

Sarah Lehner, Basanta Thapa & Bernhard Vester

Microfinance as a Chamber Service

Research Report
& Workshop Documentation

November 2010



WE CAN Visayas & Caraga
Working for the Enhancement of the Chamber & Association Network in the Visayas & Caraga

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About this publication

«Microfinance as a Chamber Service. Research Report & Workshop Documentation»

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Authors: Sarah K. Lehner, Basanta E.P. Thapa & Bernhard Vester

Editors: Sarah K. Lehner, Jan Michael Oseo, Teresa C. Pono & Basanta E.P. Thapa

Layout: Basanta E.P. Thapa

A. Introduction & Summary

by Bernhard Vester

Objectives of the mission

This mission was initiated by the WE CAN Visayas & Caraga project, a partnership of Cebu Chamber of Commerce and Industry and AFOS Foundation for Entrepreneurial Development Cooperation, in response to an increasing interest of affiliated chambers of commerce and industry (CCIs) in microfinance. The mission's main objective was to define the optimal role of CCIs in the implementation of microfinance programs for their members.

Specifically, the mission was tasked to answer the question: «Can CCIs, by their very nature, become effective microfinancing service providers?»

At the outset and during initial meetings with the various stakeholders, the expectation was to raise financial support from the WE CAN project and/or AFOS Foundation as seed money for chamber microfinance programs; as subsidies to lower interest rates of existing microfinance programs; or as funding for institutional and member capacity building.

The original objectives of the mission were:

- » To gather and review existing literature and materials on microfinance in the Philippines with focus on the Visayas and Caraga;
- » To validate those findings on microfinance through conducting stakeholder interviews;
- » To assess existing microfinance programs implemented by CCIs;
- » To generate microfinance expert information on international best practices in microfinance;
- » To gather and consolidate stakeholder insights and views on the role of CCIs in microfinance.

The necessary research was carried out from August to November 2010 by Sarah Lehner and Basanta Thapa, German student volunteers funded through the ASA scholarship program by the German Federal Ministry for Economic Cooperation and Development (BMZ). Their research report served as the foundation for the consultative workshop in November 2010 that relayed the results of the study to interested stakeholders.

Bernhard Vester, lead consultant for this mission, injected best practice know-how from his international experience with microfinance into the research work and facilitated the consultative workshop.

In the light of the initial research's findings, the following objectives were added during the

Bernhard Vesters' two-week mission from 1–14 November 2010:

- » To initiate in the validation interviews and meetings the required change processes regarding the chambers' role in microfinancing and in the extension of business development services (BDS);
- » To identify possible constraints, barriers, risks and restrictions in the change process;
- » To determine possible support from WE CAN in handling this change process;
- » To define the needs and challenges of micro-entrepreneurs in terms of BDS and financial services; and
- » To develop a common eight-month road map.

This report is, thus, presented in two parts – first, the «Research report: «Microfinance as a Chamber Service in the Visayas and Caraga Region» and second, the «Workshop documentation: «Consultative Workshop on Microfinance as a Chamber Service»».

Summary of findings & recommendations

The results of the mission – both research and workshop – can be summarized as follows:

- » The Philippines is seen by the IFC as a best-practice country in microfinance, being one of the two globally-leading countries in microfinance with over 8 million borrowers, 200 banks, 500 NGOs and 4,600 credit and savings cooperatives. There is enough know-how and money for microfinance in the country. Due to their economies-of-scale and sustainable business models it will be difficult to compete with national MFIs and SME banks offering professional services at reasonable cost.
- » In the economically active regions, including most of the Visayas and Caraga regions, there is strong competition in microfinance institutions and already a tendency for «credit pollution» (as indicated by multiple borrowing, i.e. MFI clients borrow from several lenders at the same time) with little control by credit bureaus.
- » The real challenge for the Philippines and the CCIs is the «graduation problem» (i.e. micro-entrepreneurs in the informal sector operating small subsistence businesses are not able to lift their businesses to the stage of formal, growth-oriented micro-businesses).
- » CCIs therefore should use their limited financial and manpower resources to concentrate on their core competencies – the extension of BDS – even though there are many actors providing such services.
- » Regarding financial services, they should cooperate with larger and more professional microfinance institutions and governmental agencies.

The above results lead to the following specific policy recommendations for CCI services in

relation to microfinance:

- » Gathering and providing information for their members about existing MFIs, their programs, services and conditions;
- » Assistance for members to identify financial needs and devise proper business plans
- » Piloting members through the loan application process.

This means:

- » Advocating members financing needs by cooperating with existing MFIs to set up matching financial products and thus keeping them clear of informal money lenders;
- » Guiding members through the process of formalizing the business (and the like) and assuming the role of «business angels» with successful senior entrepreneurs coaching start-up entrepreneurs or as co-investor into new or newly formalized businesses.

Additionally the chambers should consider:

- » To attract new members with a special micro-membership at affordable membership fees, including only limited access to chamber services;
- » To compile business directories for their members;
- » To organize business clusters with regular meetings;
- » To facilitate business matching between regular and micro-members of the chamber along the value chain;
- » To hold conferences and trade fairs with special regard to micro-members to increase market linkages;
- » To lobby for the streamlining of business registration processes with government agencies.

Regarding capacity building for members the chambers should:

- » Compile information about trainings offered by NGOs, government agencies, MFIs and commercial providers;
- » Spread relevant information via newsletters, radio broadcasts, bulletin boards or SMS text messages;
- » Fill training gaps by arranging trainings conducted by expert members or business consultants;
- » Charge members for seminars and trainings to generate additional chamber income.

Micro-memberships and the promotion of micro-members allow chambers to broaden their membership base and thus increase their political weight and improve their financial situation.

When it comes to defining chamber services and service fees, chambers should have a three dimensional approach in clustering their members and activities according to:

1. Key accounts and «lighthouse projects with potential», regular members and micro-members;
2. Business clusters/Sector Units (e.g. tourism, IT, food processing, etc.);
3. Maturity of a business (start-up, turning into formal business, mature business and growing business) and their members' related financial resources and needs.

Agreed next steps

As a result of the consultative workshop held on 10 November 2010 in Cebu City, the participants agreed on the following roadmap:

By November 2010

- » WE CAN project office to send documentation of the workshop to all participants.
- » CCIS to discuss with their board and key players the results of the workshop and study.

By December 2010

- » CCIS to prepare their own work plan with respect to their role in microfinance.

By January 2011

- » CCIS to give feedback to WE CAN, which includes, among others:
 - » their proposed action plan/work plan until July 2011;
 - » possible «quick wins», i.e. what CCIS can do/offer with their own resources;
 - » required technical support from WE CAN and service providers;
 - » required financial resources for change process.

By February 2011

- » WE CAN gives an overall feedback on the above chamber inputs
- » WE CAN gives a proposal to the CCIS on their planned involvement including the support of service providers

March-June 2011

- » Implementation of work plan by CCIS, WE CAN, and service providers
- » Trainings/coaching/moderation of CCI strategy workshops

July 2011

- » Follow-up workshop (lessons learnt, success stories, request for additional support, next steps)

B. Research report: «Microfinance as a Chamber Service in the Visayas and Caraga region»

by Sarah K. Lehner & Basanta E. P. Thapa

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I. Abbreviations

ADB	Asian Development Bank	DTI	Philippine Department of Trade and Industry
AFOS	German Foundation for Entrepreneurial Development Cooperation	EIU	Economist Intelligence Unit
ASA	German scholarship program funded by BMZ	GTZ	German Technical Cooperation
BCCI	Bislig City Chamber of Commerce and Industry Foundation Inc	IFAD	International Fund for Agricultural Development
BCPC	Bislig City Producers Cooperative	LGU	Local Government Unit
BDS	Business Development Service	MAFISCO	Mangagoy Fishermen Multipurpose Cooperative
BMBE	Barangay Micro Business Enterprise	MCPI	Microfinance Council of the Philippines Incorporated
BMZ	German Federal Ministry for Economic Cooperation and Development	MFI	Microfinance Institution
BMO	Business Membership Organization	MSME	Micro, Small and Medium Enterprise
BSP	Central Bank of the Philippines (Bangko Sentral ng Pilipinas)	MSMEDC	Micro, Small and Medium Enterprise Development Council
CARD	Center for Agriculture and Rural Development	NGO	Non Governmental Organization
CARD MBA	Center for Agriculture and Rural Development Mutually Beneficial Association	NSCCI	Northern Samar Chamber of Commerce and Industry
CARD MRI	Center for Agriculture and Rural Development Mutually Reinforcing Institutions	NSDWCC	Northern Samar Development Workers Credit Cooperative
CCI	Chamber of Commerce and Industry	NWTF	Negros Women for Tomorrow Foundation
CCCI	Cebu Chamber of Commerce and Industry	OTOP	One Town One Product
CDA	Cooperative Development Authority	PBSP	Philippine Business for Social Progress
CSR	Corporate Social Responsibility	PCFC	People's Credit and Finance Cooperation
DA	Philippine Department of Agriculture	PHP	Philippine Peso
DOST	Philippine Department of Science and Technology	RBST	Rural Bank of Santo Thomas
		RUMEPP	Rural Micro Enterprise Promotion Program

SCCI Siquijor Chamber of Commerce and Industry

SEC Securities and Exchange Commission

SME Small and Medium Enterprise

SMEDESP Small and Medium Enterprise Development for Sustainable Employment Program

SEQUA SEQUA Foundation for Economic Development and Vocational Training – Germany

TESDA Technical Education and Skills Development Authority

TSKI Taytay Sa Kauswagan Inc. (Philippine Microfinance Institution)

TSPI Tulay Sa Pag-unlad Inc. (Philippine Microfinance Institution)

UNOPS United Nation Office for Project Services

VICTO Visayan National Cooperative Federation and Development Center

II. Executive Summary

What role should chambers of commerce and industry play in microfinance and the promotion of microfinance clients in the Philippines? Although a number of chambers in the Philippines have already ventured ahead, there has so far been no conclusive research regarding this question. However, the right approach could contribute significantly to awakening the dormant potential of micro, small and medium enterprises which make up 99 percent of Philippine businesses, for economic growth and job creation.

To provide a solid foundation for future activities of the chambers of commerce and industry in the Visayas and Caraga regions in the field of microfinance, the joint WE CAN project by AFOS foundation and Cebu Chamber of Commerce and Industry conducted the following study. The research was based on interviews with microfinance institutions (MFIs), microfinance clients as well as chambers (especially those operating microfinance programs), and involved government agencies. Additional key informants were interviewed in NGOs, government institutions and international development organizations.

The idea of chambers running their own microfinance programs is generally not sustainable or economically sensible. This study shows that microfinance markets in economically active areas are already saturated, as multiple borrowing from different MFIs is common. Additionally, these markets are increasingly penetrated by large, expanding MFIs that carry the identified key characteristics of successful MFIs, most importantly skilled staff, efficient business processes and innovative product development. To persist in the long run, smaller MFIs will have to match these traits.

A rough analysis of the cost of setting up competitive microfinance programs by chambers and their expected benefits from the perspective of different possible goals, like member recruitment, community service or financial income, suggests that the costs outweigh the benefits for chambers.

Data gathered on business development services (BDS) in the Philippines indicates that BDS is currently not provided in adequate quantity and that existing programs are often insufficiently marketed. These services, however, can tackle most of the growth constraints that keep microentrepreneurs from graduating to registered and economically profitable and sustainable businesses.

Based on these findings, chambers of commerce and industry should concentrate on exploiting their core competencies in the provision of BDS. For example, chambers could:

- » Introduce special micro-memberships at lower fees and with a limited service catalogue for microentrepreneurs to avail of chamber BDS services.

- » Offer comparative data on local MFIs and counsel microentrepreneurs on their financial needs and in the application process.
- » Lobby for more suitable financial products with local MFIs.
- » Help forge market linkages through business directories, trade fairs, business cluster meetings, value-chain specific events, business matching, etc.
- » Counsel microbusinesses in the formalization process and provide easily understandable information about the privileges and duties of formal businesses.
- » Gather and advertize BDS by other providers in the area and fill gaps in trainings and consultancy services on their own, if feasible.

III. Acknowledgements

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IV. About the authors

Sarah K. Lehner (* 1986) is currently an undergraduate student of economics at the Ludwig-Maximilians-University Munich, Germany. Her research interests include development economics, applied econometrics and applied microeconomics. She is working as a student research assistant at the Seminar for Comparative Economics and as a tutor for microeconomics at the Ludwig-Maximilians-University. Her previous work experiences include Allianz SE, Grameen Bank, and German Agency for International Cooperation (GIZ). She is member of the executive team of the Harvard World Model United Nations delegation of the LMU Munich.

Basanta E. P. Thapa (* 1986) holds a BA in political science and economics from WWU Münster, Germany, and is currently a graduate student of Public Policy and Management at University of Potsdam, Germany. His research interests cover development studies, governance, behavioral economics and economic sociology. His work experiences include the German Development Service (DED), German Technical Cooperation (GTZ), KfW banking group, Opportunity International Germany, Institute for Ecological Economy Research, and the Chamber of Trade and Industry North Westphalia. He is founding president of the think tank «Zoon Politikon – Workshop for Politics & Economy», Berlin.

