



**Paving the Way Forward for Rural Finance
An International Conference on Best Practices**

Case Study

**Rural Financial Institutions:
Restructuring and Post Restructure Results**

**Credit Union Empowerment and Strengthening
(CUES) Philippines**

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All views, interpretations, recommendations, and conclusions expressed in this paper are those of the author (s) and not necessarily those of the supporting or collaborating institutions.

INTRODUCTORY INFORMATION

The Credit Union Empowerment and Strengthening (CUES) Philippines is a project of the World Council of Credit Unions, Inc. (WOCCU), the trade organization of international credit union system in partnership with the Freedom from Hunger (FFH). Funded by the Office of the Micro-Enterprise of the United States Agency for International Development (USAID), the project's first phase commenced its operation in May 1997 and ended in September 2002. Currently, CUES Philippines is on extension until August 2005 under the USAID Mission Philippines. The project is based in Davao City in Mindanao which has a population of over 2 Million and where the largest concentrations of cooperatives are located. New offices are being set up in two key cities-- Cagayan de Oro in Region XI and Ormoc in Region VIII in the Visayas.

Mission and Vision

WOCCU's mission is "Quality Credit Unions for Everyone" and CUES Philippines adopts the same mission for the entire cooperative movement in the country. It envisions transforming cooperatives into safe and sound financial institutions that would cater quality services and safeguard members' money. Credit cooperatives' transformation is foreseen to be dynamic, democratic, member-owned and socially responsible with a primary purpose of providing high-quality and fairly priced financial services that meet or exceed members' expectations. Further, the cooperatives will provide not only financial services but education as well to women through various outreach programs.

The First Batch

Credit cooperatives have long been regarded as "second-class" in relation to the Philippine financial services sector. Although they provide easier access to credit and financing, they are owned and controlled by their members. This characteristic made a credit cooperative easily regarded as a community project rather than as a financial business in its own right. But big changes are taking shape. CUES Philippines' goal is to improve the performance of credit cooperatives and provide financial services to the segment of the population that do not have access to credit or any other financial services. It partnered and worked on the transformation of eleven (11) credit cooperatives known as Batch 1 from Mindanao, the southernmost part of the country, to become "model" credit cooperatives. These partner coops adhered to a more market driven business approach in their operations, significantly improving their performance and service delivery capacity and becoming models for other credit cooperatives to follow.

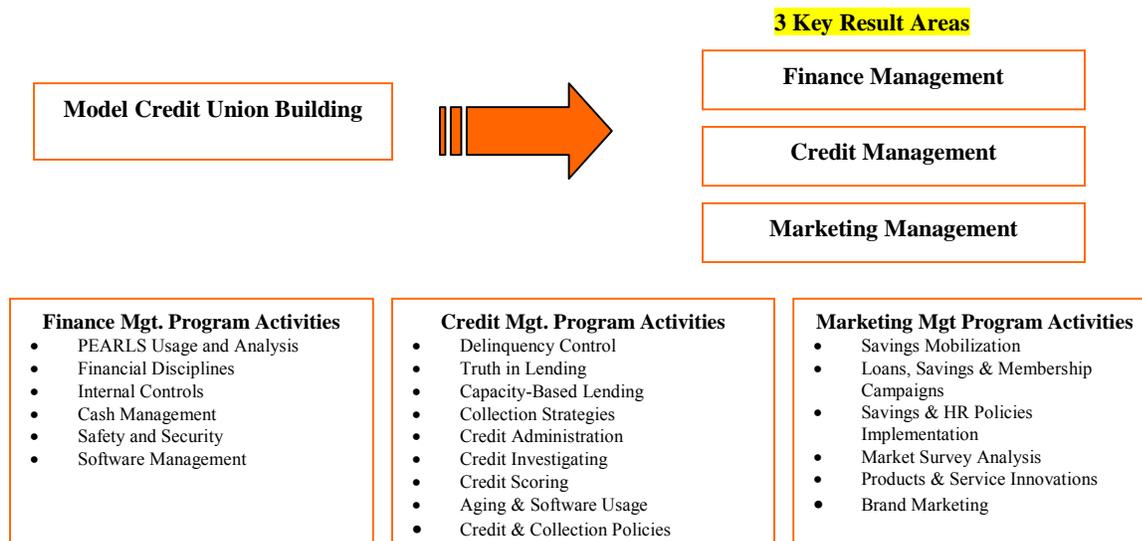
When CUES Philippines started with Batch 1, it advocated the importance of keeping a much tighter grip over their financial position. The project focused on two major thrusts: First, the revitalization of the Savings and Credit Services through **Model Credit Union Building (MCUB)** of WOCCU, and afterwards the FFH's village banking outreach program locally called **Savings and Credit with Education (SCWE)**, a financial education service designed for low income, economically active women capable of successfully engaging in micro-enterprise. The integration of the MCUB methodology followed by SCWE made CUES Philippines unique and apart from other credit union strengthening initiatives in the country.

