CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT MUTUALLY REINFORCING INSTITUTIONS

They are lovingly referred to as "*nanays*"—mothers—by their account officers. Not all those who borrow money from the Center for Agriculture and Rural Development Mutually Reinforcing Institutions (CARD MRI) have children. But virtually everyone is a self-employed woman who nurtures her family by raising livestock or operating street-side diners, convenience stores, tailoring shops, market stalls and other micro businesses. Started in 1986, CARD today lends 5,000 to 20,000 pesos (about US$105-$425) to some 711,000 *nanays.* It has played an important role in helping alleviate widespread poverty in the Philippines.

It's not a new idea. CARD was inspired by Grameen Bank, which was started by Nobel Peace Prize winner Muhammad Yunus in 1976 to provide loans to destitute Bangladeshi women. In the Philippines as in Bangladesh, micro-lending programs overturned the conventional wisdom that the poor are not credit-worthy. CARD reports repayment rates of more than 99 percent. Learning from models elsewhere in Asia and innovating in response to the constraints and opportunities of the local situation, CARD MRI has emerged as a shining initiative in the fight against poverty in the Philippines.

CARD is comprised of several "mutually reinforcing institutions," as it aptly describes them. CARD NGO (Non-Government Organization) provides initial credit services within certain geographical areas, typically lending small amounts at 2 percent monthly interest. When a branch is mature and profitable, it is sold to CARD Bank, which deploys the savings of CARD members and the public to nurture microenterprises and make emergency and housing loans. As of September 30, 2008, CARD NGO had 2.1 billion pesos (US$45 million) in assets and 398 branches; CARD Bank had one billion pesos (US$21.3 million) in assets, twenty-two branches, and 138 other banking offices (OBOs).

CARD members enjoy insurance, health coverage and other benefits from CARD MBA (Mutual Benefit Association). Then there is CARD MRI Development Institute (CMDI), a facility that offers special training as well as accredited degree programs in microfinance management.

The newest institution is CARD BDS (Business Development Services), which helps members progress from being microentrepreneurs to proprietors of small and medium-scale enterprises. Its services include assistance with technology, management, marketing, distribution and aggregation of similar income-generating projects to achieve economies of scale.

More initiatives are on the drawing board, including plans to build residential sites for CARD members who have accumulated enough assets to buy a house and lot. The movement is also stepping out of the country. It has offices in Cambodia, and partnership programs in Indonesia, Hong Kong and Vietnam. The aim is not to transplant CARD institutions to other countries, but to help microfinance providers there adapt CARD's expertise and experience to the unique circumstances of their societies.

All these were not in the drawing board when CARD was organized in 1986. Its path was neither straight nor smooth, but a combination of will, hard work, and creative thinking moved the organization forward, bringing it to where it is today.

CARD founder Jaime Aristotle Alip credits his colleagues (there are 4,102 employees and coordinators) for CARD's success, particularly the men and women who have been with the group from the beginning. They include Dolores Mangubat Torres, Lorenza de Torres Bañez, Flordeliza Lanip Sarmiento, Perla Flores, Epifanio Maniebo, Efren Bautista and Carlito Llanto. "And then there's Rudy Ramos, who is deceased, and

Feliciano Matienzo, who has also died," adds Alip. "These are really the people who have been with me [from the start]." But Alip is the movement's prime visionary.

BORN in San Pablo City in the province of Laguna on April 22, 1957, Jaime Aristotle Alip (familiarly called Aris) comes from a family with a strong bent for public service. Both his parents are educators. His father, Jose Alip, worked closely at the San Pablo Colleges with his first cousin, Filipino historian Eufronio Alip, and went on to found an associated vocational school offering stenography, typing, radio communications and other technical courses. His mother, Olympia, is a public school teacher. "She is very good in social work, is active in church, and has a knack for business, so I probably got my business skills from her and my skills in managing people from my father," says Alip.

Instead of going to Manila, the young man decided to study at the University of the Philippines-Los Baños in Laguna. College education in the capital was expensive, even though his parents could afford to send him there, and he liked the calm and expansive atmosphere of the Los Baños campus, which in 1909 was the University of the Philippines' College of Agriculture.

Alip won a scholarship from the Philippine Sugar Institute, which required recipients to major in sugar technology, but he lost this scholarship in his third year because his social life interfered with his grades. So he found a job as a student assistant at the International Rice Research Institute (IRRI), which was based on campus. After graduation in 1978, he married his college sweetheart, Aniceta, and was offered a job as research assistant at IRRI. "There was a strong temptation to work in IRRI because it was a high-paying job at the time," Alip recalls. "But I began asking myself: Is this the kind of work I wanted to do—gathering data, talking to the plants, counting the number of leaves and panicles, waiting for sunlight to get soil samples?"

The answer was no. A friend suggested that he apply to Philippine Business for Social Progress (PBSP), a leading nongovernment organization which had a big operation in Alip's home city of San Pablo. The project was called Laguna Rural Development Prototype. "The project office was not like IRRI's, which was air-conditioned and had nice tables and furniture," Alip recalls. "It was just like a house, an apartment. People were smiling, they greeted you, it was all social work . . . I looked at the people and felt this was the kind of place I'd like to work in."

After taking an examination and undergoing several interviews, he was offered a job as project officer, tasked with organizing and helping farmers with their agricultural projects. It was a demanding post, but Alip fitted right in. "It was a professional job in social work and I felt so fulfilled," he says. "Theoretically, it was an eight-to-five job, but because you're dealing with farmers, oftentimes you have to wake up at five o'clock in the morning and go home at ten o'clock [at night] because you have to walk several kilometers to reach the farmers, especially upland farmers."

