

TEN YEARS OF iNCLUSIVE BUSiNESS iN THE PHiLiPPiNES



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LIST OF ACRONYMS AND ABBREVIATIONS USED

ACPC	Agricultural Credit Policy Council
ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ATI	Agricultural Training Institute
Bgy	Barangay (smallest unit of government at the village level)
BIR	Bureau of Internal Revenue
BOI	Board of Investments
BoP	Bottom (or base) of the (economic) pyramid
BSMED	Bureau of Small and Medium Enterprise Development
BSP	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
CDA	Cooperative Development Authority

Coop	Cooperative
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DENR	Department of Environment and Natural Resources
DOF	Department of Finance
DOH	Department of Health
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DOT	Department of Tourism
DTI	Department of Trade and Industry
FIO	Financial Inclusion Office (of the Central Bank)
GFI	Government financial institution
GOCC	Government owned and controlled corporation
IC	Insurance Commission
IPP	Investments Priorities Plan
KB	Commercial bank
LBP	Land Bank of the Philippines
MFI	Microfinance institution
MSME	Micro-, small, and medium enterprises
NGA	National government agency
NGO	Non-government organization
OECD	Organisation for Economic Cooperation and Development
PCIC	Philippine Crop Insurance Corporation
SDO	Social delivery organization
SE	Social enterprise
SME	Small and medium enterprises
TESDA	Technical Education and Skills Development Authority

introduction

In the past two years, the world has been reeling from the COVID-19 pandemic which continues to rampage across the globe and wreak havoc on economies. Never has it been more evident that resilience, in the face of not just the health but also the economic costs of the pandemic, is essential to recovery. In a backdrop of climate change, varied socio-economic and geo-political disruptions, building resilience is anchored on sustainable and inclusive growth – sustainable insofar as it supports the health and repair of the natural environment, and inclusive when it meaningfully improves the livelihood of wider population segments ¹.

Recognized by the G20 in 2015 as a private sector approach to providing products, services, and livelihoods on a commercially viable basis to people at the base of the pyramid by making them part of the value chain of the companies' core business, inclusive business has made significant strides and inclusive business models have become buzzwords in corporate boardrooms around the world and in the Philippines. According to Jaime Augusto Zobel de Ayala, Chairman and CEO of Ayala Corporation², the role of corporations as agents of social change to address society's vulnerabilities is now becoming mainstream. Council for Inclusive Capitalism³ CEO Meredith Sumpter agrees that adopting inclusive business models means taking the Sustainable Development Goals (SDGs) to heart⁴.

Interest in inclusive business in the Philippines began in 2012, when a market scoping study in the Philippines was conducted by the Asian Social Enterprise Incubator, Inc. (ASEI) for the Asian Development Bank (ADB). The study looked at seventy (70) companies with inclusive business models that engage BoP stakeholders in these businesses' operations as workers, consumers, suppliers, retailers or distributors. Ten years later, this study takes a second look at companies featured in the 2012 study to see how resilient their inclusive business models are and how they have progressed over the past decade. This study also looks at companies that were registered and accredited with the Board of Investments (BOI) as inclusive business projects to eventually qualify for fiscal incentives.

This study shows, aside from the growth and accomplishments of the companies, the challenges they had to surpass as they reach viability and scale. In the Philippine context, and more recently in the midst of a global pandemic, changing IB dynamics in the public and private sectors shaped the success, or in some cases the failure, of the IB model. It will be useful to see how these companies achieved financial viability and scale and how they expanded and measured the impact on the stakeholders at the base of the pyramid.

The study was conducted by Mr. Jun P. Perez of Social Platforms Helping Empower Rural Economies (SPHERE), Philippines.

1 <https://www.mckinsey.com/capabilities/risk-and-resilience/our-insights/resilience-for-sustainable-inclusive-growth>

2 Ayala Corporation is one of the largest business conglomerates in the Philippines

3 The Council is a movement of global CEO leaders doing business that contributes to more inclusive and sustainable economies. <https://www.inclusivecapitalism.com/>

4 <https://businessmirror.com.ph/2021/11/23/firms-reckoning-with-societys-pain-points/>

EXECUTIVE SUMMARY

Macroeconomic and social conditions in the Philippines show a continuing serious poverty situation. The poverty incidence was at 18.1% in 2021 translating to almost 20 million Filipinos living below the poverty threshold. Around 5.9% of these are barely able to bring food to the table. Inflation rose to 4.5% in 2021, almost double the 2020 figure. Unemployment and underemployment rates are also high. For those able to work, wage rates barely enable poor families to lead other than a hand-to-mouth existence. More Filipinos are getting sick in poor regions due to lack of access to healthcare. Education attainment is also low with 3.5 million of an estimated 39.2 million Filipinos of school-age being out of school, despite conditional cash grant assistance from the government to subsidize food and education for poor families.

With these conditions, inclusive businesses working with the poor and low-income population at the base of the economic pyramid show, that they are in a position to catalyze local economic development and contribute to poverty alleviation at scale.

The past decade since 2012 saw a tremendous expansion of the reviewed IB models in terms of reach and depth of impact, so that, for example in the insurance sector, it has reached systemic change proportion. The companies increased their reach by 859 percent engaging with over 36 million people at the BoP from about 4 million people in 2012.

Aside from the number or scale of the reach to BoP stakeholders, a deeper positive impact to these stakeholders is also seen in terms of increased income generation, socio-economic empowerment, and access to products and services. On the average, income increased by 189 percent in the reviewed companies.

Most if not all companies featured in this study, previously featured also in the 2012 landscape study of companies doing inclusive business models in the country, succeeded in working with their BoP stakeholders as workers, suppliers, distributors, retailers and customers. They reinforced their intentional targeting of the BoP as actors in their value chains. Producer or consumer groups were organized, assisted to formalize, imbued with various capacity building and business development assistance programs, linked to providers of financing, to make them better able to meet the requirements of the IB companies. One other very significant impact delivered is women economic empowerment. Where before, women were traditionally confined to their roles as homemakers, as they play various roles in inclusive value chains, earn income and contribute to the household coffers, they then become more assertive of their rights and participative in decision-making not only within the home but even outside into the local community and local economy.

Various innovations were introduced by the companies including digitalization, systems, and social and environmental innovations to further scale their operations and create loyalty and trust with the BoP stakeholders.

In their implementation of IB models and activities, companies have seen that these are viable and scalable operations. However, gaps in the enabling environment, difficulties in doing business, and to some extent even regulations, sometimes pose hindrances to IB's viability.

The public sector has been doing its share, with government agencies initiating various programs and projects, albeit disjointed and sometimes overlapping, to support inclusive business, social enterprises and MSMEs. Financial inclusion is being pushed forward and this augurs well for IBs and their MSME suppliers, who need accessible and more affordable financing.

Inroads have been made in IB policy development up until late 2019. However, IB-related government activities waned starting early 2020, partly because of the COVID-19 pandemic and partly because of the dissolution of the IB unit at the Board of Investments, which created a vacuum in IB policy promotion.

Challenges remain, in terms of limited access to financing, lack of a lead government agency to coordinate IB activities, lack of a database to match companies with MSME suppliers, expensive access to technical assistance, and ease – or difficulty – of doing business.

In conclusion, the last ten years have shown that IB models and activities are undertaken viably and to scale in the Philippines, even effectuating systemic change in one sector. Resilience and commercial success are combined with significant reach and depth of impact; the positive effect to alleviate poverty is evident. Lessons abound, that can be shared. Challenges faced by MSMEs and BoP stakeholders can be overcome with support from the IB companies and just trade practices of IB companies ensure long-term relationships with their BoP partners. Strategic partnerships work but more targeted measures to support companies are needed, such as the improvement of the ease of doing business.

The following recommendations are proffered:

1. Adopt a whole-of-government approach to promote and support IB.
2. Push for the creation of a body or lead agency to specifically champion IB.
3. Review and improve ease-of-doing business policies.
4. Review existing incentives to IBs.
5. Advocate for the passage of the IB bill, submitted to parliament in 2021.
6. Create a national accessible database to collect and collate data on BoP stakeholders.
7. Review corporate governance regulations especially provisions on corporate initiatives for inclusive and sustainable growth.
8. Support digitalization.
9. Reinforce initiatives on inclusive and sustainable finance.
10. Capacitate companies to participate in global value chains.
11. Foster entrepreneurship and participation in IB value chains not just among the poor but other marginalized groups like IPs, PWDs, PLHIVs, or out of school youth.
12. Encourage the development of entrepreneurial mindsets amongst BoP stakeholders.
13. Promote responsible business and just trade practices in dealing with MSMEs, farmers or fisherfolks, and producers associations and other stakeholders.

GENERAL OVERVIEW OF IB DEVELOPMENT

IN THE PHILIPPINES

MACROECONOMIC AND SOCIAL CONTEXT⁵

According to the Philippine Statistics Authority (PSA), the poverty incidence⁶ among the Philippine population in 2021 was at 18.1%, rising from the 16.7% level in 2018. This means almost 20 million Filipinos live below the poverty threshold of PhP12,000 (USD218⁷) per month for a family of five. Subsistence incidence⁸ also rose from 5.2% in 2018 to 5.9% in 2021. This was exacerbated by inflation, which rose in the past 3 years starting at 2.5% average inflation in 2019, to 2.6% in 2020, and 4.5% in 2021. The purchasing power of the peso was diminished, as the value of PhP1.00 in 2018 as the base year was at only PhP0.87 in 2021.

Unemployment rate in 2021 reached 7.2%. Of the 44.9 million economically active population aged 15 years and above, 3.23 million were unemployed. The underemployment rate is even higher at 21.0% or roughly 8.77 million underemployed persons.

Daily wage rates in 2021 for workers in non-agricultural jobs were at PhP570 (USD10.36) or around PhP12,500 (USD227.27) per month⁹, a little over the PhP12,000 poverty threshold. For workers in the agricultural sector, daily wage was pegged at PhP533 (USD9.69) or merely PhP11,700 (USD212.72) per month, already significantly below the poverty threshold especially considering the eroded purchasing power of the peso.

On health, the percentage of family members who got sick in 2021 varies from region to region. Incidences of sickness were higher in regions with high poverty incidence, i.e. 11.6% in Bicol Region, 16.7% in CARAGA Region, and 12.0% in SOCCSARGEN. Around 35% of the population were not able to go to work or to school or were not able to perform daily activities due to illness or injury.

Access to education is another indicator to be considered. Education attainment had the highest incidence of deprivation for Filipino families. Based on latest (2017) PSA data, 9% or 3.53 million of an estimated 39.2 Filipinos at school age are considered out of school youths.

The poorest of the poor at the base of the economic pyramid are suffering, despite the government's conditional cash transfer grants through the *Pantawid Pamilyang Pilipino* Program (4Ps). They remain in need of opportunities.

Inclusive businesses that work with the BoP, engaging them as workers, suppliers, distributors, retailers or customers, are able to contribute to poverty alleviation by providing stable and better opportunities for income generation or savings, thereby being catalysts for local economic development.

⁵ Source: Philippine Statistics Authority

⁶ The proportion of Filipinos whose per capita income cannot sufficiently meet individual basic food and non-food needs.

⁷ At USD1 = PhP55.

⁸ The proportion of Filipinos whose income is not enough to meet even just the basic food needs.

⁹ Computed at 22 working days per month

IB Promotion in the Philippines and ASEAN in the past decade

The landscape study done in 2012 by ASEI for ADB showed how the featured companies were implementing their inclusive business models in various industries including agriculture, financial services, manufacturing, food and beverage, retail, energy, health, information technology, education, housing, and tourism. It also provided a financial market scoping and recommendations to ADB for funding and technical assistance. It summarized the status of IB in the Philippines in its nascent stage, with companies becoming more aware if not accepting of the concept of IB and meaning to continue with their IB models and IB activities.

From 2013 to 2016, awareness on IB increased through introductions at various events as a means to achieving inclusive growth. These included the 2015 APEC Forum, the APEC IB knowledge hub, and the G20 Global Platform on IB.

In October 2017, the BOI in cooperation with the United Nations Development Programme (UNDP) in the Philippines conducted a study on IB awareness and engagement among companies in the country¹⁰. This gauged the private sector's level of knowledge, engagement, and awareness of IB to identify key drivers of successful IB initiatives. It concluded that the current levels of awareness of and engagement in IB are low although improved through strengthening the IB ecosystem, raising awareness, building capacity, encouraging partnerships, and initiating policy reforms and interventions.

The 2017-2022 Philippine Development Plan called for the development of more inclusive business models and social enterprises that will link MSMEs and community-based enterprises into the value chains of big business. In support of this, the 2017-2019 Investment Priorities Plan of the Board of Investments provided for fiscal incentives for inclusive business projects in agriculture and tourism. The IB Unit under the BOI was created as a program management office to evaluate investment projects with potential IB models applying for registration to qualify for incentives.

The Philippines hosted the first ASEAN IB Summit in September 2017 to pursue the promotion of IB as a key strategy towards achieving inclusive growth.

The year 2018 saw the release of 2 publications about inclusive business. The first study, *Inclusive Business Models in the ASEAN*, was published by the Philippine Board of Investments with support from ADB, the ASEAN Business Advisory Council, Credit Suisse, and the International Finance Corporation. The study looked at the state of inclusive business in the ASEAN and featured businesses in agriculture, finance, health, tourism, and utilities that made a difference through their inclusive business models. It concluded that with the growing support in the ASEAN from governments, the private sector, and financial institutions, the potential is there for IBs to deliver wide-scale socio-economic impact. The second publication, *Inclusive Business in the APEC*, discussed the market potentials, constraints, and the needed policy instruments for an enabling environment for inclusive business in the APEC region. It stated that IB should be the new approach for achieving APEC's goal of more inclusive economies through the creation of stronger enabling environments for IB in APEC economies.

In the same year, the Inclusive Business Leaders Conference was held. A collaboration of the Philippine Business for Social Progress (PBSP), the Board of Investments (BOI), and the Department of Trade and Industry (DTI), the conference presented inclusive business opportunities to promote inclusive business practices and models in the country. The Asian Venture Philanthropy Network (AVPN) 2018 Conference was also held and focused on collaboration and knowledge-sharing, and highlighted opportunities and challenges facing social investors in the Asia-Pacific region. The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) also held a policy forum on inclusive innovation that year. These activities raised more awareness for IB among different stakeholders, exploring best practices and challenges and further opportunities to promote inclusive innovation.

¹⁰ <https://www.undp.org/philippines/publications/business-philippines>

In 2019, DTI and BOI, with support from the Inclusive Business Action Network (iBAN) and ESCAP, facilitated the drafting of the proposed Roadmap for Promoting Inclusive Business in the Philippines. The roadmap aims to support the implementation of the IB promotion policy. Another initiative that year was the drafting of the Inclusive Business Bill by IDEALS, Inc. (Initiatives for Dialogue and Empowerment through Alternative Legal Services), a legal advocacy and service institution providing assistance to marginalized, disenfranchised, and vulnerable groups. The promotion of IB continued in various forums including, among others, the Asia Pacific Business Forum by ESCAP, the United Nations Conference on Trade and Development (UNCTAD) Multi-year Meeting on Investment, Innovation, and Entrepreneurship, the AVPN 2019 Conference, the Second ASEAN IB Summit, and the participation of BOI at the African Venture Philanthropy Alliance (AVPA) Policy Roadshow.

Overall, from its nascent stage a decade ago, IB has made significant inroads in the Philippines and the region. Stakeholders from government, the private sector, the finance sector, development organizations, have all contributed to the increasing awareness on IB. In the Philippines, inclusive business activities of companies are being recognized by government agencies and private sector networks, and experiences and lessons are shared by companies already doing IB with others meaning to do so. There was strong engagement among stakeholders until late 2019 prior to the onset of the COVID-19 pandemic.

However, from the beginning of 2020, the activities related to IB promotion and development have waned. This was partly a result of the pandemic and partly because of the dissolution of the IB unit at the BOI. This lack of a lead agency or entity to continue on the overall work of coordinating efforts at awareness building, promoting, and developing IB hampers the promotion of IB on the public sector side.

Presently, as pandemic-related health protocols, travel limitations, work stoppages, and other restrictions are easing, along with economic recovery steps may come measures to revive the interest in, advocacy for, and support for IB.

IB DYNAMICS IN THE PRIVATE SECTOR

The First Inclusive Business Asia Forum held in November 2012 started the conversations about inclusive business in the Philippines. The Philippine Business for Social Progress (PBSP) spearheaded the promotion of inclusive business as a strategy to tap into the core business competencies to spur inclusive growth. With 256 member companies, PBSP is the largest business-led non-government organization in the country. Established in 1970, PBSP is the first NGO in Asia to promote the practice of corporate social responsibility or corporate philanthropy as private sector approaches to help solve development issues. This evolved into creating shared value and PBSP went on to promote inclusive business.

In 2013, PBSP initiated the move from philanthropy to inclusive business, rallying its member-companies and the business sector as a whole to look at the potential of having the base of the pyramid, the low-income sector, in the value chains of companies as workers or employees, customers, or suppliers. It continued to promote IB in partnership with various institutions and programs. In 2017, it established its Inclusive Business Center and launched the IB Capacity Building Fund, funded by the private sector and managed by PBSP in 2018 at the Inclusive Business Leaders' Conference conducted in partnership with the Department of Trade and Industry and the Board of Investments.

By 2018, a year after the office order for its creation was signed, the Inclusive Business Program Management Office of the Board of Investments, started working on the development of the Inclusive Business roadmap and the Inclusive Business bill¹¹ in close consultation with

11 Source: Case Study on the Philippine IB Policy Journey, in the study on Inclusive Business Policy in Myanmar by Nicolette Louw and Sumaiya Bushra of Bopinc, and Melanie Moleno and Mary Grace Santos

the private sector and support from the UN Economic and Social Commission for Asia and the Pacific (ESCAP) and the Inclusive Business Action Network (iBAN).

Consultations on the IB Bill continued organized by IDEALS Inc. (Initiatives for Dialogue and Empowerment through Alternative Legal Services) a non-stock non-profit legal-focused advocacy and service institution, with support from Oxfam Philippines, to further improve the draft of the bill and advocate for its passage.

Business associations have also been active in the promotion of IB including among others the Makati Business Club, Philippine Business for the Environment, and the Philippine Franchise Association.

Other NGOs like Peace and Equity Foundation (PEF) and the Foundation for Sustainable Society, Inc., mainly working with social enterprises, are also looking at inclusive business as the progression of social enterprises that have established business relationships as suppliers for large companies. PEF supports social enterprises that work with community producers as suppliers. Fundacion CODESPA, a Spanish NGO that has been working in the Philippines for more than 10 years developed and supported an inclusive business model for a seaweed producers association in Mindanao, linking the association to a buyer in Spain.

The IB companies assessed in this study have, in the past decade, been relatively successful in working with their BoP stakeholders as workers, suppliers, distributors, retailers or customers. They basically adopt similar strategies in dealing with the BoP. There is conscious targeting of the BoP as the IB company's stakeholders. Producer or consumer groups are organized; where practicable the groups or associations are assisted to formalize and acquire legal personalities. Capacity building gives insight in entrepreneurship, financial literacy, technical skills, organizational development, and business development. Access to financial services is established.

A positive move that the present national administration made recently was the formation of a Private Sector Advisory Council. The council aims to help the government implement programs that create jobs, improve agricultural productivity, support MSMEs, and ensure an equitable, sustainable, and inclusive business landscape. In July 2022, President Ferdinand Marcos, Jr. chose leaders in the private sector to head the council, including Sabin Aboitiz of the Aboitiz Group of Companies to focus on infrastructure and tourism, Aileen Uygongco-Ongkaoko of the La Filipina Uy Gongco Group of Companies for agriculture, Go Negosyo founder Joey Concepcion for job creation, Henry Aguda of Union Bank for digital infrastructure, and Paolo Borromeo of Ayala Healthcare for health. This partnership of the public and private sectors should be a big boost in the development of the said five priority areas¹².

CHANGING PUBLIC SECTOR APPROACH IN PROMOTING IB

The Doing Good Index¹³ of the Centre for Asian Philanthropy and Society shows that as of 2022, the Philippines is “Doing Better” concerning the creation of an enabling environment for social delivery organizations (SDOs). These organizations deliver a product or a service that addresses a social need, and along the lines of this definition, inclusive businesses, their partner-agencies and NGOs that help address a social need may be considered.

At the setting-up stage, the Index shows that SDOs need 2 more clearances in 2022 compared to 2020, although it is quicker by 23 days to register in 2022 than in 2020. There are no inhibitors or restrictions on the receipt of foreign funding but there are some restrictions for raising local funds.

¹² <https://www.rappler.com/business/marcos-jr-picks-sabin-aboitiz-head-private-sector-advisory-council/>

¹³ <https://doinggoodindex.caps.org/dashboard>

In 2022, 14% of SDOs believed that laws are easy to understand, a decline of 4% age points from the 18% of SDOs that believed laws are easy to understand in 2020. SDOs for the past 2 years all agreed that tax deductions for individuals and tax incentives for businesses are powerful incentives to encourage systematic philanthropy and government support.

In the public sector, while inclusive growth has been in the Philippine national agenda for years, national government agencies have different approaches to contribute to the agenda. Specifically, supporting inclusive businesses that work with and provide opportunities for those at the base of the pyramid so that economic growth may be distributed more fairly is done at varying degrees. Fundamentally, these agencies have differing definitions or understanding of IB. As such, strategies to support IB lack coordination, are fragmented, or result in overlapping or redundancy of interventions¹⁴. Some agencies have stepped up and concretized their IB promotion and support activities while others have remained stagnant. The government's creation of an enabling environment for IB will have to be translated into these agencies' approaches to promote and develop IB.

Board of Investments

The IB Program Management Office (IB PMO) has been in place at the Board of Investments since 2018. It has been very active in the promotion of inclusive business until late 2019. However, its key functions remained focused on the registration of IB models meaning to utilize incentives and the monitoring of the registered IB projects. With the resignation or transfer to other divisions of IB PMO key staff, the office's functions have been taken over by other departments at BOI. Promotion of IB, albeit as a small part of its function, is done by the Domestic Investments Promotion Service while the monitoring of registered firms is done by the Legal and Compliance Service.

By this year, the five companies registered with the BOI in 2018 were supposed to submit IB accomplishment reports and annual reports on social impact assessment. As of this report's writing, none of those 5 BOI-registered firms have submitted the required reports¹⁵ to BOI's Legal and Compliance Service which monitors the compliance of the IB projects. Part of the evaluation of these companies' performance by the Legal and Compliance Service will be the sending of a supervision or show-cause letter for the registered business enterprises to justify why their respective registrations should be retained at pioneer status or downgraded to non-pioneer status. This evaluation process needs to be clarified with the registered companies.

Initiatives of Other Agencies

Pertinent to the development of the IB roadmap and the drafting of the IB bill, the IB PMO conducted consultations in 2019 with representatives of national government agencies. In those consultations, the different agencies shared what their respective offices were doing in support of inclusive businesses. While much support is focused on MSME development, some of the agencies reiterate these policies are to encourage linking of MSMEs to big companies, qualifying these MSMEs to become suppliers to big companies.

¹⁴ For example, a farmer's association supplying an IB may get the same technical assistance, e.g. business planning, from the DA, the DTI, and then the local municipal agricultural officer.

¹⁵ Inquiries with some officers of the BOI-registered companies reveal that the companies are waiting for notifications from the BOI as to the submission of reports and what those reports should be.

DTI Industry Roadmaps

All the industry roadmaps, even the regional industry road maps, subscribe to the national goals of inclusive growth and rural development. Short- and medium-run strategies and goals aim to strengthen supply chains and commodity clusters by addressing supply chain gaps and other coordination issues and supporting and strengthening value chain players in accessing technology, technical assistance, and financing. If these are coordinated properly amongst regional and provincial offices of the DTI, and if companies with IB models and activities along with their BoP suppliers are efficiently and effectively targeted and supported, the goals defined in the DTI roadmaps are attainable.