Integration: Model Credit Union Building (MCUB) Methodology

CUES Philippines is not in the business of directing the partner cooperatives on how to manage their businesses but instead provide them with a proven financial tool for use in their strategic planning. When the **MCUB** methodology was introduced, it was geared towards making Batch 1 cooperatives as stable businesses capable of providing safe and sound credit and savings services.

The major component of the MCUB methodology is the **P.E.A.R.L.S.** Monitoring System, a management tool that goes beyond the simple identification of problems. CUES Philippines actively utilized the PEARLS Monitoring System’s 46 financial ratios to enable Batch 1 partner cooperatives monitor their overall financial position (i.e. are they making adequate provision for bad loans?), making PEARLS much more than just a number-crunching tool. As an early warning system that generates invaluable management information for future strategic planning, PEARLS do more than just meet coops’ social responsibility objectives. By helping cooperatives that operate in under-invested communities, it can indirectly support people who have difficulty accessing mainstream financial services. Reaching such people is a core objective of CUES Philippines.

Fig. 1 CUES Methodology: Model Credit Union Building



Integration: Savings and Credit with Education (SCWE) Methodology

The SCWE Methodology, designed by the Freedom From Hunger Organization, promotes self-help programs to build the capacity of women to overcome root causes of poverty, hunger and malnutrition. CUES Philippines implemented the SCWE program by integrating both financial and educational services, with the latter covering high impact topics on health and nutrition, micro-enterprise, savings and credit management, and self-confidence building.

Partner cooperatives provide credit to very poor rural women by forming savings and credit associations (SCAs) for small business owners. It has proven to partner coops that profitable business can be done with such a marginalized sector of the society, hence, they can earn even more with the privileged sectors. More so, the program facilitated membership growth as graduating SCWE members with good track records were promoted to regular membership.

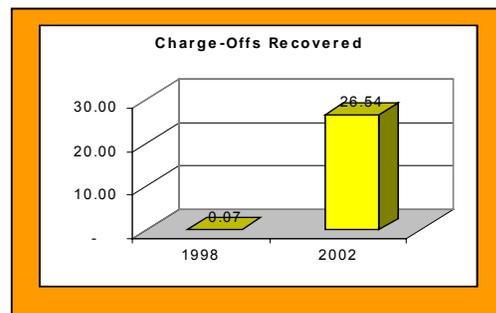
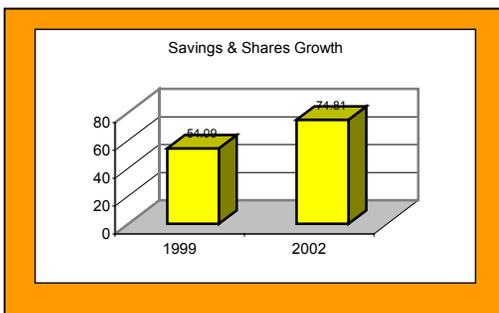
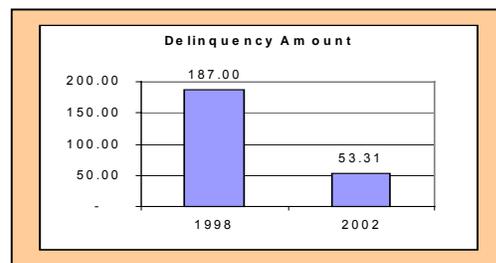
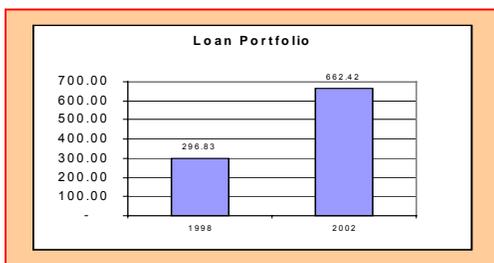
Fig. 2 CUES Methodology: Savings and Credit with Education



