



REPORT FOR 2008

Doing more with FINANCIAL PARTNERSHIP



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 organization such as people's organizations, cooperatives, faith-based groups, non-government organizations, and similar entities that serve the struggling households in the poorest communities.

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The Year 2008 augured crisis and challenge for the Foundation as a development financing institution. While tremors of a complex global financial crisis rocked Philippine institutions, and we all - private sector, government and civil society - switched to survival mode and prepared for what was felt by many as a long haul to financial and economic recovery.

In March 2008, I was elected as a new member of the Board of Trustees by the Peace and Equity Foundation's membership and subsequently also as its Chairperson.

The Year 2008 also marked major milestones for social change advocacies in which I have been immersed through my years as a religious priest and as a social scientist.

The 2nd National Rural Congress (NRC) after 40 years was convened by the Catholic laity through their basic ecclesial communities from all Philippine dioceses. The voices of the poor were heard by the clergy and civil society organizations - that rural poverty is even now more insidious and intense, but that communities are better organized and empowered yet still needing sustained support for overcoming powerful forces of social injustice, inequality and violence.

Agrarian reform for rural poor remained an arduous struggle with a temporary extension of the Comprehensive Agrarian Reform Law. The farmers' 1700 - kilometer march from Sumilao, Bukidnon to Quezon City in 2007 rekindled the dying flame of hope that "land to the tiller" and sustainable livelihoods could be their children's reality.

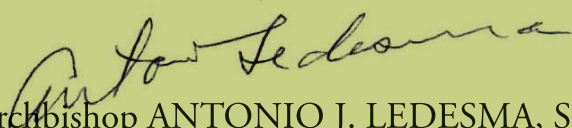
Peace, equity, and access to justice in the land of promise, Mindanao, still elude us, especially the poor. War and violence, including abductions and killings of ordinary people and social development workers, have created societal scars that mar dialogue - the only clear path to peace. PEF has been called to provide relief to internally displaced families, even while it has been constrained in moving funds to sustained services like water and schooling in conflict-ridden villages.

True to its mission to empower the poor, the Peace and Equity Foundation has supported the poor rural sectors' coming together to be heard. And still, underlying these advocacy efforts, this Foundation continues to weave a social net of basic social services, livelihood opportunities and social capital formation.

The Foundation's main vehicle for poverty reduction, development financing, is not only a funds mobilization outlet. PEF activated new modes of infusing funds in development projects and further animated partnerships with other organizations with a social mission. More significantly, PEF has combined non-financial and intangible assets - such as knowledge, social organization, leadership, innovative ideas, human talents - with the financial and tangible capital resources that it has preserved through its seven fledgling years.

Together with my social and pastoral work as head of the Archdiocese of Cagayan de Oro in Northern Mindanao, I consider myself blessed to share leadership with a Board of Trustees of boundless energy and creative passion and have influence in the directions of a socially meaningful Foundation.

We obtain strength in our faith in the Almighty One, in our civil society partners and the rural poor whom we serve.


Archbishop ANTONIO J. LEDESMA, SJ DD

Message FROM THE CHAIRPERSON





MOVING FUNDS ON THE DEVELOPMENT TRACK

In its first seven years, 2001-2008, PEF persisted in moving development funds to poverty reduction projects in the poorest communities in its priority provinces. In these years, PEF funded -projects grew to a total of ₱1.034 billion approved for grants, loans and, since 2007 in equity investments to 1,139 discrete projects. Of this total approved amount, 57% or ₱593 million had been completed, while 43% or ₱441 million in approved projects are ongoing.

TABLE I
STATUS OF TOTAL PORTFOLIO (2001-2008 APPROVED PROJECTS)

	CLOSED/ COMPLETED	%	ON-GOING	%	TOTAL
Luzon	162,242,378.3	27	100,525,564	23	262,767,942.3
Mindanao	205,851,032.9	35	172,700,282.4	39	378,551,315.3
National	104,556,445.6	18	54,755,000	12	159,311,445.6
Visayas	120,175,523.6	20	113,202,041	26	233,377,564.6
Total	592,825,380.50		441,182,887.33		1,034,008,267.83
%	57%		43%		100%
No.	964		175		1,139

These projects include infusions from two funding partnerships: ₱88 million from the Mindanao Partnership Project for Peace (MP3) with the Catholic Organization for Relief and Development Aid (CORDAID); and P10 million (of its allocated ₱24 million) from the Micro-Finance Fund for Renewal Energy with the Department of Energy-United Nations Development Programme-Global Environmental Facility (DOE-UNDP-GEF).

STAKES IN EQUITY FINANCING

PEF entered a new mode of development financing in 2007 – investment in equity in other non-stock non-profit financial institutions that extend their reach to organized poor, particularly cooperatives. Thus, for the two years, 2007-2008, equity financing reached ₱35 million that was 9% of total funding approved in 2007 and 17% in 2008.

GRANTS AND LOANS

PEF grants still largely went to basic services, such as potable water systems and basic education projects, while loans went to livelihood and income-generating projects.

For the seven years, grants comprised about 46% of total project funds approved, while loans comprised 51% and equity financing, 3%.



TABLE 2
TOTAL AMOUNTS APPROVED PER TYPE OF FINANCING, 2001-2008

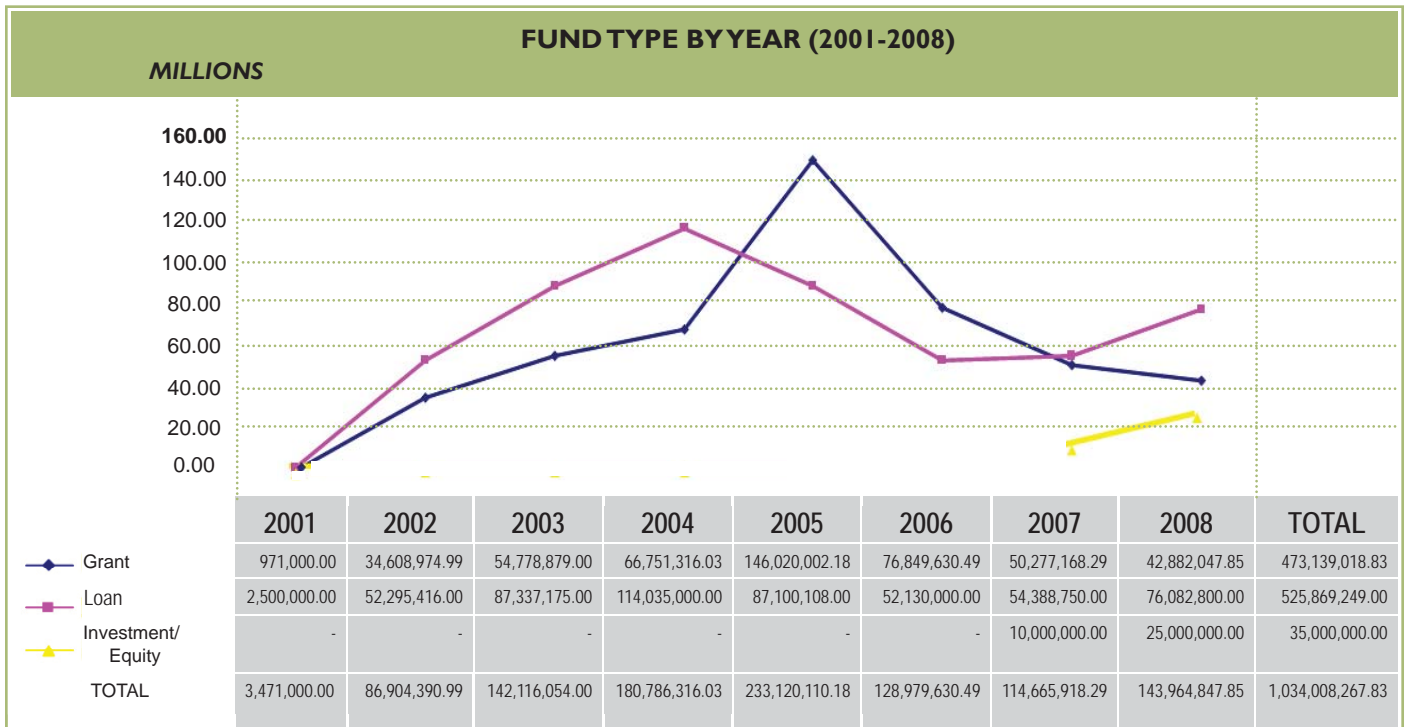
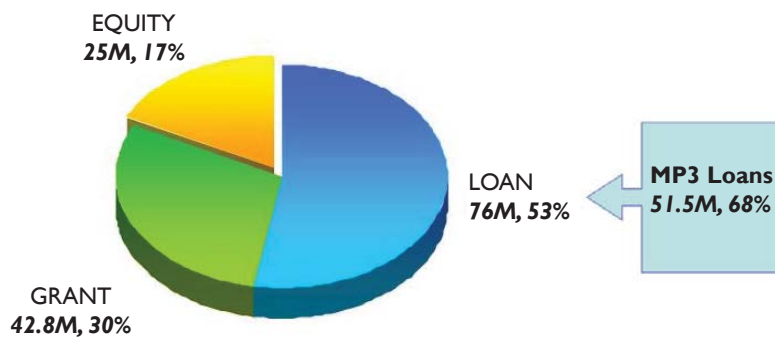


FIGURE 1
2008 AMOUNTS APPROVED AND PERCENTAGE OF PORTFOLIO





DEVELOPMENT OUTREACH

TILTING THE BALANCE TO MINDANAO

In the Foundation's first operating years until 2004, Mindanao would receive a lower share of funding approvals than Luzon. But in 2008, half of project funding approved (₱74 out of ₱144 million) went to 64 projects in the two Mindanao areas. So for seven years, 2001-2008, in cumulative amounts of approved funds, Mindanao has by 2008 obtained 36%, while Luzon and Visayas got 25 and 22%, respectively.

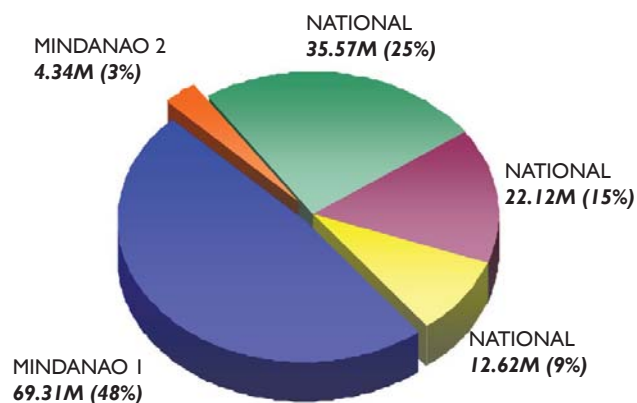
Relatedly, PEF approved in 2008 the setting up and testing of a program support unit for the Zamboanga Peninsula with Basilan, Sulu and Tawi-Tawi (alternatively called the Mindanao2 or ZamBaSulTa area). The ZamBaSulTa Program Support stimulated new partnership modes after PEF realized that low levels of funds were mobilized, even with three PACs established in this area. Poverty incidence has been consistently high here with 4 of the 6 provinces figuring in the PEF's Development Index of 2007 to be among the poorest 10 provinces of the country (Sulu is 2nd, Basilan 4th, Tawi-Tawi 6th, Zamboanga del Norte, 9th). But PEF projects and funding in these provinces have stayed in the lower rungs.

In 2008, ₱4.3 million additional funding for projects were approved, and this brought the total active portfolio for the ZamBaSulTa area, to P10 million.

HOUSEHOLDS REACHED

For 2008, PEF development financing reached an estimated 5,250 households with microfinancing loans, 2,600 households gaining renewable energy also through microfinancing, and 1,955 households having clean water. These added to the overall cumulative beneficiary count for 2001-2007 of 253,000 households that loaned from microfinance and enterprise projects and 34,000 households obtaining potable water.