1. Introduction

As associations of the private sector, the chambers of commerce and industry in the Visayas and Caraga are well aware of the challenges and obstacles to growth that entrepreneurs face in their region, such as lack of market linkages or government regulations.

Micro, small and medium enterprises (MSMES) make up about 99 percent of businesses in the Philippines¹ and assisting them to unleash their potential can be expected to have a considerable impact on the economic development² of the region.

The chambers of commerce and industry in the Visayas and Caraga therefore requested the WE CAN project of the Cebu Chamber of Commerce and Industry (CCCI) and the German AFOS Foundation for Entrepreneurial Development Cooperation to compile a study assessing the potential and the role of the chamber in the Philippine microfinance market. The study was conducted by Sarah K. Lehner and Basanta E.P. Thapa who were funded through the ASA scholarship program by the German Federal Ministry for Economic Cooperation and Development (BMZ).

This study focuses on the special case of chambers of commerce and industry (CCIs) being involved in microfinance. Based on the assumptions that the microfinance markets in economically active areas on the Philippines are already statured and the graduation problem of microentrepreneurs, we first examine the idea of chambers as providers of microfinance and then move on to assess the potential of chambers in the area of non-financial services. Here, we concentrated on the added value which chambers of commerce and industry can create for microfinance clients by exploiting their core competencies to provide business development services.

The study is structured as follows:

After giving an overview of the Philippine microfinance landscape, we introduce the three main assumptions of our study, namely credit pollution, graduation problem and key characteristics of successful microfinance institutions (MFIs), as established through an initial literature review.

Then, we briefly describe our research design and present selected data gathered during our field study in the areas of Siquijor, Bislig, Northern Samar, Cebu and Manila.

The subsequent examination of the feasibility of microfinance as a chamber service is based on this data. Further, we re-evaluate our initial assumptions in the light of our findings.

1 UN Advisors Group on Inclusive Financial Sectors: Private Sector Working Group 2008, p. 6

2 Demirgüç-Kunt et al. 2008, p. 67

After a closer look at the business development service market, with explicit consideration of the kind of services that are offered by the chambers of commerce and industry, microfinance institutions and government agencies, we conclude our study with a set of policy recommendation for CCIS. These target two goals: Fostering the development of microfinance clients and recruiting new members for CCIS.

2. Data basis

The data basis of this study rests on two pillars: a literature review that provided general background information and allowed us to narrow down the objectives of our field study, and the results of our interviews and data mining during the field studies.

The field studies are only exemplary in their nature, yet they allow us to connect the abstract with the concrete and to contribute to the complex realities on the ground.

2.1 Desk study

2.1.1 Philippine microfinance landscape and recent trends

The Philippine microfinance market consists of more than 200 banks (mostly rural banks),³ some five hundred non-government organizations (NGOs) and about 4,600 savings and credit cooperatives.⁴ According to an estimate of the Cooperative Development Authority (CDA), roughly another 24,000 cooperatives are to some extent involved in savings and loans activities that are not explicitly microfinance. While NGOs and cooperatives achieve better results in terms of outreach to poor and rural strata, rural banks are responsible for a much larger portfolio⁵ since they tend to focus on larger microenterprises, with the benefit that a transition to small and medium enterprise (SME) finance is usually possible within the same institution.

Due to the fractured landscape of microfinance providers, data on the number of microfinance clients in the Philippines is hard to compile and often contradictory. The Microfinance Program Committee reported over 5.7 million active microfinance borrowers for end-2009. In a recent press release, the number of microinsurance clients alone was given as 7 million for 2009/2010.⁶ However, the Microfinance Council of the Philippines (MCPPI) estimated in 2005 that about 2.9 million poor households in the Philippines are potential microfinance clients.⁷

3 Bangko Sentral ng Pilipinas 2009

4 Microfinance Council of the Philippines 2005

5 Microfinance Council of the Philippines 2006

6 Asian Development Bank 2010

7 Microfinance Council of the Philippines 2006

The Philippines ranked third in a global microfinance business environment index compiled by the Economist Intelligence Unit (EIU).⁸ Since the adoption of a National Strategy for Microfinance in 1997, the Philippines have developed a stringent policy for the microfinance sector and abandoned interventionist credit policies in favor of prudent regulation and channeled government lending through independent institutions. However, the increasing trend among local government units (LGUs) to extend subsidized credit for selected MFIs in their constituencies counteracts these efforts to create an environment for the market-driven development of microfinance.⁹

While some remote areas are only sparsely or not at all serviced by MFIs, competition between MFIs is generally strong, especially in their concentration areas on Luzon and in the Visayas. Expanding MFIs like the Center for Agriculture and Rural Development Mutually Reinforcing Institutions (CARD MRI) or Negros Women for Tomorrow Foundation (NWF) contest rural banks that are by license restricted in their area of operation and local cooperatives in more developed markets.

Economies of scale that manifest in a wider range of financial products, better trained staff and more fringe benefits (like business development services) give larger MFIs, in particular nation-wide organizations like CARD, TSKI or TSPI an edge over their smaller competitors. Although those local or regional MFIs often profit from a large client basis and a good reputation that has been earned by decades of work in a certain geographical area, they have to match the expanding MFIs in the quality and range of their services to survive, as clients tend to try out different MFIs to find the best offer.

In the long run, an increasing consolidation of the Philippine microfinance market can be expected, with MFIs merging or being pushed out of the market by larger, more sophisticated competitors. Those MFIs that remain will have to offer diverse financial products that are tailored towards the varying needs of their clients, employ a highly motivated and professional management and skilled staff and serve their customers with non-financial services that effectively foster their entrepreneurial success, reducing risk for the MFI and retaining clients at the same time.

2.1.2 Basic assumptions

We have derived three central assumptions from an initial literature review that set the premises for our study: the phenomena of credit pollution and graduation problem as well as the key characteristics of successful MFIs in the Philippines.

Credit pollution serves as a proxy for the saturation of a regional microfinance market and underlines the need to improve the capacity and services of existing MFIs instead of introduc-

⁸ Economist Intelligence Unit 2009

⁹ Microfinance Council of the Philippines 2006 (and supported by our own field study).

ing additional providers of basic microfinance services to the market.

The graduation problem sheds light on the non-financial side of microfinance by posing the question: What factors keep businesses with sufficient access to financing from growing? Finally, the key characteristics of successful MFIS state a framework for the evaluation of a MFIS capacity to extend microfinance services that are particularly useful in assessing the feasibility of microfinance for chambers of commerce and industry.

Credit pollution (multiple borrowing)

Given that the Visayas are one of the concentration areas of MFIS in the Philippines,¹⁰ it can be expected that more than one MFI is active in a municipality, especially in those areas with sufficient economic activity to sustain CCIS.

Several MFIS servicing one area is not per se negative, as competition in services and interest rates should theoretically prove beneficial for the clients. At the same time, this often leads to the phenomenon known as “credit pollution” or “multiple borrowing” which describes the practice of MFI clients to borrow from several lenders at the same time.

Generally, two reasons for taking out loans from different MFIS can be identified:¹¹

1. Ex-post reasons: After taking out a loan, the clients experience a negative shock in their household or enterprise, rendering them unable to repay. Thus, they take out a second loan from a different MFIS (or informal lender) to repay the first loan.
2. Ex-ante reasons: Many microcredit programs have maximum loan sums, practice progressive lending or disburse special purpose loans that can only be spent for specific uses. To circumvent these restrictions, borrowers take out loans from different MFIS.

Both forms of multiple borrowing are problematic as they bypass the risk management mechanisms of MFIS and thus regularly lead to borrower overindebtedness and default.¹²

There are well-known solutions to the problem of credit pollution as such like credit bureaus, other forms of information sharing between MFIS or more specific contract design. However, in the context of this study, we rather use it as a proxy for insufficient diversification of microfinance services and for the saturation of the local microfinance market.

In a well developed microfinance market with diverse financial and non-financial services, credit pollution poses less of a problem as shocks are smoothed by microinsurance, risky multiple borrowing is prevented by sufficient financial literacy trainings, and financial products are in general better adapted to client needs.

10 Economist Intelligence Unit, 2009

11 Casini 2010, p. 2f

12 Chaudhury & Matin 2002

Following the notion that there is a connection between the economic activity in a region, the existence of a chamber and the presence of MFIs, we generally assume that there is credit pollution in the chamber regions of the Visayas and Caraga. One goal of our field study was to verify this assumption. Moreover, since credit pollution is a good indicator of no further demand for basic microcredit in the market, we wanted to move beyond the idea of chambers as mere providers of financial services to microentrepreneurs.

Graduation problem

MFIs and their clients all over Asia face the so called «graduation problem». Common to the several definitions of this phenomenon is that microentrepreneurs operating small subsistence businesses in the informal sector are not able to lift them to the stage of growth-oriented formal microbusinesses. As a result, microentrepreneurs stay working poor, often close to self-exploitation, as they only achieve a subsistence income level and fail to contribute to job creation and economic growth in the municipality.

There are three central sets of factors causing the graduation problem:

1. Bureaucratic barriers clients face if they want to formalize their business and use the formal banking sector.¹³
2. Lack of skills needed to improve productivity, product and service quality as well as basic business administration skills and business management experience.¹⁴
3. Lack of market access and market information.

The first set of factors needs to be addressed through the streamlining of administrative procedures¹⁵ and targeted regulation of the financial sector. While CCIs generally have the possibility to lobby to this end, they cannot directly affect this problem.

The second and third set of factors that keep microentrepreneurs from graduating to growth-oriented businesses, however, can be tackled by MFIs and CCIs. Business development services (BDS) are a well-tested way to assist MSMEs in overcoming the restraints mentioned above. Nonetheless, only few MFIs provide these services in adequate quality and quantity so far.

One part of our field study was to examine whether the MFIs and microentrepreneurs in the areas we visited also experienced the graduation problem. Since we assume the frequent occurrence of graduation problems in our research design, this study lays special focus on the need for BDS by microentrepreneurs, the provision of BDS by MFIs and the potential of CCIs to offer additional BDS.

13 Daley & Sautet 2005, p. 10

14 Haynes et al. 2000

15 This aspect is targeted, for example, by component 2 of German Technical Cooperation's (GTZ) small and medium enterprise development for sustainable employment program (SMEDSEP).

Key characteristics of successful MFIS

We have drawn several characteristics of successful MFIS from literature in order to assess the capacity of CCIS for the provision of microfinance.

Owen & Agabin single out five central elements of successful MFIS in the Philippines:¹⁶

1. Senior management is motivated, committed and vested with the necessary skills to develop a sound strategy.
2. The MFI knows and monitors its market, the needs of potential and current clients and the status of competitors.
3. Business planning and product development heeds the information about the market and innovatively lowers cost and devises products that fit the clients' needs.
4. Staff is highly skilled and motivated, for example through incentive mechanisms. This also includes an organizational structure with professional back office departments.
5. Procedures are streamlined, documented and monitored. These procedures directly reflect the strategic policy choices of the MFI. A management information system that fits these procedures is in use.

To a limited extent, our field study checked for the occurrence of these elements within visited MFIS against the size of their operation and their perceived success. More importantly, however, was to explore whether the CCIS in the Visayas and Caraga region do have the institutional potential and capacity to meet those criteria.

2.2 Field study

2.2.1 Research design of the field study

The field study mainly included qualitative interviews with local MFIS, their clients, local chambers and other key informants at government agencies, NGOs, and the like.

Most interviews were conducted in Cebu City/Cebu, an economically highly active metropolitan region with a well-developed CCI. Further research sites were Siquijor, Catarman/Samar, and Bislig/Mindanao, economically less developed areas with smaller CCIS which, however, run their own microfinance programs. Additionally, chambers in Negros Oriental and key informants in Manila were interviewed.

¹⁶ Owen & Agabin 2006, p. 9f

Three main areas of interest were examined by these interviews:

1. Verifying the assumptions of credit pollution and graduation problem.
2. Assessing the existing provision of non-financial services by MFIs and the need for further technical assistance by MFIs and their clients.
3. The activities, capabilities and various self-conceptions of CCIs in different stages of development.

2.2.2 Siquijor

Siquijor is an island province of about 320 square kilometers and some 87,000 inhabitants off the eastern coast of Negros and south of Cebu.

Although government development plans aim at developing Siquijor's tourism potential, the economy is still dominated by agriculture and fishery, retail services and, as the most important manufacturing sector, furniture making. According to reports by the provincial Department of Trade and Industry (DTI) office, Siquijor's economy consists exclusively of MSMEs.

Siquijor Chamber of Commerce and Industry (scci)¹⁷

scci has about fifty members. The chamber relies solely on volunteers and employs no staff.