I. RESULTS AND IMPACT

Results of MCUB Methodology

Batch 1 partner cooperatives have become staunch practitioners and advocates of MCUB. In 1998, their consolidated Loan Portfolio was only PhP296.8 million. Delinquency amounted to PhP186.9, Accumulated Charge-Offs of PhP 13.1 million and Charge-Offs recovered at PhP0.07 million. However in 2002, figures reveal a Loan Portfolio increase of 123%, a tremendous 250% decrease in Delinquency Amount, a 38% increase in Savings and Shares growth and a massive 36,536% increase in Charge Offs recoveries.



Note: Figures for Savings and Shares growth from 1999 to June 2002 only

Comparing the 2002 performance ratios of Batch 1 versus that of 1998, prior to the intervention of CUES Philippines, the tremendous improvement cannot be undermined. Decrease in delinquency and increase in income has dramatically improved the cooperatives' image in their respective communities. As Savings and Shares growth increased, it proved that even poor people can save. This growth has also strengthened and empowered BATCH 1 coops by significantly decreasing, if not totally eliminating, their dependence on external credit to fund operations. The misconception that the poor are undisciplined, cannot meet their obligations and financially irresponsible is definitely changing. Most of BATCH 1 coops have also shifted from share leveraging to capacity-based lending.

Batch 1 Comparative PEARLS Ratios

Key PEARL Ratios	GOAL	1998	2000	2002
P1: LLP > 12 months	100%	10.32%	100%	100%
P2: LLP 1-12 months	35%	0.00%	35.00%	34.94%
P6: Solvency	Min.100%	89.07%	115.84%	123.19%
E1: Net Loans	70-80%	60.23%	58.70%	66.83%
E5: Savings Deposit	70-80%	32.11%	54.48%	57.65%
E9: Net Institutional Capital	Min.10%	(16.89)%	4.14%	10.44%
A1: Total Delinquency	≤ 5%	63.00%	12.36%	7.05%
A2: Non Earning Assets	≤ 5%	20.44%	18.55%	9.69%
R7: Member Shares	≥ R5*	7.70%	9.43%	11.54%
R9: Operating Expenses	3-10%	8.12%	10.62%	9.83%
L1: Liquidity	Min.15%	23.97%	36.33%	34.03%
S10: Membership	Min. 5%	9.54%	31.94%	42.97%
S11: Total Assets	> Inflation**	5.51%	23.77%	38.47%
*R5: Savings Dep/Ave. Savings Dep.	Markets Rates	11.12%	10.46%	9.99%
** Inflation		10.57%	6.60%	2.60%

A Look at the MCUB Program in 2002: All partner cooperatives regularly submit PEARLS reports to CUES-Philippines for monitoring. They also interpret and use the financial ratios in their decision-making. 153,282 members are receiving financial services through the 16 partner (11 from Batch 1 and 5 from Batch 2) credit cooperatives with PhP 776 million loans portfolio and PhP 646 million in Savings Deposits. Delinquency is further reduced with Batch 1 at 63% in 1998 to 7.05% in 2002 and Batch 2 at 28.7% in 1999 to 12.57% in 2002.



As Batch 1 progressed with the MCUB methodology, CUES Philippines developed a highly successful branding strategy program designed to bring credibility to these coops. The branding campaign is an innovative response to set MCUB coops apart. The cooperative that reaches specific PEARLS rating criteria is awarded a branding logo called **FOCCUS (Finance Organizations achieving Certified Credit Union Standards)** which has three levels: Silver for coops achieving the first step to branding, Gold for those reaching minimum standards, and Platinum for model credit unions achieving international standards. The FOCCUS brand declares

the cooperatives' financial strength and sustainability. However, achieving the FOCCUS brand is not an easy task as the credit cooperative has to *continually* pass the stringent international prudential ratios to become a "Model Credit Union." Of the eleven Batch 1 partner cooperatives, all five successfully reached the Silver FOCCUS level, three have advanced to Gold status and another two further achieved the highest FOCCUS Platinum Level.

