

Creating Access through Partnerships





The Peace Equity Access for Community Empowerment Foundation, Inc. (or Peace and Equity Foundation, PEF) is a non-stock, non-profit organization founded in October 2001 to empower the poor and marginalized communities in Philippine society. PEF administers an endowment fund established by the Caucus of Development NGO Networks (CODE-NGO).

PEF focuses its assistance to the country's poorest provinces (initially focusing on 28 priority provinces and the National Capital Region). Based on a national poverty mapping conducted in 2003, these are areas with low income, large magnitude of poor residents, inadequate health and education services, and other generally accepted indicators of poverty.

PEF works in partnership with civil society organizations such as people's organizations, cooperatives, faith-based groups, non-government organizations, and similar entities that serve the struggling households in the poorest communities.



**Peace & Equity Foundation
Report for 2005**

**Creating Access
through
Partnerships**

COVER PHOTO:
 Samal Bajau children of Maluso,
 Basilan enjoying their new
taytayan (footbridge) that would
 make going to school easier.
 Know their story on page 27.



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Creating Access through Partnerships

MESSAGE FROM THE CHAIRPERSON



My warm greetings to all partners and colleagues in development work, and all of you who share our dream of empowered communities.

Helping the poor gain greater access to resources. For decades now, this has been the goal of hundreds of NGOs and POs across the country. This is also the work for which the Peace and Equity Foundation (PEF) was established, the work it is committed to support and sustain.

In 2005, PEF's thrust continued to be about widening the access of poor communities to basic services. In fact, a large portion of PEF's resources went into grants for potable water systems. Because of the huge demand for water (a need repeatedly articulated by local governments and communities during poverty mapping efforts), PEF departed from its usual practice in previous years, giving out far more grants than loans this year.

For PEF, however, it is through building partnerships with others that opportunities for the poor are expanded and multiplied. In collaboration, greater resources are unlocked, and partners are empowered for more effective involvement in the challenges of development work.

Thus, all of PEF's endeavors since its beginnings were projects in partnership.

The many water projects were joint efforts with communities and local governments. These resulted not simply in the setting up of water systems, but in the cultivation of stakeholder communities more willing to pursue collaboration in other areas of need.

PEF's support for microfinancing was also marked by creative partnerships. Working in tandem with professional microfinance development institutions, PEF was able to offer small and struggling microfinance organizations not only financial help but a one-of-a-kind mentoring and technical assistance program.

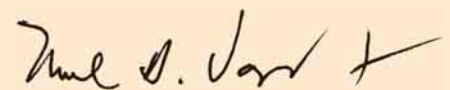
Other partnerships were nourished for collaboration in 2005. For instance, PEF renewed its commitment to work in Basilan, Sulu and Tawi-tawi, through the consortium Pagtabangan BaSulTa. A nationwide development grant program was set up in tandem with the Community Based Monitoring System (CBMS) network.

Pursuing local partnerships was our operational focus in 2005. Agreements were forged with various local government units in the process of poverty mapping. PEF intensified the setting up of its Partnership and Access Centers (PACs) – consortia of local NGO-PO networks through whom PEF can reach farther, and go deeper into priority areas. Of the eleven (11) PACs, five (5) were formed and trained in 2005. PEF worked intensively with these PACs, helping them define their strategic roles, assisting them in building up local cooperation, and training them in mobilizing PEF funds and drawing on other resources from LGUs and the private sector.

Finally, 2005 was timely for reflecting on the themes of access and partnership. Setting its directions for the years 2006 to 2010, PEF decided to further focus its efforts in its priority provinces and municipalities. PEF hopes to show how purposeful collaboration of local stakeholders can serve as a watershed of access.

Creating access through partnership. The purpose permeating PEF's efforts in 2005. The major thrust of PEF's efforts in the years to come.

I wish to express my gratitude to the PEF members, the board, management and staff of PEF for their dedication and hard work. I also thank our many partners, for the richness of collaboration. It is my hope that in the coming years, we will see many more groups coming to work together to make a difference in the lives of the poor.


Fr. Noel D. Vasquez, S.J.

Zooming In – SEEING THROUGH LOCAL PARTNERSHIPS

PEF Strategic Directions for 2006-2010



For the young PEF, the first order of the day was to draw pictures. And to draw them with others.

During its first five years, PEF undertook what it called “poverty mapping.” This was a painstaking process of gathering and interrelating various poverty indicators in a province, translating them into easy-to-grasp pictorial forms, and gathering local stakeholders to review, validate, discuss and enrich the information found there.

Poverty mapping gave people a vivid and detailed picture of poverty in their localities. It also motivated them to action. In different provinces, poverty mapping paved the way for the building up of stakeholder communities, for the forging of joint efforts among local governments and civil society organizations to address basic needs.

With poverty maps supplying baseline information and propelling the formation of initial partnerships, PEF slowly began to build local “bases.” In setting up Partnership and Access Centers (PACs) in different provinces, PEF began to do what no other funding institution in the Philippines had ever done before. It localized its fund-giving. Breaking away from the donor agency norm of centralized operation, PEF began to widen access to its development resources, slowly enabling local networks of civil society organizations to manage and move sizeable portions of the fund.

In pursuing the twin strategies of poverty mapping and PAC building, PEF was able not only to establish itself among its main target clients, the NGO-PO community, but also to chart a course toward “localization.” It began to go deeper into the challenge of forming development partnerships.

FOCUS AND IMPACT

In the next five years (2006-2010), PEF will continue the thrust toward localization, this time with a more strategic focus. PEF will concentrate on three (3) demonstration provinces (one each in Luzon, Visayas and Mindanao) and in selected municipality clusters in 26 other priority provinces. For each of these 3 provinces and 26 municipality clusters, PEF hopes to bring down poverty or improve key human development indicators.

Thus, although it retains its national spread, PEF’s arenas will be local. That is, it will support programs and projects that will collectively create an impact on the province and on the municipality cluster.

PEF intends to work strongly in three *demonstration provinces*. The term not only communicates the seriousness of PEF’s intent to create measurable impact in each area but also the goal of showing replication in other provinces.

A PIVOTAL ROLE FOR PEF

That this kind of goal is being articulated not by an operating NGO, but by a resource provider, signifies that PEF intends to step beyond the traditional roles of a funding institution. Since

it must support an effective and coherent set of interventions that will reduce poverty in its target areas, it now has to be proactive in developing the various agenda, programs and projects that it will assist.

The intent can also be gleaned from the kind of development PEF wishes to promote – a development that empowers communities so that they can act on their own essential needs, come together and be capable in their production and livelihood activities, push for good governance among local leaders and make responsible collective decisions.

These aspirations are carried into the strategic goals for 2006-2010. PEF intends to gauge its work not simply by improvements in core poverty indicators, but by the existence of viable enterprises, vibrant social organizations, and the promotion of collaboration among stakeholders from different sectors.

Economic viability, empowerment, stakeholder collaboration. To bring all these about while also bringing about a 10% drop in poverty in targeted “demonstration areas”: this will require much of PEF.

MORE STRATEGIC ROLES FOR PARTNER CIVIL SOCIETY ORGANIZATIONS

But because PEF is a funding and technical support organization, and because its mission is to work through partner civil society organizations, the roles that its NGO-PO partners have to play become stronger and more complex.

In a sense, the challenge posed by the strategic goals offer PEF’s civil society partners unusually rich opportunities for capacity-building. This is, of course, among PEF’s goals. PEF intends to measure its effectiveness in the next five years by “the ability of partner civil society organizations to generate resources and sustain their operations and services.”



VISION

PEF envisions empowered communities

- ▶ that meet their basic needs,
- ▶ are productively engaged in socio-cultural and economic activities,
- ▶ and participate meaningfully in governance

in an atmosphere of social harmony, cooperation and sharing.



PEF sees the NGO-PO networks created as Partnership and Access Centers (PACs) to be the main focus of its support and technical assistance in the next five years. Not only does PEF view the PACs as partners but as integral to the organization since they are primary means by which it will carry out its goals and programs.

MISSION

PEF manages and preserves the value of its endowment fund to promote opportunities for the poor to liberate themselves from poverty.

PEF addresses the needs of the urban and rural poor by providing civil society organizations that help them with development financing and technical assistance, and promoting appropriate technology and networking among all relevant stakeholders.

STRATEGIC GOALS (2006–2010)

Through innovative social and economic technologies, reduce poverty incidence in three (3) demonstration provinces and in clusters of municipalities for the other 26 priority provinces/ areas by at least 10%, as evidenced by the following indicators:

- ▶ Improvement in PEF development index/core poverty indicators (i.e. water, health, housing, education and environment)
- ▶ Existence of viable enterprises and vibrant social organizations in the community
- ▶ Ability of partner civil society organizations (CSOs) and communities to generate resources and sustain their operations and services

and in collaboration with the following partners and stakeholders:

- ▶ Local and national government units, to promote needed policies and programs;
- ▶ Private sector, to facilitate market and enterprise linkage and employment, and
- ▶ CSOs to organize, educate and enhance people's capacities to help themselves and assert their rights/claims.

What roles therefore does PEF see the PACs able to play?

First, PEF hopes to see the PAC functioning effectively as its local funding center: able to develop, prioritize and put together projects according to a responsive local development agenda, and to efficiently move available funds around it.

Second, the PAC will be a catalyst for development partnerships in its locale. The NGO-PO network will integrate efforts going on in the community, leverage other resources, and encourage collaboration not only among civil society organizations, but also with local government and the private sector. Thus PEF hopes in the long term to develop the PAC as an agent for achieving – in the local arena--the kind of social cooperation and sharing of resources that is described in PEF's vision.

Third, the PAC will serve as business integrators that can facilitate the linking of social community enterprises with viable markets—and eventually to design and manage their own enterprises.

Challenging roles. PEF therefore sees that it must invest heavily in capacity building, in bringing NGO-PO networks to the level of unity and sophistication that will enable them to play these multiple and dynamic roles in local development.

After five years, PEF is still drawing pictures. Mapping out more pivotal roles for itself. Mapping out more strategic roles with its civil society partners. Mapping out sustainable ways to build in the poor greater power. ■

Partnership and Access Centers

The Peace and Equity Foundation strives to reach the greatest number of poor communities in the Philippines through Partnership and Access Centers (PAC). A PAC is a consortium of civil society organizations working with the Foundation in each priority province. It is responsible for providing poor families – through their people’s or community associations – with better access to technical knowledge, financial and organizational resources to improve their life conditions. With the poverty map and other information, the PAC forms a clearer understanding of local poverty conditions and causes. At the same time, they spot opportunities for development partnerships. Moreover, the PAC contributes to the growth of local knowledge and capacities that make communities stronger.

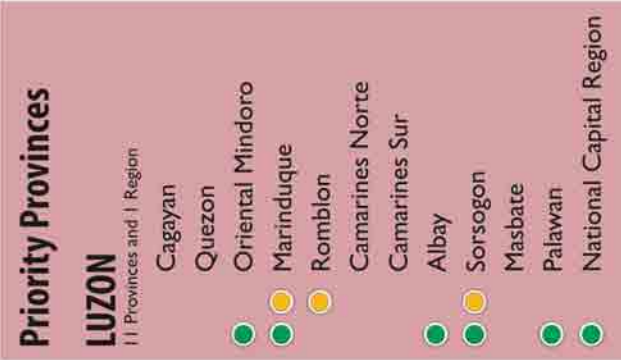
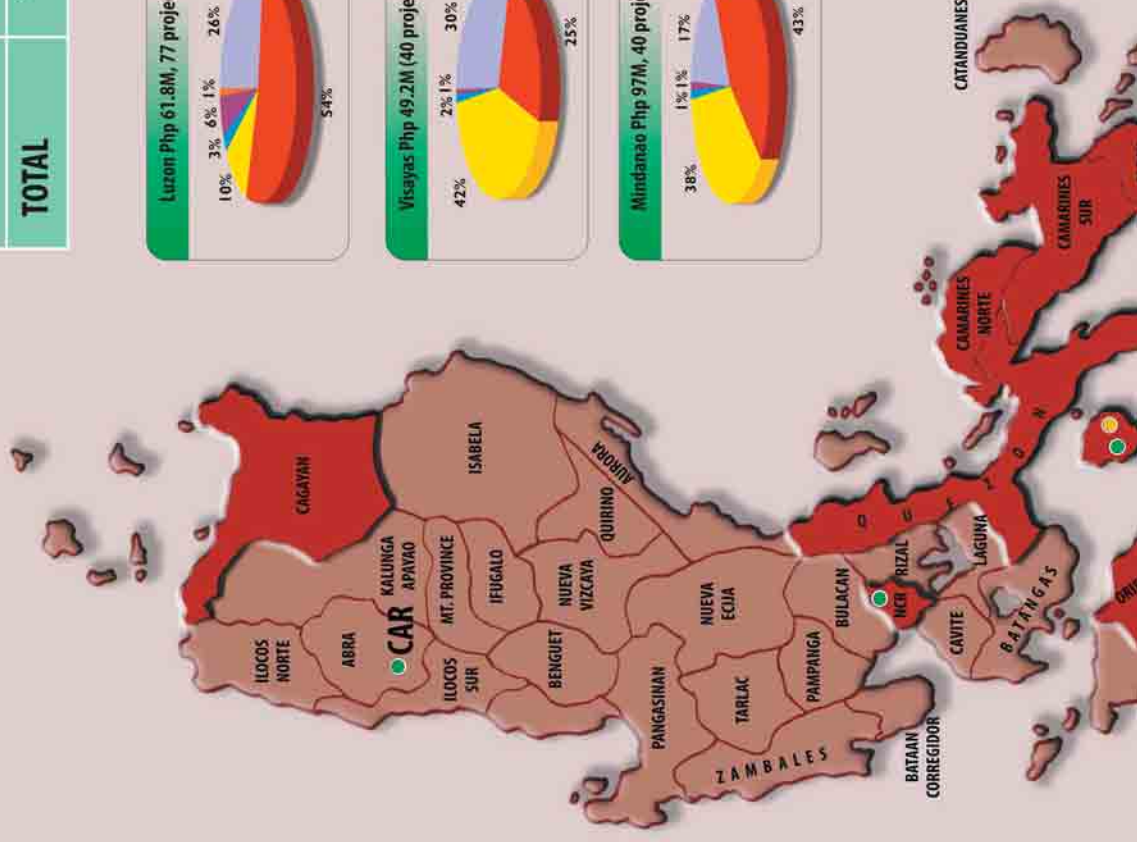
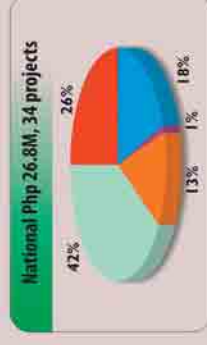
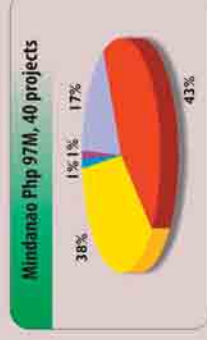
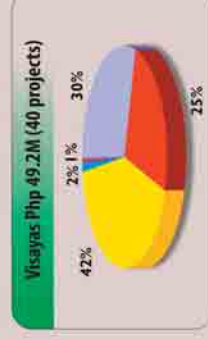
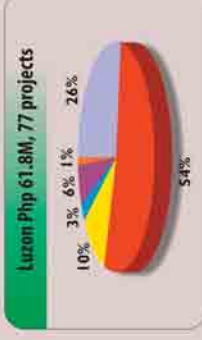
PAC 2002-2005	PROVINCE	APPROVED AMOUNT (in million P)			FUNDING PERIOD
		TOTAL	GRANT	LOAN	
LUZON					
Cordillera Network of Development NGOs and POs (CORDNET)	Cordillera	15.0	9.8	5.2	3 years
Palawan Network of NGOs, Inc. (PNNI)	Palawan	15.5	5.5	10.0	3 years
Albay Provincial NGO-PO Network for Development (ALPRODEV)	Albay	14.6	4.6	10.0	3 years
Marinduque Diocesan Development Cooperative (MDDCO)	Marinduque	1.2	0.8	0.3	1 year
Oriental Mindoro NGO/PO Network (ORNET)	Oriental Mindoro	2.0	1.6	0.4	1 year
Provincial Alliance of NGOs and POs for Development Inc. (PANGOPOD)	Sorsogon	3.3	2.8	0.5	1 year
National Council of Social Development Foundations of the Philippines, Inc. (NCSD)	CAMANAVA (Caloocan, Malabon, Navotas, Valenzuela)	9.8	3.8	6.0	3 years
VISAYAS					
Alliance for Land and Livelihood for the Rural and Urban Poor of Cebu (ALL-r-UP)	Cebu	2.8	1.3	1.5	1 year
ALL-r-UP	Cebu	3.9	0.4	3.5	3 years
Federation of Multi-Sectoral Alliance for Development - Negros (MUAD-Negros)	Negros Occidental	7.4	2.4	5.0	1 year
MUAD-Negros	Negros Occidental	7.5	2.5	5.0	3 years
MUAD-Negros	Negros Occidental	0.5	0.5	0	3 years
Eastern Samar Coalition of NGOs and POs	Eastern Samar	5.6	2.1	3.5	3 years
Feed the Children, Philippines Inc. (FTCP)	Bohol	5.1	2.1	3.0	3 years
Negros Oriental Network of NGOs (NEGORNET)	Oriental Negros	6.5	4.5	2.0	3 years
MINDANAO					
Coalition of Social Development Organizations in South Cotabato (CSDO-SC)	South Cotabato	8.1*	8.1	0	3 years
CSDO-SC	South Cotabato	7.5*	7.5	0	3 years
CSDO-SC	South Cotabato	26.2	26.2	0	2 years
Zamboanga Coalition of Development NGOs (ZAMCODE)	Zamboanga City	10.1	4.6	5.5	3 years
Kutawato Coalition of Development NGOs (Kutawato Code)	Maguindanao	0.5	0.5	0	1 year
Center for Social Concerns and Development (CESCOD)	Zamboanga del Norte	4.8	4.3	.5	2 years
Total		157.9	95.9	61.9	