DTI RAPID Growth Project

The Rural Agro-enterprise Partnership for Inclusive Development and Growth or RAPID Growth Project¹⁶ is an ongoing project of the Department of Trade and Industry funded by the International Fund for Agricultural Development (IFAD) which aims to promote the development of rural enterprises and agricultural value chains to reduce poverty in target areas in Region 8 in Eastern Visayas, and Regions 9, 10, 11, 12 and Caraga in Mindanao. The project will link agricultural enterprises with smallholder producers to ensure market linkages, access to capital, knowledge, and technology. As these smallholder producers and their associations are capacitated, stabilized, and made more market-ready, they can be linked to IB companies engaged in agriculture and working with smallholder producers as suppliers.

Mindanao Inclusive Agriculture Development Project (MIADP)

The Department of Agriculture, with funding from the World Bank, launched in 2021 the Mindanao Inclusive Agriculture Development Project (MIADP) to increase productivity, resilience, and access to markets and services of organized farmer and fisherfolk groups in select ancestral domains and select value chains in Mindanao. DA as the lead implementing agency will establish linkages and partnerships with concerned government agencies, state universities and colleges, research and academic institutions, and private sector groups to complement the project. As part of the project's aim to provide access to markets, assisted groups can be linked to IB companies looking for BoP producers to form part of their supply chains.

Financing producers to access institutional markets

Smallholder farmers, fisherfolks, or even their producers' associations have a hard time reaching bigger and more stable institutional markets because they lack access to productive capital that can ensure the quality and volume of harvest that institutional markets expect. To bridge this gap, the Agricultural Credit Policy Council (ACPC) provides loan and guarantee facilities through its Agri-Negosyo (Agri-business) Loan Program¹⁷ to small farmers and fishers and micro- and small agri-fishery enterprises. Launched in 2020, agricultural financing is made not only more accessible to producers and agri-businesses but also more attractive and viable for agricultural lenders like the Land Bank of the Philippines, rural banks, and cooperatives to act as lender-conduits for the program. The ACPC was created to assist the DA in synchronizing credit policies and programs in support of the DA's priority programs. This program will help provide much-needed financing at more accessible and affordable terms to IB companies, MS-MEs, producers' groups and agri-enterprises within these companies' supply chains.

¹⁶ <https://www.ifad.org/en/web/operations/-/project/2000001200>

¹⁷ <https://acpc.gov.ph/agri-negosyo-loan-program-anyo/>

Mitigating risks in agriculture

The Philippine Crop Insurance Corporation (PCIC) is the state insurer implementing the agricultural insurance program of the government. It provides crop insurance to protect farmers against losses arising from natural calamities, pests, and diseases. Its insurance products were expanded to include not just crop insurance but also livestock and fisheries insurance, as well as insurance to cover agricultural assets and even the agricultural worker¹⁸. With this, lenders are more comfortable to lend to farmers. With capital now available, producers become more stable suppliers to institutional buyers. This improves the chances of agri-enterprises, individual farmers or fisherfolks, or their producers' associations in acquiring funding for their operations. At the same time, IB companies engaging these producers and groups are also protected because purchase or supply agreements are less risky because insurance will enable continuity of production activities.

Building technical skills in agri-entrepreneurship

The Technical Education and Skills Development Authority (TESDA) began offering a certification program for agri-entrepreneurship to encourage more farm owners or children of farmers to become agricultural businessmen in 2017. This certification course, the Agro-Entrepreneurship NC II¹⁹, will enable the agri-entrepreneur to acquire core competencies in assessing market opportunities, establishing farm production plans, handling farm finances, and marketing the produce. With more agri-entrepreneurs running the operations, IB companies sourcing produce from these agri-enterprises are assured of the professional enforcement of business partnership agreements.

Growing support for micro-insurance

The Insurance Commission (IC) of the Philippines recognizes the importance of micro-insurance to meet the need for risk-mitigating products for the poor at reasonable, affordable costs²⁰. Thus, the IC continues to strengthen regulations for micro-insurance in line with the National Strategy for Micro-insurance and the Regulatory Framework for Micro-insurance and support insurance companies that cater to these BoP clients. Micro-insurance companies can now reach out to a greater number of un-served insurable clients at the BoP with clear guidance from the Insurance Commission on micro-insurance product terms, product planning, performance standards for micro-insurance providers, and micro-insurance implementation guidelines.

Financial Inclusion²¹

The National Strategy for Financial Inclusion (NSFI) was first launched in 2015 and outlined the vision, strategic objectives, and guiding principles for promoting financial inclusion. In November 2021, the Financial Inclusion Steering Committee composed of 21 government agencies updated the strategy to ensure that it remains a responsive and relevant blueprint for mobilizing the nation to accelerate financial inclusion and enable more Filipinos to build financial resilience and inclusive growth.

The Agriculture Value Chain Financing pilot project, a joint initiative of the Bangko Sentral ng Pilipinas (BSP) and the ADB, supports the development of agricultural value chains and facil-

18 <https://pcic.gov.ph/insurance-products-2/>

19 <https://e-tesda.gov.ph/course/index.php?categoryid=98>

20 <https://www.insurance.gov.ph/microinsurance/>

21 Source: Financial Inclusion Office of the BSP

itates the financial inclusion of small farmers and agricultural MSMEs. It aims to demonstrate that the agriculture value chain approach is a more viable approach in satisfying the requirements of the agriculture sector.

The BSP supports the International Finance Corporation in its supply chain finance market development study to inform strategic interventions, including possible regulatory issuances, to promote supply chain finance as an innovative approach in MSME financing by leveraging on MSMEs' receivables, inventory flows, and supply chain relationships.

Some of the NSFI priority initiatives that will benefit the MSME sector and make them more viable partners of big business include enhancements to the agriculture and MSME financing ecosystem. It will include expanding the PhilGuarantee²² MSME Credit Guarantee Program that targets priority MSME and agriculture segments including women-owned and women-led enterprises. It will also promote agriculture value chain and supply chain financing for MSMEs. Microfinance and will remain integral to the initiatives integrated in the NSFI 2022-2028 that foster financial inclusion and financial resilience of the entrepreneurial poor²³.

Access to Finance during and post-COVID

There are also recent BSP regulatory issuances and relief measures passed in early 2020 until 2021 in response to COVID-19 to help mitigate the adverse impact of the pandemic, assist banks and financial institutions to weather the crisis, and support households and business enterprises.

The government financial institution Land Bank of the Philippines launched in May 2022 a lending program to assist businesses in facing disruptions brought about by natural calamities and man-made conflicts²⁴. Dubbed as NATION SERVES or the National Assistance Towards Initiating Opportunities to eNtities amidst Social and Economic Reverses which Visibly Entails Shockwaves to Businesses, the facility provides capital for businesses to strengthen operations, expand trading, and stockpile supplies and inventories to mitigate the impact of crises. The PhP50 Billion facility will support energy and fuel providers, industry manufacturers of medicines, metals, electronics, as well as renewable energy developers, agri-businesses, aviation hardware, machine manufacturers, and the transport sector. This is part of the bank's programs on inclusive financing to accelerate enterprise growth.

Government owned and controlled Small Business Corporation (SBC) also offers direct lending facilities²⁵ to manufacturers, suppliers, traders, franchisers, tourism service providers aside from its regular MSME financing facilities coursed through conduits.

Encouraging real estate developers to cater to low-income markets

The BSP, in August 2020, relaxed its regulations²⁶ to lenders for real estate property developers catering to the low-income markets. Aside from raising the limit to real estate lending, lenders are exempt from the limits if they lend to real estate developers of socialized and low-cost housing under the government programs.

22 The Philippine Guarantee Corporation (PhilGuarantee) is a government owned and controlled corporation that is the principal agency for state guarantee finance providing credit guarantees in support of trade and investment, exports, infrastructure, energy, tourism, MSMEs, and other priority sectors.
<https://philguarantee.gov.ph/about-us/mandate/>

23 Source: National Strategy for Financial Inclusion 2022-2028

24 <https://www.landbank.com/news/landbank-launches-p50-b-loan-program-for-crisis-affected-enterprises>

25 <https://sbcorg.gov.ph/programs-and-services/msme-financing-programs/>

26 <https://morb.bsp.gov.ph/363-a-limits-on-real-estate-exposures-and-other-real-estate-property-of-ubs-kbs-2/>

SUGGESTIONS FROM THE IB ECOSYSTEM

1. Forging partnerships has been proven to be an effective way of promoting and developing IBs. This has been the experience of many companies which have been successful with their IB models.

All companies evaluated in this study subscribe to the value of strategic partnership building not just with government agencies but also with non-government organizations. These partnerships will form part of the ecosystem of support to the IB companies and their BoP customers or suppliers. As such, information must be generated and made available on the range of potential partners at national and local levels, what kind of assistance they can provide, requirements to establishing the partnership, in order to match these effectively to the needs of the IB companies and/or their BoP stakeholders.

2. Review of incentives provided to IB companies should be done, including but not limited to tax holidays, favorable enforcement of enhanced deductions to income tax, and how to make the process of availing of or qualifying for incentives easier for IBs. Where possible, introduce new or additional incentives, financial or non-financial.

Aside from the income tax holidays, IBs can benefit from other incentives like tax credits for research and development, innovation, adoption of green technologies, exemption from duties on imported supplies or equipment for use in inclusive business activities, incentives for attaining outreach and impact standards or targets. The criteria for the grant of incentives to IBs must be clarified and specialized, not merely generic incentives, for both big and small companies, or start-ups vis-à-vis scaling-up companies. Furthermore, incentives for MSMEs that are part of the supply chain of IB companies should also be reviewed and improved.

3. Establish linkages to financing/funding, whether equity or debt.

IB companies have proven that they can be viable and scale up their operations. Value chain players at the BoP have also shown their ability to make their operations viable to ensure their long-term relationships with the IB companies. While both generate financial returns, they also generate positive social and environmental impacts and thus are ideal recipients of impact investments whether through equity or debt if they can be matched with potential impact investors.

4. National government agencies are effective partners especially if they are also able to deliver their mandates or targets as a result of the partnership. Facilitate this partnership-building between NGAs and the private sector.

These NGAs, when they partner with or provide support to IB companies and BoP stakeholders, can achieve their varying mandates including but not limited to food security, employment and livelihood generation, poverty alleviation, and inclusive growth.

5. There must be a concerted effort amongst stakeholders to push for the passage of the IB Bill.

Consultations with various stakeholders in the private sector have been done to improve the bill and consider all factors that will contribute to the successful promotion and development of IB in the country. The passage of the bill will define the national policy to promote, support, strengthen, and boost the growth of inclusive businesses.

6. Review the code of corporate governance for companies, taking into account provisions for ensuring sustainability and social responsibility.

This will spur companies to be more inclusive in their operations, mindful of their socio-economic and environmental responsibilities.

IMPLEMENTING IB BUSINESS LINES IN RP

For this study, the IB models and activities of various companies in agriculture, education, energy, financial services, food and beverage, health, housing, manufacturing, retail, and tourism were selected. They were assessed as to their viability, impact, innovativeness, and evolution if the IB model changed.

The commercial viability for the company in terms of revenues, growth, and profitability and what contributed to or hindered such viability were examined. The reach and depth of impact to the BoP stakeholders were weighed vis-à-vis the BoP's income generation and access to products and services, as well as women empowerment features. The effect of technology, social, and environmental innovations on viability for the company and social impact to the BoP were investigated. The study checked if the IB models evolved or changed, and how the enabling environment may have helped to bring this about.

COMMERCIAL ViABILITY

Contributors to success

Commercial viability is evident in most of the IB models except for two in the energy and tourism sectors.

Growth in asset size, revenues, and profitability was exponential for those in financial services. The micro-insurance companies (CLIMBS, InsuranceKO/Micro-Ensure, Pioneer Micro-insurance) and the ATM deployer/payments solutions provider all experienced sustained growth in the past decade, even during the height of the COVID-19 pandemic. Each one attributes the growth to the response, gratitude for the access, and loyalty of a largely un-served market – customers at the BoP who previously have had little or no access at all to such services. Pricing also is a factor, as the services were made very affordable. These companies, despite having very few physical brick-and-mortar branches in the areas they serve, are able to reach a large number of BoP clients through their partnership with microfinance institutions, rural banks, cooperatives, pawnshops, and peoples' associations, which already have an established customer base in the rural areas. Add to this network of distribution channels the use of technology – mobile apps and social media marketing – for promotion and accessibility, and the companies have an even more efficient and widespread reach.

The IB company in education, PHINMA Education, also experienced remarkable and sustained growth in earnings, assets, and equity as it serves a market that places a high premium on the service offered. The majority of PHINMA Education students come from BoP families who have the most difficulty acquiring a quality education. By combining access through a wide network of acquired and partner schools and affordable pricing, the company enables its BoP students to study despite their meager resources. The company's governance, with its commitment to the vision and mission of making lives better through education, exhausts all means to not only allow students to study and graduate but also to link them to employers so that they become productive members of society immediately upon graduation. This link to employers is an essential part of the business model.

Those in agriculture, food and beverage, and retail – Coffee for Peace, Jollibee, Julie's Bake-shop, and Nestle – also were successful and commercially viable in implementing their IB models and activities. Coffee for Peace and Nestle have consistently increasing deliveries from their partner coffee farmers that account for a substantial portion of the companies' supply requirements. Jollibee's farmers in the Farmer Entrepreneurship Program also show consistent growth in their vegetable sales to Jollibee outlets. Farmers in these programs are imbued with an entrepreneurial perspective and capacitated to grow their productive activities to scale. Julie's Bakeshop attributes its viability to a consistently growing network of the

now more than 500 branches and kiosks, with franchises made more affordable for the low to middle income sectors, as well as partnerships with low to middle income customers, who act as resellers of Julie's bakery products.

Still in agriculture, but this time with an export orientation, is the IB model of Hinatuan Seaweed Producers Association²⁷ in Mindanao. Over the years it has consistently made bigger deliveries to its main buyer, CEAMSA²⁸ of Spain, and is growing not only its network of producers but increasing its revenues, income, and assets as well. It attributes this growth to the producer-members, who evolved from simple seaweed growers and were empowered to become entrepreneurs focused on product quality, operational scalability, and financial viability.

Family Vaccine and Specialty Clinics sees its work of making vaccines more accessible and affordable to BoP patients as a viable proposition. It attributes its continuing viability to the positive response of a market that strives to access healthcare that is within its reach and financial means. Moreover, its partnership with the national government and local government units to reach a bigger market of un-served BoP patients guarantees a constant stream of patients to cater to.

In the housing sector, PHINMA Properties' viability is manifest as it extends its market to the low-income and poorer sectors of society by providing affordable, socialized housing units. Its partnership with local government units ensures a wider reach to buyers of socialized housing units in urban and rural areas. As such, sale of units and corresponding profitability are consistently on the uptrend.

Hindrances to viability

PowerSource Group suffered losses in its operations due to the delay in expected subsidies coming from concerned government agencies. Despite its investments, PowerSource finds the process to operate its mini-grids very tedious and financially taxing. The lack of support from the local government units also adds to the difficulties, which in turn impacts viability.

While it started out as a relatively successful IB activity, Islands Banca Tours' island-hopping operations suffered due to the activity not being the group's core business. Outsourcing manpower to local boat operators proved to be very challenging despite training and branding initiatives, due to the stringent requirements of the Marine Industry Authority. Eventually, the pandemic proved to be the final straw when tourism was one of the top sectors to be affected by the lockdowns and community quarantine restrictions. Islands Banca Tours had to cease operations then.

For Coco Technologies, its difficulties were caused by a liquidity issue that was exacerbated by the pandemic. Prior to the pandemic, Coco Tech buyers paid via 60- to 90-day payment arrangements. But during the pandemic, with the work and business stoppages, Coco Tech buyers, including some government agencies, either had to delay payments further or suspend payments indefinitely. This definitely took a toll on Coco Tech's cashflow and viability. It remains optimistic though that with lockdown restrictions easing, cashflow will begin to normalize again.

²⁷ This replaces MCPI Corporation; the Hinatuan product and IB model is similar to MCPI's.

²⁸ *Compania Espanola de Algas Marinas (CEAMSA)* is a Spanish company dedicated to production, development, and worldwide distribution of natural hydrocolloids in 5 continents.

iMPACT

In the past ten years, there has been a very significant increase in the reach of the companies to their BoP stakeholders, whether they are customers, suppliers, distributors or retailers, or workers. The matrix below shows a remarkable 859 percent overall increase in reach across the sectors from 2012 to 2022.

	Sector	IB Companies	Number of BoP stakeholders		
			2012	2022	% increase
BoP as Customers	Housing	PHINMA Properties	804	16,000	1,890 %
	Education	PHINMA Education	5,000	95,500	1,810 %
	Financial Services (Micro-insurance)	CLIMBS	3,300,215	35,636,696	980 %
		InsuranceKO			
		Pioneer Micro-Ins			
	Health	Family Vaccine	40,000	72,000	80 %
	Financial Services (Cash Access Points)	ENCASH	450,000	720,000	60 %
BoP as Suppliers	Agriculture, Food & Beverage, Manufacturing	Jollibee	3,654	10,765	195 %
		Nestle			
		Coffee for Peace			
		Coco Technologies			
		Central Seafoods			
BoP as Distributors	Retail, Food & Beverage	Julie's Bakeshop	10,000	15,500	55 %
BoP as Workers	Manufacturing, Tourism	C-Joy	1,800	2,620	46 %
		Islands Group			
		Biotech			
		Central Seafoods			
Totals			3,811,473	36,569,081	859 %

Figure 1. Increase in Outreach of IB Companies in the past 10 years

BoP as customers

Reach of impact also grew exponentially as IB companies in financial services, especially those in micro-insurance, saw a rise in the number of their BoP clients from thousands to millions²⁹

²⁹ While outreach of the 3 micro-insurance firms soared to the millions, Pioneer Micro-insurance's outreach to 20 million is largely brought about by its partnership with CARD (Center for Agriculture and Rural Development), the largest microfinance institution in the country which includes in its network of CARD MRI (Mutually Reinforcing Institutions) its own MBA (mutual benefit association), as well as rural and SME bank. The partnership with Cebuana Lhuillier, the largest pawnshop chain in the country with more than 2,000 branches, is another factor.

in a decade's time. And this is not merely in terms of enrolments, but even claims serviced that are already in the millions and billions of pesos. Even during the height of the pandemic, CLIMBS, Pioneer, and InsuranceKO/Micro-Ensure paid out millions of pesos' worth of pandemic claims that helped assuage their BoP clients' suffering. These are really low-income clients that include farmers, fishers, farm workers, agri-entrepreneurs, salaried and daily-wage earners, and micro-entrepreneurs. Notably, the majority of these are female members of microfinance institutions and multi-purpose cooperatives.

More than 35 millions of BoP insurance enrolments in the past 10 years

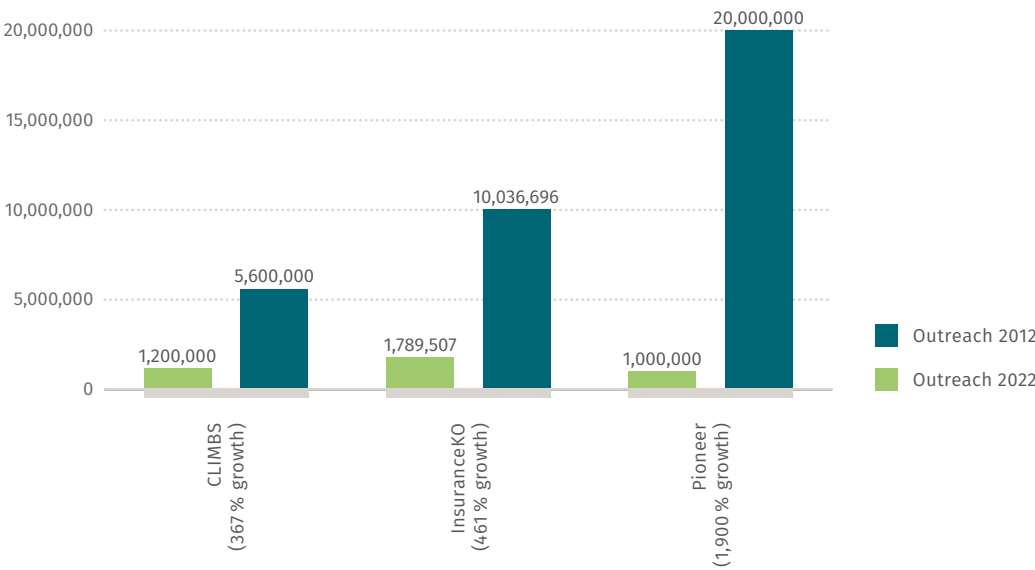


Figure 2. Outreach of Micro-Insurance Firms

Millions of Pesos in Insurance Claims serviced by these 3 micro-insurance firms as of 2021

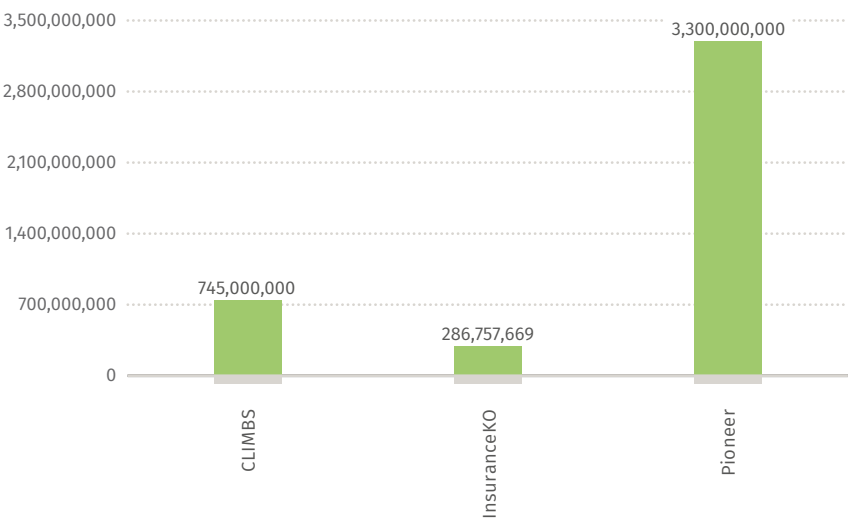


Figure 3. Amount of insurance Claims Paid by 3 Micro-Insurance Firms as of 2021

The other IB companies have also increased their outreach to BoP clients. Family Vaccine and Specialty Clinics has seen an 8 percent year-on-year increase in patient visits.

ENCASH is providing ATM and mobile payment services to thousands of clients per day in locations where there are no physical branches of banks to provide such services³⁰.

ENCASH Network of cash access points in areas unserved by commercial banks

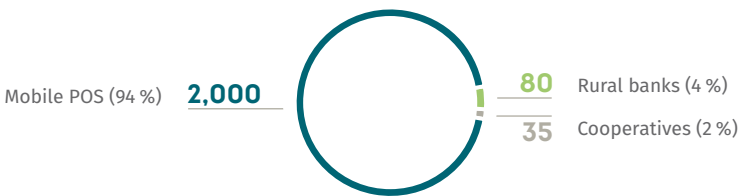


Figure 4. Network of ENCASH Cash-In Cash-Out Access Points

Enrolment in PHINMA Education schools is rising, with more than 95,000 students enrolling in school year 2021-2022, a 31 percent increase from previous year, with 3 out of 4 students coming from households earning only a little more than the PhP 12,000 monthly income poverty threshold.

