaining. The relevant parameters to be considered are the repayment rate, the interest rate, and the administrative cost of loan provision, among others.

3. Credit arrangements for government livelihood programs are projects shall be governed by specific agency guideline. Terms of lending such as equity contribution, collateral, interest rate to be charged and other borrowing requirement shall be subject to negotiations between the implementing agency and the accredited PFI/NGO.

4. Whenever applicable, accredited financial institutions and NGOs participating as conduits in the project must share portion of the funding requirements and/or the risks involve in the project.

5. Costs related to instiution/capacity building such as training fund- handling, management, etc., shall be borne by the government agency.

IX. COORDINATING MECHANISMS

1. The NEDA Board's Social Development Committee (SDC) secretariat, the Regional Development Councils and Provincial Development Councils are designated as coordinating mechanisms for livelihood development programs and projects at the national, regional and subregion levels, respectively. They shall be tasked to recommend appropriate policies and guidelines to further rationalize coordinate livelihood programs and projects.

2. The nine major implementing agencies responsible for execution of livelihood programs/projects should coordinate with other concerned government agencies in their respective sectors.

CONCEPTUAL FRAMEWORK FOR LINKING MARGINAL GROUPS WITH BANKS

The current policy of credit delivery for small farmers and fishermen through financial institutions is a reversal from direct subsidized lending implemented during the past two decades. Prior to 1986, the provision of direct subsidized lending or cheap credit offered an easier route to development than implementing a land reform program or an infrastructure program. However, past experience shows that the strategy of cheap credit not only undermine the viability and efficiency of the rural financial system but also worsens the distribution of income. Thus, a proper "credit environment" where the critical infrastructure and support services are available need to be in place. It is only under this condition that credit becomes a viable complementary mode of assistance.

The current framework for agriculture credit policy contains two basic elements, namely, (a) greater reliance on market mechanism in the allocation of financial resources; and (b) the termination of direct lending activities of non-financial government institutions. It is envisioned that this approach of financial liberalization will keep real interest rates positive, close to open market levels, and attractive enough to draw financialized savings into the stream of loanable funds (Mckinnon, 1973; Shaw, 1973; Fry, 1982).

While the soundness of this policy is theoretically acceptable, the issue of why many small farmers are presently unable to access credit from financial institutions remains generally unresolved. The answer certainly lies not in the fact that financial liberalization has failed. Rather, in the current period of transition in policies there is no certainty that all intended beneficiaries will have access to credit. Thus, government intervention is still necessary to ensure that credit is delivered to those previously rationed out. This is not to say that we go back to the past milieu of cheap credit but rather, this is to enable farmers/fishermen to rise from non-bankability and induce financial institutions to lend to them.

It is necessary to distinguish among three types of borrowers: the bankables, non-bankables and semi-bankables. The bankables are those with viable and collateralized projects and thus, have a strong capacity to pay. In this case, banks are willing to provide financing and government intervention may be limited to the provision of guarantees. The guarantees will serve to increase the credit-worthiness of the borrowers, and at the same time reduce the risks faced by banks when lending out depositors' money.

The non-bankable or marginal clients are those who have less viable projects and no collateral to support bank loans. In this case, financial assistance by a welfare agency in the form of grants is more appropriate than the provision of credit. The Livelihood Enhancement for Agriculture Development (LEAD) grant-assisted program of the Department of Agriculture, provides such a type of assistance. That is, the grant serves as a mechanism that transforms the targetted beneficiaries from being non- bankable to being bankable.

The third type of borrowers are the semi-bankables. These are clients who possess viable projects but are collateral-short and have no track record with banking institutions. Thus, financial institutions are not willing to lend to them unless security requirements are duly satisfied. A guarantee cover may even be insufficient to induce banks to lend to them.

Many of the small farmers, marginal fisherfolk and landless workers fall under the categories of the non-bankables and semi-bankables. It is to these members of society that greater intervention has to be directed. Since there is no assurance that they will be able to access credit in a period when the impact of financial reforms are not yet felt to the fullest, credit delivery through viable cooperatives and people's organizations can therefore be pursued in the meantime. This however, is intended only as a short-term measure which will have the effect of placing targetted beneficiaries into the mainstream of the financial system. Government funds that will be utilized will act as a priming device to meet the unsatisfied credit demand of marginal groups.

This section draws mainly from Llanto (1990).