* Converted to restricted grant



PARTNERSHIP AND FINANCING HIGHLIGHTS

	2005		2001-2005	
	Number of Projects	Approved Amount (in P million)	Number of Projects	Approved Amount (in P million)
LUZON	77	61.8	190	203.7
VISAYAS	40	49.2	134	155.2
MINDANAO	40	97.0	139	214.3
NATIONAL	34	26.8	83	78.6
TOTAL	191	235.0	546	652.0



VISAYAS

7 Provinces

Northern Samar

Samar

Eastern Samar

Biliran

Bohol

Negros Occidental

Oriental Negros



MINDANAO

10 Provinces

Zamboanga del Norte

Zamboanga Sibugay

Zamboanga del Sur

Lanao del Sur

Cotabato

Sarangani

Maguindanao

Basilan

Sulu

Tawi-Tawi



Pilot PAC's

Cordillera

Administrative Region

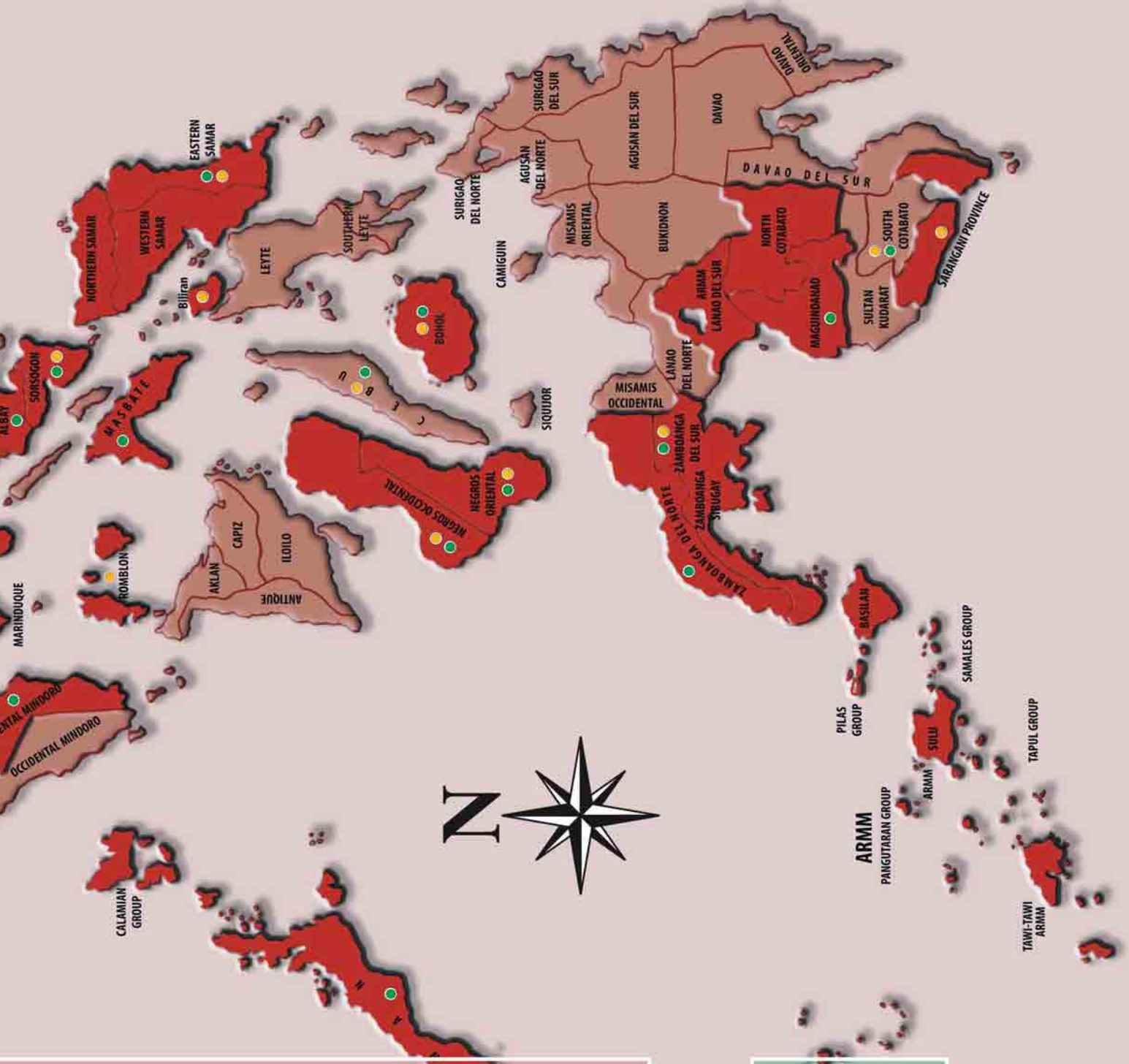
Cebu City

South Cotabato



Areas with PACs

Areas with poverty maps



Partnership and Access Centers

AS OF MAY 2006

LUZON	
<p>ALBAY Albay Provincial NGO-PO Network for Development (ALPRODEV) Ground Floor, SAC Bldg., Cathedral Compound Old Albay District, Legaspi City (052) 820.5302</p> <p>CORDILLERA AUTONOMOUS REGION Cordillera Network of Development NGOs and POs (CORDNET) 15 Gibraltar Road, Baguio City (074) 444.7197 ad-cordnet@mozcom.com pac_cordillera@peacefdn.org</p> <p>MARINDUQUE Marinduque Diocesan Development Cooperative Sacred Heart Pastoral Center, Boac, Marinduque (042) 332.2572</p> <p>ORIENTAL MINDORO Oriental Mindoro NGO/PO Network (ORNET) 2F Patria Bldg., Cathedral Compound Calapan City, Oriental Mindoro 5200 (043) 441.0953 or (043) 288.3893</p>	<p>SORSOGON Provincial Alliance of NGOs and POs for Development Inc. (PANGOPOD) c/o Lingap Para sa Kalusugan ng Sambayanan Inc (LIKAS) LIKAS-RIDGE, Maharlika Hway San Pedro, Irosin, Sorsogon (056) 557.3250</p> <p>PALAWAN Palawan Network of NGOs, Inc. (PNNI) Unit 3 Zanzibar Bldg. Rizal Avenue, Puerto Princesa City (048) 433.5525 pnni@mozcom.com</p> <p>CAMANAVA, METRO MANILA National Council of Social Development of the Philippines (NCSO) KKFI Compound, Klepper Hall 937 P. Paredes St., Sampaloc, Manila (02) 735.6685</p>
VISAYAS	
<p>BOHOL Feed the Children, Philippines Inc. (Interim PAC Secretariat for Bohol NGOs/POs) 5 Katipunan St., Mansasa District, Tagbilaran City, Bohol (038) 411.5172 / 501.7752</p> <p>CEBU Alliance for Land and Livelihood for the Rural and Urban Poor of Cebu (ALL-r-UP) 102 P. Del Rosario Ext., Cebu City (032) 418.2520 pagtamba@info.com.ph</p> <p>EASTERN SAMAR Eastern Samar Coalition of NGOs and POs Borongan, Eastern Samar (055) 261.2047</p>	<p>ORIENTAL NEGROS Negros Oriental Network of NGOs (NEGORNET) YMCA Complex, 151 North Road Dumaguete City, Oriental Negros (035) 422.3930</p> <p>NEGROS OCCIDENTAL Federation of Multi-Sectoral Alliance for Development - Negros (MUAD-Negros) Farmers Marketing Center, Purok San Jose Circumferential Road, Bgy. Alijis, Bacolod City (034) 446.1065 muad-neg@mozcom.com pac_negocc@peacefdn.org</p>
MINDANAO	
<p>MAGUINDANAO Kutawato Coalition of Development NGOs # 176 Sinsuat Avenue, Cotabato City 064-4212961 ndea_cot@yahoo.com</p> <p>SOUTH COTABATO Coalition of Social Development Organizations in South Cotabato (CSDO-SC) Alunan Avenue, Koronadal City, South Cotabato (083) 228.2687 csdo_sc@mozcom.com pac_southcot@peacefdn.org</p>	<p>ZAMBOANGA CITY Zamboanga Coalition of Development NGOs (ZAMCODE) 2F Dean Abitona Executive Bldg. Baliwasan, Zamboanga City (032) 993.0949</p> <p>ZAMBOANGA DEL NORTE Center for Social Concerns & Development (CESCOD) (Interim PAC Secretariat for CODE NGO-Dipag) Magsaysay cor. Bonifacio St., Dipolog City (065) 212.7791 cescod_dipolog@yahoo.com</p>

Opening Windows FOR THE POOR

The Multi-Sectoral Alliance
for Development-Negros

Partnership and Access Center (PAC) in Negros Occidental



Like a farmer, the Multi-Sectoral Alliance for Development-Negros (MUAD-Negros) quietly works the ground, nourishing potent seeds.

In the 1980's when the collapse of the local sugar industry plunged the landless workers of Negros Occidental into deep poverty, MUAD-Negros emerged as a vibrant consortium of development foundations, church-based organizations, and groups of farmers, women, fisherfolk and urban poor. Now serving as PEF's Partnership and Access Center (PAC) in the province, MUAD-Negros takes to heart the challenge of creating opportunities for poor communities to address their basic needs.



DESIGNING APPROPRIATE FUNDING PROGRAMS

MUAD-Negros has been in the forefront of poverty alleviation programs for more than ten years. But it took its boldest step against Negros poverty in 2004, when, as PEF's PAC, it set up a program called the "Provincial Development Fund for the Improvement of Small Income Families" (PDFISIF).

The PAC-PDFISIF offers resources that can be tapped by the poor for economic enterprises and capacity-building needs.

Today, MUAD-Negros has assisted 21 micro-finance and agri-based enterprise projects through the program's Loan Fund window. These projects reached 1,411 households, enabling individual beneficiaries to earn an average additional income of ₱1,000 to ₱1,500 a month. The collection rate on loans remains at 100%.

Through the Client Development Fund, MUAD-Negros has given out a little over ₱4 million in direct funding support to 2 NGOs and 23 POs, while leveraging counterpart resources amounting to a little over ₱3 million. On the other hand, trainings have been given for NGOs and POs to improve their abilities to implement projects.

An innovative feature of the Client Development Fund is the Trial Run Window. This special 2-million-peso funding window is a resource offered to farmers groups that cannot hope to access the loan fund due to (1) an inadequate financial management system, or (2) limited experience in managing an enterprise or difficulty in identifying viable enterprises. The window is a special form of assistance that enables the unskilled poor to eventually qualify as loan fund beneficiaries.

Through the Trial Run Window, beneficiaries can borrow start-up capital (up to ₱65,000) to set up an enterprise, test its viability, establish a financial management system, and gain actual experience. Once the trial run phase is successfully completed, and the loan returned, the beneficiaries may apply for bigger loans to expand their business. As of this writing, there are four agri-enterprise projects being supported under the Trial Run Window, all of which are showing promising results.

COLLABORATING WITH LOCAL PLAYERS

The role of a partnership catalyst is one that MUAD-Negros is rapidly growing into. The PAC has collaborated with various funding institutions, NGOs and LGUs. Using its own resources to complement or leverage those of other resource providers, the PAC was able to help more poor communities.



With a capital fund of ₱1 million pesos from the Office of the President's "Isang Bayan, Isang Produkto Program," for instance, MUAD-Negros launched a livelihood program which now supports 200 upland farmers in Calatrava, Negros Occidental. MUAD-Negros put in PAC funds worth ₱132,000 for technology training to help beneficiaries in their livestock-based farming enterprises. It also provided an additional ₱25,000 for the skills training of three disaster-rescue volunteer groups whose livelihood enterprises were initially pro-

vided for with ₱200,000 from the provincial government.

MUAD-Negros also helped establish sustainable livelihood projects among farmers' organizations participating in the Foundation for the Philippine Environment's Community-Based Conservation Project.

Two organizations acquired much needed resources through the PAC's intervention. One farmer's cooperative benefited from the loan of half a hectare of land extended by the Cadiz City government for the construction of an organic fertilizer production plant. Another PAC-supported cooperative needed a water pump for irrigating its vegetable and sugarcane plots. The PAC facilitated the donation of such a pump from the Isabela municipal government.

If one were to look at these initiatives in terms of resource leveraging, the MUAD-Negros was able to augment its PAC funds with approximately ₱4.3M from other sources.

DEVELOPING VIABLE ENTERPRISE ALTERNATIVES

Although it will continue to open funding opportunities to the poor, and collaborate with government and other resource providers to improve delivery of basic services, MUAD-Negros does not limit itself to these tasks.

Reynic Alo, MUAD Executive Director, discloses the strategic plan of the PAC: "to provide food security and employment opportunities through the development of more industries in addition to sugar." Alo says that MUAD-Negros will pursue "continuous research and development in support of existing industries." It will also keep "looking for potential industries that can be developed."

The PAC's main vehicle for pursuing this goal is the MUAD Upland Technology and

Enterprise-development Center (MUTEC). MUTEC was established in Calatrava, Negros Occidental in 2001, in partnership with Karl Kuebel Stiftung (KKS), W.P. Schmitz Stiftung and the German Development Service. The center is an innovative research and learning facility that develops, tests and disseminates viable farming technologies and practices to more than 1000 small farmers in the Visayas and Mindanao.

The Livestock-based Integrated Farming Enterprise (LIFE) is one of the farming technology packages developed by MUTEC. Utilizing permanent culture and natural farming principles and practices, it can provide an annual net income of ₱60,000 per hectare after a two-year period. LIFE is also a strategy for developing viable enterprises with industry potential. It has several crop components that have been proven viable, namely: livestock, banana, papaya, vegetables, rice or corn and forage.



With the support of PEF and KKS, three pilot farms in MUTEC and farmers' farms in Calatrava were established. Barely six months after establishing the pilot farms, the LIFE farming technology has been replicated in 15 new farms



owned and collectively managed by approximately 225 farmers in PAC-assisted farmers' groups in the province. Agustina de la Cruz, whose farm was used as the model in developing LIFE technology, now earns approximately ₱60,000 a year. She says with pride: "With the right farming technology and dedication to one's work, no farmer will ever be hungry again."

The Partnership and Access Center MUAD-Negros is busy working the ground and planting seeds. It is opening opportunities for the poor. ■

Written by
MANUEL MAGBANUA, JR.
Development Associate,
PEF-Visayas

Investing IN LOCAL LEADERS

Pagtabangan BaSulTa



Of the 78 provinces in the Philippines, Basilan, Sulu and Tawi-tawi are the poorest, being among the lowest in the Human Development Index. These three island provinces are also farthest from the decision and resource allocation centers of Manila and the Autonomous Region for Muslim Mindanao (ARRM).



Pagtabangan BaSulTa (“Coming Together to Help Basilan, Sulu and Tawi-tawi”) was formed in 2004 to respond to the urgent situation in these three provinces. One of the largest consortium efforts organized for Mindanao, Pagtabangan BaSulTa gathers together ten of the country’s biggest NGOs and resource providers. These organizations have agreed to put their stake in the development of BaSulTa, with local development agents. In the process, a group of intrepid “bridging” leaders have emerged who have cast their lots in spearheading, networking, and sustaining crucial development initiatives.

Using a human security framework, Pagtabangan BaSulTa consortium will pave avenues for collaboration in human development needs, including basic services and environmental care; responsive governance in public and private institutions; and peace and security. With framework developed by the AIM-Mirant Center for Bridging Leadership, the consortium empowers leaders for dynamic collaboration with various development stakeholders.

PEF sees the consortium as a way in which it can amplify the pursuit of its own goals: namely, to address poverty and conflict in areas where they are most acute, to strengthen local civil society groups, and to promote development collaboration within their own pace and abilities.