31 % rise in PHINMA Education’s enrollment in most recent school year

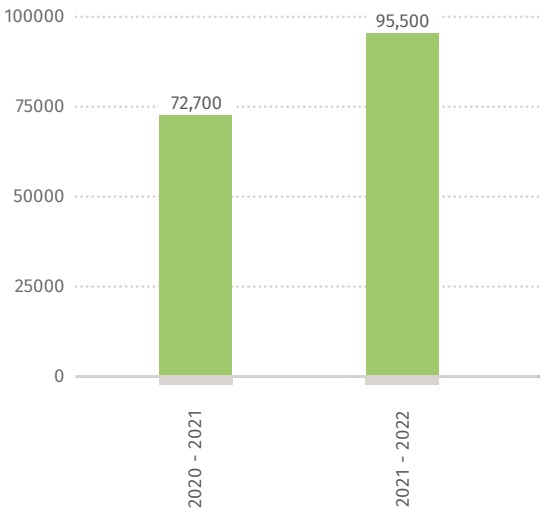


Figure 5. Rise in Enrolment of Students from the BoP in most recent school year

30 The mobile POS service of ENCASH is made widely available through its partner-stores, the ubiquitous *sa-ri-sari* (variety) stores, in *barangays* where banks would not have branches.

PHINMA Properties is building thousands of socialized housing units each year to cater to the low-income sector.

More than 7,500 units of affordable housing for low- and middle-income groups

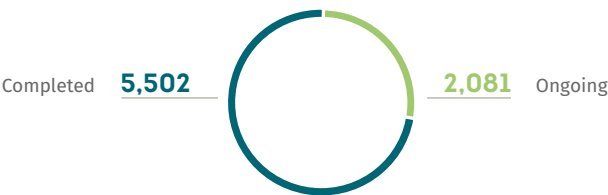


Figure 6. Number of PHINMA Housing Units for low- and middle-income groups as of 2022

BoP as suppliers

More and more producers have been joining the programs of the companies employing inclusive business models in agriculture. Jollibee’s Farmer Entrepreneurship Program started with one multipurpose cooperative of onion farmers in 2009 and to date has 21 farmer associations in the program. More than 700 vegetable farmers are participating directly as suppliers and thousands of others have been trained on agro-entrepreneurship. Coffee for Peace is now working with 500 coffee farmers, up from 200 only three years ago, most if not all of these indigenous peoples. Nestle’s Project Coffee+ has already trained 1,565 farmers in adopting good agricultural practices and kickstarting agribusiness ventures. HSWPA’s seaweed program has 74 female members and 69 male members, although a total of more than 600 growers are enrolled as suppliers because they are members of the chain clusters formed by the original members.

6,110 farmers & fisherfolks in these retailers’ & exporters’ supply chains

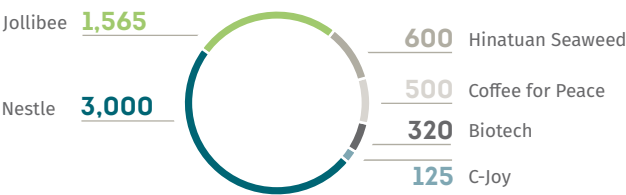


Figure 7. Number of farmers and fisherfolks in the supply chains of IB retailers and exporters

BoP as distributors and retailers

Julie’s Bakeshop accredits housewives as resellers of bakery products in residential condominiums, subdivisions, and barangays. Islands Pasalubong is employing housewives as retail-

ers of souvenir items and local delicacies. ENCASH partners with *sari-sari*³¹ local store owners and other MSMEs as cash-in cash-out agents through the mobile POS (point-of-sale) facility. InsuranceKO/Micro-Ensure and Pioneer Microinsurance are also employing women clients as insurance agents in the barangays where these clients reside.

5,600 farmers & fisherfolks in these 3 manufactures' supply chains



Figure 8. Number of farmers and fisherfolks in the supply chains of manufacturers

Depth of impact

Aside from the number or scale of the reach to BoP stakeholders, a deeper positive impact to these stakeholders is also seen in terms of increased income generation, socio-economic empowerment, and access to products and services.

A 167 % increase in household income for CocoTech's coconut farmers

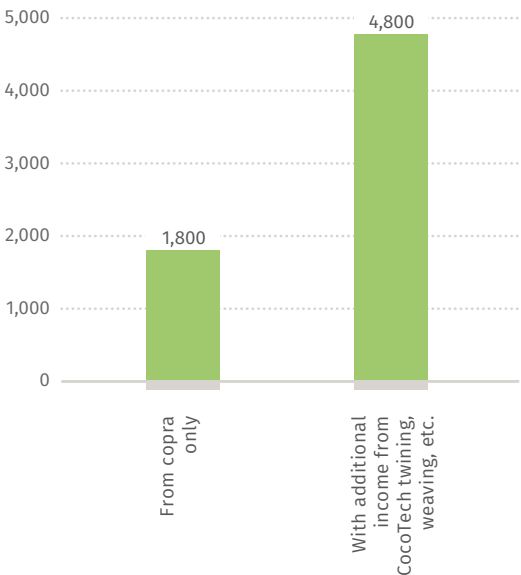


Figure 9. Significant increase in household income of coco-farming family

31 Micro, home-based, family-run convenience or grocery stores selling cheap basic commodities in *barangays* or villages

Women economic empowerment is one of the most significant impacts delivered to poor, unemployed or low-income women by IBs. They are provided with livelihood opportunities with substantial earning potential to contribute to the overall household coffers. For example, in the case of Coco Technologies Corporation, the income of housewives from decorticating and twining coconut fiber is almost twice as much as their husbands' income from copra. Even though women are traditionally the household budget managers, the ability to earn an income on their own allows them more say or participation in economic decisions on par with the males in the household. They begin to be more assertive of their rights, not only within the household but also outside of the home, in their communities and local economies.

The matrix below shows the increase in monthly income of BoP suppliers to select³² IB companies in manufacturing, agriculture, food and beverage, and retail. On the average, income increased by 189 percent in this sample.

Monthly Income before IB engagement	Monthly Income with IB engagement	% Increase	Nature of Income Generating Activity	Companies
PhP 1,800.00	PhP 4,800.00	167 %	Decorticating and twining of coco-fiber for bio-engineering products	Coco Technologies
PhP 4,000.00	PhP 15,000.00	275 %	Increased sale of better - quality coffee beans	Coffee for Peace
PhP 5,700.00	PhP 9,000.00	58 %	Seaweed production for institutional export market	Hinatuan Seaweed
PhP 2,500.00	PhP 8,900.00	257 %	Diversified farming with coffee as main crop	Nestle

Figure 10. Increase in Monthly Income

Women clients of micro-insurers not only earn additional income when they act as insurance agents in their localities, but are also instruments of financial inclusion in bringing affordable risk mitigating products to their neighbors. Housewives who act as resellers of Julie's Bakeshop bakery products now have additional sources of income. Women members of the seaweed producers' association in Hinatuan are no longer mere growers; they are relied upon now to be the quality managers because they are more meticulous and more careful than their husbands in the intricate processes of cleaning, drying, classifying, and storing harvested seaweed. Women members of farmers' groups in the Jollibee Farmer Entrepreneurship Program are playing leadership roles after graduating from the agro-enterprise courses offered by the program. There are also women officers of the partner-cooperatives or producers' associations who are at the helm of the agro-enterprise operations.

A crucial change in mindset is brought about by the capacity building for the producers in the different IB models in agriculture. They now believe that they are not just simple farmers or fishers trapped in a hand-to-mouth existence; rather they are entrepreneurs, businesspeople

32 Other IB companies interviewed do not have data on the increase in income of their BoP stakeholders as a result of the engagement but they categorically state that indeed there is increase in income for the BoP stakeholders.

in their own right with the ability to grow their earnings from their agricultural enterprises. Even the children of these producers are seeing the benefits of agribusiness and are joining the ranks of trainees who will be pursuing careers in agro-entrepreneurship. Another notable shift is seen amongst clients of the micro-insurers. Having seen the benefits of having micro-insurance to protect them from socio-economic shocks, the clients' motivation has changed. While initially they joined microfinance institutions in order to access credit, they are more discerning now and would rather see if there are better micro-insurance packages offered first before joining and borrowing.

The access to training and capacity building provided by the different programs have transformed the BoP customers and suppliers into more responsible family members, caring for their children, ensuring food security and nutrition for them, sending them to school; more responsible financial stewards who opt to save and provide for insurance against sickness and death; more responsible producers adopting sustainable farming practices and caring for the environment; and ultimately contributors to the development of their communities and local economies.

Not least of all the positive outcomes is the access to formal and affordable financing that the BoP stakeholders have gained. Whereas previously they had no choice but to rely on extortionate moneylenders or traders who capitalized on their inability to access credit elsewhere, these BoP stakeholders are now seen by formal lenders as eligible borrowers worthy of financial assistance. For the micro-insurance clients, lenders are even willing to lower the interest and other charges on the loan when the borrower is insured, business assets are covered by fire or vehicle or property insurance, and crops are covered with weather-indexed insurance. For the producers, when their production activities are stabilized, scaled-up, and linked to institutional markets in-country or abroad, their increased regular income streams qualify them for financing from local cooperatives, rural banks, or microfinance institutions. These lenders are now comfortable providing production loans to producers who have stable buyers and regular income streams that enable them to come up with the frequent amortizations for their loans. They even maintain savings or capital build-up in these lenders as compensating business for the loans³³.

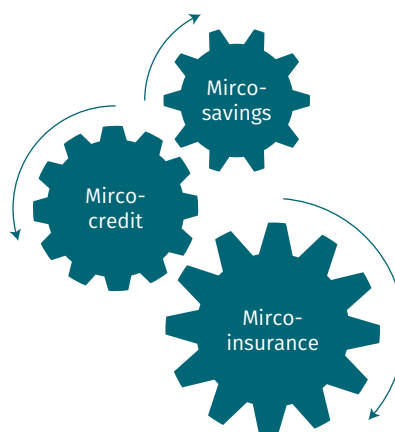


Figure 11. No longer just credit now, but also insurance and deposits

When BoP stakeholders have access to additional financing to supplement their working capital, they are able to grow their businesses to scale, improve their profitability, increase their household incomes, access basic community services, and generally make a better life for themselves and their families.

INNOVATION

The IB companies introduced different innovations to reach their markets, provide BoP stakeholders easier access to the companies and their products and services, grow in scale and thus increase revenues, and heighten social impact.

³³ Culled from interviews with micro-insurance providers, microfinance institutions, cooperatives, and their clients accessing insurance, credit, savings, and capital build-up products.

Digitalization

Many of the IB companies have employed digital technologies as a way to expand reach and make their products and services easier to access for their clients.

CLIMBS and InsuranceKO/Micro-Ensure are both making extensive use of social media, digital and mobile phone technology to make customer access to insurance products easier. The CLIMBS Insuretech mobile app facilitates insurance transactions over the mobile phone, enabling payments and claims. InsuranceKO/Micro-Ensure has its own online insurance marketplace to make insurance information dissemination, purchase, and payment simple and affordable for clients. It also has a partnership with GCash, a mobile-based micropayment service, for a one-stop shop for insurance acquisition and premium payments. Pioneer Microinsurance also relies on its mobile app to make processing and claims payment easier and more customer-friendly.

ENCASH introduced the mobile POS (point-of-sale) machine as an alternative mobile ATM (automatic teller machine) solution in far-flung areas where there are no physical bank branches and no ATM machines available. The mobile POS enables even small sari-sari stores to act as cash withdrawal points for local residents. This is a way for ENCASH to counter the competition posed by commercial banks that are installing ATM machines in rural areas where they have not traditionally operated before.

Family Vaccine and Specialty Clinics also made use of the POS technology to monitor their clinics' stock levels and to follow through on patients' vaccination schedules. Patients are informed via short-messaging service or SMS when they are due for their next vaccine shots.

PHINMA Education introduced online, home-based learning strategies to counter the effects of reduced mobility and limited face-to-face classes at the height of the pandemic. It also partnered with major telecommunications providers Globe Telecoms and PLDT SMART so that students in online-learning mode were assured of adequate mobile data for connectivity.

Jollibee introduced the first online course on agro-entrepreneurship for inclusive value chains in 2021 in partnership with Xavier University – Ateneo de Cagayan in Mindanao. This allowed for online learning and the sharing of best practices and successes of FEP partner associations, as well as more efficient mentoring for replication of the agro-entrepreneurship model among other farmer groups.

Social and environmental innovation

Coffee for Peace continues to build partnerships with indigenous people (IP) communities to expand its network of peace and reconciliation and sustainable coffee production advocates. It works with the CSR initiatives of companies like the Unifrutti Group of Companies to set up education support for young IP community members.

Pioneer Micro-Insurance partnered with one of the largest pawnshop chains in the country with more than 2,000 branches to make insurance very accessible to clients. Aside from its pawning and instant loan services, the pawnshop now offers Pioneer's micro-insurance packages together with savings deposit and payment and remittance services. With this partnership, a client can visit one pawnshop to access loans, deposits, bills payment, money transfer, and insurance products.

PHINMA Education addresses unemployment and underemployment by making sure its graduates are equipped with the right skills to eventually land a job. To address the generally low reading and math competencies of students, especially those from public high schools, PHINMA has developed its own curriculum that guarantees improvement in those competency areas, produces increased passing rates, and makes students competitive with graduates of exclusive and expensive private schools. With more than 110 programs offered across the

PHINMA Education network, and curricula ensured to match job requirements, the passing rate for graduates who take board examinations has consistently improved, so much so that 7 out of 10 graduates are able to find a job within the first year of graduation.

IB companies working with farmers and fisherfolks provide these stakeholders with training on good agricultural practices to ensure food safety and safe production activities, while taking into account environmental responsibility. The Jollibee Group Foundation, in consultation with the DA Bureau of Plant Industry and DA Regional Office III, produced in 2019 the Manual on Philippine Good Agriculture Practices (PhilGAP) to support the DA's advocacy to promote Philippine good agriculture practices. The Hinatuan Seaweed Producers Association, in cooperation with Fundacion CODESPA, introduced climate-smart agriculture principles in its seaweed project to address challenges in food security, disaster resilience, and climate change adaptation. Nestle partnered with East West Seed Company to train its coffee farmers on sustainable high-quality vegetable intercropping with coffee, and with GIZ on regenerative agriculture to promote environmental sustainability and resilience.

CLIMBS for Climate Action is CLIMBS' initiative to promote climate change awareness and environmental responsibility. It not only offers insurance products to cover losses brought about by the impact of natural disasters and climate change, but it also promotes community resilience and sustainability in support of the UN Sustainable Development Goals (SDGs) on climate action.

The coconut tree is dubbed as the tree of life in the Philippines because of the many uses of each of the tree's parts. However, one company found a way to benefit from a waste by-product of the tree – the coconut husk. Coco Technologies Corporation designed a decorticating machine which extracts coco fiber from the husks. It developed a technology wherein the fiber is twined and woven into nets and mats for use in the different bioengineering products that Coco Tech manufactures. The design of the machine and the technology were simplified and adapted to the capabilities of coconut farmers' family members, including family members with disabilities, so that they can work in their homes and backyards.

To bring low-income housing within reach of its market, PHINMA Properties shifted from “horizontal” to “vertical” housing development. It pioneered the use of the tunnel form system in its construction in order to build quickly and inexpensively. This allows PHINMA Properties to lower the selling price of the units so that low-income buyers can afford to buy. Green technology is also integrated into the company's projects, including the use of external shading devices, solar photovoltaics, LED lighting, low-flow plumbing fixtures, and other resource-efficient design features to reduce its environmental impact and lower utility costs for residents.

Julie's Bakeshop makes use of what it calls omni channels – both online and offline – for distribution to get closer to its markets, increase visibility, and make access to its products more convenient for customers. It introduced its reseller program to empower unemployed housewives to earn a living, which at the same time enables the company to reach more communities without setting up more brick-and-mortar branches.

CHANGES, EVOLUTiON iN THE iB MODEL

CLIMBS is no longer just an insurance underwriter. It opened its education and training arm, the CLIMBS Institute of Financial Literacy, to provide technical assistance to its partner-cooperatives and the cooperative members. One key intervention the institute initiated is capacitating its partners on business continuity planning to ensure delivery of services in times of calamities and natural disasters.

The Islands Group shifted its Islands Banca Tours to another activity – the Islands *Pasalubong* (gifts or souvenirs) – when it closed the island-hopping tours. Islands Pasalubong still works with BoP housewives as suppliers and resellers of these souvenir items and native delicacies.

InsuranceKO/Micro-Ensure initiated a change in management in 2020 and changed its business name to EnsureMePh or InsuranceKO³⁴. While the business model, target BoP markets, and strategic direction remained fundamentally the same, InsuranceKO began to adapt its products and services and its distribution channels to make them more attuned to the changing needs of its market.

COMPARISON WITH OTHER NON-IB COMPANIES

Democratized ownership

One advantage CLIMBS Life and General Insurance have over other commercial insurers is ownership. As a cooperative itself, CLIMBS' owners or direct financial stakeholders are the primary cooperatives and cooperative members who are also their main clients. These stakeholders continue to stabilize and increase CLIMBS' equity base through consistent contribution (CBU or capital build-up). The primary cooperatives and cooperative members in turn enjoy the economic benefits through the inherent dividends and patronage refunds shared with them by CLIMBS from the profits of operations.

Strategic partnerships

InsuranceKO/Micro-Ensure partners with microfinance NGOs and cooperatives to help it expand its market reach to BoP clients. As a sister company of one of the top microfinance institutions in the country, the Taytay Sa Kauswagan, Inc.³⁵ (TSKI), it is open to partnerships with other microfinance providers within TSKI's network.

Family Vaccine and Specialty Clinics provides access through its network of partner clinics in various parts of the country. This is an inclusive business model that makes access easier, products more affordable, and services readily available. It partners with the government, for example through the *Malasakit*³⁶ Program and the *Malasakit* Center, which is a one-stop shop for financial and medical assistance for indigent patients institutionalized in DOH (Department of Health) and other local government hospitals.

The Jollibee Group Foundation partners with national government agencies, non-government organizations, local government units, academia, and business associations to build the ecosystem of support that will buttress their efforts in the Farmer Entrepreneurship Program.

Nestle's Project Coffee+ through its partnership with DA, the Agricultural Training Institute, the Technical Education and Skills Development Authority, and the Agricultural Credit Policy Council is able to channel technical and financial assistance to its partner coffee farmer organizations. It also partners with local and international NGOs and development organizations like GIZ to secure support for other capacity building initiatives for coffee farmers not otherwise provided by government agencies.

Just trade practices

The Jollibee Farmer Entrepreneurship Program's edge over other traditional, non-inclusive contract-growing arrangements is that the Program builds loyalty and ensures a lasting business relationship with its farmers. Farmers not only recognize, but are grateful for the

³⁴ Translates to My Insurance

³⁵ Vernacular for Bridge to Progress

³⁶ Translates to Compassion

technical assistance, the access to affordable financing, and the link to stable markets provided. They also subscribe to the fair and equitable trade practices inherent to the partnership. Farmers are not required to sell 100 percent of their harvest to Jollibee, though they can if they wish to. They determine the volume they will commit, which allows them to explore and build relationships with markets other than Jollibee Group. They then have the option to sell part of their produce at a higher price to other markets if and when available. Although over time, farmers have realized that ultimately the deal with Jollibee is the most viable for them anyway.

The Jollibee Group also has an edge over its number one contender in the fast-food industry. While both have corporate social responsibility and charitable initiatives, Jollibee partners with its suppliers, the smallholder farmers, and ensures that the latter scale up their productive and agro-enterprising activities and continue to be commercially viable. Jollibee is a recognized market leader and, with the success of FEP, is now more than ever in a position to influence other players to consider adopting inclusive value chain models like its (Jollibee's) own.

Coffee for Peace (CfP) even works with non-CfP-trained coffee farmers to bring these farmers' produce to CfP outlets to market in support of the "buy local, support local" strategy being promoted by the regional coffee council. It works with and even helps train competitors because it believes that as more players are capacitated, this widens market reach and opens up more clients for coffee farmers and helps strengthen the local coffee industry.

Besides its own members, the Hinatuan Seaweed Producers Association also accredits other non-member seaweed growers and consolidators in the locality. It gives incentives to local consolidators to join HSWPA's ranks of suppliers. They are accorded the same benefits as the members and are also trained in the association's systems for quality management, traceability, and waste management practices. The opportunity to make a living is open to everyone willing to adhere to the disciplines. At the same time, consolidation of the produce becomes more efficient and volume requirements of the export buyer are assuredly met.

PHINMA Education strives to build efficiency in its operations in order to make tuition and other fees affordable to its students, unlike other profit-oriented private schools that rely on tuition fee increases to be financially viable but not necessarily socially responsible. There are also private schools that additionally rely on fund-raising activities from the communities to garner support and accumulate additional funding, but PHINMA Education relies on its creativity and innovativeness to improve efficiency and generate savings that are in turn reflected in affordable fees.

CHALLENGES & ANALYSIS OF THE ENABLING ENVIRONMENT

The challenges that the companies doing inclusive business face are sources of valuable lessons on how to more effectively conduct IB promotion and development. Other companies meaning to go into inclusive business can learn from these challenges.

1. Access to financing.

Despite existing initiatives to promote financial inclusion, IB companies and BoP stakeholders still find it difficult to access affordable and reliable financing that will enable them to improve their processes and grow their businesses and income-generating activities to scale. Many lack the track record to qualify, could not offer collateral for loans, or come up with the requirements that banks and other financial institutions ask for. In many cases, financial products are not designed appropriately to meet the borrower's requirement, repayment modes do not match capacity to pay or cash flow cycles, terms and conditions are difficult to meet, and the true and effective cost of the loan is not always disclosed in full transparency.

2. The lack of a lead agency to coordinate with.

There is no lead government agency which serves as a one-stop-shop to which a company doing IB or meaning to do IB can go to in order to secure all the necessary support. Even while different NGAs espouse IB to some extent or the other, they still have different definitions or understanding of IB. Without a lead agency to coordinate IB initiatives, efforts and strategies of different agencies remain disjointed. Overlapping or redundancy of interventions still happen to the confusion of the company or the MSMEs it is working with.

3. Lack of a database to match companies with MSME suppliers.

Companies meaning to do IB for the first time or expand IB operations to other areas do not have the information they need regarding the MSMEs or producers' groups or associations in the area that they can work with. These companies have to spend substantially on market research to identify MSMEs or groups that they can work with, the range of products or services they can offer, and corresponding capacities in terms of volume and quality.

4. Access to technical assistance.

While NGAs do provide free technical assistance, this is not always a good fit with the IB companies' or MSMEs' requirements. Tailor-made, customized technical assistance can be expensive unless companies can find and establish beneficial and cost-effective strategic partnerships with providers.

5. Ease, or difficulty, of doing business.

Local government units at the provincial, municipal, and barangay levels have varying methods of government service delivery. There are still areas where red tape and the *padrino*³⁷ system are prevalent. Some local government officials may have a political agenda that can mislead companies into supporting or transacting with local groups affiliated with or favored by the official's political party.

³⁷ The *padrino* or patronage system in Filipino culture and politics is where a relative or friend is favored over others. For example, if an applicant for business permit has a relative at the LGU, his/her application can be processed first and faster than the other applications.

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

1. IB models and IB activities can be done and were proven to be financially viable and scale-able for the companies doing them. Resilience and commercial success are also established.

These are evident in many of the IB companies that were assessed in this study. Over a span of ten years when they were originally sampled in the IB landscape study in 2012, they have shown consistent increase in revenues, incomes, and returns on assets and investments. They can cover their costs, realize sufficient profits to enable them to expand their operations, realize savings that can be used eventually for contingencies, while at the same time meeting the needs of their BoP customers, pay the salaries of their workers, and pay for the produce of their BoP suppliers at competitive prices.

2. Reach and depth of impact are significant. Positive effect to alleviate poverty is evident.

IB companies that provide products and services for BoP customers are growing their outreach exponentially especially as they reach a largely un-served or under-served market. Products and services are also not only reasonably priced and made more affordable for the customers who are obviously with lesser financial means to buy, but are made available through distribution channels that the customers are familiar with and are situated in the local communities where customers can avail of them without need for travel.

BoP stakeholders are able to increase their incomes or engage in additional income generating activities aside from the main or traditional sources in their areas. With the increased and stabilized household incomes, access to basic community services including social protection is improved. Ultimately, families achieve a level of food security, send their children to school, formalize their productive or enterprising activities, pay local taxes, and contribute to local economic development.

