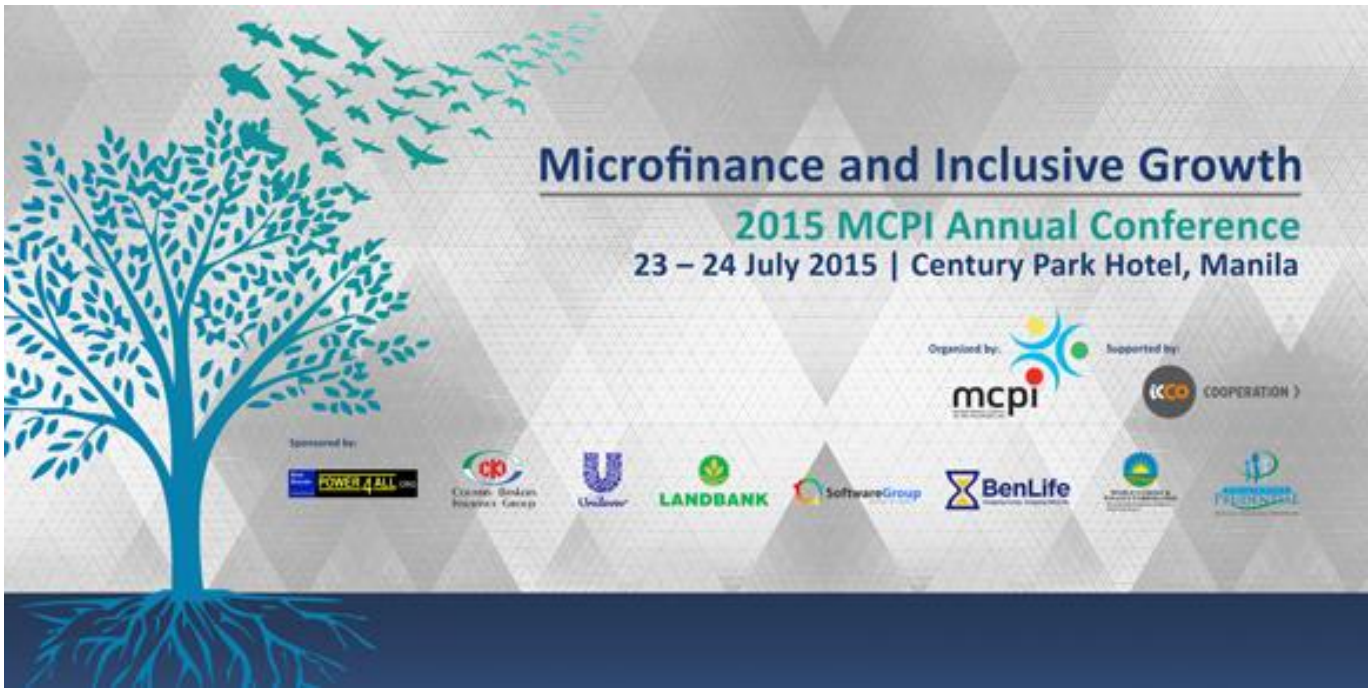
Microfinance and Inclusive Growth
2015 MCPI Annual Conference
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Opening Remarks

Ms. Maria Anna dR. Ignacio, Chairperson of MCPI, opened the conference by stating the conference's objective: for participants to share ideas, best practices, and methods for promoting inclusive development. She noted that the microfinance sector is a valuable domestic development resource for promoting financial access and financial literacy.

The Philippines has enjoyed economic growth in recent years, but the "invisible hand" of the market has failed to come into play in ensuring that all members of Philippine society reap the benefits of this growth. In order for inclusive growth to become a reality, this invisible hand must be guided by compassionate development ethics. Those concerned with inclusive growth must ask, "How do we transform the Philippine economy in order to accelerate pro-poor growth?" This is a concern that requires the cooperation of all sectors of society; from the government, to corporations, NGOs, private enterprises, and individual citizens. However, because the microfinance industry has the capacity to access the poorest sectors of society and provide them with access to credit, financial literacy, and other forms of financial inclusion, it has enormous transformative potential. Thus, microfinance participants must ask further, "How can microfinance contribute to sustainable inclusive development?"

Input from the government, private institutions, and various other sectors of society are vital so that the microfinance industry can continue to innovate and thus more effectively harness its transformative power and help accelerate sustainable inclusive development within the Philippines. But foremost, microfinance institutions have the duty to remain committed to their social mission. These institutions must concern themselves, not only with the industry indicators that suggest financial and institutional sustainability, but with the very lives that MFIs purport to transform through their products, services, and support.

Keynote Speech of His Eminence Archbishop Luis Antonio Cardinal Tagle

Archbishop Luis Antonio Cardinal Tagle examined the term "inclusive growth," and pointed out that such a term presupposes that such growth is not felt or shared by all. In fact, in the Philippines and the rest of the world, a majority of people continue to live in poverty despite the massive growth of the world economy. As the term may suggest, inclusive growth is something that must occur as opposed to a type of growth that *excludes* the majority. It implies a pervasive injustice brought about by a mindset focused on profit and expansion, and is not informed by ethics or the recognition of the basic humanity of all persons.

He made references to the writings of Blessed Pope Paul VI, St. John Paul II, Pope Benedict XVI, and Pope Francis I to illustrate how the present mindset that pervades contemporary culture is one that has forgotten the values of compassion, respect, and love; how it is one that has made it possible for gross social, economic, and political inequalities to come into being. In particular, Cardinal Tagle emphasized the message of Pope Francis I's latest Apostolic Exhortation, *Evangelii Gaudium*, which describes how the present world economy, in creating a situation where the gaps between the rich and the poor continue to widen, has become one of exclusion. In becoming an economy that excludes by failing to improve the lives of the poor and vulnerable as it grows, it has become an "economy that kills."

Significant portions of the population aren't just marginalized, exploited, or disenfranchised, but excluded from society altogether – denied their basic human rights to the point where even the term "development" is sometimes co-opted so that the needs of the disenfranchised, as major stakeholders in development, are not considered at all.

Cardinal Tagle went on to describe how it is necessary to work towards "authenticity" in development, which can only be possible if the needs and the good of all are considered, and inclusive growth – one that incorporates and ultimately uplifts those who had been disenfranchised by circumstance and an economy of exclusion – is made a reality. An economy of exclusion has been facilitated by a disjunction in experience between the self and the other. This disconnect blinds those who have benefitted from economic growth –and thus accumulated the resources and the means to maintain that growth - from the fact that many others have not been able to share in those benefits, and may have even been harmed by that very growth. It is therefore necessary for those involved in development and the promotion of inclusive growth to have personal encounters with those who have been excluded. In this way, the self has the opportunity to create an authentic connection which will, in turn, spur authentic change.

