



Social Enterprise in the Countryside

**CARD MRI: Empowering the Poor in
the Philippines**

*Marie Lisa M. Dacanay, Mariel Vincent Rapisura
and Kaisa Sol Cruz, Institute for Social Entrepreneurship in Asia*

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The case of the Center for Agriculture and Rural Development Mutually Reinforcing Institutions tells how a non-government organization providing microfinance services grew over three decades to develop a social enterprise model that enables landless rural poor women to become managers, owners, investors and guardians of their families' futures.

Primitiva Barretto remembers how she used to drink and gamble, and how she never finished high school. But now she recalls how she returned to school, got her degree, became a community leader and then president of the board of a NGO in the Philippines. The NGO is part of a network of affiliated institutions that from its humble beginnings has grown to serve nearly 1.8 million people, mostly landless, and now in many cases formerly poor women living in the countryside.

Malvarosa Pirote is now on the board of one of the network's original initiatives – a microfinance bank created to help poor women to borrow money to expand or create businesses to improve their families' lives. Pirote used the \$US90 from her first loan to



A meeting at a CARD MRI rural microfinance centre.



CARD MRI staff working with women in local communities to distribute micro loans.

expand her fish-retailing business in Leyte Province and invest in her children's education. Today, her children have finished school and started a catering company; her family, which used to live in a home constructed from palm trees, now lives in a concrete bungalow with a ceiling and a strong roof to provide shelter from storms.

The history of the Center for Agriculture and Rural Development (CARD) is a powerful story of innovation and growth. It began in 1986 and over three decades has developed a network of "Mutually Reinforcing Institutions" (MRIs) to expand services to women such as Barretto and Pirote. It is a story of service delivery and social entrepreneurship on a very large scale on behalf of its main client base – the "nanays", or mothers, of the countryside. The efforts of the network known today as CARD MRI reach far across and deep into the life of several provinces in the Philippines, a nation of about 100 million people, of whom about 25% are poor.

The network's base institution, the Center for Agriculture and Rural Development, known as CARD NGO and also simply as CARD, was laid by

15 social development activists who wanted to help "the poorest of the poor." They included its founder, Jaime Aristotle Alip, now managing director of all of CARD MRI. Today, the network employs more than 8,000 people in more than 1,400 offices around the country. Its assets are about \$US327 million. More than eight million people are protected under its insurance plans. It has slightly more than one million loans on its ledger. The repayment rate in 2013 was 99.27%.

Statistics such as those and others are measures of CARD MRI's remarkable growth, but for many of the nanays, the benefits available today are more tangible: multiple forms of banking services; multiple health, insurance and retirement plans; many programs for personal, education, business and technology development; and a source of medications at low cost. All can be summed up in a single word, and it was what became the goal and purpose of all of CARD MRI's services: empowerment. CARD gave the nanays the belief they could transform themselves and the abilities to do so.

Many nanays now exercise their abilities directly in the management, and to varying degrees, in the ownership of all 10 CARD entities. They serve on CARD MRI boards, supervise regions and facilities, and administer operations. They own 100% of one, a mutual benefit association, CARD MBA. They own more than 30,000 shares of another MRI, CARD Bank. "We have proven what real empowerment is all about," Alip said.

This case study will examine the history, development, philosophy and the structure of CARD MRI for the lessons they offer to NGOs in Asia. One more and especially powerful story of empowerment and transformation sets the stage:

Mina Dorado once worked as a domestic helper in Kuwait because, she said, "of how hard my life was" in Laguna Province, 40 miles south of Manila. Back in the Philippines, she earned about \$US6 a day buying and selling bread from a bakery in her native village. She and her husband augmented their income by collecting coconuts in the mountains and selling them to food producers.

But then the bakery's owner, who had become Dorado's friend, helped her borrow money to take over the bakery's lease and buy flour supplies when the prior tenant left. Dorado then turned to CARD Bank and borrowed \$US228 to buy a processing machine. In time, she borrowed \$US1,028 more that helped her expand her shop. As her business took off, she turned to a different CARD bank, for small and medium enterprises, and borrowed more money, which enabled her to buy a delivery van and hire employees.

