

CUFA does AusAID proud

David Gower, finds that a credit union microfinance scheme in the Philippines is achieving outstanding results teaching financial skills and business practices to some of the city's poorest people.

More than two thirds of Filipinos live below the poverty line, most are unemployed and denied access to basic financial services. Credit Union Microfinance Innovation (CUMI) is a program designed to help people in this predicament.

The pilot program in the National Capital Region of Manila has proved such a success that four other leagues of the Philippine Federation of Credit Cooperatives are implementing CUMI without any external funding support.

The program was developed by Credit Union Foundation Australia (CUFA) in association with the Asian Confederation of Credit Unions (ACCU). It is partially funded through the AusAID Microfinance Fund.

Credit Union Microfinance Innovation (CUMI) is a training and savings strategy. It first started in Manila where it involved the Philippines Federation of Credit Cooperatives working with selected Credit Cooperatives to target the poorest groups within their communities. CUMI required officers of the cooperative to organise meetings and promote the benefits of working together and developing a regular savings plan.

Specially trained credit union officers meet with target groups on a regular basis for a period of three months. Group members are encouraged to build up savings – albeit small – and

receive instruction in numeracy and basic entrepreneurial skills.

Once members establish a savings record they are entitled to take out a small loan (up to the equivalent of about \$100) to establish a small business. The group guarantees the loan and, while the loan is being repaid, members maintain their daily savings program.

When the initial loan is repaid a member may take out another slightly larger loan, and this can be repeated

four times. After this, the person is entitled to become a full member of the sponsoring credit cooperative. To date, 12 previously unemployed people have become full credit cooperative members.

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CASE STUDY

Flower power

Mary suffers from Hansen's disease (leprosy). She had no employment and was entirely dependent on the income of her husband who drove taxis. Her four children could not attend school because she could not afford the fees, books or uniforms.

Mary was fortunate that Sikap Development Cooperative commenced a savings and training program in her village. She pledged to save 10 Pesos every day (about 30 cents) for three months while she worked with the cooperative to improve her financial skills and develop her ideas for a business. After one year and three loans for a total of \$300, she has made it. She employs 12 other villagers, her four children attend school every day and her product – decorative wooden flowers – is sold to an exporter. Mary's wooden flowers are selling well from shops in Australia, the United States and Europe.

Sewing seeds of success

The Asian Economic Crisis of 1997–98 saw many thousands of garment factory workers out of work in the Manila area. The level of poverty increased rapidly and areas developed into slums. Running water became a luxury and garbage piles grew into major health hazards.



Microfinance initiatives in the Philippines have successfully enabled skilled but unemployed people to establish home-based businesses.

Topform Multipurpose Cooperative offered to help these many skilled but unemployed people who were now no longer able to access regular banking services. In 2001, Topform commenced a saving and training program in one of Manila's worst slums.

Maria was able to take out a small loan (the equivalent of \$100) to buy a sewing machine and some fabric offcuts from the nearby Berlei and Hestia factories. From these she was able to make underwear for the local girls. The underwear was so popular that, in addition to being able to pay off her loan in very quick time, she was able to take out two more loans. These days her home-based business owns three sewing machines, employs several other women from the slum community and supplies underwear sets to a number of street vendors and sari-sari shops. The next step is to supply Manila department stores – and then the overseas markets!