FIGURE 2
PROJECT APPROVALS BY GEOGRAPHICAL AREA, 2008



PROJECT : COMMUNITY MANAGED LEVEL II POTABLE WATER SYSTEM PROJECT IN BARANGAY DAWIS

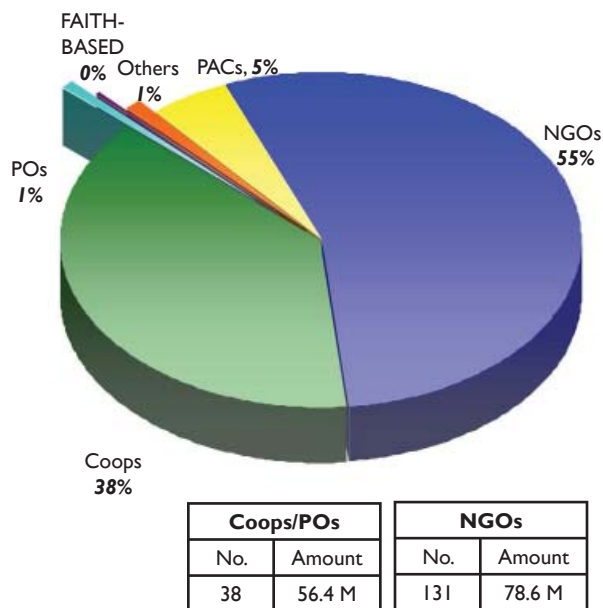
LOCATION : BARANGAY DAWIS, BAYAWAN CITY, NEG. OR.
BENIFICIARY : SITIO BIGONG & SITIO LAPAY
PROJECT REF. NO. : AP-0710-00946
NO. OF HOUSEHOLDS : 386 HHS
STARTING DATE : JULY 8, 2008
MODE OF IMPLEMENTATION : BY ADMINISTRATION (CITY ENGINEER'S OFFICE & CPDO)
SOURCE OF FUNDS : PhP 1,999,991.18 — PEACE & EQUITY FOUNDATION
 PhP 1,763,957.00 — CLGU
 PhP 48,694.00 — BARANGAY DAWIS
 PhP 117,320.00 — LARBEMCO
TOTAL PROJECT COST : PhP 3,929,962.18

PARTNERS' ACCESS TO FINANCING

In 2008, 138 NGOs accessed 60% of PEF project fund approvals or a total of ₱85.7 million; while 38 Peoples Organizations and Cooperatives accessed ₱56.4 M or 39% of project funds. This ratio nearly mirrors the overall ratio of amounts of PEF funds funnelled through major types of partners for the past seven years. Partnership and Access Centers (PACs), however, have been classified as NGOs but have actually provided greater access to financing to more people's organizations and primary cooperatives. (See *Localizing Poverty Reduction through PAC*, page 12)

Average amounts accessed by each type of organization, for 2001-2008, reflects also the level of financing that these organizations needed or were capable of managing: Cooperatives averaged ₱1.2 million per project; NGOs managed P0.9 million, while a PO accessed ₱350,000 for a project.

FIGURE 3
PROJECT APPROVALS BY TYPE OF PARTNER, 2008



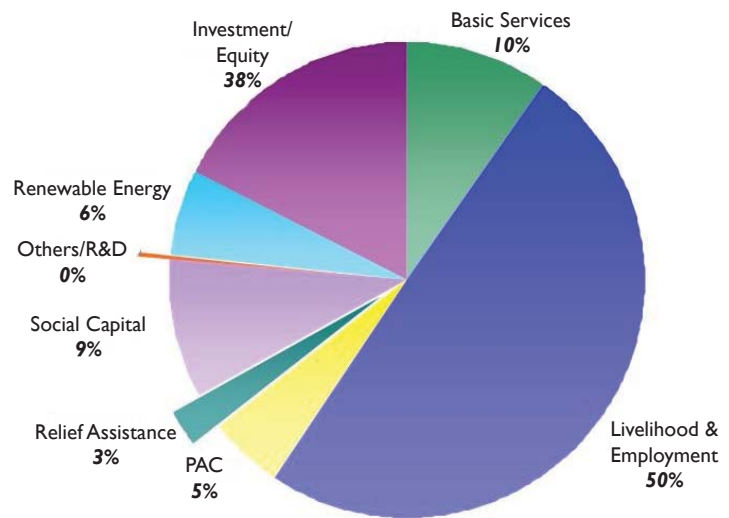
REVVING UP RENEWABLE ENERGY AND MINDANAO ENTERPRISES

Livelihood, income and employment generating projects took up ₱70 million, half of the 2008 approved funding total of ₱144 million, while Basic Services and Social Capital Development took up nearly 10% or ₱14 million each.

A new project category, Renewable Energy, provided alternative energy for home lighting and cooking through a microfinancing facility, that moved ₱8.4 million mainly for solar lanterns, with an individual client loan of ₱4,700. *(Read more on Microfinancing for Renewable Energy on Page 25).*

MP3 projects significantly increased the Mindanao development loans portfolio by ₱51.3 million in 2008. The loans were given to tested PEF partners for increased loan portfolios in microfinancing and microenterprise projects going to rural poor farming communities.

FIGURE 4
TOTAL FUNDS APPROVED BY
PROJECT CATEGORY, 2008



Basic Services	13,831,124
Livelihood & Employment	71,724,155
PAC	7,061,000
Relief Assistance	3,661,000
Social Capital	13,634,569
Others/R & D	600,000
Renewable Energy	8,453,000
Investment/Equity	25,000,000
TOTAL	143,964,848



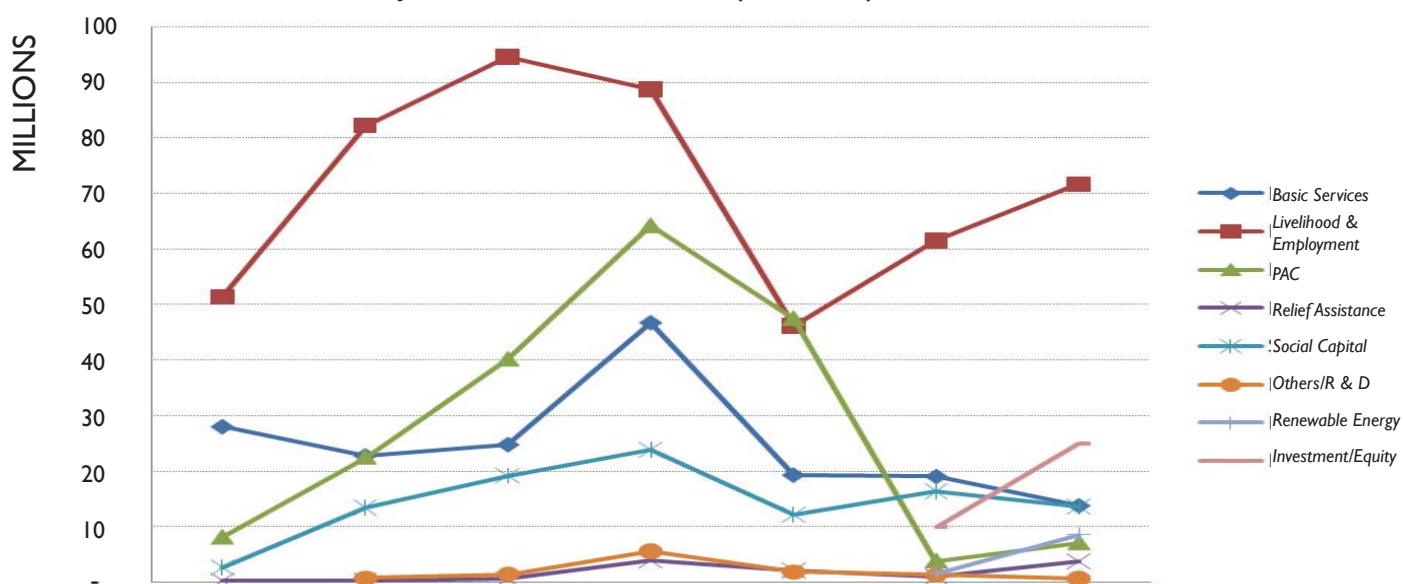
A QUICK VIEW OF 7 YEARS OF DEVELOPMENT FINANCING

Over PEF's seven years of operations, financing that went to livelihood and employment projects peaked in 2003-2005, which generally operated on three-year cycles, so that by 2006, there was a sharp decrease in loans. But in 2007-08, the MP3 funding kicked in for Mindanao so that livelihood loan projects again absorbed half a total of approved projects.

Basic services grants, especially potable water systems and Social Capital or capacity development projects likewise peaked in 2005, but decreased drastically in 2007 to 2008. This was due primarily to the drop in the Foundation's income that, in turn, restricted its capacity to provide grants.

PAC allocations, similar to Basic services, increased significantly from 2004-2006, with a peak at 2005. These funds generally flowed to institutional support activities for PAC capacity development and provincial poverty projects in basic services, livelihood and employment, as well as community and organizational strengthening.

TABLE 3
TOTAL FUNDS APPROVED BY PROJECT CATEGORY PER YEAR (2001-2008)



PROJECT TYPE	2001-2002	2003	2004	2005	2006	2007	2008	TOTAL	%
Basic Services	27,998,419	22,774,456	24,781,655	46,652,867	19,334,966	19,074,944	13,831,124	174,448,432	16%
Livelihood & Employment	51,406,333	82,280,508	94,656,993	88,796,424	46,168,703	61,543,057	71,724,155	496,576,172	47%
PAC	8,085,000	22,500,000	40,177,000	64,265,705	47,499,480	3,779,795	7,061,000	193,367,980	18%
Relief Assistance	260,400	350,000	538,484	3,924,053	2,034,612	992,317	3,661,000	11,760,866	1%
Social Capital	2,625,239	13,452,090	19,208,184	23,888,036	12,123,791	16,415,096	13,634,569	101,347,005	10%
Research & Dev't./ Others		759,000	1,424,000	5,593,026	1,818,078	1,275,960	600,000	11,470,064	1%
Renewable Energy						1,584,750	8,453,000	10,037,750	1%
Investment/Equity						10,000,000	25,000,000	35,000,000	3%
TOTAL	90,375,391	142,116,054	180,786,316	233,120,110	128,979,630	114,665,918	143,964,848	1,058,408,268	
%	9%	13%	17%	22%	12%	11%	14%		



MAKING LOCALIZATION WORK

PARTNERSHIP AND ACCESS CENTERS (PACs)

The Partnership and Access Center or PAC in a PEF priority province brings together civil society organizations – NGOs, POs, cooperatives, social development agencies – to focus energies in mobilizing the poorest communities in the province for self-directed progress.

In 2008, eighteen (18) PACs, which include three pilot PACs, have continued operations with a cumulative total since 2002 of ₱66 million in loans being managed and ₱100 million in grants spent for basic services and social capital formation, with a small portion for their institutional upkeep.

Three coalitions have ceased PAC operations but their organizations maintain ties as regular partners of PEF in their respective provinces and are completing or monitoring projects.

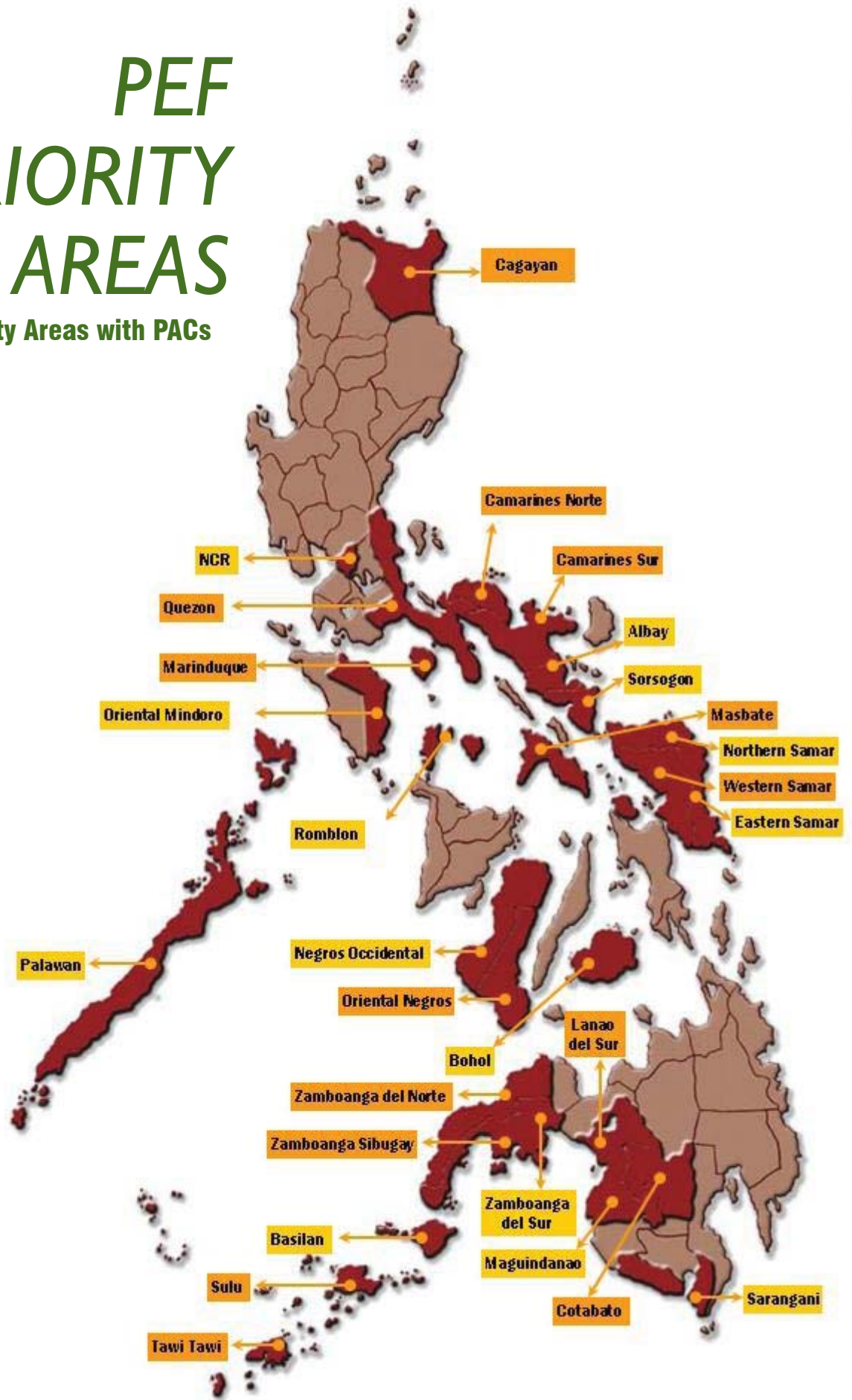
TABLE 4**PARTNERSHIP AND ACCESS CENTERS AND AMOUNTS OF LOANS AND GRANTS (2001-2008)**