While pursuing their respective programs or funding projects, Pagtabangan BaSulTa members create spaces for tying up specific individual pursuits with opportunities for nurturing technical and management

Founding members of the Pagtabangan BaSulTa

- AIM-Mirant Center for Bridging Societal Divides
- Consuelo Foundation
- Mirant Corporate Foundation
- Peace and Equity Foundation
- Petron Foundation
- Philippine Business for Social Progress
- Philippine Development Assistance Program
- Philippines-Canada Local Government Support Program
- Tabang Mindanaw
- World Wide Fund for Nature Foundation-Philippines



capacities. Project planning exercises for clean water systems are coupled with water resource assessments, Seaweed industry improvement are tackled first with a thorough industry review from supply to market chain. Under girding their projects is the paving of local governance – LGUs, CSOs and business groups together with their own “bridging leaders.” The technology applied for solar-powered pumps, ferrocement rainwater tanks, or a sturdy footbridge crossing the sea cannot be maintained without the beneficiaries and the communities, linked and enlivened by the local leaders, becoming guardians of their children’s peaceful future. ■

PROVINCE	PROPONENT ORGANIZATION	PROJECT TITLE	PROJECT SITE	AMOUNT	PROJECT TYPE	BENEFICIARIES
Region-wide	Consortium of Bangsamoro Civil Society	CSOs Participation in the ARMM Electoral Process and Governance	ARMM	1,155,000	Sectoral Consultation/ Capability Building	ARMM constituents
Basilan	Claret Samal Foundation, Inc.	Samal Bajau Footbridge	Maluso, Basilan	1,979,240	Basic Services	375 Badjau households
Sulu	Technical Assistance Center for the Development of the Rural and Urban Poor	Seminar Workshop for Youth Leaders	Sulu	135,000	Sectoral Consultation/ Capability Building	40 participants
Sulu	Apostolic Vicariate of Jolo	Kalimayahan Village Artesian Well	Brgy Latih, Patikul, Sulu	759,640	Potable Water	47 multi-sectoral/ resettled households affected by armed conflict
Sulu	Apostolic Vicariate of Jolo Social Action Center	Writeshop for Water Systems Design and Proposal Preparation	Sulu	149,800	Sectoral Consultation/ Capability Building	30 participants
Sulu	Kahikukuk Barangay Renewable Energy and Community Development Association	Kahikukuk Solar-Powered Community-Managed (Level 2 potable water project)	Barangay Kahikukuk, Tongkil, Sulu	1,414,149	Potable Water	375 households
Tawi-Tawi	Philippine Center for Water and Sanitation-International Training Network Foundation (PCWS-ITNF)	Rainwater Harvesting for Drinking Water Supply	Tawi-Tawi (10 municipalities; 2 barangays per municipality)	4,511,303	Potable Water	5,902 households

Using Data TO MAKE A DIFFERENCE

The CBMS-PEF Development Grant Competition



Municipal mayors and planning officers often ask – Majority of our barangays are really in need of basic services, so where do we start?

The Community Based Monitoring System (CBMS) is a data-gathering tool that can help LGUs and CSOs respond effectively to poverty in their localities. In essence, it is household-level poverty-mapping.

Because information is regularly collected at the individual/household level, CBMS generates the kind of “disaggregated” data that is not normally available in national surveys. This kind of data is particularly useful for diagnosing local problems, setting development priorities,

PROVINCE	PROPONENT ORGANIZATION	PROJECT TITLE	PROJECT SITE	AMOUNT	PROJECT TYPE	BENEFICIARIES
Palawan	Faith Adventist Academy Inc.	Mount Moriah Water System and Electrification Project	Mt Moriah, Taytay, Palawan	150,000	Potable Water System	Local households in Barangay Poblacion
Palawan	Igabas Goat-Raisers Association	Goat Raising Project	Barangay Igabas, Magsaysay, Palawan	150,000	Agricultural Livelihood	Goat raisers in Barangay Igabas
Camarines Norte	Tao-Kalikahan Foundation of the Philippines	Cassava, Corn and Soybean Production	Labo, Camarines Norte	150,000	Agricultural Livelihood	Local households in Barangay Tigbinan
Camarines Norte	Cooperatiba ng Maliliit na Magniniyog ng Barangay Kanapawan	Establishment of Patchouli and Ipil-Ipil Plantation	Labo, Camarines Norte	150,000	Agricultural Livelihood	Local households in Barangay Kanapawan
Camarines Norte	Labo Market Vendors Multi-Purpose and Transport Service Cooperative	Machine Decortication of Formosa Pineapple Leaves	Barangay Calabasa, Masalong, Mabilo I, Mabilo II & Bautista, Camarines Norte	150,000	Agricultural Livelihood	Pineapple worker groups in Labo

and monitoring the impact of interventions that target specific sectors or places.

The CBMS data collection process also involves community participation. Therefore, the use of the tool encourages not simply community discussions of local problems, but also community involvement in the projects that the data support.



The use of CBMS in a barangay would help local officials thoroughly study, for instance, the problem of student drop-outs. Household level survey forms enable local officials to get names and addresses of children who have discontinued their

schooling, as well as the reasons for their dropping out. Subsequent validation of the data by the community after collation enables residents to further talk about and explain the reasons for student drop-out. Equipped with such information, the barangay is able to devise solutions that address the actual households in need, as well as the particular problems that prevent children from completing school. When the barangay finally implements projects to address the problem, the CBMS process will also have prepared the community for involvement.

When the CBMS is implemented on a municipal or provincial level, the information helps create comprehensive socio-economic profiles. This enables local stakeholders to prioritize development interventions, and to target sectors in need.

In other words, CBMS is data that makes a difference.

In 2005, PEF and the CBMS Network established a development grant program to encourage the use of CBMS among CSOs with their LGUs. The program will award 40 grants of a maximum of ₱150,000 each. Eligible for funding are poverty reduction projects that use the CBMS technology in its design and monitoring; are earmarked for PEF priority provinces; and fall into any of the following categories: livelihood and employment, agri-aqua enterprise projects, non-agricultural income generation (i.e., product development), and provision of basic social services. These are small projects but should reinforce local efforts to use CBMS for setting priorities or targeting.



The CBMS was developed under the Micro Impacts of Macroeconomic Adjustment Policies (MIMAP)-Philippines research program of the International Development Research Center (IDRC)-Canada by the CBMS Networking Coordinating Team, now based at the Angelo King Institute for Economic and Business Studies at De La Salle University.

With development grant programs such as this, PEF hopes to promote the use of tools that help CSOs and LGUs make a difference in poor communities. ■



Partnership Projects in 2005

- Livelihood and employment-generating ventures topped the rank of funding support with ₱94.3 million (40% of total) to 65 projects.
- The creation of Partnership and Access Center (PACs) were allocated 27% of the total amount approved for ten (10) projects.
- The unprecedented scale of 44 water system projects with ₱43.26 million benefited an additional 13,471 households.
- The bulk of the projects approved for 2005 came from Mindanao: 40 projects given ₱97 million (or 41% of total portfolio).

Luzon				
PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
BASIC SERVICES				
Health				
Bicol Initiatives for Community Health Development	Health Plus Social Franchising in Albay	591,000	591,000	0
Philippine Center for Traditional and Asian Medicine, Inc.	Institutional Support, Capacity Building and Staff Development for PCTAM	150,000	150,000	0
Philippine Center for Traditional and Asian Medicine, Inc.	One-Stop Natural Medicine and Wellness Center	1,535,775	803,775	732,000
Potable Water				
Center for Agrarian Reform, Empowerment and Transformation, Inc.	Potable Water System for Barangay Magtanggol	1,375,979	1,375,979	0
Faith Adventist Academy Inc.	Mount Moriah Water System and Electrification Project	150,000	150,000	0
Junior Chamber International Philippines - Copper Queen Presidents Association Inc.	Improvement of Waterworks System - Maniwaya Island	1,080,024	1,080,024	0
KALAHI Multi-Purpose Cooperative	San Jose Water System Rehabilitation and Rainwater Harvesting	1,691,986	1,691,986	0
Katipunan ng Magsasaka sa Hacienda Roxas Agri-Based Multi-Purpose Cooperative	Potable Community Water System in Nasugbu, Batangas	902,363	902,363	0
Makabuhay Rotary Village Corps Multi-Purpose Cooperative	Phase I Potable Water System for Barangay Central, San Jose Mindoro	615,610	615,610	0
Malibago BAWASA Multi-Purpose Cooperative	Rehabilitation of Barangay Malibago Potable Waterworks System	1,364,197	1,364,197	0
Marinducare Foundation, Inc.	Construction/ Improvement of Potable Water System	1,016,595	1,016,595	0
Mogpog Municipal Officials and Employees Multi-Purpose Cooperative	Construction of Potable Water Works System	786,944	786,944	0
Palawan Center for Appropriate Rural Technology	Construction of Level 2 Water System in Barangay Taradungan	308,871	308,871	0
Philippine Rural Reconstruction Movement	Tungib-Lipata Water Supply System	911,609	911,609	0
Sama-samang Lakas ng Mamamayan sa Tambakan Inc.	Patubig Project	150,000	150,000	0
St. Joseph Multi-Purpose Cooperative	Empowering the BAWASA's to Sustain Existing Systems	483,826	483,826	0
Sta. Cruz Credit Cooperative	Improvement of Waterworks System for Barangay Biga	527,177	527,177	0
Sta. Fe Multi-Purpose Cooperative	Sta. Fe Water Supply Project	288,413	288,413	0
Torrijos Municipal Employees Association	Matuya-Tuya-Suha Water System	1,864,409	1,864,409	0
Wesleyan Brotherhood Association Multi-Purpose Cooperative	Bridge and Water Project for Agay Mobile Indigenous Peoples	537,800	537,800	0

PROPONENT ORGANIZATION (LUZON)	PROJECT TITLE	TOTAL	GRANT	LOAN
LIVELIHOOD & EMPLOYMENT				
Micro-Enterprise				
Aktibong Nagsusulong ng Alternatibong Kultura Inc.	Waste Paper Recovery	150,000	150,000	0
Bagong Liwanag Multi-Purpose Cooperative ng Batasan	Palay Trading Project	58,100	58,100	0
Bangwayin Farmer Beneficiaries Multi Purpose Cooperative	Bangwayin Farmer Beneficiaries Carabao Dispersal and Working Animals	150,000	150,000	0
Bigay Buhay Multi-Purpose Cooperative	Replacement of Dilapidated Equipment	150,000	150,000	0
BP Operation Compassion International, Inc.	Agricultural Livelihood Assistance Program	150,000	150,000	0
Cainta Homeowners Water Service and Multi-Purpose Cooperative	Satisfying the Basic Needs of an Urban Poor Community	611,500	61,500	550,000
Cooperatiba ng Maliliit na Magniniyog ng Brgy Kanapawan	Establishment of Patchouli and Ipil-Ipil Plantation	150,000	150,000	0
Igabas Goat-Raisers Association	Goat Raising Project	150,000	150,000	0
Infanta Integrated Development Assistance	Riceland Rehabilitation for Infanta, Quezon	2,000,000	2,000,000	0
Labo Market Vendors Multi-Purpose and Transport Service Cooperative	Machine Decortication of Formosa Pineapple Leaves	150,000	150,000	0
Mindoro Farmers Resource Center	Organic Fertilizer Processing Plant	356,550	356,550	0
Nagkakaisa Multi-Purpose Cooperative	Nagkakaisa Integrated Development Project	290,000	290,000	0
Organic Producers and Traders Association	Carotenoid, Tocopherol and Sterol Evaluation of Pili-Pulp Oil for the Production of Specialty Oil Concentrates	318,131	318,131	0
Palanan Wilderness Development Cooperative	Palanan Rural Women Sabutan Handicraft Production and Marketing	70,000	70,000	0
Pambayanang Federasyon ng Maliliit na Magniniyog ng Infanta	Infanta Husk Processing Projects	1,300,000	153,000	1,147,000
Samahang Gintong Silahis	Fish Pen Project	100,000	100,000	0
Samahang Mangingisda ng Panisihan	Mudcrab Raising Project	124,400	124,400	0
Samahang Mangyan ng Tinis-an	Tree Seedlings and Irrigation Equipment	72,834	72,834	0
St. Vincent Ferrer Parish Multi-Purpose Cooperative Inc.	Coco Methyl Ester (CME) Production	2,070,000	320,000	1,750,000
Storom Multi-Purpose Cooperative	Stationary Bag Net Project	149,689	149,689	0
Tao-Kalikasan Foundation of the Philippines	Cassava, Corn and Soybean Production	150,000	150,000	0
Upper and Lower Magbay Multi-Purpose Cooperative	Palay Trading Project	89,250	89,250	0
Zero Waste Recycling Movement of the Philippines Foundation Inc.	Deparo Integrated Solid Waste Management Project	330,400	330,400	0
Microfinance				
Bubog Development Cooperative, Inc.	BUDECO Lending Services	127,000	127,000	0
Bulacan, Sigasig ng Layon at Kapatiran Multi-Purpose Cooperative	BUSILAK Micro Re-lending	127,000	127,000	0
Centro Bayotbot Farmers Multi-Purpose Cooperative	Centro Bayotbot Micro-Lending Services	150,000	150,000	0
Hiyas Unlad Parent's Association, Inc.	Strengthening HUPAI's Micro Credit and Savings Project	987,000	187,000	800,000
Metro South Cooperative Bank	Partnership for Cooperative Development in MIMAROPA Area	20,000,000	0	20,000,000
Nagkakaisang Damdamin ng Magkakapitbahay Inc.	Kabuhayan, Lupa at Kaunlaran sa ating Komunidad	257,600	257,600	0
Old Sta. Mesa Savings and Credit Cooperative	Savings Mobilization through Enhanced Products and Services	400,000	400,000	0

Cocooning a Livelihood Industry in Marinduque

Researched & written by SHARON BISNAR, Development Associate
PEF National Office

PROJECT : **PROMOTION AND DEVELOPMENT OF THE BUTTERFLY INDUSTRY**
LOCATION : **BOAC AND GASAN, MARINDUQUE**
PARTNER : **MARINDUQUE BUTTERFLY COUNCIL**



PEF Poverty Mapping in 2002 showed the island province of Marinduque as one of the Foundation's 29 priority provinces. More recent poverty incidence data issued by government reiterated that Marinduque remains in the lower rungs of development, being the 27th poorest province in the Philippines¹ with more than half of its families barely surviving without essential human needs.

other CSOs and business to create more viable local enterprises that can employ the farmers and fisherfolk who suffered most from the mine tailings' pollution.

A growing profitable enterprise

Butterfly farming is a viable nature-conserving micro-enterprise. While it requires low start-up capital and can be easily learned (₱1500 can start a housewife in a part-time livelihood), added monthly income can average ₱2000 to ₱3000 for small breeders during summer months of March to May.

Marinduque's butterfly industry began in the 1960's with four breeders. These pioneering entrepreneurs established the first arms that exported pupae to other countries. The live stocks (pupae and mature butterflies) on the other hand, are exported for hatching by botanical gardens, zoos, collectors and are released in theme restaurants and cafes in the USA, Korea, Japan and Europe. More recently, here in the Philippines, special occasions such as weddings and



In December 2004, Marinduque Governor Carmencita Reyes renewed her appeal to development agencies – private and public – to channel resources to Marinduque as it still struggles to get back on its economic feet after the copper mine tailings disaster of 1996. The feisty governor who had just been reelected in that year's local elections received the poverty map of Marinduque with her call for PEF and

anniversaries, highlight ritual release of dainty fluttering butterflies. Dead stocks or papered adult butterflies, on the other hand, are preserved and mounted in frames for exhibits or collected privately. Lately, too, decorative items – wind chimes, trays, lamps and fashion accessories – use mounted or laminated butterflies with preserved plants or natural fibers.

What began as small industry has now grown into an estimated ₱100 million enterprise in pupae exports alone.²

The Province of Marinduque is today the leader in butterfly farming and promotion in the country. By 2005, it registered 85% of all the total breeders nationwide making it the undisputed Butterfly Capital of the Philippines. While there are only 182 registered breeders (105 of them in Boac, approximately half female and the other half male) with wildlife farm permits there are many more home-based farmers.

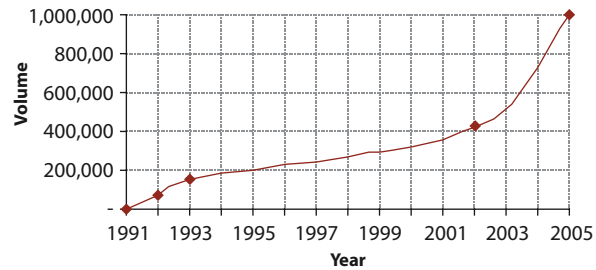
An alliance to promote the butterfly industry

In early 2005, the Marinduque provincial government led by Gov. Reyes and the butterfly breeders embarked on an intensive Butterfly Industry promotion program, to put the island province on the local industry map. PEF supported the initial Marinduque Butterfly Industry Integrated Marketing Communications (IMC) Plan and the formation of Marinduque Butterfly Council. As a multi-stakeholder alliance of exporters, government representatives, the academe and breeders, it aimed to raise the quality of butterfly rearing and create other enterprises that will improve incomes of the low-income, home-based community breeders.

The Council's first big undertaking was the first Marinduque Butterfly Festival in March 21-27, 2005, which was Holy Week that highlights the famous tourism event called Moriones Festival



**Traded Volume
1991-2005**



in Marinduque. The Butterfly Festival was a gathering of 143 small breeders who trained in improved butterfly culture (45) techniques, pest control (68), and mounting and framing (30). The Festival was also a provincial trade fair that showcased, aside from the new butterfly decorative lamps, clocks and frames and accessories, the more popular nito (vine) baskets and buri (palm) woven placemats for which Marinduque is already well known.

The Marinduque Butterfly Council has taken its breeders and butterfly handicraft-makers to more trade fairs and exhibits such as the Social Development Week pre-Christmas market of CODE-NGO in Metro Manila, and other major cities, during regional trade fairs. They display information on the butterfly's life cycle and conduct product demonstrations on butterfly lamination, mounting and framing.

The Council's Chairperson, incumbent Gov. Carmencita Reyes, follows-through her appeal to development agencies with unflagging desire: "The butterfly industry is the answer to the problem of poverty alleviation in Marinduque. It can provide the six to ten million pesos provincial income gap by generating livelihood and employment for Marinduquenos." ■



¹ National Statistical Coordination Board, November 2005

² Protected Areas and Wildlife Bureau, Department of Environment and Natural Resources and Monteras et al. 2002.