The Cardinal closed with an anecdote about Pope Francis I's encounter with the survivors of Typhoon Haiyan and the 2013 Bohol earthquake during his 2015 Papal Visit to Palo, Leyte. He described how, upon hearing the survivors' stories from their own lips, the Pope, the foremost authority of the Catholic Church in the entire world, had been so moved that he was at a loss for words. Cardinal Tagle explained how such personal interaction allowed those who have been excluded to be reintegrated: When you meet them where they are, and listen to what they say, they become a part of you. In doing so, they become a part of you and influence your decisions and concerns.

About the speaker

His Eminence Archbishop Luis Antonio G. Cardinal Tagle

H.E. Cardinal Tagle is the Archbishop of Manila. He was born in Manila on June 21, 1957. After completing elementary and high school at St. Andrew's School in Parañaque City, an establishment led by the CICM Fathers, he studied Philosophy at the Ateneo de Manila University as a seminarian of San Jose Major Seminary. He did theological studies at the Loyola School of Theology, where he graduated in 1982.

He was ordained to the priesthood on February 27, 1982, and was appointed associate pastor at St. Augustine Parish in Mendez, Cavite from 1982 to 1985, while he also taught Theology at San Carlos Seminary (Makati City), Loyola School of Theology (Quezon City) and Divine Word Seminary (Tagaytay City). He also held the positions of spiritual director at the Diocesan Seminary of Imus, Tahanan ng Mabuting Pastol (Tagaytay City), from 1982-1983, then rector of that Seminary from 1983 to 1985. From 1985 to 1992, he was sent to pursue further studies in Sacred Theology at the Catholic University of America (Washington D.C.), where he obtained a Doctorate in Sacred Theology in 1991. In 1997, he was appointed member of the International Theological Commission of the Vatican. In 1998, he was an expert at the Special Assembly of the Synod of Bishops for Asia that took place in Rome. He also became president of the Commission on the Doctrine of the Faith of the Catholic Bishops' Conference of the Philippines. In September 2001, at the request of the Congregation for the Clergy, he took part in a series of video conferences on the subject of ongoing formation of priests.

He was appointed Bishop of Imus and was ordained to the Episcopacy by His Eminence Jaime Cardinal Sin, Archbishop of Manila, on December 12, 2001. Since he became Bishop of Imus, his activities have been as numerous as in the past. He travels throughout the country in answer to many invitations as a guest speaker. At the Synod of Bishops that was held in Rome in October 2005, he was elected member of the post-synodal Council and assistant to Cardinal Angelo Scola, general reporter of this Synod.

Pope Benedict XVI appointed Tagle the 32nd Archbishop of Manila on October 13, 2011, succeeding Cardinal Gaudencio Rosales. On June 12, 2012, Archbishop Tagle was appointed a member of the Congregation for Catholic Education for a five-year renewable term. He received the pallium from Pope Benedict XVI on June 29, 2012, along with several archbishops from various countries. Pope Benedict XVI named Tagle as one of the papally-appointed Synod Fathers for the 13th Ordinary General Assembly of the Synod of Bishops on the New Evangelization on September 18, 2012. He then named Archbishop Tagle to the College of Cardinals on October 24, 2012.

On January 31, 2013, Cardinal Tagle was appointed by Pope Benedict XVI to serve as a Member of the Presidential Committee of the Pontifical Council for the Family and the Pontifical Council for the Pastoral Care of Migrants and Itinerant Peoples.

Cardinal Tagle is currently a member of the Congregation for Catholic Education, Congregation of the Evangelization of Peoples, Pontifical Council for the Family, Pontifical Council for the Pastoral Care of Migrants and Itinerant People, Congregation for Institutes of Consecrated Life and Societies of Consecrated Life, Pontifical Council for the Laity and the XIII Ordinary Council of the Secretariat General of the Synod of Bishops. He was also confirmed by Pope Francis as President of the Catholic Biblical Federation on March 5, 2015. On May 14, 2015, he was elected President of the Caritas Internationalis, replacing Cardinal Oscar Rodriguez Maradiaga.

Plenary Session: Inclusive Growth in the Philippines – Economic Outlook and ASEAN Integration

The countries that constitute the Association of Southeast Asian Nations are entering a new era. 2015 has been marked as the year of the establishment of the ASEAN Economic Community, a world regional entity whose member-states will enjoy greater cooperation and interaction, as well as lowered barriers to economic exchange. The Philippines is an ASEAN member state, and its economy will be affected by this change in many profound ways.

This session explores what this development might mean for the Philippines within the context of ASEAN itself, how the Philippines can negotiate inclusive growth in light of this shifting economic prospect, and how MFIs can maximize the opportunities offered by ASEAN integration while remaining competitive and meaningfully contributing to inclusive growth.

ASEAN Economic Integration and Prospects for Inclusive Growth

Mr. Joven Balbosa opened the discussion with a look at Asia's economic significance in the world stage, noting that Asia's GDP growth has accelerated dramatically over the past few years, and that it is coming to a point of re-emergence in the world economic stage. This re-emergence is being led by China, India, Indonesia, Japan, Republic of Korea, Malaysia, and Thailand. However, there are challenges to this growth, namely:

- Inequalities and disparities between countries, across countries, and in the achievement of poverty-reduction and development goals
- Avoiding the Middle Income Trap, which occurs when a country's economy stagnates after reaching middle income levels
- Global competition for finite world resources
- Climate Change

In order to address these challenges, regional cooperation and integration within Asia is extremely important. Regional and trans-regional forums and entities, such as the ASEAN, ASEAN + 3 (Japan, Korea, and the People's Republic of China), the East Asia Summit, the ASEM (Asia-Europe Meeting), and others, are vital to helping states respond to global challenges, and increase long-term stability and prosperity. Additionally, regional cooperation will make it easier for Asian concerns to influence the world agenda in a way that is commensurate with its economic contributions to the world arena. Since its establishment, the ASEAN has grown considerably as a supra-national regional entity, and it is now setting its sights on creating a more integrated ASEAN Community. Implementation of this plan has already been set in motion, with the establishment of the ASEAN Economic Community (AEC). This initiative aims to create a more prosperous and economically integrated ASEAN, one where trade and investments flow freely, and all of its member-states participate and benefit from the development process.

Small and Medium Enterprises have been identified as central to the advancement of true inclusive growth, and their development, as part of an Equitable Economic Development agenda, is one of the four pillars of the AEC. Mr. Balbosa presented the results of a study showing that among ASEAN's member states, SMEs make up a relatively small percentage of the supply chain, but have a very large employment contribution. In the Philippines, for instance, SMEs only make up 20.1 percent of the supply chain, but 61 percent of the share in total employment. However, throughout ASEAN, a considerable gap between perceived SME credit needs and perceived access to credit has been identified. Ease of access to credit, access to high quality business support, better information systems, and access to technology are all vital to SME development. Microfinance is critical to serving these needs, and the microfinance industry will be an important tool for the advancement towards this end.