FOCCUS International Standard Ratios

FOCCUS Ratios	SILVER	GOLD	PLATINUM
P1: LLP > 12 months	100%	100%	100%
P2: LLP 1-12 months	35%	100%	100%
P6: Solvency	-	≥ 110%	≥ 110%
E1: Net Loans	≥ 60%	70-80%	70-80%
E5: Savings Deposit	≥ 50%	60-80%	70-80%
E9: Net Institutional Capital	≥ 4%	≥ 8%	≥ 10%
A1: Total Delinquency	≤ 15%	≤ 10%	≤ 5%
A2: Non Earning Assets	Decreasing	≤ 10%	≤ 7%
R7: Member Shares	-	≥ Inflation	≥ Inflation
R9: Operating Expenses	≤ 12%	≤ 10%	≤ 10%
L1: Liquidity	≥ 15%	≥ 15%	≥ 15%
S10: Membership	≥ 5%	≥ 5%	≥ 5%
S11: Total Assets	≥ Inflation	≥ Inflation	≥ Inflation

The project also created several campaigns and programs that help Batch 1 continue to grow and prosper. These include:

Delinquency Control – Stop Tolerating Overdue Payments (STOP). Bringing delinquency under control has been one of the toughest jobs CUES Philippines and partner cooperatives have taken on, but also one of the most successful. The lack of proper collection resulted to delinquency problems for most coops as oftentimes, loans were not tracked until their due dates. Batch 1 coops are now reaping the rewards of the diligent training and guidance provided by CUES Philippines. On the average, Batch 1 reduced their delinquency from 71% to 4%, a proof that the coops are becoming efficient and financially responsible.

I Save at the Coop. A marketing campaign and savings awareness information drive offering coop savings, personal savings benefits and safety of members' money. This campaign was resulted to a Batch 1 consolidated savings of PhP 645,516,731 or US\$ 12,279,594 in 2002.

Membership Enrollment Changes. Cooperatives used to required potential members to attend a 3-day orientation for membership eligibility. This time consuming procedure only attracted potential members desperate to borrow and, thus, willing to sit through the whole process. CUES Philippines developed tabletop flip chart presentations which made the process easier and led to a dramatic increase in membership from 36,433 in 1998 to 153,282 in 2002.

Youth Savers and Power Teen Clubs. CUES Philippines designed this program to encourage the youth to save at with coops. The Youth Savers Club from Batch 1 generated 14,103 members and PhP 6,691,178 savings in 2002. Power Teen Club has 1,810 teen members with PhP 1,173,000 in savings in 2002.

Results of SCWE Methodology

The Savings and Credit with Education (SCWE) Program was introduced to the first Batch in 1998 after the MCUB methodology. CUES Philippines took the lead in forming women's solidarity groups and consolidating them into savings and credit associations (SCAs) to generate group savings as well as provide access to credit in alliance with Batch 1 coops.

Comparative SCWE Indicators

SCWE Indicators	1998	2000	2002
# of Program Implementers (Partner Coops)	4	11	11
Membership	1,715	21,652	25,515
Savings	320,622	6,715,851	14,517,956
Cumulative Loans Granted	3,385,500	181,652,782	566,661,335
Outstanding Loans for the Period	2,655,750	51,884,159	71,715,094
Late Loans for the Period	0.00%	1.05%	3.54%

A Look at the SCWE Program in 2002: 11 Field Supervisors (FS) and 55 Field Agents (FA) are disseminating valuable information to members of the 11 participating partner cooperatives. On the average, a field agent handles 16 SCAs, yielding a FA to members' ratio of 1:462. Since 1998, 194,672 loans have been approved. The average loan amount per borrower is pegged at PhP 3,305 while average savings generated per member is PhP 579.00 for 2002.

