



BACK ON THEIR FEET: MICROENTERPRISES AS DISASTER RESPONSE



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Economic Cooperation

THE ten-year 1990-1999 was going to be the “Decade of the Pacific,” a slogan inspired by the galloping economies of the NICs – Korea, Taiwan and Malaysia – in the late eighties. But the onset of this decade was cataclysmic for the Philippines. On 16 July 1990, an earthquake measuring 7.7 on the Richter scale (comparable in size to the great 1906 San Francisco earthquake) struck Northern and Central Luzon. Panic-stricken, the people screamed, cried and watched in disbelief as buildings collapsed entrapping and killing adults and children. Baguio City was in ruins, Dagupan City in Pangasinan was submerged, while Agoon in La Union was demolished. In Cabanatuan in Nueva Ecija, at least 250 students were trapped by the debris of their collapsed school and died. The count placed the confirmed dead at 1,200.

The killer quake and its numerous aftershocks were followed in June the following year by the explosion of Mount Pinatubo (about 55km north of Manila), for the first time in 500 years. The volcano ejected more than five cubic kilometres of ash material, which was blown in all directions by intense winds of a

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coincidental typhoon. Thousands of roofs collapsed under the weight of ash made wet by heavy rains. The ash fell as far away as the Indian Ocean, and satellites tracked the ash cloud several times around the globe. While the rice paddies and sugarcane fields not buried by lahars have recovered, those buried by lahars will be out of use for years to come. About 200,000 people who evacuated from the lowlands surrounding Pinatubo before and during the eruptions face continuing threats from lahars that have already wiped out numerous towns and villages from the map.

Immediate Response

The earthquake and eruption changed the face of Northern and Central Luzon. Those in the unaffected areas watched with great sadness, and concern: soon they organized themselves to provide emergency relief, food, shelter and rehabilitation services.

CAP Foundation for Socio-Economic Cooperation, the outreach unit of CAP Family of Companies, was organized in 1991 precisely to respond to the widespread morbidity, mortality and devastation wrought by these twin disasters. Its first major undertaking, in collaboration with the Canada Fund for Local Initiatives, was a disaster trust fund consisting of a P2.5 million donation from each. The money was loaned to six conduit organizations that in turn distributed the money to their beneficiaries after rigorous screening and evaluation:

- Rural Bank of Agoo for the affected communities in Agoo and Sto. Tomas, La Union;
- Katipunan ng Bagong Pilipina for Cabanatuan City;
- St. Vincent's Parish Credit Cooperative for Dupax del Sur, Nueva Vizcaya;

- Philippine Rural Reconstruction Movement for Carranglan, Nueva Ecija;
- Rural Bank of Tublai through the Cordillera Backyard and Livestock Raising Inc. for Baguio City and Benguet;
- Tuding Parish Multipurpose Credit Cooperative through a sisters' congregation, for Itogon and Baguio.

In total, the fund benefited 706 families that ventured into hog raising, small-scale flower farming, broom making, sari-sari stores, and other microenterprises (roughly P6,000 per beneficiary). “The total number of households that the fund helped is not bad. We truly believe the fund was able to help in the rehabilitation of the earthquake victims,” says CAP Senior Vice-President Maricar Sobrepeña.

Conduit Troubles

Despite the success of the initial earthquake-rehabilitation fund, however, the disposition of this was not without problems. “Rural banks do not seem to be ideal channels of microlending that also has relief and rehabilitation in mind,” Maricar says. The rural banks’ monitoring of the beneficiaries’ enterprises was weak, due to their limited staff and business orientation.

In the case of the allocation to the religious sisters, the first few payments were consistent. “But you know religious sisters, they’re all heart. They can’t see a loan as a loan, they always think of it as a grant,” says Maricar, with unmistakable compassion for the congregation. When the sisters were reminded that they must settle their loan, “they begged and begged for amnesty, and they were so nice about it you couldn’t say no.” She continues: “Whenever we sent the sisters



The rehabilitation fund capitalized various resource-based microenterprises including hog raising.

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a demand letter, they would come down right away [to Manila] with chickens and brooms and strawberry jams in tow.” How could one not be disarmed?

Year after year the sisters requested for an extension, and that the payments made so far be deducted against the principal, not the interest or penalty charges. In spite of the reprieves, the sisters could not pay the remaining amount and ultimately requested that the loan be converted to a grant instead. This time around, the conduit overlooked the business angle of an agreement that could have spurred microenterprise development.

Reconfiguration

Despite the difficulty with the two conduit organizations, CAP Foundation is into the second phase of the P5 million trust fund: a P6 million loan fund for microenterprise development, payable in three years at 6% per annum interest based on diminishing balance. The fund eyes particularly women microentrepreneurs engaged in fishing, food processing, fruit and vegetable vending, sari-sari retailing and swine/poultry dispersal. “We want to make opportunities available particularly to the women. Well, first because women are excellent borrowers, as the Grameen experience has demonstrated. Then, it’s the women who worry about putting food on the table, they don’t go off to buy alcohol or tobacco,” notes Maricar with a hearty laugh.

CAP Foundation targets a total 1,000 entrepreneurs to benefit from the fund.

In its search for partner organizations, the group was ultimately led to the Federation of People’s Sustainable Development Cooperative (FPSDC), initially a credit program supported by the Canadian International Development Agency through its



Signing of the agreement signaling the second phase of the trust fund

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Philippine Development Assistance Program. In 1998, FPSDC became a financial intermediary owned and managed by NGOs, people's organizations and cooperatives.

Mindful of its lessons, CAP Foundation insisted to be included in the selection committee of FPSDC as a precondition, and together, the two identified three cooperatives to act as agents of the fund: Ciabu Multipurpose Cooperative in Baybay, Leyte; Sta. Catalina Multipurpose Cooperative in North Cotabato; and Mindanao Savings Cooperative in Cagayan de Oro City. A fourth conduit is the Silangan Multipurpose and Transport Service Cooperative based in Sta. Mesa, Manila.

The foundation is confident of a minimum repayment rate of 95% of the loan.

Originally designed for relief and rehabilitation in the worst of times, not only has the Canada Fund-CAP Foundation trust fund given the people a chance to bounce back from tragedy. Today, this trust fund is helping accelerate the development of microenterprises that will provide additional jobs and income, and hasten economic growth and social development.