

## **Amando M Tetangco, Jr: Launch of the Albay Mayon Credit Surety Fund**

Speech by Mr Amando M Tetangco, Jr, Governor of the Bangko Sentral ng Pilipinas (the central bank of the Philippines), at the launch of the Albay Mayon Credit Surety Fund (CSF), Legaspi City, Albay, 12 August 2010.

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Governor Joey Salceda, distinguished leaders of the various sectors in Albay, members of cooperatives in Albay, fellow workers in government, special guests, marhay na aga sa indo gabos! Good morning.

On behalf of the Members of the Monetary Board and my colleagues at the Bangko Sentral ng Pilipinas, we welcome Albay province under the leadership of Governor Salceda to the Credit Surety Fund movement or what we call CSF.

With today's launch, the Albay Mayon Credit Surety Fund becomes the 12th CSF to be created since 2008.

With CSF, entrepreneurs gain access to bank loans even without collaterals. Before CSF, financially-challenged entrepreneurs source funds from informal lenders at very high interest rates.

CSF is also a positive for banks. Even without collaterals, bank loans made under CSF are effectively insured against default by the surety fund set up jointly by the LGUs and other partner organizations.

You may ask, does it really work? Well, based on our experience from the first 11 CSFs it works!

I will share some CSF updates with you:

- As of 31 July 2010, the eleven (11) CSFs set up ahead of Albay are in the Provinces of Aurora, Bohol, Cavite, Compostela Valley, Davao del Norte, Davao Oriental, Negros Occidental, Negros Oriental and North Cotabato as well as in the Cities of Cebu and Iloilo.
- The combined assets of the cooperatives and NGOs who are members of the first eleven (11) CSFs is valued at P8 billion, about P2.6 billion of which represents equity.
- These eleven CSFs are made up of one hundred seventy-three (173) cooperatives and three (3) NGOs with total membership of close to 200,000. The sheer financial muscle and reach of the CSFs speak of the tremendous potential of the Program.
- The total trust fund of the eleven (11) CSFs have reached P98 million, including P51 million contributed by the cooperatives and NGOs. This translates to a total potential loan of P511 million at any one time.
- Total loans booked under the program reached P53 million. These loans not only helped end-user borrowers finance the needs of their businesses but helped their immediate communities as well. Loan applications amounting to P156 million are in various stages of processing and approval.

Given these numbers, it is safe to say that CSFs have gained traction. For this, we thank our LGU partners, as well as our institutional partners that includes the Land Bank of the Philippines, the Development Bank of the Philippines and the Industrial Guarantee and Loan Fund. We also acknowledge IGLF's support for the training of contributing cooperatives on credit appraisal and monitoring, basic accounting, marketing, and credit risk management.

The University of the Philippines' Institute of Small Scale Industries has already conducted ten runs of these training courses which have benefited 243 cooperative and NGO members.

Nevertheless, we will be the first to say that CSF is not perfect. In this imperfect world, there is always room for improvement. The key is to have all parties involved follow procedures faithfully, starting with those who will screen and evaluate the loan applications.

In the case of Albay, we see a perfect fit with CSF. Based on our monitoring, loans to deposit ratio in the entire Bicol Region remains low. For instance, while deposits have reached P53 billion in 2009, loans were at P14 billion. Clearly, you have a loyal and growing base of depositors and yet your loans to deposit ratios are low. Possibly, the guarantee provided by the credit surety fund for bank lending could well be the catalyst that will move lending forward here in Bicol.

With the dynamic leadership provided by Governor Salceda and other Albay LGU officials, I am confident Albay Mayon CSF will serve as a positive catalyst that will further accelerate the development of the Bicol Region. As reported earlier, Bicol's 2009 GDP already increased by an impressive rate of 8.2%, the highest among the 17 regions in the Philippines. We can look forward to a repeat performance.

With the CSF in place, we hope Albay's MSMEs will develop at a more balanced and sustained pace. This should exert a positive influence on the continuing development of the Bicol Region.

And so, once again, we welcome Albay and Governor Salceda to the CSF movement. We also look forward to learning much from your CSF as you start implementation of this empowering collateral-free credit program for micro, small, and medium enterprises.

Mabuhay ang Albay! Mabuhay ang mahal nating bansang Pilipinas! Maraming salamat sa inyong lahat!