PROPONENT ORGANIZATION (LUZON)	PROJECT TITLE	TOTAL	GRANT	LOAN
PARTNERSHIP & ACCESS CENTER				
Romblon Telecom Employees Credit Coop	Social Credit Project	105,000	105,000	0
Tulong-Kalinga, Inc.	Katuwang Patungo sa Wasto't Abot Kamay na Kaunlaran	2,000,000	200,000	1,800,000
Marinduque Diocesan Development Cooperative	Establishment of PAC in Marinduque	1,160,110	837,610	322,500
Oriental Mindoro NGO/PO Network	Formation of the PAC	1,973,900	1,604,900	369,000
Provincial Alliance of NGOs and POs for Development Inc.	The Sorsogon Partnership and Access Center (Phase I)	3,271,300	2,771,300	500,000
INSTITUTIONAL SUPPORT & CAPABILITY BUILDING				
Aksyon para sa Kapayapaan at Katarungan (Action for Peace and Justice) - Center for Active Non-Violence	Third Active Non-Violence Seminar for Infanta and Reflection/Evaluation of Formation Activities	105,000	105,000	0
Anak-Pawis Shoreline Labor Service and Multi-Purpose Cooperative	Financial Management Training and System Installation	130,000	130,000	0
Cooperative Education Foundation Ilocos Norte	Micro Lending for Livelihood cum Technical and Capacity Building Assistance	80,000	80,000	0
Cordillera Network of Development NGOs and Pos	Capacity Building on Organic Farm Management and Market Development	150,000	150,000	0
Diocesan Social Action Commission of the Diocese of Baguio	Building up a Multi-Sectoral Strategic Response Capacity for Advocacy Regarding Major Issues of the Communities of Baguio City and the Province of Benguet	99,325	99,325	0
Diocese of Bayombong - DSAC	Capacity Building on Organic Farm Management and Market Development	150,000	150,000	0
Holy Spirit Center of Tarlac, Inc.	Taking Roots in One's Ancestral Lands: A Process of Consulting, Enabling, and Empowering IP Communities to Manage the Natural Resources within their Ancestral Domain	150,000	150,000	0
Marinduque Butterfly Council	Promotion and Development of the Butterfly Industry in Marinduque	41,250	41,250	0
Marinduque Diocesan Development Cooperative Office, Sacred Heart Pastoral Center	Microfinancing with Automated Accounting System	150,000	150,000	0
Marinduque National Government Officers and Employees Multi-Purpose Cooperative	Project Development for the Promotion of the Butterfly Industry	138,125	138,125	0
Pusuac Multi-Purpose Cooperative	Organic Fertilizer Production Training	350,000	350,000	0
Social Enterprise Development Partnerships Inc.	Training and Mentoring Assistance for Four PEF Partners	150,000	150,000	0
SSEAYP Banyuhay 2001 Inc.	Mentoring Assistance Project	150,000	150,000	0
RELIEF ASSISTANCE & REHABILITATION				
Buklurang Lakas Mangingisda	Relief Assistance to Victims of Typhoon Unding	33,000	33,000	0
Center for Disaster Preparedness Foundation Inc.	Capacity Building of LGU for Disaster Risk Management	114,000	114,000	0
Coalition of Bicol Development	Rebuilding Homes... Rebuilding Lives: A Rehabilitation Project for the Provinces of Camarines Sur, Camarines Norte, Catanduanes and City of Naga	2,200,000	2,200,000	0
Infanta Integrated Development Assistance	Relief and Rehabilitation Activities for ICDAI - Sagip Buhay Program	314,850	314,850	0
Kaunsayan Formation for Community Development Inc.	Relief Assistance for Calamity Victims in 3 Municipalities of Oriental Mindoro	300,000	300,000	0
Lingap para sa Kalusugan ng Sambayanan, Inc.	Shelter Assistance Project for Bulan Fire Victims	500,000	500,000	0
Mangyan Mission	Relief and Rehabilitation of Mangyan Communities Devastated by Typhoon Unding	215,000	215,000	0

PROPONENT ORGANIZATION (LUZON)	PROJECT TITLE	TOTAL	GRANT	LOAN
RESEARCH & DEVELOPMENT				
Small Household Action for Rural Economic Development Toward Healthy Environmental Management	Study for Mangali, Tanudan Micro-Hydro Project (MHP) Development	136,000	136,000	0
E-Search Information and Resource Center Inc.	Erosion and Pollution Control using the Vetiver Grass Technology (VGT) with a Livelihood Component	150,000	150,000	0
ADVOCACY/CAMPAIGN				
Mediators Network for Sustainable Peace Inc.	A Book on the Successful Resolution of the 54-yr-old Land Conflict in Rizal, Kalinga	150,000	150,000	0

Visayas

PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
BASIC SERVICES				
Education				
Sacred Heart Institute for Transformative Education Foundation, Inc.	Bridge Financing for Education	2,000,000	2,000,000	0
Potable Water				
Alumar Women's Organization	Water for Alumar Expand New Services	488,264	488,264	0
Campao Occidental Fishermens' Association	Water and Sanitation for the Household Project	880,479	880,479	0
Catholic Social Service Center	Barangay Can-ilay Potable Water System Project	1,677,559	1,677,559	0
Corte-Baud Rehabilitation for Progress	Upgrading and Expansion of Corte-Baud Water System	1,189,497	1,189,497	0
Kagawasan Multi-Purpose Cooperative	Improvement of Water Access Distance & Time Efficiency: A Reduction to Poverty	1,100,900	1,100,900	0
Kapunongan Alang sa Malambuog Katawhan	Water for Every Home through Local Action and Linkaging for Funding	711,369	711,369	0
Kapununganag Katilingbanon Kalambuan sa Ilaud Association	Expansion of Ilaud Potable Water System Development Project	364,096	364,096	0
Mangool Active Mothers' Association	Paghimo ug Reservoir ug Pagtaiod ug mga Tubo	441,160	441,160	0
Minol Women's Association	Water Access and Tree Planting for Environmental Rehabilitation	628,158	628,158	0
Nagkahiusang Inahan sa Hinlayagan Ilaya	Level II Piped-Water System Development in Puroks 1 and 2, Hinlayagan Ilaya, Trinidad, Bohol	297,025	297,025	0
Nagkahiusang Mag-uuma sa Nueva Granada	Nueva Granada Potable Water System Development Project: A Part of Buenavista Uplifting Groups for Water Access	639,042	639,042	0
Panaghiusang Mag-uuma sa Cabangahan	Water, Environment, Life & Linkage Development Project	1,617,474	1,617,474	0
Participatory Research, Organization of Communities, and Education towards Struggle for Self-Reliance Inc.	Katarungan Network on Water and Nourishment	396,704	396,704	0
Ramon Aboitiz Foundation Inc.	Expansion of the MORWASA Water System in Barangay Molobolo, Tuburan, Cebu	1,193,114	1,193,114	0
Rizal Multi-Purpose Cooperative	Expansion of Rizal Potable Water System Development Project	485,172	485,172	0
Villa Anunciado Samahang Nayon, Inc.	Villa Anunciado Potable Level II Water System	449,594	449,594	0
LIVELIHOOD & EMPLOYMENT				
Micro-Enterprise				
Bunga Agrarian Reform Beneficiaries Multi-Purpose Cooperative	Bunga Copra Trading	142,500	142,500	0

Water within Reach

Researched & written by MICHAEL P. CAÑARES, Development Associate
PEF Visayas

PROJECT : **PAGHIMO UG RESERVOIR UG PAGTAIOD UG MGA TUBO**
LOCATION : **SITIO MANGOOL, BGY. SAN ISIDRO, BACLAYON, BOHOL**
PARTNER : **MANGOOL ACTIVE MOTHERS' ASSOCIATION (MAMA)**

Foreign and local tourists often visit the town of Baclayon in Bohol. It is the home of the second oldest Roman Catholic church in the Philippines (next to San Agustin in Intramuros). There is also a museum that showcases its rich religious heritage.

Ironically, a few kilometers away from this tourist attraction is a community that has long dreamed of a simple, basic need: potable water.

The sitio of Mangool is part of the rural barangay of San Isidro, located 4 kilometers from the Baclayon town center. Mangool is home to 112 residents. Nested on a hill, it is accessible only through a rough road that becomes muddy and slippery in the rain. Livelihood opportunities are scarce. Farming – one of the only real options – was for a long time severely hampered by the lack of a stable source of water.

Indeed, if there was one household problem shared by the residents in the sitio of Mangool, it was water – water to drink and cook, water to wash clothes and clean the house. Water



from a faucet inside the house, or even from a source very near the house, was every resident's dream.

People tried to cope. Some would go down to the town to fetch water or do their laundry there. Others would ask their children who went to school in town to bring with them a container or two that they would fill and bring home after school. There was even a time that wives would go to the nearby town of Sikatuna – riding on a dump truck with their husbands who were then working on a road construction project – just to buy water at one peso per container.

In 1998, things improved. With the help of Mayor Ben Uy, the main source of water was rehabilitated and an electric submersible pump was installed. People no longer had to travel to other towns to get water. *"Pero magbaktas gihapon mi ug layolayo,"* (But we still had to walk a considerable distance), Rosalinda Jayo, the sitio's day care worker said. She said that her students, at such tender pre-school ages, were already trained to carry a gallon of water. *"Mao siguro nga mga mugbo na sila kay naanad na sa trabahong bug-at* (Maybe they are shorter than the average child because they were already accustomed to hard work at a young age)", she added.

Mothers Take the Plunge

The Mangool Active Mothers Association (MAMA) was a vigorous group, organizing feeding programs and constructing the sitio's only consumers' store. In 2004, it heard of the Peace and Equity Foundation and the possibility of asking for funds for a water project. *"Sus, grabe jud sila ka-excited,"* (They were very excited),



recalls Joy Bucia, the supervising development facilitator of PROCESS-Bohol, an NGO that had been helping Mangool for a long time. With Bucio's help, MAMA plunged into the difficult step of preparing a proposal for a water system project.

In August 2005, the good news came. PEF approved MAMA's proposal to construct a water tank and install the necessary pipelines. The grant to be given amounted to ₱441,160.

The community was elated. It had never received this kind of assistance package for a water project before. PEF offered not simply funds for construction, but technical support as well. There was funding for a project officer, and for activities that would build the community's capacity to manage the water system. What the community later appreciated most, however, was the help of PEF's development associate, Engineer Petronio Muring, who would accompany the people every step of the way in the design and construction of the water system.

The Community Moves Together

When PEF's grant came in, support poured in from other places as well. PROCESS continued to help MAMA build its capability as a community organization. It also helped MAMA with such problems as opening a bank account. Local government officials – the mayor and the barangay captain – provided portions of the local counterpart. PEF's grant was matched by ₱41,000 (in cash and in kind) from the community/proponent; ₱49,900 from PROCESS BOHOL; ₱19,750 from the barangay local government unit; and ₱47,200 worth of materials from the municipal government. The donors of the lot where the water source was located, the owner of the lots where the water tank and the tap stands were to be constructed, and the owners of the land that would be traversed by the pipelines, all signed the necessary documents without any difficulty.

Most importantly, the community threw itself eagerly into the project. Residents were actively involved in everything – from purchasing to construction to bookkeeping to drafting tapstand policies and procedures and water consumer rates. They even visited a water project site in Cebu to learn from the experiences there.

The community was animated by the realization that the dream that had eluded them for the past years, the dream that had been vainly promised by many politicians in the past, was now coming true. Elderly residents could hardly believe that something like this could happen in their lifetime.

"Para namo, usa jud ni ka mahinungdanong panghitabo," (For us, this is a very important event), says Salome Miculob, chairperson of MAMA's Board of Directors. She said that although it was very difficult to draft the proposal and later to implement it, MAMA persevered because it knew the tremendous effect that the project would have on their families.

Water at Last

The water system is set to run soon. The community is happy and thankful, but also aware that many responsibilities lie ahead – that once the water system becomes operational, maintaining it will require continuing community action. Honorata Iyog, MAMA's treasurer, however, says, *"Basta diay jud maningkamot, naa diay juy maani."* (If there is hard work, there is good harvest.)



Soon, Mangool will start to enjoy the benefits of a water system. Soon, 30 households (with 54 children) will enjoy the convenience of having water just within a short reach. Soon, people will have more hours to spend for livelihood and children will have more energy for school work. Soon, the community will be enjoying clear, flowing water – testament to their hard work and community spirit. ■

PROPONENT ORGANIZATION (VISAYAS)	PROJECT TITLE	TOTAL	GRANT	LOAN
LIVELIHOOD & EMPLOYMENT				
Gugma Han Maqueda Bay Uguin-Undong Han Organisasyon Samarnon, Inc.	Mussel Culture	150,000	150,000	0
Oleras Multi-Purpose Economic and Development Coop	Oleras Assistance Program to Small Farmers	143,000	143,000	0
Social Action Center, Diocese of Talibon	Skills Development and Credit Assistance Program for Family Victims of Mass Pesticide Poisoning	450,000	450,000	0
Ubay Dairy Multi-Purpose Cooperative	Small Water Impounding Project	1,587,753	1,587,753	0
Microfinance				
Bahandi Producers Association of Eastern Visayas	Financing & Marketing Program for Micro-Entrepreneurs	150,000	150,000	0
Fatima Multi-Purpose Cooperative	Oswag sa Kabuhayan Loan (OK Loan)	2,000,000	300,000	1,700,000
First Consolidated Cooperative Along Tañon Seaboards	Microfinance Expansion Project	4,750,000	750,000	4,000,000
Omaganhan Farmers Multi-Purpose Cooperative	Scaling-Up Micro Finance Management for Entrepreneurial Development (SUMMED)	1,859,000	359,000	1,500,000
Sibonga Multi-Purpose Cooperative	Small and Immediate Cooperative Assistance Program (SICAP)	1,062,000	262,000	800,000
PARTNERSHIP & ACCESS CENTER				
Alliance for Land and Livelihood for the Rural and Urban Poor of Cebu	Rental Housing for Livelihood Project	3,860,000	360,000	3,500,000
Eastern Samar Coalition of NGOs and POs	Partnership & Access Center Establishment in the Province of Eastern Samar	5,585,400	2,081,400	3,504,000
Feed the Children, Philippines Inc.	Bohol Fund for Poverty Alleviation and Sustainable Development	5,139,400	2,139,400	3,000,000
Negros Oriental Network of NGOs	Negros Oriental Partnership and Access Center	6,519,000	4,519,000	2,000,000
INSTITUTIONAL SUPPORT & CAPABILITY BUILDING				
Action for Community Empowerment Association	Technology Exposure on Abaca Production and Processing	139,250	139,250	0
Community Awareness and Services for Ecological Concern Inc.	Proposal Development	150,000	150,000	0
Feed the Children, Philippines Inc.	Proposal Development for the Poverty Reduction Area Development Plan of Bohol, Cluster 1	150,000	150,000	0
University of Bohol Community Development Foundation, Inc	Proposal Development Project	150,000	150,000	0
Institute for Democratic Participation in Governance	Supporting Poverty Mapping and Model Development in the Implementation of the Community-Based Monitoring System in Eastern Visayas	150,000	150,000	0
Tambulilid Relocation Site Cooperative	Development Support for TARESCO	90,000	90,000	0
Tres Marias Agrarian Reform Beneficiaries Association	Capacity Building on Organic Farm Management and Market Development	150,000	150,000	0
RELIEF ASSISTANCE & REHABILITATION				
Basey Women's Resource Network Association	Relief and Rehabilitation of Evacuees	216,202	216,202	0
RESEARCH & DEVELOPMENT				
Alternative Indigenous Development Foundation Inc.	Feasibility Study of Hydraulic Ram Pump Water System Project	110,000	110,000	0
ADVOCACY/CAMPAIGN				
Philippine Partnership for the Development of Human Resources in Rural Areas-Visayas	Visayas-Wide Instructive Forum on Mining	124,760	124,760	0

A Samal-Bajau Bridge to a Better Life

Researched & written by ANNA MAE MORALLAS, Development Associate
PEF Mindanao

PROJECT : **SAMAL BAJAU FOOTBRIDGE**
LOCATION : **MALUSO, BASILAN**
PARTNER : **CLARET SAMAL FOUNDATION, INC.**

About a kilometer away from the town center of Maluso in Basilan is a cluster of 182 shanties that stand on thin wooden stilts in the middle of the sea. This is the community of the Samal Bajaus: they who have long been the children of the sea, they who have seemingly been forgotten by the people who live on and rule the land.

Having seen the extreme marginalization of this community in comparison with other tribal groups in the area, the Claretian Missionaries of the Philippines decided to give particular attention to the Samal Bajaus. The missionaries founded the Claret Samal Foundation, Inc. (CSFI) in August 1996 to help build a Samal-Bajau community that is “founded on their own indigenous culture.” Thus, CSFI head Fr. Dennis Tamayo relates, a long process of community organizing and forming of leaders began.

In 2005, the CSFI forged a partnership with the Peace and Equity Foundation (PEF) to build what to the Samal-Bajaus was a vital need: a wooden footbridge. The project was completed in January 2006.

What Lies Beyond a 394-meter Wooden Footbridge?

To feel the necessity of a sturdy footbridge, one has to live in a house that stands above the sea, and to have no other means of transportation but a banca. The banca is not motorized; one has to paddle from the sea to the river (which is possible only during high tide; otherwise, the precious banca gets stuck in mud) for one to reach the market, or the school, or the sari-sari store.