			APPROVED			
PAC	AREA	DATE APPROVED	LOAN	GRANT	TOTAL	
LUZON					65,978,090.00 40%	
1	Albay Provincial NGO-PO Network for Development (ALPRODEV)	Albay	2-Dec-04	10,000,000.00	4,500,000.00	14,500,000.00
2	Cordillera Network of Development NGOs and POs (CORDNET)	CAR	17-Sep-03	5,200,000.00	9,800,000.00	15,000,000.00
3	Marinduque Organized Ventures Services, Inc. (MOVERS) *	Marinduque	23-Nov-05	322,500.00	837,610.00	1,160,110.00
4	National Council of Social Development Foundations of the Philippines, Inc. (NCSDF)	CaMaNaVa (NCR)	23-Mar-06	6,000,000.00	3,800,000.00	9,800,000.00
5	Oriental Mindoro NGO/PO Network (ORNET)	Oriental Mindoro	23-Nov-05	369,000.00	1,605,000.00	1,974,000.00
6	Provincial Alliance of NGOs and POs for Development Inc. (PANGOPOD)	Sorsogon	24-Nov-05	500,000.00	2,771,000.00	3,271,000.00
7	Palawan Network of NGOs, Inc. (PNNI)	Palawan	20-Oct-04	10,000,000.00	5,500,000.00	15,500,000.00
8	Kabaliklat para sa Diyos at Bayan Multi-Purpose Cooperative (KAD-BAYAN MPC)	Romblon	28-Sep-06	1,500,000.00	3,272,980.00	4,772,980.00
VISAYAS					43,060,595.00 26%	
9	Alliance for Land and Livelihood for the Rural and Urban Poor (Cebu), Inc. (ALL-R-UP)	Cebu City	19-Mar-04	5,000,000.00	1,610,000.00	6,610,000.00
10	Bol-anon United Sectors Working for Advancement of Community Concerns (BUSWACC), Inc.	Bohol	8-Sep-05	3,000,000.00	3,919,195.00	6,919,195.00
11	Eastern Samar Social Development Organization (ESSDOG), Inc.	Eastern Samar	26-May-05	3,504,000.00	2,081,400.00	5,585,400.00
12	Nortehanon Access Center (NAC)	Northern Samar	29-Jun-06	2,000,000.00	3,000,000.00	5,000,000.00
13	Negros Oriental Network of NGOs (NEGORNET) *	Negros Or	28-Sep-05	2,000,000.00	4,519,000.00	6,519,000.00
14	Federation of Multi-Sectoral Alliance for Development Negros (MUAD-NEGROS)	Negros Occ	24-May-04	10,000,000.00	2,427,000.00	12,427,000.00
MINDANAO					56,833,049.79 34%	
15	Nagdilaab Foundation Inc.	Basilan	29-Jun-06	-	5,052,000.00	5,052,000.00
16	Coalition of Social Development Organizations in South Cotabato (CSDO-SC)	South Cotabato	9-Dec-02	-	26,189,594.79	26,189,594.79
17	Center for Social Concerns and Development (CESCOD) *	Zambo del Norte	23-Mar-06	500,000.00	4,312,000.00	4,812,000.00
18	Kutawato Coalition of Development NGOs (KCODE)	Maguindanao	28-Jul-05	-	500,000.00	500,000.00
19	Davao City Partnership & Access Center	Davao City	28-Sep-06	1,100,000.00	4,094,455.00	5,194,455.00
20	Sarangani Province Empowerment and Community Transformation Forum (SPECTRUM)	Sarangani	29-Jun-06	-	5,018,000.00	5,018,000.00
21	Zamboanga City Partnership and Access Center	Zambo del Sur	23-Mar-06	5,500,000.00	4,567,000.00	10,067,000.00
TOTAL				66,495,500.00	99,376,234.79	165,871,734.79

*Phased out as PAC

PEF PRIORITY AREAS

Priority Areas with PACs





SERVING MORE PEOPLE'S ORGANIZATIONS

Beginning 2007, five PACs that have been operating for at least three years had been evaluated*. They have shown good results and efficiency in three key aspects of PAC operations, namely:

Development outreach to POs and cooperatives. With nearly ₱90 million funds managed, the five PACs had a combined outreach of 41,600 household beneficiaries. Between 2003-2007, Peoples' Organizations that were hard put to access funding directly from PEF were able to access 48% of financing from four PACs (excluding PNNI which had not yet been evaluated then); moreover, cooperatives obtained 16%, and NGOs 33%. The ratio of PO+Coop to NGO access being 2:1 is the reverse of PEF's direct fund access ratio of NGO to PO+Coop of 1:2.

Development Financing Efficiency. With the PAC being nearer and more knowledgeable of local conditions and organizations, the Project Development, approval up to fund disbursement cycle became highly cost-effective and efficient. CSDO-SC, for instance averaged 40 days from project proposal receipt to first fund release, while MUAD averaged 50 days; these performed strongly to PEF's 2007 average of 62 days.

In terms of institutional cost (maintaining project staff and administrative expenses) per beneficiary household, CSDO spent ₱30 for potable water system projects that had already clear project design guidelines. CORDNET, on the other hand, spent ₱540 per household as its projects involved health and nutrition as well as community woven

* PACs evaluated as of 2008 – Coalition of Social Development Organizations in South Cotabato (CSDO-SC), Alliance for Rural and Urban Poor (All-RUP in Cebu), Cordillera Network of NGOs and POs (CORDNET), Multisectoral Alliance for Development (MUAD in Negros Occidental) and Palawan NGO Network, Inc. (PNNI).

products enterprises, which were highly dispersed in 4 mountain provinces.

Resource Leveraging and Counterparting. For every P1 given by PEF, MUAD raised P2.60; PNNI raised P0.6 and CSDO raised P5. These leveraged resources were either in cash, materials and technical personnel's time from provincial, municipal and barangay governments or from other development agencies and business sector. The PAC members and the client communities also contributed counterparts in cash or in kind. Water projects, for instance, generated up to 15% from the communities in unskilled labor, food and monitoring time; and up to 20% from LGUs in materials, equipment and technical staff supervision.

Development Sustainability Innovations. A PAC pursues an enterprise development and sustainability program so that it can continue being an effective and recognized

development partner in the province. The pioneering PACs have begun to position themselves in the "development enterprise market" by each identifying an industry or enterprise focus and building its capacity to manage and grow the enterprise. One prime example is the PNNI sustainable tourism program.

ENTRUSTING FUND MANAGEMENT

Taking these major indicators into account in the PAC evaluations, in 2008, three (3) PACs have had their loans that they had effectively managed converted to restricted grants for continued funding by the POs and other CSOs working in their poorest communities. The Cordillera Network obtained P3.9 million; Alliance for Rural and Urban Poor (Phase 1), P3.9 million; and Multi-Sectoral Alliance for Development in Negros Occidental (Phase 1), P5 million.



Honda Bay island hopping with snorkeling or diving is prominent in the list of packaged tours of commercial operators in Puerto Princesa and ends up in the itineraries of many local and foreign tourists. Thus, the 44 members of the Honda Bay Boat Owners Association, Inc (HOBBAI) have positioned themselves to provide reliable and efficient boat ferrying and touring services at reasonable “no-need-to-haggle” price.

The Palawan Network of NGOs, Inc (PNNI) – PEF Partnership and Access Center in Palawan- provides loans and organizational improvement support to HOBBAI and five other community-based tourism associations in its Pasyar Palawan Development Tourism Project.

“Whereas before, our only source of livelihood was just fishing, we now have more income as we have been tapped for local tourism services,” shared Jessie Unico, HOBBAI member. “There are no better guides for tourists than locals ourselves.”

If the Province of Palawan is considered the Philippines’ wildlife sanctuary and continues

PASYAR PALAWAN: a local tourism enterprise

to amaze tourists with its natural scenic wonders, PNNI Project Coordinator Meliez Zapanta proudly proclaimed it is “because there are people and communities that keep it that way.” Against the tide of commercial tourism, Zapanta explained that because communities are usually overlooked in businesses, her organization ventured into a tourism enterprise that “not only showcases the physical beauty of Palawan, but also empowers communities in their roles to preserve the country’s last ecological frontier.”

As a PEF PAC, PNNI sharpened its edge as an environmental advocacy group using Pasyar Palawan, a social and environmentally sound enterprise. Pasyar means “to travel leisurely” in the native language of Palawan.

Community organizations that have been protecting their natural environment and biodiversity, as these are their sources of livelihood, have become active players in Palawan’s tourism industry

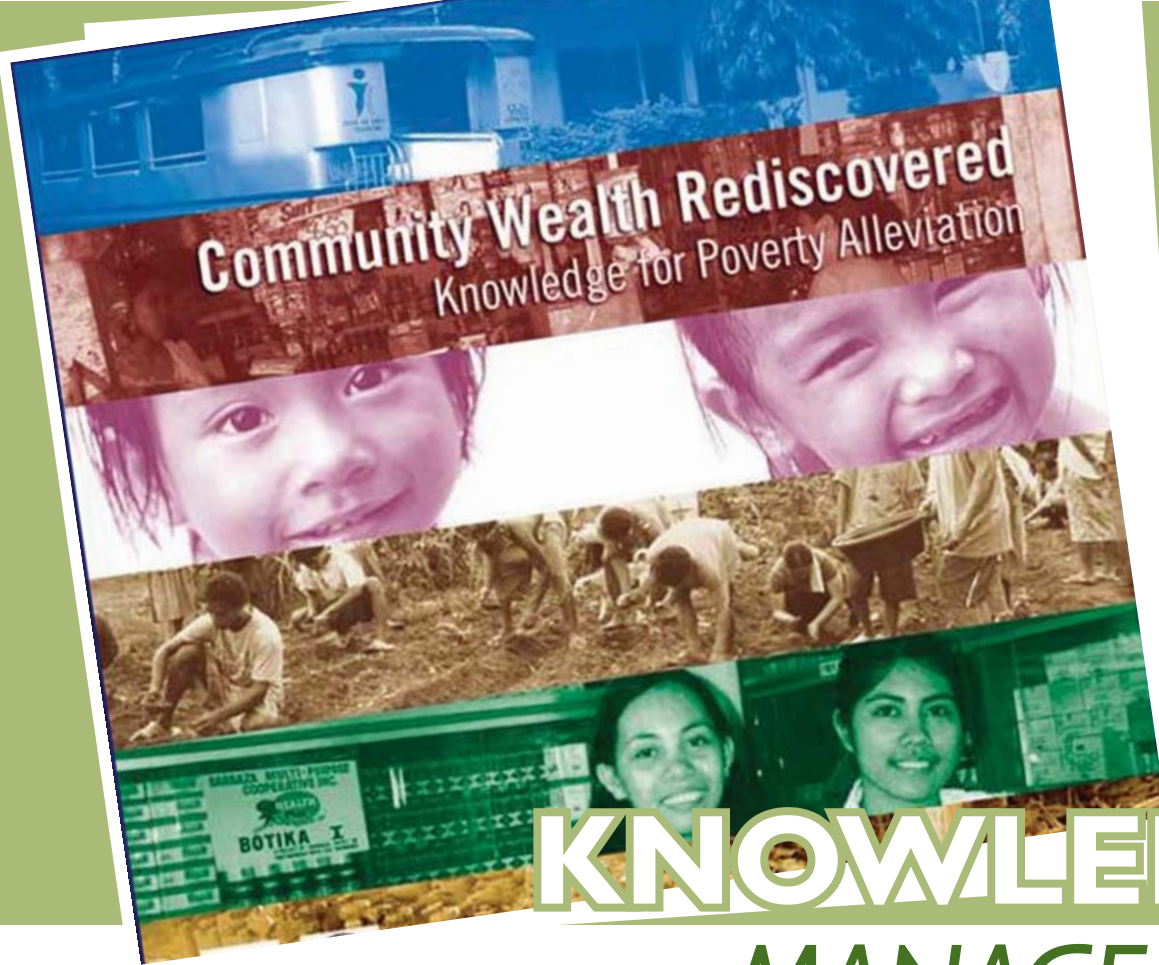
“We want visitors to realize that enjoyable tourism does not necessarily entail destroying the environment,” said Ma. Cleofe Bernardino, former PNNI Executive Director. “We call it developmental tourism because it involves people’s participation in their own development.”

Pasyar Palawan packages customized tours based on guests’ preferences. It brings tourists to regularly known sites but adds value by trained host communities who explain the ecological significance of their areas and their community conservation efforts, while also highlighting their local culture, cuisine and crafts.. Their special destinations with organized communities and tour packages, aside from Honda Bay, include: Puntod Ilis Marine Sanctuary (Babuyan), San Carlos Mangrove (Bacungan), Manyukos Island Marine Sanctuary (Barangay Buenavista) and Ugong Rock Spelunking and Summit View Park (Barangay Tagabinet), all in the boundaries of Puerto Princesa City.

Pasyar Palawan’s business center is at the main highway quite near the Puerto Princesa airport, and so is a natural rest stop before proceeding to the city center or the community tourist sites. Before one departs, one can again drop by the Pasyar Palawan center again, as it has a souvenir shop where crafts and local food items of partner communities can be bought.