3. Experiences of companies during the pandemic provide important lessons on building resilience, recovery, and rehabilitation.

The innovations introduced by IB companies to adapt to the pandemic situation can be carried on and sustained post-pandemic towards recovery and resilience. With the mobility restrictions during the pandemic, companies brought their products and services within reach of their BoP customers through technology including mobile phone-based apps to process orders and deliveries and even payments, extensive use of social media for information dissemination and new product introduction, use of omni-channels of distribution, and flexible modes of online education.

4. While MSMEs and BoP stakeholders face challenges to growth and access to resources, companies' support help address these challenges.

Having an inclusive business as their buyer, micro and BoP suppliers are assured of a market for their products and services at prices that guarantee income and the ability to continue on with their productive and enterprising activities. In addition, the IB companies introduce or endorse them to potential providers of other resources, financial or otherwise.

5. Just trade practices of IB companies build loyalty amongst BoP partners/stakeholders.

BoP suppliers who are allowed to explore other market options or supply to other buyers eventually realize that dealing with the IB companies is actually the best deal they can get for their produce. Purchase prices are competitive in the long run and modes of payment for the produce are reasonable. Added to these are the benefits of skills training and other technical assistance that are provided free or at subsidized costs, plus the availability of financing provided either by the IB companies or their partner financial institutions. These motivate the BoP suppliers to remain loyal to the company and refrain from pole-vaulting³⁸.

6. Strategic partnerships work as various components of support are brought to fore.

Forging partnerships with not only the relevant government agency, but also with non-governmental organizations, trade associations, financial service providers, technology providers, and academia work to the advantage of both the IB company and its BoP stakeholders. The company is able to bring in the needed technical skills and resources that are not within its core competencies and operating budgets. Capacity building, market research, financing, and other supports need not take a toll on the company's bottom line if the right strategic partners can be brought in.

7. More targeted measures to support companies with IB models/activities are needed to supplement existing MSME development measures. Existing government approaches to IB promotion and development should be coordinated and aligned.

While many government agencies already have strategies in place to support MSMEs and linkages of MSMEs to larger companies, some of the IB companies, these can still be improved by making them more coherent, efficient, and holistic. Likewise, support for IB companies will also need to be coordinated across government agencies to avoid redundancies or duplication of efforts. Interventions to both companies and stakeholders must be tailored to actual needs.

8. Ease of doing business is still a myth in many national and local government instrumentalities.

Red tape is still an issue faced by businesses of all sizes. From applying for permits and licenses to operate, to complying with the requirements and standards set, IBs and their BoP stakeholders continue to struggle with voluminous and inconsistent requirements. The level of the "ease" of doing business vary from one *barangay* to another, from one town to another, up to the provincial, regional, and national levels.

RECOMMENDATIONS

1. Adopt a whole-of-government approach to promote and support IB. Explore cross-cutting strategies among government agencies to build synergy.

Government agencies, government financial institutions, attached agencies, and government-owned and controlled corporations must have aligned policies and coordinated approaches in supporting IB. Even while the support and development of IB as well as the MSME and BoP stakeholders are embedded in their mandates and strategies, these must be specific enough to identify which agency or instrumentality will be providing what to whom. For example, for an IB company in agriculture working with smallholder farmers as suppliers, it should come automatically for the Department

³⁸ Pole-vaulting happens when farmers sell produce to traders or buyers other than those that the farmers originally contracted with just because these traders or buyers offer higher buying prices to the farmers.

of Agriculture to provide the technical and regulatory, or where available financial, support; for its Agricultural Training Institute to provide skills training to the farmers; for Land Bank of the Philippines to provide financing for both the IB and the farmers' activities; and for the Department of Trade and Industry to provide market linkages.

2. Push for the creation of a body or lead agency that will specifically champion IB.

This body or agency, aside from championing the promotion and development of IB, shall coordinate the efforts of all the other supporting agencies to ensure that policy synergies are working, that there are no redundancies or additional administrative burdens, that there are no "turfing" issues, and that the supports complement each other. This body or agency may also be empowered to be able to look into policy and regulatory design and provide recommendations. The IB Unit at the BOI has served some of those purpose and could be re-instated.

3. Review and improve ease-of-doing business policies.

Ease-of-doing business policies and practices must be consistent and radiate from the national to the regional, provincial, and even as far down to the municipal and barangay levels. Barriers like red tape and voluminous and varying business entry requirements must be reduced if not eliminated. For example, if an IB company engaged in agriculture wants to ensure that smallholder farmers in its supply chain will get crop insurance cover with the Philippine Crop Insurance Corporation, then *barangay* agricultural workers and municipal agricultural officers must be aware of PCIC's requirements and ensure that farmers are identified and duly registered in the Registry System for Basic Sectors in Agriculture (RSBSA), since enrolment in the RSBSA is a basic PCIC requirement so that the government premium subsidy will be effectively utilized for the insurance premiums of farmers and fisherfolks to cover crops, livestock, fisheries, non-crop agricultural assets, and even the agricultural workers themselves.

4. Review existing fiscal incentives to IBs and introduce other incentives, not necessarily monetary. Evaluate the impact of tax implications per the CREATE and TRAIN laws.

The Tax Reform for Acceleration and Inclusion (TRAIN) of 2017 and the Corporate Recovery and Tax Incentives for Enterprises (CREATE) of 2021 under the Comprehensive Tax Reform Program provide for tax reductions and tax incentives for MSMEs and larger businesses. These are meant to address the concerns of the business sector brought about by the COVID-19 pandemic. The provisions for tax holidays, enhanced deductions, other incentives, requirements for qualification must be reviewed for their continuing responsiveness to the needs of the business sector. The viability and impact indicators and the primary incentive – the income tax holiday – must be assessed for these indicators' applicability to different businesses as well as the sufficiency or proportion of the incentives in comparison to the actual costs of sustaining inclusive business models and corresponding community initiatives where IB companies operate and make an impact.

5. Advocate for the passage of the IB Bill.

The passage of the Inclusive Business Bill will provide the legal basis for the creation of the infrastructure needed to consistently and sustainably promote and develop IB. The infrastructure will include among others: i.) the identification of the lead government agency to promote and develop IB; ii.) the identification of government agencies and instrumentalities that will provide the specific, and automatic, support; iii.) the parameters for an IB and its BoP stakeholders to be eligible for government support; iv.) the interaction and complementation of the public and private sectors; v.) the performance and impact indicators that will be useful in the accreditation, monitoring, and evaluation of IBs.

6. Create a national, accessible database to collect and collate data on BoP stakeholders, including among others companies with IB models and IB activities, the diversity of these IB models and their requirements, MSME groups, cooperatives, and producers' associations.

The database will make it easier to match IB requirements for workers or suppliers with MSMEs, cooperatives, or producers' associations operating in target areas that are market-ready to scale up their operations, meet the IB volume requirements and quality standards. Granular data must be gathered at the lowest possible level, the towns and the *barangays*.

7. Review corporate governance regulations to see if there is room for improvement in addressing challenges on inclusive and sustainable growth. Reinforce the proposed environmental and socio-economic risk management system for those in the finance sector.

The provisions of the Code of Corporate Governance for businesses could be reviewed especially those encouraging social responsibility and sustainable operations. Accordingly, companies would be encouraged to be socially responsible and contribute to the advancement of the local communities where they operate. Not only are they expected to comply with regulations, but they would then have to also take into consideration governance, socio-economic, and environmental issues in their value chain processes.

The sustainable finance framework approved in April 2020 by the Monetary Board of the Bangko Sentral ng Pilipinas provides a framework for those in the finance sector to integrate sustainability principles to cover environmental and social risk areas in their corporate governance and risk management. This covers among others green finance to facilitate access to finance for green economic activities, climate change mitigation and adaptation projects.

8. Support public and private sector thrusts towards digital transformation as a means to make more efficient and improve IB companies' operations, outreach, BoP stakeholders' access to information, products, and services.

The Philippines has seen the value of digitalization, especially during the height of the COVID-19 pandemic. Initiatives towards digital transformation must be sustained, with concerned government agencies carrying out their mandates to enhance access to digital or online infrastructures. Regulations should be strengthened to ensure mitigation of digital security risks. Banks, government agencies, and non-government organizations working in local communities should coordinate to strengthen customers' digital literacy and skills. Incentives could be provided to companies that introduce digital innovations to make their products and services more accessible, affordable, and responsive to customers' needs.

9. Reinforce existing initiatives on inclusive and sustainable finance

Financial inclusion does not only mean access to credit. IB companies and their BoP workers, customers, and suppliers should also have access to a wider range of financial services including savings or deposit mobilization, payments, money transfers or remittances, investments, and insurance. The BSP's oversight and assistance are essential to making sure financial products are appropriately designed, readily accessible, affordably priced, and responsive to the needs of businesses and individuals. The groundwork for environmental risk management systems in financial institutions has been laid down by BSP and should be reinforced as banks and non-bank financial institutions begin providing green finance products as a matter of course. This will also encourage not only IB companies but their MSME suppliers to transition to environmentally-responsible practices.

10. Support IB companies' participation in global value chains.

IB companies should be strengthened, their competitiveness increased, so that they can participate in global value chains. Many of the IB models in this study have proven that local products can be globally competitive and meet the demand of foreign markets if assistance is provided to ensure quality standards and volume requirements can be met. In addition, conducive regulatory frameworks for export, trade facilitation, and linking to international trade networks will also be useful.

11. Foster entrepreneurship and participation in IB value chains not just among the poor but other under-represented, marginalized, or disadvantaged groups like indigenous peoples (IPs), persons with disabilities (PWDs), persons living with HIV (PLHIVs), or out-of-school youths.

These groups can be a diverse source of skilled and committed manpower given the right impetus. Employing them in inclusive value chains provides them a steady source of income and a heightened sense of financial independence and self-reliance. The demand for welfare support for these groups is reduced and budget for such may then be channeled to community building and local economic development.

12. Encourage the development of an entrepreneurial mindset.

On top of community organizing, values formation, and technical skills provision, the business mindset must be nurtured amongst BoP suppliers. They must be made to realize that many if not all of the social shocks and vulnerabilities they face have underlying economic root causes. Their lack of income is oftentimes what prevents them from getting social protection. If they are able to improve and scale-up their productive and enterprising activities so that income generation is not only secured but increased, then they can begin to address their other issues on food security, health and nutrition, education, and housing. Moreover, as their enterprises grow and begin to formalize through acquiring business permits and licenses and paying taxes, they gain further access to more resources, financial or technical.

13. Promote responsible business and just trade practices in dealing with MSMEs, farmers or fisherfolks, and other stakeholders.

BoP suppliers must be able to explore other market options and must not be given the impression that they are confined or limited in their business dealings by growing or supplying contracts to one company alone, even if the company is inclusive. These BoP suppliers must realize by themselves that dealing with the IB company is the most beneficial arrangement they can get. In other words, the IB company must be responsive to market changes and competitive situations so that it remains just in its purchasing price, payment terms, technical skills provision or facilitation, and other conditions of partnership with the BoP suppliers.

APPENDICES

COMPANY CASE STUDIES

1. Central Seafoods, Incorporated

Introduction

Central Seafoods is a local manufacturer and exporter of canned and frozen seafoods established in 1999. It works with base of the pyramid (BoP) suppliers and employees. Based out of Cebu Island in Central Philippines, Central Seafoods chooses fishing communities that have no sustainable livelihood and sources from small fishers.

In 2012, it has around 1,000 of these BoP stakeholders contributing as suppliers to what Central Seafoods enjoys then as about a 30 percent market share in the canned and frozen seafoods market. Accordingly, annual turnover then was at around PhP24 Million. At year-end 2011, net profit of the company was at PhP225 thousand. It exports mainly to the United States, although export to Taiwan, Korea, and Hongkong is also increasing due to market demand.

Central Seafoods engages the BoP to localize the supply chain and reduce associated costs. It believes it can improve product quality if it sources locally and this can contribute to growth and profitability. As suppliers, the company sees its BoP suppliers growing from 5,000 to 10,000 in the next five years.

The company's product offerings include: canned products (blue swimming crab), frozen products (white shrimp, octopus, scallops, cuttlefish fillet, abalone meat, crablet), and value-added products (fish tempura, squid rolls, squid balls, squid fries, squid sticks, squid rings, scallop nuggets, scallop balls, and shrimp patties).

Assessment of IB Model Development

Central Seafoods remains as one of the country's largest producers of high-quality, safe, and sustainable seafood products. It operates several raw material buying stations all over the country, particularly in Central and Eastern Visayas, and Northern and Eastern Mindanao, with a combined production capacity of 1,200 metric tons per year.

The company has markedly improved its viability from its 2012 levels. In the last five years up to the end of year 2021, total sales were at PhP2.207 Billion averaging at PhP441 Million per year. Yearly income in the last 5 years averaged at PhP88 Million.

The company procures from main suppliers in 17 areas presently, with the number of BoP suppliers having grown by 50 percent to more than 1,500 small fishers. In addition, Central Seafoods employs 200 workers in its operations, with the bulk of these working in the seafood processing facilities.

Central Seafoods looks at its BoP suppliers and employees as secure and long-term sources of goods and services. In turn, local fisherfolks are assured of steady and increased income, plus the access to technical assistance and vocational training that the company can provide. These fisherfolks are now able to access new markets through the company. With the company's expansion, it also continues to hire workers from the local community, contributing to employment generation therein.

The company is expanding its buying and processing stations in Surigao in Mindanao and Samar in Eastern Visayas which means more fisherfolks will be tapped as suppliers. It will also

increase plant capacity to increase production output, rehabilitate its freezing equipment, and strengthen its procurement department.

Central Seafoods relies on technological improvements in its processing facilities to meet not only quality standards but also efficiency standards. It uses quick freezing methods like imported tunnel freezers to prevent as much as possible the loss of freshness and nutrients of the seafood. It also uses imported sizing, sorting, and grading machines. The company regularly participates in local and international trade shows to keep abreast of technological and other innovations in the industry.

The company instills responsibility for the environment in its BoP suppliers, ensuring that small fisherfolks' fishing practices contribute to the preservation of aquatic resources. It introduced fishing gear swapping arrangements with small fisherfolks to replace the latter's gears that impact on the environment. For example, whereas before fisherfolks used nets that trapped bycatch or fish or other marine species, even endangered species, that were not targeted to be caught, through the gear swapping arrangements, hook-and-line fishing and fish traps or pots are now used instead.

Central Seafoods continues to improve on its processes to remain competitive not only in the local but more so in the export market, especially now with increasing competition from other countries like Indonesia and India. It counts on the support of the Bureau of Fisheries and Aquatic Resources (BFAR) to implement environmental and fisheries laws that Central Seafoods adheres to and believes to be essential in its successful operations.

2. CLIMBS Life and General Insurance Cooperative

Introduction

CLIMBS Life and General Insurance Cooperative was established in 1971 as an insurance cooperative to provide insurance protection to its grassroots members at the base of the economic pyramid who are mostly farmers and micro-entrepreneurs. It was registered with the Cooperative Development Authority (CDA) in December 1992 in compliance with the Cooperative Code of the Philippines. In April 1994, it became a mutual benefit association (MBA) licensed by the Insurance Commission (IC). It then applied for and was granted by the Insurance Commission the license for composite insurance to operate as a life and general insurance company.

The insurance products of CLIMBS, whether life or non-life, were envisioned and continue to be more accessible and affordable options to the otherwise more expensive insurance covers provided by commercial insurers.

Assessment of IB model development

The commercial viability of CLIMBS' inclusive business line is clearly seen in its consistent growth as shown by various financial indicators. Already a billionaire cooperative as of end-2012, CLIMBS' total assets rose from PhP1.1 billion in 2012 to PhP2.5 billion in 2016; as of December 2020, total assets are already at PhP3.5 billion, an impressive growth of almost 10 percent from previous year operations.

Profitability is high, as evidenced by continually rising net surplus. In 2012, net surplus was at PhP58.7 Million. This rose to PhP136.8 Million in 2016, an almost three-fold growth over a 4-year period. As of end-2020, net surplus stood at PhP170 Million. Total net worth stands at PhP1.88 Billion as of end-2020, a rise of more than 500% from eight years ago of PhP309.04 Million in 2012.

CLIMBS attributes the continuing financial sustainability of its inclusive business model to the cooperative way of doing business. With continuous oversight over financial metrics that measure viability, the organization remains anchored on the values of self-help and self-responsibility, equality and solidarity, and social responsibility in caring for others. This ethical and financial strength at its core enabled CLIMBS to weather risks and challenges, even the COVID-19 global pandemic. Despite the challenges to the business sector brought about by the pandemic, CLIMBS still considered 2020 as a milestone year with significant growth achievements.

Good governance is also manifest in CLIMBS' inclusiveness. To ensure that all its members and clients are treated fairly and equitably, the cooperative principle of democratic control on membership – one member, one vote – remains a guiding beacon in all its dealings.

Impact to the BoP clients cannot be emphasized enough as members gain more access to risk mitigating products and services. The number of insured members continues to rise. From more than a million in 2012 to 3.6 million in 2016, the total number of insured as of end-2020 was at 5.6 million. These are cooperative members who are farmers, fisherfolks, agricultural workers, low-salaried workers, agri-entrepreneurs, and micro-entrepreneurs who would otherwise have had no access to more affordable insurance. It is notable that a significant number of these cooperative members are women and the youth.

CLIMBS aims to insure 20 million lives by year 2024 through its network of more than 4,000 cooperative-owners and affiliates including the more than 200 Cooperative Assurance Centers (CACs) housed in partner-primary cooperatives.

The number of benefits and claims attests to the responsiveness of CLIMBS to the needs of its BoP clients. As of end-2020, more than PhP745 Million in claims has been paid.

With different risk mitigating products that cover practically all of the productive and enterprising activities of the members – from life insurance of the producer, agri-worker, or micro-entrepreneur, to non-life insurance covering business assets and loan protection products, all these translate to a more ready access to financial services, especially micro-credit and micro-savings. As the insured are able to access credit for additional working capital for their productive and enterprising activities, an increase in income is guaranteed.

Access to more affordable credit becomes automatic as lenders are more willing to lower the interest rates and other charges on loans where the borrower is insured, the business assets are covered by fire, vehicle, and property insurance, and crops are insured with weather-protect insurance. With working capital supplemented with readily available credit, producers and micro-entrepreneurs are growing their businesses in scale, improving profitability, and increasing household incomes.

The COVID-19 pandemic could not emphasize enough the strategic worth of CLIMBS' efforts towards digitization of its operations. Despite face-to-face transactions being limited due to pandemic-related community quarantines and lockdowns, the CLIMBS Insurtech Mobile App proved its worth in facilitating transactions, enabling payments and claims, and streamlining operations. More than a hundred Cooperative Assurance Centers (CACs) are already using the app nationwide to the benefit of millions of insured and insurable cooperative members.

Innovations continued as CLIMBS embarked on a new agri-insurance project in 2021 to address the plight of farmers and agri-preneurs. Part of this project is a smart farming advisory service to ensure sustainable farming and viable livelihood activities. Starting from 3,600 farmers, the aim is to increase the coverage of this agri-insurance to more than 36,000 farmers within a 3-year period.

The CLIMBS Institute of Management or CIM (formerly CIFL or CLIMBS Institute of Financial Literacy) is the education and training arm of CLIMBS that aims to provide much-needed technical assistance to cooperatives and cooperative members. CIM has been instrumental in teaching and enabling coops to come up with their own institutionalized business continuity plans so that they can continue to deliver essential services in times of calamities and natural disasters.

CLIMBS, as part of its initiatives dubbed “CLIMBS for Climate Action”, continues to work towards promoting climate change awareness and care for the environment. Aside from its weather protection insurance products meant to mitigate the risks brought about by disasters and climate change impact to members, CLIMBS as an organization and a partner of the communities it serves promotes community resilience and sustainability in support of the United Nations’ Sustainable Development Goal 13 on Climate Action.

CLIMBS continues to enjoy the support of various agencies including the Insurance Commission (IC) and the Cooperative Development Authority (CDA) on the local front, as well as its many international strategic partners.

3. Coco Technologies Corporation

Introduction

In 1994, Dr. Justino R. Arboleda, formerly Dean of the Bicol University College of Agriculture, established Juboken Enterprise, one of the pioneers and innovators of the Philippine coconut coir industry. Its main product at the time was a biodegradable geo-textile, a mat made from coconut husk fiber that is used as anti-soil erosion material. Then in 1999, Coco Technologies Corporation (Coco Tech) was formed, wholly owned by Juboken. Coco Tech developed a whole new range of coco coir and coco peat products for bio-engineering projects.

Coco Tech’s bio-engineering products are used to prevent erosion and control sedimentation through erosion control nets, coco-fiber rolls, and interlocking blocks. Product applications are for slope protection, riverbank stabilization, flood control, and mine slope protection and rehabilitation. Aside from these, Coco Tech also manufactures mattresses, plant pots, charcoal briquettes, and coco boards, all made from coconut husk. Manufacturing operations are based in the Bicol Region, with the Coco Tech plant in Camalig, Albay in the Bicol Region. It has a warehouse in Quezon City in the National Capital Region.

A decade ago, Coco Tech was engaging 2,000 coconut farmers in 20 barangays in Bicol. Coconut farmers form one of the biggest poverty-stricken groups in the country. On average, they earn less than PhP2,000 per month from copra, the coconut kernel which is dried and from which coconut oil is obtained. Coco Tech, to help alleviate the poverty situation of these farmers, wanted to train more coconut farmers in other barangays on the process of decortivating coconut husk, twining, and weaving these into ropes and mats, so that they could form the supply chain of Coco Tech for its bioengineering product line.

Assessment of IB Model Development

Coco Tech’s manufacturing and marketing of coconut husk by-products, especially those for bio-engineering, proved to be very viable. Annual sales grew from an average of PhP55 Million from 2009 to 2012, and almost doubled at an average of PhP95 Million per year from 2013 to 2016. Total assets of Coco Tech rose from PhP17 Million in 2009 to PhP32 Million in 2012, then rose again to PhP84 Million from 2013 to 2016. The government was a huge buyer, using these products for infrastructure projects; the erosion control nets were used for erosion prevention for roads and highways.

The company’s financial position was in the green until the onset of the COVID-19 pandemic. Although annual sales were already averaging at PhP120 Million before the pandemic, with the work stoppages and lockdowns, all of Coco Tech’s government projects during the two-year period from 2020 to early 2022 at the height of the pandemic were halted, revenue flows stopped, and the company had to suffer losses during this time.

Early this year, with the easing of pandemic-related lockdown restrictions, Coco Tech sales were at a slow PhP20 Million, but the company is optimistic that with the resumption of their

projects, sales will again be reinvigorated. Moreover, Coco Tech has so far signed PhP130 million worth of new contracts.

The population of Camalig, Albay as of 2020 is more than 70,000, with a significant portion of the populace being coconut farmers. With an average household size of six, around 30 percent of more than 12,000 households are engaged in the coconut industry in the area. With no less than 3,600 households engaged in Coco Tech's twining sub-contracts with the barangays, this is almost double the company's outreach to BoP suppliers from 10 years ago. And 85 percent of these are women. Moreover, while it is usually the wife who is engaged as a twiner or weaver, there are otherwise unemployed or under-employed members of the household, for example those with persons with disabilities, that can still do twining and weaving, and this further increases the outreach of the project.

The barangays also benefit from the partnership with the communities. Coco Tech buys the coconut husks from the farmers. Fiber is extracted from the husk through a decorticating machine. Then Coco Tech brings the fiber to the barangays and approaches the barangay captains to identify the women and other workers who can be employed as twiners or weavers. Coco Tech pays the barangay 20 centavos for each twine, and 1 peso each for the twiner. A family averages about 150 twinings it can finish in a day. This translates to additional earnings for the household of no less than PhP3,000 per month, a significant addition to the husbands' usual earnings of PhP1,800 from copra. Since the twining is done at their homes, women can at the same time attend to their household chores with a flexible time arrangement. Coco Tech pays the barangays and the households in cash. After twining, Coco Tech then weaves them into the bioengineering erosion control nets.