“Mahirap... mag-aaral ang mga bata, absent palagi. Kaming mga matanda, mahirapan din kapag palaot na yung asawa namin, walang banca, nasa bahay na lang kami. (It was difficult... the children who

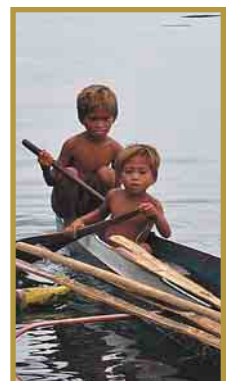


go to school often have to be absent. It was also difficult for us women because when our husbands go out to fish, there is no other banca that we can use, so we just stay at home),” says Juraya Ahari, describing their lives before the footbridge. Eleven Bajau leaders animatedly narrated how difficult life was without the *taytayan* (footbridge). Pregnant women rarely availed of pre-natal care from the barangay health centers. Family members who fell ill relied entirely on the *panday* (medicine woman). Most children dropped out of school because of the tiresome trip to school.

Melbita Unsang, 11, is a grade 5 pupil who aspires to become a doctor “*para makatulong ako sa mga tao, hindi lang sa mga Bajau* (to be of service to other people, not only to the Bajaus)”. Melbita dances the pangalay in soft, flowing moves, having been taught their own dance steps when she was 8 years old. She feels *masaya* (glad) about the *taytayan* because it has made going to school easier for her and more so for her younger sister who is a tiny first grader.

As for Sali Absari, president of the recently formed Bajau People’s Organization, the footbridge has made it easier for them to reach the market. They could buy cassava, their staple food, every afternoon only after, and if, they had sold their catch for the day. The footbridge is a boon for their livelihood. “*Labor ako noon sa pantalan* (I used to be a laborer at the port),” Salih says. He dreams of his children finishing school. He only finished grade 2 and has been through the dangers of living at sea where pirates used to steal both their fish and banca.

During the footbridge construction, nearly all of the Samal Bajaus pitched in as laborers. The





women paddled their bancas back and forth, transporting lumber, bamboo and nails. The men assisted the hired construction workers in putting up the columns and the walkway.

Made of *yakal* and *gullum* (local hardwood trees), the footbridge is functional, not fancy. But to the Bajaus of Maluso, the sturdy wooden pathway has become more than a useful structure, a symbol of their striving for a better, more decent life.

Code Red

In PEF's national poverty map, Basilan is colored red. Red is PEF's code for a high priority area, an area where there is an abject lack of basic social services. For the Samal Bajaus in Basilan, red is not just a code for "poor"; it is everyday living.

Children comprise three out of five of the total Bajau population of 1,117. So far, not a single Bajau student has graduated from high school; the highest educational level reached by an individual is third year high school.

Housing and electricity are urgent concerns. A Bajau shanty, which has no rooms or divisions, is occupied on average by 3 to 4 families. There is no proper waste disposal system. Everything drops into the sea. At night, kerosene lamps glitter like fireflies, but only for a short while so as to save kerosene that costs as much as food does. At seven o'clock, there is no more studying for the children.

The Samal Bajaus have miles and miles to go before they can provide a better life for their children. But with the wooden footbridge, they have taken their first steps. Now no longer as isolated as they once were, now better able to avail of basic services and a little more education, they are determined to work for other needs: water, housing, livelihood, a fish drier, a Bajau teacher. Needs articulated in an 8 point development plan drawn up by Bajau leaders with the help of CSFI.

The wider community has also begun to support their small steps.

Bridging the Chasm

The island province of Basilan is a melting pot of faiths and languages. Muslims and Christians speak at least five native languages, i.e. Tausug, Yakan, Chabacano, Cebuano and Tagalog. In Maluso, the province's smallest town, Muslims and Christians work together to help uplift the quality of life for every individual. This collective effort is evident at the Claret Samal Foundation, Inc.

Sieralyn Miranda, 25, teaches adult literacy among the Samal Bajaus. She is Tausug and a Muslim. She has been working with CSFI for 5 years now and has painstakingly learned the language and the culture of her students. Her wish is to be able to train an adult Bajau to teach the other adults. Sieralyn works with the other staff who come from different backgrounds.

The collective spirit at the CSFI has been spilling over to the larger community. The Department of Energy and Natural Resources (DENR) has granted the CSFI a 25-year lease for the mangrove reservation area, which in effect includes granting the lease to the Samal Bajaus who live within the reservation. In 2004, the Maluso Sangguniang Bayan signed a resolution declaring a portion of the mangrove area as Bajau Resettlement area. And recently, the barangay through which the footbridge traverses, constructed an extension bamboo footbridge, which makes walking through mud no longer unavoidable.

The lifespan of the 394-meter footbridge is approximately 10 years. By the time the bridge becomes a thing of the past, however, the spirit that led the project to its fruition will have left its indelible mark on the collective consciousness: that of the Claret Samal Foundation, Inc., the Peace and Equity Foundation, the local government officials and military personnel in Maluso, and the Samal Bajaus.

Lerma Unsang states confidently, "*Dati mahiya kami sa tao na lumapit, pero ngayon hindi na kami mahiya dahil kahit konti may pinag-aralan na ang mga anak namin, saka kami, tinuturuan kami, hindi na kami mahiya na lumapit sa kaninong tao* (We used to feel embarrassed when we meet other people; but not anymore, because our children have already a little education, and we adults have also been given a little education; that is why we no longer feel ashamed when facing other people)".

Indeed, the wooden footbridge is a symbol of the Samal Bajau's newfound power to cross over the chasm to a better life. ■

Mindanao					
PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN	
BASIC SERVICES					
Education					
Datal Tampil Farmers Cooperative	Day Care Center	150,000	150,000	0	
Health					
OND HESED Foundation	Gamot ng Bayan Botika	150,000	150,000	0	
Potable Water					
Apostolic Vicariate of Jolo	Kalimayahan Village Artesian Well	759,640	759,640	0	
Aras-asan-Unidad Rural Water and Sanitation Association	Project for Enhancement and Rehabilitation of AURWSA (PERA)-Level III	1,074,028	1,074,028	0	
Interface Development Interventions, Inc.	Community Water System Extension Project for Marginalized Upland Farmers in Baguio District	581,123	581,123	0	
Kadtabanga Foundation for Peace and Development Advocates, Inc.	Margues-Taviran Potable Water Spring Development	4,408,655	4,408,655	0	
Kahikukuk Brgy. Renewable Energy and Community Development Association	Kahikukuk Solar-Powered Community-Managed Potable Water Project	1,414,149	1,414,149	0	
Kalimudan Foundation Inc	Gadungan Level 2 Potable Water Supply System Project	415,815	415,815	0	
Kalusugan Alang sa Bayan, Inc.	Magimon Water Spring Development	653,289	653,289	0	
Philippine Center for Water and Sanitation-International Training Network Foundation (PCWS-ITNF)	Rainwater Harvesting for Drinking Water Supply	4,511,303	4,511,303	0	
Rural Enterprise Assistance Center Foundation, Inc	Expansion of Cantugas Water System	226,738	226,738	0	
Tribal Leaders Development Foundation Inc.	Upper Maculan Water System Project (Water System Level II)	1,283,606	1,283,606	0	
Women Indigenous Focus for Enhancement, Inc.	Construction of Lamtabong-bong Potable Water System Level II	1,321,833	1,321,833	0	
LIVELIHOOD & EMPLOYMENT					
Micro-Enterprise					
Asia Pacific Peace and Prosperity Initiative	Market Outlet for Organic, Fair Trade and Environment Friendly Products	50,000	50,000	0	
Claret Samal Foundation, Inc.	Samal Bajau Footbridge	1,979,240	1,979,240	0	
Grow Lambo Multi-Purpose Cooperative	Integrated Community Organizing for Micro-Enterprise (INCOME) Project	1,055,000	55,000	1,000,000	
Isulan Grains Multi-Purpose Cooperative	Expansion of Working Capital for Micro-Lending Services	1,010,000	10,000	1,000,000	
Maligo Multi-Purpose Cooperative	Maligo Food Processing Project	1,296,000	996,000	300,000	
Riverside Women Multi-Purpose Cooperative	Fish Processing and Marketing	483,680	100,000	383,680	
San Isidro Multi-Purpose Cooperative	SIMPC Trucking Services	730,000	30,000	700,000	
SeaCrop Feeds and Fertilizers Technology Center Multi-Purpose Cooperative	Nutrikelp 100R	1,100,000	100,000	1,000,000	
Small Dried Fish Association	Fish Processing and Marketing Project	415,678	100,000	315,678	
Technical Assistance Center for the Development of the Rural and Urban Poor	Market Study for Organically Grown Rice	100,000	100,000	0	
United Maligang Farmers Multi-Purpose Cooperative	An Expansion on the Trading of Tinagak and Abaca Fiber	150,000	150,000	0	
Microfinance					
Baba's Foundation	Expansion of DREAM Project	2,000,000	0	2,000,000	
GATA DAKU Multi-Purpose Cooperative	Expansion of Micro-Livelihood Support Program	1,973,000	173,000	1,800,000	
Household Savings and Credit Cooperative	Expansion of Micro-Lending Services	530,000	30,000	500,000	
Maranding Women Investors Multi-Purpose Cooperative	Lanao Del Norte Savings and Credit Center	2,325,000	325,000	2,000,000	

PROPONENT ORGANIZATION (MINDANAO)	PROJECT TITLE	TOTAL	GRANT	LOAN
LIVELIHOOD & EMPLOYMENT				
Mindanao Alliance for Self-Help Society - Southern Philippines Educational Coop Center (MASS-SPECC) Cooperative Development Center	Synergizing for Poverty Reduction Action in Mindanao (SPREAD): MASS-SPECC Mindanao Coops Access Center	23,052,000	3,052,000	20,000,000
Peoples Economic Advancement for Community Empowerment Foundation, Inc.	Expanded Savings and Credit for Community Development Project	1,700,000	200,000	1,500,000
Reconciliation Center - CCF	Reconciliation Center Livelihood Project	1,150,000	150,000	1,000,000
Relocation Community Homeowners Association	Additional Working Capital for Microfinancing Program	150,000	150,000	0
Unity and Cooperation Foundation of Lanao del Sur Inc.	Micro-Credit for Displaced and War Affected Women	459,200	159,200	300,000
PARTNERSHIP & ACCESS CENTER				
Coalition of Social Development Organizations in South Cotabato	Potable Water System Delivery in South Cotabato: "A Provincial Access Center and Local Government Unit Partnership" Phase II	26,189,595	26,189,595	0
Kutawato Coalition of Development NGOs	Kutawato Partnership and Access Center	500,000	500,000	0
Zamboanga Coalition of Development NGOs	Zamboanga City Partnership and Access Center	10,067,000	4,567,000	5,500,000
INSTITUTIONAL SUPPORT & CAPABILITY BUILDING				
Apostolic Vicariate of Jolo Social Action Center	Writeshop for Water Systems Design and Proposal Preparation	149,800	149,800	0
Consortium of Bangsamoro Civil Society	CSOs Participation in the ARMM Electoral Process and Governance	1,155,000	1,155,000	0
First Agrarian Reform Multi-Purpose Cooperative	Capacity Building on Organic Farm Management and Market Development	150,000	150,000	0
RELIEF ASSISTANCE & REHABILITATION				
Relief and Children's Alternative Program Foundation, Inc.	Appeal for Relief Emergency Assistance to Evacuees	162,500	162,500	0
RESEARCH & DEVELOPMENT				
YAMOG Renewable Energy Development Group, Inc.	Preparations of Feasibility Study for Two Proposed Water Systems in Mindanao	120,000	120,000	0

National

PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
LIVELIHOOD & EMPLOYMENT				
Association of Foundations	Social Development Week 2005	3,835,000	3,835,000	0
Center for International Trade Expositions and Missions (as Project Coordinator)	Market Study and Development for Community-Based Enterprises in Priority Areas: Natural Products Expo East - Washington, DC	1,197,414	1,197,414	0
Philippine Agrarian Reform Foundation for National Development	Emergency Support Fund for Sugarland Haciendas	2,000,000	2,000,000	0
INSTITUTIONAL SUPPORT & CAPABILITY BUILDING				
Abai Weavers Multi-Purpose Cooperative	Basic Jewelry Design Training for Silk and Other Materials for Livelihood	75,000	75,000	0
Ayala Foundation, Inc.	Fundraising Capacity Building for Philippine Non-Government Organizations	1,000,000	1,000,000	0
Civil Society Counterpart Council for Sustainable Development	Enabling NGOs and POs to Participate in the International Conference "Safe Food, Safe Planet"	150,000	150,000	0
Community Management Institute	Consolidation of Development NGOs and POs in the Province of La Union towards Network Building	106,250	106,250	0
Cordillera Network of Development NGOs and Pos	Farmers' For a to Assess the Impact of Series of Disasters (Typhoon, Meningococemia and Frost) and Measures to Mitigate their Impact	98,500	98,500	0

Bringing Fair Trade to Trade Fairs

Researched & written by SHARON BISNAR, Development Associate, PEF National

Baskets, bags, beads... shawls, shirts, slippers... bottled sardines, fruit juices, muscovado sugar... community crafts and food delicacies have found their way into flea markets and trade fairs in the cities from north to south. The latter have been organized by government, through the trade and tourism departments with the local governments, usually in connection with a local cultural festival.

PEF's partnership with community craft groups, micro-entrepreneurs and producers builds on the wealth of experience and unfortunate mishaps of many NGOs and POs and cooperatives in improving and marketing products. Some NGOs have ventured into the export market, a few highly successful in fair trade alliances with supportive counterpart groups particularly in Europe.

What about the province-based producer groups who have not made it that far. PEF saw a chance within striking distance... local trade fairs and exhibits. These have increasingly become meeting ground for producers and social entrepreneurs – those who not only know the intricacies of marketing but also know that profits need to be re-invested in the good suppliers' sustainability.



Marketing and promotion are costly but indispensable activities for entrepreneurs. PEF has thus brought the small producers and community crafts groups to local trade fairs and one international exposition to provide promotional exposure and generate income as well.

In December 2003, PEF in partnership with CODE-NGO and the Association of Foundations launched the Social Development Week (SDW) Trade Fair in Glorietta Mall, Makati City. Its aim was to bring NGOs, POs and cooperatives'

TRADE FAIR / THEME	DATE (2005)	VENUE	NO. OF PARTNERS
Panagbenga Flower Festival	Feb 28 - Mar 6	Session Road, Baguio City	12
Moriones (Lenten) Festival	Mar 21-25	Boac Morion Arena, Marinduque	11
Biosearch (Natural Products) Exposition	May	World Trade Center, Pasay City	1
Pintados Festival	June 25 - July 2	Children's Park, Tacloban	8
Nutri-Month Expo promoting the local dairy industry	July 28-31	Gateway Mall, Cubao	6
Kadayawan Festival	Aug 15-21	PTA Ground, Davao City	10
Eco Fair	Sept 15-17	Assumption, Antipolo	3
Social Development Week 2005: "Anong Magagawa Ko? Puwede Yan.. 'Wag Yan"	Dec 12-15	Glorietta Mall, Makati City	16

products and services to the mainstream market at the heart of the country's business district. At the same time, it provided a platform for CSOs to educate the general public about their programs and activities. The experiment exceeded all expectations and has since become an annual event for PEF and its partners, especially capturing the pre-Christmas gift-buying market. The 2005 SD Week bannered the theme, "Kasali Ka, Sumali Ka" (You are Part! Come Join!) and called on the ordinary citizen to be a social developer and buy community products.

In 2004, PEF together with the Philippine Business for Social Progress and the SM Foundation partnered for the ShoeMart (SM) Livelihood Center. Products at SM Las Piñas and SM Bacoor were showcased for two months. This was a test run for products that had not previously been sold in the malls. Market surveys during the test run showed that young mass market consumers certainly preferred low-priced clothing and fashion accessories and that other outlets have to be explored for specialty crafts.

Other festival-based trade fairs – primarily the Panagbenga Flower Festival in Baguio City, the Moriones Festival in Marinduque, the Pintados in



Tacloban, and Kadayawan in Davao - were also organized by PEF to bring its better producer partners across the regions to showcase and sell their products. The colorful tikiw mats (banig) from Samar and Leyte provinces were prized sales in Baguio's Panagbenga; shell and seed earrings and bracelets became fashion craze in the small town of Boac; while Benguet scarves and shawls sold aplenty in warm Davao.

For 2005, eight local trade fairs brought 27 PEF partners to the festivals and recorded total retail sales of ₱2.68 million.

In 2005, too, the PEF trade fair assistance strategy included technical and financial assistance for product development, market research, industry/product promotion and advocacy as well as subsidies for trade fair participation. It also developed a Trade Fair Manual that set the key result areas by which all future trade fair participations will be measured.