Its main activity is the Microfinance Program which started in 1993, when scci was awarded a PHP 250,000 as a loan from DTI's Micro Enterprise Development Program Countryside Development Fund. In the course of the following years, scci received further loans from a locally funded Micro Credit Program¹⁸. In 2002, all loans granted to scci were fully repaid and by 2009 the chamber had accumulated PHP 1.3 million working capital. As the lending business of scci is not officially registered, it is not subject to any regulation except for obligatory financial reports to the Securities and Exchange Commission (SEC). The operation is managed by members on a voluntary basis. Notably, the same person has been holding the office of scci treasurer, who is in charge of the program, since its inception.

To be eligible for a loan request the applicant must fulfill the following requirements:

17 Information based on an interview conducted 28 August 2010 with scci, Mr Roberto S. Pajermo, Mr Hon. Arthur M. Chan, Mrs Nimfa M. Virtucio

18 PHP 250,000 from Micro Enterprise Development Program Countryside Development Fund on 6 August 1993, PHP 250,000 from MicroCredit Program Locally Funded on 27 September 1993, PHP 450,000 from TSTSP on 27 January 1995, another PHP 500,000 on 18 November 1996, and further PHP 225,000 on 9 November 2000, (all funds are managed by DTI)

1. Chamber membership for at least one year.
2. Business has to be registered with DTI.
3. Collection of 12 «chamber points»¹⁹

An overview of the history of the maximum credit amount and conditions is provided in the table below. For loans up to PHP 50,000 one co-maker and for loans above PHP 75,000 two co-makers, who have to be chamber members, are required.

Year	Loan size	Interest rate*	Service charge	Collateral
1993–1995	< PHP 25,000	15 % p.a.	3 %	no
1996–1999	< PHP 35,000	15 % p.a.	3 %	no
2000–2006	< PHP 50,000	15 % p.a.	3 %	no
2007–2008	< PHP 50,000	15 % p.a.	3 %	no
	PHP 50,000–75,000	13 % p.a.	2 %	yes
2009	< PHP 50,000	15 % p.a.	3 %	no
	PHP 50,000–100,000	13 % p.a.	2 %	yes
2010	< PHP 50000	15 % p.a.	3 %	no
	PHP 50,000–150,000	13 % p.a.	2 %	yes

* diminishing balance method

Loans are repaid monthly in a of six to twelve month term. Service charges are paid up front. All fees and loan repayments have to be paid by check to keep the workload of the treasurer bearable.

scci uses a progressive loan size system with a maximum first loan of PHP 25,000. After repaying the first loan, the client is eligible for larger loans.

The scci Microcredit Program has experienced only three cases of default since its establishment. In these cases, either the co-maker was forced to repay or a private collection firms was contracted to recollect outstanding loans. The private collection firm claims 20 percent of the recollected amount as payment for their services.

scci also provides emergency loans of PHP 15,000, repayable within fifteen days with 1.5 percent annual interest rate. The life insurance offered by the scci requires a onetime payment of PHP 100 and will cash out PHP 2,500 in case of a spouse's or child's death.

Most of the chamber's members are registered as Barangay Micro Business Enterprise (BMBES), which applies to businesses with less than ten employees and an asset size below PHP 3 million. A BMBE-registered business pays less taxes and does not have to comply with the minimum wage of PHP 225 per day.

¹⁹ Chamber points are awarded for activity in the chamber. (e.g., 1 point for attending the monthly board meeting, 2 points for participation in the Giveaway Love Week, 3 points for participating in the charter day parade)

scci's borrowers use their loans for business expansion or as working capital. If a client's capital need exceeds the maximum loanable sum at scci, clients sometimes avail of additional loans from commercial banks. Despite the low maximum volume of a loan, even larger businesses borrow from scci as its application process is easier and faster in comparison to commercial banks. Interestingly, some borrowers use the same collateral for more than one loan.

The chamber is still growing and recruits most of its new members through their Microcredit Program. The board is contemplating to diversify the product portfolio by extending loans starting as low as PHP 5,000. While this would expand the program to smaller businesses, scci right now lacks the necessary capacities to ensure recollection and monitoring.

scci does not actively provide any business development services or trainings. However, the chairmanship of the Micro, Small and Medium Enterprise Development Council (MSMEDC)²⁰ is one of its major activities. Here, the chamber is actively involved in the yearly planning of trainings for MSMEs with the involved government agencies. Through a flexible arrangement with the council, the chamber can sometimes even set up trainings to satisfy the short-term needs of certain business clusters. Through its close relationship with DTI, slots at trade exhibitions in and outside Siquijor are reserved for chamber members and most of the cost is sponsored by DTI and the provincial government.

When it comes to market linkages, the chamber argues that due to the small size of the island, the businessmen on Siquijor know their up- and downstream markets well. Thus fostering market linkages would be a redundant service by the chamber. When asked about the promotion of linkages with off-island markets, the trustees signaled interest, but could not name any existing or planned activities to this end.

In line with the often mentioned «business club» paradigm,²¹ most of the chambers activities are philanthropic, among them a reforestation project, the yearly Give Away Love Week with gifts to the inhabitants of poor barangays and a planned scholarship program for talented high school students. These activities are financed with donations by members, the general membership fee and with the surplus of the chamber's microfinance activity.

Although no direct interview was conducted with any of the sector associations on Siquijor, it was apparent from other interviews that local sector associations play an important role in value chain creation and in implementing DTI's One Town One Product (OTOP) program. They are also vehicles of advocacy for the common interests of the sector, as for example the Larena Woodcraft Maker's Association successfully lobbies the MSMED council for technical trainings.

Microfinance institutions on Siquijor

In Siquijor, we interviewed two microfinance institutions: The multi-purpose San Juan Com-

²⁰ Coordinating body for the MSME-related activities of the various government agencies

²¹ Müller-Glodde & Lehmann 2006, p. 5

munity Development Cooperative and the Rural Bank of Lorena that provides finance to MSMEs to fulfill the requirements of the MSME magna charta.

San Juan Community Development Cooperative²²

The San Juan Community Development Cooperative was founded in the 1980s and caters to members in the whole province of Siquijor. Its main activity is savings and loans for their 1,600 members. Most cooperative members take out loans for «livelihood projects», mostly hog-raising and sari-sari stores. At the time of research, the cooperative employed seven people on a full-time basis.

To be eligible for a loan, applicants have to become full members. The requirements for full membership are the attendance of a one-day training (Pre-Membership Education Seminar) and total individual savings of ₱2,000. The maximum loanable amount is twice the sum of the applicants' fixed deposits. Regular loans run ten months with 2 percent monthly interest. On savings, cooperative members earn 4 percent interest.

The cooperative regularly conducts background investigations on the repayment capacity of their borrowers and checks if loans size and stated loan purpose match. A co-maker is required for every loan and sums above 10,000 ₱ are only lent against collateral. The cooperative, however, hardly forecloses defaulters' as the staff considers this inhumane. If foreclosure is inevitable, the cooperative hires the same recollection agency as SCCI.

With regard to non-financial services, the cooperative offers «barangay ownership trainings» about every three months for some twenty participants. The training includes topics like the importance of savings and the responsibilities and rights of barangay residents. No further BDS are provided. Members of the cooperative rarely take part in DTI trainings as there is no sufficient communication between the cooperative and the government agencies of the MSMECD.

The cooperative's staff confirmed the graduation problem among their savings and loans clients. Insufficient financial literacy, management and technical skills were identified as main reasons preventing subsistence businesses from graduating to growth-oriented, registered microenterprises. An additional problem is the diversion of business capital to private purposes like consumption or family emergencies.

At the time of research, the cooperative experienced the microfinance market on Siquijor as highly competitive. In the municipality of San Juan alone, there are five cooperatives with similar financial services. Almost all members take out loans from other MFIs like TSKI or from informal lenders. Cross-membership with several cooperatives is also common. Especially cross-borrowing (taking out loans to repay other loans) was regarded as problematic by the cooperative as those members often default under the pressure of accumulating debt service.

²² Information based on an interview conducted on 30 August 2010 with the San Juan Community Development Cooperative, Mrs. Nilba Paiso

Rural Bank of Larena²³

The Rural Bank of Larena does not run an explicit microfinance program but only extends loans to MSMEs to satisfy the Magna Carta for Small Enterprises which makes it mandatory for every bank to reserve 8 percent of its loan portfolio for micro and small enterprises.²⁴ The board of the Rural Bank of Larena does not rate microfinance as an attractive business sector, as it is too risky without collateral and too costly to monitor. The few microfinance clients of the Rural Bank of Larena are mostly in the retail sector.

The average volume of a microloan at the Rural Bank of Larena is around PHP 10,000. The annual interest rate is 24 percent, with the options of daily, monthly, quarterly and yearly repayment. If a client defaults, the bank recollects via courts and forecloses assets.

Loan officers periodically monitor the clients' financial situations and businesses. If needed, they provide business counseling and trainings on accounting. Yet, they do not check for multiple borrowing when a client applies for a loan, although the loan officers observe that businesses stagnate because of cross-lending.

The rural bank does not actively promote the participation in DTI trainings among their microfinance clients as communication between DTI and the bank is quite scarce.

Department of Trade and Industry / Micro, Small and Medium Enterprise Development Council²⁵

As stated by DTI Siquijor in line with our own research efforts, the government is the sole provider of business development services to MSMEs on the island. The various activities of DTI Siquijor cover almost all aspects of BDS:

Market linkages are promoted by holding local trade fairs and by sponsoring the exhibition of selected local products and businesses at national or regional trade fairs. Further, DTI conducts "business matching" of local manufacturers with exporters.

In a special program, DTI facilitates product development by identifying potential businesses, hiring consultants to assist in the improvement and quality control of product design, link businesses with suppliers in labeling and packaging and then market those products at trade fairs.

In the MSME council, DTI coordinates its business trainings for MSMEs with other government agencies like Department of Science and Technology (DOST) (which offers, for example,

23 Information based on an interview conducted 31 August 2010 with the Rural Bank of Larena

24 Republic of the Philippines 2008

25 Information based on an interview conducted 27 August 2010 with DTI Siquijor Provincial Director Mrs Nimfa M. Virtucio

technical training on furniture production) or the Department of Agriculture (DA) (trainings for agriculture and agro-processing). DTI usually holds one or two trainings per year, mostly on basic bookkeeping and the «five S of good housekeeping», a Japanese lean management concept. In general, they concentrate on trainings for manufacturers because DTI Siquijor does not deem retail businesses as value creators.

DTI trainings are usually conducted by local DTI staff. For more specialized topics, experts from the regional DTI office are requested or local businessmen with the needed skills are employed.

MFIS cannot request trainings for their clients because the training schedule is planned in advance on a yearly basis. The informal sector is excluded from any DTI services, as only DTI-registered business gain the right to government services by paying taxes.

All in all, DTI Siquijor is quite active in the field of BDS, but budget limitations prevent it from scaling up its operations.

With assistance from German Technical Cooperation (GTZ), DTI Siquijor also supports the organizational development of sector associations. Like most activities of DTI, this complements the «One Town, One Product» program²⁶ that aims at the thorough development of one champion sector per town.

Regarding the graduation problem, our interview partner identified the lack of suitable financing as the main problem. To improve graduation opportunities, MFIS should start offering risk-based lending.²⁷

2.2.3 Bislig

Bislig City is a fourth class city in the province of Surigao del Sur on the island of Mindanao with about 110,000 inhabitants. Barangay Mangagoy, the city's center of trade and industry, has a population of 60,000.

Bislig was home to the now defunct PICOP Resources, Inc., the largest paper mill in Asia that gave jobs to over 10,000 people in the area. Since its permanent shutdown in 2008, caused by the company's abuse of lumber concessions, the local economy is struggling. The government now envisions Bislig City as a leading agri- and aquaculture producer and eco-tourism destination.

²⁶ The program is being phased out due to the change in presidential administration.

²⁷ Lending without collateral but instead based on the quality of the business plan and the applicants character.

Bislig Chamber of Commerce and Industry²⁸

The Bislig Chamber of Commerce and Industry (BCCI) was founded 1984 and now has 82 members. The membership fee consists of a onetime payment of PHP 500 and a monthly payment of PHP 50.

The BCCI started their microfinance program in the late 1990s and is now serving all of the second district of Surigao del Sur on Mindanao. BCCI is registered with SEC and thus the only form of regulation for their lending operation is a yearly financial report to SEC. Their only source of capital is a PHP 2.8 million fund from DTI.

The chamber provides regular loans for chamber members and MSME loans to non-members. For regular chamber members, the maximum loan is PHP 100,000 with 2 percent monthly interests. Non-members only have to pay a 6 percent service charge on the entire loan amount. Repayment is possible on weekly, bi-weekly or monthly terms. A liable co-maker is required and amounts above PHP 50,000 are only lent against collateral. Allowed loan purposes include working capital, production investments and expansion of facilities. Actual loan use is monitored monthly.

