

**REMARKS OF H.E. ALBERT DEL ROSARIO,
PHILIPPINE AMBASSADOR TO THE UNITED STATES,
AT THE PACC/DC-COUNTERPART INTERNATIONAL
PRESENTATION ON SME DEVELOPMENT AND
MICROFINANCING PROJECTS IN THE PHILIPPINES**
26 March 2003, Philippine Embassy

Mrs. Carmen Stull, President of the Philippine American Chamber of Commerce of the Metropolitan Washington, D.C. Area, Inc.– (PACC-DC);

Ms. Karen Sherman, Executive Vice President of Counterpart International, Inc.;

Mr. Don Feil, Senior Business Adviser of Counterpart International and CEO, Enviro Ventures, Inc.;

Friends in the Community;

Ladies and Gentlemen:

About five years ago at the height of the Asian financial contagion, overseas Koreans and Thais banded together and contributed some of their assets to help in the defence of their currencies and in the rescue of their economy. With the current situation further depressing the Philippine fiscal situation, I thought that we as a community here in the United States could replicate what the Koreans and Thais have done, and perhaps do it even better.

I am therefore very gratified to hear of the initiative of the Filipino-American community, particularly the Philippine American Chamber of Commerce of the Metropolitan Washington, D.C. Area, Inc., in terms of paving the way for the greater participation of the community in raising the needed resources to help prop up micro-enterprises in the Philippines that would significantly impact the economy and lives of the Filipinos.

Micro-financing or the development of Small and Medium Enterprises (SME) is currently a high priority of President Arroyo's government.

In order to put things into perspective, let me mention that some 99 percent of total registered enterprises in the country are SMEs. They employ more than 50 percent of the country's labor force and account for about 25 percent of the country's value added. In Mindanao alone, analysts estimate that there are approximately 200 large-scale enterprises but over 100,000 SMEs. From the point of view of the private sector, therefore, SME development and microfinancing are the two concrete strategies that should prove crucial in solving the issue of poverty and inequality in the country.

There is a law, passed in 1991, called the Magna Carta for SME Development that was intended to help accelerate the growth of SMEs to reduce poverty in the Philippines. An integral element in that law is how to improve SMEs' access to financing.

Due to their limited track record, lack of assets acceptable as collateral, and lack of financial statements or other documents acceptable to the creditor, SMEs find it extremely difficult to access financing. Also, among financial institutions, there is little venture capital and few long-term or equity funds that would suit the long-gestating nature of new businesses. There is also a prejudice against SMEs that perceives them as high-risk proposition – particularly when they are located in Mindanao.

In reality, however, there is a high loan repayment record by the SMEs. And in a very tangible sense, they actually contribute in increasing the livelihood opportunities in the grassroot communities.

Right now, there are a number of innovative financing mechanisms by which we can support the growth of SMEs, such as the use of non-traditional sources like cooperatives and associations, and schemes like equity financing through venture capital. In general, most micro-entrepreneurs

still source their financing from informal lenders who charge staggeringly high rates of interest.

The government and a growing community of financial institutions, such as cooperative rural banks, commercial banks and credit unions, having grasped the need for developing a healthy microfinance system, are now working hand in hand to achieve the national goal for microfinance, i.e. to provide access to microfinance services to over 2 million households belonging to the bottom 50 percent by 2005.

There have already been some significant strides that have been achieved in line with this goal. The Central Bank of the Philippines, for instance, is about to launch a lending program with accredited banks based on the Grameen model for microfinancing. Some sources pointed out that Plantersbank, in partnership with various European institutions, is setting up Mindanao's first microfinance bank.

In pushing this program forward, we also realize that capabilities have to be built up in the areas of financial reporting and monitoring systems, risk assessment and management, product packaging, management of loan arrears, strategic business planning and the market-oriented pricing of financial products and services.

Our presenter tonight, Counterpart International, has managed a number of microfinancing projects in the Philippines and is very familiar with the current needs in the country. Hopefully, tonight's forum will present to the community some ways on how they could assist in sustaining Filipino business entrepreneurship and help it become a catalyst for Philippine national growth.

Your presence tonight is an encouraging sign of your deep interest in this undertaking and we are deeply grateful for that. Once again, I'd like to thank PACC-DC for shepherding this investment track for Philippine SMEs, specifically for providing the needed institutional mechanism to channel the tremendous reservoir of goodwill the Fil-Am community has for the improvement of livelihood opportunities in the Philippines.

Indeed, with solidarity and synergy of resources, the community could make a difference in the lives of our "kababayans" back home.

Thank you very much and good evening.