On Savings and Credit Association Management. In 2002, SCWE implementing cooperatives organized 851 active Savings and Credit Associations (SCAs) composed of 23,914 women members, 80% of whom are borrowers. Loan Portfolio Outstanding is pegged at PhP35.8 million, pure savings at PhP 7.11 million and Portfolio at Risk at 6.21%.

On SCWE's Micro-Enterprise. Women's access to credit opened vast opportunities, majority of which include improvement and/or expansion of their micro-enterprise businesses, reduced input costs due to bulk-buying or payment in cash, all leading to a significant increase in their monthly incomes. On the average, these women used to earn only PhP1,500 a month but through SCWE, their net monthly enterprise incomes increased to as high as 300%. However, there are some women who experienced little change compared to others. This diversity can be attributed to individual entrepreneurial skills.

On Health and Nutrition. From 1998 to 2002, CUES Philippines has conducted a total of 78,765 learning sessions on Health and Nutrition with emphasis on breastfeeding, infant and child feeding and immunization. Women with multiple children benefited the most by the change in health and nutrition practices promoted in the learning sessions. These include the use of colostrum to newborns; introduction of liquids and first foods (in addition to breastmilk) at six months of age, non-use of feeding bottles; diarrhea prevention and management and

immunization coverage. Further, the children of SCWE women were observed to have greater improvement in feeding frequency, consumption and quality of food.

On Self-Confidence Management. Per interaction with the women of SCWE, they have notably developed self-confidence in their status within their household and community when in fact, these women used to be shy and timid. When interviewed, the women foresee that they can feed their children with quality and nutritious food and prevent them from contracting diarrhea and other illnesses. They also projected that they can earn more money in the succeeding year and save a small amount for their children's education. In the community, the women of SCWE started to join community groups and helped other women (SCWE and non-SCWE members) through business and health and nutrition advice. Further, these women join cooperative celebrations and activities and even share program learning experiences and skills with visitors.

Social Impact

The social impact of the project is twofold: improvement of the socio-economic conditions of the cooperative toward their members and the effect of such to their families. Effects of the former include increased availability, competitiveness and quality of services provided by these coops to the members. CUES Philippines' partner coops including Batch 1 are now recognized as serious players in the industry. They were able to generate additional employment and became equal opportunity employers providing sufficient wage and benefits to its employees. In fact the coop employees have a key advantage: being members themselves, they receive dividends and refunds, thus, giving them the opportunity to earn more than regular workers.

As income changes, it creates a domino effect unto the household. Cooperative members are now able to provide sufficient food requirements to their families and continually send their children to school. Coop members who avail of the loans have now expanded their micro-enterprise businesses, created additional employment, and contributed to their community through local taxes.

In the long run, the major long-term impact of the project is that coop members will have access to essential services not only in financial intermediation but insurance, commodity production, health and housing, and participation in the democratic governance of economic activities.

Sustainability

As CUES Philippines' presence in the area and in the cooperative industry became more visible, requests for training increased which led to the staff having difficulty coping with. This situation became an opportunity in itself and the Credit Union Trainers for Empowerment (CU-TE) program was born. CUES Philippines took volunteers from Batch 1 and taught them to become trainers themselves. It was the perfect set up in transferring the knowledge and MCUB discipline gained by Batch 1 to other people, making the trainers living proofs for others to emulate. As of January 2003, CU-TE has produced 183 trainers.

The success of the CU-TE program was astounding. In fact, it became a vehicle in the creation of the CU-TE Foundation that will continue the initiatives of CUES Philippines when the project

ends in 2005. CU-TEs already established partnership with the Washington Credit Union League, Asian Confederation of Credit Cooperatives and the Credit Union Foundation Australia.

With CUES Philippines taking a lead role in the Technical Working Groups drafting Chart of Accounts, Accounting Manual and Prudential Standards for Deposit Taking Cooperatives; Microfinance Standards for Microfinance Institutions as well as Capability Building for the Cooperative Development Authority’s Regulatory Functions, the methodology is almost assured to be institutionalized in the country. Also, to further MCUB efforts of Philippine cooperatives, an Association composed of FOCCUS branded cooperatives tasked to protect brand integrity will be organized. This will eventually transform into a Credit Union Service Organization to act as the model for supervisory and regulatory efforts.