To be eligible for a MSME loan, a client has to meet the following requirements:

1. Positive background investigation (Among other factors, the business has to show three years of profitability, which is indirectly controlled with interviews.)
2. 21–64 years of age and in good health
3. Official documents (only those that every registered business possesses)
4. DTI training certificate (Entrepreneurial Awareness Seminar)

At the moment, BCCI serves 125 clients. Although there is further demand, lack of capital prevents the chamber from expanding its client base. As the chamber does not charge any interest on MSME loans and the 6 percent service charge only covers administrative costs, the chamber's capital stock is not expanding through the lending operation itself. In fact, a client's defaults means direct loss of capital for the chamber since no risk spread is included in the services charge.

Regarding credit pollution, the chamber reports multiple borrowing to be quite common. Although there is no formal regulation against multiple borrowing, the chamber actively discourages its members to take out several loans at once.

The chamber provides various kinds of services to its members and clients. To promote its

28 Information based on an interview conducted 15 September 2010 with BCCI, President Ms Margarita Garay, focus group discussions with trustees and members, and the chamber homepage: www.bislig-chamber.page.tl

activities, BCCI publishes a quarterly newsletter and has a weekly one-hour slot in at a local radio station.

In cooperation with DTI, the chamber is also actively involved in market linkages promotion through local trade fairs and a Christmas bazaar.

Training needs of members and MSME borrowers are determined through a demand survey and quarterly interviews. BCCI informs DTI about the identified training needs or conducts trainings itself. The seminars offered by the chamber, which are presented by local professionals in a “Lunch and Learn” format, comprise various topics like marketing, networking, time management, tax compliance and accounting. DTI offers quarterly trainings on similar topics, including simple bookkeeping, good manufacturing and financial resources management.

In its business center, the chamber provides facsimile services, livelihood tapes rental, an LCD projector and internet rentals, printing of business cards, literature and business-related information at minimal cost to chamber members.

A MSME congress is organized by the BCCI once a year, where new technologies and sources of financing are presented and DTI speaks on current business trends and opportunities. Every year, BCCI honors the most outstanding microentrepreneur with an award.

Additionally, the chamber is an accredited and active member in different LGU councils where BCCI advocates the interests of its members and of the Bislig business community. The chamber also chairs the newly reactivated MSMEDC.

Further chamber activities include community involvement, for example a planned volunteer fire brigade.

Several years ago, BCCI set up the Bislig Chamber Cooperative (BICHAMCO) for savings and loans purposes. The cooperative and its clients were supported by chamber activities like trainings. Today, BICHAMCO is completely independent of the chamber and serves around 300 clients, who are mostly in the retail sector, with basic finance services and a cooperative rice trading operation.

Microfinance institutions in Bislig

In Bislig we interviewed one cooperative, MAFISCO. Further planned interviews with rural banks could not be conducted due to local charter week celebrations.

Mangogoy Fishermen Multi-Purpose Cooperative (MAFISCO)²⁹

The cooperative was established by seventeen local fishermen as a self-help group when trawl-fishing was outlawed and started out with PHP 1,000 capital. The microfinance program started in 1995. Back then, only fishermen were eligible to join, but recently MAFISCO opened its membership for all residents of Surigao del Sur and Norte. Today, MAFISCO has around 1,100 members of whom 280 are active microfinance clients. The requirements for membership include:

1. Positive background check and credit investigation
2. Participation in the pre-membership seminar
3. PHP 3,800 capital share and a PHP 100 onetime membership fee

MAFISCO offers various financial services to its members, but its main focus is on microlending to push back informal lending. Members can avail regular loans with a ninety-day term and 2 percent monthly interest. Repayment is possible daily and weekly, depending on the borrowers business. The first loan has a maximum volume of PHP 5,000. Larger loans are available after the successful repayment of smaller loans and against additional collateral.

To satisfy short-term capital needs which often drive members to informal lenders, MAFISCO also offers emergency loans with a one-month term and 3 percent interest. Additional MAFISCO offers special loans for medical and educational purposes at 1 percent interest per month over six months. MAFISCO claims to offer fast services as there is a daily release of loans and reloaning process is in average completed within two hours. Due to intense monitoring and checking for cross-lending with other MFIs (a major problem due to intense competition in and around Bislig), the delinquency rate for all loan products is very low.

Apart from loans MAFISCO, also offers savings. Savings mobilize additional capital for the cooperative's lending operation. Furthermore, it runs a loan insurance program and a group insurance that is included in the membership.

Regarding non-financial services, MAFISCO offers an «ownership seminar», reminding the members of their responsibilities towards the cooperative. There are no structured BDS offered by MAFISCO. Some members receive trainings from DTI which are carried out without the involvement of MAFISCO.

Concerning graduation, the staff reported that most members' businesses grew, but hardly graduated into the formal sector.

²⁹ Information based on an interview conducted 16 September 2010 with MAFISCO, Mrs Manuela C. Mirafuentes

Department of Trade and Industry / Micro, Small and Medium Enterprise Development Council³⁰

The DTI field office in Bislig City offers different non-financial services to business owners in the area.

On average, DTI conducts six trainings per year with about sixty participants per training. Topics include business financing as well as livelihood trainings like dishwashing detergent making or handicraft production. Requests by user groups for special trainings are regularly fulfilled.

In cooperation with the Bislig City Producers Cooperative (BCPC), DTI organizes a yearly trade fair in Bislig. Further, DTI also sponsors the attendance of selected local producers in regional trade fairs.

Additionally, DTI helps microentrepreneurs with labeling and packaging. Label design and general advice on that topic is taken care of by DTI staff, but the quality and quantity of this service could not be determined in our interview.

At the time of research, there was no joint planning of business promotion activities with other government agencies through the MSMEDC. Yet, the council was reactivated recently, which might soon lead to changes concerning joint planning.

2.2.4 Northern Samar

Catarman, the capital and largest town of the province of Northern Samar, is a first class municipality of around 81,000 inhabitants. Northern Samar is one of the poorest provinces of the Philippines whose economy almost entirely depends on agri- and aquaculture.

Northern Samar Chamber of Commerce and Industry (NSCCI)³¹

As part of our interview, we attended a meeting of NSCCI where the chamber's microfinance committee presented their research results about the local microfinance market. This research was initiated because the chamber's board of trustees contemplated to start microfinance as a chamber service.

The microfinance committee reported that there were already thirteen MFIs in Northern Samar. All of them are based in Catarman and are already engaged in fierce competition. Further, the committee stated that the chamber did not have the capabilities to run a microfinance operation successfully, professionally and sustainably. Instead, they proposed that the

³⁰ Information based on an interview conducted 17 September 2010 with DTI Bislig

³¹ Information based on a group interview conducted 24 September 2010 with the NSCCI

chamber assessed all local MFIs and endorsed the best to its members. The chamber might also assist their members with the loan application process.

The chamber board identified great need for trainings and services for micro and small enterprise owners in the province, but did not actively maintain any structured BDS.

Microfinance Institutions in Northern Samar

In Northern Samar, we conducted interviews with two different microfinance institutions: Northern Samar Development Workers Credit Cooperative (NSDWCC) and Negros Women for Tomorrow Foundation (NUTF).

Northern Samar Development Workers Credit Cooperative (NSDWCC)³²

The cooperative was established in 1985 with an initial capital of PHP 3,000 and fifteen founding members. In 2010, after 25 years of operation, the cooperative has 4,600 regular members and 3,400 microfinance clients (associated members) who graduate to regular membership after four successfully repaid loans plus PHP 5,500 of forced deposits as capital share. NSDWCC is the largest MFI in the area, has four branches covering 24 municipalities (with about 300 barangays), PHP 187 million assets and 64 full-time employees.

The cooperative offers loans with daily, weekly, semi-weekly, monthly repayment schedules, depending on the borrower's cash flow. Credit conditions for regular members and microfinance clients differ: Regular members pay 2 percent diminishing interested rate per month while microfinance clients pay 3 percent interest straight per month. For microfinance loans, a client has to meet the following requirements:

1. Attendance and positive assessment at a projection meeting
2. Positive background investigation
3. Business existing at least for one year (no DTI registration required)
4. Participation in a seminar on the cooperative's credit policies

Further financial products offered by the cooperative are regular and time deposits.

NSDWCC offers a range of non-financial services. Livelihood trainings include topics like meat processing, pili nut processing, juice production or soap making and are targeted at microfinance clients. The cooperative hires private trainers from Manila or Cebu City at the cost of PHP 1,000 to 2,000 per day to conduct these sessions. Trainings usually last two to three days and thirty to 150 clients participate per training. In the past, many clients stopped using their new skills because of raw material shortages, so the cooperative established its own shop to guarantee the supply of input materials.

³² Information based on an interview conducted 22 September 2010 with NSDWCC, Mr John Vibal

NSDWCC also conducts financial literacy trainings on topics like debt management, savings mobilization, basic bookkeeping and costing of products. These one-day trainings are conducted by private trainers from Manila or Cebu as well.

Additional non-financial services provided by the cooperative include selling client products in the cooperative shop and assisting clients to participate in trade fairs.

The cooperative also participates in tenders for trainings as part of the Rural Micro Enterprise Promotion Program (RUMEPP). NSDWCC qualifies for these tenders because DTI Northern Samar identified it as one of the professional BDS providers in the region. These trainings are also open to clients from other MFIS.

Our interview partner also stressed the importance of trainings to further the diversification of borrowers' businesses. At the time of research, 80 percent of NSDWCC's clients own and manage a sari-sari store.

Most microfinance clients graduate to regular membership but this does not equal the graduation into the formal economy. Even as regular members, clients typically stay at a working poor subsistence level.

Competition between MFIS in Catarman is tough. According to our interview partner, there are too many MFIS in the market. Some newcomers display aggressive expansion practices. For instance, well-performing clients are snatched from competitors by offering them special add-ons and conditions. As a consequence, multiple borrowing is common. NSDWCC gives two different reasons for multiple borrowing:

1. Initial loans for new clients do not provide sufficient capital to start a business. Thus, clients take out loans from more than one MFI to accumulate the required amount. As a reaction, NSDWCC now provides also larger loans to first-time borrowers with solid business plans.
2. Emergencies within the family or other reasons for the inability to repay existing loans cause borrowers to take out additional loans. The provincial Microfinance Council Northern Samar is supposed to act as an information sharing platform to counter cross-lending, but some MFIS boycott the council.

Negros Women for Tomorrow Foundation (NwTF)³³

The Negros Women for Tomorrow Foundation was founded in 1984. It now has 86 branches in the Visayas and on Palawan. The foundation has three different projects:

³³ Information based on an interview conducted 23 September 2010 with NwTF, Catarman, Northern Samar and www.nwtf.ph

1. Project Dugganon is the main thrust of the foundation and follows the Grameen methodology. It targets the “poorest of the poor” and specializes on female clients.
2. Project Kasanag aims at urban microentrepreneurs engaged in manufacturing, trading, services and shopkeeping. This program works with individual loans.
3. Dugganon Thrift Bank (a microfinance thrift bank), the first thrift bank in the Visayas, will be used as a vehicle for funds mobilization through savings and profitable consumption loans for higher income strata and to provide professional services to the poor.

NWTF’s Catarman branch implements Project Dugganon. It serves 2,032 clients who are predominantly involved in sari-sari stores, buy-and-sell businesses, fish-binding or furniture production.

The Grameen methodology implemented by Dugganon Project implies group lending with five members per group and a five-day training with two hours per day to prepare for the group recognition test that has to be passed to establish the group formally.

The initial loan size is PHP 3,000 and the maximum loanable amount in the program is PHP 150,000. An interest of 1.5 percent is charged per month, with an additional onetime service charge of 2.5 percent. Available loan terms are three, six, nine and twelve months. Voluntary savings earn 1 percent interests per quarter. Clients are automatically insured with Mercantile Insurance, which offers hospitalization, accident and life insurance.

The foundation also provides non-financial services to their clients. Trainings on livelihoods and credit discipline are the most commonly conducted. Usually, trainers from the NWTF head office offer two to three trainings per branch every year. The manager of NWTF’s Catarman branch plans to raise the number of trainings conducted next year.

NWTF also assists clients in marketing by displaying their products in the office and by advertising the products among its clients.

The branch manager pointed out credit pollution as a major problem in Northern Samar, as multiple borrowing is very common among clients. Further, he named too small initial loans and cross-lending as main causes of multiple borrowing. The latter is especially brought forward by the tough competition between MFIs in Catarman, as borrowers are misled to live beyond their means.

On the topic of graduation, we were told that members often only expand their operations to finance proper education for their children and satisfactory housing for the family, but hardly push to become growth-oriented businesses. Usually, only clients of Dugganon Thrift Bank are able to graduate into the formal economy and register their business with DTI.

Department of Trade and Industry / Micro, Small and Medium Enterprise Development Council³⁴

DTI in Northern Samar provides several services to the businesses of the area. It conducts more than fifty trainings per year on topics like business management, «How to start a business», simple bookkeeping and productivity enhancement. DTI also assists with product promotion through participation in trade fairs and a souvenir shop at the local airport where local producers can sell their handicraft and food products.

