

PhATS Field Note



Sustaining
Demand
Through
Supply Side
intervention

November 2015



MICROFINANCING

A Solution for Low Income Households and Business THE SANITATION PROBLEM

According to a 2014 report from the World Health Organization (WHO) and UNICEF, 31% of people in the Philippines lack access to improved sanitation. Poor access to sanitation has serious implications of health, productivity and dignity; addressing this frequently side-lined issue is of vital importance.

Traditionally, rural Filipino households wanting a latrine have had to organize construction themselves, buying and transporting materials, employing skilled labor, and paying costs upfront, resulting in a perception that toilets are inaccessible and unaffordable 'luxury items'. Previous government and humanitarian efforts to tackle this problem through free or subsidised sanitation products

have failed to provide sustainable solutions, as in many cases, beneficiaries have not valued or wanted the products provided.

UNICEF and its partners are working at the forefront of the sanitation challenge through the Phased Approach to Total Sanitation (PhATS). The vision of PhATS is to support the national government in achieving the goals set forth in the National Sustainable Sanitation Plan and the Philippine Sustainable Sanitation Roadmap. PhATS aims to achieve zero open defecation environments with safe disposal of liquid and solid wastes and to promote health and hygiene practices through an enabling mechanisms approach.



SANITATION MARKETING

One key sanitation enabling mechanism that UNICEF and partners are piloting in the Eastern Visayas region of the Philippines is Sanitation Marketing (SanMark). SanMark is an approach that through social and commercial marketing techniques, aims to develop a self-sustaining sanitation market, creating consumer demand for sanitation facilities, ensuring affordability and accessibility, and equipping and supporting the private sector supply chain. Sanitation marketing has the capacity to sustainably bring sanitation to communities that once saw latrines as an out of reach extravagance.

THE SAMARITAN'S PURSE (SP)/UNICEF SANITATION MARKETING PILOT PROJECT

In February 2015, Samaritan's Purse, in partnership with UNICEF, began a sanitation marketing pilot project in the municipalities of Basey and Pastrana. The project has taken 25 entrepreneurs and trained them in sanitation product production and marketing. It has also supported them in the process of business registration and linked them with the Centre for Community Transformation (CCT), an MFI who provide low interest loans to both the entrepreneurs and their clients. With the first sales recently made, it is hoped that by November 2015, all 25 entrepreneurs will be able to sustain and grow their businesses completely unsupported.



CCT SAVINGS AND CREDIT COOPERATIVE

The CCT Credit Cooperative (CCT Co-op) is the branch of the organization that directly responds to the issue of poverty by providing families from low income communities, particularly the women, with opportunities to earn added income through livelihood and enterprise development and widening their access to savings and loan services, technologies, assets and capital resources.

Until the recent past, CCT's main focus was on credit cooperatives providing poor micro entrepreneurs and small business/service owners with operating capital to strengthen existing enterprises. The compelling reason behind this was that, of all the poverty sectors in the Philippines, only they had the highest potential to create wealth from bare capital, generate employment among the ranks of unskilled and semi-skilled service providers, and spawn more enterprises on local ground.

However, whilst not all members of CCT's target sectors had a micro-enterprise, virtually everyone had the capacity to save money. As such the Savings and Credit Association (SCA) program was introduced in 2011 and is now the baseline program for reaching poor communities.

THE CENTER FOR COMMUNITY TRANSFORMATION

The Center for Community Transformation Group of Ministries (CCT) is a Filipino funded, governed and managed NGO that is committed to creating lasting holistic change among the poorest of the poor. Since its inception in 1992, it has sought to fulfil its mandate of changing lives, strengthening families, empowering communities and transforming the nation.

As of 2014, the CCT Group was working in 96 cities and 54 municipalities across the Philippines, reaching out to street families, children and youth, fisherfolk, landless agricultural workers, indigenous peoples, factory workers, informal workers, micro-entrepreneurs, small-scale rice farmers, and communities at large (figure 1).

Strategies:

- Training of leaders who will act as agents of transformation.
- Provision of holistic and integrated services.
- Establishment of community based organizations/institutions composed of the needy themselves which will serve as instruments for action and change.



The CCT works on the premise that no one is too poor to save. In rural areas there is very limited access to banking. Saving is a personal decision and a common problem as described by one lady in Barangay Jonas; 'when we try and save, we just spend it straight away.' The CCT helps communities form SCAs which act like a basic banking system and provide motivation and accountability.

Members of the SCAs are enabled to build up savings, access credit, and use their financial resources as bankable instruments to set up businesses with viable returns. Regular activities include introduction to responsible financial practices, savings and loans services, and training courses in financial management and entrepreneurship.

The SCAs are meant to be self-governed and self-managed entities that do not depend on external capital. As such leadership potentials among members are nurtured via a mentoring program designed to equip SCA facilitators and volunteers with community organising and developing skills.