Where banking facilities are either absent or inadequate, the priming function will demonstrate the capability of the marginal groups to handle credit in a responsible way and to build a track record in finance which banks value. The long-term vision is for the small farmer to gain access to the financial system's services and resources, and for the cooperative to evolve as a financial institution which provides financial services not only to its own members but to the rural sector as a whole. Furthermore, the cooperative will continue to maintain an independent and stronger complementary existence with banks in the total financial system.

The credit funds will only be temporary liquidity injections because ultimately, this strategy would have been able to open better and more avenues for the small farmer to gain access to bank credit and services. In the case of cooperatives, some might take the option of converting themselves into formal financial institutions like cooperative rural banks, while others might further evolve as stronger alternative rural non-bank financial intermediaries in the countryside. In any case, the farmer will have access to reasonably priced credit and financial services.

The funds as temporary injections is necessary because the government must not create an impression that it can indefinitely sustain this lending activity. It should be emphasized that the government does not have the resources and the capability to act as a banker. At best, it can only prime the expected financial interaction and only temporarily. To act otherwise is to establish an incentive structure which will raise false expectations and compel the small farmers to form themselves into cooperatives or people's organizations to avail of credit funds.

There is enough reason to believe that the cooperative is a viable alternative financial intermediary that could serve small and marginal farmers, particularly in areas not served by banks. Firstly, cooperatives are owned by the beneficiaries themselves. There is therefore some certainty that credit will be delivered to the farmers. Secondly, cooperatives consolidate the small farmers' loans into a single loan, thereby effectively reducing transaction costs. Thirdly, cooperatives can also pool resources (e.g., savings) together, which can serve as equity for loans or simply for capital build-up.

Alternative courses of action that can be undertaken to meet the financial requirements of non-bankables and semi-bankables would include expanding the support to LBP's direct lending, and increasing the funding for existing guarantee facilities. However, these would not be sufficient since these facilities more often than not accomodate only the bankables. Thus, a viable alternative would be the provision of funds to rural based organizations such as cooperatives and people's organizations.

It is important for the conduit of funds in this program to be mature and viable organizations. Specifically, they should (a) possess juridical personality; (b) must be an intermediariary organization, i.e., with primary organizations, (c) have proven management capability to undertake lending programs; (d) have a good credit standing with any financial institution; (e) have counterpart operating and revolving loan funds; and (f) must be implementing a savings mobilization program.

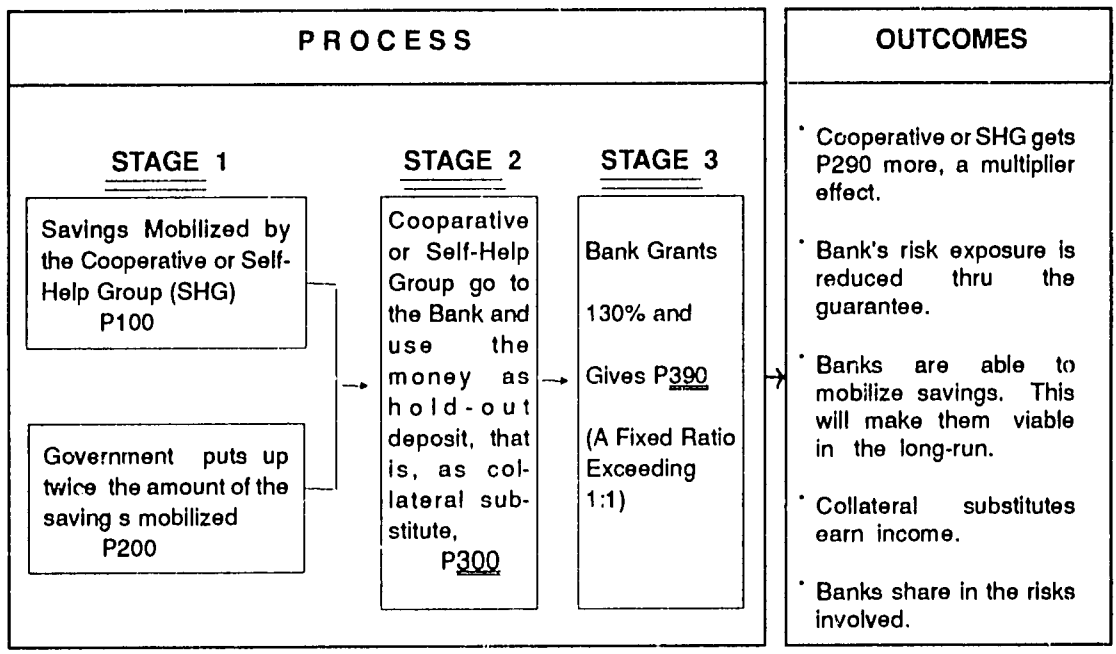
The target cooperatives and people's organizations may be those not serviced by the Land Bank of the Philippines (LBP) and other banking institutions. Viable projects proposed by these organizations but rejected by financial institutions will be accepted. The loan fund will be channelled through cooperative federations/non-government organizations (NGO) for relending to its farmer cooperative clients. The NGO will assume the full credit risk of the fund. With this mechanism the farmer will be assured of accessible credit.