Today, Dorado runs a large bakery known for its specialty breads. It employs 20 people and delivers its products to large stores in several cities and provinces. She built a house for her family and for six of her employees, who live with their families on land she owns. "Sometimes I get emotional when I think of how much I have achieved," she said. "I never thought I would live in a house made of concrete, sleeping every night on a soft bed. God is truly kind to have brought me to where I am now."

EMPOWERING THE POOR

The 15 social development activists who founded CARD NGO in Laguna Province in 1986 chose December 10 as the day. Each year since 1950, that day has been observed around the world as Human Rights Day, following the United Nations' adoption of the Universal Declaration of Human Rights. Many NGOs and governments use the day to highlight human rights issues or to announce new programs in support of human rights. On December 10 in 2006, two decades after CARD's birth, the UN High Commissioner for Human Rights would say that poverty was the world's greatest human rights challenge.

At the outset, Jaime Aristotle Alip, the CARD founder, and his 14 colleagues worked from a small room in a vocational school owned by Alip's father. In addition to Alip, now managing director of CARD MRI, they included three more people who continue to serve as leaders of the organization today: Dolores Torres, president and chief executive officer of CARD Bank; Flordeliza Sarmiento,

executive director of CARD NGO and CARD Bank president; and Lorenza Banez, executive vice president of CARD Bank.

The organization's achievements are clear evidence of the value of continued service by those present at the beginning, but the will and ability to innovate were also pivotal. For example, prior to founding CARD, Alip had worked for one of the largest NGOs in the country, a business-backed group with programs providing grants and loans for small farmers owning land and other assets. They were worthy recipients, but not the poorest of the poor—the landless rural worker—who had no champion. Alip decided they required one.

It took half a year to get all the paperwork together and to be recognized by the government as a non-profit organization; meanwhile, Alip and his team devised plans and wrote proposals. After many rejections, Alip flew to Japan, hoping people he knew there in contact with funders might be of help. He borrowed money from his father to make the flight and slept overnight in an airport lobby to save on hotel costs. A key meeting with a top executive of the Asian Community Trust (ACT) paid off. CARD received two grants worth \$US 20,000, one from ACT and one from a memorial foundation. CARD NGO, the base for everything to follow, was in business.

The money was put to work helping 200 landless coconut workers with training and credit advice. CARD organized the workers into groups of 15 to 20 and issued loans from between \$US45 to \$US225. CARD did not require compulsory savings; and terms of repayment were left to members. The result of these decisions, so far as timely repayment of loans, was not good.

CARD responded with programs designed to offset the threat to its balance sheet – income-generating consultancies for partners in other agencies, for example – and with efforts to more closely monitor their lenders' performance. But crop failures and market issues frustrated the alternative income-generators; closer monitoring also failed to work. The repayment rate never surpassed 80%.

Alip described the CARD NGO of that era as typical of “the infantile donor-driven development foundation, guided only by its social mission.” A new approach was needed.

The search for something new led to Bangladesh, where a CARD delegation visited and learned about a microfinance model based on the idea of group liability – the Grameen Bank model – that had achieved some success. The idea was simple: people in small groups borrow money as individuals, but are collectively responsible for repayment.

CARD NGO brought the Grameen model to the Philippines for a pilot run, and then launched a program based on Grameen principles known by 1990 as the Landless People’s Development Fund. By then, CARD had made a strategic decision that forever changed what it was and what the CARD Mutually Reinforcing Institutions to follow would become: to focus on the women among the poorest of the poor.

Alip said the decision was based on what CARD NGO and other microfinance programs had seen: for developmental programs, women are the best at managing finances and the necessities of survival. The money from loans tended to go

directly to the benefit of their families’ basic welfare – food, shelter, education, and clothing. The CARD board decided women should have exclusive access and control of loans.