Six months into the job, Alip's manager left and the young graduate was appointed as replacement on an interim basis. After another six months, Alip became the unit's manager. Later that year, in 1979, PBSP decided to phase out the Laguna Rural Development Prototype and asked Alip to help start a successor organization that will continue the work in the province. Thus, he established a new project under PBSP called Center for Rural Technology Development (CRTD), whose mission was to prove that a family can comfortably sustain itself on one hectare of land, the average landholding in the Philippines at that time.

PBSP bought a 5.1-hectare property for CRTD. Alip and his staff, among them Dolores Torres, Lorenza Bañez and Flordeliza Sarmiento, transformed one hectare into a demonstration farm. "We named it BUKHAY for *Bukid ng Buhay* (Farm of Life)," he recalls. The model farm was proof that one hectare of land properly farmed with the appropriate technologies could provide a family of six with enough income and nutritious food. This inspired CRTD's farmer-clients to learn and implement integrated farming, such as raising both rice and vegetables on the same plot of land.

Alip and his colleagues planted the remaining four hectares of land with rice, vegetables and other cash crops to supplement CRTD's income and lessen its dependence on PBSP grants. The center was a huge success. It won a prestigious award for applied science from the National Science and Technology Authority and was honored by the Crop Science Society of the Philippines.

CRTD was held up as a model for other nongovernment organizations at home and abroad. It was thus that Alip met Grameen Bank's Muhammad Yunus in 1984, when the Bangladeshi visited CRTD during the year that he won the Ramon Magsaysay Award for Community Leadership. "He told me he was getting the award for extending microcredit," Alip recalls. "He said, 'We're able to prove that the poorest women in Bangladesh are able to pay a hundred percent [of their loans] and are still able to save." Alip was skeptical: "I said to myself, 'This guy is pulling my leg. Bangladesh, the poorest country in the world, giving loans to the poorest and getting a hundred percent repayment rate?' This was not possible."

He would recall the conversation several years later and discover that the poor could indeed be good credit risks—and that the Grameen Bank model could be replicated in the Philippines.

In 1985, Alip was promoted to head the programs unit of PBSP, which meant overseeing operating units countrywide, including CRTD. The new job enabled Alip to travel around the Philippines and it was an eye-opener. "Farmers are actually not the poorest," he says. "They have access to certain resources, agrarian reform benefits, and credit. The real poor are the landless rural workers. In the case of rice, they are your planters, your harvesters. In the case of coconut, they are your *magkakawit* (pickers), your *maghahakot* (haulers). They are all landless."

Alip began to question his mission. Why was he helping the landed farmer but not the landless poor? He could understand why PBSP was focusing on those who had property, since its mission was "helping people help themselves." Back then, the poorest of the poor were seen as unable to help themselves, and should therefore be attended to by the government's social welfare agency and charity groups. "This [PBSP program] was not meant for them," says Alip. "But I said, if we could apply it to the landless, I think we can do something more."

WITH fourteen colleagues, Alip decided to set up CARD on December 10, 1986. It became clear to him that CRTD would remain a unit of PBSP, since it had become the group's showcase project. At one point, Alip had understood that CRTD would be spun off as a separate organization to be run by himself and his colleagues. The main motivation for establishing CARD, though, was his desire to help the landless. "I wanted to concentrate all of my time in that area," he explains. "It seemed to me that this was not part of the priority focus of PBSP."

If CRTD's offices were spartan, CARD's was monastic. Alip set up operations in a room in his father's vocational school. The cash on hand was a measly twenty pesos (about fifty US cents), which was used to buy typewriting paper. "I started typing proposals for grants and sending them [to organizations] all over the world," Alip recalls. Ernesto Garilao, who was PBSP's executive director from 1971 to 1992 and later became the country's secretary for agrarian reform, taught him well. "I owe him a lot," says Alip. "He trained me in resource mobilization, in how to conceptualize and manage projects."

He wrote proposals day and night and on weekends, using what he jokingly calls his "magic typewriter." But the grant-giving bodies he approached declined to fund the project that Alip at the time called "Landless Bank." He wanted to create a financial institution owned and managed by the landless poor so they can have and run their own income-generating projects. Alip was known to some of the foundations through his work with PBSP, but this was not enough to convince them. The letters he got just stopped short of calling him crazy.

The young idealist persisted. To keep CARD afloat, he did consultancy work for agencies such as Food and Agriculture Organization, Land Bank of the Philippines, and Approtech International. He then started to work at the Department of Agriculture's Agriculture Policy Credit Council, where he became director of fund resource management in 1989, and later deputy executive director. Part of what he earned went to pay for CARD's operating expenses and the salary of his lone staff, his cousin Aristeo Dequito, who helped with the typing of proposals, and the expenses of volunteers doing organizational and data-gathering work. Finally, in 1988, Alip got funding from the Asian Community Trust (ACT) in Japan, which was one of the funding agencies of CRTD when he was still with PBSP.

"By that time I was feeling hopeless," Alip recounts. "The psychology of the Japanese donors is [that] you go to Japan to show sincerity, show your face, submit the proposal directly, and even if you don't get the whole funding, they will give you something and that will be the start." He borrowed money from his father for the airfare to Japan—he didn't even blink, says Alip—but was too embarrassed to ask for more cash for living expenses. He flew to Japan with less than US$25 in his pocket. "I slept at the Narita Airport. It had heating and the bathrooms were excellent." (Alip adds, "To save on hotel bills, I also slept in airports while mobilizing funds for CARD in Frankfurt and New York during CARD's initial years.")