From “Bringing tourism benefits closer to the locals: the Puerto Princesa experience” by Arvin Yana, July 2008 (www.pef.ph)





KNOWLEDGE MANAGEMENT

UNEARTHING INTANGIBLE ASSETS

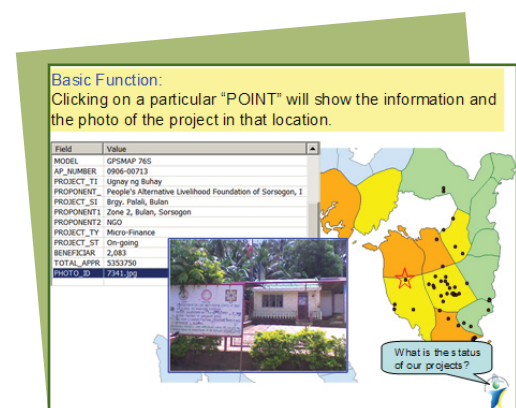
Knowledge is a form of capital. Mining, processing and transforming knowledge gained from the multitude of development projects and financing experiences is potent for PEF's future. To jumpstart its Knowledge Management program, PEF collaborated with the Center for Conscious Living Foundation, Inc. (CCLFI) to unearth the experiences, lessons, assets and processes from six PEF-assisted projects of different types and from across the country.

This collaboration produced a *Knowledge for Poverty Alleviation or KPA Framework* that was tested in six case studies. An e-book, *Community Wealth Rediscovered: Knowledge for Poverty Alleviation*, was published and launched in the Panibagong Paraan (Development Innovations Marketplace), with the World Bank and other development agencies in April 2008.

Two of the case studies are excerpted here – the *Micro-Livelihood Support Program of the Gata Daku Multi-Purpose Cooperative* and the *Health Plus Social Franchising Project of the Antique Federation of NGOs*.

MAPPING LOCAL ANTI-POVERTY PROJECTS

Knowing where, what and how much the projects are in a province comprise valuable information for evaluation and planning. Thus, in the three priority convergence provinces with PACs (Sorsogon, Negros Occidental and Saranggani), PEF installed a Project GIS Mapping system based on updated and ground-truthed information. PAC project staff were trained to collect and input Global Positioning System (GPS) data into digitized maps. The project and community data are encoded and processed for the PAC to use in adjusting their Local Poverty Reduction Program targets.



User interface of the Project GIS Mapping System

Systems and People, not just Money, drive MICROFINANCING

PEF partnered with Gata Daku Multi-purpose Cooperative (GDMPC) based in Clarin, Misamis Oriental to launch the “Micro-Livelihood Support Program (MLSP)”. It aimed to make productive loans accessible to micro-entrepreneurs in the town of Clarin, and at the same time, address the community’s vulnerability to usurious moneylenders, colloquially known as “5/6, referring to the 6 pesos paid for every 5 pesos borrowed, usually on a weekly basis.”

The MLSP was implemented for a period of one year and eight months (June 2003-February 2005). At the end of the project, GDMPC’s financial capital grew, but its resources could not meet the demand from its existing members/clients and from other applicants for micro-finance services. From this, it could be surmised that the entrepreneurial poor needed credit to sustain their business, but they no longer wanted to remain at the mercy of loan sharks.

Thus, the project was extended through the “Expanded Micro-Livelihood Support Program (EMLSP)” that started in July 2005 and ended in July 2008. The total funds released for the two projects amounted to ₱2,873,000 broken down into: ₱2.6M as loans and ₱273,000 as grants for institutional support.

During the EMLSP project, the main strategy used was group lending, patterned after the Grameen model. It was at this point that the structural capital of GDMPC was significantly



enhanced when it consolidated its policies on peer group lending into a written manual. This was achieved through a training intervention facilitated by PEF, which addressed the vulnerability in GDMPC’s human capital, i.e., the lack of skills in micro-finance (MF) operations.

The interplay of capital during project implementation showed that structural (manual on policies) and human (leadership of manager) capital were mainly used to achieve the project objectives while social capital (trust between GDMPC and its members) served as the foundation for the growth of both tangible assets (financial) and intangible assets (structural, human and stakeholder). Social capital was not consciously used as much as the other intangible capital, but it was clear that the level of trust, which has been built over the years, was the element that spurred the more than satisfactory accomplishment of the project deliverables.

As of December 2007, a total of 2,192 members/clients were served. This number was spread out in the three towns and two cities in Misamis Occidental and one town in Zamboanga del Sur. The types of business that the project supported were in agriculture (production and trading), consumer goods and food stores such as sari-sari and canderia, vending (e.g. fish, cellular phone e-loads, balut, tuba), livestock (poultry and swine) and other types of undertakings such as food processing and gasoline retailing.

One of the project’s targets was to effect a 20% increase in the members’ incomes, but which remains to be validated through an impact study.

From “Microfinance: Building Financial Capital” by Anna Mae Morallas Basarte from **Community Wealth Rediscovered: Knowledge for Poverty Alleviation**, eBook Edition, Peace and Equity Foundation and Center for Conscious Living Foundation, Inc., Quezon City, 2008)

Recognizing, Appreciating and Leveraging Community Assets

Communities do possess tangible and intangible assets (see diagram). Once recognized, they can be leveraged in the design of anti-poverty projects to produce even more tangible and intangible assets. In fact, anti-poverty projects can be driven not only from identified needs or a lack thereof, but more so from many other forms of intangible wealth.

A participatory and appreciative community assessment of intangible assets generates an internal energy that can drive cohesive action towards their chosen community goals and arrive at more effective problem solving to address community needs and weaknesses.

As shown by the six exemplar case studies featured in the e-book, successful community projects are successful because one or more of the following elements are present:

- The projects leverage on various forms of capital possessed by or accessible to the community. These are mostly intangible: social capital, cultural capital, human capital, structural capital, stakeholder capital, indigenous knowledge and crafts, access and property rights, technology and local infrastructure.
- Interplay and interaction of various forms of community capital generate more capital.
- The projects use internal and external assets to sustainably build local tangible and intangible assets, and
- The projects use or address external/systemic factors that, respectively, alleviate or exacerbate local poverty.

The prevailing focus of development attention on tangible assets leads to labels such as “poor”, “poverty”, “lack” or “needs.” The focus on tangible assets tends to ignore or fail to appreciate the intrinsic values of intangible assets, values which are rooted in the inner life and values of the community.

Source: Chapter 1: “Poor” Communities Have Intangible Wealth, Knowledge for Poverty Alleviation e-book, 2008.

Household savings on medicines in the province of Antique rose to 50% as the Antique Federation of NGOs (AFON) Social Franchising project established Health Plus Social Franchise, a top-performing provincial franchise supplying a network of forty-three Health Plus outlets dispersed in all the eighteen municipalities of the province.

The Health Plus Social Franchise is a pre-packaged standard system that draws the participation of the National Pharmaceutical Foundation Inc. (NPF), AFON as the Provincial Franchisee distributor, the retail Health Plus Outlet (HPO) and its owning organization and the Local Government Unit through its Rural Health Unit.

Through this project, AFON made available affordable high quality and affordable drugs, family planning commodities and information and education campaign on reproductive health services through the rural health units/stations. It supported the LGUs and communities to establish a pharmaceutical distribution chain applying the principle of social franchising and enhance the quality of services and the sustainability of "Health Plus" outlets through regular monitoring.

AFON pays NPF a P50,000 fee for the Health Plus provincial franchise. This franchise package includes 102 generic medicines approved by the Philippine National Drug Formulary (PNDF), training, computerized

MAKING DRUGS AFFORDABLE through social franchising

accounting and MIS systems and an operations manual. AFON puts up the initial working capital for salaries, storage, stocks and a computer. AFON encourages its affiliate organizations to own and operate a Health Plus Outlet (HPO) in their areas. Each HPO is required to cover a catchment area of at least 5,000 people or five to fifteen barangays and to be licensed by the Bureau of Food and Drugs (BFAD) as in the Botika ng Barangay (BnB). The owning organization pays a franchise fee of P3,000, a bond of P5,000 to AFON and P7,000 for the store cabinet and counter. The HPO gets P25,000 worth of Health Plus products as revolving capital. The HPO operator gets 70% of the monthly net income as compensation while the owning organization gets 30%.

Looking at it from the KPA framework, various tangible and intangible capitals had to be credited as elements of success for the project. They include the network of community-based people's organizations dispersed all over the province (structural capital), investing money (financial capital), skills and experiences (human capital) to own and operate Health Plus outlets; the social franchising business model and technical support (structural capital) of the National Pharmaceuticals Foundation (stakeholder capital), financial support of PEF (stakeholder capital); participation of the provincial local government units and the local Department of Health (DOH) (stakeholder capital); and the harmonious relationships on the ground between local government units (LGU) officials and community organizations (social capital), among others.

AFON is a network of nine NGOs and their affiliate cooperatives, community and sectoral organizations, and micro-finance self-help groups. PEF supported AFON in launching this social franchising project with a grant of P399,900 for one year of operations from May 2004 to April 2005.

From "AFON Social Franchising Revisited" by Fe Evelyn B. Garcia from **Community Wealth Rediscovered: Knowledge for Poverty Alleviation**, eBook Edition, Peace and Equity Foundation and Center for Conscious Living Foundation, Inc., Quezon City, 2008



FIGURE 5 EXAMPLES OF INTANGIBLE ASSETS OF COMMUNITIES

SOCIAL CAPITAL

Informal relationships, loyalties and roles based on trust, respect, long practice, kinship, which have been contributing to united and effective community action

STRUCTURAL CAPITAL

Presence of community-based organizations, tools, technologies, processes, records and systems of the community

INDIGENOUS KNOWLEDGE

Specialized skills handed down orally or through mentoring, such as in music and arts, crafts, natural remedies, medicinal herbs, martial arts, healing practices, etc.

CULTURAL CAPITAL

Community beliefs and practices e.g. self-help, local artifacts or places with national cultural or historical significance

HUMAN CAPITAL

Experiences and skills of community members, exceptional local leader, training and experience from previous work, education, energy of youth, aspirations, community memory

ACCESS RIGHTS TO NATURAL, SCENIC AND OTHER RESOURCES

based on traditional practice, location or proximity, formal agreement, permission from government or donation from private sector

STAKEHOLDER CAPITAL

Reputation of the community, relationships with outside organizations or individuals, various forms of support from external groups

Source: Chapter 1: "Poor" Communities Have Intangible Wealth, Knowledge for Poverty Alleviation e-book, 2008.



FINANCING SYNERGY *IN A TIME OF CRISIS*

As clouds gathered on the international economic horizon with the global financial crisis intensifying in 2008, PEF flexed its development financing modalities to preserve capital but still extend outreach.

PEF could not have spurred these new forms of financing without collaboration with progressive financing intermediaries like cooperatives and microfinance institutions.

“SPREAD”ING LOANS TO THE POOR THROUGH COOPERATIVES

PEF loans in the cooperative sector has helped transform the lives of 5,256 families in Regions 10, 11 and 13 or Caraga Region with a ₱30 million credit support to the Mindanao Alliance of Self-Help Societies - Southern Philippines Educational Cooperative Center (MASS-SPECC). This is the oldest cooperative federation in the country with 252 cooperatives and other self-help groups operating in 20 out of 23 provinces in Mindanao.

SPREAD or Synergizing for Poverty Reduction Action in Mindanao increased the reach of the MASS-SPECC loan portfolio to its primary cooperatives for their programs in

the poorest provinces, including Agusan del Norte and Sur and Surigao Norte and Sur of the Caraga Region, which have emerged among the poorest in the updated 2007 PEF provincial poverty indicators map.

This investment partnership of SPREAD-Mindanao not only created a platform for credit-poor to get microfinancing but also equipped them with management skills that boosted their confidence and operational sustainability. The string of capacity-building sessions in all 22 participating cooperatives included managing personal finances, strengthening head office and branch relationships and cooperative taxation for accountants.



EQUITY INVESTMENTS

MAKING LOAN TRANSACTIONS EASIER THROUGH ATM

Another partnership was inked with MASS-SPECC, this time for 'Bridging Communities to the World'. Six cooperatives in Mindanao now experience the comfort of automated banking as MASS-SPECC linked primary members to Automated Teller Machines (ATM) networks.

PEF equity investment infused ₱5 million in preferred shares for MASS-SPECC e-banking venture, enabling some 10,000 cooperative members to be issued with ATM cards for their savings accounts.

PEF and MASS-SPECC equity investments generated momentum for more partnership opportunities for the program especially in the expressed interest by a number of technology companies and banks to join the program as service providers for telecommunications and electronic financial services. The market for ATM and electronic banking is growing enormously, and so are the financial services of cooperatives that can ride the e-banking wave.

Investing in equity gives PEF the stake and leverage to get more involved in the program and organizational directions, such as in identifying priority provinces or the poorest sectors where these investments should be placed.

BOOSTING COOPERATIVE INSURANCE SERVICES

PEF earned another strategic position in the cooperative sector by investing ₱5 million (equivalent to 50,000 shares) in the Cooperative Insurance System of the Philippines, Inc. (CISP), a national cooperative federation that delivers security through insurance packages to members of cooperatives, labor unions and cooperative-oriented groups.