With additional support from funders in Australia and Germany, and using the Grameen Bank model, CARD expanded operations; its loan portfolio increased from 200 in 1988 to 4,240 borrowers by 1995. But that year, CARD’s founders again saw a need for something new and something much larger – a microfinance bank managed and partly owned by up to one million poor people who would become members of the bank, and be entitled to purchase shares. Two big funders who had initially agreed to support CARD’s expansion balked at the idea. Alip then made another decision that proved pivotal in CARD’s development and its story of social entrepreneurship: CARD should fund its own operations rather than rely on donations.

Alip and other CARD pioneers pawned some of their own personal property and talked other funders and the Philippines government into granting CARD itself loans to get the proposed one-million-person expansion project back on track. On September 1, 1997, after the Philippines Central Bank granted it a license, CARD Bank, the first of the nine additional MRIs, and the first microfinance-oriented rural bank in the Philippines, was established.

The bank’s founding philosophy was simple: take services to the people and give the poor opportunities to draw loans, set up savings accounts and find help for other basic financial transactions at a low cost. Despite such good intentions, the bank had growing pains. Its loan repayment rate started to dip, as did new-member recruitment. The pains were attributed to the Grameen Bank model’s reliance on the principle of group responsibility for outstanding loans. The nanays began to question why all members of a group had to suffer if one member failed to pay on time.

In 1999, CARD’s founder learned of a new microfinance model, known as ASA Technology, which featured the same group approach as the



A microfinance client consults a CARD MRI doctor during a community health day in her community.

Grameen model, but with individual liability and other loan-initiation and monitoring procedures. Alip and a CARD team travelled again to Bangladesh, where the methodology had been developed by the Association for Social Advancement in a program funded by the United Nations. Despite resistance from some staff and some CARD partners, ASA Technology was gradually implemented at all CARD centers in the Philippines. CARD membership soared, and so did the number of members with loans – from about 50,000 in 2001 to slightly more than one million by 2013.

To try and ensure it serves the poorest of the poor, CARD maintains guidelines for membership. One is that new members have a monthly income of \$US36 or less. Another is that they have marketable assets of no more than about \$US3,500. The bank, as does all of CARD MRI, also uses a *Progress out of Poverty* index of 10 indicators to predict the likelihood that a group of clients lives below the Philippines poverty line. The indicators range from the types of materials used to construct the roof and walls of a borrower’s home to whether the home contains a water-sealed toilet.

In 2012, CARD set a target that at least 53% of new members should be from below the poverty line. But ensuring the delivery of services to the poor and deciding who to give loans to is a tricky equation. That year, CARD fell short of its target by 8%, according to Melany Grecia-Viajante of CARD MRI’s research unit.

The difference illustrates a challenge, for CARD as it would any microfinance institution, said Christopher Tan, the CEO for Asia of the Grameen Foundation, an expert on the poverty index used by CARD MRI. The challenge is finding the right balance between targeting the poor and granting loans to those among them who are likely to repay on time.

Some loan recipients may not fall below the poverty line as determined by the index, but may be among the “vulnerable poor” because of some misfortune – sickness, a death in the family, or a natural disaster. For most in the countryside, the differ-

ence between poverty and vulnerability to poverty is probably more academic than meaningful. For them, a more telling measure of CARD’s performance and impact is the number of nanays who today own stock in the bank: more than 30,000.

SOCIAL ENTREPRENEURSHIP

CARD MRI is the ongoing story of the transformation of the lives of the nanays and their families through social entrepreneurship. Each of the 10 MRIs – CARD NGO, CARD Bank and the eight more to follow – fit into a definition of the aims of a social enterprise in a developing country: reducing poverty; creating social and financial benefits for the poor through programs in which they as the primary beneficiaries have a stake; and investing the results in other programs that benefit the poor and in which they become either owners or decision-makers in the social enterprise. In other words, through social enterprise in the CARD MRI model, the poor benefit and help lead the way to change.

In 1999, two years after CARD Bank opened for business, a mutual fund that had been created for CARD NGO members in 1994 became the third entity of the CARD social enterprise model. The mutual fund was converted to a Mutual Benefit Association owned and operated by the nanays, with oversight by CARD MRI. As with CARD Bank, CARD MBA was another first for the Philippines.