Alip submitted his proposal to Asian Community Trust's Takayoshi Amenomori, who promised, "I will try my best and see what I can do." After a month, Alip got a call from Tokyo. Amenomori told him: "Aris, we have a problem." The crestfallen Alip thought he failed to get funding again. But in fact, the two agencies to which Amenomori had submitted the proposal both said yes, meaning that the project would be funded twice. This is not a problem, said an elated Alip. He proposed to site one pilot program in San Pablo City and another pilot in Bay, Laguna. "So that's how the US$10,000 proposal became a US$20,000 one."

Many years later, Taka, as Professor Amenomori is fondly called, would confide that seeing Aris wear the same suit repeatedly and carrying a battered wallet won him over. "I was convinced of Aris' frugality and sincerity, and that funds placed in his hands would be safeguarded," mused Taka.

Around this time, Dolores Mangubat Torres left PBSP. Still interested in doing something meaningful, she did not only accept Alip's offer to pay her for part-time work with CARD, she also spent the rest of her time as a CARD volunteer. Other former PBSP colleagues followed. Alip's wife, Aniceta, pitched in. After her work at the University of the Philippines-Los Baños, Aniceta would help edit and file documents. She also cooked for visitors (the family lived in a nearby apartment owned by Alip's mother). The office was prone to flooding, so whenever there were heavy rains, their two sons (a third son was born later) would promptly come to the office to help carry papers and files beyond the water's reach.

The US$20,000-vote of confidence from ACT helped convince other donors. "I used to make a joke that the Japanese have arrived, so now the eagles, kangaroos, and kiwis will follow," says Alip. Today, CARD's partners span the globe, and include the Philippine-Australian Community Assistance Program, Canadian Cooperative Association, German Savings Bank Foundation, Imai Memorial Charitable Trust of Japan, and the World Bank's International Finance Corporation. Various agencies of the Philippine government, including the Department of Agrarian Reform, are also helping, along with multinationals and local conglomerates.

Even as CARD started lending in pilot areas in San Pablo and Bay in Laguna, Alip says the process was still one of trial and error. Looking at their livelihood assistance program for landless coconut farmers, "I noticed that our repayment rate was good, but not so good," he recalls. "After a while, the men were dropping out. The women were also getting sidetracked by the men. In terms of repayment, we never got to a hundred percent. On a six-month cycle, we were probably getting 90 percent."

Alip then remembered Yunus telling him about Grameen Bank's 100 percent repayment rate among landless women when he visited CRTD. I must see him, Alip thought. He knew that the Agricultural Credit Policy Council was doing research on agricultural credit and nobody wanted to go to Bangladesh. So Alip volunteered and visited the country in late 1988 under the auspices of a Malaysia-based regional organization called Asia-Pacific Development Center.

Yunus remembered Alip and personally brought him to one of Grameen Bank's branches, telling him to observe how they did things. "On the third day, I was already crying," Alip recounts. "I was crying because I saw poor landless rural workers, landless women—they were really paying. I said, 'My God, if the Bangladeshis are able to do it, we Filipinos can do it as well. We're generally better-educated than they are and I think we can do better than them.'"

Back in the Philippines, he decided to replicate the Grameen model in CARD. Explaining the new approach to Amenomori, he stressed that the end goal remains the same. It is the mode of getting there that will be overhauled. "I said, 'Taka, I think things are clearer now. This is the way to establish a bank,'" he recalls. "'We will not change our passion, our mission to establish the Landless Bank. But for the needed methodology, we will replicate the Grameen Bank approach.'"

The decision required a big change. Grameen Bank lends only to women whereas CARD had both male and female clients. The Bangladeshi model requires borrowers to form a group of five like-minded individuals, one of whom acts as group leader and another as group secretary. Each one is required to repay a small portion of the loan in weekly meetings as well as put aside a portion of the loan as compulsory savings. Crucially, each member of the group is made responsible for the loans of the other four members. If one cannot repay, the others will have to pay on that person's behalf. The idea is that social pressure will motivate the borrowers to do everything they can to repay the small loans.

The scheme was implemented in San Pablo City and Bay in 1989. "The repayment rate was a hundred percent," says Alip. Never before had he seen such a perfect repayment rate, not even in PBSP, where he held the distinction of having the best repayment record for agriculture. "The repayment rate that I had [in PBSP] was about 95 percent," he recalls. "What we did in CARD was unprecedented; a hundred percent and these were landless [borrowers]. They made weekly payments, they had weekly savings. So we succeeded."

In 1990, CARD completely dropped all its other programs and concentrated solely on microcredit. "No more PBSP model, we would just do the Grameen replication," says Alip. No more male borrowers either, although those who received loans during the pre-Grameen days are still on the books. "We actually have sixteen men who are members," says Alip wryly. "Out of that sixteen, I think seven are still not paying."

From its headquarters in San Pablo City, CARD slowly rolled out the Grameen replication program in other provinces, using seed money from the Asian Community Trust and other donors. As the number of five-member groups grew, five or six such groups were linked together to form a center. "If one group [in the center] is not able to handle repayment, the other four or five groups will come to the rescue and help, otherwise the entire center will be in default," Alip explains.