II. CHALLENGES WITH PROJECT IMPLEMENTATION

CUES Cooperative Focus

Resistance to change and innovation is common worldwide. New methodologies require not only a change in practice but also a shift in thinking and attitudes as well. CUES Philippines encountered similar resistance in its implementation stage. In the beginning, convincing coops to join was not an easy task. As cooperatives have strong social foundation, instead of focusing on profitability to keep the business going, they became eleemosynary organizations providing cheap source of credit. Coop leaders failed to identify that their business practice led to low capital generation as the only source of funds were members’ shares with very minimal returns, limited to no savings mobilization, dependency on external credit and high delinquency. Most cooperative members come from the marginalized sector and oftentimes repayment of their debts became an impossible feat. All these led to weak growth, chronic liquidity shortages, high delinquencies, lack of attraction for savers as well as weak general public confidence.

Designed as a **joint effort** project between the program and the partner cooperatives, resistance was reduced by the participatory approach adopted. CUES invested the time necessary to create strong relationships with the partner coops and created a program called the “CUES Cooperative Focus” that overcame the various challenges.

CUES Cooperative Focus

	Area	Philippine Challenges	CUES FOCUS
Ideology	Mentality	Social → Business	Business → Social
	Membership	Lower Income Groups	Diverse
	Economic Activity	Credit Distribution	Specialization: Financial Services
	Image and Market Presence	Poor Man’s Bank	Professional and Competitive
	Policies and Standards	Diverse Criteria	Standardization
	Technology	Outdated	Modern
	Information Systems	Inadequate	Clear and Transparent
	Financial Products	Shares and Credit	Savings and Credit
Financial Structure & Discipline	Financing	Shares & External Credit	Savings Deposit
	Capital	Member Shares	Institutional Capital/Reserves
	Accounting	In Arrears	Balanced & On Time Monthly
	Financial Indicators	Diverse Criteria	PEARLS
	Delinquency Ratio Calculation	Based on Loan Maturity	Entire Delinquent Loan on Amortization
	Creation of Loan Loss Reserves	None or Inadequate	Aging of Delinquency
	Loan Charge-Offs	Rarely Done	At least Annually or Per Quarter
	Control on Non-Earning Assets	Inadequate	Continued Policy Review
	Net Income Distribution	Dividends to Members	Capitalized to General Reserves
	Market Studies	None	Entire Cooperative Market Area
Products and Services	Plans	None/Limited	Complete with Business Plan
	Loans	Below Market Rates	Entrepreneurial rates
	Shares	Non or Inferior to Inflation & Competition	Equal or Greater than Savings Deposit Rate
	Loan Purpose	Restricted/Based on External Funding	Flexible, based on Internally-Generated Funds
	Loan Amounts	Restricted due to limited liquidity	Flexible, based on risk
	Credit Analysis	Member shares	Based on Member Repayment Capacity
	Collateral/Co-Signers	Inadequate collateral, non-convertible to full cash guarantee	Solid and convertible to cash
	Operations		
	Policies and Standards	Diverse Criteria; Not updated regularly	Standardization; updated regularly
	Technical Knowledge	Insufficient	Well-Trained
	Experience	Inadequate	Professional
	Compensation	Inadequate	Competitive
	Turnover	High	Low

Batch 1 needed a strong cadre of leaders, competent and committed staff, and enlightened and active members. The major constraints faced in the development and implementation of training programs were:

- Vast training needs. Some cooperatives were formed as social groups rather than economic enterprises, thus, coop leaders' exposure to training were limited;
- Time. Cooperative leaders and staff are busy with the day-to-day activities in the cooperative and training is more often than not a charge on earning time;

CUES Philippines' training programs are formal courses of short duration, on-the-job training with field back-up, study visits to successful cooperatives, peer review, workshops of leaders across groups, regular cluster meetings and other short but efficient activities.