Today, CARD MBA offers several insurance plans – life, hospitalization, disability and credit. It also manages a credit bureau, a savings fund for retirement, and a relief fund for victims of such calamities as the typhoon at Tacloban in the fall of 2013. It also handles the related paperwork for the “mass weddings” it hosts at MBA meetings for people with live-in partners who have been MBA members at least 10 months.

Teams of nanays manage the MBA’s service to clients at CARD centers. The management teams are supervised by a 15-person board, including 13 nanays and two independent members, who themselves are advised by a five-member board of CARD MRI executives and a CARD MRI-appoint-



CARD MRI scholars under the CARD Scholarship Program (CSP), which provides academic scholarships to members and their children.

ed general manager with expertise in the insurance industry. The nanay cited at the outset of this study, Primitiva Barretto of Quezon Province, was president of the CARD MBA board for two years. “Through CARD, I was able to change,” she said. “I went back to school and got my degree. Right now, I am a community leader. CARD shaped us.”

Starting in 2005, and continuing into 2013, CARD introduced seven more initiatives based on the social enterprise model that completed the network of 10 MRIs. In their different ways, each was an emblem of the core strategy CARD had developed: to proactively anticipate and then fulfil the needs of clients. The strategy recognizes that microfinance alone cannot meet the needs of the poor. Poverty is multidimensional; it requires the same approach.

Here are brief summaries of the seven additional initiatives:

- CMDI: In 2005, the CARD MRI Development Institute was formed to enhance CARD MRI’s internal management and develop the personal and educational skills of nanays and their families. In partnership with local schools, it also offers staff members the chance to earn college degrees in microfinance. It also provides microfinance training for others around the world.
- CaMIA: In 2007, the CARD MRI Insurance Agency was formed to provide additional life and non-life insurance plans, including insurance packages, as well as security, surety and performance bond services for client-members of CARD MRI and its partners.
- CARD BDSFI: In 2008, the CARD Business Development Services Foundation, Inc. was formed to add value to the nanays’ micro businesses with the goal of helping grow them into small and medium enterprises.

- **CARD CMIT:** In 2010, CARD MRI Information Technology, Inc. was formed to provide CARD MRI banking software and similar services enabling it and others to process savings and loans products.
- **CARD SME Bank:** In 2011, the CARD MRI Small and Medium Enterprise Bank was formed to provide financial services for former microfinance clients who had grown their businesses, and for rural SMEs providing jobs for the poor.
- **BotiCARD:** In 2012, the CARD MRI BotiCARD was created to enable CARD MRI members and their families to purchase medications at low cost.
- **Rural Bank of Rizal:** In 2013, CARD acquired the Rural Bank of Rizal, which was given approval by the Philippines Central Bank to open 18 branches offering microfinance services in multiple provinces.

Two of the additional MRIs benefited the nanays and their families in direct and vital ways. Nothing is more direct and personal than BotiCARD, providing nanays and their families with access to medicines at low cost. While many in other professions and trades were insured under routine schemes, poor people were precluded from access to affordable prescription drugs. In addition, CaMIA, the insurance agency, made available other services to make the nanay universe less vulnerable to the impact of personal and property losses.

Two more of the additional MRIs encouraged entrepreneurial growth by the nanays. BDSFI, the business development foundation, gave microfinance recipients opportunities to add value to their enterprises by using marketing and other tools to improve their products and services. SME Bank, the small-and-medium business development program for “graduates” of the microfinance program, gave them the chance to take what they started farther down the road.

Another two served CARD MRI’s internal and external technical and training needs. CMIT, the information technology program, enabled CARD MRI to respond to the increasingly complex

software requirements caused by its expansion, a benefit to both its staff and the nanays, and to partners using CARD MRI services. CMDI, the management, personal development and institute for managers, nanays and staff members and for CARD MRI partners, improved efficiency and expertise while helping the nanays grow. More than 150 have so far graduated from CMDI undergraduate programs in microfinance management and about 130 have earned graduate degrees.