This was the concept of solidarity groups, as pioneered by Yunus in Grameen Bank. As Yunus explains in his book, *Banker to the Poor* (1999):

> . . . group membership not only creates support and protection but also smoothes out the erratic behavior patterns of individual members, making each borrower more reliable in the process. Subtle and at times not-so-subtle peer pressure keeps each group member in line with the broader objectives of the credit program. . . . Because the group approves the loan request of each member, the group assumes moral responsibility for the loan. If any member of the group gets into trouble, the group usually comes forward to help.

BY 1998, however, Alip became concerned at the dropout rate. While repayment was still nearly 100 percent, many members began to stop borrowing. The dropout rate went as high as 30 percent. Alip was told that former members no longer needed credit. "But when I checked and went to their house, they were still poor," he recalls. Then he was told some people were kicked out of their center because they were not disciplined, did not attend meetings, and refused to contribute.

As the dropout rate increased, Alip grew worried. "I started to find out that, after a while, the *nanays*, our clients, didn't want to pay anymore," he says. "Their husbands were complaining that, for several cycles, they kept on paying for the others. So the income that should have accrued to them was just going to the members who were unable to pay. The feedback I was getting was that some of these members had become too dependent on the others."

There were other reasons. Some members deliberately defaulted because they knew the others in the center will pay anyway, and since five to six groups were involved, the burden was shared among more than twenty-five individuals. But resentment built up because the defaulters tended to be those with bigger loans. Even if the burden was distributed across many members, those with smaller loans were disproportionately penalized. "And these were the good clients who were dropping out," Alip adds.

By this time he was a bit out of the loop in CARD. He had reconnected with PBSP's Garilao, who had become Secretary of Agrarian Reform and asked Alip in 1996 to be an assistant secretary. "For a while I was just watching CARD, attending board meetings, and getting reports," says Alip. "But I was really alarmed with the increasing dropout rate. So as soon as I finished my work with the Department of Agrarian Reform [in 1998], I again took the reins of managing CARD."

A potential solution presented itself when he made a trip to Washington D.C. to attend a seminar sponsored by the Consultative Group to Assist the Poor (CGAP), an independent policy and research center dedicated to advancing financial access for the world's poor. Alip met Shafiqual Haque Choudhury, founder and president of the Association for Social Advancement, now simply called ASA, a microfinance movement started in Bangladesh in 1978. "I asked him, 'How many clients do you have?" He told me, 'Oh, I have six hundred thousand clients.'" At that time, CARD had twenty-eight thousand clients. Alip thought it was worth studying how ASA managed to grow to more than half a million borrowers.

Back home in the Philippines, Alip convinced CARD's board to send ten directors and officers to Bangladesh to study ASA's operations. They stayed for ten days, and then told Alip that there was nothing to learn. The Grameen model is still the best, they concluded. Grameen at that time had 2.5 million clients, more than four times that of ASA. Alip was disappointed, but accepted his team's conclusions.

A year later, however, Alip was again in Washington to attend a seminar. Choudhury was there, too. "I said, 'Shafiq, how many clients do you have now?' He said to me, '1.2 million.'" Alip nearly fell over. ASA had doubled the number of its member-borrowers in a year's time, whereas CARD had managed to add only twenty-five percent to its rolls in the same period, bringing the number of its clients to thirty-five thousand.

He immediately scheduled a trip to Bangladesh to see for himself how ASA operated. "I had to find out for myself how come this guy was able to double his capacity," Alip recalls. Like Yunus before him, Choudhury took Alip around. "He personally showed me to the branches. But I'm not a person who readily believes what I'm shown. I want to see for myself. Maybe Shafiq was only showing me the best because when I went to his offices, they closed at exactly three o'clock since all collections were already in. And they were going at a hundred-percent rate."

After three days, Alip visited ASA branches without Choudhury, spending the next three weeks observing on his own. "I was asking all the hard questions, and I was getting almost the same answers. It was the same performance, with or without the founder being with me." Alip was convinced. He concluded that ASA's approach could be effective in the Philippines.

Like Grameen, ASA organizes its borrowers into groups and centers to promote solidarity. The crucial difference is that a loan is the individual's sole responsibility. It is not backstopped by other members of the group and the center. "If you cannot pay, the rest will not suffer," Alip explains.

Then came the hard part. There was considerable resistance within CARD from both management and staff to the ASA way. "They had this paradigm on peer support, peer pressure, and group solidarity, and I'm introducing this new system," says Alip. "Nobody wanted to follow." But he persisted. He told his wife:

"I know I'm right. If I don't do this, then the institution will collapse." The impetus to change was further bolstered by what was happening in Grameen Bank. Experiencing problems with dropouts, Yunus and his staff embarked on a two-year program to shift methodology to "Grameen II," which featured flexible loan payments and savings.

Alip understood the resistance. "In group solidarity, the responsibility belongs to the group leaders and center leaders, not to the loan officer," he explains. "So when there is a loan problem, when there is a default, the pressure is on the group or center leader to produce payment. The loan officer will just sit there in the center meeting and wait for the repayment." In the ASA approach, the responsibility lies with the loan officer. If a member does not pay, the loan officer must go to the member's house and collect, asking for help from other loan officers and the branch manager, if needed.

Alip started pushing the changes in 2000. He told his staff: "I would even follow the communists if they can show me [that communism] is the best way, because our vision and objective are very clear: to help. If what it takes is to follow a communist model, I will follow a communist model of microcredit. If what it takes is to follow another socialist model, I will do it, because my objective is very clear: the best and fastest way to solve poverty."