With this arrangement, families and barangay local government units are benefited and local economic development at the community level is stimulated. A significant indicator also is that more sari-sari stores are being put up in the barangays, meaning residents now have more money to spend on goods. Women and other household members that have stable income sources also begin to access credit, join local cooperatives or savings and credit associations or become members of microfinance institutions, and contribute further to the household coffers.

Another social impact that Coco Tech brings to the communities is educating the farmers and their family members not just in the skills required for the enterprise, but more so in entrepreneurship and responsible citizenship. Coco Tech started conducting training on coco coir processing in Bicol but has since then expanded to Quezon province also in Luzon, Samar and Leyte in the Visayas, and up to Mindanao.

The potential to expand outreach to other communities is apparent. Coco Tech requires at least 20,000 husks a day. This represents a mere five percent of the potential output of husks in one town; in effect, in one town alone there is already an over-supply of the raw materials Coco Tech needs.

The business of Juboken and Coco Tech started from all the research studies conducted by Dr. Arboleda. His research showed that not only is there commercial potential but more importantly, there is an environmental aspect – turning what would have otherwise been waste, the coconut husks, into raw materials for other lucrative by-products.

Coco Tech designed a decorticating machine which enables coco fiber to be extracted from the husks. The fiber is then twined and woven into nets and mats and thereafter into the different bioengineering products of Coco Tech.

Coconut fiber is biodegradable, aside from being highly water-absorbent and water-retentive. This helps prevent water from going directly into the soil which makes it an excellent erosion control material. The coco-fiber nets degrade naturally and at a rate that allows vegetation to grow and gain a firm setting on the soil thus reducing if not totally stopping erosion.

Coco Tech introduced the technology and bioengineering products to government agencies including, among others, the Department of Environment and Natural Resources and the De-

partment of Public Works and Highways which will have extensive uses for the bioengineering products especially in infrastructure projects. This was received enthusiastically and Coco Tech was requested to provide training to other farmers' associations and cooperatives in other areas to replicate the technology.

Coconut farmers would do well with more government support, approximating if not comparing to the kind of support that rice and corn farmers have been receiving. Access to financing for these farmers and their associations would also be very beneficial. Coco Tech cites the difficulties of one coconut farmers' cooperative which it assisted when this cooperative applied for a loan with a government financial institution but was rejected because of the lack of favorable endorsement from a concerned government agency.

4. Coffee for Peace

Introduction

Coffee for Peace (CfP) started in 2007 as an income generating program of the Peacebuilders Community, Inc. (PBCI), a Mennonite-supported peacebuilding movement based in Davao City.

Reinforcing the Philippine government's initiatives, PBCI establishes various community development programs to promote peace in Mindanao. As coffee is widely produced across the island, PBCI used community-building and peace and reconciliation (PAR) strategies to engage with local farming communities, making coffee production a source of sustainable livelihoods for partner ethnic communities in the provinces of Davao del Sur, Cotabato, Bukidnon, and Kalinga.

Assessment of IB model

CfP is anchored on a financially sustainable model that involves fair trade practices, impact investor networking, government partnerships, grant funding, organizing farmer associations, and increasing the competitiveness of arabica and robusta varieties produced by indigenous peoples (IP) communities. The company regularly provides hands-on training to farmers in processing beans at their Managa Processing Center in Davao del Sur, which was established in partnership with the area's tribal council.

Over the years, the company obtained the necessary processing equipment and transportation facilities from the Department of Agriculture (DA), ACDI VOCA, and private impact investors, and partnered with the Department of Trade and Industry (DTI) to further equip farmers in marketing, labeling, and branding their coffee products. A testament to the knowledge and skills developed by CFP-trained farmers is the consistent Top 1 placing, since 2018, in the Philippine Coffee Quality Competition of representatives fielded by the Balutakay Coffee Farmers Association (BACOFA), the fourth community organized and trained by the company. The recognition has motivated the farmers to send, on their own initiative, representatives to international specialty coffee competitions in the United States, which increased the exposure of farmers to international standards, and heightened international interest in Philippine coffee and doing research on local varieties.

Reported yield from farmers has steadily increased over the past five years—cherry harvest is reaching a total of 1.6 million kilos in 2021 (compared about 160,000 in 2017), with the farmers getting around 400,000 kilos of the yield for their own enterprise. Before their engagement with the company, the farmers were earning PhP30 to PhP50 per kilo of coffee beans; under the company's guidance, farmer earnings have also risen to as much as PhP250 per kilo in 2021, which translate to about PhP15,000 per month per farmer (more than triple the reported farmer earnings of around PhP4,000 per month back in 2017). The company is now working with 500 coffee farmers, up from 200 back in 2018, with the partnerships forged with

Bagobo Tagabawa tribal communities for robusta production. Farmer clustering is employed (around 20 farmers per cluster) to enable targeted capacity-building and R&D interventions by the DA, DTI, and recently, the Department of Science and Technology (DOST), and local state universities and colleges (SUCs). Earlier this year, the company committed to a two-year partnership with the University of the Philippines-Mindanao and the Mindanao State University-Iligan Institute of Technology to develop a social enterprise incubation program for IPs.

As sustainability measures, CFP now negotiates leasing a portion of land with some of their Indigenous People partner communities, with an agreement that secures 10-15% of the coffee supply from CFP-leased lands. Partner communities can also consign beans to CFP for packaging and marketing in the CFP collab space, which prices packaged coffee with a profit margin; 40% of the profit goes back to the farmers; 45% goes to the coffee council where they are members, and 15% to CFP for operations. The company has been working to actively involve the National Commission on Indigenous Peoples (NCIP) in the negotiations and community development activities done in ancestral domain areas to open up more spaces for continuous dialogue with and learning from IP communities.

Farmer production was not severely affected by the pandemic, and the company had to find ways to continue sourcing from the farmers, and marketing their coffee products despite the economic activity and mobility restrictions imposed by the government to curb the spread of COVID-19. The lockdowns temporarily halted operations at the main coffee shop, the Coffee for Peace Bistro at One Oasis in Davao City, but the company still pursued expansion by setting up a second shop at the Abreeza Mall, in partnership with the “Alagang Ayala” Program in Davao, and supplying and/or setting up “pop-up cafes” in targeted locations, which only require *barangay* permits to operate. CFP’s founder helped organize the Davao Coffee Council in Region 11, which plays a crucial role in facilitating more evidence-based policymaking, direction-setting, and support provision for the coffee industry in the region. The council has partnered with the DTI’s Rural Agro-Industrial Partnership for Inclusive Development and Growth (RAPID GROWTH) to finance the mall rent of coffee pop-up stores in Ayala Malls. Through these pop-up stores, CFP consolidates the marketing and selling of coffee products from both CFP-trained and noncompany trained farmers to also bring other local coffee brands to market in support of the “buy local, support local” strategy being promoted by the Davao Coffee Council in the region. The company also supplies beans to other coffee shops and local roasters. Working with and even helping train competitors is a non-issue for the company because, ultimately, this opens up more clients for the farmers, and strengthens the local coffee industry and economy.

Partnership initiatives have also been intensified to expand its network of peace and reconciliation and sustainable coffee advocates. The company is working with private sector entities such as the Hinelaban Foundation of the Unifrutti Group of Companies (trainings in peace and reconciliation and sustainable coffee production, and setting up education support for young IP community members as part of the foundation’s CSR initiatives), and the Energy Development Corporation in Kidapawan City (introducing business-oriented coffee production to the Obo Manobo tribe affected by its geothermal power plant). Just before the pandemic hit, the company worked with the Digos City government and the Armed Forces to raise funds for building a tribal hall in the Bagobo Tagabawa community, a portion of which will eventually be utilized for a coffee shop where the tribe can sell their own coffee and other native delicacies.

5. ENCASH

Introduction

Electronic Network Cash Tellers, Inc. (ENCASH) is an independent ATM deployer in the Philippines that provides privately-owned automated teller machines (ATMs) to rural banks, cooperatives, microfinance institutions, and peoples’ organizations in hard-to-reach areas that are un-served or under-served by commercial or thrift banks. Since 2006, more than 700 ENCASH terminals have been rolled out in more than 150 rural banks, cooperatives, and other partner organizations in more than 75 provinces all over the country.

ENCASH plays a significant role in financial inclusion, providing access to finance in areas where there are no brick-and-mortar branches of commercial banks or finance companies. With an ENCASH ATM deployed in a farmers' cooperative in a remote town, locals do not have to travel for hours and spend hundreds of pesos for transportation just to get to an ATM and withdraw cash. Rather than pay a habal-habal or motorcycle-for-hire, the usual if not the only available public mode of transport in many remote rural areas, anywhere from PhP200.00 or more to and from the nearest town or city to get to a commercial bank ATM, with ENCASH a convenience fee of only PhP35.00 to PhP99.00 is charged, way less than the cost of transport and without the travel risks.

One notable service that ENCASH offers is in facilitating the payout of the conditional cash transfer (CCT) grants to the poorest of the poor beneficiaries of the government's *Pantawid Pamilyang Pilipino* Program or 4Ps. Beneficiaries at the bottom of the economic pyramid, the poorest of the poor, are issued cash cards by the government financial institution Land Bank. However, oftentimes there are no Land Bank branches in remote areas where the BoP beneficiaries live. With ENCASH ATMs deployed in a partner institution there, the CCT beneficiaries can withdraw their grants at their local cooperative or parish. And since the cooperative does not have to buy the ATM machine because ENCASH owns it as the ATM deployer, the cooperative does not have to make a big investment to have an ATM installed and servicing the area.

Products and services offered include not just the independent ATM deployment but also mobile POS (point-of-sale) and ATM switch outsourcing services.

Assessment of IB Model Development

For more than 15 years, the inclusive business model has proven to be viable for ENCASH as it continued to expand its services in remote areas to allow BoP customers to gain access to finance. However, with the liberalization of regulatory policies on bank branching, commercial banks have been encroaching on many areas that used to be serviced solely by ENCASH partner institutions. Furthermore, with stricter banking regulations on capitalization, many ENCASH partner rural banks were forced to close or merge or be acquired by bigger banks, so much so that presently there are just about 80 or so partner rural banks of ENCASH. In addition, there are about 35 cooperative partners.

To compensate for the diminished rural bank base, ENCASH introduced the mobile POS (mPOS) and this is where viability is retained and where ENCASH see incremental growth insofar as revenue stream and profitability are concerned. Presently, it has deployed more than 2,000 mPOS devices in remote rural areas. This time around, it does not have to be rural banks; ENCASH now partners with even *sari-sari* stores, the local home-based grocery stores, or even individual entrepreneurs for the mobile POS cash-out platform to be deployed.

The investment is also very affordable. For PhP18,000.00, the micro-entrepreneur will have a mobile POS already at her *sari-sari* store and start operating a cash-out/withdrawal service. The mobile app that runs the facility is free as part of the ENCASH package. There is no franchise fee; there is no quota. And ENCASH does not require a maintaining balance unlike commercial banks. So, for the PhP18,000 investment, the business is up and running. ENCASH also gives incentives like reimbursement of the basic package costs if number of transactions meet a certain threshold in terms of monthly average for the year.

BoP constituents, especially beneficiaries of the 4Ps conditional cash grants, can now simply go to their neighborhood *sari-sari* store to withdraw. Sometimes, the 4Ps beneficiary does not even have to leave her home; an enterprising merchant partner of ENCASH operating the portable mPOS can simply go to the *barangay* and service the withdrawal there.

Even during the height of the COVID-19 pandemic, ENCASH declares, without going into peso details, that year 2020 was a record year in terms of number of transactions and the related revenues and profits. With the limited mobility and travel restrictions imposed during

community quarantines and lockdowns, ATM cardholders could not go to the city or town and withdraw from a commercial bank ATM. Instead, they access their money through ENCASH terminals in the area. Record number of transactions at the time is at no less than 30,000 transactions per day.

For more than 15 years, ENCASH has been consistent in going to municipalities and *barangays* where better financial access is clearly needed, a clear strategy targeting the under-served BoP market. There is still a huge void in rural areas in terms of poor Filipinos' access to cash and ENCASH is committed to filling that void.

The ENCASH *Panalo* Express Super POS, its portable mobile POS service, makes electronic financial services more accessible. It is the first electronic mobile POS system that allows retail *sari-sari* stores and other micro- and small enterprises to process both cash-in and cash-out services using the same device. This is an entirely new source of income, not only for retail establishments but even enterprising individuals. Furthermore, the service is white-labeled so that the micro- or small entrepreneur is allowed to brand it as her own.

BoP customers get access to an affordable service, and BoP mPOS operators earn additional income. It is safe because it employs EMV (Europay, Mastercard, Visa) chip technology and requires cardholders to provide their ATM PIN as part of the authentication process. Balance inquiry is free of convenience fee charges. Cash out fees will depend on location. Bundled with the *Panalo* Express, other services provided include mobile phone loading or top-up, SMART *Padala* (the mobile money transfer service of SMART Telecommunications) acceptance and encashment, micro-insurance payments, PayMaya top-up, and remittance to other agent networks.

With regards to the 4Ps conditional cash transfer, Department of Social Welfare & Development (DSWD) statistics show that as of June 2020, a total of 4.227 million households were served as beneficiaries. With many of these beneficiaries living in remote towns or island communities, ENCASH ATMs or mPOS merchants can also reach a significant number of BoP customers.

About three years ago, ENCASH embarked on its new project, the mobile ATM or mobile POS devices. ENCASH developed an app for the POS device which basically functions like a regular ATM machine, except that the device is portable and cash is dispensed through a human cashier, not a machine. At the time, ENCASH realized that it has been limiting its business only to rural banks and cooperatives. With the mobile POS, it opened opportunities for other partners like *sari-sari* stores, *carinderias* or food shops, grocery stores, laundromats, or even individual merchants. The network expanded, as did the access afforded to BoP customers.

For information dissemination and reaching out to its customers and partners, ENCASH makes extensive use of YouTube videos and infomercials, social media, client testimonials and client tutoring.

ENCASH hopes that the financial sector regulators will realize that an independent, non-bank ATM and mobile POS deployer like ENCASH provides an essential financial inclusion service in un-banked, under-served areas so that more objective and flexible regulations can be enacted and more responsive support can be extended.

6. Family Vaccine and Specialty Clinics

Introduction

Family Vaccine & Specialty Clinics (FVSC) is a company that is primarily engaged in the distribution and administration of vaccines through clinics that are set up across the country. It is a subsidiary of IPVG Corporation, an investment company with subsidiaries engaged in importation, information technology, and health care through FVSC.

FVSC, as a for-profit social enterprise envisions itself to be the largest privately-run chain of vaccination clinics in the country. In 2020, it had a total of 40 clinics in 17 provinces and was serving an average of 50,000 patients per annum.

The impact of the COVID-19 pandemic, with its attendant lockdowns and community quarantines, reduced mobility, and business closures affected operations and some clinics had to be closed. To date there are 26 outlets and these clinics continue to provide services including vaccines for influenza, pneumococcal, hepatitis B, tetanus, cervical cancer, MMR (measles, mumps, and rubella), and rabies.

Assessment of IB Model Development

FVSC continues to expand as it opened three more clinics in early 2022 and is targeting to open another 15 or 16 before the year ends. From 2020, an 8 percent increase in patient visits year-on-year was seen. Operations remained viable with FVSC clinics operating efficiently, manned by one nursing staff each, supported by FVSC's logistics team to ensure timely delivery of vaccine stocks.

Efficiency throughout the nationwide network of clinics at the provincial, city, and municipal levels is ensured through FVSC's nationwide distribution/supply chain management and inventory control through an SMS/POS system. As of 2022, FVSC medium term goal is not only to expand its network of clinics but achieve 80 percent coverage across the country.

Consistently, FVSC has targeted the BoP market to provide them access to affordable vaccines. Women are particularly benefited with inoculations and screening for cervical cancer, while children who are more susceptible to measles (from which the World Health Organization says more than 150,000 children under the age of five die yearly since 2018) are provided access to MMR (measles, mumps, rubella) vaccines.

FVSC vaccines are on average priced roughly at only 50 to 65 percent of even the cheapest vaccine brands available at public hospitals. With such affordable prices, the poor are spared from debilitating diseases that would otherwise hinder them from going about their income generating activities (IGAs). Moreover, savings from the cheaper vaccines can be channeled into these poor's working capital in their IGAs, enabling them to earn more.

The company's vision and mission are anchored on three A's – affordability, accessibility, and availability. With affordable biologicals from regional partner-manufacturers, the BoP client is assured of reasonably-priced vaccines. With FVSC's partnership with local government units (LGUs), some patients are even able to acquire the vaccines from FVSC clinics for free.

The partnership with LGUs as well as public and private hospitals allow for accessibility at the provincial, city, and municipal level. FVSC partners with these LGUs in reaching out to the grassroots constituents. Some of FVSC's clinics are accredited with the *Malasakit* (literally translated to Compassion) Centers of the government. The *Malasakit* Center is a one-stop shop of financial and medical assistance for indigent patients institutionalized in DOH (Department of Health) and government hospitals in the country. In Metro Manila alone, as of October 2021 there are 30 *Malasakit* Centers operating. FVSC's clinic in Valenzuela City in Metro Manila is accredited, so patients get recommendations from the Valenzuela LGU and are referred to the FVSC clinic to get their vaccine shots for free.

Availability is guaranteed through FVSC's nationwide distribution system that is backed with fully automated supply chain management and inventory control. Stock and patient monitoring is done through an SMS (short messaging service) and POS (point-of-sale) system. Vaccines are administered by highly-competent, experienced, registered nurses manning the FVSC clinics backed by an efficient marketing and business development team at the headquarters.

Presently, existing FVSC clinics are strategically located throughout the country. In Luzon, they are present in the Cordillera Autonomous Region, Region 1 in the Ilocos, Region 3 in Central Luzon, Region 4-A in Southern Luzon, Region 5 in Bicol, and the National Capital Region (NCR). In the Visayas, they are present in Region 6 in Western Visayas, Region 7 in Central Visayas, and Region 8 in Eastern Visayas. In Mindanao, there is an FVSC clinic in Region 10 in Northern Mindanao and 5 more clinics are targeted to open in Mindanao this year.

In 2022, FVSC introduced the POS technology to monitor clinics' stocking and patient follow-through operations. For example, the anti-rabies vaccines which have to be administered in several doses over several days, e.g. Day 0, Day 7 and so forth, will have to be monitored closely. FVSC monitors this through its POS system and patients are informed via SMS when they are due to take the next shot to make sure they do not skip any dose which will render previous doses ineffective. In July 2022 alone, 3 clinics will pilot the POS/SMS system.

Mindful also of the Philippines being one of the world's most active countries on social media, FVSC extensively uses social media for information dissemination to reach out to its BoP market. Medical information, updates, access information, clinic locations, and other procedures are regularly posted on FVSC social media page for clients' easy access.

At the height of the COVID-19 pandemic, FVSC introduced Health Direct Now (HDN), an initiative to provide accessible and affordable RT-PCR (reverse transcription polymerase chain reaction) and antigen testing through a network of partner laboratories. Aside from COVID testing, HDN also offers other home care nursing services like baby care, elderly care, patient assistance, covid patient care, and palliative care.

With its partnership with the Department of Health, the growing network of FVSC clinics partnered with LGUs and local hospitals, accredited laboratories through the HDN initiative, accreditation under the government's *Malasakit* Program, partner laboratories for all laboratory services, and the launching of its tele-consulting services, FVSC hopes to be able to complete the ecosystem soonest to reach out to more grassroots, BoP patients.

7. Hinatuan Seaweed Farmers Association

Introduction

The Hinatuan Seaweed Producers Association (HSWPA) is an organization consisting of seaweed growers in the town of Hinatuan, a second-class municipality in the province of Surigao del Sur in Mindanao. In 2017, HSWPA was chosen for a seaweed enhancement project in cooperation with Fundacion CODESPA, a Spanish non-profit organization. The project was funded by *Agencia Espanol de Cooperacion Internacional para el Desarrollo* (AECID), the Spanish Agency for International Development Cooperation.

CODESPA assisted the association in organizational strengthening, business development, collaboration with the local government unit of Hinatuan, the Bureau of Fisheries and Aquatic Resources (BFAR) and the Department of Trade and Industry. CODESPA also facilitated market linkages with CEAMSA, a Spanish company operating in the Philippines through its local branch CEAMSA Asia, Inc. (CAI).

CEAMSA/CAI, by virtue of a direct selling agreement with HSWPA, provides technical assistance, coaching, competency build-up, and feedback on the quality of harvests. HSWPA also sends its officers to CAI in Luzon for exposure and appreciation of the business process. The members are also trained by CODESPA on good aqua-culture practices and climate smart agriculture.

At the onset, only 20 out of HSWPA's 110 members wanted to participate as suppliers. CODESPA introduced the clustering approach of the individual producers, and 10 to 15 clusters were initially formed to oversee and monitor planting, harvesting, sales forecasting, quality inspection, and business/delivery transaction. An ad hoc committee on business was also formed.

Part of the apprehension to join is because most if not all the producers have outstanding loans with local buyers or traders. To address this, HSWPA asked the producers to commit just a small portion of their harvest, for example 300 kilos, to HSWPA which were consolidated to meet CEAMSA's volume requirement.

HSWPA, with CODESPA's close coordination and monitoring, mentoring, and coaching painstakingly accumulated the harvests of the clusters. Their initial target was to accumulate as much committed volume to fill up a 10-footer container van. From this target, volume commitments were worked back to the clusters, then to the individual producers of each cluster. Producers with larger planting areas were designated as cluster leaders and they committed the volume on behalf of their clusters. Where a cluster member's commitment was not met, the cluster leader "topped up" from his own harvest just to meet the cluster's committed volume. With this level of cooperation and commitment, HSPWA was able to make its first shipment of 7,000 kilos to CEAMSA Asia.

Assessment of IB Model Development

Production is improving with no less than a 21% increase in production capacity. From the original 7 metric tons, HSWPA started delivering 12 metric tons in mid-2020 and has since been doing so almost on a monthly basis. HSWPA is targeting to reach 18 to 20 metric tons monthly delivery by end-2022. Even at this marketing aspect, the clustering approach introduced by CODESPA is adhered to.

Profitability for HSWPA is assured. Before the contract with CEAMSA, sale per kilogram was only at PHP19. Now, with the improved quality and the committed volume, price per kilogram increased by no less than 65% through the direct marketing arrangement with CEAMSA Asia, and HSWPA's net income increased by more than 50%. Even during the COVID-19 pandemic, with their product considered as essential goods, HSWPA is not hampered by transport restrictions and continued with its deliveries to CEAMSA.

Business risks have been addressed with the improved production and harvesting protocols, the training on good aqua-culture practices and climate-smart agriculture. Rather than compete, HSWPA collaborated with other local consolidators who are now bringing their products to HSWPA because of the competitive price.

Governance is markedly improved as the producers realized the viability of the venture and its economic benefits not just to HSWPA but to the producers and their families more importantly. With leadership and governance systems in place, and the clustering strategy backed by clear business guidelines, participation of other producers from nearby islets is even starting.

During the initial phases of HSWPA's business operations, the target is to increase the membership from 120 to 460 members. Non-HSWPA-member producers may also join to accumulate a total of 500 to 600 producers – members and non-members combined. This target has been attained and presently there are more than 600 selling producers.

Almost half, 48%, of the producers are women who are responsible for the more meticulous aspects of planting, strawing, removing debris, sorting, and arranging. Some of the women also play leadership roles in management – in decision-making, and in monitoring as cluster leaders and as bookkeepers or record keepers. Even unemployed members of the household pitch in. With the husbands doing the heavy lifting during harvest, packing, and loading, it practically became a family enterprise and considerably increased the household income.

With the improvement in household earnings, the poverty situation is being alleviated. Producers are renovating their houses, sending their children to school. Food security is being attained and they now have healthier diets. They have improved hygiene and access to health services. They are investing in new *bancas* and tricycles for transport.