The Project Team

Tagged as a highly successful project, CUES Philippines would not have made it possible if not for the project team leaders spearheaded by Ms. Lois Kitsch and Mr. Luis JR S. Sasuman. They inspired the people within the cooperatives to want more, do more, and be more than they ever thought possible. In fact, CUES Philippines Project was awarded the highest national honor, the 2002 Herb Wegner Memorial Award for Outstanding Organization/Program from the National Credit Union Foundation. The project was honored for its success as an innovative effort to provide affordable financial services to people, especially women, in some of the poorest areas of the Philippines. Named in honor of the late Credit Union National Association (CUNA) Chief Executive Officer Herb Wegner, CUES Philippines' award was recognition of the project's "innovative, creative, risk-taking" leadership.

Lois Kitsch – Current WOCCU Regional Manager for Europe and Asia and Past Director WOCCU-CUES Philippines. Over 25 years' experience in financial services management and interaction with related community organization, including technical expertise in safety and soundness; uniform standards; strategic planning and training; lending program design, administration and documentation (including micro-enterprise lending); compliance, and savings mobilization.

Luis JR S. Sasuman, CPA – Present WOCCU-CUES Philippines Director and Past Deputy Director. Over 13 years of development work (more than 5 years with CUES); training, seminars, consultancies, and internship on finance management and business planning; currently completing the Credit Union Management course at Western CUNA Management School at Pomona College in Claremont, California

Future Thrusts

USAID has approved funding for a 3-year extension of the project. As a result, CUES Philippines has now expanded to cover 5 cooperatives in Northern Mindanao and the Autonomous Region of Muslim Mindanao. In addition, 9 cooperatives from Region 8 in the Visayas Island are included. Another round of Institutional Assessment/Diagnostics in the Northern and Southern Mindanao is expected to yield more partner cooperatives. The project

will continue to advocate and incorporate the financial disciplines in cooperative operations, including in its immediate focus the following:

- Institutionalize the MCUB with Philippine cooperative federations for the federations to replicate this methodology to other saving and credit cooperatives.
- Establish mechanisms for monitoring the FOCCUS Brand integrity
- Expand to other areas in the Philippines.

III. POLICY AND DONOR RECOMMENDATIONS BASED ON EXPERIENCE

Donors of CUES Philippines have an important role in ensuring that the project mission is achieved and carried out. They are strategically positioned to provide support for innovation and to disseminate information from the experiences in the field essential in building platforms for lobbying, advocacy and replication for sustainability of credit unions.

For WOCCU, FFH and USAID, the experience of CUES Philippines particularly with Batch 1 provided very helpful insights in managing the second and third batch and in the development of similar initiatives in the future. Of the lessons learned, the most striking was the need for a clear and frank discussion of each stakeholder's goals, objectives, approaches, and other considerations. Without such, cooperation was very difficult and caused confusion on the part of the cooperatives as well as delay in meeting the project's targets. Also, as two methodologies were introduced, the targets and benchmarks are respected and standards of performance are maintained, thus, regular monitoring and inspection was carried.

Given the project's unique importance to the contribution of women, gender issues were highlighted like the design of financial services that respond to women's distinct needs, goals, and constraints.

CUES Philippines is not a policy advocacy activity. However, it is acknowledged that an effective policy and regulatory environment is essential to sustain the benefits derived from the project. The CUES project team has been collaborating with the Credit Policy Improvement Project (CPIP) in advocating for a stronger and more effective supervision and regulation for credit cooperatives. To date, the project has encouraged the passage of two bills in Congress that call for a strong regulatory mandate for Cooperative Development Authority and the establishment of a more appropriate policy framework for cooperatives. Also, CUES supports the adoption and implementation of a standard chart of accounts and performance for credit cooperatives.

Initiatives that are innovative respond to issues that will influence the future of cooperatives. With CUES Philippines' success, the ideas came from its leadership, resources, perseverance, and encouragement. In fact, leadership encouraged the pooling of resources and ideas and allowed the cooperatives to offer products and services that they never thought they were capable

of. Despite the numerous challenges and the very dynamic environment, the project continued to be innovative with initiatives such as fighting loan sharks (predatory lending), providing learning sessions, and offering micro-enterprise loans to poor women to name a few.

IV. CONCLUSION

The initiatives of the project in strengthening and empowering credit cooperatives in the Philippines is an evidence that two methodologies (MCUB and SCWE) when provided together can increase member income and savings, improve health/nutrition knowledge and practice, empower women, and ultimately improve household food security and children's nutritional status.