Choudhury and some of his staff traveled to the Philippines to help train the CARD staff. To encourage the program shift, Alip religiously attended the training sessions. "I was just like a student," he says. "Knowing [the CARD staff's] psychology, I said I would do it first." He chose two veteran staffers and hired new people for the first pilot areas and created "a new army," as Alip puts it. In 2001, the ASA approach was adopted in the municipalities of Sipocot in Camarines Sur province and Calamba in Laguna province.

But Alip got sidetracked the following year. In 2002, the Arroyo government asked him to serve as undersecretary for operations at the Department of Social Welfare and Development (DSWD). He had been asked twice before to help with the government's poverty alleviation program, but had respectfully declined. This time, he felt he had to say yes. "I consulted my colleagues, and they said maybe it's time for me to help," Alip recalls. "So I said, OK, but I will only serve for one year." He also set the condition that he would continue as chairman of CARD and that his after-office hours and weekends would be devoted to the organization.

Being undersecretary proved demanding, however. At one point, Alip devoted all his time to the crisis evacuation of Pikit, a town in Mindanao where government forces and the Moro Islamic Liberation Front fought several bitter battles. Bereft of Alip's guidance, CARD continued the shift from the Grameen model to the ASA approach—or rather, tried to combine them. The result, dubbed GrASA, was a disappointment.

"It was a recipe for disaster," says Alip. "[It's like] you have a Toyota vehicle, and you're putting in Nissan spare parts. If it's Nissan, just use Nissan spare parts. If it's Toyota, use Toyota spare parts. What they did was combine [the two approaches]. That's why it didn't work." The shift became so frustrating that some twenty-three percent of CARD's staff quit. "I lost some of my best people," says Alip. "And then we started losing some of our clients, the best ones, because they were confused about which [approach] to follow. I call this the murderous year of 2002-2003."

True to his promise to CARD, Alip served as DSWD undersecretary for only a year and three weeks, and subsequently went back to CARD fulltime. The feedback was that he made a mistake in shifting from the Grameen to the ASA model. "I confided to my wife, maybe this is the end of my career," he recalls. "Maybe I made a mistake. I should have just allowed the Grameen model to continue." But after much soul-searching, he concluded that he made the right call. "I said, no, I think this is [still] the best way to do it."

Choudhury was a big help. He came back to the Philippines to offer moral support. "Just concentrate on the ASA approach," the Bangladeshi counseled Alip. "Do not think of doing other work. If the government asks you to come, just say no, because every time you are out, this is what happens to CARD. It doesn't grow, it will have problems." Choudhury then said something that Alip thinks is one of the best pieces of advice he has received: "If you want to shift your methodology, we will cross the bridge and we will cut the bridge, so there's no more turning back."

Choudhury sent two of his best people to help CARD. "They worked with me for almost two years," Alip recounts. "Together we turned the organization around. I had sixty branches using Grameen; we shifted them successfully." As of December 31, 2008, eight years after the shift, the number of branches had ballooned to 430, and the number of clients served for the year exceeded 706,800, including savers—a twenty-fold increase since 2000.

Alip traces the success not just to the switch but also to individual responsibility. "I made modifications as I did with the Grameen Bank methodology," he explains. "In the ASA [model], the approach is purely business-like, but I wasn't comfortable with that. We have a social mission, so we brought in credit with education, health and nutrition; we brought in community development." He felt that a total approach worked better in the Philippines. "Shafiq said this is okay, because this is your country," says Alip. But Choudhury jokes that if Alip replicated the ASA approach 100 percent, CARD would probably have 1.5 million clients by now.

THE shift to ASA is only one among many crises in CARD's twenty-two-year history. Once in 1994, CARD won commitments from two foreign funding agencies. "They promised me that there was funding because of the successful replication [of the Grameen Bank methodology] that we were doing," Alip recalls. "And because of that, I promised the staff and the clients that we will have the money to go and expand."

But after a month, he was notified by these agencies that funding was not forthcoming because of policy changes and other problems. "They could not give the money," says Alip. "This is where I saw the commitment of the staff, like Dorie [Torres], Lorenz [Bañez] and others. Even their children's savings, they put in the pot so we could keep going and fulfill our commitments to the clients." Alip himself borrowed against his inheritance from his father and chipped in with his own savings. It was enough to tide CARD over until new funding came in.

Another crisis came in 1999. Five years earlier, CARD had started a members' mutual fund, or MMF. "We had a convention, and we asked our clients what else can we do to help?" Alip recalls. "And the clients, our *nanays*, said, 'Sir, when there is a death in the family, we cannot pay the loan, we cannot bury our loved ones, we cannot give them [the proper] ceremony. If we do, we will have to borrow from others, so we are always in debt.'" The suggestion was that the members make voluntary contributions to a fund that CARD will operate, from which contributing members can draw three thousand pesos for funeral expenses.

The MMF coverage soon expanded to include sickness in the family and accidents. At first the scheme worked well, but problems emerged in 1996. "Many people were getting sick, many were meeting accidents, whether true or not," says Alip. Some members reportedly died and their relatives collected the benefits. "After three days, they rose again from the dead," says Alip, a situation he calls the "Jesus Christ syndrome."

The problems coincided with the establishment of CARD Bank, which was granted a license by the Central Bank in September 1997. This was the culmination of Alip's original dream of creating a "Landless Bank" owned and operated by the landless poor. With access to deposits not only from members but the public at large, CARD Bank could help stabilize funding for CARD's programs. The 1994 funding debacle had taught Alip the importance of finding other ways of sourcing money to avoid being too dependent on grants from funding agencies that may or may not materialize.