This inclusive business model introduced and supported by CODESPA strengthened the production and commercialization of seaweeds at the municipal level, generated employment, earned revenues even for the local government unit, and contributed in the overall to local economic development in the area.

Access to financing and technical assistance is facilitated by CODESPA, too. With operations proven to be viable, HSWPA was endorsed by BFAR to a big cooperative which provided the association with a credit line. Even the local government unit is providing financing and storage facilities. The LGU is also pushing for the registration of the producers with the RSBSA or the Registry System for Basic Sectors in Agriculture so that the producers and their produce will be covered by insurance from the Philippine Crop Insurance Corporation or PCIC. The Department of Trade and Industry personnel in the area also provide financial management training and other training inputs.

With all the organizational strengthening and development introduced by CODESPA, the technical assistance from CEAMSA, BFAR, and DTI, HSWPA improved its planting and harvesting protocols. Planting, gathering, drying, packing, waste management practices were improved to ensure environmental protection. Adhering to good aquaculture practices and climate smart agriculture principles, HSWPA embedded these into their organizational by-laws and operational guidelines. It religiously adheres to international and national export standards for carrageenan.

To increase volume, HSWPA is giving incentives to other local consolidators to join. This will also make consolidation of produce more efficient and assure that volume requirements of CEAMSA will be met.

At the cluster level, everything is monitored and recorded. This helps ensure the right maturity, weight, moisture content, and other considerations that all add up to an effective quality management system.

Through clustering, HSWPA also improved the traceability aspect. The cluster leaders are empowered to ensure that everything is labeled, recorded, and which batch came from which cluster, so that if any discrepancy arises even at the buyer's end, the source-producer can still be traced. At the HSWPA warehouse, there are inspectors who will re-check or validate the records made at the cluster level. Even before the final loading to the containers, there will be a final inspection, final re-sacking to ensure that the quality of the product reaching CEAMSA is as expected.

Environmental responsibility is embedded in the IB activity as evident in the improved waste management practices of the individual members. It helped ensure marine ecosystem protection; rather than contribute to over-fishing, seaweed farming provided an alternative source of income for the community. As part of climate change mitigation practices, too, empty plastic bottles that would otherwise be plastic waste are re-used as buoys in the seaweed farms.

HSWPA remains committed to the business partnership with CEAMSA/CAI although with the proven inclusive business case, it is exploring possible expansion with other local companies, particularly with Shemberg, a Filipino-owned, Cebu-based carrageenan exporter. Shemberg already visited the HSWPA seaweed plantations and was so impressed with their assessment of the area that a buying contract was sent to HSWPA already for consideration.

With the inclusive business model having succeeded beyond their expectations, HSWPA continues to improve on its processes and its clustering system to encourage more local producers to join them. Its original benefactor, Fundacion CODESPA, continues to support HSWPA towards full viability and growth.

8. InsuranceKO/MicroEnsure

Introduction

EnsureMePh Insurance Broker, Inc. (InsuranceKo³⁹) used to be MicroEnsure Philippines, when it was established in year 2007. It was a subsidiary of MicroEnsure Holding Ltd., a recognised leader in the provision of insurance for the mass market in Africa and Asia serving people living in poverty throughout the developing world with an affordable and appropriate range of insurance products. InsuranceKo is an insurance broker for life and non-life insurance duly licensed by the Insurance Commission (IC) of the Philippines.

In 2020, a change in management was ushered in and the decision was made to change the name to EnsureMePh or InsuranceKo. Its ultimate parent company is Taytay Sa Kauswagan⁴⁰, Inc. (TSKI), one of the top microfinance institutions in the country. The business model remained fundamentally the same while remaining open to innovations to adapt to the changing needs of its market. InsuranceKo is headed by its President, Mr. Angel De Leon, Jr..

When it started, InsuranceKo partnered with microfinance institutions (MFIs) and rural banks, catering to the insurance needs of those at the base of the pyramid – microfinance clients who are small farmers, fisherfolks, laborers, micro-entrepreneurs, and other low-income earners.

The company offers a wide array of insurance products to enable the BoP clients to mitigate the varied risks they face. There is personal insurance to cover loss of life and loss of income. Comprehensive financial protection for the family is also available. For micro-, small, and medium enterprises, group life insurance is afforded to secure everyone in the MSME organization. There is also loan protection insurance to protect both the lender and the borrower. For businesses, non-life insurance covers fire, calamities, and other risks that may hamper business operations. On top of all these insurance products, customized insurance packages are available to tailor-fit the client's requirements.

Having reached its 15th year anniversary, InsuranceKo continues to partner with microfinance institutions, rural banks, cooperatives, fin-tech companies, local government units, and non-government organizations to continue to bring accessible and affordable insurance to largely un-served or under-served BoP clients.

Assessment of IB model development

The volume of clients insured through partner-MFIs, not to mention the frequency and regularity of acquiring insurance as clients remain members of the partner-MFIs, are proving to be a very viable business for InsuranceKo. Available data⁴¹ from 2016 to June 2022 attest to the viability through several indicators. The number of insurance policies issued from 2016 to 2022 average at 503,190, with an average year-on-year increase of 122%. For the 6 ½ year period up to June 2022, a total of 10,036,696 lives have been insured, a 461% increase from 2016 level of 1,789,507 insured. Revenues from gross premiums average at PhP118.7 Million (USD2.1 Million⁴²) yearly from 2016 to end-2021. Halfway through 2022 as of June, gross premiums are already at PhP85.9 Million (USD1.5 Million), expected to surpass 2021 revenues.

Despite unexpected business risks, InsuranceKo remained viable. This was very evident during two events: i) at the time of Typhoon Haiyan (local name Yolanda) towards the end of 2013 which affected mostly the clients in the Visayas and Mindanao, and ii) during the onslaught of the COVID-19 pandemic from 2020 to present. Not surprisingly for the compa-

³⁹ InsuranceKo translates to My Insurance.

⁴⁰ Taytay Sa Kauswagan translates to Bridge to Progress.

⁴¹ Net income figures were not available.

⁴² At USD1 = PhP55.72 exchange rate as of end-July 2022

ny, then already distributing through digital channels prior to the pandemic, demand and the customer base increased, although for its partner-MFI, bouncing back continues to be a challenge.

Governance-wise, consistent with its mission of providing accessible, easy to understand, and tailor-fit insurance products and services to its clients at the base of the economic pyramid, catering to this largely under-served market is also a factor towards continuing viability.

With its partnership with microfinance institutions, InsuranceKo's social impact is realized. Not only are these BoP clients, but the majority are women because the MFIs consciously target housewives to provide them with alternative or additional income generating activities to complement their husband's earnings from farming, fishing, manual labor, or micro-services.

InsuranceKo also has programs where it partners with mostly women in the *barangays*⁴³ who are members of the MFIs operating in the area to help them become community insurance coordinators. As coordinators, they facilitate the marketing and distribution of insurance products in their communities especially for those without any insurance cover. This translates to additional income generation for these coordinators in terms of referral fees.

With life and property insured, clients are better able to access micro-credit. Lenders are more comfortable lending to borrowers who are insured; besides, with the loan protection insurance, the loan is, in effect, secured because the lender will be paid the full outstanding balance of the loan if ever something happens to the insured borrower. With their improved access to micro-credit for use as additional working capital, these clients are able to grow their businesses and earn more. More income translates to more spending money for other goods and services. InsuranceKo shares that there are even instances of beneficiary-families of those insured deceased or disabled being able to use the insurance proceeds not just for burial but the excess for house renovation or even for sending their children to school.

Insurance is offered not just for the borrowing clients but even to clients with micro-savings. The advantage of having not just their savings that these clients sometimes use for emergencies but the added insurance cover for other eventualities provides a bigger sense of security. This is crucial especially for these types of clients who are very vulnerable to all kinds of socio-economic shocks.

In 2022, InsuranceKo will launch its own online insurance marketplace to simplify the process of acquiring insurance for its clients – from client understanding of the critical need for insurance, what product they should get, and how they can purchase the product – making accessibility, simplicity, and affordability inherent in the process. With this online marketplace, buying insurance can be as easy as browse, select, and click.

The partnership with GCash⁴⁴ afforded InsuranceKo the opportunity to have its insurance products inside the GCash app through the GInsure one-stop-shop for insurance needs of GCash users.

Also, through partnerships with other insurance providers, product offerings can now include other traditional insurance products like motor vehicle insurance, other non-life insurance with bigger premiums for small and medium enterprises. Beyond the microfinance clients, the SME market is also now being served.

Changes to the Business Model. The business model remained the same, save for the change in business name and developments towards digitization. Target market and clients and strategic directions remain consistent with original thrusts.

Partnerships were expanded to include, beyond microfinance institutions, the cooperatives,

⁴³ The village or *barrio*, the smallest unit of government in the Philippines.

⁴⁴ GCash is a mobile-based micropayment service of Philippine telco Globe Telecoms.

local government units (LGUs), and fin-tech companies. Also, complementing rather than competing, InsuranceKo partners with other providers catering to the insurance needs of cooperatives. InsuranceKo was also one of the first to offer parametric (weather-indexed) insurance in the country in partnership with local insurers and foreign reinsurers.

InsuranceKo also consistently complies with the requirements of, and works closely with, the Insurance Commission to facilitate approval and implementation of innovations, new products, and programs.

9. Jollibee Foods Corporation

Introduction

Jollibee Foods Corporation (JFC), also known as Jollibee Group, is one of the fastest-growing restaurant companies in the world, operating in 34 countries with over 6,200 stores globally across 18 brands⁴⁵. Jollibee Group has eight wholly-owned brands (Jollibee, Chowking, Greenwich, Red Ribbon, Mang Inasal, Yonghe King, Hong Zhuang Yuan, Smashburger), six franchised brands (Burger King, Panda Express, PHO24, and Yoshinoya in the Philippines; Dunkin' and Tim Ho Wan in certain territories in China), 80 percent ownership in The Coffee Bean and Tea Leaf, and 60 percent ownership in the SuperFoods Group that owns Highlands Coffee and PHO24.

Jollibee Group was named the Philippines' most admired company by the Asian Wall Street Journal for 10 years. It was also honored as one of Asia's Fab 50 Companies and among the World's Best Employers and World's Top Female-Friendly Companies by Forbes. In 2020, Gallup awarded the Jollibee group with the Exceptional Workplace Award, making it the first Philippine-based company to receive the distinction.

The Jollibee Group Foundation (JGF) is the corporate social responsibility arm of the Jollibee Group. It forges partnerships with national government agencies (NGAs), non-government organizations (NGOs), local government units (LGUs), the academe, and business groups or associations to help bring about food security and greater access to community services through various programs focused on agriculture, education, and disaster relief and rehabilitation.

As a food service company, JFC envisioned a sustainable relationship with the Filipino farmers who can play a significant role in the company's supply chain. Thus, in 2008, Jollibee Group Foundation launched the Farmer Entrepreneurship Program (FEP), an inclusive business activity aimed at capacitating farmers to become agri-entrepreneurs who are reliable producers and suppliers, imbued with sound business sense, and responsible community builders in local economic development. Farmers are provided with agro-enterprise training, linked to institutional markets, notably Jollibee procurement, and continuously assisted towards sustainable agricultural production.

Assessment of IB model development

Since the program launch, from the pilot batch of onion farmer-members of the Kalasag Multipurpose Cooperative in Nueva Ecija in partnership with Catholic Relief Services (CRS) and the National Livelihood Development Corporation (NLDC), the FEP has enabled seventeen smallholder farmers' groups in various locations in the country to be accredited as suppliers of vegetables and high-value crops like onion, tomato, bell pepper, ginger, and calamansi to the Jollibee Group. These farmers' groups were able to deliver more than 9 million kilos of vegetables since 2009, which translates to more than PhP 360 Million (USD 6.47 Million⁴⁶) of

⁴⁵ Jollibee Foods Corporation data as of July 2022.

⁴⁶ At PhP55.635 to USD1, per BSP key rates as of 28 July 2022

sales to the Jollibee Group. In addition to these 17 groups, four more farmers' groups have already been accredited and are preparing to regularly supply Jollibee Group as well.

FEP has proven to be a commercially viable partnership between the Jollibee Group and the farmers. The Jollibee Group is assured of delivery of vegetables in the required volume and the expected quality standards. Farmers on the other hand are assured of an institutional market that guarantees acquisition of their produce at fair market prices, no longer worrying about fluctuating prices offered by traditional traders, thereby guaranteeing a steady and increasing income.

FEP also supported the farmer groups to enable them to carry on deliveries during the pandemic. JGF continued the coaching and training of farmers through online modalities. Thus, even at the height of the COVID-19 pandemic, farmers' groups were able to deliver a total of 1.2 million kilos of vegetables in 2020 and 2021.

Social Impact. The Program deliberately targets base of the pyramid (BoP) stakeholders – the smallholder farmers, organizing them into clusters that are formalized into cooperatives or associations, improving their production practices and equipping them with skills in agro-entrepreneurship. With stable and increased production, they can now deal with institutional markets like the Jollibee Group which puts a premium on quality and reliability of supply deliveries. Over time, farmers' incomes are stabilized and increased.

As the farmers' production activities stabilize when they supply their produce to institutional markets on a regular basis, their increasing regular incomes qualify the farmers to access financing from cooperatives or microfinance institutions. These lenders are now more comfortable with providing production loans to these farmers who have stable buyers and regular income streams because the latter are able to come up with frequent amortizations for their loans and even maintain micro-savings from their surpluses. Loans are repaid from the payments of deliveries. This addresses the issues of the farmers' lack of track record or collateral, which usually hinder their ability to borrow.

Farmers in the FEP are also able to access technical assistance from various government agencies, NGOs, or academic institutions that the program brings in to provide skills training, organizational development, planning, research, and other interventions.

Ultimately, with a stable income, farmers are not only able to provide for their household needs, but are also sending their children to school, building better homes, expanding their livelihood activities, and becoming responsible and tax-paying community builders.

Women also play significant leadership roles in the Program, breaking stereotypes of the predominant elderly male farmer being in charge of farm operations. Many of the graduates of the agro-enterprise courses offered by FEP include women leaders of farmers' groups. Then again, there are the women officers of partner cooperatives or producers' associations at the helm of the agro-enterprise operations. The youth, children of the farmers, are also slowly but surely being encouraged to engage in the now scaling-up agro-enterprises of their parents as the Program also provides training and scholarships to these youth.

Geographically, as of 2021, FEP is present in Luzon, the Visayas, and Mindanao through its 21 partner-farmer groups.

Innovations. JGF continues to improve and innovate on the original FEP model and the multiplier effects of the innovations cannot be discounted.

In 2015, a new approach was tested – the FEP model for direct-to-restaurant delivery. This allowed two farmer groups in Cebu to supply directly to three Chowking branches. By 2016, they were already delivering to 15 Chowking branches.

Another innovation to the capacity building was introduced in 2016 with the FEP Leadership for Agro-enterprise Development (LeAD) Program. Here, 22 farmer-leaders were capacitated

on agro-enterprise development, business planning, and values formation. These leaders crafted their Action Learning Projects to help strengthen their respective farmers' associations and improve agro-enterprise operations.

In 2021, the first online course on Agro-Entrepreneurship for Inclusive Value Chains was launched. In partnership with Xavier University – Ateneo de Cagayan, the course featured the sharing of best practices and success experiences of FEP partners. A total of 97 new field facilitators from 47 organizations can now replicate the agro-entrepreneurship model to other farmer groups.

The Agro-enterprise Clustering Approach will also be replicated as JGF partnered with the Department of Agriculture (DA) for the latter's regional field offices to take the online course on the clustering approach and set up one farmer group in each region using this approach. The Technical Education and Skills Development Authority (TESDA) also accredited the Agro-enterprise National Certificate II Course, which was co-developed by JGF with Don Bosco Mati. JGF provided scholarships to 50 underprivileged youth to encourage them to pursue a career in agro-entrepreneurship.

JGF also partnered with IBM's The Weather Company and the Central Luzon State University (CLSU) to provide a localized weather forecasting service to farmers so rainfall can be monitored and flooding may be foreseen. The Weather Company provides community-level 7-day weather forecasts. CLSU then analyzes and interprets the data, which are translated into prescribed farm practices that farmers can use in their daily farm activities. This was piloted in Nueva Ecija and Pangasinan in Luzon and is expected to expand to more sites in 2022.

The success of the Farmer Entrepreneurship Program as an inclusive business model continues. To date, more than 700 farmers are participating directly as suppliers in the Farmer Entrepreneurship Program. Over 3,000 have been trained on agro-entrepreneurship.

10. Julie's Bakeshop

Introduction

Julie's Bakeshop opened its very first bakeshop in Wireless, Mandaue City, Cebu on January 6, 1981. Named after its founder Mrs. Julia Gandionco, Julie's Bakeshop was an innovative response to the increasing need for bread in three canteens Ms. Julie was operating at the time. Her business concept was phenomenal in its simplicity: fresh, steaming hot bread baked in full view of customers and served with a courteous greeting and a warm smile.

With its mission to have "a Julie's in every barangay", Julie's Bakeshop started expanding on the island of Cebu. In 1998, it opened its first full franchise branch in Camiguin Island off the northern coast of Mindanao. In the same year, Julie's Franchise Corporation (JFC) was registered with the Securities and Exchange Commission (SEC). With over 200 branches nationwide at the time, it was the country's largest bakeshop chain. It opened its Pasig warehouse in Metro Manila in 2001 as logistics support for franchisees in Luzon. A year later, it opened its Davao warehouse to serve franchisees in Mindanao.

Julie's Franchise Corporation received a special citation in 1999 as Outstanding Countryside Investor from the Philippine Chamber of Commerce and Industry. Since then, it has consistently received awards and recognitions from the Philippine Chamber of Commerce and Industry, the Philippine Marketing Association, the Philippine Franchise Association, and other trade associations and even local government units.

The year 2011 marked the opening of the first Bulilit Kiosk to bring Julie's Bakeshop closer to its market. The Bulilit Kiosk is a modular bakeshop envisioned to be located in areas not reached by the standard stores. It requires lower investment from franchisees and will not only reach and feed more Filipinos but also provide alternative sources of income to residents who can act as resellers in the community.

Assessment of IB Model Development

Commercial viability is evident in the company's consistent growth and expansion of the branch network. In 40 years of operation, Julie's has grown to more than 500 branches located in various parts of the country. Presently, the growth focus is in Luzon.

JFC's social impact emanates from its mission to have a branch in every barangay, and to bring its products to the Filipino masses. It continues to reach out to its markets through its full branches, the Bulilit Kiosks, and through its resellers. The partnership with low-income groups as resellers not only enables off-premise selling but provides these resellers with additional sources of income.

Under the Julie's Reseller Program launched in 2020, customers are converted to resellers and are provided additional opportunities for income. The process to become a reseller is made very easy and accessible to aspirants: no registration fees are required, and approval is as quick as two days, with flexible arrangements and commission schemes. They resell Julie's products in their subdivisions, in condominiums, in their workplaces, and in *sari-sari* stores. At the height of the COVID-19 pandemic lockdowns and community quarantines, a lot of customers who were out of work found a viable income source being resellers. Depending on the volume of orders, resellers can either pick up or have the products delivered to them. Even with the easing of lockdown restrictions, the resellers remained, having found a stable income source.

As part of its corporate social responsibility initiatives, Julie's implements programs geared towards entrepreneurship, education, disaster response and environmental responsibility. It has emergency response teams to assist barangays and communities during disasters. It has feeding programs and school outreach activities like Brigada Eskwela.

Julie's continues to innovate and expand. It made its franchising fees very affordable at PHP40,000 in celebration of its 40th anniversary in 2021. On a case-to-case basis, Julie's can assist in financing through an in-house facility.

JFC is also looking at franchisees with the capability to open multiple stores to further expand outreach to more communities.

It also utilizes online sales channels to get closer to its markets, increase visibility, and make it more convenient for customers and resellers. Through strategic partnerships like the reseller program, Julie's is able to reach more communities even without brick-and-mortar branches.

On building the brand, Julie's is making itself attractive to the middle-income market segment both as customers or as franchisees. It has relied on digital communications, especially in the last two years during the pandemic and as it has tried to attract a younger market and enhance service delivery. During the pandemic, Julie's Delivers was launched to reach more customers and ensure their safety.

In regard to the enabling environment, Julie's enjoys the support of the Philippine Franchise Association, the Department of Trade and Industry, and other agencies. The company is also very active in sharing its experiences and expanding its network with various potential partners.

11. Nestle Philippines

Introduction

Nestlé Philippines is one of the oldest corporations in the country, and has been one of the early adopters of the creating shared value (CSV) strategy in harnessing food systems to "contribute to nutritious and sustainable diets; to help protect, renew, and restore natural

resources; to help strengthen communities; and to operate responsibly”⁴⁷. As one of the world’s biggest buyers of coffee beans, the *Nescafé Plan* is one of Nestlé Philippines’ flagship CSV programs that promotes sustainable and responsible coffee growing and trading practices and supports local farming communities by mobilizing government and bilateral support, improving farming technologies and techniques, easing local coffee procurement, and facilitating transparent coffee buying in its operation areas in the provinces of Bukidnon, Cagayan de Oro, and Sultan Kudarat.

Assessment of IB Model

Nestlé Philippines’ deeper engagement with coffee farmers started as early as 1994, when it set up its first experimental and demonstration farm in Davao to help improve coffee quality, yields, and incomes of small farmers by enabling access to better coffee planting materials and technologies, sustainable farming practices, and providing an ensured market for their coffee beans. By 2011, the number of farmers engaged in trainings reached about 6,000, and they were supplying around 25 percent of the coffee volume required by the company to produce its coffee products. In 2012, Nestlé Philippines expanded the initiative by opening the Lipa Integrated Coffee Center (LICC) in Batangas, a five-hectare integrated coffee research center that houses nurseries for the production of Robusta seedlings, a technology demonstration center for new coffee varieties, and a composting facility for organic fertilizer. It also has a buying station where farmers can directly sell their beans to the company at the prevailing market price. By 2013, over 3,000 farmers were using this facility. Other buying stations were opened in 2019 in Sultan Kudarat and Bukidnon (seasonal buying stations), and Cagayan de Oro (year-round buying station), where farmers are updated regularly via SMS of market prices, and a same-day payment scheme is implemented to facilitate ease and transparency in coffee trading. The company also replicated the integrated coffee center model in Bukidnon, and started an entrepreneurship training program for coffee farmers. These initiatives form the suite of community interventions under the Nescafé Plan.⁴⁸

Project Coffee+

To further enhance interventions in Mindanao, which produces more than 70 percent of the country’s annual coffee output, Nestlé Philippines partnered with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) for Project Coffee+, which includes the *Farmer Business School* (FBS) program founded in 2018, targeting 1,500 smallholder farmers in Sultan Kudarat and Bukidnon to help them manage their farms as small businesses and promote farmer entrepreneurship. The FBS concept was adapted from successful GIZ FBS initiatives in the cocoa-growing regions of West Africa, and anchored on the Nescafé Better Farming Practices (NBFP). The goal of the FBS is to help small farmers become professional farm managers. Project Coffee+ was also implemented by Nestlé and GIZ in Indonesia and Thailand, covering 7,000 and 2,000 farmers, respectively. In the Philippines, the FBS was rolled out in 2019 and has already trained 1,565 farmers in adopting good agricultural practices (GAP) and entrepreneurship.