The provincial MSMED council is currently inactive.

Rural Micro Enterprise Promotion Program (RUMEPP) in Northern Samar³⁵

RUMEPP is a seven-year poverty alleviation project of the International Fund for Agricultural Development (IFAD) and the Philippine government with DTI as the lead agency and United Nation Office for Project Services (UNOPS) as cooperating institution. Its focus is rural poverty reduction by advancing the expansion of existing and the establishment of new rural microenterprises and increasing their profitability and sustainability. Its overall goal is to lift the income of 200,000 poor rural households. The program is limited to the nineteen poorest provinces³⁶ as defined by the Social Reform Agenda.

RUMEPP consists of three main components:

1. Microfinance Credit and Support: Increase the volume of finance available to microenterprises.
2. Micro-Enterprise Promotion and Development: Provide efficient, cost effective and demand-responsive business development services to rural microenterprises. BDS should include entrepreneurship/management training for microenterprises, product development opportunities and market support (like market matching or trade promotion activities).
As a first step, DTI identifies potential BDS providers, mostly microfinance institutions which already successfully provide BDS to their clients, in a province. Then, trainings or other activities are contracted out to the identified BDS providers. These activities are funded by RUMEPP and are open to all microentrepreneurs that are registered with DTI and have the potential for employment creation.

³⁴ Information based on an interview conducted 23 September 2010 with DTI Catarman, Mr Noel B. Gabrito

³⁵ RUMEPP powerpoint presentation Northern Samar, courtesy by Mr Noel B. Gabrito

³⁶ Target provinces: Abra, Ifugao, Kalinga, Camarines Sur, Catanduanes, Sorsogon, Masbate, Albay, Eastern Samar, Northern Samar, Samar, Biliran, Leyte, Sarangani, South Cotabato, Agusan del Sur, Agusan del Norte, Surigao del Norte, Surigao del Sur

3. Programme and Policy Coordination: The objective of component 3 is a well-managed programme operating in a positive policy/regulatory environment for microenterprises. Two DTI staff members are in charge of coordination and implementation of RUMEPF in each of the 19 provinces.

2.2.5 Cebu

Cebu is a province in the Philippines, consisting of Cebu Island and 167 surrounding islands of around 4,930 square kilometers and 2,439,000 inhabitants. Cebu is one of the most highly developed provinces of the Philippines, with Cebu City as the main center of commerce, trade, education and industry in the Visayas.

Cebu Chamber of Commerce and Industry (ccci)

Cebu chamber started in 1913 as an association of traders in the port of Cebu. In the 1980s to 1990s CCCI was enhanced and improved under the Philippine-German Chamber Cooperation Program and Regional Chamber Development Program. Since then, CCCI has received regional, national and international awards for its outstanding service quality.³⁷

CCCI's mission is «to strengthen the capabilities of members through Advocacy, Linkages & Synergy for the global competitiveness of Cebu Business and its People».³⁸

In 2009, CCCI had 937 member companies and organizations of which 47 percent were engaged in the service sector, 29 percent in the industry sector, 19 percent in trade and 3 percent in agri- and aquaculture. Two percent of the members are represented through sector organizations. About half of the member companies are medium sized, 23 percent small and 21 percent large, according to their asset size.³⁹

Membership fees consist of a onetime entrance fee of PHP 3,000 and an annual membership fee depending on the asset size of the company: Small companies pay PHP 6,000, medium enterprises PHP 8,000 and large businesses PHP 12,000.⁴⁰

External Affairs and Relations Division

This division deals with business advocacy on critical socio-economic issues, the representation and building of linkages in relevant government and non-government organizations and

37 Most Outstanding Chamber in the Visayas, 1993-1994/2005-2007; Most Outstanding Chamber in the Philippines & Hall of Fame Awardees 1995-1997/2005-2007; Best Local Chamber in the Confederation of Asia-Pacific Chambers of Commerce & Industry (CACCII) 2007

38 Cebu Chamber of Commerce and Industry, 2009, p. 3

39 Small enterprises: 15 million PHP and below asset size; medium enterprises: 15-100 million PHP asset size; large enterprises: 100 million PHP and above asset size;

40 CCCI presentation

the documentation of chamber activities and publications.⁴¹

Business Development and Management Services Division

The division's main task is the implementation of projects to improve members' businesses. Therefore its main projects include trade and investment promotion, fairs and exhibits, trainings and seminars, entrepreneurial and institutional development.⁴²

1. Trade and investment promotions: This sub-unit presents a standing forum for the exchange of ideas and discussion of bilateral issues concerning joint ventures and to provide local companies with efficient means to promote various products and services available in Cebu. CCCI arranges inbound and outbound trade missions and visits of officials and business groups.
2. Fairs and exhibits: In cooperation with different partners, CCCI organizes fairs and exhibits to showcase competitive products and services from Cebu to a wider market. In November 2010, the 6th Beauty, Health and Wellness Show will be held in the Ayala Activity Center. A Strategic Corporate Social Responsibility Conference, to create awareness and encourage companies to integrate CSR activities, has been taken place earlier in 2010.
3. Trainings and seminars: CCCI offers trainings to members and non-members at affordable prices to enhance their capabilities and skills.⁴³ Trainings are usually conducted by hired consultants at the CCCI Training Room. Training topics⁴⁴ foremost include management and soft skills.⁴⁵
With regard to microenterprises, CCCI plans to conduct a series of ten livelihood trainings for the Carbon Vendors Association (institutional member of CCCI). The trainings focus on marketing, storage handling and leadership skills for association officials. TESDA provides the training curricula. Trainers are hired from DTI, TESDA and GoNegosyo at a maximum cost of PHP 5,000 per trainer per day. Since the program is funded by Cebu City LGU, participants do not pay fees for the training.
4. Entrepreneurship development: To boost entrepreneurial development, CCCI organizes a quarterly event where aspiring entrepreneurs meet established businessmen to learn and draw inspiration from their experience.
More generally, CCCI collaborates with national initiatives and government agencies in

41 Cebu Chamber of Commerce and Industry, 2009, p. 14

42 Cebu Chamber of Commerce and Industry, 2009, p. 26 f.

43 Cebu Chamber of Commerce and Industry Business Development Division, 2010

44 Training topics 2010: Effective Monitoring; ISO Awareness; Fire Management; Executive Labor Updates; Accounting for Non-Accountant; PSE: Alternative Funding – Financing thru the Equities Market; Effective Presentation; Human Resource Management; Basic Bookkeeping; Good Speaking and Writing; Brainstorming for Effective Meeting; Succession Planning; Total Quality Management; Professionalizing the Family Corporation; Adapting and Working in a Family Business Corporation; Family Business Governance

45 Cebu Chamber of Commerce and Industry 2010

MSME promotion and tries to tap local and foreign funds for further projects. Promotion of existing programs is an additional activity. For this end, CCCI attends the weekly meeting of the Cebu City MSME Council.

5. Institutional development: CCCI facilitates the organization of industry association and acts as their temporary secretariat.⁴⁶
6. Market linkages: Connecting chamber members along the value chain or linking members of similar business sectors is only done upon request and informally by the chamber staff.

Microfinance institutions on Cebu

Community Rural Bank of Catmon⁴⁷

The interview with the Community Rural Bank of Catmon was conducted at their Carmen Branch. The microfinance program is socially motivated, but profitability and sustainability are equally important. The rural bank started its microfinance program in 1999 with a starting capital of 1 million PHP provided by the People's Credit and Finance Cooperation (PCFC). Since then, the capital stock has been increased through deposit mobilization and operational profit to 22 million PHP. The microfinance division started with four full-time employees and now has 46 staff members. At the moment, the microfinance program is comprised of 7,000 clients.

The microfinance program is registered as part of the rural bank and thus regulated by the central bank. As a consequence, it has to meet certain capital requirements. Rural banks, however, are allowed to accept unlimited deposits, which is clearly an advantage compared to cooperatives and NGOs. The major disadvantage of rural banks in the microfinance market is that their area of operation can only be expanded by opening new full branches. The Community Rural Bank of Catmon is affiliated with the Visayas Association of Microfinance Institutions and the PCFC, which provides staff training.

Loan applicants have to undergo a background check. Once approved, they can avail loans up to PHP 150,000. Repayments are collected at the weekly group meeting over the course of six months. As an addition to savings and loans, microinsurances are offered.

Different trainings are provided to the clients with the organizational support of the Rural Bank of Catmon. Private trainers extend livelihood trainings to client spouses to diversify the family's sources of income. Department of Agriculture experts train agricultural clients to minimize the risk of failed harvest. TESDA provides trainings on technical skills. Clients can attend these trainings for a minimal fee. The rural bank has no fixed training schedule but offers trainings upon need and request.

⁴⁶ Cebu Chamber of Commerce and Industry Business Development Division 2010

⁴⁷ Information based on an interview conducted 18 August 2010 with the Community Rural Bank of Catmon

The bank also promotes client products by displaying them at the bank premises. Further, its staff connects clients along the value chain to boost business in the area. In case of problems, bank staff provides personal counseling to entrepreneurs.

With more than six MFIs operating in Carmen, competition, mostly via interest rates, is fierce. Multiple borrowing is very common and often ends in client delinquency. Right now, the Community Rural Bank of Catmon sees no way of controlling if their clients take out loans from multiple MFIs as there is no functioning credit bureau in the area.

The microclients of the rural bank of Catmon rarely graduate into the formal economy or to commercial banking. Especially concerning the latter, the more favorable conditions of micro-loans are a disincentive to switch to the banks regular financial services.

Cebu CFI Community Cooperative⁴⁸

Cebu CFI Community Cooperative was founded in the 1970s to counter informal lending in the area. Today, the cooperative has 50,000 members, from whom 2,000 to 3,000 clients are in the microlending program. It has ten branches and fifteen satellite offices all over the Visayas region and a total asset size of PHP 3 billion.

The cooperative provides financial products for business of every size. Loan products differ in maximum loanable amount, saving requirements, repayment schedule and allowed purposes. The instant loan, where members can loan 90 percent of their deposit instantly, gives the members the possibility to loan money without time-consuming requirements. Other loans are designed for long-term investments or, for example, educational purposes. The general interest rate is 24 percent per annum (diminishing balance method). In addition, a service fee of 2.5 percent and a filing fee of 5 percent of the principal amount are charged for some loans.

The microlending program of CFI is designed for members with an asset size below PHP 50,000. The borrowers are mostly farmers, fishermen or small vendors. The maximum loanable amount in the microlending program is PHP 15,000. Loans are only available for existing businesses – start-ups cannot be financed. The repayment schedule is daily, weekly or monthly, depending on the cash flow of the client's business.

CFI offers three main kinds of deposits: The initial deposit of PHP 7,500 that serves as share capital and gains 15 percent interest p. a. and at least 5 percent dividend per year. Time deposits require an initial deposit of at least PHP 10,000 and are compensated with an interest of 7 percent for amounts below PHP 1 million and 9 percent for amounts PHP 1 million and above. Regular savings, which can be withdrawn at anytime, are only possible from an initial deposit of PHP 1,000 and earn 4 percent interest per year.

⁴⁸ Information based on an interview conducted 23 October 2010 with Cebu CFI Community Cooperative, Mr Rudolph "Ritzie" Candelaria

The cooperative also provides various insurances to its members, including mortuary, health and dental care as well as fire insurance.

In the area of non-financial services, the cooperative is active in market linking and trainings. Market linkages are mostly created informally through branch officers who connect members along the value chain. The annual regional membership meetings and the integrated trade fair are a successfully platform for members to establish business relations. Trainings are provided by the cooperative without cost for their members, as government regulation requires cooperatives to spend 10 percent of their net income on education and trainings. Every year, a CFI member attends up to two trainings on topics like accounting or management. Trainings are usually conducted by cooperative staff and only last one day so that members are able to pursue their businesses.

If needed, loan officers render assistance to borrowers, for example by restructuring debts in case the repayment burden becomes too heavy. Moreover, the cooperative encourages clients to explore additional sources of income like backyard hog-raising. Part of the CFI assistance project is a 10 percent discount that members have to grant each other, connecting them along the value chain and increasing their sales.

CFI's microborrowers on average experience growth but only on a small scale. Nonetheless, graduations to growth-oriented, formal businesses are rare.

Multiple borrowing is widespread among cooperative members, especially from informal lenders. However, cross-membership in different savings and loans cooperatives is unusual, since cooperatives in the Visayas coordinate their activities and try not to compete in the same geographical area for clients of the same income strata.

Cebu CFI Community Cooperative is planning to expand to Mindanao in the next two years and has set aside a budget of PHP 200 million for this purpose.

2.2.6 Manila

The City of Manila, the capital of the Philippines and one of the sixteen cities within the Manila metropolitan area, is one of the most populous metropolitan areas in the world with about 20 million inhabitants. Metro Manila is the financial, commercial and industrial center of the Philippines and accounts for 33 percent of the Philippines' gross domestic product.