Well-meaning people counseled CARD that it needed to build credibility. "If you become a bank, you have to have a building, new cars, a new image," says Alip. "Otherwise, if [your operations are] like a *barong-barong* (shanty), nobody will trust you. You cannot be a public institution." So CARD bought a car, refurbished its facilities and started constructing its own building. But the spending spree caused unsavory talk, with some people expressing the suspicion that CARD was using MMF money for its expansion.

As the innuendoes became more pointed, even as the claims on the MMF also mounted, CARD took the bull by the horns. In 1999, it returned 4.2 million pesos to members who had contributed to the MMF. “The clients were crying because never in their wildest imagination did they think they will have this kind of money,” says Alip. “And they doubted at that time how the money was being used. I said, this is the money, it’s fully accounted for, the interest is there, everything is there. So they saw it and were so happy.”

To replace the MMF, CARD organized the CARD Mutual Benefit Association (CARD MBA), which was registered with the Securities and Exchange Commission in 1999. The Insurance Commission granted CARD MBA a license in 2001. A professional manager, Alex Dimaculangan, was hired to run the company, reporting to a board of directors drawn from the CARD membership. “I’m not even part of the board and I never requested that people in the staff be part of the board,” says Alip. “This financial institution must be owned by [the landless poor].”

This time, Alip and his staff made sure an actuarial system was in place to avoid the instances of fraud in the MMF. The previous scheme “was all based on the heart, it was all based on emotion,” says Alip. “So later, my battle cry in microinsurance was, ‘Never follow your heart, follow your calculator.’” Today, CARD MBA has two actuaries, one internal and the other external. As of September 30, 2008, its assets exceeded one billion pesos (US$21.3 million) and its total membership was 605,876 households, of which 45,312 were non-CARD members.

CARD MBA provides death benefits, medical subsidy, and pension and loan redemption policies, and Alip says proudly that it pays out quickly. “Our distinct difference from other insurance companies is our 1-3-5 payment system,” he explains. “If something happens to the client, we pay within one day. If there’s a problem, [payment] moves to three days. If there are additional requirements that are really necessary, it moves to five days. Now I’m pushing the management to make it 8-16-24. They must do it in eight hours, sixteen hours and twenty-four hours. We must push the standard.”

For Alip, the importance of CARD MBA lies not only in the protection it provides for the life and limb of the poor. “We’re promoting the MBA scheme because it is owned by the members. And for me that’s what empowerment is all about. For me the issue in microfinance is not only access, the issue is control of resources.” The landless do not own land and other kinds of resources. “If I can help them turn their savings into capital, and that capital then becomes equity, and equity becomes a resource because they now own [CARD MBA], that to me is what real empowerment is all about.”

The same dynamic drives CARD Bank. The aim is for the CARD membership to own 75 percent of the bank, with the rest of the shares in the hands of CARD NGO and the bank staff. At the moment, says Alip, CARD members own about 38 percent of CARD Bank, with 41 percent controlled by CARD NGO and the rest by the staff. “We’re increasing the members’ equity,” says Alip. “Later on we will sell more shares to the clients, and then CARD NGO and the staff will just have 25 percent of the shares.”

CARD Bank is a trailblazer in Philippine microfinance banking. It started on September 1, 1997 as a rural bank because the Central Bank at the time had no provision for the establishment of a microfinance bank. The minimum paid-up capitalization for a rural bank depends on the type and class of municipality where the rural bank will operate. In San Pablo, where CARD was headquartered, the amount needed was around five million pesos. CARD managed to scrape together that much, but faced other problems.

One was the rule that rural banks must have 70 percent of their loans backed by collateral. This was pointed out to CARD Bank by examiners from the Central Bank, warning that the bank’s violation of this regulation could lead to the revocation of its license. But how can our clients, who are landless poor, post collateral?, Alip protested. He asked the examiners to visit the centers. They observed the bank’s operations for two weeks and saw how faithfully the clients were repaying their loans. In the end, the Central Bank allowed an exception to be made, so long as the repayment rate was 100 percent and the clients continued to pay and save.

CARD Bank also met problems when it wanted to expand. The Central Bank had stopped issuing branch licenses in many municipalities because it felt they were overbanked. "The Central Bank thought there were so many rural banks already and many of them were not managed properly," recalls Alip. "We said it was true that we would be operating in areas where there were banks, but they were not serving the poorest. Our clients are different from those of the normal rural banks and commercial banks." Again, CARD Bank received an exemption.

"I'd like to believe that [we helped] pave the way for microfinance bank regulation in this country," says Alip. "Today, because of our experience, if you're a microfinance-oriented bank dealing with the poor, a hundred-percent no-collateral policy is allowed." A microfinance bank or microfinance unit of a bank can also apply to operate a branch in any area and will typically be granted a license.

CARD Bank was among those which lobbied for the passage of the General Banking Law, which was enacted in 2000. The new law directed the Central Bank to recognize microfinance as a legitimate banking activity and to issue rules and regulations for its practice. The Central Bank has since been a strong advocate of microfinance, which it regards as its flagship program for poverty alleviation. The experience of CARD Bank played a role in this shift. Alip says that the Central Bank now has "one of the best policies for microfinance globally." "In fact, it was recognized by the United Nations during the International Year of Microcredit in 2005."