Entrepreneurship has the ability to empower farmers to expand their roles along the value chain and capture more profit. Helping farmers evolve into agripreneurs by learning how to manage their farms like a proper business is a pathway to economic independence, with the added benefit of job creation in the community. The FBS program is helping farmers make better investments and save for the future, boosting household incomes, and improving livelihoods for their families and their communities. Integrated into the FBS curriculum is the adaption of the NESCAFÉ Better Farming Practices (NBFP), which includes technical skills on farm diversification, intercropping, rejuvenation and rehabilitation, pruning, grafting,

⁴⁷ Sustainability at Nestle. <https://www.nestle.com/sustainability>

⁴⁸ Nescafé Plan. <https://www.nestle.com.ph/csv/communities/nescafe-plan>

fertilization, harvesting, and post-harvest processes. Farms of selected lead farmers/coffee ambassadors serve as demo farms and learning sites, and lead farmers are tapped to become coaches or mentors of their respective farmer clusters (project started with 34 lead farmers, and now has around 150 trained lead farmers). Nestlé agronomists and lead farmers also equip participating farmers with practical skills that will help them optimize their business costs and improve incomes. These skills include basic farm planning, diversification, profit and loss calculations, development of other potential revenue streams during the year, and personal finance to increase financial literacy (i.e., saving in banks, getting insurance) and facilitate good household recordkeeping among farmers. From 2018 to 2021, the project yielded positive results in Sultan Kudarat and Bukidnon, resulting in a yearly increase in average coffee production among engaged farmers, from 235 kg/ ha to 900 kg/ ha, and consequently an increase in farmer income from PhP30,000 to PhP107,000 due to diversified farming activities (coffee production, intercropping, and livestock farming). More than 20 farmers have produced as much as a ton of coffee per hectare. For now, these are still outlier cases that the company wants to replicate further. As a policy, the company does not do contract growing, with the farmer retaining autonomy in terms of where and how they sell their green beans (i.e., some sell directly to the company through the buying stations, while others opt to sell to cooperatives and the cooperative acts as a consolidator/ intermediary that sells to the company). Due to the benefits gained by the farmers from engaging with the company, Nestlé is able to obtain bulk of the green beans produced by the farmers.

Another component of Project Coffee+ is strengthening farmer groups and organizations. Farmer groups are important support systems where combined knowledge and experience have the potential to increase purchasing and bargaining power, and help achieve common goals such as getting access to better financial services or more competitive prices for agricultural products and technologies. The project offers training and advice in terms of organization and business plan formulation; development and installation of organizational policies, systems and procedures; establishment of agri-enterprises; and provision of various services. The project has already engaged 17 local farmer groups/ organizations in capacity building and organizational development—with nine focus organizations that were engaged further in business plan development, and eight service organizations assisted in documentation for formal registration. Out of the nine focus organizations, five were able to successfully apply for and secure Agri Negosyo Loans (PhP3.5 million in total) from lending conduits of the Department of Agriculture's (DA) Agricultural Credit Policy Council (ACPC). Individual farmers were also able to access loans, and maintain good repayment records under the Agricultural Competitiveness Enhancement Fund (ACEF) program of the Land Bank of the Philippines. To further the engagement with farmer organizations and grow their enterprises, the project facilitated partnerships with government agencies and private entities to strengthen existing structures, create local ownership, and secure sustainability through proper interventions:

- Cooperation agreement signed between the DA and GIZ;
- Partnered with the DA-ACPC's Kapital Access for Young Agripreneurs (KAYA) program to support young farmers, and the Development Bank of the Philippines (DBP) in Malaybalay, Bukidnon for a PhP3 million credit line for partner coop in the area;
- Coffee farms accredited by the DA's Agricultural Training Institute (ATI) as learning sites for agriculture (LSA);
- FBS curriculum accreditation and scholarship grant provision by the Technical Education and Skills Development Authority (TESDA) for the training of additional farmers on FBS and GAP; in 2021, the company was able to graduate more than 473 coffee farmers, mostly indigenous farmers, in Sultan Kudarat and Bukidnon under this training course;
- Partnered with East West Seed for high quality vegetable intercropping with coffee, and to connect farmers to a local supermarket in Bukidnon, Centro Super Sales, that supplies the food requirements of local hospitals.

The current phase of Project Coffee+ has been extended until October 2022 and GIZ intends to support a Phase 2 until 2023 to capacitate an additional 1,500 farmers, and focus on regenerative agriculture (including cascading knowledge on carbon footprint, carbon emissions, and mitigation techniques) to further promote environmental sustainability and resilience, and turning farmer organizations into agri-enterprises.

12. PHINMA Education

Introduction

PHINMA Education Holdings, Inc. was established in year 2004 as the PHINMA Corporation conglomerate's entry into the education services sector. It started with the acquisition of the Araullo University in Nueva Ecija in Central Luzon. At the time, the school was serving around 5,000 students in Cabanatuan City, Nueva Ecija. Since then, it has grown to become a fast-growing network of ten schools in the Philippines and Indonesia including PHINMA Araullo University, PHINMA University of Pangasinan, PHINMA Saint Jude College in Manila, PHINMA Republican College in Quezon City, PHINMA Rizal College of Laguna, PHINMA Union College of Laguna, all in Luzon, PHINMA University of Iloilo and Southwestern University PHINMA in Cebu City both in the Visayas, PHINMA Cagayan de Oro College in Mindanao, and Horizon Education in Indonesia. As of school year 2021 – 2022, the PHINMA Education network is serving over 95,000 students.

From the beginning, PHINMA Education's thrust was to understand the needs and aspirations of the underserved. The majority of PHINMA Education students are from the base of the pyramid (BoP) and find the most difficulty in getting quality education. Most of these students are also first-generation students or the first in their families to reach college-level education. In a country where families put a high premium on education despite their dire poverty situation, PHINMA Education's efforts to make education accessible and affordable enable students at the BoP to study despite their meager financial resources.

Endeavoring to make lives better through education, PHINMA Education offers quality education that ensures its graduates get a better chance of being employed, earning and supporting their families. As of 2022, PHINMA Education's statistics are impressive, with more than 95,000 students served and more than 110 programs offered across the PHINMA Education network. The passing rate for its graduates who take board examinations for the first time was at a high 75 percent for school year 2021-2022, with a total of 122 board examination toppers and more than 26,000 licensed professionals since 2004. As such, 7 out of 10 (71 percent) graduates are able to land a job within the first year of their graduation.

Assessment of IB Model Development

The business strategy to target students from low-income families who make up the majority of the population is proving to be viable for PHINMA Education. Enrolment is consistently rising. The more than 95,500 student population in school year 2021-2022 represents a 31 percent increase from the 72,700 enrollees in school year 2020-2021. This translates to PhP3.785 billion in revenues, a year-on-year increase of 79 percent. Earnings before interests, taxes, depreciation, and amortization (EBITDA) rose 179 percent from PhP504 Million in 2021 to PhP1.406 Billion in 2022, attesting to PHINMA Education's financial health and liquidity. Assets rose three percent year-on-year from PhP12.039 Billion in fiscal year 2021 to PhP12.410 Billion in fiscal year 2022. Equity grew 14 percent from PhP6.074 Billion in 2021 to PhP6.895 Billion in 2022.

Even at the height of the COVID-19 pandemic in the country, with lockdowns, community quarantines, and the prohibition of face-to-face classes in schools, student numbers in PHINMA schools rose as students appreciated the innovations introduced by PHINMA Education, combining paper-based modular learning with low-internet-requirement online tutoring.

The focus on the BoP market is not only a business decision but a conscious, overriding targeting strategy based on PHINMA Education's vision and mission. Out of the more than 95,000 students enrolled in school year 2021-2022, 3 out of 4 students (75%) come from households earning a little more than the PhP12,000 monthly-income poverty threshold. The majority of these students are also first-generation students or the first in their families to ever enter college. More than half of the student population are female.

With a large percentage of graduates landing a job within the first year of graduation (more than 70% do so), these young professionals contribute to a significant increase in the household income. And as is customary in Filipino families, these young income-earners will now in turn help their siblings acquire education, too. Countless testimonials of graduates show their first priority after gaining employment and earning an income is to help their families.

PHINMA Education ensures college education is affordable and accessible. Aside from scholarships to about 60% of its student population since 2020, tuition fees at PHINMA schools are made more affordable through more efficient internal operations and reducing or removing non-essentials. Moreover, to ensure further access to higher education, PHINMA Education addresses the generally low reading and math competencies of graduates from government high schools by developing its own curriculum that guarantees to increase the passing rates and make their students competitive and at par with those from private schools.

Innovations and Changes. Technology was brought to fore and its impact can never be more appreciated during the COVID-19 pandemic. To counter the effects of reduced mobility and non-holding of face-to-face classes, PHINMA Education launched in year 2020 the Flex and RaD Learning Strategies. While both modalities rely on printed learning materials and teacher-peer support through online means, Flex will allow students to return to school campuses for face-to-face classes as lockdown restrictions ease and RaD will remain completely home-based.

With the major hurdle of internet connectivity to online learning, with majority of students not able to afford to go online for their studies, PHINMA Education partnered with major telecommunications providers Globe Telecoms and PLDT SMART to provide their students with adequate mobile data every month.

Flex and RaD learning will continue to evolve to adapt to changing health-related restrictions. The mix of in-person classes with remote/independent learning will be adjusted as restrictions ease. Number of students attending in-person classes will be distributed throughout the week to ensure that minimum public health standards are met. Self-sufficient modules, alternative assessment modes, streamlined instructions, and remote coaching and mentoring will be maintained for both Flex and RaD learning modes.

PHINMA Education is expanding and building on its inclusive business model. Its existing campuses are being developed and new school buildings are being constructed to accommodate the expected increase in the number of students. An Environmental and Social Management System (ESMS) Policy is institutionalized across all PHINMA campuses. All PHINMA schools have their own MRF (material recovery facility) waste management facilities and green technologies including solar panels, rainwater catchment systems, gray water facilities, and sewer treatment plants.

PHINMA Education is committed to continuing to invest in its faculty, improve on its systems, and respond to the changing needs of all kinds of learners.

13. PHINMA Properties

Introduction

PHINMA Properties strives to fulfill every Filipino's dream of a simple and comfortable home. Its entire corporate philosophy is built on traditional Filipino values because it believes that

home is where hearts and heritage lie. PHINMA Properties makes lives better by creating well-built, safe, and comfortable homes. Through responsible stewardship, it builds sustainable communities that ensure the residents' well-being while protecting the environment for future generations.

Its sustainable business strategy is focused on three key areas to empower Filipino homeowners: i) sustainable, green, and resilient communities and architecture; ii) ergonomically-designed homes; and iii) high-touch, hands-on customer service. It is inspired by the *bayanihan* (cooperation) spirit and the values behind it: hospitable, compassionate, and family-oriented.

Since 2014, PHINMA Properties has been active in constructing socialized housing projects such as Bistekville II and Grand Strikeville IV. It is a socialized housing development framed by an inclusive business model and intended for the informal settler families' communities in Brgy. Kaligayahan, Quezon City and Bacoor, Cavite City. Aspire Homes Riverside in Cebu prioritized low cost housing beneficiaries from Barangay Sambag 2. The success of these projects made it possible for the company to be inducted into the United Nations Business Call to Action Forum in New York in September 2014.

Assessment of IB Model Development

Viability is clearly evident in the number of affordable units for low to middle-income groups, as shown in the following matrix, with more than 5,000 units sold for completed projects and more than 2,000 for ongoing projects.

Ongoing Projects	Units
Arezzo Place Davao	1,080
Uniplace	456
PHINMA Maayo San Jose	545
Total	2,081

Completed Projects (2012-2022)	Units Sold / Families Served
Bistekville – Townhouse	40
Bistekville – Rowhouse	23
Solano Hills	1,260
Strikeville 4	115
L'Oasis	626
Aspire Homes	238
Arezzo Place pasig	1,980
Hacienda Balai	1,220
Total	5,502

This translates to the remarkable growth in PHINMA Properties' resources as evidenced by the following financial indicators.

	2012	2021	% Increase
Revenue	880,650,052	1,859,237,189	111.12 %
Assets	2,877,737,370	6,709,402,470	133.15 %
Net Income	2,863,066	201,085,347	6,923.43 %
Return on Equity	0.2%^	10.5%^	10.30 %^

PHINMA Properties contributes to alleviating the poverty situation of the low-income groups that it serves, as they build homes for themselves. Through the acquisition of property, they also begin to be more productive members of society. For example, in its four socialized housing projects, 804 low-income families have been served. In Metro Manila alone, PHINMA Properties served over 16,000 families over the years. Its pioneering vertical metropolitan development projects spearheaded medium-rise buildings to serve low- and middle-income markets in the nation's capital – market segments that it continues to serve over three decades later.

Residents of PHINMA Properties in urban and peri-urban communities are afforded easy access to goods and services including, among others, markets, convenience stores, water stations, canteens, coffee shops, laundromats, bakeries and clinics, which are situated in the PHINMA housing projects themselves.

With PHINMA Properties' affordable housing developments, families are enabled to optimize their earnings, channel their savings onto their income-generating activities, and ultimately make their lives better.

In 1996, wanting to bring low-income housing within Metro Manila, PHINMA Properties had to make its developments denser, thus the shift from “horizontal” suburban developments to “vertical” urban housing. For this to be affordable, construction had to be efficient. This was achieved through the use of construction technology at a time when all developers in the country were using conventional construction methods. PHINMA Properties pioneered the use of the Tunnel Form System, which allowed it to build fast and inexpensively. Major walls are made from reinforced concrete resulting in a more rigid and stable structure. Developments are then completed at a faster rate, resulting in lower costs and lesser carbon footprint.

At a time when condominiums were developed for the upscale market, PHINMA Properties pioneered the Medium Rise Building (MRB) for the low-income market, within Metro Manila. This gave birth to its tagline then, City Living Made Easy. The success of its first MRB project became the basis for its subsequent projects. Since then, PHINMA Properties has been specializing in the development of easy-to-own medium-rise residential condominiums throughout Metro Manila. During the early 2000s, the company developed several communities in Quezon City and Paranaque – Sunny Villas, Spazio Bernardo, Spazio Bernardo West Villas, San Benissa Garden Villas, Sofia Bellevue, Flora Vista in Quezon City, and Fountain Breeze in Paranaque City.

The residential complex of Grand Strikeville 4 in Bacoor, Cavite utilizes resource-efficient design features and technologies to reduce its environmental impact and lower utility costs for residents, ultimately making it more affordable. Technologies that have been integrated into the project include external shading devices, solar photovoltaics, LED lighting, and low-flow plumbing fixtures. Grand Strikeville 4 has received the EDGE Advanced certification from the Philippine Green Building Initiative.

PHINMA Properties is improving sustainability efforts through initiatives like green architecture, and is now aiming for EDGE Certification for 5 new projects: PHINMA Maayo San Jose, PHINMA Maayo Tugbok, Uniplace, Metrotowne, and Likha Residences.

PHINMA Properties remains committed to its purpose to make everyone's lives better. It brings the Filipino *bayanihan* spirit into everything it does, not just for the homeowners but also for shareholders, creditors, and employees. It weaves Filipino culture, values, and comfort into the tapestry of communities, families, and their homes.

It continues to grow and serve, continuously innovating and expanding to meet the needs of the modern Filipino family. It has risen to meet the demands of emerging markets and next-wave cities in Batangas, Davao, and Cebu, with expansion eyed in Bacolod and La Union. Core products continue to be residential and township developments that directly serve low- and middle-income families.

14. Pioneer Microinsurance

Introduction

Pioneer Insurance was established in 1954 and for more than half a century since then has charted insurance milestones through its life and non-life insurance programs. At its 20th year in 1974, it was one of the top five insurance companies in the non-life insurance industry. At the turn of the millennium in 2001, its life insurance operations entered the top ten ranks in the life insurance industry.

Pioneer Microinsurance operations started in 2007. A full year into its operations, a total of 28,760 enrolments were generated in 2008. Growth has been exponential since then, with more than 20 million enrolments by 2019 through its partnership with over 190 institutions including rural banks, cooperatives, microfinance institutions, and pawnshops.

To remain responsive to the mostly BoP customers of its partners, Pioneer Microinsurance offers customized insurance products for their clients. Depending on the needs of the clients, Pioneer Microinsurance's partners have a say in designing the insurance packages. Various benefits may be bundled into a single program that the partners can offer to clients.

Insurance products are tailor-fitted to the needs of the clients in the marginalized sector. These include group term life insurance; group personal accident insurance; group credit life insurance to pay off the loan balance of an insured person who passes away; property cash assistance in case of loss or damage to the insured property; crop insurance; accident medical expense reimbursement; daily accident hospital benefits to replace lost income of an insured person who is hospitalized due to an accident; daily sickness hospital benefits to replace lost income if the insured is hospitalized for an illness; burial benefits for accidental death; and cash assistance benefits for death due to any cause.

Assessment of IB Model Development

Microinsurance is volume-driven and its viability is evident in the growth of microinsurance enrolments to more than 20 million as afore-cited. Profitability follows – the more enrollees, the better the income.

Pioneer Microinsurance enjoys an increasing patronage of BoP clients that contributes to a likewise improving viability as these clients realize that their insurance covers work and claims are processed promptly and efficiently. This is especially true in the payment of claims during calamities. As of end-2021, Pioneer paid PhP3.3 Billion worth of microinsurance calamity claims. In 2022, it paid PhP91.5 Million pesos in pandemic claims. In 2013, many areas of the country suffered from two devastating natural calamities – the Bohol 7.2 magnitude earthquake in October and super-typhoon Yolanda (Haiyan) in November. Pioneer processed close to 2,000 claims related to the Bohol earthquake and paid over PhP6 Million in claims. It processed over 20,000 claims related to the Yolanda calamity and paid almost PhP150 Million in claims.

Outreach to BoP clients is very evident as Pioneer Microinsurance topped the 20 million-mark in number of insurance enrolments by 2019, twelve years into its operations. Furthermore, 85 to 90 percent of these clients are women.

Pioneer Microinsurance has seen the shift in the mindset of their clients. Previously, insurance was a hard-sell and clients thought that if you bought insurance, you were attracting accident or death. Now, microinsurance clients are more aware of its importance and are more discerning. With the majority of Pioneer's clients being members of microfinance institutions, years ago these members would almost always go for credit first from the microfinance institution and would just acquire insurance as a requirement for the credit access. Nowadays, most clients are looking first at the insurance bundles that go together with the credit and

deposit products even before they borrow. Oftentimes the deciding factor to borrow will be the attendant insurance package to the loan.

The access to financing is enhanced with the insurance offerings. Lenders are more comfortable lending to borrowers who are insured, whose micro-businesses are protected, whose crops are covered by crop insurance or weather-indexed insurance.

With micro-insurance, the poor can focus on their livelihood activities and can rest assured that risks to those activities will be addressed and they can go back to earning an income even after a flood, an earthquake, a fire, or a death in the family occurs.

To continue to respond to the changing needs of the BoP clients, innovations in product offerings have been introduced. The focus is on the customer and her needs, and product development is geared towards affordable, accessible, easily understandable products. Even processes from enrolment to underwriting and policy issuance to claims have been simplified for the client.

Some notable examples of product innovation are the products offered through partnerships with CARD, Cebuana Lhuillier, Lifebank Foundation, and PHINMA.

The partnership with CARD Mutually Reinforcing Institutions (CARD MRI) led to the formation of the CARD Pioneer Microinsurance, Inc. (CPMI) in 2013. It offers different non-life insurance products for un-served, under-served microfinance clients. *Binhi* is crop insurance to aid rice and corn farmers affected by climate change. CARD Care Plus is designed for breadwinners. *Dakila* is a burial benefit plan. *Kabuklod* Plan is insurance for members of organized microfinance groups. *Negosure* is fire insurance for *sari-sari* stores. *Protekita* provides cash assistance benefits for stores damaged by calamity and fire. *Sagip* Plan is an insurance program with 3 benefits – personal accident, burial, and calamity aid for damages caused by fire, typhoon, flood, or earthquake. *Todamax* is insurance for registered and licensed tricycle drivers who are members of TODAs or tricycle operators and drivers' associations.

Pawnshop customers of Cebuana Lhuillier are protected through ProtectMax, an affordable microinsurance program providing accidental death benefit, death benefit, fire/lightning cash assistance, assistance for accidental dismemberment or disablement, murder and unprovoked assault, and accident or sickness emergency cash assistance.

Together with Lifebank Foundation, Pioneer Microinsurance offers the *Lingap* Program, a 1-year insurance coverage for borrowers of Lifebank Microfinance Foundation. Benefits from this program include instant *abuloy* (donation), death benefit, accidental death and dismemberment, accidental medical reimbursement, daily hospitalization, and calamity assistance.

Pioneer also helps sustain the education of students through its partnership with PHINMA on the College Completion Assistance Program. The individuals financing the schooling of students are insured against death or being diagnosed with any of top 15 critical illnesses identified. The insured is also assisted to recover from loss of business or employment whether working in-country or abroad.

Pioneer continues to improve on its systems to make operations more efficient and customer-friendly. In 2016 it introduced the use of phablets (phone-tablet) for client enrolment. It introduced its chatbot for instant customer feedback via social media. It now has a mobile app used for registration. Claims payment transitioned from check payment to payouts through partner pawnshops and remittance centers making the process faster and easier for clients.

Pioneer strives to be environmentally conscious and innovative to mitigate the impact of climate change. Its solid waste management program which started in 2001 is consistently recognized and is even included in the solid waste management trainer's manual being used by the Department of Environment and Natural Resources. Two of Pioneer's office buildings are certified as green buildings by LEED (Leadership in Energy and Environmental Design).

To make insurance coverage more accessible to Filipinos at the BoP who need it most, Pioneer Microinsurance continues to work with and expand its partner network. Where before its partners were mainly microfinance institutions, rural banks, and cooperatives, now the network has expanded to include pawnshops, schools, tricycle operators and drivers' associations, and motorcycle dealers.

As far as the regulatory environment is concerned, Pioneer Microinsurance enjoys the support of the Insurance Commission in line with financial inclusion initiatives of the government.

15. PowerSource Group

Introduction

PowerSource provides energy solutions to isolated, unserved, off-grid rural communities through micro-grids, hybrid thermal solutions, and renewable energy. It takes pride in being a sustainable green energy solutions platform for the development and operation of renewable and hybrid energy assets.

Founded in 2003, PowerSource Philippines became the first Qualified Third Party (QTP) operator in 2007 under the Philippine Electric Power Industry Reform Act (EPIRA), distributing 5.45 MW of power to off-grid communities in seven sites in the country including five sites in the archipelagic province of Palawan, one in Cebu, and one in Davao Occidental. It has converted its initial QTP site in *barangay* Rio Tuba, Bataraza town in Palawan into a viable site and turned over distribution operations to PALECO (Palawan Electric Cooperative).

The PowerSource team consists of local and foreign technical experts who envision a sustainable and accessible energy landscape in the country. Both the president/CEO and group chief financial officer have backgrounds in development work and finance and are involved in the governance of one of the top microfinance institutions in the country.

Assessment of IB model development

Social Impact. To date, PowerSource has helped to improve the quality of life of over 5,000 households in the sites where it operates. Women are empowered as they are able to engage in income generating activities that would otherwise have been impossible to operate without electricity. In the largely coastal communities where PowerSource sites operate, women are able to preserve the fish catch of their husbands, grade and process and pack these, for better pricing, profitability, and ultimately household earning capacity.

With electrification comes the opportunity to operate other livelihood projects in micro-trading and tourism. Educating the young is also facilitated, as children can study in the evenings. Sanitation is improved as pumps, purifiers, irrigators running on electricity are able to operate and water is made more accessible. Health services can be continuously provided, as clinics and hospitals operate throughout the day with electricity available to run not just their facilities but their medical equipment, which mostly runs on electricity, too. The much-needed ice plants and storage facilities are able to operate through electricity in the mostly coastal and island communities where PowerSource sites are located.

As livelihoods become more stable, income generation improved, and businesses thrive, and the local economy is benefited in terms of increased revenues. The provision by the local government unit of essential services in the area is also markedly improved.

PowerSource itself directly contributes to job creation through its construction projects for its sites, its operations and maintenance of projects, for which local labor and talent are hired, mostly from low-income families.

Innovation. With its micro-grids, renewables, and thermal hybrid solutions, PowerSource continues to innovate and explore options that are most sustainable for local communities. In Iligan City in Northern Mindanao, it operates a thermal hybrid power plant running on 70 percent coal and 30 percent biomass in partnership with another power corporation. This started operations in 2018 and has since been generating reliable energy supply which is not affected by grid-related faults and transmission line constraints, guaranteeing consistent continuous supply.