Microfinance Institutions in Manila

Rural Bank of Santo Thomas (RBST)⁴⁹

The Rural Bank of Santo Thomas was a failing bank when the CARD MRI family acquired it and turned it into a microfinance institution. From an initial 1,185 clients and a loan portfolio of PHP 21 million in 2007, CARD has grown RBST to almost 42,000 clients with a portfolio of PHP 185 million. Its role within CARD MRI will be SME financing to allow expanding CARD Bank clients a smooth transition from microfinance to SME finance. By CARD standards, SME finance ranges from PHP 100,000 to 1 million.

Candidates for SME finance are selected by the loan officers among the clients of CARD Bank, just as those were selected before to graduate from CARD NGO. Graduation criteria not only include the capacity to pay, distinctive skills and a successful rating by a credit investigation, but are also based on the analysis of the client's market and an examination of his/her expansion plan. Additionally, the client's business has to be in existence for at least three years. From these factors, a borrower risk rating determines whether and how much is to be lent. However, with sufficient collateral, clients can take out loans up to PHP 1 million. Of 42,000 clients, only 175 have so far graduated to the SME level.

CARD NGO works with so-called CARD Groups of 30–35 members who meet weekly. At the meetings, basic PHP 70 (PHP 20 for insurance at CARD Mutually Beneficial Association (MBA) and PHP 50 of forced savings) are collected additionally to the repayment rates. Starting from PHP 3,000 with progressive loan size, members can only avail themselves of productive loans. After successful repayment, they can also take out loans for consumption purposes. The general yearly interest rate for these loans is 28 percent. Two thirds of RBST clients do have outstanding loans, while the rest is currently only involved in savings.

CARD MRI includes three financial institutions (CARD NGO, CARD Bank and RBST) to cater to their client's needs different stages of development. Members are insured through CARD MBA and CARD Insurance Agency. CARD Development Institute provides staff and client trainings and serves as a think tank.

CARD follows the «credit with education» principle and holds trainings at every weekly group meeting. The CARD Development Institute trains unit managers, who in turn train their loan officers how to teach new topics to their clients. Further, the institute conducts impact assessments, training-need surveys and staff trainings.

CARD Business Development Services offers a wide range of BDS for CARD clients. With community stores, CARD Mini Marts, the Hapinoy sari-sari store franchise (as means to promote the estimated 50 percent of CARD clients that own a sari-sari store), outlets in malls for client

⁴⁹ Information based on an interview conducted 8 October 2010 with CARD MRI, Mrs Cynthia B. Baldeo, San Pablo City, Luzon

products, an internal agricultural trading program and an own distribution network, there is an emphasis on market access and linkages.

Asked about credit pollution, informal borrowing was identified as the most pressing problem. Intensive financial literacy trainings and individual counseling have drastically reduced the use of informal finance by RBST clients. Having acknowledged that part of informal borrowing has to be attributed to unsuitable formal financial products, RBST, in cooperation with Sparkassenstiftung für internationale Kooperation, currently develops a special credit line for vendors.

3. Analysis

3.1 Assumptions

The data gathered for this study from both practitioners and key informants has largely confirmed our assumptions of credit pollution, graduation problem and the key characteristics of successful MFIS.

3.1.1 Credit pollution

Credit pollution is regularly discussed as a central problem in circulations of Philippine microfinance regulators, industry associations and researchers.⁵⁰ An extensive study on Philippine MFIS carried out by Asian Development Bank (ADB) states:

«Even in provinces known to be frontiers, there has been intense elbowing of MFIS for a limited market of potential microfinance clients. Thus it was common to see clients having multiple loan access—one of the major reasons also cited for increasing levels of delinquency among MFIS loan portfolio.»⁵¹

In line with these observations, our interviews have shown that towns with an existing CCI usually offer a wide choice of MFIS for microentrepreneurs. Accordingly, most interviewed MFIS report incidents of multiple borrowing and generally view it as detrimental to credit discipline. Some have outlawed multiple borrowing, others try to cope with negative effects through tighter credit investigations and more information sharing among MFIS.

However, the lack of proper credit bureaus is a hindering factor to these efforts. In Northern Samar, fierce competition has even led to the boycott of the provincial microfinance council (established foremost as a platform for credit information sharing to monitor multiple borrowing) especially by expanding MFIS.

50 Llanto 2004, p. 3; United Nations Advisors Group on Inclusive Financial Sectors: Private Sector Working Group 2008, p. 23; Agricultural Credit Policy Council 2004, p. 4

51 Alaban & de Castro 2007, p. 35

Interpreting the occurrence of credit pollution as a proxy for the saturation of a local micro-finance market, we can state that all visited areas, with the possible exception of Siquijor, are already sufficiently supplied with financial services for microentrepreneurs.

Cross-borrowing from informal financial services

An additional finding was the high incidence of cross-borrowing from informal lenders that was reported for their clients by all MFIS. This seems to be a widespread practice especially among vendors and is mainly due to their high cash flow and need for liquidity on short notice. However, this phenomenon is not caused by an overcrowding of the market, but mainly derives from an insufficient diversification of financial products to meet the special needs of vendors and other groups. (For example, Rural Bank of Santo Thomas, part of CARD MRI, currently develops special credit lines for vendors which are expected to keep them from using informal lenders.)

3.1.2 Graduation problem

Interviewed MFIS reported that, even though most of their client's businesses grew in some way, only a fraction of their clients was able to take the step towards real growth orientation. CARD MRI estimates, based on their experience and internal research, that just about 3-5 percent of their clients do have the potential to grow "big".⁵²

The most commonly given reasons for non-graduation are mismanagement, diversion of funds and overindebtedness. Apparently, it is not a lack of financing but a lack of business skills and financial literacy that hold microentrepreneurs back.

Mismanagement

Mismanagement in particular refers to the absence of proper bookkeeping, which is the basis for informed business decisions, especially to judge the profitability of a venture. Of course, further issues like a lack of market research or cost calculation lead to unsuccessful ventures or keep entrepreneurs from undertaking key investments.

Diversion of funds

Diversion of funds points towards the general problem that family and business accounts are not separated. Not only income shocks like sickness can, without insurance, drain money from a business. MFI practitioners often single out unsustainable consumption like fiesta expenses or costly habits like drinking or smoking that deprive the family businesses of capital reserves that would be crucial for growth.

⁵² Pinoyme 2009, p. 3

Overindebtedness

Overindebtedness can be seen as a combination of mismanagement and diversion of funds. Often unaware of the immense financial stress that the repayment rates will burden their business with, microentrepreneurs take out several loans. With debt service consuming most of their profit, capital accumulation for the expansion of business becomes impossible, leaving their businesses stagnating.

External constraints

Even those clients that have the necessary entrepreneurial skills oftentimes fail to grow. In our field study, three external factors were identified as obstacles to growth:

1. Insufficient market access, most importantly problems in finding sales opportunities, often stunts the growth of production businesses.
2. Especially in rural areas, businesses have trouble to find enough qualified staff to expand or professionalize their operations.
3. Professional and reliable B2B services like packaging and labeling keep many enterprises from improving their products to a marketable quality.

3.1.3 Key characteristics of successful MFIS

Unsurprisingly, our field study has shown that the larger a MFIS client base, the more of the given key characteristics can be found with the MFI. In the case of CARD MRI, the Philippines largest MFI, our interviews indicate that its superior performance in these characteristics give it an edge over smaller, less sophisticated competition.

At the moment, it is still possible to run successful smaller microfinance operations based on the skill of a single manager and close monitoring. This is mainly due to strong social ties among clients as well as between MFI staff and clients. Due to their first-mover advantage in the market, local credit cooperatives still have large numbers of clients. Nonetheless, these are particularly vulnerable to pressure from newcomers with more professional staff, support services and financial products since local credit cooperatives only carry some of said key characteristics.

We deduct from this observation that, given the current trend of stronger competition and thus consolidation in the Philippine microfinance market, any MFI that does not at least meet a minimum of the stated key characteristics cannot be sustainably run on a larger scale in the long term.

3.2 Feasibility of microfinance as a chamber service

The examples of Bislig and Siquijor chamber show that it is undoubtedly feasible for CCIs, even small volunteer-based ones, to operate microfinance services. Yet the question, whether it is sensible for them to do so in the long run, remains.

Scalability and sustainability of microfinance as a chamber service

With about one hundred clients in their microfinance programs, Siquijor and Bislig chambers are by far the smallest MFIs we visited. Overall, their operations seem to be managed well, in the case of Siquijor by a volunteer treasurer and in Bislig by non-specialized chamber staff. However, lacking any economies of scale and with only limited economies of scope arising from the combination of MFI and chamber (namely in the area of client monitoring, market information and BDS), small chamber microfinance services cannot compete with national MFIs and the like.

To achieve visible impact in the local economy and to successfully compete with expanding MFIs, the chamber microfinance operations would have to be scaled up significantly, in terms of client numbers, managed portfolio and product diversity. The amount of chamber resources spent on establishing or maintaining a small-scale microfinance program is in no way proportional to its effectiveness and competitiveness.

Referring to the identified key characteristics of successful MFIs, a sufficient enlargement of the programs can only be achieved efficiently with skilled staff and management as well as professional back office structures. Considering the average chamber we visited, volunteer-run, maybe with a part-time secretary, this would mean setting up an organizational structure that greatly exceeds the size of the original chamber. The option of running a larger microfinance operation with volunteer staff, even if equipped with the necessary skills, is unadvisable. Due to the unsteady nature of volunteerism, continuity of management cannot be guaranteed, consequently jeopardizing the entire portfolio.

The investment of scaling up chamber microfinance operations to an efficient and competitive size would divert chamber resources from core functions and commit them for years. Thus, a circumspect cost benefit analysis is crucial. The perceived benefit, however, depends on the overall goal of the microfinance program. The most important possible goals and a rough sketch of the respective cost benefit analysis are examined in the following paragraph:

Motivations for starting microfinance services by chambers

Why would a chamber start a microfinance operation? In our interviews and informal discussions, several motivations could be distinguished:

Member recruitment

Offering a service that is available only to members, like loans at favorable conditions, is a stronger incentive for membership than, for example, advocacy for the business community with the LGU, whose benefits can also be enjoyed by non-members.

While recruitment is often part of the consideration to start a microfinance service by chambers, only Siquijor chamber utilize microfinance programs systematically as a recruitment tool. Bislig chamber extends loans to non-members, too, with the idea of a micro-membership for their microfinance clients still in discussion.

If member recruitment is the major motivation for a chamber microfinance program, the size of the necessary investment to run it on a larger scale seems out of proportion. Monetary benefits that are within the core function of a chamber, like exclusive business referrals, can be provided at a much lower cost.

CSR/community service

Microfinance is sometimes considered a form of community service, extended by the successful businesses to poor microentrepreneurs as charity.

If community service is the major goal, there is obviously no added value to the chamber setting up an elaborate microfinance business and diverting resources from core functions. The same purpose could be served by furnishing an existing local MFI with additional capital. Our study also shows that non-financial services drawn from the core functions of CCTs, for example in the shape of big brother–small brother programs, would be more effective in helping microbusinesses.

Market development

The programs in Siquijor, Bislig and the deliberations in Catarman were most prominently driven by a reported need for favorable financing by the local business community.

So far, our analysis has shown that there is generally no shortage of microfinance in CCT business areas. Thus, the constraint is most probably that existing financial products offered in the area do not match the businesses' financing needs. Rather than establishing a microfinance operation of their own, it may be more cost effective for chambers to lobby or cooperate with an existing MFI to set up more suitable services.

Financial benefits

If the primary goal of a chamber microfinance program is to generate additional income for the chamber, a microfinance operation may be a valid option. Chambers have certain comparative advantages in operating an MFI, most importantly from their detailed knowledge of the local business climate, opportunities and businessmen.

However, especially with regard to the increasing competition in the microfinance market, investment alternatives with shorter capital lockup or less need for sophisticated management would be preferable.

Conclusion

Based on our study, small-scale microfinance operations cannot be deemed efficient.

However, setting up a sufficiently large operation to fulfill the key characteristics for successful MFIs is a tremendous investment, especially when considering that most microfinance markets are already saturated and under pressure from larger MFIs.

After examining the different goals that can be pursued by a chamber that considers starting microfinance services, we conclude that such an undertaking does, in general, not pay off.

Instead, we suggest that chambers utilize their core competencies to foster microentrepreneurs and establish cooperations with MFIs or counseling for microfinance clients. A selection of possibilities how chambers can support the development of microfinance and microentrepreneurs is pointed out in the next sections.

3.3 BDS market

Most of the identified causes for the graduation problem can be tackled by BDS.⁵³ Hence, we want to take a closer look at the services already provided by chambers and other actors which may single out promising approaches and gaps in the current services.

3.3.1 Business development services offered by chambers of commerce and industry

The quantity and quality of services provided by chambers to their members heavily depends on the institutional capacity of the chamber.

