

The ECF through business eyes: Cagayan De Oro Handmade Paper Crafts

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Lolita B Cabanlet started Cagayan De Oro Handmade Paper Crafts in her kitchen in Mindanao, the Philippines, in 1993 as a hobby, making cards and albums for friends who were getting married. By 1997, her blossoming business had well and truly outgrown the house, exporting to markets in the US, Belgium and Italy.

Many of her products are made using abaca fibre, from a species of banana native to the Philippines. Lolita devised a project to improve the abaca supply chain for her business, to improve the grading and sustainable production of abaca, to boost the incomes of indigenous farmers and to expand production of her paper products to provide more jobs for home workers, particularly women. But she needed capital to get her idea off the ground.

In 2008, she successfully applied to AusAID's [Enterprise Challenge Fund](#) (ECF) to co-fund her proposal. She was awarded a grant of A\$407,139 to cover 46 per cent of the project, while her business financed the remaining 54 per cent.

You can read more about Lolita's participation in the fund and the outcomes of her grant in [this case study](#) [pdf].

Lolita recently presented at an ECF workshop hosted by the Development Policy Centre. I spoke with her briefly on the sidelines of the workshop about her experience.

Ashlee: To start, tell me a little about your business and the ECF project, and how that has helped economic development in your community.

Lolita: The first part of our ECF project was to establish an abaca plantation, on the lands of the Higanon indigenous people, using sustainable farming techniques, which we provided training to the indigenous farmers on. We also set up a buying station, where the abaca could be graded. Before, when the indigenous people sold their abaca to buyers, they only received a flat price. But now they receive payment depending on the quality, which has improved their incomes and lets them do things like sending their children to school and improving their living conditions.

In this business we were only searching for the waste of the abaca fibres to make our paper. We sell the good fibres to a company that uses it for processing teabags.

For the urban poor, the people who make our boxes and cards are women from low income areas, with no education. We don't really need a highly educated person to make a card or an envelope, so it is an opportunity for them to do this for us so they can earn money. For example, a mother at home with children, she has gone to from earning zero income to a minimum wage of 350 pesos (AU\$8.50) a day. Being engaged in making the cards gives them that financial empowerment. We have employed a lot of women, because they are very good at quality control and attention to detail. The women receive training on how to make cards, bags and journals. We then have men working in the factory making the paper.

We've also faced many challenges, for example in getting the farmers to trust us—they just couldn't believe we were honest in our intentions because for centuries they have been exploited by traders. After breaking that barrier, we have attracted nine co-op members to sell to us.

Ashlee: How did you find working with the ECF?

Lolita: I really appreciated the ECF system. It started with the application form. It was crafted in a way that helped us formulate our business plan. It really helped us. It was something you could not fill out in one day. You had to read the questions one at a time and go away and do some research and then come back to the table to look at the next thing. It was very detailed, but it helped us make the picture clearer and to get into the nitty gritty of the business.

The quarterly reports were also very good at helping us keep track of our activities.

Ashlee: So you didn't find the reporting requirements to be too heavy?

Lolita: [The report] was long, because you had to have a narrative and quantitative part, but we were willing to do it because it was helping us. As a single proprietor, I don't claim to be all knowing or highly knowledgeable in the documentation side of the business. But the ECF documentation helped us and we are now using it as our sort of Bible.

The monitoring was also another interesting part. I am aware that some other grantees did not really like the visits from consultants, but we wanted the consultants to come and we wanted to hear from them. I told my staff that we should absorb anything that they tell us, because that is the only way that we can grow. We are far away and don't get to attend training or fora to improve our business, but with these consultants coming to us to mentor, I encouraged everyone in the business to be like a sponge—to absorb. Otherwise, what is the use of joining a competitive grant if you aren't interested in learning from others?

Ashlee: When you saw the opportunity to apply to ECF, did you have any other forms of financing available to you?

Lolita: We already had a bank loan, but we needed to have collateral for the bank, and the factory and land were being used for this - on that loan that we were amortising every month. At the time that the ECF competition was announced, we did not have the capability to borrow because all of our collateral was encumbered.

So the ECF was a real opportunity.

When you undertake a project like this, your budget has to be certain. You cannot fail the farmers. What happens if I don't have enough money to pay them, but here they are with their fibres? It would be a big problem, they might kill us! So I could not have embarked on this without this certain funding.

I'm just very grateful that out of all of the applications that the ECF received, that somehow they noticed me!

Ashlee: Did your idea evolve or change as you moved through the ECF process?

Lolita: My original application was for 1500 hectares [for the Abaca plantation], and the panel reduced it to

300 hectares. But you know what? It was a good amendment, because otherwise we would have a nightmare when monitoring - otherwise we might not be able to sleep! So it was welcome and made our lives a lot easier. If the panel did not reduce it, we might have been planting abaca in our dreams!

After this experience we have learned our lessons, for example, not to include farms that are very far away that we cannot visit to monitor. In the future when we implement this on our own, road accessibility will be a big criteria. Another will be to choose farms in areas with no peace and order problems.

Ashlee: Your ECF grant wrapped up in 2011, how has the business been going since then and what does the future hold?

Lolita: I started as a single proprietor and we are now a registered corporation, as of last year. Next year we are going to replicate the ECF project by going to another tribal community, where there is no law and order problem, and that is going to be funded by us ourselves, as a corporation.

I created this business for my children. My eldest daughter is now working as a lawyer, because I thought a business should have somebody to make all the contracts and agreements. My second child, he is the entrepreneur, he is acting as the COO now. My third child, since our business is dependent on design, she is working as our in-house designer on our products. And my fourth child is our marketing manager.

When I started this business, they were only small. I already knew the kind of path they should take for the business, so it really was created for them. Right now my son is the COO and I want to focus more on marketing. They all helped as part of filling out the ECF application, I couldn't do it alone. It's really nice to use all your talents and resources in the family for a greater purpose and to help others.

Ashlee: Do you have any advice for any future ECF-type projects? Were there areas that could be improved on?

Lolita: I think they have done very well to look for projects that will have a greater effect and that will include the poor in the business. Now, the poor are our business partners. They are now our service providers, working for us, they are now the suppliers of our raw materials. They are no longer looked at as an unemployed group of people, they are part of our business.

So I think that the ECF should look into projects that can elevate the poor to the level of being engaged, or incorporated or absorbed into the business. This is what they should focus on in the future.

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