PEF's investment, which will earn 9 percent annually for a period of 5 years, has helped fill the capitalization amount required for CISP by the Insurance Commission. It is also expected to increase their insurance portfolio so that it can offer coverage to more coop members. Currently, CISP has insured 300,000 individuals and covered 2,400 cooperatives.



BUILDING A MUTUAL FUND FOR COOPERATIVES

PEF found another mode for investing and growing its funds, this time by becoming an incorporator of the NCM Mutual Fund of the Philippines, an investment company that pools the resources of large cooperatives in the country into a fund that could altogether generate higher earnings for the individual cooperatives and the whole sector.

As an equity investor, PEF put in ₱25 million initially as a capital deposit, allowing NCM to reach its targeted capitalization of P125 million as required by the Cooperative Deposit Insurance System (CODIS). While awaiting verification by the Securities and Exchange Commission (SEC), the entire capitalization has been deposited with Metro South Cooperative Bank. The investment earned for PEF a seat in the NCM Board.

SPECIAL DEPOSITS

BANKING IN THE ISLANDS

Rather than investing funds in mainstream commercial banks, PEF has chosen to make special deposits accounts with partner financial institutions that share its vision of reaching the poorest of communities. For one, PEF has made a ₱2 million deposit (with 6 percent guaranteed interest per annum) with CARD Bank, Inc, a microfinance-oriented rural bank, with an equivalent amount to be given as loans to 400 micro-entrepreneurs in priority towns in Marinduque based on PEF provincial poverty map. CARD Bank will also provide business development assistance to these clients.

PEF's high confidence in partnering with banks for effective management of loan assistance was exemplified by a ₱20 million deposit with the Metro South Cooperative Bank (MSCB) since 2005. The deposit has boosted MSCB's capacity to deliver financial services to cooperatives, especially those in the so-called MIMAROPA provinces of Southern Luzon islands (Mindoro Occidental and Oriental, Marinduque, Romblon and Palawan), which are PEF priority provinces. As soon as approval is given by the Bangko Sentral ng Pilipinas, the ₱20 million will be converted from special savings deposit to direct investment in preferred shares.



FINANCING PARTNERSHIPS

MICROFINANCING FOR RENEWABLE ENERGY

The BEST OF PREN or Building Economic, Social and Technological Opportunities and Foundations to Promote Renewable Energy Nationwide Program has been marked with more opportunities for extending outreach and promoting appropriate and affordable technology.

In 2007, six partners applied for loans to purchase solar lanterns which were sold to poor households in off-grid areas through a microfinancing scheme. In 2008, two of these partners based in the provinces of Oriental Mindoro and Negros Occidental expanded their target households for solar lanterns from 85 to 500 families, with ₱2,050,000 amount of loans for the 500 beneficiaries, gradually transforming the microfinancing project for alternative energy into social enterprises. Seven more similar projects were approved, bringing the total combined target distribution of 2,442 lanterns in eleven (11) provinces.

In addition to solar lanterns, a new technology was developed and piloted among the 300 households in Cebu. The Mabaga clay cook stove is said to be capable of reducing a household's carbon emission from cooking fuel by one ton per year of usage.

The Program forged two more partnerships with the coming in of two technology providers that signed Memoranda of Understanding (MOU) with PEF - the Solutions Using Renewable Energy (SURE) for solar lanterns and Approtech Asia and Kababaihan Gabay ng Bayan (KAGABAY) for the Mabaga clay cook stoves.

BEST OF PREN is PEF's fund management partnership that began in October 2006 with the Capacity Building to Remove Barriers to Renewable Energy Development (CBRED), a project funded by the Global Environment Facility (GEF) and the United Nations Development Programme (UNDP) as implemented by the Department of Energy (DOE).



TABLE 5
BEST OF PREN APPROVED PROJECTS, 2007-2008

PARTNER ORGANIZATION	PROVINCE/S	LANTERNS DISTRIBUTED
2007		
Federation of Agricultural Resource Managers, Inc. (FARM) *	Negros Occidental	34
EuroCredit Cooperative (ECC)	Cagayan Valley	16
Provincial Alliance of NGOs and POs for Development, Inc. (PANGOPOD)	Sorsogon	50
Oriental Mindoro Network of NGOs and POs (ORNET) *	Oriental Mindoro	50
Socio-Pastoral Action Multi-Purpose Cooperative (SPAMPC)	Camarines Norte	70
Fair Deal Multi-Purpose Cooperative (FDMPC)	Marinduque	60
Palawan NGO Network, Inc. (PNNI)	Palawan	433
7 partner organizations	7 provinces	713
2008		
Integrated Mindanaoans Association for Natives, Inc. (IMAN)	Maguindanao	65
Silingang Dapit sa Sidlakang Mindanao (SILDAP)	Davao and Compostela Valley Provinces	100
Federation of Agricultural Resource Managers, Inc. (FARM) *	Negros Occidental	254
Kalusugan Alang sa Bayan, Inc. (KAABAY)	Compostela Valley, Davao Del Norte	200
Sarangani Province Empowerment and Community Transformation Forum, Inc. (SPECTRUM)	Sarangani	
Tommuanan Development Foundations, Inc. (TDFI)	North Cotabato	51
Oriental Mindoro Network of NGOs and POs (ORNET) *	Oriental Mindoro	50
Bol-anon United Sectors Working for the Advancement of Community Concerns (BUSWACC)	Bohol	50
Alliance for Land & Livelihood for Rural and Urban Poor, Inc. (ALL-r-Up)	Cebu	20
9 partner organizations	9 provinces	790

*2 of the projects approved in 2008 were expansion areas of 2007 projects (same provinces)

PEACE-BUILDING IN MINDANAO THROUGH MICROFINANCE AND ENTERPRISES

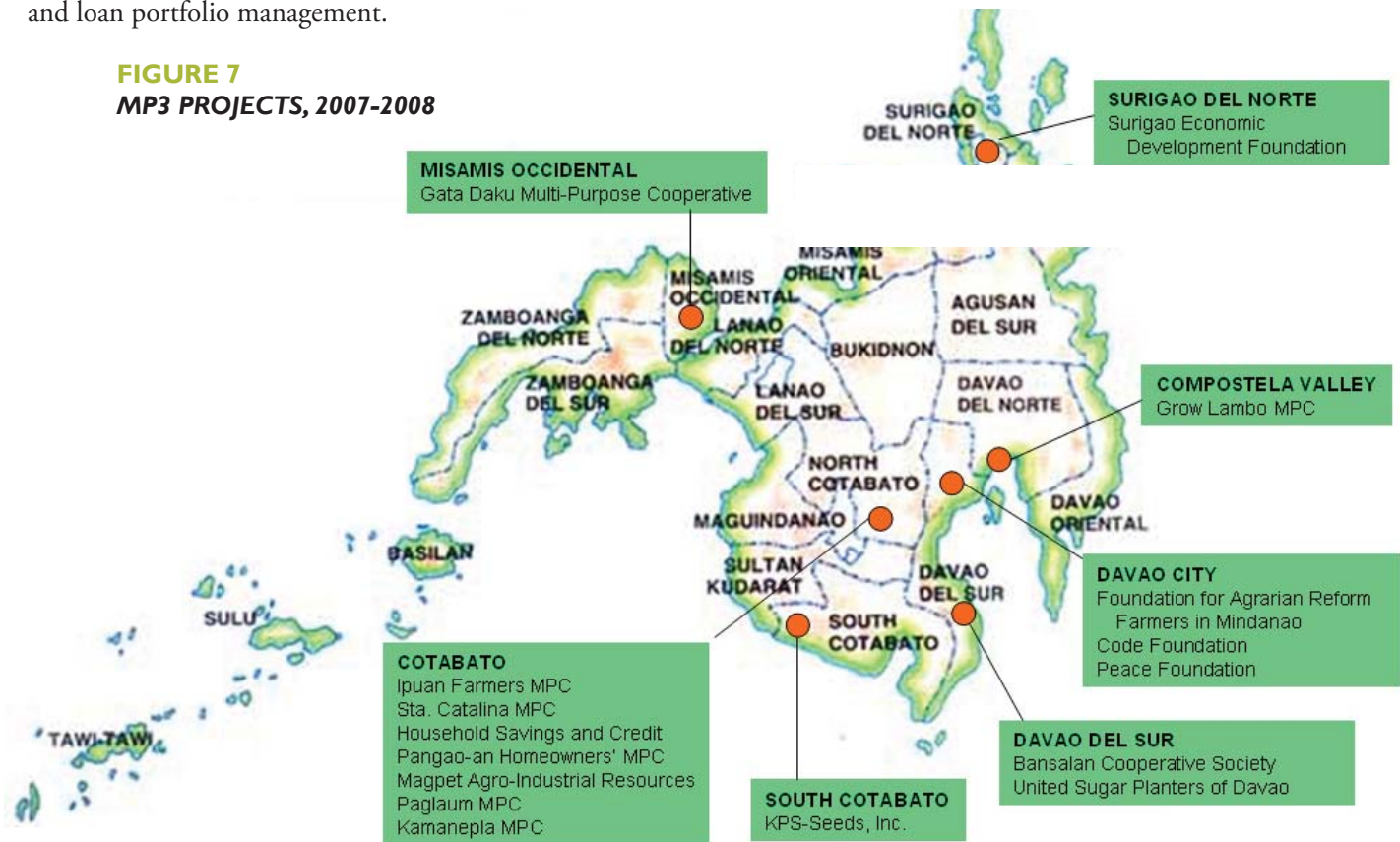
PEF collaborated with Netherlands Catholic Organization for Relief and Development (CORDAID) in putting together a ₱100-million loan facility called Mindanao Partnership Project for Peace Fund (MP3 Fund), where CORDAID put in ₱80 million while PEF shares ₱20 million. The project aims to reduce poverty through projects that will build local economies, support social entrepreneurs, and provide opportunities to enterprising poor.

Microfinancing projects comprise ₱51.5 million in MP3 loan funds to nine (9) project partners with an accompanying ₱1.16 million in grants to help them become effective business managers. Thus, the client organizations were trained in board governance and policy making, strategic planning & financial projections, while key staff are trained in borrower appraisal and loan portfolio management.

For microenterprise projects, on the other hand, the first five businesses were rice trading, two rubber trading projects, coconut/copra trading, and organic fertilizer for banana production. Other industries like dairy and abaca fiber have been studied and show high income potential for poor communities.

In 2008, PEF hosted the CORDAID International Microfinance Partners' Conference which brought 35 international partners from Asia, Africa and Latin America, and Netherlands CORDAID officials. From the Conference, PEF with the other partners brought home expanded knowledge and learning exchange for MP3 and future collaboration especially in livelihood microfinancing for disaster and conflict-affected communities.

FIGURE 7
MP3 PROJECTS, 2007-2008



2008 PARTNERSHIP PROJECTS

LUZON				
PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
Basic Services				
Community Water Service Cooperative of Bagong Silang	Bagong Silang Safe & Affordable Water	249,569.31	249,569.31	0.00
Lingap para sa Kalusugan ng Sambayanan, Inc.	A Healthy Productive Life for Lymphatic Filariasis Patients	1,000,000.00	1,000,000.00	0.00
LUSRAI Multi-Purpose Cooperative	Impok Bahay Savings and Loan Project	1,150,000.00	150,000.00	1,000,000.00
Marinducare Foundation	Filariasis Awareness	150,000.00	150,000.00	0.00
Marinducare Foundation, Inc.	Filariasis Mass Drug Administration	50,000.00	50,000.00	0.00
Marinduque National High School Employees Multi-Purpose Cooperative, Inc.	Computer Literacy Program for Teachers of Marinduque	300,000.00	300,000.00	0.00
Monark Foundation, Inc.	Technical Skills Education Program	368,000.00	368,000.00	0.00
Livelihood and Employment				
Calancan Bay Fisherfolk Federation	Charcoal Briquette Production Pilot Project	250,000.00	250,000.00	0.00
Christians for Social Reforms	Eco-Friendly Organic Urban Farming	113,160.00	113,160.00	0.00
Prelature of Libmanan Development Foundation, Inc.	PLDFI Micro Finance Program	2,000,000.00	0.00	2,000,000.00
Women of Matacong Empowered Now, Inc.	Pineapple Fiber Production	291,000.00	109,800.00	181,200.00
Trade Fairs/ Exhibits				
Benguet Network of Development - Oriental People's Organization, Inc.	Strawberry Festival 2008 Trade Fair	102,300.00	102,300.00	0.00
Isla Bila Bila	Strawberry Festival 2008 Trade Fair	5,000.00	5,000.00	0.00
Partnership and Access Center - Albay	Strawberry Festival 2008 Trade Fair	5,000.00	5,000.00	0.00
Provincial Alliance of NGOs and POs Development	Strawberry Festival 2008 Trade Fair/ Exhibit	149,800.00	149,800.00	0.00
Provincial Alliance of NGOs and POs Development	Strawberry Festival 2008 Trade Fair	5,000.00	5,000.00	0.00
Ateneo De Manila University: Pathways to Higher Education Program	Panagbenga Flower Festival	16,600.00	16,600.00	0.00
Bote Central	Panagbenga Flower Festival	11,600.00	11,600.00	0.00
Cordillera Network of Development NGOs and POs	Panagbenga Flower Festival	148,000.00	148,000.00	0.00
Cordillera Network of Development NGOs and POs	Panagbenga Flower Festival	72,600.00	72,600.00	0.00
Full of Grace Organic	Panagbenga Flower Festival	16,600.00	16,600.00	0.00
Isla Bila Bila	Panagbenga Flower Festival	16,600.00	16,600.00	0.00
Palanan Wilderness Development Cooperative	Panagbenga Flower Festival	16,600.00	16,600.00	0.00
Palawan NGO Network, Inc.	Panagbenga Flower Festival	16,600.00	16,600.00	0.00
Partnership and Access Center - Albay	Panagbenga Flower Festival	11,600.00	11,600.00	0.00
Provincial Alliance of NGOs and POs Development	Panagbenga Flower Festival	16,600.00	16,600.00	0.00
Advocate for Philippine Trade, Inc.	Development Market @ Trinoma	11,500.00	11,500.00	0.00
Research and Development				
Cordillera Network of Development NGOs and POs, Inc	A More Focused Development Intervention on Cordillera Weaving through Semi-Mechanized Local Fiber Processing and Product Development	150,000.00	150,000.00	0.00
Partnership Access Center				
Oriental Mindoro NGO/PO Network	PAC Strengthening towards Effective Service Delivery-Extension Project	150,000.00	150,000.00	0.00
Palawan NGO Network, Inc.	Strategic Planning of the Filipino Village Trading & Marketing Network, Inc.	115,000.00	115,000.00	0.00
Relief and Calamity Assistance				

PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
Partnership and Access Center - Albay	"Tuwang sa Manito": Relief Assistance Project	250,000.00	250,000.00	0.00
Socio-Pastoral Action Center Foundation, Inc.	Relief Assistance for the Province of Camarines Norte	50,000.00	50,000.00	0.00
Social Capital				
Camarines Norte Sustainable Development Alliance	Planning & Consultation for Setting Directions, Targets and Strategies for the Provincial Access Center for the Province of Camarines Norte	75,000.00	75,000.00	0.00
Diocese of Masbate Social Action Foundation, Inc.	Local Poverty Reduction Planning (LPRP) in the Province of Masbate	75,000.00	75,000.00	0.00
Institute for Social Change and Urban Development	Piloting Buy & Sell of Raw Materials for Home-Based Rug Making	100,000.00	100,000.00	0.00
Northern Luzon Federation of Cooperatives and Development Center	Sub-Regional Consultation on Rural Poor and Rural Issues	125,000.00	125,000.00	0.00
Palawan NGO Network, Inc.	Improving PASYAR Services (Best Booth Prize - Social Development Week)	50,000.00	50,000.00	0.00
Palawan NGO Network, Inc.	NEWP-PNNI Business Development Partnership	189,187.00	189,187.00	0.00
Philippine Misereor Partners - Bicol Cluster	National Rural Congress Bicol Sub-Regional Consultation	125,000.00	125,000.00	0.00
Prelature of Libmanan Development Foundation, Inc.	Local Poverty Reduction Planning (LPRP) in the Province of Camarines Sur	75,000.00	75,000.00	0.00
Provincial Alliance of NGOs and POs Development	Participation in the 8th International Workshop on Resource Mobilization	141,650.00	141,650.00	0.00
Torrijos Loom Weaving	Moving on to Reconstruct the TLWMPCI Center	250,000.00	250,000.00	0.00
Urban Poor Coordinating Council-Palawan	6th Provincial Urban Poor Coordinating Council Congress	60,750.00	60,750.00	0.00
Workers' Assistance Center Inc.	Sub-Regional Consultation on Rural Poor and Rural Issues	100,000.00	100,000.00	0.00
Renewable Energy				
Oriental Mindoro NGO/PO Network	ORNET Solar Lantern Project (Phase 2)	986,000.00	136,000.00	850,000.00
Special Projects (DIMP/Panibagong Paraan)				
Revitalize Indigenous Cordillera Entrepreneur, Inc.	Cordillera Heirloom Rice Project	1,000,000.00	1,000,000.00	0.00
VISAYAS				
PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
Basic Services				
Nortehanon Access Center	Enhancing Out-Of-School Youth Productivity through Strengthening of Family Farm School	995,000.00	995,000.00	0.00
Pagtambayayong Foundation, Inc.	Socialized Housing Project in Kalunasan Phase II-C	5,700,000.00	200,000.00	5,500,000.00
St. Maria Goretti	Value-based Health & Improvement Project	875,112.00	875,112.00	0.00
Livelihood and Employment				
Bergante Multi-Purpose Cooperative	Bergante Farmers Center	344,160.00	94,160.00	250,000.00
Bohol Initiatives on Migration and Community Development	Capacitating Local Stakeholders towards Developing the Ubi Industry in Jagna, Bohol	990,000.00	990,000.00	0.00
Mambusao Federation of Farmers Multi-Purpose Cooperative	Small Farmers Integrated Livelihood Program	1,209,200.00	209,200.00	1,000,000.00
Manibad Multi-Purpose Cooperative	Pag-Binuligay Project	394,160.00	94,160.00	300,000.00
Nortehanon Access Center	Testplanting of Selected Kappaphycus Strains in Northern Samar	284,408.00	284,408.00	0.00
Northern Negros Mango Growers Association	Northern Negros Mango Industry Development Project	147,500.00	147,500.00	0.00
Panaghugpong sa Gagmay nga Bayanihang Grupo sa Oriental	PAGBAG-O Alternative Livelihood Project for LIKHA	237,000.00	87,000.00	150,000.00
San Miguel (Dumalag) Multi-Purpose Cooperative	And Handlum Mangungumasang San Miguel Project	515,500.00	115,500.00	400,000.00
Sinondojan Multi-Purpose Cooperative	Sinondojan Development Fund	426,160.00	94,160.00	332,000.00
Trowel Development Foundation, Inc.	Co-Management in Mangrove-Friendly Tie Crab Fattening Project	999,207.00	999,207.00	0.00

PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
Trade Fairs/Exhibits				
Bahandi Producers Association of Eastern Visayas	12th Bahandi Trade Fair	150,000.00	150,000.00	0.00
Bahandi Producers Association of Eastern Visayas	Strawberry Festival 2008 Trade Fair/Exhibition	5,000.00	5,000.00	0.00
Bahandi Producers Association of Eastern Visayas	Panagbenga Flower Festival	16,600.00	16,600.00	0.00
Partnership Access Center				
Alliance for Land and Livelihood for the Rural and Urban Poor of Cebu	Poverty Reduction through Integrated Development Efforts in Building Sustainable Communities - Bridge Financing	2,000,000.00	200,000.00	1,800,000.00
Eastern Samar Social Development Organization (ESSDOG), Inc.	Board Restructuring for Institutional Development & Growth of ESSDOG	646,000.00	646,000.00	0.00
Relief and Calamity Assistance				
Antique Federation of on-Government Organizations, Inc.	Relief Assistance for Families Affected by Typhoon Frank	500,000.00	500,000.00	0.00
Iloilo Caucus of Development Non-Government Organizations, Inc.	Relief Assistance for Victims of Typhoon Frank	500,000.00	500,000.00	0.00
Nortehanon Access Center (NAC)	Relief Assistance to Victims of Floods in Northern Samar	155,000.00	155,000.00	0.00
Uswag Development	Relief Assistance for Victims of Typhoon Frank	500,000.00	500,000.00	0.00
Social Capital				
An Tandaya Foundation, Inc.	Sub-Regional Consultation on Rural Poor and Rural Issues	125,000.00	125,000.00	0.00
Bahandi Producers Association of Eastern Visayas	Learning Tour to the Pandan Manufacturers in Baybay, Leyte	25,000.00	25,000.00	0.00
Diocesan Social Action Center-Bacolod	Diocesan Consultation for the Second National Rural Congress	55,000.00	55,000.00	0.00
Green Forum - Western Visayas, Inc.	Promotion of Sustainable Development in the communities and Transport Sector of Iloilo City	49,000.00	49,000.00	0.00
Hiniusang Katauhan sa Bantayan Cooperative	Skills Training in Advanced Hand loom Weaving	7,500.00	7,500.00	0.00
Iloilo Caucus of Development NGOs, Inc.	Forum on Lymphatic Filiriasis Part 2	47,614.56	47,614.56	0.00
Kaabag sa Sugbo	Localizing the Second National and Rural Congress in Central Visayas	112,600.00	112,600.00	0.00
Kilusan Para sa Pagpapaunlad ng Industriya sa Pangisdaan, Inc.	Women Fisherfolk Training on CEDAW (for Women Leaders from Visayas)	97,000.00	97,000.00	0.00
Multi-Sectoral Alliance for Development in Negros	NEWP-MUAD Business Development Partnership	189,187.00	189,187.00	0.00
Nortehanon Access Center (NAC)	Participation to the 8th International Workshop on Resource Mobilization	150,000.00	150,000.00	0.00
Philippine Misereor Partners - Negros Cluster	National Rural Congress Negros Sub-Regional Consultation	125,000.00	125,000.00	0.00
Philippine Misereor Partners - Panay Cluster	National Rural Congress Panay Sub-Regional Consultation	50,000.00	50,000.00	0.00
Philippine Misereor Partnership, Inc. - Eastern Visayas Cluster	Second National and Rural Congress Sub-Regional Consultations	125,000.00	125,000.00	0.00
San Miguel MPC People's Cooperative	Developing Eco-Tourism Destinations for Micro-Enterprise in two Barangays of San Miguel Bohol	150,000.00	150,000.00	0.00
Renewable Energy				
Alliance for Land & Livelihood for Rural and Urban Poor, Inc.	Renewable Energy for Cebu-Karon Na!: Piloting of Solar Lantern and Mabaga Cookstove	286,600.00	75,000.00	211,600.00
Bol-anon United Sectors Working for the Advancement of Community Concerns	Bringing Renewable Energy Initiatives for Greater Homes, Technologies and Economic Growth of Rural Communities (BRIGHTER-Bohol)	297,500.00	75,000.00	222,500.00
Bol-anon United Sectors Working for the Advancement of Community Concerns	PEF Renewable Energy Program Orientation	50,500.00	50,500.00	0.00
Central Philippines University - College of Agriculture	Commercialization of Super Turbo Rice-Husk Gasifier Stove (Strike Gas)	1,000,000.00	1,000,000.00	0.00
Federation of Agricultural Resource Managers, Inc.	Home Lightning for Enhancement of Living Conditions - Expansion Phase	1,548,000.00	1,548,000.00	0.00
Uswag Development Foundation	PEF Renewable Energy Program Orientation	41,900.00	41,900.00	0.00

MINDANAO				
PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
Basic Services				
Asia America Initiative	Tabang-Aral Project for Selected Development for Peace in Sulu Model of Excellence Schools	150,000.00	150,000.00	0.00
Kadtabangan Foundation for Peace and Development Advocates, Inc.	Project Turn-Over: Margues -Taviran Spring Development Project	30,000.00	30,000.00	0.00
Maguindanaoan Development Foundation, Inc.	Maindang Community-Managed Potable Water System Project	150,000.00	150,000.00	0.00
Mindanao Tulong Bakwet	Health Education and Localization of Technology among Households	520,250.00	520,250.00	0.00
Panaghiusan Alang sa Kaugalingnan ug Kalingkawasan, Inc.	Rice Production for Education	250,000.00	250,000.00	0.00
Philippine Foundation for Resource Management	Construction of Marandac Putad Potable Water System-Level II	746,720.83	746,720.83	0.00
Prelature of Marawi	Rehabilitation of San Isidro High School-Balabagan Potable Water Ssystem (Level 2)	577,266.00	577,266.00	0.00
Reconciliation Center, Inc.	Sanitation and Health Integtraed with Nutrition Enhancement	569,206.15	569,206.15	0.00
Livehood and Employment				
ANTIPAS Credit Cooperative	Empowering Entrepreneurs through Microfinance	1,200,000.00	200,000.00	1,000,000.00
Cooperative Bank of Misamis Oriental	Expansion of the Asenso and Palad Project	10,000,000.00	0.00	10,000,000.00
Peace Foundation Inc.	Scaling up the Savings and Credit and Micro-Enterprise Development Project	1,700,000.00	200,000.00	1,500,000.00
Reconciliation Center Parents Association Self-Help Society, Inc.	Microfinance Expansion	716,000.00	216,000.00	500,000.00
Women Multi-Purpose Development Cooperative	Yaman at Kabuhayan, Ating Paunlarin – Year 3	1,150,000.00	150,000.00	1,000,000.00
Livehood and Employment - CORDAID Mindanao Partnership for Peace & Development (MP3)				
Foundation for Agrarian Reform Coopertaives in Mindanao, Inc.	Mainstreaming Organic Farming through the Production and Distribution of Organic Inputs to Partner Cooperatives	10,200,000.00	200,000.00	10,000,000.00
Gata Daku Multi Purpose Cooperative	Scaling Up Micro Finance to MEs	5,000,000.00	0.00	5,000,000.00
Household Savings and Credit Cooperative	Micro Enterprise Development Expansion	2,150,000.00	150,000.00	2,000,000.00
Magpet Agro-Industrial Resources Cooperative	Cooperative Rubber Marketing Project	5,150,000.00	150,000.00	5,000,000.00
Paglaum Consolidated Multi-Purpose Cooperative	Copra Trading Expansion Project	1,650,000.00	150,000.00	1,500,000.00
Pangao-an Home Owners Multi Purpose Cooperative	PHOMPC Rubber Marketing Project	3,300,000.00	300,000.00	3,000,000.00
Surigao Economic Development Foundation, Inc.	Scaling Up Microfinance Services for Surigao del Norte and Dinagat Islands Provinces	5,210,000.00	210,000.00	5,000,000.00
United Sugar Planters of Davao Credit Cooperative	Expansion of Savings and Credit with Education Program	10,000,000.00	0.00	10,000,000.00
Trade Fairs/Exhibits				
Basilan Island Partnership Access Center	Mindanao (Kadayawan) Trade Fair and Exhibit 2008	33,500.00	33,500.00	0.00
Coalition of Social Development Organizations in South Cotabato	Mindanao (Kadayawan) Trade Fair and Exhibit 2008	10,000.00	10,000.00	0.00
Josefa Segovia Foundation	Mindanao (Kadayawan) Trade Fair and Exhibit 2008	1,800.00	1,800.00	0.00
Mindanao Coalition of Development NGO Networks-Davao City Partnership & Access Center	Mindanao (Kadayawan) Trade Fair and Exhibit 2008	150,000.00	150,000.00	0.00
Sarangani Province Empowerment and Community Transformation Forum, Inc.	Mindanao (Kadayawan) Trade Fair and Exhibit 2008	9,340.00	9,340.00	0.00
SIAD Initiatives in Mindanao Convergence for Asset Reform and Regional Development	Trade Fair Exhibit of Organic Products	36,960.00	36,960.00	0.00
Research and Development				
Socorro Empowered People's Cooperative	Socorro Level 3 Water Supply System Feasibility Study	100,000.00	100,000.00	0.00
Partnership Access Center				
Kutawato Partnership Access Center	Kutawato PAC	2,000,000.00	2,000,000.00	0.00

PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
Sarangani Province Empowerment and Community Transformation Forum, Inc.	SIKAP Sarangani	2,000,000.00	2,000,000.00	0.00
Zamboanga Coalition of Development NGOs, Inc.	Organizational Development, Assessment, Inventory and System Installation	150,000.00	150,000.00	0.00
Relief and Calamity Assistance				
Balay Integrated Rehabilitation Center for Total Human Development, Inc.	Rapid Emergency Response: Lanao del Norte Armed Conflict	500,000.00	500,000.00	0.00
Kutawato Partnership Access Center	Relief Assistance for the Displaced Families of North Cotabato and Maguindanao	387,500.00	387,500.00	0.00
Mindanao Tulong Bakwet, Inc.	Food for Flashflood Victims of Shariff Kabunsuan and Maguindanao	128,500.00	128,500.00	0.00
Rural Missionaries of the Philippines (RMP)- Southern Mindanao	Food for the Displaced Residents of Compostela	90,000.00	90,000.00	0.00
Sarangani Province Empowerment and Community Transformation Forum, Inc.	Relief Assistance for the Flashflood Victims in Sarangani Province	250,000.00	250,000.00	0.00
Sarangani Province Empowerment for Community Transformation Forum, Inc.	Relief Assistance for the Displaced Families in Maasim, Sarangani	200,000.00	200,000.00	0.00
Sta. Catalina Multi-Purpose Cooperative	Relief Assistance to the Flood-affected Families of President Roxas	50,000.00	50,000.00	0.00
Women Rural Improvement Club Consumers Cooperative	Emergency Relief Assistance to Fire Victims of Gen. S.K. Pendatun	100,000.00	100,000.00	0.00
Social Capital				
Alterdev Services Foundation, Inc.	Capacity Building for the Rural Venture Cooperative Management Staff	80,000.00	80,000.00	0.00
Coalition of Social Development Organizations in South Cotabato	2nd National Conference of Small Water Service Providers	32,500.00	32,500.00	0.00
CODE Foundation, Inc.	Conduct of the Mindanao Rural Congress	100,000.00	100,000.00	0.00
CODE Foundation, Inc.	PMP-DADITAMA Cluster Sub Regional Congress	120,000.00	120,000.00	0.00
Isabela Foundation, Inc.	Theatre Arts for Social Change	120,000.00	120,000.00	0.00
Isabela Foundation, Inc. - Christian Children's Fund	Theater Arts for Social Change Training Workshop	134,000.00	134,000.00	0.00
Kababayan-an Alang sa Teknolohiya Nga Haum sa Kinaiyahan ng Kauswagan, Inc.	Productivity and Quality Improvement Training for the Handmade Paper Project of KATAKUS, Inc. thru the ISTIV Productivity Awareness Program	10,000.00	10,000.00	0.00
Kadtabangan Foundation for Peace and Development Advocates, Inc.	Workshop on Women Ex-Combatants of Moro National Liberation Front as Peace and Development Advocates	35,000.00	35,000.00	0.00
Kitanglad Integrated NGOs	Strengthening Bukidnon Daragyuhan Community Initiatives in Protected Area Management	50,000.00	50,000.00	0.00
MAPALAD Multi-Purpose Cooperative, Inc.	Pursuing the Sumilao Farmers Cause to Win their 144-Hectare Ancestral Land	100,000.00	100,000.00	0.00
Mindanao Coalition of Development NGO Networks-Davao City Partnership & Access Center	Sustaining the Activities & Operations of the Davao City Partnership & Access Center	150,000.00	150,000.00	0.00
Mindanao Land Foundation	Participation to Fund Raising Event to Support Education Development in North Cotabato	50,000.00	50,000.00	0.00
Nagdilaab Foundation, Inc.	Consultation Meeting for NFEP Implementation in Basilan Province	55,400.00	55,400.00	0.00
Philippine Misereor Partners - KIDMACO Cluster	2nd National Rural Congress Activities	100,000.00	100,000.00	0.00
Sarangani Province Empowerment and Community Transformation Forum, Inc.	Attendance to the 8th International Workshop on Resource Mobilization	150,000.00	150,000.00	0.00
Sarangani Province Empowerment and Community Transformation Forum, Inc.	Sarangani Bay Advocacy and Fund Raising Campaign	115,000.00	115,000.00	0.00
Social Action Center, Archdiocese of Cagayan de Oro	Sub-Regional Consultation: Engaging the Rural Poor towards the Second National Rural Congress	110,000.00	110,000.00	0.00
Social Action Center-Iligan City	DOPIIM Sub-Regional Consultation on Rural Areas	125,000.00	125,000.00	0.00

Renewable Energy				
Integrated Mindanaons Association for Natives, Inc.	Torch of Rural Community Homes - Pilot Phase	400,000.00	150,000.00	250,000.00
Kalusugan Alang sa Bayan, Inc.	Tribal Communities Solar Energy Lighthing Project	1,051,250.00	170,250.00	881,000.00
Sarangani Province Empowerment and Community Transformation Forum, Inc.	Ilaw Alang sa Kalinaw: A Renewable Energy Project	1,700,000.00	200,000.00	1,500,000.00
Silingang Dapit sa Mindanao (SILDAP-Southern Mindanao)	Light Davao and Comval Provinces Project	684,250.00	196,750.00	487,500.00
Tommuanan Development Foundation, Inc.	Solar Lantern Utilization for Growth Advancement	407,000.00	140,000.00	267,000.00
Special Projects - DIMP Panibagong Paraan 2008				
The Asian Alliance of Appropriate Technology Practitioners, Inc	Rural Enterprise for Pineapple and other Agricultural Indigenous Residues (REPAIR) Model for Biofuel	1,000,000.00	1,000,000.00	0.00
NATIONAL				
PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
Livelihood and Employment				
National Federation of Cooperatives of Persons with Disability	School Arm Chair for the Dept. of Education (DepEd) by Persons with Disability (PWDs)	3,000,000.00	0.00	3,000,000.00
Philippine Business for Social Progress	PBSP-assisted Micro & Small Enterprises Product Showcase	50,000.00	50,000.00	0.00
Research and Development				
Institute for Migration and Development Issues	Statistical Almanac on Philippine Migration and Development	350,000.00	350,000.00	0.00
Social Capital				
Alliance for Marketplus Synergy, Inc.	Establishment of a Trade Network for Peace and Equity Foundation Partners	130,000.00	130,000.00	0.00
Association of Foundations	Empowering the Poor for Poverty Alleviation toward MDGs: Partnership Building between Philippine and Japanese NGOs	150,000.00	150,000.00	0.00
Association of Foundations	Knowledge-Sharing Component of Panibagong Paraan 2008: "Building Partnerships for Effective Local Governance"	850,000.00	850,000.00	0.00
Association of Foundations	Social Development Week 2008	600,000.00	600,000.00	0.00
Ayala Foundation, Inc.	NCR Consultation of Civil Society Organizations on Philippine Migration and Development	80,000.00	80,000.00	0.00
Bigkis Lakas Pilipinas (National Alliance of Fisherfok Organizations)	Bigkis-Lakas Pilipinas General Assembly	40,000.00	40,000.00	0.00
Caucus of Development NGOs	Social Development Week 2008	804,280.00	804,280.00	0.00
Cordillera Studies Center	1st International Conference on Cordillera Studies	100,000.00	100,000.00	0.00
Gaston Z. Ortigas Peace Institute	Harnessing NGOs Critical Engagement with the National Anti-Poverty Commission (NAPC)	150,000.00	150,000.00	0.00
John J. Carroll Institute on Church and Social Issues for the Philippine Misereor Partnership(PMP) Technical Working Group (TWG)	Educational Campaign against Forcible & Inhumane Demolitions & Evictions	150,000.00	150,000.00	0.00
John J. Carrol Institute on Church and Social Issues	Support to Urban Poor: Legal Fund against Forcible and Inhumane Demolitions & Evictions	500,000.00	500,000.00	0.00
Koalisyon ng Katutubong Samahan ng Pilipinas	National IP Leaders Forum and Information Education	150,000.00	150,000.00	0.00
Legal Rights and Natural Resources-Kasama sa Kalikasan	The Regulation of Our Identities: IP & Enigma of Legal Representations	40,000.00	40,000.00	0.00
Mediation Network for Sustainable Peace (MedNet), Inc.	National Conference on Community Mediation	102,000.00	102,000.00	0.00
Mindanao Working Group in Reproductive Health, Gender and Sexuality-Ateneo de Davao	In Search for Peace and Development: Women Hold Half the Ground	21,900.00	21,900.00	0.00
National Cooperative Movement	Century Coop Meeting-Workshop on National Coop Mutual Fund (NCMF) and Coop Deposit Insurance System (CODIS)	50,000.00	50,000.00	0.00
PAC Community Consortium, Inc.	Building Sustainable Marketing Channels for Community Products	490,000.00	490,000.00	0.00

PROPONENT ORGANIZATION	PROJECT TITLE	TOTAL	GRANT	LOAN
Pambansang Kilusan ng mga Samahan ng Magsasaka	Last Hurrah: Support to AR Campaign	100,000.00	100,000.00	0.00
People's Recovery, Empowerment Development Assistance (PREDA) Foundation, Inc.	First National Conference on Organic Mango Production, Processing and Marketing	100,000.00	100,000.00	0.00
Philippine Business for Social Progress	Prize and Investment Partner to the 2008 Business in Development (BID) Challenge	100,000.00	100,000.00	0.00
Philippine Cooperative Center	9th National Cooperative Summit	500,000.00	500,000.00	0.00
Philippine Misereor Partnership	Second National Rural Congress in the Philippines	1,250,000.00	1,250,000.00	0.00
Philippine Partnership for the Development of Human Resources in Rural Asia	Campaign for the Extension and Reform of CARP	75,000.00	75,000.00	0.00
Pinoy ME Foundation	Workshop on Business Development Services	250,000.00	250,000.00	0.00
Pulse Asia, Inc.	Poverty Survey: Ulat ng Bayan	150,000.00	150,000.00	0.00
Upland Marketing Foundation, Inc.	PCCI Local Market Establishment and Development	240,000.00	240,000.00	0.00



TREASURER'S REPORT

AS OF DECEMBER 31, 2008



The Peace and Equity Foundation, Inc. has not been immune from the effects of the global financial crisis in 2008. But we are of the firm belief that in times of crisis, we become seekers of solutions for sustainability.

Important decisions were made in 2008. These included the temporary suspension of the annual provision for inflation intended to maintain the value of the endowment fund, appropriate investment guidelines and reduced annual budget. As a result of these decisions, PEF was able to weather the storm and look forward to a better financial position in 2009.

At the end of 2008, the Foundation's fund balance dipped to ₱1.249 billion, 26% lower than in 2007. Our investments suffered with the overall slide in market performance. Although the losses amounting to ₱311.65 million are primarily on paper due to the decline in market

values of investments, we also incurred realized investment losses of ₱66.5 million.