CARD Bank is no longer a rural bank, having changed its charter to become a microfinance-oriented bank. But this does not mean that it has completely taken over CARD NGO's work. "I call CARD NGO the marines of the organization and the CARD Bank as the elite corps," Alip explains. CARD NGO searches the countryside for places where many poor people reside. When a suitable area is identified, it starts a branch and organizes the poor into groups and centers, following the modified ASA approach. "Once [the branch] becomes mature and viable, then CARD Bank will come in and absorb the CARD NGO branch lock, stock and barrel, including the staff and the clients," says Alip. CARD Bank pays for all of CARD NGO's development costs and loan portfolio, plus a premium. "We don't subsidize because we want to make sure the model is sustainable," says Alip. Liquid once more, CARD NGO then looks for other areas to develop.

Meanwhile, CARD Bank applies for a branch license and further develops its new acquisition. This means not only increased lending, including for business, housing and emergency loans, but also encouraging savings from CARD members and the community at large.

Starting out with just four branches in 1997, CARD Bank now has twenty-two branches. Like any bank, it strives to be profitable for the benefit of its shareholders. As of September 30, 2008, its portfolio of 753.2 million pesos (US$15.8 million) boasted yields of 56 percent, which bodes well for the bank's long-term sustainability.

THE synergy between CARD Bank, CARD NGO and CARD MBA illustrates the CARD group's "mutually reinforcing" approach. Another important cog in this machine is CARD MRI Development Institute (CMDI), which traces its beginnings to 1998, when Alip examined CARD's training expenses and was shocked by the total figure. "It looked like we had bought a mini-hotel in San Pablo City," he recalls. "Why can't we have our own training center to lower our costs? We can then lower our interest rate and everything else."

Actually, CARD already had a small center built on property owned by Alip's wife, who allowed its use for free. But the organization's training needs were growing by leaps and bounds as the NGO, bank, and mutual benefit association expanded their geographical reach and services. The implementation of the ASA methodology also required hiring and training more account officers.

CARD bought property not far from the existing center and began constructing small rooms that eventually became a building that was inaugurated in 2000. The German Savings Bank Foundation, which was providing technical assistance to CARD BANK, also provided funding for part of the facility. In addition, with the help of Freedom From Hunger, an international development organization that specializes in credit with education, CARD designed a training curriculum for loan officers and other back office staff. "So every month, we had officers ready to go, one batch of thirty, fifty, sixty," says Alip.

In 2005, CMDI began offering a Master of Arts degree in organization development, specializing in microfinance management, in partnership with the Southeast Asia Interdisciplinary Development Institute (SAIDI). The partnership was the outcome of a board discussion about the need to develop the next-generation leaders in CARD. In 2008, CMDI partnered with St. Francis of Assisi College in Metro Manila, Brokenshire College in Davao, and Global Trainers, Inc. in Legazpi City to offer a Bachelor of Science degree in business administration, major in microfinance management.

Today, CMDI has three meeting rooms that can seat up to 130 people, a fifteen-seat computer room, about thirty air-conditioned guest rooms, a swimming pool and a spa. It provides internal training for CARD staff, including training in microinsurance skills, assessment of small- and medium-scale enterprises, and early fraud detection. These courses are also customized to train staff of other microfinance institutions. Alip estimates that about 40 percent of CMDI's trainees are non-CARD personnel.

The country's microcredit sector has expanded, inspired in part by the success of organizations like CARD MRI. Sensing commercial opportunities, for-profit financial institutions have started their own microcredit programs, and CARD is more than happy to share its expertise with them.

"I don't see them as competitors," says Alip. "The Philippines has 5.6 million people [living below the poverty line], and we're reaching only about two million. Who's going to help them? The more institutions that we can train, the more it would be good."

The newest mutually reinforcing institution is CARD Business Development Services (CARD BDS), which was started in 2005. "After a while, our *nanays* will have to move to the next level," says Alip. "They may do it on their own and succeed, but if they make a mistake, that will be disaster for them. Then they slide back to poverty." CARD BDS aims to guide clients so they can progress from being microentrepreneurs to owners of small- and medium-scale enterprises.

CARD BDS has six ongoing pilot projects, including a lending program in electricity-short Oriental Mindoro province, to equip homes with solar panels so entrepreneurs can extend their working hours; revolving loans and in-depth technical assistance to "mature" clients who have accumulated at least three hundred thousand pesos in assets; and a branding, sourcing, distribution and training program for owners of *sari-sari* stores, the ubiquitous convenience shops in the Philippines that sell snacks, cigarettes, and common household items.

Alip is particularly excited about the *sari-sari* store project. The aim is to brand some one hundred thousand convenience stores run by CARD members under one signage—the chosen name is *Hapinoy*, which can be taken as shorthand for "Happy Filipino." "Every time I go to Manila, every fifteen minutes I see a 7-Eleven convenience store," says Alip. "We can have the same [concept] in the countryside." Like the 7-Eleven outlets, Hapinoy stores will sell the same standard items, allowing them to negotiate with suppliers for big bulk discounts. Major manufacturers such as Colgate-Palmolive, Nestle and Unilever have already signed on as Hapinoy partners.

The notion took concrete form after Alip met Rapa Lopa, a nephew of former President Corazon Aquino, in 2005. "He is a businessman who likes to do social work," says Alip. "Some of his friends are marketing executives who have retired from multinationals, and I asked them as well to help develop the sari-sari stores." Lopa and his associates formed a company called MicroVentures, Inc. (MVI), which is helping CARD BDS to conceptualize and execute the plans for a Hapinoy chain.