Larger and highly developed chambers like Cebu Chamber of Commerce and Industry, with

⁵³ International Trade Center UNCTAD/WTO 1996

more than 900 members and over a dozen full time staff, have the financial ability and organizational capacity to provide sophisticated BDS. Small chambers with less than a hundred members and no full-time staff in general lack the capacity to provide services on a professional and formal level and therefore often concentrate on assisting their members through informal support.

Services provided by chambers can include business advocacy, trade and investment promotions, promoting market linkages through fairs and exhibits, trainings and seminars, entrepreneurship and institutional development. We also observed that smaller chambers often resemble business clubs, with many resources committed to philanthropic activities like organizing charity events or a voluntary fire brigade.

Business advocacy: All interviewed chambers are involved in business advocacy and have ties to relevant government and non-government organizations. As the chambers are usually active in the local MSMEDC, advocacy is a way to influence the BDS offered by government agencies.

Trade and investment promotion: CCCI is very active in the area of trade and investment promotion as it organizes various inbound and outbound trade missions every year. Smaller chambers are less active in this area due to their limited resources.

Promoting market linkages – fairs and exhibits: CCCI organizes a yearly trade fair, smaller chamber mostly organize local trade fairs in cooperation with their LGU or DTI. The promotion of market linkages between members is mostly done informally by chamber staff upon request, without any institutionalized structure.

Trainings and seminars: CCCI regularly offers trainings to its members. Smaller chambers usually do not conduct trainings themselves but can influence the training programs of government agencies to meet the needs of their members through their presence in the MSMEDC.

Entrepreneurship development: CCCI organizes quarterly conferences where successful business owners connect with start-up entrepreneurs. Smaller chambers sometimes have informal mentoring programs.

Other services offered: As an additional service, CCCI supports the institutional development of sector associations. BCCI is the only chamber to provide a business center facility to its member.

3.3.2 Business development services offered by MFIs

Only some of the interviewed MFIs offer any kind of BDS that exceeds basic value-forming activities like the pre-membership seminars usually offered by credit cooperatives. In a recent RUMEPP survey, just about 30 percent of the MFIs in the Philippines' 19 poorest provinces claimed to provide some form of BDS.⁵⁴ Quality and quantity of BDS, if provided by MFIs, seem to depend heavily on the development status and size of the MFI.

Credit cooperatives often focus exclusively on the financial side of microfinance although some larger and more sophisticated cooperatives like NSDWCC sustain substantial BDS programs. Possibly due to a wider understanding of their mission, NGOs seem to put more emphasis on BDS activities.

Rural banks that do not explicitly run microfinance programs but merely comply with the Magna Charta for Small Enterprises regulations understandably forgo BDS.

In general, if smaller MFIs provide BDS, it is mostly in the form of business trainings, for example on financial management and basic bookkeeping, or livelihood trainings, most commonly on hog-raising or cottage industries.

Market linkages, market information and product promotion are rarely fostered in a systematic way. «Product promotion» often just means displaying member products at the MFI's offices.

Due to financial constraints, trainings are hardly provided in sufficient quantity. While their quality seems to be usually satisfactory to the recipients, it is striking that the content of the trainings is in many cases not implemented. Whether this has to be attributed to the trainings or rather to the characteristics and conditions of the entrepreneurs cannot be conclusively answered by our study.

More sophisticated MFIs usually provide more and better BDS to their clients. Through economies of scale full-time trainers and sometimes also own training or BDS centers are profitable. In this way they can offer a wide range of services in high quality. To this end, demand and impact of the measures are assessed through regular surveys.

Especially in terms of product promotion, larger MFIs achieve superior results. For example, CARD's community stores, its Hapinoy sari-sari store franchise and outlets in malls offer an impressive distribution network for its clients' products.

For smaller MFIs, service hubs like the Visayas Cooperative Development Center (VICTO), that

⁵⁴ Rural Micro Enterprise Promotion Program 2010

offers trainings for MFI members and staff, can be a way to provide some forms of BDS to their clients without building up costly own capacities.

The rationale for MFIs that provide financial services plus non-financial services is that MFIs grow successful with its clients, whose success can then be fostered tremendously with the right mix of BDS.

Almost all interviewed MFIs mentioned plans to offer trainings to their clients, especially on financial management and basic bookkeeping. Both heavily influence the probability of delinquency and proper bookkeeping also allows easier monitoring of the client businesses.

3.3.3 Business development services offered by DTI and other government agencies

DTI and similar government agencies are important providers of BDS in all areas visited. In Siquijor, they are apparently the only provider of BDS in the whole province.

The usual BDS offered by DTI are market linkages through trade fair sponsoring, trainings and seminars, and product development services.

Promoting market linkages – fairs and exhibits: In all provinces visited for this study, DTI hosts trade fairs and supports local producers to attend trade fairs in nearby provinces by reserving spots on trade fairs for them and sponsoring their travel expenses. However, these trade fairs hardly result in long-term business relations. Further, sustainable business relations between local producers and larger companies often fail to materialize as small producers are usually not able to provide the demanded quantity of products in sufficient quality. Nonetheless, in some areas, DTI is active in “business matching” of local manufacturers with exporters, although this is mostly done informally and upon request.

Trainings and seminars: DTI provides trainings on topics like simple bookkeeping, «How to start a business», «five S of good housekeeping», and other management topics on a regular basis. Trainings are usually conducted by local DTI staff, hired consultants, or local businessmen. DTI trainings are mostly one- to three-day trainings with twenty to sixty participants.

Product developments services: DTI also assist local producers with product enhancement. DTI staff or hired consultants assist small businesses in quality improvement of their products, product design and labeling and packing issues.

Quality and quantity of these services differ tremendously between the visited regions. However, it can generally be stated that the need for such services still vastly exceeds the supply by government agencies. Budget restrictions are the obvious constraint here.

BDS by DTI are usually only available for DTI-registered businesses. This means that the informal sector, where most microfinance clients are located, is excluded from services provided by government agencies – the very services that might help them graduate to the formal sector.

Another important observation was the difference in cooperation and communication between the involved actors in the different visited areas. A major indicator for inter-agency coordination and information dissemination towards the private sector is the functioning of the MSMEDC. In areas where it works well, sector associations and chambers communicate their needs to the implementing agencies while those agencies coordinate their programs and services to provide integrated answers to those needs. In other areas, there is no dialogue at all between MFIS, government agencies and business membership organizations (BMOs), hampering the dissemination of information about BDS offers to the business community.

Other government agencies also provide some form of BDS, especially DA and DOST that provide technical trainings, product enhancement and technology transfer services.

3.3.4 Conclusion

Although there are many actors providing BDS, the supply of BDS is generally insufficient. Government services can overall be described as quite generic, but are crucial in providing the most basic trainings and services. The outreach of these trainings, however, is often quite limited, especially if the government agency does not have a clear communication strategy with BMOs and MFIS.

Held back by a lack of economies of scale, especially smaller MFIS are unable to provide necessary BDS to their clients. Thus, there is obviously a market for the provision of BDS by chambers in all BDS sub-categories.

4. **BDS as chamber service: Policy recommendations**

We have already shown that the establishment of microfinance programs by chambers is not recommendable. Based on our assessment of the graduation problem and existing BDS, we advise chambers that want to become active in the field of microfinance to focus on the provision of business development services to microentrepreneurs.

Since microfinance clients already have access to financial services that are essential for the businesses' success, they are the most promising choice as targets of BDS.

Based on our observations, we have developed a small number of policy recommendations that point out how chambers can foster the development of microfinance clients by utilizing their core competencies and at the same time expand their membership base.

Micro-membership

Although all of the following policy options can be extended to non-members as a public service, it appears logical to make them exclusive to members in order to support the chamber's membership development.

While microentrepreneurs as such may not have as much to offer as chamber members, the combination of financing provided by a professional MFI and well-directed BDS by the chamber and other actors has the potential to help them grow and thus to become valuable members of the chamber.

However, regular membership often indirectly excludes microentrepreneurs through prohibitively high membership fees or membership preconditions. Offering a specially tailored micro-membership at a low fee, possibly with limited access to chamber services in order to keep costs for the chamber low, may solve this problem.

To make this micro-membership attractive to cost-conscious microentrepreneurs, the BDS services offered by the chamber as part of that membership should directly translate into monetary benefits for the microbusinesses.

By coupling BDS services for microentrepreneurs with the mentioned micro-membership, chambers can simultaneously contribute to the overall development of the local economy and their own institutional development.

Microentrepreneurs need financial services that fit their business cycle and business model as well as non financial services that range from trainings to market linkages. Some of these

financial and non financial services are provided by NGOs, MFIS or governmental agencies but are often unknown to microentrepreneurs because of high transaction costs. The chambers of commerce and industries therefore should provide the information about already existing services. Furthermore, they should provide services that are in their core competency area and are not offered by anybody else in sufficient quality and quantity themselves.

Microfinance counseling service

CCIS usually operate in areas with many MFIS. Thus, the transaction costs of choosing the most suitable MFI for himself/herself are usually quite high for the individual microentrepreneur. In addition, choosing the wrong institution or financial product can throw a microbusiness back by years.

By gathering information about the different offers of local MFIS, a chamber can effectively lower those transaction costs and help would-be microfinance clients to make an informed decision.

More elaborately, as a kind of honest broker, the chamber could assist microentrepreneurs in identifying their own financing needs and selecting the fitting financial product.

As the time-consuming and demanding application process is often mentioned as a reason by microentrepreneurs not to choose formal MFIS, the chamber could offer consultation hours to help microfinance applicants to fill out the application forms and navigate through the application process. A positive side effect would be less frequent use of informal lending, since the absence of a formal application process is one of their major attractions.

Chambers advocating the financial needs of their members to MFIS

The chamber microfinance programs in Siquijor and Bislig were started because existing MFIS did not meet the needs of the business community. Instead of starting their own microfinance operations to satisfy this need, chambers can work with existing MFIS to set up matching financial products.

Similarly, if the chamber observes that members need to be active in more than one MFI to attain an optimal mixture of financial products, the chamber should advocate for the diversification of the MFIS services in the interest of both the MFI and the client.

Other BDS provided by the chamber can serve as leverage in the lobbying process, as well-assisted microentrepreneurs are attractive potential clients for any MFI.

More suitable financial services allow microentrepreneurs to manage their resources more efficiently and keep them from using informal lenders, thus promoting their growth.

Market linkages

One major cause of the graduation problem is missing market access. Here, several activities can be drawn from chambers' core competencies.

By compiling and maintaining a business directory of their members with detailed information about the nature, quantity and quality of the products and services that are offered and demanded, a chamber can more easily create market linkages. Whether a CCI simply makes this directory accessible to its members, uses it as the basis for active business linking or organizes value-chain specific events, such a directory is of unestimated value. These directories can be shared among cooperating chambers in order to forge interregional business relations.

As an additional benefit, this business directory can be used to organize meetings of members within the same business cluster. Depending on the potential of these clusters and the chamber's capacity, this may range from irregular, loose meetings to the structured sector unit approach forwarded by the German Foundation for Entrepreneurial Development Cooperation AFOS. The formation of business clusters or sector associations, microentrepreneurs can share experiences, exploit synergies and might even jointly market products and inputs in sufficient quality and quantity to supply to bigger companies.

Business matching between regular and micro-members of the chamber as well as large companies can also be carried out in a more structured way, for example on the basis of our interviews and given that some manpower is invested.

Following the example of CFI and BCCI's MSME congress more conferences and trade fairs should be held, so that micro- and regular members can also connect along the value chain explore joint ventures. To make these fairs results more sustainable, the emphasis should be on long-term orders and business arrangement.

Counseling for formalization

Usually, only formalized businesses can benefit from government services, contribute to the tax base and have legal security. However, registering your business is a time-consuming and complex process, with unclear requirements, privileges and duties arising from the formalization that keep many microbusinesses from doing so.

Informing informal entrepreneurs in a clear and simple way about the advantages and disadvantages of formalization allows them to make a qualified decision.

The chamber can also assist micro-members «hands on» during registration process by checking their documents and navigating them through the different agencies.

A close cooperation with the involved agencies would be beneficial to all involved parties.

While the chamber stays up-to-date about new regulations and procedures, it can also lobby for streamlining of the process⁵⁵ and give direct feedback to the agencies about their activities.

Trainings and other BDS

In the area of trainings and other BDS the chambers can support their micro members in several ways:

The most basic activity is to compile information about trainings and other BDS offered by LGU, government agencies like DTI or DOST, NGOs and commercial providers in the area.

While these actors often lack the necessary outreach to properly advertise their programs, microentrepreneurs do not have the time to actively look for such services. By gathering information about these services and spreading them via newsletters, radio broadcasts, bulletin boards or text messages, the chamber largely eliminates information costs for microentrepreneurs and thus increases the outreach of these programs.

Leveraging its function as an information conduit, the chamber can also try to arrange special trainings exclusively for its members.