In Pursuit of Inclusive and Poverty-Reducing Growth: Philippine Imperatives

Dr. Cielito Habito's presentation showed how the Philippines, despite enjoying dramatic economic growth over the past few years, has seen an increase in poverty incidence that suggests a lack of inclusive growth. Dr. Habito described Philippine economic growth as "narrow," with most of the growth being limited to the business process outsourcing, banking and insurance, and real estate industries, mostly in NCR, Central Luzon, and CaLaBaRZon regions; "shallow," with most of the exports coming from industries with low domestic value added sectors that have few links to other sectors; and "hollow," with very few new jobs created (0.17 percent) despite the 2.7 percent GDP growth.

The Asian Development Bank's Agenda for High and Inclusive Growth addresses this situation by exploring the key policy and industry drivers of inclusive growth, as well as the public investments that would enhance the long-term prospects of inclusive growth. This agenda ultimately focuses on improving the environment for small businesses with improved infrastructure support, legislation, and entrepreneurship-focus education. This will involve expanding financial mechanisms, promoting clustering and cooperative competition among micro, small, and medium enterprises, and developing policies for curbing unfair business practices and preventing abuse of dominance by large firms. It will also entail additional support, reforms, and investment for industries identified as sectoral drivers for inclusive growth; areas that are labor-intensive and create links between industries, such as agriculture and agribusiness, tourism, and manufacturing. Dr. Habito also pointed out that oftentimes, the key to effectively helping those living in poverty lies with the poor themselves: listening to their input in addressing their needs can often glean innovative, cost-effective, and environmentally friendly solutions that may not have otherwise been explored.

The ASEAN Economic Community has laid out several policies and plans for micro, small, and medium enterprise (mSMEs)-support, which the Philippine government is in the position to facilitate through legislation, planning, and implementation. That being said, inclusive growth can be best achieved through the participation of all sectors of society. Large enterprises, for instance, will need to shift their business models to create more inclusive value chains, while mSMEs themselves need to professionalize, build their business capacities, and find ways to cooperate and cluster together to access larger market opportunities.

Regardless of the diversity and the high demands of this aim, the promotion of inclusive growth ultimately requires that stakeholders focus on more than just a financial bottom line, but a triple bottom line: of People, Planet, and Profit.

Inclusive Growth, ASEAN Integration, and Microfinance

Dr. Jaime Aristotle Alip's presentation focused on the implications of the creation of the AEC for the microfinance industry. He looked at the potential opportunities of ASEAN Integration, as well as its needs and challenges, and how it will affect the landscape of the Philippine financial industry. Additionally, Dr. Alip presented the microfinance institution of which he is founder and managing

director, CARD-MRI, as an example of an institution that promotes inclusive growth through its business plan, suite of products and services, and its development as an institution.

Thereafter, an update on the present trend towards consolidation and acquisition among large corporate financial institutions was presented. This tendency is geared towards maintaining growth, institutional stability, and profitability in the face of increased competition from international market players within ASEAN. The presentation showed that it has led to the insertion of large firms into markets once exclusively served by rural banks and other microcredit institutions. This means that, in much the same way that mSMEs will need to do so to stay competitive, MFIs must improve and professionalize its operations; develop internal control systems; and form networks, partnerships, or clusters with other MFIs and entities concerned with inclusive growth and sustainable development.

While the Central Bank's support system has improved considerably, there are still roadblocks to innovation that can present considerable challenges for microfinance institutions looking to penetrate new markets and better serve their clients' needs. For instance, there are vast opportunities in the fields of mobile banking and Islamic banking but costs are prohibitive, infrastructure inadequacies, and political considerations prevent smaller local institutions from taking advantage of them.

Dr. Alip's presentation concluded by summing up the key challenges and opportunities presented by ASEAN integration and the present banking trends, and offered CARD MRI's present strategies as examples of how MFIs may face these challenges and take advantage of the opportunities.

Discussion

REMARKS	RESPONSES
Remark by: Ron Chua, AIM **Remark:** What are the threats posed by ASEAN integration to our micro, small, and medium entrepreneurs in terms of lowered tariffs, etc., especially for local agricultural industries?	**Response by:** Dr. Cielito Habito **Response:** Measures to implement the ASEAN integration are already being put into play. With the exception of rice and sugarcane, tariffs on livestock and agricultural products have already been reduced to 0 percent since 2010. The effects have, arguably, been negligible. In fact, instead of looking at threats, consider the opportunities that have opened up for the agricultural sector because of integration. The Philippines is the only bird flu-free country in ASEAN. We can take advantage of the opportunity by increasing support and engagement in the poultry industry. In general, little will change, and fear is not necessary.

	Response by: Dr. Jaime Aristotle Alip **Response:** MFIs are also focusing on agriculture, but on top of that, there are many different ways for MFI clients to capitalize on integration. To manage the risks, it is important to keep developing micro-insurance and other agri-insurance products; especially support for micro agri insurance and guarantees. Because of the projected increase in competition from other ASEAN countries, marketing assistance is VERY important. Making their products and services available to the general public and other MFI clients can be very beneficial for mSMEs. One possible way to maximize the opportunities presented by the integration is to make it possible to have a duty-free space with merchandise from different MFIs in different ASEAN member countries. MCPI and other MFI networks throughout ASEAN should work together to increase mSME capacity building. **Response by:** Mr. Joven Balbosa **Response:** The implementation of existing agreements and strategies are central to managing the challenges brought about by integration.
Remark by: Fr. Jovic Lobrigo, SEDP-Simbag sa Pag-Asenso, Inc.	**Response by:** Mr. Balbosa

Remark: How do we make development more accountable so that inclusive growth becomes a reality?	**Response:** ADB strategy and programs are already aligned with Philippine Development Plans, using objectives and clear indicators to support the program. It is a matter of organizing everything and ensuring that implementation harmonizes with objectives. **Response by:** Dr. Alip **Response:** In the Philippines, we have existing infrastructures for abuse prevention. For instance, microfinance participants need to support the microfinance credit ureau (MiDAS); big commercial banks have a syndicated loan system that can be implemented through their credit bureau. Our credit bureau can also be used to offer syndicated loans.
Remark by: Baby Valenzuela, ASKI client and 2006 Citi Microentrepreneur of the Year Awardee **Remark:** Would it be a microfinance "mortal sin" for an MFI client to avail of services from commercial banks?	**Response by:** Dr. Alip **Response:** NO! In fact, this is a positive development. It means that the client's capacities have expanded enough for them to become qualified for commercial financial products and services. This can be an example of an opportunity to deliver a syndicated loan, where different MFIs can come together to provide a client with the large loan she may need to expand her business.
Remark by: Tess Ganzon, Bangko Kabayan **Remark:**	**Response by:** Ms. Pia Roman-Tayag, BSP, Session Facilitator **Response:**

Regarding the ongoing consolidation of big corporate banks (who can take advantage of the strengthening program for rural banks better than rural banks) – what does the BSP intend? Should rural banks and microfinance entities consider mergers and consolidation? Will the BSP continue to support rural banks?	The BSP calls for institutional stability and stronger determination of market. The regulatory framework will support local banks that do so. The ASEAN integration also has its own regulatory framework, which is likely to affect the bigger commercial banks rather than rural and microfinance banks. The important thing is that a bank will be strong, well-run and have a clear business model so that they can compete effectively.