Also in 2005, PEF together with the Center for International Trade Exposition Missions (CITEM) participated in the Natural Products Expo East (NPEE) in Washington D.C., USA. PEF and CITEM brought to the USA five naturally grown products from Eastern Visayas (virgin coconut oil), South Cotabato (banana chips), Negros Occidental (lemon grass oil), Kalinga Province (coffee) and Camarines Sur and Bukidnon (colored organic rice). The exposition helped the Philippine PEF team to firm up orders for lemon grass oil and link up serious buyers/importers for banana chips and other processed fruits and bulk food ingredients for the US natural and organic markets. ■

AREA OF ASSISTANCE	ACTIVITY	NO. OF PARTNERS
Product Development	Basic Jewelry Design Training	4
	Advanced Jewelry Design Training	
	Design Consultation	1
Market Research in each trade fair/expo	Consumer Profiling	27
	Consumer Preferences	
	Consumer Buying Patterns	
Trade Fair Participation	Booth rental subsidy	27
	Transportation of products	
	Transportation of participants Accommodations (selected trade fairs only)	
	Consignment scheme	12
Advocacy and Promotions via special events and product demonstrations	White Revolution Launch Nutrition Month promotions	1
	Organic food/farming promotion	1
	Pearl Jewelry Promotion	4
	Butterfly industry	1
	Introduction to Acupuncture	1
Capability Building	PEF Trade Fair Manual	27

PROPONENT ORGANIZATION (NATIONAL)	PROJECT TITLE	TOTAL	GRANT	LOAN
INSTITUTIONAL SUPPORT & CAPABILITY BUILDING				
Institute for Migration and Development Issues	A Conference on Diaspora Philanthropy by Overseas Filipinos	130,000	130,000	0
Katutubong Samahan sa Pilipinas	Indigenous Peoples Organization Ethnographic Consultation	1,042,500	1,042,500	0
Maximo T. Kalaw Institute for Sustainable Development	Managing Bioregions for Sustainable Development: A Workshop on Community-Centered Ecosystems-Based Management Technology for Sustainable Development	150,000	150,000	0
Organic Certification Center of the Philippines	Development Path of Organic Certification: A Conference on Building Partnerships towards Organic Agriculture	134,500	134,500	0
Organic Certification Center of the Philippines	Understanding International Organic Standards, Certification and Inspection: Training on International Organic Inspection Accreditation	131,750	131,750	0
Partnership of Philippine Support Service Agencies Inc.	Urban Poor Solidarity Week Celebration	138,750	138,750	0
People's Campaign for Agrarian Reform Network (AR Now!)	Strengthening Civil Society Organizations' (Farmer Sector) Capacity for Policy Advocacy Engagement with Government through the NAPC and Congress	950,000	950,000	0
Pilipina, Inc.	National Conference on Updating the Basic Sectoral Agenda for Peace and Development	150,000	150,000	0
National Federation of Cooperatives of Persons with Disability	Post Project Evaluation for the DepEd-PS Contract	81,056	81,056	0
Partnership of Philippine Support Service Agencies Inc.	Institutional Support for PHILSSA's 15th Year Anniversary	150,000	150,000	0
RELIEF ASSISTANCE & REHABILITATION				
Philippine Association for Intercultural Development Inc.	Aerial Photography of Infanta, Real and Gen. Nakar in Quezon Province	282,481	282,481	0
RESEARCH & DEVELOPMENT				
Economic Resource Center for Overseas Filipinos	Designing a Survey Instrument to Identify the Potentials of Tapping Overseas Filipinos for Local Development	147,000	147,000	0
MIRIAM Foundation Inc. - MIRIAM P.E.A.C.E. (Public Education and Awareness Campaign for the Environment)	Technology Options for Two-Stroke Powered Tricycles	1,800,000	1,800,000	0
Virgin Coconut Oil Producers and Traders Association of the Philippines	Support to a Clinical Study on Virgin Coconut Oil for Malnourished Children	130,000	130,000	0
Benigno S. Aquino Jr. Foundation Inc.	The Poverty Scorecard	1,332,000	1,332,000	0
ADVOCACY/CAMPAIGN				
Caucus of Development NGO Networks	Pork Barrel Watch: A Civil Society Monitoring System	6,610,180	6,610,180	0
Dairy Development Foundation of the Philippines Inc.	White Revolution, Philippines: An Advocacy Campaign for Dairy Development	149,000	149,000	0
Environmental Broadcast Circle	Campaign Planning Writeshop for Advocacy and the Launching of the ATM (Alyansa Tigil Mina)	150,000	150,000	0
Philippine Community Organizer's Society	Healing the Sierra Madre Tragedy Victims	80,000	80,000	0
SAC -Diocese of Calbayog	"Defending our Forests" Campaign to Stop Commercial Logging and Mining in Samar Island	150,000	150,000	0
IEC				
Galing Pilipino Movement Foundation Inc.	GP Television Series	2,000,000	2,000,000	0
Urban Poor Associates	Buhay Maralita: Mga Tula, Kanta at Maiikling Kwento ng Kahirapan at Pag-asa	98,800	98,800	0
Women's Media Circle Foundation Inc.	Short Takes: Sa Akin Pa Rin ang Bukas (A project on advocacy for women's and child rights)	1,935,000	1,935,000	0

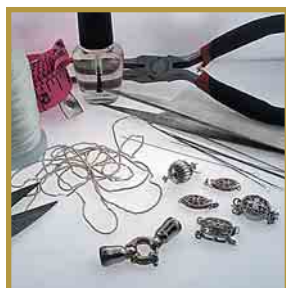
Stringing Beads for Better Livelihood

Researched & written by SHARON BISNAR, Development Associate
PEF National Office

Four community craft groups have begun stringing their livelihoods together.

Our journey began in Mindanao when Muslim women and their families fled their war-torn villages for safer shores across the sea. In Puerto Princesa City, Palawan, they cast their lot as informal settlers in a barangay aptly named Bagong Silang (newborn). With their fishing and aquatic harvesting skills, they brought their craft of pearl jewelry-making that has, in their new settlements, become their families' main source of sustenance.

Meanwhile, 69 kilometers south of Puerto Princesa in Aborlan, the indigenous people known as the Tagbanuas have harvested from the earth more than their share of fruits and plants. Through the local government's Aborlan Arts Program and with the recent support of the Canadian International Development Agency, the Tagabanuas revived terracotta beads-making. However, the clay bead necklaces have reached only the Puerto Princesa souvenir shops.



Crossing over to another island province of Luzon, Romblon is renowned as the Philippine's main marble source. Romblon crafts workers have been carving novelty and souvenir items from small marble pieces since the 1960's and have sold these to local and international tourists. However, their product designs, like marble eggs and pen holders, have stagnated and so did market demand.

Serendipitously, our journey ends where it began – back in Mindanao. In Laguindingan, Misamis Oriental, abaca weavers of soon to be displaced farming families hope to expand their product lines to fashion accessories such as necklaces and bracelets.



In a pioneering technology transfer project, PEF brought together the products of the four community craft groups. The effort was done with the Palawan NGO Network, Inc. (a PEF Partnership and Access Center) and Ayala Foundation

The base product came from the sea – cultured pearls that were strung by the Muslim women of Bagong Silang. They were then combined with fiery terracotta earth clay beads of the Tagbanua of Aborlan, and accented by intricately cut marble pieces of Romblon craft workers. Finally, the beads and accents were strung together with the colorful threads of abaca, silk and lanot vines from Laguindingan.

The project gave the artisans of four communities the unique opportunity to string their products and create novel and exciting accessories that could provide these PEF community-based partners with an edge in the highly competitive mainstream market.

PEF provided the wherewithal to send a product design consultant to these community craft groups. The creations from the product design and technology transfer sessions were featured in a fashion show dubbed, "Water, Earth, Air, Fire and Art Jewelry Fashion Show", at the Social Development Week 2005 Trade Fair December of that year at the Glorietta Mall in Makati City. Three groups – Bagong Silang Consumer Cooperative, Aborlan Arts Program and Abai Weavers Multipurpose Coop showcased their new and old products and sold ₱140,000 worth of goods. This tells us that their crafts, when strung together, create beautiful products and better livelihood. ■

PARTNER	ORGANIZATION / MEMBERS	PEF INTERVENTION	BENEFICIARIES
Bagong Silang Consumer Cooperative	Cooperative/ Indigenous People (Muslims)	Basic Design Training for Pearl Jewelry	10
		Advanced Design Training for Pearl Jewelry	8
Aborlan Arts Program	LGU Program / Indigenous People (Tagbanuas)	Basic Design Training for Pearl Jewelry	2
		Advanced Design Training for Pearl Jewelry	2
ABAI Weavers MPC	Cooperative / Farmers & weavers	Basic Design Training for Jewelry	17
Romblon Craftsmen MPC	Cooperative / Marble craft workers	Design Consultation Workshop	5

Treasurer's REPORT

As of December 31, 2005



2005 was a challenging year for the Philippine economy and more intensely so for the poor due to higher prices of food and fuel.

In behalf of the Board of Trustees, we present herein the results of operations and the financial condition of Peace and Equity Foundation, Inc. for the year ended and as of December 31, 2005.

Revenues

Total revenues decreased in 2005 to ₱165 million compared with ₱204 million of 2004 mainly due to the relatively low performance of the investment market. However, the interest income from increased loans to project partners contributed to our sources of funds by ₱15.63 million versus ₱8.96 million last year.

Project Disbursements

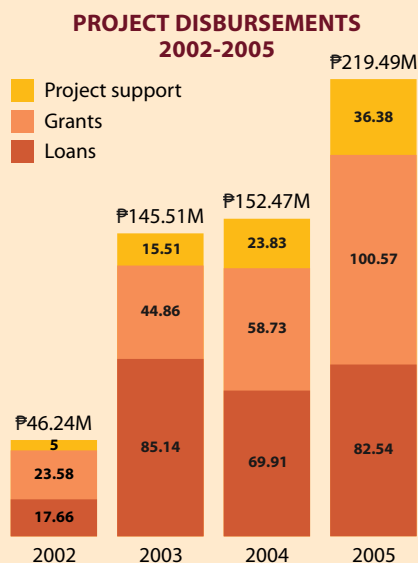
Total loans released was ₱82.54 million, an increase of 18% from ₱69.9 million last year, mainly due to disbursements of prior years' commitments. Loans were given to livelihood and employment-generating projects.

Total grants of ₱100.57 million which went to new projects increased by 71% from the previous year's ₱58.73 million. Grants were provided mostly for potable water systems, health and capacity-building projects.

Project Support Activities for the year reached ₱36.38 million, which was 17% of total Project Disbursements. These activities involved Technical Assistance, such as poverty mapping, research and capacity-building, Project Development, Monitoring and Evaluation (PDME) and Institutional Support projects.

Localizing Access to Financing

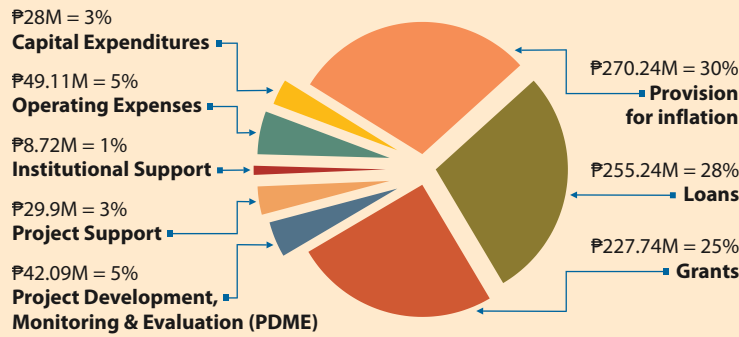
To continually widen its reach and expand its financial support mechanism, the Foundation has been capitalizing on strategic partnership through the civil society networks in priority provinces. In 2005, the Foundation approved ten (10) projects of Partnership and Access Centers (PACs) totaling ₱64.4 million. The PAC funds were allocated mainly for capacity and network support; and loans for livelihood and enterprise assistance for people's organizations.



Operational Efficiency

Committed to its desired operational cost-efficiency, the Foundation managed to operate within its means as general operating expenses slightly rose by 8% to ₱8.04 million from previous year's ₱7.45 million. This fund outlay represented 5 centavos per peso of revenues and 4 centavos to move every peso on project assistance.

EXPENDITURES 2002-2005



- Total Uses of Funds was P911.1 M.
- The Endowment Fund was preserved by provision for Cost of Inflation at 5% per year.
- Project loans and CAPEX totaling P283.24 million were recorded as assets.

Preserving the Endowment Fund

Despite the decrease in investment income, a total of P103.95 million was provided to cover the diminishing real value of the Endowment Fund due to inflation. This provision was within the target of 7% of the prior year's Fund balance.

Over Four Years

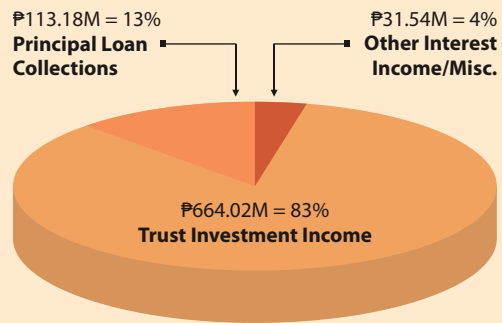
The Foundation continues to be committed to its mission of poverty reduction in priority provinces. In affirmation, as of the end of four years (2002-2005) of its operations, the Foundation has approved a total of 569 projects which totaled P674.50 million.

The total amount of disbursements for projects reached P563.72 million over four years. The assistance was substantially in the form of grants and loans which totaled P227.74 million (25%) and P255.24 million (28%), respectively. Total disbursements for projects including Support Activities reached 62% of the total uses of funds. The Foundation maintained its operational cost-efficiency by spending 5% and 3% on operating expenses and capital expenditures respectively.

The P270.2 million or 30% of the uses of funds went to Provision for Cost of Inflation of the Endowment Fund. Accordingly, the Endowment Fund increased by 21% from its original amount or an average of 5% per year on provision for inflation.

Even with the adverse effect of 2005 economy, the cumulative investment income of the Foundation since its inception has reached P664 million, an equivalent of 50% of the

REVENUES 2002-2005



- Revenues total P808.7 million, earning an average of 15.3% a year.

principal amount of the Endowment Fund of P1.318 billion* or an average of 12.6% a year for the past four years.

Cumulative fund reflows, which include repayments of loans and interest income, contributed significantly to additional funds for projects by P144.72 million. Including the said reflows, the four-year returns of the Endowment Fund amounted to P808.7 million or an average of 15.3% a year.

As the total number of poor people in the country continues to increase, PEF's ability to respond to increasing demands for poverty-reducing projects in the future will really be put to a test. The PEF Board of Trustees will strive to improve our revenues, leverage our funds with those of other funding institutions and be more cost effective, as we reach out and serve the poorest.

Senen C. Bacani
Treasurer

* The PEF Endowment Fund was infused by a donation of P1.318 billion from the Caucus of Development NGOs (CODE-NGO). The Endowment Fund was raised from the sale of the PEACE Bonds in the capital market in October 2001.

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION, INC.
(A non-stock, non-profit organization)

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Isla Lipana & Co.

Formerly Joaquin Cunanan & Co.

A member firm of

PRICEWATERHOUSECOOPERS 

Report of Independent Auditors

To the Board of Trustees of

Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.

(A non-stock, non-profit organization)

No. 69 Esteban Abada Street, Loyola Heights, Katipunan, Quezon City

Isla Lipana & Co.

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1226 Makati City, Philippines

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We have audited the accompanying statements of assets, liabilities and fund balances of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. as of December 31, 2005 and 2004, and the related statements of revenues and expenses, changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. as of December 31, 2005 and 2004, and its revenues and expenses and its cash flows for the years then ended in conformity with Philippine Financial Reporting Standards.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Makati City

March 27, 2006



ADORC. MEJIA

(Signing on behalf of Isla Lipana & Co.)

CPA Cert. No. 29620

P.T.R. No. 0529317; Issued on January 19, 2006 at Makati City

SEC A.N. (Individual) as general auditors 0048-A

SEC A.N. (Firm) as general auditors 0009-F

T.I.N. 112-071-634

BIR A.N. 08-000745-13-2004; Issued on October 12, 2004; Effective until October 11, 2007

BOA/PRC Registration No. 0142; October 25, 2004

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

DECEMBER 31, 2005 and 2004

(ALL AMOUNTS IN PHILIPPINE PESOS)

	NOTES	2005	2004
Assets			
CURRENT ASSETS			
Cash and cash equivalents	2, 5, 6, 19	₱ 7,536,176	₱ 10,029,943
Loans and receivables, net	2, 9	52,684,499	116,392,029
Available-for-sale financial assets	2, 5, 7, 19	1,523,428,515	–
Trading investments in trust funds	2, 5, 8, 19	–	1,653,289,314
Total current assets		1,583,649,190	1,779,711,286
NON-CURRENT ASSETS			
Loans and receivables, net	2, 9, 16, 17	83,370,182	284,784
Property and equipment, net	2, 10	21,427,679	18,155,935
Investment property	2, 11	2,665,531	–
Total non-current assets		107,463,392	18,440,719
Total assets		₱ 1,691,112,582	₱ 1,798,152,005
Liabilities and Fund Balances			
CURRENT LIABILITIES			
Accounts payable, accrued expenses and other liabilities	2, 12, 19	₱ 13,202,246	₱ 43,069,633
Grants payable	13	48,781,968	18,132,354
Total current liabilities		61,984,214	61,201,987
FUND BALANCES			
Unrestricted	1, 5	40,519,536	252,291,186
Restricted	1	1,588,608,832	1,484,658,832
Total fund balances		1,629,128,368	1,736,950,018
Total liabilities and fund balances		₱ 1,691,112,582	₱ 1,798,152,005

THE NOTES ON PAGES 42 TO 56 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION, INC.
(A non-stock, non-profit organization)

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

(ALL AMOUNTS IN PHILIPPINE PESOS)

	NOTES	2005	2004
REVENUES, GAINS AND OTHER SUPPORTS			
	2		
Investment income, net		₱ 147,334,974	₱ 148,046,674
Interest income		15,631,143	8,957,019
Net unrealized foreign exchange gain	19	–	12,305,364
Unrealized gain in market value of investments		–	35,150,354
Others, net		2,106,676	125,895
Total revenues, gains and other supports		165,072,793	204,585,306
EXPENSES			
	2		
Grants		100,574,361	58,726,965
Unrealized foreign exchange loss	19	59,627,664	–
Project expenses	1, 14, 17	36,383,907	23,749,970
Realized foreign exchange loss	19	30,280,934	–
General and administrative	1, 15	8,037,985	7,454,664
Provision for impairment of loans and receivables		7,663,941	2,518,689
Depreciation	10	2,778,980	2,106,638
Total expenses		245,347,772	94,556,926
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR		₱ (80,274,979)	₱ 110,028,380