As conceived, each individual store will still be owned by the *nanay* who operates it. The signage, while following the same design and color for all stores, will have the owner's name on it, such as *Hapinoy Aling Choleng* or *Hapinoy Aling Maria.* The stores will carry a common inventory based on studies of demand patterns to determine the most saleable or fastest-moving commodity items.

Once the concept took shape, CARD and MVI started talking to big corporations. They proposed buying these corporations' products in bulk for delivery to a Hapinoy lead store, which will then be distributed to other Hapinoy outlets. "The cost of delivery is therefore cheaper for the multinational company," Alip explains. Manufacturers also benefit from a ready way of gaining a foothold in rural areas, and on-time payments for the goods, since the *nanays* have access to CARD loans. In exchange, CARD asked that they grant bulk discounts.

Everybody wins, says Alip. "The multinational company liked the idea because it is assured of payment. We are also assured of payment [from the *nanays*] because the [manufacturers'] price is lower, and if the price is lower but the selling price is almost the same or a little bit lower [than what it is now], they will get more income." There are currently 2,500 Hapinoy stores being pilot-tested in three provinces. "By 2010," predicts Alip, "we will have fifty thousand Hapinoy stores all over the country."

CARD sees great potential for the Hapinoy chain as a distribution system for the produce of other *nanays*. CARD clients in Mindoro province, for example, make salted duck's eggs that are sold in Hapinoy stores. "This assures income for our clients and for the Hapinoy stores," says Alip. He has also started discussions with the National Food Authority (NFA), a government agency tasked with stabilizing the supply and price of rice, about making the Hapinoy chain a conduit for the sale of the staple at low prices.

Today, CARD is girding for another milestone: the prospect of signing up one million clients by the end of 2009. Despite the global financial crisis, Alip hopes to borrow from the country's biggest banks to fuel the expansion. The ambitious goal will not crowd out the smaller MFIs, he insists. "We're operating in the hard-to-reach areas. You'll be surprised that we are in places like Jolo, Basilan, and Tawi-Tawi [in southern Philippines]. We are among the few MFIs operating there." In the near future, CARD hopes to establish a branch in Batanes, "the last frontier in the north," as Alip puts it, "to truly say we are Philippine-wide." "I must say the Muslims in [the south] are very disciplined when it comes to payment," says Alip. In the first week of May in 2008, he received a text message from the CARD manager in Jolo, a Muslim town that has been the site of clashes between Islamic separatist rebels and government forces. "In the morning, they said there was heavy fighting," Alip recounts. "So I said to them do not worry about the collection, safeguard the lives of the staff, this is more important to us and the clients. At 2:30 p.m. of the same day, I got a call that, after the fighting, the clients were already there paying, and that everything had been paid."

CARD is also moving into agri-microfinancing in response to rice shortages in the Philippines in 2008. "We do lend to farmers, but not as a conscious effort," Alip explains. "I found out that many of our farmers are not being given loans [by commercial banks], especially the small farmers who are not qualified. I was so sad when we had this crisis in rice, so I said, now is the time for CARD and other MFIs to start doing significantly more in agri-microfinancing, in funding agriculture in terms of rice production, vegetable production, and others."

CARD is looking beyond the Philippines, too. Alip and his family lived in Vietnam from 1992 to 1996, when he served as technical adviser to CIDSE, a consortium of sixteen Roman Catholic development agencies that focus on agriculture and rural development, health care, credit, income generating activities, and emergency aid. He helped set up microfinance programs there. Today, CARD has partners in Vietnam that are continuing its mission.

"I get to travel every last week of the quarter to attend board meetings of our partners [in Cambodia, Indonesia and Vietnam] because CARD has an interest in helping them and giving technical assistance," says Alip. In Indonesia, CARD is working with a commercial bank that has started to implement a microfinance program. In Cambodia, CARD maintains an internationally recognized office that liaises with the Cambodian government and international and local organizations involved in microcredit.

"We turn our participation into equity so we also have a stake," says Alip of CARD's international presence. "But we have no intention of institutionalizing CARD in these countries. From Day One, I told them, 'We are here only to help you, and to demonstrate our seriousness, you don't have to pay us cash. We will plow the money back into your organization because they are microfinance-regulated institutions like CARD Bank. We will plow [the money] back as our equity and, at a later time, you can buy us back.'"

CARD sends its staff to different countries for two reasons. The first is to disseminate its technology and help the poorest of the poor in other nations. "It's also a refueling station for our staff," adds Alip. He observed that the spirit of CARD's staff members, especially the older ones, tends to flag after ten or fifteen years. "Their productivity, passion and commitment to work in CARD sometimes go on a plateau and then go down." But when they return after six months to a year abroad, "they're so committed, so refueled; they're like a tidal wave, unstoppable," marvels Alip. These returnees are the ones fueling the explosion of CARD branches in the north and south of the Philippines.

CARD-MRI has not stopped innovating. Going forward, CARD is embarking on a small, pilot project that is nevertheless freighted with a most potent symbolism for the poor. This is a housing development on a two-hectare property in Mindoro province, which CARD bought. "It is a dream of our clients," says Alip. "Remember these are landless rural workers." CARD is waiting for government approval to convert current land-use to residential purposes.

A home of one's own: it is the strongest proof that *nanays* have indeed escaped extreme poverty and joined the economic mainstream. It is also an enduring testament to the vision, dedication and hard work of CARD, Alip and his colleagues—and to the potential of microfinance to make a difference.

Cesar R. Bacani Jr.

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