About the speakers

Mr. Joven Balbosa is the Principal Country Specialist for the Philippines at the Southeast Asia Department of the Asian Development Bank.

Dr. Cielito F. Habito served as Secretary of Socioeconomic Planning and Director-General of the National Economic and Development Authority (NEDA) during the term of President Fidel V. Ramos and currently heads the Trade-Related Assistance for Development (TRADE) Project of USAID as Chief of Party for Deloitte Consulting. He is now on leave as Professor of Economics at the Ateneo de Manila University, where he has also served as Director of the Ateneo Center for Economic Research and Development (ACERD) from 2001 to 2012. He earned his Bachelor of Science in Agriculture, Major in Agricultural Economics, Summa cum Laude (1975) from UPLB and obtained his Master of Arts (1981) and Ph.D. in Economics (1984) from Harvard University. He owns the popular award-winning weekly column "No Free Lunch" in the Philippine Daily Inquirer.

Dr. Jaime Aristotle B. Alip is the Founder and Managing Director of the multi-awarded Center for Agriculture and Rural Development Mutually Reinforcing Institutions (CARD MRI). He has served in various key positions in the Philippine Government: Undersecretary of the Department of Social Welfare and Development (2002-2003); Assistant Secretary of the Department of Agrarian Reform (1996-1998); and Deputy Executive Director of the Agricultural Credit Policy Council (1988-1992). His extensive experience in the field of microfinance and rural development enabled him to serve as advisor and/or consultant in Vietnam, Laos, Cambodia, China, Myanmar, Bhutan, East Timor and Indonesia. He was the 2007 Most Outstanding Alumnus of UP Los Baños, where he received his bachelor's degree in Agricultural Economics (1978) and master's degree in Marketing (1983). He obtained his doctorate degree in Organizational Development from the Southeast Asia Interdisciplinary Development Institute (SAIDI) in 2002. Dr. Alip is also a 2007 graduate of the Harvard Business School Owner/President Management (OPM) Program.

Plenary Session: Social Protection for Inclusive Growth

Inclusive growth is a significant concern for all those involved in the development and advancement of Philippine society, and the Philippine government is no exception. Inclusive growth is greatly facilitated by the presence of the state-sanctioned "safety nets," which prevent individuals and households living in poverty from suffering the worst of poverty's deleterious effects.

The Philippine government has mechanisms in place to provide the public with health care, through PhilHealth, and social security, through the Social Security System. The protection and improvement of the quality of life of those who had been marginalized by economics or circumstance are central to the promotion of inclusive growth. This session explores the latest developments within PhilHealth and SSS, and their efforts to promote inclusive growth. It also includes a discussion on how the microfinance industry can facilitate these agencies' efforts.

Promoting Inclusive Growth through Social Health Insurance

Mr. Vergil de Claro's presentation showcased the National Health Insurance Program (NHIP), a nationwide push for universal health insurance coverage implemented through the Philippine Health Insurance Corporation (PhilHealth). It further presented the latest improvements and updates to the program, such as the improvements to public health facilities and LGU hospitals, national health care budget allocations, the improvement of care packages, and the identification of qualified beneficiaries to the social health insurance program.

Mr. de Claro also explored one of the most pressing challenges facing the effective implementation of Universal Health Care: presently, only 88 percent of the Philippine population enjoys PhilHealth coverage. Those in the remaining 12 percent are not covered, and are suspected to be part of the informal sector. The presentation also introduced the iGroup package, a group enrollment package targeted at members of the informal sector, who would normally have had difficulty accessing public healthcare. Members of the informal sector could avail of the iGroup package through larger organizations, such as MFIs, religious organizations, NGOs, cooperatives, and other development-oriented entities. Mr. de Claro notes that because of the poverty alleviation-oriented nature of microfinance, MFIs could assist greatly in PhilHealth's efforts to capture this un-enrolled population.

SSS: Social Protection for Inclusive Growth

Dr. Emilio de Quiros, Jr.'s presentation opened with a discussion with a note on how social protection is crucial to inclusive growth. Thereafter, the presentation offered a comprehensive view of the coverage, benefit types, benefit monetary values, enhancements, and outreach efforts of the SSS. Mr. de Quiros also explained the nature of the SSS' funding, as well as a simplified explanation of how benefits are calculated.

He mentioned that vulnerable populations --particularly those living in poverty- should be educated regarding the nature of SSS; it should be emphasized that SSS contributions are not expenses, but a form of savings. It offers protection against life events such as death, disability, unemployment, and old age. He went on to explain that the amounts received by SSS beneficiaries are much larger than the total amounts contributed. For instance, if one is not eligible for an SSS pension, his or her total contributions are returned, plus interest.

Reaction:

Mr. Angelo "Boy" Solarte – Taytay sa Kauswagan, Inc., Session Reactor

The Kasapi program in Eastern Visayas had a lot of support from GT-SEC, but expansion became a problem in the local membership arena. The following challenges were identified:

- LGU cooperation becomes inconsistent, especially during election time (this is true for other PhilHealth-related initiatives as well).
- When local level implementation is problematic, the government-owned and controlled corporation, which advances its benefits and contributions, bears the fiscal burden.
- Access to the health care centers can be challenging - sometimes, local partners are not aware of available health care providers.

Conclusion: We will need to involve operators such as microfinance institutionsthat have operations in areas where PhilHealth and SSS normally have difficulty accessing. MOAs can be developed that incorporate learnings from SEDP's MOA with PhilHealth and other projects.

Reaction:

Fr. Jose Victor Lobrigo, SEDP-Simbag sa Pag-Asenso, Inc., Session Reactor

In relation to PhilHealth: healthcare is a very important aspect of social protection, and even if PhilHealth's partnership with SEDP did not continue, enrollment in PhilHealth continues to benefit SEDP clients.

Comment: Even when clients are enrolled automatically, both the MFI and the social protection provider should continue to remind clients of the benefits of these social protection measures so that they will continue to contribute. Most of the work often fell on SEDP's staff. Challenges:

- Cost: as part of the informal economy, some members cannot consistently contribute the monthly minimum contributions.
- Differing interpretations of minimum contributions between provincial offices. For instance, some accept PhP100++ contributions, but some offices insist on the PhP300++ minimum.
- We should develop a SOCIAL PROTECTION CONSCIOUSNESS among our government workers and entities, which PhilHealth and SSS can help promote, with assistance from partner NGOs.