SAMARITAN'S PURSE AND CCT

In October 2014, SP approached CCT requesting a partnership whereby CCT would provide a micro-finance service for the SP SanMark project in Basey and Pastrana. The CCT agreed in November and SP IHQ approved the contract on the 20th of February 2015.

CCT AND THE ENTREPRENEURS

The CCT first met the SP SanMark entrepreneurs in January at the first Human Design Centred (HCD) training workshop. After introducing the work of CCT and what it would offer the entrepreneurs, the entrepreneurs formed a Co-op and CCT began a 16 week training course with them. The course, called the 'Enterprise Development Program', aims to equip members of the group with the basics of enterprise management, financial management, and marketing. Within this co-op they also practice the value of saving, raise capital for their businesses, and accumulate money for emergencies. As part of this co-op, the entrepreneurs were eligible for a credit line of up to 50,000 pesos after recommendation from SP, a character/credit investigation from CCT, a quality assessment of their work, and 50 toilet orders. Once given a credit line the entrepreneurs start paying it back in weekly instalments with an interest rate of 3.33% per month.



THE FORMATION OF A SAVINGS AND CREDIT ASSOCIATIONS (SCAS)

The CCT began SCAs in eight Barangays across Pastrana and Basey in February 2015. This number was chosen based on CCT capacity, and the specific Barangays were chosen based on those with the lowest level of household latrine ownership, ascertained by social and demographic data collected from the municipal halls. The Barangays in Pastrana are Llanowan, Jonas, Socsocon, Guinaponan and Salsadahay, and the Barangays in Basey are Roxas, Can Manilan and San Fernando.

Before working in a Barangay they meet with the Barangay leader to explain what they would like to do. The Barangay leader then informs the community that there will be a CCT orientation meeting. At this orientation individuals are introduced to CCT and that they will be taught how to save. They are also told about the programs that will then be accessible once they have started to save such as SanMark CR (Comfort Room) loans, livelihood loans, and livelihood training (run by TESDA, a government organization who provide training). Those who would like to join a savings group then meet weekly with CCT.

At the second meeting the community members form groups of up to 25 people and elect officers and treasurers. Together they create their policies for the savings group and they choose how much they pay in each week, under what conditions they can withdraw money, and the values they want to run their group by (figure 2). During the week the money is kept in a locked box by the treasurer. The treasurer does not have a key for the box but the rest of the savings group members do. The box is opened once a week at the savings group meeting where it is checked by the group members and a member of CCT. Each member is given a savings book which enables them to track and record their progress.

Subsequent meetings focus on teaching about household and group principles such as discipline, transparency, leadership, relationship support, and stewardship, as well as the practical auditing of the groups and weekly payments.

Weekly meetings are about an hour long and are run by the same CCT representative each week, allowing individuals to build a strong relationship with their CCT rep. After the initial 16 week training program, CCT will continue to visit indefinitely and help community members with livelihood programs and skills training, as well as CR loan processing and payment collection. The CCT staff costs are covered by the interest CCT receives from loans.

Members of CCT savings groups are eligible to apply for a SanMark CR loan and have a credit/character investigation carried out by a CCT member. If a loan is approved, weekly loan repayment will begin and CR installation will commence within a few days. If a savings group member still doesn't have the capacity to pay, and they do not already have a way of earning a living, then they will be eligible for the CCT livelihood training program. On completion of this training they can then get a livelihood loan, and if this proves successful they will then be reassessed for a CR loan. The CR loans have an interest rate of 1% per month. If members of a savings group save enough money, then they can purchase a toilet with a direct cash payment.

If a household misses a payment, CCT allows a "grace period" and will repeatedly visit the family to help guide them how to keep up with payments. This process is very holistic and each household will be treated on a case by case basis.

LESSONS LEARNED:

One challenge has been the capacity of CCT to reach all 69 Barangays in Basey and Pastrana that SP are working in. Currently they only have four members of staff based in Tacloban and they only work two days a week in SP Barangays. To be able to run savings groups in all Barangays CCT are seeking to employ four more staff members, who will work full time in SP barangays, by the end of May. The CCT will start working in Barangays District 3 and 4 in the second week of May.

Transport for CCT staff is also an issue. The CCT does not have its own transport and has relied on borrowing SP vehicles. To increase their mobility and efficiency, SP is looking into donating each member of the CCT a motorbike.

The CCT works to enable high risk customer groups to access loans. It has a long and successful record in doing this, with a repayment rate of 98.73%, but the process is not fast. It can take at least eight weeks before an initial credit investigation will be carried out after someone joins a savings group, and for the most risky customers, livelihood training is first carried out, meaning that accessing a CR loan will take months longer. This means that whilst the system can work without subsidies, it may not enable G2 achievement as fast as other methodologies. However, it doesn't compromise on giving people full choice and ownership, and it doesn't divide communities into subsidized and non-subsidized groups. As such, in the long run it provides a more sustainable and culturally sensitive solution.