The final MRI to enter the CARD MRI network, the Rural Bank of Rizal, had been founded a decade after the birth of CARD to serve the underprivileged of Taytay in Rizal Province. Next to banks in CARD MRI, its loan portfolio and assets were small, but its acquisition strengthened CARD MRI’s assets, extended its reach and demonstrated its determination to keep evolving on behalf of the poor.

“Keeping alive the marriage between financial sustainability and its outreach to the poorest is what makes CARD MRI...unique,” Alip wrote in a 2007 report.

A year after that report, CARD MRI won the Ramon Magsaysay Award for Public Service. The award, named after a former Philippine president who died in a 1957 plane crash, is one of six awarded annually by a foundation established in his honor. The awards are considered Asia’s version of the Nobel Prizes.

TRANSACTIONAL, TRANSFORMATIONAL

Combining the acronyms for Center for Agriculture and Rural Development and MRIs into one – CARD MRI – results in a set of seven capitalized letters that outsiders might at first find confusing. But for those familiar with the history of NGOs working in rural Philippines, the letters are instantly recognizable and apt: CARD MRI is a network of social enterprises whose programs do reinforce one another, mainly for the benefit of the intended clients, the nanays, and of their families.

Together, and to varying degrees among the nanays, they provide a range of transactional and

transformational services. With the transactional services, such as loans, insurance and product-development assistance, the nanays and their families can become more effective and efficient participants in a market economy – as workers, suppliers, clients and owners of micro businesses. With transformational services, such as CARD MRI education and training courses and leadership development, they can build self-esteem and management skills. With the combination of transactional and transformational services, the nanays have over time become fully fledged co-owners and decision makers of the social enterprises comprising CARD MRI, and stakeholders in the development of their communities.

Two examples of how CARD changed the lives of the nanays were outlined earlier. Malvarosa Pirote of Leyte Province used CARD NGO loans to expand her fish-retailing business, invest in her children's education, and build a home. Mina Dorado of Laguna Province, who used to make about \$US6 a day buying and selling bread from a bakery, used loans to become owner of the bakery and employer of 20 people. And now here are two more examples:

Merlita Racolcol of Davao City in Mindanao was a domestic helper and a waitress before starting a small business with her husband in 2003. They carved handicrafts from bamboo and coco lumber and sold them to local shops for resale to tourists. In 2008, she borrowed \$US67 from CARD NGO to lease her own stall in a local shopping center and sell her handicrafts directly to tourists at a higher profit margin. Soon, she and her husband, aided by one employee, were earning about \$US480 per month.

Mary Jean Sarilla of Albay Province used to sell a local sweet, *matamis na bao*, that is made from sugar cane juice. In 2005, she began expanding her business with a \$US90 CARD Bank loan. In 2009, she joined CARD BDSFI, the MRI designed to provide marketing assistance and other tools to help the nanays add value to their products and services. Through a BDSFI training program

sponsored by the Sugar Regulatory Administration, she learned how to produce *muscovado* sugar, which sells for higher prices in local markets. BDSFI then granted Sarilla a loan to build her own sugar cane mill, a project supported by a Spanish development agency and a Spanish government agency that also assisted 625 CARD clients to become producers of muscovado sugar. Meanwhile, another Philippine social enterprise, the Upland Marketing Foundation Inc., promoted the sale of nanay-made muscovado sugar for sale in mainstream stores, including those owned by LLC, a supermarket chain.

In time, all these developments merged. Sarilla offered her mill for rent to other nanays to process their sugar cane into muscovado sugar. Sarilla also acted as consolidator of the muscovado sugar produced by the nanays in her village. The muscovado was then distributed by CARD across the Luzon region. Her seven-member family used to earn \$US326 per year; they now earn more than five times as much.

BDSFI is now experimenting with other programs that will link its clients to companies and manufacturers, including the Jollibee Corporation, a fast food firm, and Datu Pati, a vinegar-making company. The goal, which was achieved in the case of Sarilla, is to help microfinance clients become small and medium entrepreneurs with clients of their own. The transformation of many nanays begins when they become leaders and members of the CARD centers in the countryside and start acquiring personal skills and practical knowledge in courses designed by the CARD MRI Development Institute, or CMDI. The courses range from child-care to disease prevention and from how to plan business growth and buy an insurance policy.