Discussion

REMARKS	RESPONSES
	Response by: Mr. Vergil de Claro **Response:** PhilHealth is in transition and its shift to a pay-as-you-go system may facilitate the drafting of even more beneficial agreements. **Response by:** Dr. Emilio de Quiros, Jr. **Response:** Regarding the requirement that states that membership requires a minimum number of participating MFI client-members, we'll need to revisit the policies to see if the resources, effort, and costs will be mutually beneficial to SSS and its members. It is a good idea to participate in talks like this; liaising with the MFI sector can generate new and beneficial concepts and projects **Response by:** Mr. Danilo Songco **Response:** Both SSS and PhilHealth have extremely wide coverage, but despite that, our needs are often not fully met by government agencies – in contrast to developed countries, where education and healthcare are fully covered by the government. Observation: the intent of both agencies to cover the informal sector, while fraught with challenges, can be aided by MFIs. Ultimately, alliances between the government, development

	practitioners such as MFIs, and the private sector would be the best way to address them.

About the speakers

Mr. Vergil de Claro is currently the Division Chief for Performance and Knowledge Management of the Corporate Planning Department of PhilHealth and is actively engaged in developing and implementing initiatives to strengthen health research and institutionalizing the agency's performance accountability mechanism. He has more than 10 years of specialized experience in social development specifically in the health sector covering a wide range of functions including social marketing, health policy research, project management, strategic planning, and business development. He holds a master's degree in Public Management Major in Public Policy and Program Administration from the University of the Philippines.

Dr. Emilio S. de Quiros, Jr. is currently the Chief Executive Officer and President of the Social Security System and has over 30 years of banking and finance experience, serving in various financial institutions and corporations. He graduated from the Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude) in 1969 and obtained a diploma from the Central School of Planning & Statistics in 1973. He earned both his Master of Arts and Doctor of Philosophy in Economics from the University of the Philippines.

Rev. Fr. Jose Victor E. Lobrigo is the President and CEO of SEDP-Simbag sa Pag-Asenso, Inc., a microfinance institution based in Albay Province. He obtained his AB Philosophy and Languages at San Carlos Seminary, Makati City. He also holds two masteral degrees—Pastoral Ministry, which he obtained from the Loyola School of Theology at the Ateneo de Manila University; and Developmental Studies at the Institute of Social Studies, The Hague, Netherlands. Apart from these, Father Lobrigo has pursued further graduate studies on Program for Development Managers at the Asian Institute of Management. He also has a diploma in Peacebuilding and Conflict Transformation given by the Eastern Mennonite University in Harrisonburg, Virginia, United States of America; and was also conferred a Certificate on Peace Building in Multicultural Society at the Mindanao Peace Institute, Davao City. He is a Fellow of the Institute of Corporate Directors and the Chairperson of the NEA Board of Administrators Audit and Governance Committees.

Mr. Angelo Solarte is the Executive Director of Taytay Sa Kauswagan, Inc. (TSKI), an Iloilo-based microfinance institution. He obtained his B.S. Mechanical Engineering degree from the University of San Agustin and his Master of Business Administration from the Philippine Christian University. He joined TSKI in 1989 as Program Officer and later promoted as Deputy Executive Director, a position he held for over 14 years.

Plenary Session: Microfinance Trends and Challenges

Mr. Danilo Songco of PinoyMe Foundation presented a recently released paper tackling the trends and challenges of microfinance and microenterprise industry in the country. He discussed six (6) key issues:

1. Inclusive financing. The government launched the program for financial inclusion, and a big agenda is being prepared in order to mainstream this into the plans and programs of the government.

2. New markets. There are many players who offer the same products, resulting in limited variations and innovations in the market. Thus, there is a need to look at new markets, such as the agricultural sector and rural market, although both entail a lot of risks since there are many unknowns especially with the agriculture sector. Value chain financing in agricultural finance was also presented as a new microfinance market, and MFIs will need to work with the government and understand how microfinance can position itself within the industry. The government is undertaking projects to develop small farmers, and it has enlisted the help of microfinance institutions in their implementation. To that end, there is a need to capacitate MFIs to handle the needs unique to the agricultural sector. There is also a need to develop better insurance and guarantee mechanisms, so that MFIs will be encouraged to enter the rural sector.

   Eighty to ninety percent of MFI clients' businesses are sari-sari stores. However, big supermarkets have begun financing sari-sari stores and positioning themselves closer to sari-sari stores' communities. In becoming more accessible to such communities, these very sari-sari stores are themselves pushed into the periphery. There is a need to look at the microfinance industry's position in terms of consolidation of its reach, and to leverage the value of sari-sari stores so they will become more competitive.

3. Governance. There are small, medium, and even large MFIs that shut down due to mismanagement and other issues related to governance and competition. Some areas are highly saturated, with several MFIs in operation in the same place. In these places, multiple indebtedness has often reached a point where MFI clients can no longer pay their loans.

   Fortunately, the Microfinance Information and Data Sharing, Inc. (MiDAS) is being developed. However, at present, MiDAS only has twenty-two member MFIs. More MFIs need to join the system so that it can more effectively address the issue of multiple indebtedness.

   Also related to governance is the issue of delinquency. Many MFIs do not have real financial experts in their Board. This is especially true for smaller MFIs. This is very frequently to the detriment of these institutions' financial performance. Thus, there is a need for capacity building in terms of governance, because competition drives these MFIs to become more lenient in their respective processes.

4. Taxation. While there are several efforts to rationalize the tax-exempt status of MFIs, NGO MFIs will eventually be taxed under the present BIR regime. Thus, a self-regulatory body for MFIs, similar to the PCNC (self-regulatory body over NGOs, recognized by the government) is essential to further discuss issues related to regulation.

5. Disaster Risk Reduction Management. Disaster is the new normal, and a study commissioned by the Peace and Equity Foundation (PEF) across MFIs revealed that MFIs still lack the capacity to handle large-scale disasters.

   Fortunately, programs on DRRM for Microfinance are being explored and developed by MCPI and other entities, and this was discussed in the breakout session on Responding to Disasters.

   A Quick Reaction Fund from the government, where MFIs can withdraw in times of disasters to immediately respond to the needs of their clients, is necessary. There is a substantial MFI Resiliency Fund, developed in response to the devastation wrought by super-typhoon Yolanda, and the implementing rules and regulations of the fund are being finalized.

6. Digital Finance. Technology has a great deal of potential to increase MFIs' outreach. However, due to prohibitive costs or an aversion towards new technologies, MFIs have yet to fully harness technological developments and innovations. Many MFIs consider technology a cost rather than investment, not realizing that investing in technology will ultimately increase the efficiency of MFIs' operations.

In closing, Mr. Songco invited the conference participants to contact him for their insights and input on his presentation.

Breakout Session: Protecting Clients through Credit Bureaus

This session presents parallel initiatives of government and private sectors on credit information systems. The Credit Information Corporation (CIC) is a government-owned and controlled corporation that is envisioned as the repository of credit and credit-related information of the Philippine financial system. On the other hand, the credit bureau for microfinance, the Microfinance Information and Data Sharing, Inc. (MiDAS), is a collective effort of microfinance institutions (MFIs) to gather borrower information. The session provides updates on the strides both organizations have made. It also illustrates how different credit bureaus interface to maintain a reliable credit information system in view of client protection initiatives and the inclusive growth agenda. Better understanding of these mechanisms will create appreciation of their importance in the financial sector and encourage greater stakeholder involvement.

