

People, MFIs, Countries in Focus

Philippines



The Philippines, officially known as the Republic of the Philippines, is a country in Southeast Asia in the western Pacific Ocean. The Philippines is an archipelago comprising some 7,100 islands with a total land area of almost 300,000 km². Indonesia, Malaysia and Brunei border the Philippines to the south, China—and Taiwan—to the north, Vietnam to the west and the Pacific Ocean to the east. With an estimated population of about 92 million people, the Philippines is the world's 12th most populous country. An additional 11 million Philippines (Filipinos) live overseas. While Filipino and English are the official

languages, there are around 175 individual languages spoken in the Philippines.

The Philippines is considered to be one of the most biologically rich and diverse countries in the world, with substantial mineral, oil, gas and geothermal potential. The country has a vibrant private sector and an active civil society, which are both important partners in development. Modern productive sectors such as electronics manufacturing, business processing operations and telecommunications have experienced rapid growth in recent years.

The economy of the Philippines is the 4th largest economy in South East Asia and the 35th largest economy in the world by purchasing power parity according to the World Bank in 2009. A newly industrialized country, the Philippine economy has been transitioning from one based on agriculture to one based more on services and manufacturing. Of the country's total labor force of around 38.1 million, the agricultural sector employs close to 32% but contributes to only about 13.8% of GDP. The industrial sector employs around 13.7% of the workforce and accounts for 30% of GDP.

The Philippines posted a real GDP growth rate of 5.3% in 2006 and 7.1% in 2007. Growth slowed to 3.8% in 2008 as a result of the global financial crisis. In 2009, the real growth rate was 0.9%. For the first quarter of 2010 the economy grew by 7.3% which was

higher than the 3.6% forecast. At the end of the second quarter of 2010, GDP growth again exceeded expectations by coming in at 7.9%.

The Philippines economy is unique in East Asia for having a large service sector and private consumption comprising around three quarters of the economy. The manufacturing sector is comparatively small and public and private investment is very low. Unemployment and underemployment continue to remain high. The prospect of securing a well-paying job is beyond the reach of many, especially young adults under the age of 25 that comprise about half of the unemployed.

Under these conditions, many Filipinos migrate overseas to secure better paying employment. With a good command of the English language they are attractive in the global labor market. Remittances from Filipinos currently working overseas help drive the consumption-fuelled Philippines economy and accounted for about 10 per cent of the country's GDP in 2009.

The Philippines has made significant progress in the fight against poverty over the last two decades. The share of the population living below the national poverty line, which almost reached 50 percent in the mid-1980s, was brought down to less than a third in recent years. While significant, these gains are lower than those recorded in some neighboring countries, particularly Indonesia, Thailand, Vietnam, and China.

Philippine microfinance began as a social development initiative to alleviate poverty and has since moved from the marginal to the mainstream, toward commercialization and micro-banking.

The microfinance sector in the Philippines has grown dramatically since the 1990s, characterized by increases in terms of the number of borrowers, the amount of the loan portfolios, the number of areas covered and the number of institutions engaged in microfinance. The entrepreneurial poor (over 99 percent women borrowers engaged in some form of economic activity, usually home-based) comprised the bulk of microfinance clients. Most were into trading and services, with some engaged in manufacturing or production-related activities. The sector is currently comprised of over 1,000 microfinance institutions including branches, which take the form of rural or thrift banks, cooperatives, and non-governmental organizations (NGOs).

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Taytay Sa Kauswagan, Inc. (TSKI),

Iloilo, Philippines

Taytay Sa Kauswagan, Inc. (TSKI) or “Bridge to Progress” was established in 1986 to serve poor microentrepreneurs in the Visayas region. TSKI is a Christian organization committed to “total human and community transformation through microfinance and other related services”. TSKI is registered with the Securities and Exchange Commission as a non-stock, non-profit Christian development organization.

The MFI was organized to lift out of poverty the least privileged Filipinos through microfinance. Presently, TSKI is the largest MFI in the Philippines with services ranging from group and individual loans, micro-insurance, and business development services.

TSKI's main program is the Proyekto Kauswagan sa Katilingban (PKK). Initially, its systems, policies, and mechanics were adopted from Grameen Bank's methodology. Through the years, TSKI enhanced and developed this system to appropriately serve its clients. PKK is known as TSKI's group loan product. In addition, TSKI offers a loan product known as the Micro-Enterprise Development Program (MEDP). This loan program is designed for the financial needs of individual entrepreneurs who need to expand their existing businesses but are unable to do so due to limited financial resources. Another loan program that TSKI offers is the Community Based Livelihood/Enterprise Development Program (CBLDP). This loan program is offered to microentrepreneurs who cannot be accommodated by neither PKK nor MEDP. The primary consideration for this program is that the livelihood or enterprise being implemented by the individual is community-based in nature.

Aside from providing loans and micro-insurance, TSKI offers Business Development Services (BDS) to its clients. BDS is an integrated approach in developing business or enterprises. Its immediate aim is to establish productive and sustainable businesses or enterprises. Its key result areas of operation are infrastructure support, finance or credit assistance, product development, market linkages, training and technical assistance, advocacy, and input supply.

Operating mainly in Visayas, TSKI expanded into Mindanao in 2009 and in Luzon in early 2010. Through 102 branches, TSKI has total assets of \$44.7million and loan portfolio of \$25.4 million.

TSKI's current total lending activity is about 60%, it has 211,244 clients - active borrowers (75% are women borrowers), its average credit per borrower is \$120 (as of 30.09.2010). TSKI plans to be a leader in customer service providing clients with a simple product range, to expand nationally, and further develop its lending methodology.

Vision Microfinance Local Currency Fund has started to work with TSKI recently in 2010 and has provided the MFI with direct loan for the amount of equivalent of around €1,000,000.

Below are links to videos: ‘UNCDF: Microfinance in the Philippines’ and ‘Taytay Sa Kauswagan Inc, (TSKI) - Microentrepreneurs’, in support of the fact that microfinance is important to addressing the needs of the working poor in Philippines, followed by a client story from TSKI about the role of micro-insurance products.

http://www.youtube.com/watch?v=uaEKO8_Lbh4 - UNCDF

<http://www.youtube.com/watch?v=qM3OcdQ6tcM> - TSKI

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Mrs. Minda Aguliar, Micro-businesswoman

Place: Agnaga village, Tarlac, Philippines

Activity: Farming

Minda Aguliar is a smallholder rice farmer in Agnaga village near Conception. She is married with four children and farms three hectares with her husband.

She joined the Farmers Integrated Development Assistance rice production program under Taytay sa Kauswagan Inc. (TSKI).

Minda took out a loan with TSKI for 13,000 pesos (around EUR 220) and Rosario's loan was 33,740 pesos (EUR 570). The loans were for certified seed, fertilizers, pesticides, and other farm inputs.

"This is really a big help for us small farmers," Rosario said. "We have 15 farmer members in this community. Through this program we don't need to go to usurers for our farm capital. The agricultural insurance was our capital for the loan."

In the village there was a partial loss of the rice crop because of flooding. Both farmers filed claims on their insurance. Rosario received 4,297 (EUR 74) pesos in compensation. "We really need the insurance," she said. "If our crop is damaged or totally lost, we will be able to repay our loan and the rest we will use for our day-to-day expenses. Insurance is really a big help in easing our burdens when there is a calamity."

*Source: The World Bank; AusAID; MicroEnsure; Symbiotics; TSKI.



Photo: MicroEnsure, TSKI

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