The CR loan approvals are beginning to be made for households by CCT. However, until these are made at a rate which will make each entrepreneur's business sustainable, it has been important to seek out alternative revenue

streams. Samaritan's Purse is assisting the entrepreneurs in working together on larger contracts. For example, a group of 10 of the entrepreneurs have won a bid to construct 400 latrines for the municipality of Giporlos. Also, SP entrepreneurs will be constructing 1,000 latrines for two NGOs working in the area, and another possible contract for 2,000 latrines for another NGO is in process. Furthermore, SP is training the entrepreneurs in other technologies such as platforms for school bio-sand filtration systems.

The entrepreneurs are also very active, making direct cash sales or carrying out maintenance work where they can, and even diversifying their services based on customer needs. For example, one entrepreneur, working in Barangay Llanowan, recently installed her first latrine, and is now going to construct a number of wells for residents in the area.

Another area that SP is currently working on is data recording. The CCT have a good data recording system, however it is all paper based. Samaritan's Purse will be working with them to make an online data system which can be viewed and updated by both SP and CCT.

Not all of the entrepreneurs are at the same level of commitment. Some do not regularly attend the weekly CCT meeting and as such have not been approved for a credit line. The CCT and the SanMark officers are working with individuals to address any roadblocks they experience.

In conclusion, SP is just beginning to see loan approvals come through, and it is anticipated that with strengthening of capacity, the CCT will be able to expand its operations to serve all barangays where SP works in Basey and Pastrana, by November 2015.





HUMAN INTEREST STORIES:

Marielou has been part of a CCT savings group in Barangay Jonas for four (4) months. She says that savings groups are good for the future. It gives her assurance about a good future good livelihood line. She says maybe she could have a "sari-sari" store or an eatery and that some people in the group have skills like sewing or as a beautician which they could use. She already has a CR so she is not looking for a CR loan.

Janetta has been part of a Barangay Jonas CCT savings group for four months and says she will now be able to get a loan for the ferrous cement superstructure and concrete rings sub-structure she ordered when the promotional caravan came to the Barangay. She says she can't save money in a bank, but in the savings group she can. Also if

they do savings by themselves the money goes, but if they save as a group they actually save money - she has had a good experience so far, she enjoys it, the group are good friends.

Edna has also been part of a Barangay Jonas CCT savings group since February. She says the group has taught her how to save her own money. She says it is better saving in the community than at the bank because if there is an emergency, it is hard to travel to the bank in Tacloban. The group teaches her how to save her own money. She already has a super-structure and sub-structure, but she has ordered a new toilet bowl. She has also enjoyed the values of teaching and learning about the word of God.



Figure 1: CCT 2014 micro-finance overview:

Microfinance Program

Branches	153
Active Borrowers	51,459
Total Loans Serviced (Cumulative)	105,780
Total Loans Disbursed (Cumulative)	PhP 1,567 billion
Total Outstanding Loan Portfolio	PhP 531.6 million
Paid-up Share Capital	PhP 94.54 million
Repayment Rate (Cumulative)	98.73%
Property Fund Collection	PhP 10,578,000

Loan Products and Services

Regular Business Loans	PhP 1.3 billion
Growth Enterprise Loans	PhP 188.803
Rice Crop Loans	PhP 620,000
Educational Loans	PhP 231,000
Loans to Factory Workers	PhP 9.525 million
Boat Loan to Fisherfolk	PhP 9.742 million
Housing Loans	PhP 160,000

Savings Program

Total number of SCAs	1,715
Total savers in SCAs	35,718
SCA Attendance Rate	84.6%
Cumulative Savings Mobilized	PhP 244,444,699

Business Training and Development

Community Partners Engaged in Business Mentoring	29
Business Mentors	28

Health Services

Community Health Clinics	19
Community Partners Treated	13,552
Community Health Education Participants in Medical-Dental-Opto Missions	2,573

Social Services

Partners and Families Enrolled in Group Life Insurance	76,010
Children Sent to School	1,040

(Figure 2) Example of savings group policies

- 1.) Amount to be contributed: 100 pesos per week (minimum)
- 2.) Share out – every 6 months.
 - With 200 pesos (minimum) as maintaining balance
- 3.) Save at CCT Bank
 - During withdrawal (Inform the officers 1 week prior with the signatories of the officials)
- 4.) During emergency cases
 - Withdraw with certain amount only, 50%. (Hospital/ death of immediate fracture only)
- 5.) One member borrowed
 - 5% interest payable for 1 month only
 - If he/she can't pay (with 1 week allowance), an additional 5% is charged.
- 5.1) Bracket loan:
 - 1st – 1,000
 - 2nd – 2,500
 - 3rd – 5,000
- 6.) If a member can't give the per week savings
 - Penalty of 50 Php.
 - Exemption: Absent with valid reason
- 7.) Re-Election happens yearly
- 8.) Open to accept additional members.



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