Credit Information System (CIC): Changing How Lenders Look at Borrowers

Mr. Jaime Garchitorena's presentation provided information on the creation and functions of the Credit Information Corporation (CIC) and the services it provides. It enumerated the challenges faced when lending to mSMEs, described credit reports, and showed how these may be used to assess risk.

Republic Act 9510 or the Credit Information System Act (CISA) instituted the CIC in 2008, with the Securities and Exchange Commission (SEC) coordinating with relevant government agencies to implement its provisions. The CIC is tasked to receive and consolidate basic credit data (positive and negative); act as a central registry or repository of credit information; provide access to reliable, standardized information on the credit history and financial condition of borrowers; protect the data received; protect data partners and the public; and create the penalties that protect the integrity of the system and assure compliance to the law, among others.

The importance of MFIs in lending to very small businesses was highlighted. The speaker pointed out that the CIC would be collecting data from MFIs last, and that the data they will be collecting from them would be what they have been collecting all along, considering the dearth of data from provinces outside of Metro Manila. MFIs are central to how CIC built their system, working toward minimizing or eliminating multiple borrowings.

The functionalities of the credit report were also presented, along with a demonstration of how to view the behavior of the listed client when borrowing money. The data from the information gathered by CIC may be used to assess risk through fraud prevention. It can verify client identity to prevent fraud, identify bad clients, identify at-risk clients, and differentiate between good and great practices to ensure appropriate policies.

Microfinance Information and Data Sharing, Inc. (MiDAS)

In his presentation, Mr. Angel de Leon said that the Microfinance Information and Data Sharing, Inc. (MiDAS) allows microfinance institutions (MFIs) to submit reports, send inquiries and retrieve results on borrower information. Its primary purpose is to engage in the business of collating, developing and analyzing credit information on individuals, institutions, and all types of business concerns for risk management. The speaker went on to describe the two sub-systems of MiDAS: the Borrowers at Risk Information Sharing (BARIS), and the MiDAS Positive Data Sharing (MPoDS).

The MiDAS network has a potential network of four million borrowers. The system does not blacklist borrowers, but labels them as Borrowers at Risk (this means that if an MFI lends to them, it is risky and there should be a move to build their capacity). The speaker pointed out that the system only requires nine data elements from MFIs, and these are the ones that are most essential to the MFI's needs.

BARIS allows MFIs to submit reports, send inquiries and retrieve information on borrowers whose loans may be classified under these BAR types:

- Fraud
- Absence/disappearance, and
- Under litigation.

Information from BARIS can generate the client's personal profile and loan history (fraud, absence/disappearance, litigation, write-off accounts, drop-out, matured loans). It enables the sharing of information between MFIs, which mitigates the risk of providing loans to borrowers at risk. It also provides guidelines for MFIs on the intervention and approach towards addressing over-indebtedness and/or poverty in general. The speaker showed examples of BARIS data analytics. The BARIS data hit rate is 5-6 percent.

The MPoDS sub-system allows MFIs to submit reports, send inquiries, and retrieve results on borrowers whose loans are characterized by any of the following PoD types:

- Regular
- Resters/Waiting
- Restructured and Rehabilitated Loans.

Information that may be obtained from the MPoDS system for analysis includes the client's personal profile and loan history. It also contains the client's loan profile which includes information on their regular loans, loan rester/waiting lists, rehabilitated loans, and restructured loans. Information from the MPoDS provides a collaborative market for the microfinance industry. Each participating MFI has the opportunity to identify the clients they will serve. Through this, the incidence of multiple borrowing will be minimized, if not totally eliminated. Mr. de Leon showed slides on how to make inquiries on MiDAS, a MiDAS sample report, and the functionalities of both MiDAS Systems. The MPoDS data hit rate is 65-70 percent average (2014-2015), which means that clients continue borrowing from MFIs even if they have already borrowed from other institutions.

Discussion

REMARKS	RESPONSES
Remark by: Lalaine Joyas, Session Facilitator **Remark:** Coverage is important for a credit bureau to work. How will fuller coverage of borrowers be ensured? How are institutions being encouraged to participate in these credit bureaus?	**Response by:** Mr. Jaime Garchitorena **Response:** Financial institutions need to comply with CIC requirements. They need to provide data as a regulatory requirement so they can also get data from the system. The data aggregation and rollout strategy of the CIC is to have the technologically capable companies – the large

Can MFIs afford to shoulder the cost of MIDAS? CIC?	universal banks, rural banks, thrift banks, and MFIs - provide data first; then have MFIs that are ready to invest in technology to provide theirs second, and finally, MFIs that have little to no technical capabilities can provide their data. The third group of MFIs is critical to the environment and survivability of businesses of their borrowers. CIC may develop a system that these MFIs can access for free. Alternatively, MiDAS has developed a system that uses industry specific and refined data, and it might be better for MFIs to use this system, since the data will eventually be integrated into CIC. CIC will focus on higher value loans. **Response by:** Mr. de Leon **Response:** MiDAS was developed for microfinance players and is a clearinghouse for microfinance client data. The group is requesting MFIs to participate in data sharing. The large MFIs have already shared their data, and it is up to the smaller MFIs to contribute theirs. **Response by:** Mr. Garchitorena **Response:** MiDAS works on a (MFI) community-based concept, and it helps protect the sector from scavenging downwards. He also stressed the fact that there is little chance of client poaching, since lender data is hidden from institutions that have access to the CIC. **Response by:** Mr. de Leon

	Response: MiDAS will continue to operate even with the presence of CIC, because it collects data that is geared towards strengthening the microfinance industry. Regarding the cost, he stressed that getting data from MiDAS will cost MFIs only PhP2 per client, while if they get it from CIC, it will cost them PhP55. This cost is easier to pass on to the borrowers or for the MFI to absorb.
Remark by: Ed Jimenez, BSP **Remark:** It seems that before the CISA was enacted, there were already existing credit bureaus in the country. I would like to believe that MiDAS provides better support for CIC. I would also like to encourage MFIs that are not yet part of MiDAS to invest in it this early. To the others who are not members of MIDAS, invest in it. I would like to ask how MiDAS relates with the CIC. Is there an assurance that the dynamics of operations will not change between CIC and MiDAS?	**Response by:** Mr. Garchitorena **Response:** In the next six months, the CIC will be accrediting five credit bureaus with local partnerships, and these bureaus will develop credit scoring in the country. The basic credit record and other data are needed to produce the credit score. The situation is that even if there are five existing credit bureaus, the score is relatively the same. There is a need to understand the nuances of lending, where risk appetite informs interest rates and pricing, and not just setting standard rates. Credit score-nuanced lending gives the advantage to good borrowers. Under CIC, institutions can access credit reports that the big banks can generate. The CIC has invested PhP200 million pesos with matching investments from government, BPI, BDO, and credit bureaus. Those enrolled in CIC will have access to this data.
Remark by: Lalaine Joyas and Jaime Garchitorena **Remark:**	**Response by:** Mr. Garchitorena **Response:**