In weekly meetings at the centers, members discuss how to improve their own business operations. The more advanced centers also discuss how they can influence local governments to improve community facilities such as water systems, roads and health centers. Periodically, they elect center leaders who are responsible for presiding over cen-

ter meetings, supervising the delivery of products and services and monitoring repayment of loans.

It is also through these center meetings that they elect their CARD MBA Coordinators, who in turn elect the seven-member MBA Board of Trustees, which has ultimate responsibility for the organization. In early 2013, CARD MBA had 940 coordinators in 41 provincial centers. Its assets totalled about \$US116 million.

The CARD centers are monitored and assisted by CARD field staff. Their most valuable asset may be this: about one-third of CARD MRI staff around the country are sons and daughters of CARD clients, due to training initiatives by CARD MRI and the idea they know what ails the countryside. Becoming CARD center leaders and MBA coordinators are usually the initial training ground for the nanays who assume board positions in the various MRIs.

Sylveria Arciaga, who used CARD loans to build a candle-and-souvenir shop that lifted her family out of poverty, became a member of the CARD NGO board, and has served for eight years. She also sat on the CARD Bank board for four years. As a center leader, she learned to write proposals and negotiate with local government agencies about *barangay*, or neighborhood, improvements. In this way, she has helped her community get better roads and a day care center. Arciaga typifies a CARD client who not only became a small entrepreneur, but also a community leader.

GOVERNANCE AND GOVERNMENT

The nanays are members of four of the 10 separate boards of directors that oversee the CARD MRIs. Two nanays act as “observers” on two other boards. In the four where they are directors – CARD NGO, CARD BANK, CARD MBA, and CARD SME Bank – they become board members after nominations from other nanays. A committee for each MRI then creates a shortlist, interviews nominees, and appoints the board’s directors. (In the CARD MBA, 13 of the 15 board members are nanays; the other two are independents appointed by CARD MRI).

Although each CARD MRI has a separate board, some have common members, which helps keep the network focused on the common vision: serving the poor in transactional and transformational ways. Board members come from inside and outside the organization and are chosen for a particular MRI based on their expertise and seniority in that area. The performance of all board members is evaluated annually.

A 16-member Executive Committee comprised of high-ranking executives from several MRIs coordinate the activities of all. The committee is led by Alip, who wears a number of hats within the wider organisation. He also is president of CARD NGO, chairman of CARD Bank and president of CARD CMDI, the development institute formed to provide training, education and capacity-building for staff and the nanays.

Additionally, Alip serves as an appointed advisor to Philippine President Benigno Aquino on economic empowerment of the rural poor.

Through its history, CARD MRI has increasingly worked with branches of the Philippine national government – the Central Bank, the Insurance Commission, the Securities and Exchange Commission (SEC) – to try and shape a positive policy environment for its MRIs, including some, such as the MRI for the low-cost prescription drug program, that operate as for-profit corporations. With the SEC, it developed commercial notes sold in the formal financial system, another first for a microfinance system in the Philippines. CARD MRI’s lobbying efforts, together with those of two groups it belonged to, the Microfinance Council of the Philippines and the Rural Bankers Association of the Philippines, led to changes in the nation’s banking laws in 2000 that officially recognized microfinance as a legitimate form of banking, setting the stage for the sector’s soaring growth since then and microfinance-based models for other services, such as insurance.

CARD MRI also proposed that the government’s Department of Health join it and 16 partner MFIs across the Philippines to extend health ser-

vices and benefits to microfinance clients and their families. In 2012, it hosted a summit of all partners on the link between poverty and health that resulted in an agreement to push for some national reforms. CARD MRI has also worked with partner MFIs to increase the coverage of micro insurance services among the poor. This has resulted in a dramatic increase in the number of people covered by micro insurance services. By 2010, about 21% of insured Filipinos received insurance through CARD MRI.