More developed chambers can also fill perceived training gaps by organising trainings itself: expert members of the chamber can transfer skills and technologies as volunteers, charities like livelihood NGOs or Philippine Business for Social Progress's (PBSP) volunteer consultants can be tapped. According to the manager and owner of Leaders Link, a for-profit business consultancy, trainings for microentrepreneurs can be organized cost-covering even for the low payment capacity of microentrepreneurs. On a higher level, CCCI is an example that charging members for seminars and trainings can even be an additional source of income for a chamber. This can be a win-win situation for all parties involved.

Overall, improved access to training and services for microentrepreneurs will lead to more highly skilled entrepreneurs, who can manage their resources more efficiently, exploit business opportunities and realize their potential for growth.

Further reading

These policy recommendations showcase just a few possibilities for chambers to support MSME development with BDS, especially with regard to microfinance. For a wider range of ideas and more elaborate recommendations for chambers with stronger capacities, we refer to publications on this topic by SEQUA Foundation for Economic Development and Vocational Training.⁵⁶

55 GTZ's SMEDSEP component no. 2 can serve as an example in several ways here: www.smedsep.ph

56 International Trade Centre UNCTAD/WTO 1996; ZDH Partnership Program 2000a, ZDH Partnership Program 2000b

5. Conclusion

The assumptions of credit pollution, graduation problem and the key characteristics of successful MFIs that we derived from our initial desk study were all verified by our field study. In economically active areas, where chambers of commerce and industry are usually located, we found saturated microfinance markets in which, only sophisticated MFIs will be able to persist in the long run.

While the examples of Bislig and Siquijor chamber show that it is generally feasible for chambers to run microfinance programs, we do not deem it recommendable in the present highly competitive microfinance markets. To be able to compete with large and professional MFIs currently penetrating the market, chambers would need to scale up and professionalize their microfinance program. The required investments cannot be justified, as our rough cost benefit analyses from the perspective of different possible goals pursued by a chamber's microfinance program shows.

Rather than running their own microfinance program, our recommendation for the chambers is to offer a micro-membership and concentrate on providing BDS services to tackle the graduation problem. Through activities like advocating for their members' financial needs with MFIs, promoting market linkages, providing an information platform for BDS services offered by government and non-governmental agencies as well as providing trainings and seminars themselves, the chambers would be able to tackle factors hampering the growth and graduation of microbusinesses. In this manner, chambers can actively support the bottom-up development of the Philippine economy and at the same time develop their own member base.

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C. Workshop documentation: «Consultative Workshop on Microfinance as a Chamber Service»

held on 10 November 2010 in Cebu City

Organizer

The Workshop on Microfinancing as a Chamber Service is organized by the WE CAN Visayas and Caraga Program, a partnership of the Cebu Chamber of Commerce and Industry (CCCI) and the AFOS Foundation for Entrepreneurial Development Cooperation. The consultant team responsible for the workshop's contents consisted of Mr Bernhard Vester of AFOS Foundation and Ms Lehner and Mr Thapa of ASA Program.

Proceedings

Ms Rosario Ouano led the prayer and the acknowledgment of participants for the workshop. She then gave the floor to Mr Bernhard Vester to briefly introduce himself and the objective of the workshop, which is part of the study on microfinance that the WE CAN Program has been conducting since August 2010.

Chamber Presentations & Hanns Seidel Foundation Program

Ms Ergin Ruiz of Siquijor CCI followed Mr Vester's introduction with a presentation of their microfinance program. After which, Mr Jose Ng delivered his welcome remarks with hopes of a very fruitful discussion for the success of the workshop.

Participants

Partner Chambers (8)

Bislig City CCI
Ms Dolores Marcojos
Mr Joselito Paler

Butuan City CCI
Engr. Alan Silor
Engr. Ego Mallonga

Samar CCI
Dr Dominador Cabanganan
Mr Titus Dano

Siquijor CCI
Mr Kenneth Patria
Ms Ergin Ruiz

NGOs, MFIs, Rural Banks (8)

Community Rural Bank of Catmon
Ms Jenifer Jurado

Northern Samar Development Workers' Credit Cooperative
Mr John Vibal

Philippine Business for Social Progress
Ms Maria Buñao
Ms Lizlei Puno

Mr Joselito Paler of Bislig City CCI continued the presentation of their own microfinance program offered to micro, small and medium Entrepreneurs. It was then followed by Mr Elenio Yap of Hanns Seidel Foundation (HSF) Philippines, with his presentation on their Microfinance Capability Program.

He emphasized that since the resources of MFIS are limited, HSF's program focuses on the more strategic part, which is on capacity building for the front-liners in a sustainable manner, as one of the problems MFIS are facing is the lack of people who, despite having the needed skills and requirements, are untrained in actual microfinance operations, which could hinder the expansion plans of MFIS.

The program has formulated a competency-based, ladderized curriculum to include the needs of the industry and to mold graduates who already possess the necessary skills to be employed in MFIS. It has also created self-contained modules, and has put forward the national certification system for recruitment purposes.

Results of the AFOS study on microfinance as a chamber service

After a short break, ASA student volunteers Ms Lehner and Mr Thapa presented the results of their study on microfinance as a chamber service. The results revealed that credit pollution and graduation problem exist in all areas visited, meaning, there are too many MFIS operating in a single area, and that most of the informal businesses availing of their services do not grow to growth-oriented businesses.

The researchers recommended that CCIs focus on their core competencies, which is on

RAFI – Cebu Micro-Enterprise Development Foundation, Inc.

Ms Ma. Theresa Catipay
Mr Arvin Elatico

Small Business Corporation

Mr Cesar Antoni

University of San Carlos – Center for Entrepreneurship and Lifelong Learning

Ms Teresita Abarquez

Resource speaker (1)

Hanns Seidel Foundation Philippines

Mr Elenio Yap

Organizing institutions (16)

Cebu Chamber of Commerce and Industry

Mr Jose Ng (Representative & WE CAN Steering Committee)

Consul Samuel Chioson (President)

Engr. Nestor Archival (VP-EARD)

Mr Prudencio Gesta (VP-FASD)

Mr Ed Limtingco (VP-MDD)

Mr Nemesio Solomon, Jr. (Treasurer)

Archt. Joelix Ng (Asst. Treasurer)

Mr Roy Tabada (Executive Director)Ms

Mary Grace Narca (Executive Secretary)

AFOS Foundation

Ms Teresa Pono (Project Director)

Ms Rosario Ouano (Finance and Admin Officer)

Mr Jan Michael Oseo (Program Analyst)

Ms Kay Ingan (Admin Assistant)

Mr Bernhard Vester (Board Member & STE Microfinance)

ASA Program

Ms Sarah Lehner

Mr Basanta Thapa

providing BDS to its members, instead of opening a microfinance service. For CCIS, introducing «micromembership», offering a range of services (advisory services, advocacy, market linkages, counseling on formalization, trainings, and other BDS), is vital to promote economic development as well as to expand the chamber membership.

Interaction

During the open forum, Mr Cabangan asked where Siquijor CCI and Bislig CCI obtained the seed money to start their microfinance programs, to which both Ms Ruiz and Mr Paler replied that it came from the Department of Trade and Industry (DTI) and the Congressional Fund.

Ms Abarquez of the University of San Carlos Center for Entrepreneurship and Lifelong Learning asked both chamber representatives what their experiences are in terms of past due rates and how they deal with collection agencies.

Mr Paler answered that they do not have much problem in collection since there is collateral; in fact, he stated that they have a 95 percent collection rate. They have a system of monitoring delinquent borrowers, whom they refer to the collection agency through their legal counsel. They also monitor if the funds their clients borrowed are not diverted for other use, and they also provide trainings to MSMEs on bookkeeping and other documentary matters.

Mr Silor of Butuan City CCI asked Mr Vester if he is discouraging or imposing CCIS to go into, or continue, with their microfinance programs, to which Mr Vester replied that the recommendations were based on the study of the researchers and on international trends in more advanced countries. He stressed that CCIS will not be competitive in the long run, so it would be better for chambers to stick to its competencies.

Mr Vibal of NSDWCC inquired on how their MFI could avail of the Program of HSF, and if they are charging fees for it. Mr Yap said that HSF does not charge any fee as it is a non-profit organization. To avail of this program, the MFI should be a member of the regional microfinance council, and they should partner with a school in their area that is interested in running the course. Both of them will sign a MOA with PinoyME Foundation to start the program.

Mr Ng, being an active person in the chamber movement, expressed that CCIS are not organized as financiers, so he agreed with the recommendations of the researchers. Mr Tabada of Cebu CCI also seconded, saying that microfinance is not one of the basic functions of CCIS.

Ms Catipay of RAFI added that microfinancing requires a different kind of discipline, as there are a lot of preparations have to be done before setting up an MFI, and even more things to work on once it is running. She suggested that CCIS conduct complementary activities with the MFIs, especially on providing BDS, which can also be an income-generating activity for them.

Mr Antoni of Small Business Corporation said that financing is not the problem, but the

graduation of informal and micro-entrepreneurs. He suggested that there should be a center where they can go to help them address their needs.

After the interaction, the consultants proceeded with the first workshop.

Workshop 1

The participants were asked to answer the workshop question: What are the needs and challenges of micro-entrepreneurs in terms of business development services (BDS) and financial services?

They were given metacards for their answers, which were then clustered by the consultants during lunch, and were presented by the ASA volunteers when the workshop resumed in the afternoon.

According to the inputs of the participants, micro-entrepreneurs deal with challenges in four key areas: Information, particularly on the lack of awareness of the different BDS and financial services offered by either public or private institution, as well as the absence of a platform that could trace the credit standing of a particular microfinance client; marketing and promotions, especially their need for market linkages; business management, mainly on trainings and consultancy/advisory services for the growth of their businesses; and financing.

Other needs were cited but were not included as one of the priorities, like product development, as the consultants deemed that this is mainly a responsibility of the individual business, or the association of businesses in the same product line. There were also others, which are too general, or are already the needs of CCIs and MFIs, not the microentrepreneurs.

Workshop 2

Results of the clustering and priority-setting of the participants' inputs on the first workshop were the basis for the group session that followed. Participants were assigned to one of four groups formed based on the four priority needs, Information (Group 1), Marketing and Promotions (Group 2), Business Management (Group 3), and Financing (Group 4).

Each group has four or five members, with one speaker selected from among the group members. The grouping was done in view of the need to have equal representation from the CCI, MFI, and NGO/academe. One member from the consultant Team acted as a moderator for each of the groups to facilitate the discussion on three workshop questions:

- » How do we as a chamber refocus our limited manpower & financial resources to better serve our members' needs in relation to microfinancing?
- » How can we as agencies and service providers better match with the chambers and their members' needs in relation to microfinancing?

- » What actually hinders us to do so? What are the constraints, barriers, risks or restrictions?

After the presentation of the four groups, Mr Vester suggested that CCIS come up with an action plan until July 2011 that could help them direct their microfinance-related activities in the future (see «Next steps»). Mr Silor inquired as to who made the action plan, to which Mr Vester replied that it is based on the result of the discussion with the consultant team, plus his experience as consultant in Africa.

Ms Pono added that this entire workshop has been designed for CCIS, especially those which have active microfinance programs, to take a second look on what they are doing, and on what they are planning to do. Also, the WE CAN program's feedback to the work plans will be on what assistance the program can provide, or activities that it can support.

Next steps

By November 2010

- » WE CAN project office to send documentation of the workshop to all participants.
- » CCIS to discuss with their board and key players the results of the workshop and study.

By December 2010

- » CCIS to prepare their own work plan with respect to their role in microfinance.

By January 2011

- » CCIS to give feedback to WE CAN, which includes, among others:
 - » their proposed action plan/work plan until July 2011;
 - » possible «quick wins», i.e., what CCIS can do/offer with their own resources;
 - » required technical support from WE CAN and service providers;
 - » required financial resources for change process.

By February 2011

- » WE CAN gives an overall feedback on the above chamber inputs
- » WE CAN gives a proposal to the CCIS on their planned involvement including the support of service providers

March-June 2011

- » Implementation of work plan by CCIS, WE CAN, and service providers
- » Trainings/coaching/moderation of CCI strategy workshops

July 2011

- » Follow-up workshop (lessons learnt, success stories, request for additional support, next steps)

About WE CAN – Visayas & Caraga

Working for the Enhancement of the Chamber & Association Network in the Visayas and Caraga (WE CAN – Visayas & Caraga) is a partnership between the *Cebu Chamber of Commerce & Industry* of Cebu, Philippines and the *AFOS Foundation for Entrepreneurial Development Cooperation* of Germany. It aims to support trade and industry in selected areas in the Visayas and Caraga region.

This Filipino-German partnership aims to highlight and reinforce the economic potentials around Cebu. To do this, we network with various selected partners to improve services - channeled through our partner local chambers - for the private sector.

The *German Federal Ministry of Economic Cooperation & Development (BMZ)* through the *SEQUA Foundation for Economic Development and Vocational Training* are supporting the activities of this partnership on private sector promotion.

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