What are the technology requirements and costs for setting up a system for CIC/MIDAS?	In order to contribute information to the CIC, various emails will be set-up as part of the security system. There is a data format (excel file) whose relevant fields need to be filled. In order to determine origin, there will be a series of accounts with a username and password setup, which the contributor needs to follow. In order to access the data, there are special access entities in urban areas, and there are designated agents in different regions. There is a need for additional security, since data will be exposed to the user. **Response by:** Mr. de Leon **Response:** The CIC's setup is similar to MiDAS. The system also has a firewall, and the data is stored in the cloud. There are also safety measures that ensure data protection. If the MFI fills out the file incorrectly, the file will bounce back. Initially, there were only eight fields collected by MiDAS but MFIs realized that they needed to know the success rates of businesses for industry information so they added a "type of business" data field as well. This information will aid members in determining which businesses are prone to failure. MiDAS also owns the source code of the system, so they can revise the algorithm. They are considering looking into what loan bracket is most susceptible to past due accounts. This information may be used to identify areas for operational improvement.
Remark by: Lalaine Joyas **Remark:**	**Response by:** Mr. Angel de Leon **Response:**

How do MFI clients remove themselves from the negative list?	MFIs are the ones that correct/update their lists by either putting the name of the client in the positive data list, or listing it as a restructured account. **Response by:** Mr. Garchitorena **Response:** For the CIC, the client remains on the negative list if the loan remains unpaid. Positive data has a three-year retention, while the negative list is continuously updated. Many databases in the Philippines are not updated regularly and this data becomes the basis for loan denials. What the CIC aims to do in its reports is to have institutions tell borrowers why their loans are denied and give the borrowers the opportunity to correct their data/disprove erroneous data. The CIC report also has to be a venue for repairing client record (future behavior data).
Remark by: Alicia Caliwag, ASKI **Remark:** How does this relate to inclusive growth, especially for borrowers in rural and remote areas?	**Response by:** Mr. de Leon **Response:** MiDAS does not have blacklisting. Instead, it gives clients with past due accounts a second chance by labeling them borrowers at risk instead of blacklisting them. It gives a view as to what went wrong with the loans of these clients. There is always a chance at reinstatement or restructuring, to foster continued growth. If clients take care of their credit standing, they can get bigger loans. They need to live up to their word. If they are not good payers, they cannot avail of loans with other institutions in the area.

	Response by: Mr. Garchitorena **Response:** CIC system is not for everyone. It helps lenders to give less risky loans, which would enable them to modify loan terms and conditions favorable to the clients. For the poorest of the poor, CIC has a program with Globe, which involves registering a prepaid SIM card number and providing them with an identity. This makes it possible for CIC to record their loading behavior.

About the speakers

Mr. Jaime Casto Jose P. Garchitorena is the President and CEO of the Credit Information Corporation (CIC), a Philippine government-owned and controlled corporation. He received his master's degree in Entrepreneurship from the Asian Institute of Management in 2000 and spent five years as a small and medium scale business consultant. Prior to his appointment as President of CIC, he dedicated 10 years working on business and advocacy-related projects focused on IT Solutioning, Education, and Web Development and Communication, including a role in the Business Development of Nexus Technologies, Inc., a top 400 company and IT Solutions provider in the Philippines. As CEO, he envisions the CIC to be the leading provider of independent, reliable, and accurate credit information in the Philippines, which will foster a credit data environment conducive to the success of micro, small, and medium enterprises (mSMEs) as part of a national strategy to promote inclusive economic growth.

Mr. Angel de Leon, Jr. is the President of the Microfinance Information and Data Sharing, Inc. (MiDAS), the credit bureau for microfinance. He is also the Chairman of the Board of Trustees of Taytay sa Kauswagan, Inc. (TSKI); and a member of the Board of Directors of Opportunity Kauswagan Bank (OK Bank). Angel also served as Executive Director of TSKI from 1986-2011. Under his leadership, TSKI was awarded the Ulirang Kabalikat ng PCFC Most Outstanding Microfinance Institution in the Philippines 2005 by the People's Credit and Finance Corporation.

Breakout Session: The State of Microinsurance in the Philippines

In 2010, the National Strategy for Microinsurance was launched and strategies were adopted including increased participation of the private sector in the provision of microinsurance; establishment of an appropriate policy and regulatory environment; formalization of existing informal insurance activities; and promotion of continuous financial literacy program. This session will present the status of microinsurance in the Philippines in line with the strategies indicated in the National Strategy for

Microinsurance. Representatives from both the Insurance Commission and RIMANSI will discuss the microinsurers' (MBAs, commercial insurance providers, etc.) performance and the challenges they encountered, including the gaps and trends in the provision of microinsurance in the country.

The State of Microinsurance in the Philippines

As of 2014, out of roughly 100 million, 25.8 million Filipinos were living below the poverty line. This poverty line is determined as a per capita threshold of PhP10,534. Due to the ever-pressing need to alleviate the plight of the poor, in 1997, the government launched the National Microfinance Strategy. This gave Filipinos living below the poverty line a chance to avail of financial support that would help empower them. However, one of the strategy's shortcomings was that microfinance clients were often driven deeper into debt because of catastrophic disasters or other negative externalities. Ms. Rosalina Bactol pointed out in her presentation that to overcome this, the Insurance Commission (IC) developed the National Strategy for Microinsurance, in cooperation with CARD-AMB and RIMANSI. It was designed to make insurance more accessible to the poor who need it the most.

Under the government's definition of microinsurance, microinsurance premiums are set at 5 percent of a microinsurance client's daily minimum wage rate, and maximum risk coverage is 500 times that of the client's daily minimum wage. Claims processing should be a maximum of ten days from the submission of claim documents, and the documentation is made much simpler and more palatable to the poor. The documents can be in English, Tagalog, or any regional language of their preference.

In 2009, 3.1 million individuals had microinsurance coverage, and very few commercial insurance companies provided microinsurance products. At the time, there were only six (6) licensed microinsurance mutual benefit associations. There has not been much improvement since then. The greatest challenge to the development of microinsurance in the Philippines is enticing institutions to venture into microinsurance.

However, because of microinsurance's significant benefits, the Insurance Commission looked for ways to expand its microinsurance outreach and improve its services. The IC partnered with the Asian Development Bank and organizations to launch microinsurance's regulatory framework. This framework defined the standards and limitations of microinsurance services. It also disallowed informal insurance activities, which only render the poor more vulnerable to financial abuse. IC also institutionalized an imposition of liabilities to non-compliant insurance companies to enforce their protection mechanisms. In line with these efforts, they established alternative dispute resolution protocols which allow disputes to be handled by certified mediators, and which in turn helps the parties involved avoid the costs incurred by court trials in cases of non-compliance.

Due to these formalization efforts, IC was able to make microinsurance more attractive to the service's target clients, and encouraged other entities to provide it. In 2014, IC was able to increase the number of microinsurance services and products. As of 2014, there were already 22 microinsurance mutual benefit associations. Forty-five commercial insurance companies have also begun to engage in microinsurance. There are also around 179 newly-licensed microinsurance agents. Through these efforts, microinsurance is now accessible to 25 million Filipinos.