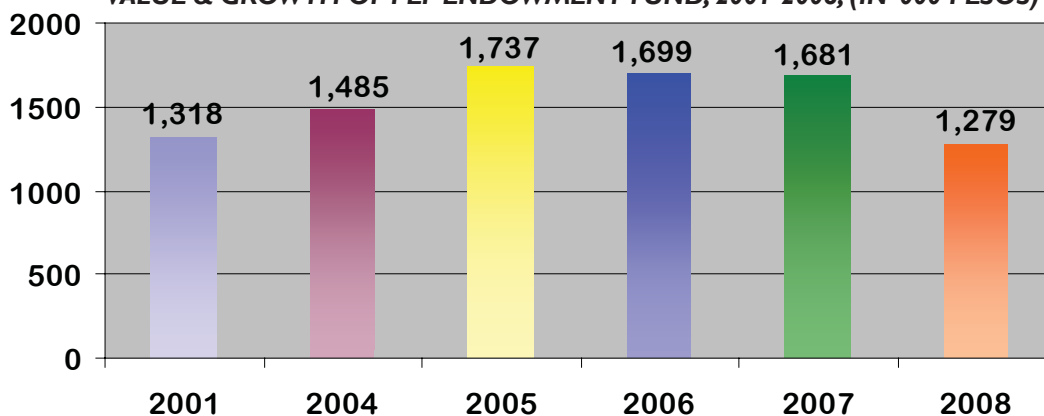
Revenues

Revenues for 2008 totaled ₱61.1 million that was a 73% decrease from 2007 revenues of ₱228 million. The low revenues came primarily from foreign exchange gains at ₱46.5 million (76% of total revenues) and ₱11 million interest income from project loans an amount that is 24% lower from prior year of ₱14.5 million.

Disbursements

Project disbursements for loans, grants and equities posted a total of ₱136 million in 2008, a slight 7% decrease from the ₱147 million in 2007.

FIGURE 7
VALUE & GROWTH OF PEF ENDOWMENT FUND, 2001-2008, (IN '000 PESOS)



Project loans released in 2008 amounted to ₱30 million or 45% less than prior year's ₱55 million. Releases on investments in equity totaled to ₱27 million, 170% higher than prior year. On the other hand, project grants releases increased by 4% from prior year to ₱47 million. These direct project disbursements is equivalent to 76% of the total project disbursements for the year.

Project support activities for the year reached ₱32 million, 23% of total project disbursements of ₱136 million. Expenses include activities in project development monitoring and evaluation, technical assistance, poverty mapping, research and publications, and institutional support projects.

General and administrative expenses amounted to ₱10.5 million, which is almost equal to the same expense item of 2007 and is 7% of total 2008 expenses.

Funding Partnerships

Since late 2006, PEF managed a fund of \$535,500 from the United Nations Development Programme - Global Environment Facility (UNDP-GEF) through and Department of Energy for microfinancing for poor households' Renewable Energy technology. Disbursements for project loans, grants and support for the year amounted to ₱4.66 million. The total cumulative project disbursements as of end of 2008 was ₱5.28 million.

In June 2007, PEF partnered with the Netherlands' Catholic Organization for Relief and Development Agency for International Development (CORDAID) for a 5-year P 100 million loan and ₱10.9 million grant fund tagged as "Mindanao Partnership Project for Peace" (MP3). Disbursements for project loans, grants and support for the year amounted to ₱28.25 million, where total cumulative project disbursements by end of 2008 is ₱36.89 million.

Firm Footing for Partnership

The year 2009 will see the PEF Board welding more financial partnerships with local, provincial, national and international partners. These will build on the Foundation's firm footing in the priority and convergence areas.

We will closely monitor our spending as we ensure the implementation of financial policies set by the Board of Trustees. We will undertake the creative thinking and bold actions necessary to forge a strong, sustainable future for the Foundation.


PACITA U. JUAN
 Treasurer

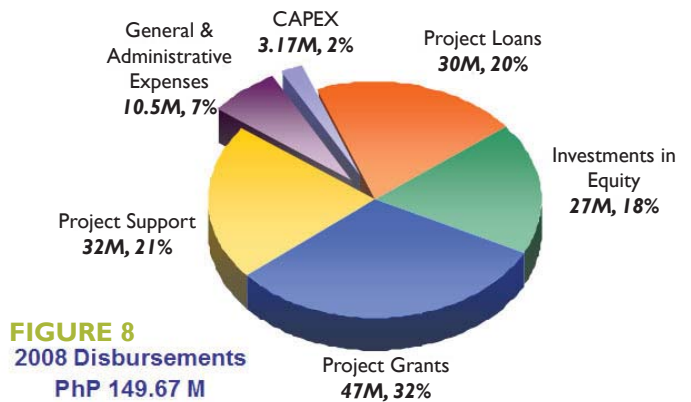


FIGURE 8
 2008 Disbursements
 PhP 149.67 M

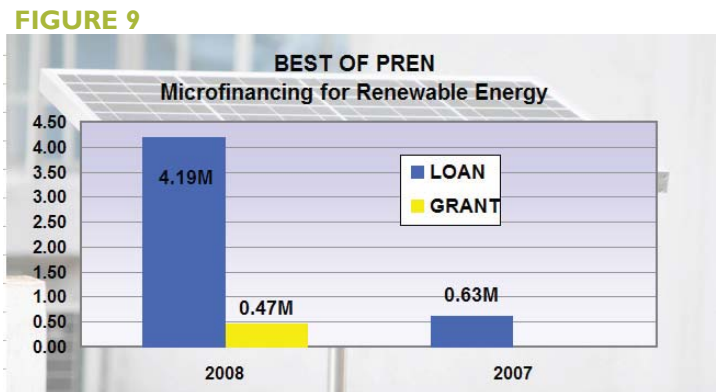


FIGURE 9

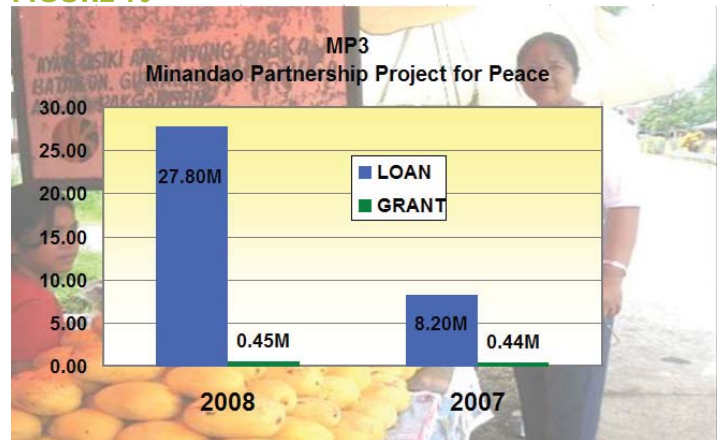


FIGURE 10

REPORT OF INDEPENDENT AUDITORS

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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www.punongbayan-araullo.com

THE BOARD OF TRUSTEES

Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.
(A Non-stock, Nonprofit Organization)
No. 69 Esteban Abada Street
Loyola Heights, Quezon City

Report on Financial Statements

We have audited the accompanying financial statements of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc., which comprise the statements of assets, liabilities and fund balances as at December 31, 2008 and 2007, and the revenues and expenses statements, statements of changes in fund balances and cash flow statements for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. as of December 31, 2008 and 2007, and of its revenues and expenses and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary Schedules I to IV of the Foundation as at December 31, 2008 and for the year then ended as required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules 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.

PUNONGBAYAN & ARAULLO


By: **Ramilito L. Nañola**
Partner
CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 1566070, January 5, 2009, Makati City
SEC Accreditation No. 0395-A
BIR AN 08-002511-19-2006 (Sept. 8, 2006 to 2009)

March 26, 2009

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION, INC.
 (A Non-stock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES
 DECEMBER 31, 2008 AND 2007
 (Amounts in Philippine Pesos)

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	₱ 60,430,996	₱ 20,765,992
Loans and receivables - net	76,675,674	73,036,691
Available-for-sale financial assets	1,107,524,979	1,544,748,393
Total Current Assets	1,244,631,649	1,638,551,076
NON-CURRENT ASSETS		
Loans and receivables - net	75,748,858	123,365,302
Property and equipment - net	37,231,013	37,736,546
Investment properties	4,845,789	3,145,789
Total Non-current Assets	117,825,660	164,247,637
TOTAL ASSETS	₱ 1,362,457,309	₱ 1,802,798,713

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES		
Accounts payable, accrued expenses and other liabilities	₱ 6,232,885	₱ 7,757,273
Grants payable	18,085,829	48,934,613
Funds held in trust	88,792,390	64,716,097
Total Current Liabilities	113,111,104	121,407,983
FUND BALANCES		
Restricted	1,318,371,694	1,668,183,891
Unrestricted	(69,025,489)	13,206,839
Total Fund Balances	1,249,346,205	1,681,390,730
TOTAL LIABILITIES AND FUND BALANCE	₱ 1,362,457,309	₱ 1,802,798,713

(Full report of 2008 audited financial statements available at PEF website www.pef.ph or upon request)

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE)
FOUNDATION, INC.**

(A Non-stock, Nonprofit Organization)

REVENUES AND EXPENSES STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Amounts in Philippine Pesos)

	2008	2007 <i>as restated</i>
REVENUES , GAINS AND OTHER SUPPORTS		
Foreign exchange gains	₱ 46,513,769	
Interest income	10,970,014	14,471,252
Reversal of impairment losses	3,001,461	3,685,527
Investment income	-	209,666,605
Others - net	607,075	588,580
	61,092,319	228,411,964
EXPENSES		
Investment loss	66,512,053	-
Grants	47,032,751	44,214,160
Project expenses	32,309,592	36,004,435
General and administrative	10,522,387	10,717,875
Impairment losses	5,223,173	2,352,105
Depreciation	3,335,708	2,969,332
Foreign exchange losses	-	89,770,936
	164,935,664	186,028,843
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(₱ 103,843,345)	₱ 42,383,121

(Full report of 2008 audited financial statements available at PEF website www.pef.ph or upon request)

**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE)
FOUNDATION, INC.**

(A Non-stock, Nonprofit Organization)

CASH FLOW STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Amounts in Philippine Pesos)

	2008	2007 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	(P 103,843,345)	P 42,383,121
Adjustments for:		
Investment loss (income)	66,512,053	(209,666,605)
Unrealized foreign exchange losses (gains)	(46,478,080)	89,770,936
Interest income	(10,970,014)	(14,471,252)
Impairment losses	5,223,173	2,352,105
Depreciation	3,415,536	3,014,850
Reversal of impairment losses	(3,001,461)	(3,685,527)
Contributions to retirement fund	(580,390)	(114,216)
Gain on disposal of property and equipment	(345,125)	(17,171)
Provision for retirement benefits	325,522	390,050
Operating loss before working capital changes	(89,742,131)	(90,043,709)
Decrease (increase) in loans and receivables	47,559,312	(48,047,410)
Decrease (increase) in available-for-sale financial assets	150,277,141	(55,477,493)
Decrease in accounts payable, accrued expenses and other liabilities	(1,849,910)	(11,949,671)
Decrease in grants payable	(30,848,784)	(31,271,222)
Increase in funds held-in-trust	24,076,293	36,602,055
Net Cash From (Used in) Operating Activities	99,471,921	(200,187,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment and interest income received	(55,542,039)	224,137,857
Acquisitions of property and equipment	(3,169,067)	(8,654,476)
Increase in investment property	(1,700,000)	-
Proceeds from sale of property and equipment	604,189	177,225
Net Cash From (Used in) Investing Activities	(59,806,917)	215,660,606
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,665,004	15,473,156
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,765,992	5,292,836
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 60,430,996	P 20,765,992

(Full report of 2008 audited financial statements available at PEF website www.pef.ph or upon request)

PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION, INC.
(A Non-stock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Amounts in Philippine Pesos)

UNRESTRICTED FUND

	Members' Contribution	Cumulative Excess (Deficiency) of Revenues over Expenses	Revaluation Reserve on Available-for-sale Financial Assets	Total Unrestricted	Restricted Fund	Total
Balance at January 1, 2008						
As previously reported	₱ 100,000	(₱ 20,191,945)	₱ 29,693,113	₱ 9,601,168	₱ 1,668,183,891	₱ 1,677,785,059
Prior-period adjustment	-	3,605,671	-	3,605,671	-	3,605,671
As restated	100,000	(16,586,274)	29,693,113	13,206,839	1,668,183,891	1,681,390,730
Deficiency of revenues over expenses for the year	-	(103,843,345)	-	(103,843,345)	-	(103,843,345)
Fair value adjustments	-	-	(328,201,180)	(328,201,180)	-	(328,201,180)
Reversal of cost of inflation	-	349,812,197	-	349,812,197	(349,812,197)	-
Balance at December 31, 2008	₱ 100,000	₱ 229,382,578	(₱ 298,508,067)	(₱ 69,025,489)	₱ 1,318,371,694	₱ 1,249,346,205
Balance at January 1, 2007	₱ 100,000	(₱ 58,394,336)	₱ 89,213,374	₱ 30,919,038	₱ 1,667,608,832	₱ 1,698,527,870
Excess of revenues over expenses for the year	-	42,383,121	-	42,383,121	-	42,383,121
Fair value adjustments	-	-	(59,520,261)	(59,520,261)	-	(59,520,261)
Provision for cost of inflation	-	(575,059)	-	(575,059)	575,059	-
Balance at December 31, 2007, as restated	₱ 100,000	(₱ 16,586,274)	₱ 29,693,113	₱ 13,206,839	₱ 1,668,183,891	₱ 1,681,390,730



STANDING FROM LEFT:
Ana Lea Uy,
Fr. Norberto Eyule,
Rogelio Decal,
Artiso Mandawa,
Abp Antonio Ledesma,
Emmanuel Areño,
Moner Bajunaid &
Veronica Villavicencio

SEATED FROM LEFT:
Ana Oliveros,
Carmencita Abella
and Pacita Juan

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President, Association of Foundations
representing national NGO networks and coalitions

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Ex-Officio Member / Executive Director
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