THE NOTES ON PAGES 42 TO 56 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION, INC.
(A non-stock, non-profit organization)

STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

(ALL AMOUNTS IN PHILIPPINE PESOS)

	UNRESTRICTED FUND				RESTRICTED FUND		Total
	Members' contribution	Cumulative excess of revenues over expenses	Reserve for fluctuations in value of available-for-sale financial assets	Total			
Balance at January 1, 2004	₱ 100,000	₱ 217,162,806	₱ -	₱ 217,262,806	₱ 1,409,658,832		₱ 1,626,921,638
Excess of revenues over expenses for the year	-	110,028,380	-	110,028,380	-		110,028,380
Provision for cost of inflation (Note 1)	-	(75,000,000)	-	(75,000,000)	75,000,000		-
Balance at December 31, 2004	100,000	252,191,186	-	252,291,186	1,484,658,832		1,736,950,018
Adoption of PAS 32 and PAS 39	-	(49,276,448)	49,276,448	-	-		-
Balance at January 1, 2005	100,000	202,914,738	49,276,448	252,291,186	1,484,658,832		1,736,950,018
Fair value adjustments	-	-	(27,546,671)	(27,546,671)	-		(27,546,671)
Deficiency of revenues over expenses for the year	-	(80,274,979)	-	(80,274,979)	-		(80,274,979)
Provision for cost of inflation (Note 1)	-	(103,950,000)	-	(103,950,000)	103,950,000		-
Balance at December 31, 2005	₱ 100,000	₱ 18,689,759	₱ 21,729,777	₱ 40,519,536	₱ 1,588,608,832		₱ 1,629,128,368

THE NOTES ON PAGES 42 TO 56 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION, INC.
(A non-stock, non-profit organization)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

(ALL AMOUNTS IN PHILIPPINE PESOS)

	NOTES	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses for the year		₱ (80,274,979)	₱ 110,028,380
Adjustments for:			
Depreciation	10	2,778,980	2,106,638
Net unrealized foreign exchange loss (gain)	19	59,627,664	(12,305,364)
Provision for impairment of loans and receivables		7,663,941	2,518,689
Recovery of write-off of loans and receivables		(1,941,719)	–
Loss (gain) on disposal of property and equipment		(2,966)	143,512
Provision for retirement benefits	16	190,278	153,322
Contributions to retirement fund	16	(100,858)	(311,292)
Investment and interest income		(162,966,117)	(157,003,693)
Amortization of bonds premiums		–	284,263
Net unrealized gain in market value of investment under trust accounts		–	(35,150,354)
Operating loss before changes in working capital		(175,025,776)	(89,535,899)
(Increase) decrease in:			
Loans and receivables		(23,904,839)	(25,570,831)
Trading investments in trust funds		1,653,289,314	(58,551,523)
Available-for-sale financial assets		(1,610,602,850)	–
Increase (decrease) in:			
Accounts payable, accrued expenses and other liabilities		(29,867,387)	15,069,588
Grants payable		30,649,614	2,568,067
Net cash used in operating activities		(155,461,924)	(156,020,598)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment and interest income received		161,681,446	163,072,232
Proceeds from sale of property and equipment		9,400	540,000
Additions to property and equipment	10	(6,057,158)	(3,948,525)
Increase in investment property		(2,665,531)	–
Net cash provided by investing activities		152,968,157	159,663,707
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(2,493,767)	3,643,109
CASH AND CASH EQUIVALENTS			
January 1		10,029,943	6,386,834
December 31	6	₱ 7,536,176	₱ 10,029,943

THE NOTES ON PAGES 42 TO 56 ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTES OF THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

(ALL AMOUNTS IN PHILIPPINE PESOS UNLESS OTHERWISE STATED)

NOTE 1 – General information

Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. (the “Foundation”) was formed by the Caucus of Development NGO Networks (CODE-NGO) and incorporated on November 27, 2001 for the purpose of providing financial, managerial, technical and policy assistance to non-governmental organizations, people’s organizations, community associations, social entrepreneurs, educational and research institutions, cooperatives and other similar groups or corporations in their effort to reduce or totally eliminate poverty, by increasing the entitlements of the poor in a sustained manner, through the distribution of resources and provision of public goods and by raising the level and quality of social services, thereby empowering them to improve their socio-economic condition and to participate in community and civic affairs. It is governed by a Board of Trustees whose members do not receive any compensation.

On February 14, 2003, CODE-NGO executed a deed of donation in favor of the Foundation, to transfer and convey, an endowment fund in trust of ₱1.318 billion, the principal amount, plus interest less expenses incurred by the Foundation from October 18, 2001 up to December 31, 2002. The amount advanced from the fund relative to the acquisition of a property (lot with office building currently being used as office site) was also included in the donation granted to the Foundation. The fund represents a portion of the net proceeds earned by CODE-NGO from the sale of Poverty Eradication and Alleviation Certificates (PEACE bonds) in the capital market. As agreed by the Foundation and CODE-NGO, only the earnings of the principal fund shall be utilized for poverty alleviation and development projects, general administrative expenses or acquisition of assets necessary for the furtherance of the Foundation’s objectives.

Currently, the Foundation reports the income earned and expenses incurred pertaining to the fund under unrestricted activities. Accordingly, the excess of revenues over expenses for the years ended December 31, 2002 and 2001 of ₱144.4 million and ₱18.7 million, respectively, were transferred to the unrestricted fund in accordance with the agreement with CODE-NGO. The Foundation also allocates a certain percentage from the earnings of the fund to cover for the cost of inflation.

As a non-stock, non-profit private foundation, organized and operated exclusively for providing financial, managerial, technical assistance to proponents of poverty alleviation and development projects, it is exempt from income tax pursuant to Section 30 of the Tax Reform Act of 1997 (R.A. 8424). However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

On December 23, 2004, the Bureau of Internal Revenue (BIR) issued to the Foundation a five-year certification of registration in accordance with Revenue Regulations No. 13-98. This certification allows the Foundation certain incentives such as: (a) full or limited deduction by the donors of their donations, grants and contributions pursuant to Section 34(H) of the Tax Code; and (b) exemption from donor’s tax pursuant to Section 101 of the R.A. 8424. The certification issued by the BIR is subject to the representations and commitments set forth in the accreditation issued to the Foundation by the Philippine Council for NGO Certification (PCNC) on October 27, 2004.

The Foundation’s registered office is at No. 69 Esteban Abada Street, Loyola Heights, Quezon City. It has 19 regular employees as of December 31, 2005 and 2004. Total staff costs charged to general and administrative expenses and project expenses – project development, monitoring and evaluation for the year amounted to ₱4,138,683 (2004 - ₱3,612,816) and ₱6,345,304 (2004 - ₱5,024,599), respectively (see Notes 14 and 15).

NOTE 2 – Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued and effective at the time of preparation of the financial statements, and are covered by PFRS 1, First-time Adoption of Philippine Financial Reporting Standards. The financial statements are the first financial statements of the Foundation to be prepared in accordance with PFRS. The term PFRS includes all applicable PFRS, IFRIC Interpretations, Philippine Accounting Standards (PAS) and Philippine Interpretations Committee (PIC) Interpretations which have been approved by the Accounting Standards Council (ASC) (soon to be called Financial Reporting Standards Council or FRSC) and adopted by the Securities and Exchange Commission to take effect starting annual accounting periods beginning January 1, 2005.

The policies set out below have been consistently applied to all the years presented except for those relating to designation and measurement of financial instruments. The Foundation has made use of the exemption available under PFRS 1 relative to the application of PAS 32 and PAS 39 from January 1, 2005. The policies applied to financial investments for 2004 and 2005 are disclosed separately below.

The financial statements of the Foundation were prepared in accordance with generally accepted accounting principles in the Philippines (GAAP) until December 31, 2004. GAAP differs in some areas from PFRS. In preparing the Foundation's 2005 financial statements, management has amended certain accounting and valuation methods applied in the GAAP financial statements to comply with PFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from GAAP to PFRS on the Foundation's fund balances and the excess of its revenues over expenses and cash flows during the year are provided in Note 5.

The financial statements have been prepared under the historical cost convention, as modified by the re-measurement of available-for-sale financial assets.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Foundation's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new accounting standards effective in 2005

The ASC approved the issuance of new and revised accounting standards which are based on revised International Accounting Standards (IAS) and new International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) which are effective for annual periods beginning on or after January 1, 2005. These new Standards have been renamed Philippine Accounting Standards (PAS) to correspond to adopted IAS while the Philippine Financial Reporting Standards (PFRS) correspond to adopted IFRS.

The Foundation adopted the following applicable revised and new accounting standards effective January 1, 2005:

Philippine Accounting Standards

- PAS 1, Presentation of Financial Statements
- PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- PAS 10, Events after the Balance Sheet Date
- PAS 16, Property, Plant and Equipment
- PAS 17, Leases, as revised
- PAS 19, Employee Benefits
- PAS 21, The Effects of Changes in Foreign Exchange Rates
- PAS 24, Related Party Disclosures

- PAS 32, Financial Instruments: Disclosure and Presentation
- PAS 36, Impairment of Assets
- PAS 38, Intangible Assets
- PAS 39, Financial Instruments: Recognition and Measurement
- PAS 40, Investment Property

Philippine Financial Reporting Standards

PFRS 1, First-time Adoption of Philippine Financial Reporting Standards

PFRS 1 applies when an entity adopts PFRS for the first time, by an explicit and unreserved statement of compliance with PFRS. In general, PFRS 1 requires an entity adopting PFRS for the first time (a first time adopter) to comply with each PFRS that has come into effect at the reporting date for its first PFRS financial statements. PFRS 1 requires that the Foundation prepares an opening PFRS statement of assets, liabilities and fund balances at the date of transition to PFRS (the beginning of the earliest period for which it presents full comparative information under PFRS in its first PFRS financial statements). PFRS 1 grants limited exemptions from these requirements in specified areas where the cost of complying with them would be likely to exceed benefits to users of financial statements. PFRS 1 also prohibits retrospective application of PFRS in some areas, particularly where retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known. Further, PFRS 1 requires disclosures that explain how the transition from previous GAAP to PFRS affected the Foundation's reported statements of assets, liabilities and fund balances, revenues and expenses and cash flows.

Except for PFRS 1, PAS 19, 32 and 39, the adoption of the above revised standards did not result in substantial changes to the Foundation's accounting policies.

New accounting standards, amendments and IFRIC interpretations effective in 2006

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after January 1, 2006.

- IFRIC 4, Determining whether an Arrangement Contains a Lease
- PAS 19 (Amendment), Employee Benefits
- PAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- PAS 39 (Amendment), The Fair Value Option
- PAS 39 and PFRS 4 (Amendment), Financial Guarantee Contracts

The Foundation's assessment of the impact of the above new standards and interpretations could not be reasonably estimated as of December 31, 2005.

b) Cash and cash equivalents

Cash and cash equivalents are carried in the statements of assets, liabilities and fund balances at face value. For the purposes of statements of cash flows, cash and cash equivalents consist of cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

c) Loans and receivables

Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is an objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the loans and receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statements of revenues and expenses.

Bad debts are written-off in the year they are fully determined to be uncollectible.

d) **Financial assets**

From January 1, 2005

Classification

The Foundation classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the Foundation's financial assets at initial recognition and re-evaluates this designation at every reporting date.

i. Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The Foundation does not hold any investments under this category during the year.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where management has no intention of trading. These financial assets are included in current assets, except for maturities greater than 12 months after the reporting date which are classified as non-current assets. The Foundation's advances to project proponents and other receivables are classified under this category.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. The Foundation does not hold any investments in this category during the year.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting date. The Foundation has investments under this category during the year.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognized on trade date (the date on which the Foundation commits to purchase or sell the asset). Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Foundation has transferred substantially all risks and rewards of ownership.

Measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statements of revenues and expenses in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized as reserve for fluctuations in value of available-for-sale financial assets, until the financial assets are derecognized or impaired at which time the cumulative gain or loss previously recognized as reserve for fluctuations in value of available-for-sale financial assets should be recognized in the statements of revenues and expenses. However, interest calculated on these financial

assets using the effective interest method is recognized in the statements of revenues and expenses. Dividends on available-for sale financial assets are recognized in the statements of revenues and expenses when the Foundation's right to receive payment is established.

Determination of fair values

The fair values of quoted investment in active markets are based on current bid prices.

Impairment

The Foundation assesses at each reporting date whether there is an objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of available-for-sale financial asset below cost is considered in determining whether the securities are impaired. The cumulative loss (difference between the acquisition cost and the fair value) is removed from reserve for fluctuations in value of available-for-sale financial assets and recognized in the statements of revenues and expenses when the asset is determined to be impaired.

From January 1, 2004 to December 31, 2004

The above policies apply except for:

Trading investments in trust funds are carried at fair value plus transaction costs. Fair values are based on current level prices. Gains and losses arising from the changes in the fair value of investments are included in the statements of revenues and expenses based on the financial reports of the trustee banks.

Loans and receivables, which include advances to project proponents, are carried at original amount less provision for impairment. A provision for impairment of loans and receivables is established after a study of the estimated collectibility of the loan and receivable balances and evaluation of such factors as aging of the accounts, collection experience of the Foundation in relation to the particular loan or receivable, and identified doubtful accounts.

e) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and provision for impairment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Foundation and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance are charged to the statements of revenues and expenses during the financial period in which they are incurred.

Depreciation is computed using the straight-line method over the asset's estimated useful life, as follows:

Particulars	Number of years
Building and improvements	10 - 25
Transportation equipment	5
Office furniture, fixtures and equipment	3 - 5

The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are reflected as other revenues or expenses in the statements of revenues and expenses.

f) Investment property

Property that is held either to earn rental income or for capital appreciation or for both and that is not significantly occupied by the Foundation is classified as investment property.

Investment property is initially measured at cost (including transaction costs). Cost is the fair value of the consideration given to acquire the investment property. Under the cost model, investment property is measured at cost less any accumulated depreciation and impairment. The Foundation applies the cost model in measuring its investment property subsequent to initial recognition.

The carrying value of the investment property is periodically reviewed for impairment losses whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. Where an impairment of an investment property is identified, the carrying value should be written down to its recoverable amount. Any impairment loss is charged to the statements of revenues and expenses.

g) **Non-current assets held for sale**

From January 1, 2005

The Foundation classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale must be highly probable.

The Foundation measures a foreclosed asset classified as held for sale at the lower of its carrying amount or fair value less costs to sell. When the sale is expected to occur beyond one year, the Foundation measures the cost to sell at its present value. Otherwise, the foreclosed asset is recorded using the measurement basis appropriate to the asset as follows:

- i) Investment property shall be accounted for using the cost method under PAS 40 (see Note 2.f);
- ii) Foundation-occupied property shall be accounted for using the cost model under PAS 16 (see Note 2.e);
and
- iii) Financial assets shall be initially booked and classified according to intention accounted for in accordance with provisions of PAS 39 (see Note 2.d).

From January 1, 2004 to December 31, 2004

Real and other properties owned or acquired (ROPOA) are generally stated at the total outstanding exposure or at the estimated fair market value of the collateral at the time of acquisition, whichever is lower less allowance for probable losses. Any excess of loan balance over the fair market value of the collateral not recovered from the borrower is charged against revenue.

h) **Impairment of assets**

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

i) **Related party transactions and relationships**

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more of the intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its members. Transaction between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

j) Accounts payable

Accounts payable are measured at amortized cost, normally equal to the nominal amount.

k) Provisions

Provisions are recognized when: the Foundation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the management's best estimate of the expenditure required to settle the present obligation at the reporting date.

l) Revenue and expense recognition

- i) Investment income, which principally consists of gain on sale of investments, interest income and other income are recognized when earned, net of applicable final withholding taxes.
- ii) Interest income on loans and receivables is recognized in the statements of revenues and expenses for all financial assets measured at amortized cost using the effective interest method.
- iii) Grants, project development, monitoring and other expenses are recognized when incurred.
- iv) Interest income on bank deposits is recognized on a time proportion basis, net of applicable final withholding tax.

m) Employee benefits

The Foundation operates a defined benefit retirement plan which is funded through payments to trustee-administered funds, determined by periodic actuarial calculations. A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statements of assets, liabilities and fund balances in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread to revenues over the employees' expected average remaining working lives.

Past-service costs are recognized immediately, unless the changes to the retirement plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

n) Foreign currency translations

From January 1, 2005

i. Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the Foundation operates (the 'functional currency'). The financial statements are presented in Philippine Peso, which is the Foundation's functional and presentation currency.

Presentation currency is the currency in which the financial statements are presented.

ii. Translations and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Outstanding foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at reporting date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of revenues and expenses.

Translation differences on non-monetary items, such as investments held at fair value through profit or loss, are reported as part of their fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the reserve for fluctuations in value of available-for-sale financial assets in the statements of assets, liabilities and fund balances.