CARD MRI has encouraged microfinance growth beyond the Philippines by forging partnerships with groups in Burma, Cambodia, Hong Kong, Indonesia, Laos and Vietnam. Though financially self-sufficient, the organization uses grant funding for particular projects and purposes. In this, its donor network reaches across the world and includes corporations, NGOs, foundations and Philippine government agencies. Then and now, it accepts money not based on the amount offered, but whether it is based on its values and on mutual respect. Achieving financial sustainability from its own operations has further strengthened this policy and practice.

Typically, the donations are used for operational, technical and staff-training purposes, or for helping with microfinance development in other countries, where many more millions of people with the potential to benefit from transactional and transformational services confront poverty every day.

LESSONS AND CHALLENGES

In 2008, in a report he wrote for a lecture in connection with the Nobel Prize-like Ramon Mag-saysay public service award given to CARD MRI, Alip listed what he considered to be the 10 factors key to the achievements of the organization he founded;

- Good governance: CARD MRI boards share members, which helps to ensure a consistent vision. They have independent members who bring external expertise. CARD MRI retain clients by giving access to resource ownership.

- Financial transparency: CARD MRI boards of directors have controls that ensure financial transparency of all funds for clients.
- Effective management: CARD MRI places a high value on staff development and invests resources to enhance the capabilities of its middle and upper-level executives.
- Motivated account officers: By recruiting from communities they serve, CARD MRI finds workers who know local conditions and dialects. Its priority is on their commitment to help the poor, not necessarily their educational background.
- Balanced services: CARD MRI extends an array of services and products, financial and non-financial, to support members of all its institutions.
- Responding to members' needs: By listening to clients at all levels in all MRIs, CARD MRI develops new programs and establishes new partners.
- Understanding its target group: CARD MRI recognizes the poor as having multifaceted needs, therefore requiring a range of financial and non-financial programs.
- Sustainability: Through its social enterprise model, CARD MRI achieves financial self-sufficiency and viability. It uses grant funding for specific purposes.
- Core values: CARD MRI fosters commitment, competence and a culture of excellence in its core institutions. It seeks and rewards innovation.
- Regulatory environment: CARD MRI seeks to establish a positive environment that enables growth and flexibility.

The ten factors are, in effect, key lessons to take away from CARD MRI's success. One of them, sustainability, is tied to another major lesson discussed elsewhere in this study; the social enterprise model enabled CARD to choose donors on the basis of shared values rather than amounts of money. The lesson was learned early, back in 1995, when CARD wanted to greatly expand its microfi-

nance bank and recruit up to one million members who would become shareholders. Two big funders who had agreed to underwrite CARD's expansion balked at the idea. CARD went ahead and raised the money elsewhere, got the bank loaning, and the rest is history.

Despite all that history, however, and despite the growth of the microfinance sector throughout the Philippines, poverty remains about where it has been the last several years, with about 25% of Filipinos living below the poverty line, according to World Bank data, and around one or two percent more, according to Philippine government data.

Obviously, this is a major challenge for CARD MRI. Many nanays, as the examples in this study and those unreported show, have moved out of poverty, but poverty persists for many reasons. With the country experiencing steady economic growth for more than five years now, the unchanging poverty situation coupled with a widening income gap has highlighted the need for inclusive economic growth. In this context, efforts to promote social enterprises and rural-based small and medium enterprise development as strategies for creating employment and reducing poverty must continue to expand.


A coalition of social enterprises is pushing for a law that mandates a *National Poverty Reduction Through Social Entrepreneurship* program, focusing on areas of the economy with growth potential where the poor are concentrated and could be enabled as major stakeholders. The proposed legislation essentially asks that social enterprises in whatever particular non-profit or for-profit form be recognized and granted support and incentives to scale up their reach and impact on poverty sectors.

In addition to lobbying for legislative and regulatory change, CARD MRI itself must change with the times, and it plans to do so. It will continue to back the efforts of nanays who have "graduated" from micro business into small and medium enterprises, but it will also seek to help at least 10% more of its microfinance clients to join the ranks

of SMEs, a challenging goal requiring CARD MRI to evolve in new ways. "There needs to be a shift in mindset," said Mary Jane Ferreras, president and CEO of the CARD SME Bank. "We need to build new capacities, bring in new people and develop new ways of serving this segment of clients."