Technical innovations are also meant to be environmentally responsible. PowerSource takes on the responsibility of ensuring green energy provision. It also initiates other environmental protection initiatives in its sites, like tree planting and reforestation.

Viability. With its vision of electrifying communities and powering industries, PowerSource sets out for itself the mission to provide efficient, reliable, and eco-friendly power solutions at the best value for its customers. Best value is delivered to the customers, and electricity rates are made more affordable, but this does not in all instances mean the best value for shareholders. The missionary electrification work is a risky proposition to start with, and viability is greatly affected if expected support from the government is not received.

The process required to operate in a site has proven to be more than tedious for PowerSource. After site identification, starting with the lengthy negotiations with local electric cooperative operators for their waiver of the right to operate in the area, the application and accreditation requirements up to the approval processes with various agencies can be daunting. PowerSource strives very hard to comply with CSP or the Competitive Selection Process of the Department of Energy (DOE). The QTP agreement with the National Power Corporation is another hurdle. Then there are the environmental requirements of the Department of Environment and Natural Resources (DENR). PowerSource complies with all these to finally get approval from the Energy Regulatory Commission (ERC). This is not to mention the negotiations with local government units (LGUs) which in some instances have proven to have a political agenda to either approve or reject PowerSource's operations in their areas.

PowerSource investments are continuous as additional capital expenditures need to be made to improve and innovate and maintain operations. Its shareholders are willing to advance the costs with the expectation of capital recovery and subsidies forthcoming from the concerned government agencies. But when these are delayed or withheld indefinitely, viability is greatly affected and PowerSource suffers huge financial losses.

To counter its losses, PowerSource continues to operate more efficiently and manage overhead costs. Its other businesses, like renewables and hybrid thermals, are subsidizing the micro-grids. Shareholders continue to provide financial investments in support of the company vision and mission. However, these internal measures have to be matched by external remedies, particularly the cost recovery mechanisms and subsidies coming from the government agencies, and the streamlining and improvement of accreditation and approval processes so that PowerSource will not be left waiting for years on end for that critical regulatory support. Local government units at the *barangay* and municipal level, and sometimes even at the provincial level, also need to do their share of providing support through ensuring the ease of doing business and providing the enabling local ordinances and rules.

16. Islands Group

Introduction

The Islands Group evolved from early beginnings as Islands Souvenirs in Cebu in 1992. Souvenir shopping was then transformed as cottage-industry products were given a fresh take, improved quality, creative designs, and packaged in vibrant retail environments. Islands Souvenirs expanded across a network of more than 80 outlets in the country. The success of Islands Souvenirs paved the way for the formation of other subsidiaries that now form the Is-

lands Group: Islands Stay Hotels, Islands Banca Cruises, Islands Pasalubong, Islands Destination Mall, Islands & More, Islands Design & Merchandising, and Islands Franchise Corporation. It is the first integrated tourism travel services brand in the country.

Islands Souvenirs' expansion started with the formation of Islands Banca Cruises in year 2008 to professionalize the island-hopping experience. The native Filipino outrigger was redesigned, its deck expanded, lined with bean bags, packed with other amenities, and manned by customer-oriented and well-trained crewmen, all part of the Islands Banca Cruises trademark.

By 2012, Islands Banca Cruises was working with 12 banca tour operators who employ 3 to 5 workers each. The operators are not necessarily from the base of the pyramid, although they may be micro- or small entrepreneurs, while their workers including helmsmen, rowers, and attendants definitely are from the BoP.

Assessment of IB Model Development

In 2010, the Islands Group was already interested in getting the grassroots sector involved in its businesses. It is a company looking to make a difference and when the concept of inclusive business was introduced, the company embraced it right away, believing it is a sound business model. This mindset radiated to the Islands Banca Cruises as the concept took off from the frustration about the hapless state of the island-hopping industry then.

The novelty and professionalism of the Islands Banca Cruises contributed to its early success. Because maintaining and operating boats was not its core business, it outsourced and accredited banca operators to be part of the Islands brand. These operators were trained, bancas and crews branded, and cruises and trips were streamlined.

However, due to the guidelines of the Maritime Industry Authority (MARINA), the government agency under the Department of Transportation responsible for integrating the development, promotion, and regulation of the maritime industry in the country, Islands Banca Cruises' expansion was hampered. It became more expensive to operate island hopping facilities.

At the height of the COVID-19 pandemic, the tourism sector was one of those sectors hardest hit. With travel restrictions, border controls, and stringent lockdowns, tourism was at a standstill. Many businesses in tourist destinations had to stop operations and workers in the industry were laid off. For two years, Islands' bancas were on standby. Without revenues, maintenance was sacrificed and the bancas and their amenities deteriorated. Islands Banca Cruises had to make the difficult decision not to revive its island-hopping operations.

The decision was made to shift its focus and energy to the Islands food group, particularly the Islands *Pasalubong* brand featuring native delicacies and hard-to-find homemade varieties produced by BoP suppliers consisting of women cooking and selling *bibingka* (rice cake), *tablea* (ground cacao beans molded into chocolate tablets and mixed with hot water to make a traditional Filipino chocolate drink called *sikwate*), *chicharon* (deep-fried pork rind), and other popular native delicacies.

More than 70 percent of these suppliers are micro-entrepreneurs. Their products are sold in Islands *Pasalubong* outlets in shopping malls in Cebu and in the Islands Group flagship store. Islands also has smaller stalls in other locations which the *bibingka* and *tablea* vendors occupy at subsidized rental to sell their products.

Islands *Pasalubong* educates these micro-entrepreneurs on how to run a cottage industry professionally. They are imbued with a business mindset to inspire them and spur them on in their enterprises. With a sure market for their goods through established Islands outlets, their income generation is stabilized. It is anticipated that with the easing of pandemic-related restrictions in the early months of 2022, the tourism sector will rebound and so will these micro-enterprises that form the key supply chain of Islands *Pasalubong*. As these micro-enterprises' operations

stabilize, income generation will be assured if not markedly improved. These BoP suppliers will be able to grow their businesses and ensure better lives for themselves and their families.

Islands *Pasalubong* is now striving to comply with the requirements of the Food and Drug Administration, the health regulatory agency under the Department of Health that ensures the safety, efficacy, or quality of health products which include among others food, medical and pharmaceutical products, and cosmetics.

With its standing partnership with the Department of Trade and Industry, Islands Group will also bring in skills training and other technical assistance to the micro-enterprise suppliers of Islands *Pasalubong*.

BOI-Registered Companies

17. C-Joy Poultry Meat Production

Introduction

Cargill Joy Poultry Meats Production, Inc. (C-Joy) is a joint venture between fast-food giant Jollibee Foods Corporation (JFC) and Cargill Philippines, Incorporated. In December 2017, it inaugurated its poultry processing plant in Santo Tomas, Batangas to meet rising consumer demand for chicken in the country. The plant has a processing capacity of 45 million chickens per year to meet the increased demand of JFC brands. This enables it to boost JFC's supply chain of dressed and marinated chicken while increasing income opportunities for local poultry farmers in Batangas and nearby provinces.

The Philippine Board of Investments (BOI), in December 2018, upgraded the status of C-Joy's Php2.08 Billion marinated cut chicken production project from non-pioneer to an inclusive business model, qualifying it in the agency's Investment Priorities Plan (IPP) criteria for Inclusive Business models. Under this IPP, an IB-approved project can avail of an income tax holiday for a total of five years.

In June 2020, C-Joy was granted an AAA license by the National Meat Inspection Service (NMIS), a testament to the company's commitment to delivering high quality poultry meats, reaching more markets, and serving its customers better with its export-quality products.

Assessment of IB Model Development

As of May 2020, C-Joy has over 1,600 employees working in its Batangas plant, the majority of whom are low-income earners at the base of the pyramid.

C-Joy partners with local poultry farmers in Batangas and nearby provinces to supply chickens to the poultry meat production facility. As of 2020, it has partnered with a total of 125 local poultry farms as suppliers and looks forward to sustained long-term supply arrangements with them.

C-Joy, as an inclusive business model registered with the Board of Investments, aims to improve the lives of farmers, at least 30 percent of whom are women. Cargill has a strong chicken and pork farmer training program in the Philippines. For the past 25 years, the company has worked closely with these farmers, educating them on best farming practices to increase their productivity and profitability. As of 2017, about 40,000 farmers benefitted from various Cargill programs. In 2018, this number was expected to increase to 70,000.

The company has an agriculture team which works closely with and provides technical support to the MSEs (micro- and small enterprises) which they consider as partner-growers. Com-

pany veterinarians guide the MSEs on how to further improve the growing process of chickens. In addition, the company partners with other firms in the provision of technical assistance for poultry operation, such as seminars on ventilation systems, disinfection tools and audits and weather specific management. The company, which is instrumental in providing day-old chicks, custom mixed feeds and vaccines to its partner-growers, will also provide direct assistance to enable these partner-growers to avail of capital expense loans from banks.

As part of its community development initiatives, C-Joy teams also work with local communities through C-Joy’s HENS or Household Economy and Nutritional Security Project to help create additional household income through egg production activities.

18. Millennium Specialty Coco Products

Introduction

Millennium Specialty Coco Products, Inc. (MSCPI) is a supplier of premium quality coconut products to local and export markets. Its product lines include desiccated coconut meat, virgin coconut oil, coconut flour, coconut milk, coconut water, and coconut water concentrate. It is an affiliate of the Ching Bee Group of Companies along with Ching Bee Trading, Davao Bay Coconut Oil Mill, Third Millennium Oil Mills, and Specialty Pulp Manufacturing. Established over 50 years ago, the Ching Bee Group of Companies is a proven pioneer in producing and exporting coconut products. MSCPI products are 100% sourced fresh from the Philippines.

The main plant, located in Davao in Southern Philippines, is equipped with state-of-the-art machinery to ensure efficiency and the highest safety standards and quality of products. It is within 10 kilometers from the local port and the source plantations of coconut. Daily production capacities are as follows:

Desiccated coconut	25 metric tons per day
Virgin coconut oil	10 metric tons per day
Canning production	15 metric tons per day
Aseptic UHT production	40 metric tons per day
Concentrate production	4 metric tons per day
Coconut flour	10 metric tons per day

MSCPI aims to increase input capacity up to 400 metric tons of de-husked coconuts per day to meet the demands of its customers.

The company is focused on quality. The whole process of extraction, manufacturing, and packaging is completed under strict supervision to ensure consumers get the uncompromising quality of fully satisfying coconut products. Experienced MSCPI staff make use of the latest equipment to ensure products are in compliance with strict quality standards. The company is constantly improving its standards and maintains compliance with local and international food safety standards and food safety management systems.

Assessment of IB Model Development

As an affiliate of the Ching Bee Group of Companies, MSCPI works with local traders and coconut farmers as suppliers. Through the Ching Bee Group, it has buying stations in Albay in Luzon, Leyte in the Visayas, aside from the main plant in Panabo City in Davao del Norte.

Despite the unreliable price of copra and other coconut by-products, MSCPI deals fairly and equitably with its BoP suppliers to provide them with sustainable livelihood sources. Suppliers are provided fair and competitive prices for their produce to maintain long-term mutually beneficial business relations with them.

To make sure it is compliant with food safety management standards, both at the local Food and Drug Administration level and to meet foreign standards, including among others the BRCGS Global Food Safety Standard, the Food Safety System Certification 2200, and Hazard Analysis and Risk-based Preventive Controls, the company continually improves on its quality management system and complies with certification requirements.

19. Biotech Farms

Introduction

Biotech Farms is a leading supplier of quality pork, eggs, and rice in the country, backed by expert customer service and top-notch animal husbandry practices.

The secret to Biotech Farms' quality pork and eggs lies in its optimized animal husbandry operations that prioritize the safety and security of farm facilities. Its competitive advantage lies in a winning combination of carefully-selected poultry and swine genetics, well-balanced animal care and nutrition, state-of-the-art facilities, and trained and experienced staff.

Biotech Farms offers the Better Pork line, Better Farms eggs, and different rice brands.

Better Pork stocks are 100 percent close-herd and comprised of top-quality sows imported from Canada. Safety and quality are guaranteed through continuous efforts to improve swine breeds with the combination of meticulous genetic selection, proper daily nutrition, and stress-free housing environments for the livestock.

In the Better Farms line, chickens enjoy the highest standards of care to produce the best quality eggs. Carefully selected plant-based ingredients are combined with Biotech's own nutritionally-balanced bird feed to ensure chickens get all the essential vitamins and minerals they need to produce safe and nutritious eggs. Biotech's Better Farms eggs are certified antibiotic-free.

From farm to plate, Biotech Farms brings the safest and healthiest rice brands in the market today. Uniquely grown and processed at Biotech's fully automated rice mill plant and paddy drying facilities, these are locally-produced by Filipino farmers.

Assessment of IB Model Development

Biotech Farms is continuously innovating its operations and takes food safety and security seriously. It adheres to its biosecurity protocols properly and consistently, knowing that behind every farm's success is the prevention of the entry of diseases. Biosecurity is considered an important investment essential for the safety of livestock, farm workers, and the general public so the company upholds the highest standards of food safety with its biosecurity management program.

The partnership with Revive CropTech is evidence of advocacy for a more sustainable, highly productive, and efficient crop production process. Aside from the use of hybrid seeds, drip irrigation, and tailor-made soil conditioners, farm mechanization is extensively used to boost productive yield. The Revive CropTech operation involves land validation and topographic survey of the farm to determine the plant-able areas and restrictions for tractor operations. Primary tilling is done making use of the subsoiler; secondary tilling is applied using the power harrow. The manure spreader is used to add organic matter to the soil. Planting is done using the pneumatic planter for simultaneous furrowing, basal application, and seed planting. Crop maintenance, herbicide application, and harvesting are also all mechanized.

Biotech's livestock operations have also adopted world-class agricultural technology, management, and animal husbandry practices. A climate-controlled system is used for both

the swine and layer production lines. State-of-the-art egg collection, grading, and packing systems are designed to minimize human contact and risk of contamination. This guarantees that all eggs delivered to customers are clean and safe.

Biotech's moulded fiber egg tray plant produces 100% recycled fiber-moulded trays made from paper waste, which is dissolved in water to form fine fibers which are then dried using flue gas sourced from Biotech's biogas generator and pressed into fiber moulds for egg trays.

Biotech Farms is committed to reducing its environmental impact as it helps feed the Filipino people with sustainably-sourced food. In keeping with the company's commitment to reducing its carbon footprint, Biotech Farms has partnered with a German consultancy firm for investment into waste-to-power projects. By using renewable sources of energy and closely monitoring carbon emissions, it aims to minimize the amount of agro-industrial pollutants. Additionally, Biotech Farms makes sure that all of its business practices abide by the Kyoto Protocol, an international agreement linked to the United Nations Framework Convention on Climate Change that requires companies commit to carbon emission reduction targets.

In 2018, when Biotech registered with the Board of Investments as an inclusive business on a non-pioneer status, it engaged 320 BoP stakeholders for employment in its farms and an estimated PhP999 million to be sourced from micro- and small enterprises in its areas of operations.

SUMMARY NOTE

Introduction

From the market scoping study conducted in 2012 on companies incorporating inclusive business models or inclusive business activities, the past decade saw the increasing attention to IBs in the Philippines, from awareness-building to promotion and policy formulation. Inroads were made in IB promotion and development in the country up until late 2019, before the onset of the COVID-19 pandemic. However, by 2020, IB-related government activities somehow began to wane, not just because of the pandemic, but also due to the lack of a lead agency to promote and develop IB, plus a host of other challenges as well. But with pandemic-related lockdowns, travel restrictions, and business stoppages or limitations reduced, the reinvigoration of IB-related initiatives can now begin again.

Timeline

Looking back at the past decade, the interest in IB started with a landscape study conducted by Asian Social Enterprise Incubators (ASEI) in 2012 for the ADB. The study featured 70 companies that started IB models and IB activities.

From 2013 to 2016, IB was introduced in various venues including among others, i) the 2015 APEC Forum, ii) the APEC IB Knowledge Hub, and iii) the G20 Global Platform on IB. In 2017, the Philippines hosted the First ASEAN IB Summit to pursue the promotion of IB as a key strategy for inclusive growth. The year 2018 saw the holding of the following events related to IB promotion: i) the Inclusive Business Leaders Conference, ii) the AVPN 2018 Conference, and iii) the UN ESCAP Policy Forum on Inclusive Innovation.

By 2019, the proposed Roadmap for Promoting IB in the Philippines was developed. At the same time, the drafting of the Inclusive Business Bill began.

Evolving Public Sector Approaches. The Inclusive Business Program Management Office (IB PMO) of the Board of Investments (BOI) at the Department of Trade and Industry (DTI) took the lead in the promotion of IB from 2018 to 2019, particularly focusing on the registration of

five companies doing inclusive business models in order to avail of fiscal incentives provided by BOI to IBs.

Other initiatives of government agencies include:

- a. DTI Industry Roadmaps, including the Regional Industry Roadmaps, subscribe to and thus promote inclusive growth.
- b. The Rural Agro-enterprise Partnership for Inclusive Development and Growth (RAPID Growth) Project is an ongoing project of DTI, with funding support from the International Fund for Agricultural Development (IFAD). The project aims to promote the development of rural enterprises and agricultural value chains.
- c. The Department of Agriculture (DA) Mindanao Inclusive Agriculture Development Project (MIADP), funded by the World Bank, was launched in 2021 to increase productivity, resilience, and access to markets and services of organized farmer and fisherfolk groups in select ancestral domains and select value chains in Mindanao.
- d. The Agricultural Credit Policy Council (ACPC) provides loan and guarantee facilities through its Agri-Business Loan Program to small farmers, fishers, and micro- and small-scale agri-fishery enterprises.
- e. PCIC or the Philippine Crop Insurance Corporation, the state insurer for agriculture, expanded its insurance products from crop insurance to livestock and fisheries insurance, as well as insurance for agricultural workers and agricultural assets.
- f. The Technical Education and Skills Development Authority (TESDA) began offering in 2017 a certification program for agri-entrepreneurship to encourage more farmers and their children to become agri-businesspeople.
- g. Growing support for micro-insurance is seen from the Insurance Commission (IC), the government insurance regulator, to enable micro-insurance providers to meet the insurance needs of the poor at reasonable, affordable costs.
- h. The National Strategy for Financial Inclusion (NSFI), launched in 2015, outlined the vision, strategic objectives, and guiding principles for promoting financial inclusion.
- i. Bangko Sentral ng Pilipinas (BSP) passed regulatory issuances and relief measures from early 2020 until 2021 in response to COVID-19 to help mitigate the adverse impact of the pandemic, assist banks and non-bank financial institutions to weather the pandemic and continue to support their clients including households and business enterprises.

IB Dynamics in the Private Sector

The private sector also contributed its share of initiatives to promote and develop IB in the past decade.

- a. IB promotion was spearheaded by Philippine Business for Social Progress from 2012 onwards.
- b. The First IB Asia Forum was held in 2012. PBSP set up its IB Center in 2017. It held the IB Leaders' Conference in 2018.
- c. The IB Roadmap and IB Bill were crafted in 2019 in consultation with the private sector.
- d. IB companies from the 2012 landscape study continued their conscious targeting of the

BoP as suppliers, workers, customers, and distributors. They facilitated the organizing of producers' groups, fostering these groups' organizational and business development, and at the same time facilitating access to financing.

- e. In 2022, under the present national administration, the Private Sector Advisory Council was formed with leaders from the private sector heading the council and its 5 priority areas of agriculture, infrastructure and tourism, job creation, digitalization, and health.

Commercial Viability

Viability is evident as shown in various aspects of operations of the IB companies assessed in the study. Consistent growth is seen in terms of assets, revenues, profitability, and capital. Viability is also evident in the increasing volumes of products delivered by BoP suppliers to the IB companies. Many of the IB companies also increased their networks of branches or outlets to reach more BoP constituents. Also evident in most IB companies were the improvement in product quality, operational scalability, and the ability to reach global markets.

Socio-economic Impact

This is evident in the consistent increase in outreach to the BoP as customers, as suppliers, as distributors or resellers, and as workers or employees of the IB companies. Total outreach by IB companies in this study to their BoP stakeholders increased by 859 percent from 2012 to 2022.

Aside from the number or scale of outreach, impact is also seen in terms of increased income generation, socio-economic empowerment, and access to products and services. In four companies sampled, monthly income increased on average by 189 percent.

Women's economic empowerment is also seen in many IB models' experiences as housewives began contributing more to the household income and played bigger roles in economic decision-making, as well as asserting their rights not only in the household but in the community. Farmers and fisherfolks are now becoming business-minded with IB companies and other stakeholders imbuing entrepreneurship. It is apparent that there is a growing ability to access not just credit but other financial services, including savings, insurance, payment services; then again, access to basic goods and social services also increased.

Innovations

These include digital transformation to expand outreach and make access easier; systems enhancements; improvements in business processes; distribution channels, and manufacturing processes to improve efficiency and accessibility. Environmental responsibility, disaster risk management, and climate change adaptation initiatives are also embedded in the capacity building for BoP stakeholders.

Evolution in IB Models

IB companies are expanding outside their traditional product lines to include interventions for BoP stakeholders that will improve the latter's financial literacy and financial management skills, and ensure business continuity. Some are democratizing ownership, with BoP customers becoming part-owners of IB companies, like in the case of CLIMBS being a cooperative owned by its members. Strategic partnerships with government and non-government

organizations also are becoming standard inclusions in IB companies' activities. IB companies are also ensuring just trade practices to build loyalty among their BoP suppliers.

Challenges in the enabling environment include:

- a. Difficulty of IB companies and their BoP stakeholders to access financing;
- b. Lack of a lead agency for IB companies to coordinate with;
- c. Lack of a comprehensive and accessible database that will enable IB companies to match their requirements with available MSMEs or BoP suppliers in areas where the IB companies intend to operate;
- d. Technical assistance, especially those tailor-fit or customized to fit specific IB company or MSME/BoP stakeholder needs, can be expensive;
- e. Ease, or difficulty, of doing business remain a challenge in many areas.

Conclusions

During the last 10 years, IB in the Philippines has proven its worth and showed that it can be done viably and scaled-up to attain resilience and commercial success. Impact, including poverty alleviation, has been clearly attained. There are lessons abound which could be shared to further mainstream IB. IB companies could be at the forefront of support programs for MSMEs for more targeted social impact. Just trade practices ought to be ensured so that BoP suppliers will be loyal and committed to partnerships with IB companies.

Recommendations

The following recommendations were developed to further promote inclusive business in the Philippines:

- a. Whole-of-government approach means integrated, aligned, complementing interventions of government agencies.
- b. Setting up of IB lead agency to champion IB.
- c. Push for the passage of the IB bill legislation.
- d. Review fiscal incentives, ease-of-doing-business policies, corporate governance regulations on inclusive and sustainable growth.
- e. Support digitalization initiatives, as well as inclusive and sustainable finance.
- f. Increase competitiveness to be able to participate in export/global value chains.
- g. Foster entrepreneurship and inclusion among other under-represented, marginalized, or disadvantaged groups like IPs (indigenous people), PWDs (persons with disabilities), etc.

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Inclusive Business Action Network (iBAN)

The Inclusive Business Action Network (iBAN) is a global initiative supporting the scaling and replication of inclusive business models. Through its strategic approach iBAN supports companies with tailor-made investment readiness programmes and develops national inclusive business policy strategies with policymakers. On a global level iBAN manages the largest online knowledge platform (www.inclusivebusiness.net) on inclusive business. iBAN creates a space where evidence-based knowledge transforms into learning and new partnerships. With its focus on promoting the upscale of inclusive business models and consequently improving the lives of the poor, iBAN is actively contributing to the achievement of the United Nations Sustainable Development Goals. iBAN is funded by the German Federal Ministry for Economic Cooperation and Development. It is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. An earlier phase of this project (01/2017 – 12/2021) was supported by the European Union.

- <https://www.inclusivebusiness.net>

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