From January 1, 2004 to December 31, 2004

The above policies apply except for the following:

- The standards then did not have discussions on the functional currency concept.
- Foreign currency was then defined as the currency other than the reporting currency of an enterprise; starting 2005, this was defined as the currency other than the functional currency of the entity.

p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

NOTE 3 – Financial risk management

The Foundation's activities expose it to varieties of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Foundation has no formal risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

a) Market risk

i) Foreign currency risk

The Foundation is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Foundation's functional currency. The Foundation has certain investments in foreign currency which are exposed to foreign currency translation risk.

ii) Price risk

The Foundation is exposed to equity securities' and debt instruments' price risk because of financial assets it holds which are available for sale. The Foundation is not exposed to commodity price risks.

b) Credit risk

The Foundation has no significant concentrations on credit risk. It has policies and procedures to ensure that borrowers have appropriate credit history.

c) Liquidity risk

The Foundation is exposed to liquidity risk. It aims to maintain flexibility in funding its operations by realizing income from investments, collecting efficiently from its project proponents and maintaining sufficient and available cash.

NOTE 4 – Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of loans and receivables

The provision for impairment of loans and receivables is based on the Foundation's assessment of the collectibility of accounts from borrowers. This assessment requires judgment regarding the outcome of disputes and the ability of each of the borrowers to pay the amount owed to the Foundation.

NOTE 5 – Transition to Philippine Financial Reporting Standards (PFRS)

a) Application of PFRS 1

The Foundation's financial statements for the year ended December 31, 2005 will be the first annual financial statements that comply with PFRS. The Foundation has applied PFRS 1 in preparing the financial statements.

The Foundation's transition date is January 1, 2004. The Foundation prepared its opening PFRS statement of assets, liabilities and fund balances at that date. The reporting date of the financial statements is December 31, 2005. The Foundation's PFRS adoption date is January 1, 2005.

In preparing the financial statements in accordance with PFRS, the Foundation has applied certain of the optional exemptions from full retrospective application of PFRS.

b) Exemptions from full retrospective application elected by the Foundation

The Foundation has elected to apply the following optional exemptions from full retrospective application under PFRS 1:

i) Exemption from restatement of comparatives for PAS 32 and PAS 39

The Foundation has elected to apply this exemption. It applied GAAP rules to financial assets and financial liabilities for the 2004 comparative information. The adjustments required for differences between GAAP and PAS 32 and PAS 39 are determined and recognized at January 1, 2005.

ii) Designation of financial assets and financial liabilities exemption

The Foundation reclassified various financial assets as available-for-sale financial assets and loans and receivables. The adjustments relating to PAS 32 and PAS 39 at the opening reporting date of January 1, 2005, the PAS 32/39 transition date, are detailed below.

The Foundation did not avail of the other optional exemptions under PFRS 1.

c) Exceptions from full retrospective application followed by the Foundation

The exceptions from full retrospective application available to the Foundation under PFRS 1 are not applicable.

d) Reconciliations between PFRS and GAAP

d.1) Reconciliation of fund balances

The analysis below shows the reconciliation of fund balances as reported under GAAP to the restated fund balances under PFRS as reported in the financial statements at January 1, 2004 (date of transition to PFRS) and December 31, 2004.

	January 1, 2004	December 31, 2004
Fund balances under GAAP	₱ 1,626,863,684	₱ 1,736,734,094
Recognition of prepaid retirement benefits in accordance with the provisions of PAS 19	57,954	215,924
Fund balances under PFRS	₱ 1,626,921,638	₱ 1,736,950,018

d.2) Reconciliation of the excess of revenues over expenses for the year ended December 31, 2004.

The analysis below shows the reconciliation of the excess of revenues over expenses reported under GAAP to the excess of revenues over expenses under PFRS as reported in the financial statements for the year ended December 31, 2004.

Excess of revenues over expenses under GAAP	₱ 109,870,410
Recognition of prepaid retirement benefits in accordance with the provisions of PAS 19	157,970
Excess of revenues over expenses under PFRS	₱ 110,028,380

d.3) Reconciliation of fund balances at January 1, 2005

The following analysis provides a quantification of transition to PFRS as required by PFRS 1. Except for the accounts included in the analysis below, all other accounts are not significantly affected by changes in accounting policies due to transition to PFRS.

	NOTES	PFRS December 31, 2004	Effect of adoption of PAS 32 and 39	PFRS January 1, 2005
Cash and cash equivalents	d.3.1	₱ 10,029,943	₱ 19,681,780	₱ 29,711,723
Available-for-sale financial assets	d.3.2	–	1,633,607,534	1,633,607,534
Trading investments in trust funds	d.3.3	1,653,289,314	(1,653,289,314)	–

The Foundation took the exemption not to restate its comparative information for PAS 32 and PAS 39 for the year ended December 31, 2004. It therefore adopted PAS 32 and PAS 39 effective January 1, 2005.

The following notes explain the adjustments made at January 1, 2005 to the Foundation's statement of assets, liabilities and fund balances at December 31, 2004 to reflect the adoption of PAS 32 and PAS 39.

d.3.1 Cash and cash equivalents				
Reclassification from trading investments in trust funds			₱ 19,681,780	
d.3.2 Available-for-sale financial assets				
Reclassification from trading investments in trust funds			₱ 1,633,607,534	
d.3.3 Trading investments in trust funds				
Reclassification to cash and cash equivalents and available-for-sale financial assets			₱ (1,653,289,314)	

d.4) Reconciliation of cash flows for the year ended December 31, 2004

The following analysis provides a quantification of transition to PFRS as required by PFRS 1. Except for the accounts included in the analysis below, all other accounts are not significantly affected by changes in accounting policies due to transition to PFRS.

	GAAP	Effect of transition to PFRS	PFRS
Excess of revenues over expenses for the year	₱ 109,870,410	₱ 157,970	₱ 110,028,380
Provision for retirement benefits	–	153,322	153,322
Increase in loans and receivables	(25,259,539)	(311,292)	(25,570,831)

The main PFRS transition effect presented by the Foundation in its statement of cash flows for the year ended December 31, 2004 represents recognition of transitional prepaid retirement benefits following the provisions of PAS 19.

NOTE 6 – Cash and cash equivalents

Cash and cash equivalents at December 31 consist of:

	2005	2004
Cash on hand and balances with banks	₱ 5,362,419	₱ 4,367,843
Special savings deposits held by fund managers	2,173,757	–
Short-term placements	–	5,662,100
	₱ 7,536,176	₱ 10,029,943

Short-term placements earn annual interest of 6%. These deposits have an average maturity period of 30 days. The placements were pre-terminated in August 2005.

NOTE 7 – Available-for-sale financial assets

Available-for-sale financial assets held by the following fund managers at December 31, 2005 consist of:

ING Bank, N.V. (ING)		
Republic of the Philippines (ROP) - Sovereign bonds		₱ 617,060,422
Unitized investment trust fund		231,630,554
Shares of stock listed in stock exchange		119,689,961
		968,380,937
Deutsche Bank, AG (DB)		
Corporate bonds		331,554,499
ROP - Sovereign bonds		70,122,288
		401,676,787
Asia United Bank Corp. (AUB)		
Treasury notes		97,008,690
ROP - Sovereign bonds		45,182,492
Unitized investment trust fund		11,179,609
		153,370,791
		₱ 1,523,428,515

The Foundation pays ING, DB and AUB every quarter one-fourth of the annual service fee rates of 0.25% based on the average market values of funds in trust.

NOTE 8 – Trading investments in trust funds

Trading investments in trust funds held by the following fund managers at December 31, 2004 consist of:

ING Bank, N.V. (ING)		
Republic of the Philippines (ROP) - Sovereign bonds		₱ 368,723,547
Unitized investment trust fund		196,153,270
Shares of stock listed in stock exchange		136,349,024
Global mutual fund		105,068,328
Corporate loans		95,236,108
Corporate bonds		71,388,792
Quasi-government bonds		42,236,822
Savings deposit account		18,314,974
Commercial papers		8,002,072
		1,041,472,937
Deutsche Bank, AG (DB)		
Corporate bonds		319,400,831
ROP - Sovereign bonds		93,169,798
Savings deposit account		1,362,898
		413,933,527

Asia United Bank Corp. (AUB)	
Treasury notes	138,110,937
Common trust fund	36,306,206
Corporate bonds	23,461,799
Savings deposit account	3,908
	197,882,850
	₱ 1,653,289,314

With the adoption of PAS 32 and PAS 39, this account was no longer used in 2005.

NOTE 9 – Loans and receivables, net

Loans and receivables, net at December 31 consist of:

	NOTES	2005	2004
Current			
Advances to project proponents (Schedule I)	₱	57,459,848	₱ 119,543,717
Accrued interest		2,202,223	917,553
Prepayments and other current assets		103,965	374,262
Others		2,747,123	1,086,243
		62,513,159	121,921,775
Allowance for impairment losses		(9,828,660)	(5,529,746)
Total current loans and receivables		52,684,499	116,392,029
Non-current			
Advances to project proponents (Schedule I)		84,605,507	–
Prepaid retirement benefits	16	126,504	215,924
Refundable deposits	17	61,479	68,860
		84,793,490	284,784
Allowance for impairment losses		(1,423,308)	–
Total non-current loans and receivables		83,370,182	284,784
	₱	136,054,681	₱ 116,676,813

Advances to project proponents represent releases to project proponents subject to repayment for micro-finance, micro-enterprise, agricultural development, housing and proactive projects. These advances earn annual interest of 9% or 12% to cover the administrative costs of servicing the projects. A 3% rebate is given as incentive for prompt payments. Financial advances extended for micro-enterprise, housing and other projects involving acquisition of assets are secured with real and chattel mortgages and/or joint security.

The carrying amounts of advances from project proponents approximate their fair values at each reporting date.

NOTE 10 – Property and equipment

Property and equipment at December 31, 2005 consist of:

	Land (NOTE 1)	Building and improvements (NOTE 1)	Transportation equipment	Office furniture, fixtures and equipment	Total
Cost					
Balance at January 1	₱ 9,158,002	₱ 4,030,277	₱ 3,776,831	₱ 4,169,449	₱ 21,134,559
Additions during the year	3,211,970	889,665	267,562	1,687,961	6,057,158
Disposals during the year	–	–	–	(104,698)	(104,698)
Balance at December 31	12,369,972	4,919,942	4,044,393	5,752,712	27,087,019
Accumulated depreciation					
Balance at January 1	–	653,192	583,826	1,741,606	2,978,624
Depreciation during the year	–	443,245	777,766	1,557,969	2,778,980
Disposals during the year	–	–	–	(98,264)	(98,264)
Balance at December 31	–	1,096,437	1,361,592	3,201,311	5,659,340
Net book value at December 31	₱ 12,369,972	₱ 3,823,505	₱ 2,682,801	₱ 2,551,401	₱ 21,427,679

Property and equipment at December 31, 2004 consist of:

	Land (NOTE 1)	Building and improvements (NOTE 1)	Transportation equipment	Office furniture, fixtures and equipment	Total
Cost					
Balance at January 1	₱ 9,158,002	₱ 3,994,092	₱ 2,228,839	₱ 2,679,733	₱ 18,060,666
Additions during the year	–	36,185	2,422,624	1,489,716	3,948,525
Disposals during the year	–	–	(874,632)	–	(874,632)
Balance at December 31	9,158,002	4,030,277	3,776,831	4,169,449	21,134,559
Accumulated depreciation					
Balance at January 1	–	249,562	136,226	677,318	1,063,106
Depreciation during the year	–	403,630	638,720	1,064,288	2,106,638
Disposals during the year	–	–	(191,120)	–	(191,120)
Balance at December 31	–	653,192	583,826	1,741,606	2,978,624
Net book value at December 31	₱ 9,158,002	₱ 3,377,085	₱ 3,193,005	₱ 2,427,843	₱ 18,155,935

Depreciation expense during the year amounted to ₱2,778,980 (2004 - ₱2,106,638) and shown as part of expenses in the statements of revenues and expenses.

NOTE 11 – Investment property

The account represents parcel of land foreclosed by the Foundation when a borrower is unable to settle its loan. The fair value of the investment property amounted to ₱2,397,000 which was based on a valuation performed by an independent valuer.

NOTE 12 – Accounts payable, accrued expenses and other liabilities

Accounts payable, accrued expenses and other liabilities at December 31 consist of:

	2005	2004
Accrued expenses	₱ 5,654,587	₱ 2,248,659
Trustee fee payable	6,720,028	40,584,745
Accounts payable	827,631	236,229
	₱ 13,202,246	₱ 43,069,633

Trustee fee payable represents service fees of ING, DB and AUB in managing the Foundation's investments.

NOTE 13 – Grants payable

This account represents unreleased and committed grants to project proponents.

NOTE 14 – Project expenses

Project expenses for the years ended December 31 consist of:

	NOTES	2005	2004
Project development, monitoring and evaluation	1, 17	₱ 15,878,357	₱ 11,551,202
Project support		14,872,722	9,508,973
Institutional support		4,146,279	2,689,795
Rebates to proponents		1,486,549	–
		₱ 36,383,907	₱ 23,749,970

NOTE 15 – General and administrative expenses

General and administrative expenses for the years ended December 31 consist of:

	NOTE	2005	2004
Personnel costs	1	₱ 4,200,687	₱ 3,538,714
Supplies and services		2,777,313	2,138,486
Outside services		958,718	1,189,184
Transportation and travel		101,267	588,280
		₱ 8,037,985	₱ 7,454,664

NOTE 16 – Retirement benefits

The Foundation has a trustee, non-contributory retirement plan covering all qualified officers and employees. Under the plan, qualified officers and employees will be entitled to receive retirement benefits when they reach the normal retirement age of 60. The projected unit credit cost method was used to determine the current service cost for the year.

The most recent actuarial valuation of the Foundation's retirement plan was performed by an independent actuary at December 31, 2005. The principal assumptions made were:

	2005	2004
Rate of salary increases	7.00%	5.00%
Discount rate	11.90%	14.47%
Expected return on plan assets	7.73%	7.88%

The prepaid retirement benefits recognized in the statements of assets, liabilities and fund balances at December 31 is determined as follows:

	2005	2004
Present value of retirement benefit obligation	₱ (808,672)	₱ (482,730)
Fair value of plan assets	859,977	699,664
Unrecognized actuarial gains (losses)	75,199	(1,010)
Prepaid retirement benefits	₱ 126,504	₱ 215,924

The Foundation's plan assets represent investment in trust fund with a local bank amounting to ₱859,977 as of December 31, 2005 (2004 - ₱699,664).

The retirement benefit expense recognized in the statements of revenues and expenses for the years ended December 31 is determined as follows:

	2005	2004
Current service cost	₱ 175,561	₱ 144,369
Interest cost	69,851	36,194
Expected return on plan assets	(55,134)	(27,241)
	₱ 190,278	₱ 153,322

Changes in the fair value of plan assets for the years ended December 31 follow:

	2005	2004
Beginning of year	₱ 699,664	₱ 351,499
Expected return on plan assets	55,134	27,241
Contributions during the year	100,858	311,292
Actuarial gains	4,321	9,632
End of year	₱ 859,977	₱ 699,664

Below is the analysis of the movement in the prepaid retirement benefits during the year:

	2005		2004	
Beginning of year	₱	215,924	₱	57,954
Retirement expense during the year		(190,278)		(153,322)
Contributions during the year		100,858		311,292
End of year	₱	126,504	₱	215,924

NOTE 17 – Leases

The Foundation has a lease agreement covering its office space in Cebu City for a period of two years commencing on January 1, 2004. The Foundation also leases an office space in Davao City which commenced on January 1, 2004 for a period of one year. This lease agreement was terminated in December 2005. The lease agreements required the Foundation to pay rental deposits which are included under Loans and Receivables – refundable deposits account in the statements of assets, liabilities and fund balances.

Rent expense on the above lease agreements during the year amounted to ₱259,760 (2004 - ₱267, 860) and is included in project development, monitoring and evaluation account, a component of project expenses in the statements of revenues and expenses.

NOTE 18 – Related party transactions

Key management compensations for the years ended December 31 consist of:

	2005		2004	
Salaries and wages	₱	4,350,852	₱	3,255,829
Employee benefits		1,114,085		764,806
	₱	5,464,937	₱	4,020,635

There are no other material related party transactions during year.

NOTE 19 – Foreign currency denominated monetary assets and liabilities

The Foundation's foreign currency denominated monetary assets and liabilities at December 31 follow:

	2005		2004	
Assets				
Cash and cash equivalents	US\$	30,499	US\$	1,782
Trading investments in trust funds		–		17,974,702
Available-for-sale financial assets		18,303,530		–
Liabilities				
Accounts payable, accrued expenses and other liabilities - trustee fee payable		(57,310)		(362,653)
Net foreign currency assets	US\$	18,276,719	US\$	17,613,831
Peso equivalent	₱	970,311,012	₱	991,306,409

At December 31, 2005, the exchange rate used is ₱53.09 per US\$1.00 (2004 - ₱56.28 per US\$1.00).

Net foreign exchange loss charged to the statements of revenues and expenses during the year amounted to ₱89,908,598 (2004 - ₱12,305,364, net foreign exchange gain).

As of March 27, 2006 the exchange rate per US\$1 is ₱51.14.

NOTE 20 – Approval and authorization for issuance of financial statements

The financial statements of the Foundation were approved and authorized for issuance by the Foundation's Finance and Investment Committee, on behalf of the Board of Trustees on March 27, 2006.

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Atty. Anna Lea H. Uy

Corporate Secretary/Legal Counsel

- Anna Lea Uy Law Office



The PEF Board of Trustees sets the strategic directions and key policies and approves major projects of the Foundation. Annually, in the month of March the PEF Board of Trustees reports the Foundation's operations and accomplishments to the PEF General Assembly. The latter is composed of the current and past members of the Board of Trustees.

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- **Veronica F. Villavicencio**
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- **Pia V. Villapando**
Executive and Technical Officer

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- **Elbe D. Aguba**
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