Where it is geographically possible, the targetted beneficiaries can organize themselves into a cooperative or a self-help group (SHG). Self- help groups are "voluntary organizations of people at the grassroots level that are formed in order to cope with the difficulties of conducting economic and business activities in the rural economy. The members are held together by a common objective which is to address economic and/or non-economic objective problems affecting the well-being of the group members" (Llanto, 1990). SHGs are operated and controlled by the members themselves, some of which try to link up with the formal financial system. However, due to the absence of a track record and the lack of collateral, many of

these SHGs are unable to access financial resources from banks. Strategic intervention, therefore, has to be made to make these groups bankable and to induce banks to lend to them.

Another possible course of action would be to utilize priming funds together with the savings mobilized by the organization as collateral substitute. This can be done by providing matching funds which, together with the savings mobilized by the organization, will be deposited in the bank as collateral substitute. An illustration of this concept is drawn in Figure 1.

Figure 1: AN ILLUSTRATION OF THE CONCEPT



The process involves three stages. At the first stage the government approaches the cooperative/SHG and asks how much money they can put up as savings. To provide incentive to save, the government can, for example, put up twice the amount mobilized by the cooperative. At stage 2, the cooperative goes to the bank and uses the amount as hold-out deposit, that is, as collateral substitute. The government acts as broker for the cooperative at this stage. During the last (third) stage, the bank is required to grant a loan greater than 100% of the amount held out as deposit, or a fixed ratio exceeding 1:1. There is therefore a strong incentive to save, and equally important, there is a built-in growth component which may be critical from a development point of view, provided the absorptive capacity for additional investment or working capital exists.

The process of the fixed ratio credit-savings scheme will result in a set of positive outcomes. First, there's a multiplier effect, that is, the cooperative/SHG is able to get more than what it actually deposited with the bank. Second, the bank's risk exposure is reduced through the guarantee in the form of hold-out deposit. Third, banks become more viable in the long-run as a result of savings mobilization. Fourth, collateral substitutes are able to earn income. And fifth, banks share the risks involved and therefore would be motivated to evaluate and monitor the project.

Essentially, the credit-savings scheme is founded on the fundamental principle that there should be no credit without savings and no savings without credit. The scheme can also be dynamic. For example, cycles of increased savings can lead to multiple cycles of increasing loans, including corresponding cycles of timely repayment. In a dynamic ratio scheme the amount of credit is contingent on two factors, the amount of savings and the number of satisfactory cycles or repayment.

The credit-savings scheme provides an incentive to save and to repay on time. In a dynamic scheme the incentive to repay regularly is based on the number of satisfactory cycles. For example, after an initial period of regular savings, the organization is able to secure a loan twice the amount of the accumulated savings. Provided the preceding loan is repaid properly, the second loan can be three times that of the organization's accumulated savings.

In brief, the credit-savings scheme is a form of contractual saving in which the objective is to secure a loan. Such a scheme links small farmers with the banking system, and in the long-run will enable them to become creditworthy and bankable. Of course, this has to be coupled with an institution-building component.

To address the credit needs of semi-bankables and bankables, the establishment of a short-term priming fund which can be used either for relending by federations to cooperative clients or as collateral substitute can be pursued. A set of criteria simply have to be met by federations availing of the funds. For groups which do not have legal stature but are organized as self-help groups (SHG), a link-up mechanism with banks can be developed through a credit-savings scheme. In this particular case the government provides a counterpart by utilizing the priming fund as hold-out deposit with banks together with the savings mobilized by the organization. This would enable intended beneficiaries to develop their own system for mobilizing local funds. This concept promotes the tenet of "teaching the man how to fish". It is based on the recognition that the poor have their own strengths, and are capable of organizing themselves for internal mobilization of resources to meet their household and production requirements.

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