

# Where credit is

An enterprising project puts Philippine women on the path to self-sufficiency.

Story and photos by Matthew C. Brown

Jovy Guanzon sees possibility where many others don't—in Asiloville, for example, where Bernadette Abgao sits on the sill of her small candy store. Asiloville isn't the kind of place you'd find in a guidebook about Metro Manila. It's a maze of narrow, waterlogged alleys lined with dusky shacks and stalls. It's full of roosters and stray dogs, barefoot children hauling heavy buckets and the smell of foods deep fried.

But it's also teeming with commerce, albeit on a very small scale.

And that's what Guanzon sees, especially as he stands in front of Abgao's store. Guanzon is a member of the Rotary Club of Santa Mesa and executive director of the Philippine Enterprise Development Foundation (PEDF), a microfinance lending institution that assists indigent women entrepreneurs. PEDF follows the highly successful Grameen Bank methodology, providing loans to those who have nothing to offer as collateral. In 1999, through the joint sponsorship of Rotarians in Colorado, USA (the Rotary clubs of University Hills and Longmont and District 5450), and the Philippines (the Rotary Club of Manila and District 3810), PEDF was awarded a U.S. \$18,000 Matching Grant from The Rotary Foundation of RI. A number of microcredit projects worldwide have received Foundation funds, including one in Uganda in 1998. (See *THE ROTARIAN*, November 1999.)

"This is a self-help program," Guanzon says of the PEDF's poverty-alleviation initiative. The foundation, which opened in 1990, was the brainchild of Del Justiniano, a member of the Manila club, who accompanies Guanzon on this morning's visit to Asiloville. Both of these men maintain that even the poorest people can break the shackles of poverty, but not without adequate credit, savings and education—elements that Guanzon believes are fundamental building blocks to a sustainable, middle-class



The headquarters for the Nagpayong Center: At this meeting, center members discuss a proposed 5,000-peso (U.S. \$100) loan.

standard of living. Abgao, they say, is the perfect example of someone on the path to such a life.

She became a client in 1997, and during the past five years has received seven PEDF loans, most recently, one for 40,000 pesos, which is equivalent to about U.S. \$800 (and nearly nine times the size of the average PEDF loan).

Through her involvement with the foundation, Abgao has amassed about 100,000 pesos (about U.S. \$2,000) in savings. She's utilized all of the loans

extremely well, says Guanzon, "and she's diversified into other businesses"—money lending and selling used appliances. Before she became a PEDF client, her weekly income was about 600 pesos; now, her candy store alone brings in about 3,500 pesos a week.

Guanzon admits that Abgao is a model client who has undeniable business acumen. Still, he says, others can—and do—follow her example. The reason is simple: PEDF doesn't loan money on an individual basis the way most banks and credit institutions do—behind closed doors, with a demand for collateral to guarantee repayment. (Guanzon says the traditional banking system fails the impoverished segment of society for this very reason.)

Instead, the women who comprise the foundation's clients receive their loans via a "group of four other like-minded poor women," explains Guanzon.

**PEDF client Lorna Jabinar uses an 8,000-peso (U.S. \$160) loan to purchase vegetable seeds and pay field labor.**



# overdue



**Bernadette Abgao sits on the sill of her candy store. Rotarians Del Justiniano (left) and PEDF Executive Director Jovy Guanzon talk with her about the success of her businesses.**

Essentially, it works like this: The women form their own group, which must meet certain low-income standards. ("We filter out all the non-poor," says Guanzon.) Next, the group enters an intensive two-day training session, and, if all members pass a test that measures their understanding of the foundation's policies, the group is formally initiated into a village center—that is, a federation of up to eight groups. The centers conduct weekly meetings, which are the hub of all foundation activities. "All of the loan proposals, all of the loan releases, all of the loan repayments are done during that weekly one-hour center meeting," Guanzon says.

For a PEDF client to receive the average 4,500-peso loan, for example, she first has to propose a plan to the group—specifically, how she will use the loan to "grow" her business and repay the money. If all the members approve, she presents the plan to the entire center at the weekly meeting; if approved there, it's ultimately passed along to the PEDF staff. "The strength is in the transparency," says Guanzon. "Each center member has an ownership of every loan—the members guarantee each other." If one member defaults on a loan, the foundation suspends all subsequent loans to the women's center.

**O**n this particular day, Nagpayong Center is holding a meeting at 3 p.m. The center's "headquarters" is a single concrete wall below a tin roof on one of Metro Manila's dusty streets. A few minutes before 3 p.m., the women begin to look at their watches and exchange questioning glances. Guanzon explains that center meetings can't begin until all members are

present. The center chief—who is chosen by the members—looks at the pink attendance sheet taped to the wall. In her right hand, she holds a notebook covered with an advertisement for a Continental One World credit card.

**"And what's really wonderful to see is the unleashing of their potential."**

— Jovy Guanzon

Baby Castro is here, too. She's the PEDF project officer for the Nagpayong Center. Once all the women have arrived and the meeting begins, one of the center's members stands and presents a loan proposal for 5,000 pesos, an amount that will be invested in her bottled-water business. The women listen carefully, in spite of the traffic that rumbles past and the children who are noisily playing a few feet away. Castro listens, too, and after the loan presentation, she asks some questions about the viability of the business model.

"Most of the failures in microfinance programs occur because of misuse of funds," explains Guanzon. Which is why PEDF project officers like Castro scrutinize the proposals. The PEDF's 99.84 percent loan-repayment rate is testament to the careful work that Guanzon and his staff perform prior to releasing any money to their clients. That's also where education comes in.

"The money is just a tool," says Guanzon. "We have the opportunity to teach them to manage their businesses, their lives. It's really discipline that allows them to get out of poverty. And what's really wonderful to see is the unleashing of their potential." ©

♦ Matthew C. Brown is an assistant editor of THE ROTARIAN.