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## Event Report

# Development in the Philippines

SEPTEMBER 24, 2009

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*Seemingly prescient in light of events to come, Columbia Business School's International Development Club hosted a group of fifteen students and representatives from The Ayala Foundation and PinoyME Foundation to discuss development opportunities in the Philippines on September 24, 2009. Two days later, Typhoon Ketsana ripped through the Philippines, dumping roughly 455 mm of rain in a six-hour span. Ketsana claimed nearly 250 lives, displaced over 450,000 residents, and had an estimated economic toll of more than \$100 million. In the wake of such natural disasters, development work takes on a fundamentally critical role in supporting underprivileged populations. CBS students discussed these issues with Victoria Garchitorena, head of the Ayala Foundation and a leader of the Philippine non-governmental organization (NGO) sector, and Ronna Reyes Sieh, CEO of RRS Advisors, an advocate of microfinance group PinoyME, and a Columbia Business School graduate.*

Ms. Garchitorena is the President of Ayala Foundation USA (AF USA) and used examples of the group's successful initiatives to demonstrate the impact NGOs can have in poor countries such as the Philippines. Ayala Foundation USA creates opportunities for Filipinos in the United States to help their homeland by facilitating meaningful contributions to social development initiatives. The foundation was founded in 2000, soon after the Philippine government shut down U.S. military facilities in the Philippines, prompting the United States Agency for International Development (USAID) to drastically reduce assistance to the country. The foundation initially focused on encouraging open-ended donations from the Diaspora in the United States, but quickly moved to a method of targeted donation. AF USA identifies strategic

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development projects with a proven track record and allows U.S. donors to focus their contributions on projects they find most meaningful.

To underscore the success targeted donation can have, Ms. Garchitorena discussed AF USA’s support for Gearing up Internet Literacy and Access for Students (GILAS). The program was started as a means of bringing additional technology resources to the classrooms of underprivileged students. By bringing computers and Internet capability to high schools across the Philippines, GILAS gives students and teachers access to supplemental education materials. In addition, computer literacy enables GILAS-affiliated high schools to better prepare their students for a workplace that is increasingly emphasizing computing ability and Internet literacy.

The program is run in conjunction with local governments, telephone companies, and hardware and software providers. GILAS has connected more than three million students to the Internet since 2005 and currently connects more than 1.1 million of those currently enrolled in high school. The program has been very attractive to U.S. donors because it is run nationwide, allowing the donors to send their funds to areas where they have an emotional connection. In an effort to promote sustainability, AF USA will only fund a high school for an inaugural year, but as local residents realize the benefits the program offers, local government officials and political leaders as well as the community itself are pledging to keep GILAS up and running thereafter. Programs such as GILAS that improve a recipient’s employability are crucial in an environment where personal insurance is nonexistent and a natural disaster can wipe out all of a person’s possessions and savings in a matter of minutes.

Following Ms. Garchitorena’s discussion, Ronna Reyes Sieh discussed the state of microfinance in the Philippines and PinoyME, a provider of financial services and advice to microfinance institutions (MFIs). To highlight the need for development work especially in the wake of the typhoon, she provided some economic and demographic background information. The Philippines is an island nation with a population of 92 million. The 2008 GDP was \$169 billion with an average daily per capita income of five dollars a day. (Estimates place 30 to 45 percent of the population below the poverty level of less than two dollars per capita daily income). By way of comparison, the U.S. has a population of over 300 million, an annual GDP in excess of thirteen trillion dollars, and an average daily per capita income of \$113.

Ms. Sieh went on to discuss the ramifications of a system in which 90 percent of families live on less than \$25 a month. The target population for microfinance in the Philippines is largely uneducated, with no access to credit—precisely those who were most severely affected by Typhoon Ketsana. Loan sharks are able to charge rural Filipinos usurious rates, sometimes in excess of 20 percent a week, leading to a cycle of poverty for would-be micro-entrepreneurs.

Ninety percent of enterprises in the Philippines are micro-enterprises, and lending requirements are too strenuous and the loan sizes too small to be worthwhile for traditional banks. This creates an overwhelming need for MFIs to step in to fill the lending void.

PinoyME positions itself as somewhat of a market maker, connecting MFIs with aspiring micro-entrepreneurs. The name PinoyME stands for “Filipino microenterprise.” The organization attempts to provide MFIs and micro-entrepreneurs with access to funding, especially those operating in underserved areas. In addition, PinoyME provides MFIs with financial and operational advice in an attempt to help them run their businesses more efficiently. The non-profit organization receives its financing through a social investment fund that is provided by individuals and institutions. Capital providers are considered “social investors” because they get their initial investment back, but interest stays with the fund to grow the firm’s size and reach. Ms. Sieh finished her remarks by encouraging students to get involved in the development efforts.

The speakers concluded their session at Columbia by highlighting the success that organizations such as theirs have had in helping to develop the underserved and underprivileged areas in the Philippines. Enterprising business people can contribute to this cause—a noble goal in its own right but even more pressing in light of current events.

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