Other institutions within the network must evolve in ways that complement the CARD SME Bank's efforts, notably CARD BDSFI, the business development arm that provides marketing and other tools to help clients add value to their products and services and that also seeks to help them form partnerships with other social enterprises and with businesses, manufacturers and social investors. The challenge to expand CARD MRI's small and medium business portfolio will be complicated by government policies and programs that favor urban-based SMEs. CARD MRI intends to address this bias as it seeks to draw support from government for its efforts at SME development in the countryside.

One last challenge will be insuring smooth transitions at the top rungs of CARD and its MRIs once Alip and other major leaders, who have been there almost 30 years, begin to step down or go on to other things. The organization has been planning for this since at least 2005 when CMDI, the training and education arm of CARD MRI, was formed. Many executives also have been sent to management institutes in Asia and the U.S. Each month, 15 to 20 staff members are sent to other CARD MRI offices in Asia to learn about the poor in other nations and hone their executive skills.

Alip, who founded CARD in 1986 because he wanted to help the "poorest of the poor," is confident a framework for succession is in place. "My biggest legacy," he said, "would be to enable CARD to continue its growth on its own." 

This case study was made possible through the generous support of Tessie Sy-Coson and the BDO Foundation in the Philippines. Research assistance provided by Emilenn Kate Sacdalan; editorial assistance provided by CAPS Editorial Director Gene Mustain.

QUANTITATIVE INDICATORS

Financial

Planned budget or income versus actual expenditure for the fiscal year*	Revenues: PHP 1.87 billion (\$US42.01 million) Expenses: PHP 1.65 billion (\$US37.12 million)
Income composition by source: individuals, corporations, events, trusts, other (please specify)*	Administrative fees: 96.9% Grants: 1.49% Others: 1.65%
Income composition: domestic versus international	Primarily domestic (from administrative fees)

Personnel

Staff retention rate	87% (5,942) of permanent staff remained in 2014
Turnover rate	13% (926) permanent staff left in 2014
What is the board composition?	There are 107 different board members across CARD MRI's 14 institutions. Of these, 17 (16%) are current clients/ members, and 5 are ex-officio
How many meetings does the board hold per year?	Varies across MRIs from quarterly to monthly
How many staff members are there?	6,868 (permanent staff). Total, including probationary and contractual staff is 8,123
How many staff members have attended some non-profit or management training course?	2,685 (33% of total staff) in 2014
What topics were covered?	A wide range of training programmes (over 80) are offered
Basis of selection of staff chosen for training?	Staff are chosen based on their length of service, performance, and future growth potential
Provider of training – internal department or outside vendor?	Most of the training is conducted internally by the CARD MRI Development Institute (CMDI). Training is also outsourced to reputable individuals and other organizations who are accredited by regulatory agencies for specialised training programmes. In addition, CARD MRI has partnerships with the Bankers Institute of the Philippines (BAIPHIL)

Quantitative Indicators Continued

Organizational

Do you publish an annual report?	Yes
How many sites/locations do you currently operate in?*	1,435
Do you measure results?	Yes; metrics include the number of clients served; number of insured individuals; amount of loans disbursed; number of active clients with loans; number of clients who are savers; repayment rate; amount of loans outstanding; operational self-sufficiency
What types of outreach?	Outreach is conducted through classroom training, with the use of printed materials, e-learning (web-based) and e-mail
Do you regularly meet with government representatives?	Yes
If yes, on a scale of 1-3 how close is the relationship with government? 1 = not close; 2 = somewhat close; 3 = very close†	2. Partnerships exist with the Department of Agrarian Reform (DAR), Department of Social Welfare and Development (DSWD), and local government units (LGU) among others.

* CARD MRI Annual Report, 2013. Exchange rate, 0.0225 PHP = 1 USD as of December 2013. OANDA.

† Assigned by researchers and CAPS based on evidence collated for the case study.