It is also important to note CUES Philippines' performance in terms of transforming cooperatives into financially strong and stable institutions. The combination of positive impact and financial sustainability makes Credit with Education a strategy with an exciting potential for widespread and sustainable impact on nutrition and food security. It is also a tribute for the poor to turn their paltry resources to opportunities and making something useful and meaningful in their lives.

The challenges and opportunities have provided a holistic strategy for the project's success. CUES Philippines will continue to exert effort on transforming credit cooperatives and will also confidently build bridges to deliver results. It is committed to satisfy the broader needs of the credit cooperatives as it believes that it is only by bringing people together, and promoting an adaptive learning culture, that it can generate sustainability necessary for implementing WOCCU's "Quality Credit Unions for Everyone" mission.

END NOTES

¹ *The original Batch 1 in 1998 was composed of 12 credit cooperatives however in 2000, CUES Philippines dropped one cooperative due to the coop's non-observance of the MCUB discipline.*

Appendix A
Batch 1 Partner Cooperatives

1. Bansalan Cooperative Society
2. Kapalong Cooperative
3. King Cooperative
4. Mediatrix Multi-Purpose Cooperative
5. Nabunturan Integrated Cooperative
6. Panabo Multi-Purpose Cooperative
7. Pantukan Chess Club Multi-Purpose Cooperative
8. Samal Island Multi-Purpose Cooperative
9. Silangan Multi-Purpose Cooperative
10. Tagum Cooperative
11. United Sugarcane Planters of Davao (USPD) Savings and Credit Cooperative

Partner Cooperative	Membership*		Delinquency	
	1997	2002	1997	2002
1. Bansalan Cooperative Society Bansalan, Davao del Sur	720	↑ 8,565	57.00%	↓ 7.19%
2. Kapalong Cooperative Kapalong, Davao del Norte	637	↑ 9,800	73.00%	↓ 4.52%
3. King Cooperative Davao City	7,741	↑ 76,657	73.00%	↓ 10.45%
4. Mediatrix Multi-Purpose Cooperative	442	↑ 6,890	62.30%	↓ 29.72%
5. Nabunturan Integrated Cooperative Nabunturan, Compostela Valley	10,143	↑ 14,864	73.30%	↓ 2.23%
6. Panabo Multi-Purpose Cooperative Panabo City	1,574	↑ 8,872	80.40%	↓ 9.11%
7. Pantukan Chess Club MP Cooperative Pantukan, Davao del Norte	2,000	↑ 9,690	73.00%	↓ 11.73%
8. Samal Island Multi-Purpose Cooperative Island Garden City of Samal	927	↑ 6,126	43.00%	↓ 4.79%
9. Silangan Multi-Purpose Cooperative Davao City	498	↑ 3,432	34.20%	↓ 4.09%
10. Tagum Cooperative Tagum City	6,646	↑ 14,868	38.20%	↓ 19.74%
11. United Sugarcane Planters of Davao (USPD) Savings and Credit Cooperative Digos City	1,407	↑ 8,700	25.00%	↓ 0.19%

* Total number of members and other credit cooperative service users

Appendix B
Philippine Demographics

Country Size:	Over 7,100 islands comprising some 300,000 sq. kms.	
Capital City:	Manila	
Geography:	Three main island groups: Luzon, Visayas, and Mindanao	
Climate:	Tropical with temperatures ranging from 23-32°C Two Seasons: Wet- June to October & Dry- Nov to May	
Monetary Currency:	Philippine Peso (PhP); US\$1=PhP53.25 (April 2003)	
Population:	80.5 million (2002); 269 persons/sq. km.	
Labour Force:	32.8 million	
Employment Rate:	88.9% (2001)	
Pop. Growth Rate:	2.18% per annum	
Literacy Rate:	96%	
Life expectancy:	68.5 years	
Age composition:	0-14 years	59%
	15-64 years	38%
	65 and over	3%
Ethnic Group:	Christian Malay- 91.5%	Muslim/Malay- 4%
	Chinese- 1.5%	Others- 3%
Languages:	Pilipino, English, Spanish, Chinese (Mandarin)	
Major Religion:	85% Roman Catholics, the rest Protestants and Muslims	