At present, the Insurance Commission is focusing on developing regulatory and reporting frameworks, financial literacy campaigns, and developing and refining microinsurance products to fit a variety of needs - from health to agriculture.

Promoting the "mutuals" approach to microinsurance

The development of mutual benefits associations (MBAs) and the recent increase in the number of its providers necessitated a framework to govern their activities. The amended insurance code, R.A. 10607, defined MBAs as non-profit associations designed to provide sickness benefits to members, to furnish financial support to members while they are unemployed, or to pay relatives of deceased members a fixed or any sum of money by means of fixed dues or assessments, which would be collected regularly. The law also defined MBAs providing microinsurance products as microinsurance-MBAs (MI-MBA) through Memorandum Circular No. 9-2006. The law as well as its implementing ordinances advocate for the formalization of microinsurance activities by providing several options to individuals who would want to venture into microinsurance businesses. The options are for them to:

- Establish a microinsurance entity (commercial insurer, CIS, MBA);
- Join an existing MBA or CIS;
- Partner with a licensed microinsurance provider;
- Buy a microinsurance product through a licensed agent/broker.

The common products MBAs usually offer are basic life and credit life insurance packages, as well as over-age insurance packages. They get resources with the help of a five (5) million guarantee fund, and with the help of MFI/Cooperation partner-agents and the trust of their members. Key processes to the success of microinsurance range from member recruitment, collection, and the enhancement of claims validation and settlement, as well as efforts to improve governance, management, financial management, MIS, accounting and compliance reporting.

RIMANSI, also known as the Microinsurance MBA Association of the Philippines, favors a business model that prioritizes the following:

- One direction
- One voice
- Shared products and service
- Pooled risks
- Mutual protection

With a vision of protecting the most vulnerable and a mission of financial inclusion, they aim to cover the people who need microinsurance as effective and efficient as possible. Their success is likelier with the assistance of other organizations and institutions willing to support their values and policy agenda. In order to improve the MBAs more, they also aim to increase the range of products they offer while pooling the risks through reinsurance pools and development of data back up and MIS re-boot. To protect MBAs more, they established a mutual guarantee fund and solvency risk protection processes.

Currently, the statistics of the outreach are as follows:

- 15 operating microinsurance MBAs
- 2.695 million members nationwide
- PhP1.909 billion contribution
- PhP781.7 million refundable equity value
- PhP659.5 million amount of claims paid
- Average of 68 death claims paid per day

The challenges which face the MBAs are tackled by different approaches. In an effort to respond to the present challenges, they planned on increasing the financial literacy of their members while providing a product for its maturing members. They also aimed at strengthening the evaluation of their member agents while pushing for the increase in the services they can provide.

Discussion

REMARKS	RESPONSES
Remark by: Prof. Ron Chua, Asian Institute of Management **Remark:** How do you manage and prepare for cases of catastrophe?	**Response by:** Ms. May Dawat **Response:** We build a team specifically designed for it. But on the insurance side, we formulate a possible scenario which covers all the possible calamities, while calculating the estimable insurance services which we can provide. We also advocate awareness and preparedness among members.
Remark by: Mr. Elfred del Rosario, Commission on Filipinos Overseas **Remark:** Are there regulations if a union of an office will establish an MBA?	**Response by:** Ms. Rosalina Bactol **Response:** Any association is allowed to establish an MBA, as long as they comply with the standards.

Remark by: Fr. Jovic Lobrigo, SEDP **Remark:** If we apply in the Insurance Commission, how long would it take for us to receive a response? Can we simultaneously apply for micro-agri and micro pre-need?	**Response by:** Ms. Bactol **Response:** When you apply, you will have to go through the pre-licensing audit. If the documents are already prepared, the process will be very quick. Perhaps a week after pre-audit. So the documents and financial products must be prepared in accordance to the framework. The products will have to be approved by the IC first. On simultaneous application, It will still have to be discussed. Currently, micro pre-need services are only exclusive to micro pre-need providers. As to the micro-agri, they just have to comply with the standards set forth by the framework.
Remark by: Mr. Boy Solarte, TSKI **Remark:** What do we do next aside from mediation in cases of non-compliance or abuses committed by insurance companies?	**Response by:** Ms. Bactol **Response:** You'll have to write IC and give them the antecedent facts because they have lawyers to respond and attend to those cases. They will call you and the insurance companies.
Remark by: Mr. Johnny Camacho	**Response by:** Ms. Bactol

Remark: Where do we access the parameters or the framework?	**Response:** We're just about to launch the framework. We already have it but we're just waiting for its launching. There must be insurance companies as well to offer the products which will be checked before they are offered to consumers.
Remark by: Mr. Boy Solarte **Remark:** Who regulates PCIC and AGFP?	**Response:** Ms. Bactol **Response:** The government regulates these institutions. Only when they ask for licensing from us do they become under our regulation.
Remark by: Ms. Ruth Aseron, VisionFund **Remark:** How is RIMANSI preparing for the possible abuses by insurance companies? What are the concrete steps?	**Response by:** Ms. May Dawat **Response:** Insurance companies pass the risk to the pioneers. It is because it reduces the financial vulnerability of MBAs. The MBA will have to buy an insurance from another company that's why they also avail of the services of reinsurance companies.
Remark by: Zhen Salinas, Federation of Cooperatives **Remark:** What are the minor and major requirements	**Response by:** Ms. Bactol **Response:** The list and other important details are already

to apply for an MBA?	provided in the website – www.insurance.gov.ph

About the speakers

Ms. Rosalina Bactol is the Chief of the newly-created Microinsurance Division of the Insurance Commission (IC). Prior to her appointment as Chief, she served as an Actuarial Insurance Examiner at the IC. Sally has more than 20 years of work experience in the insurance industry.

Ms. May Dawat is currently the General Manager of CARD Mutual Benefit Association, Inc. (CARD MBA), as well as Chairperson of the CARD MRI Insurance Agency, Inc. (CaMIA) and CARD Pioneer Microinsurance, Inc. (CPMI), while concurrently serving as President of MI-MBA Association of the Philippines, Inc. (RIMANSI). She is a faculty of the Development Academy of the Philippines (DAP) for major courses in Productivity and Quality Management for Microfinance; an on-call mentor of SAIDI School of Organization Development for Master of Arts in Organization Development major in Microfinance Management; and a regular resource person and facilitator on Microinsurance of the CARD MRI Development Institute. She holds a Masters in Community Economic Development from the Southern New Hampshire University, and a BS degree in Accountancy from Laguna College. May has over 15 years of work experience in the insurance and microfinance industries.

Breakout Session: Inclusive Growth through Social Entrepreneurship

Social Entrepreneurship is a method of solving or alleviating social problems using business techniques.

This breakout session discusses the role of Social Entrepreneurship in the promotion of inclusive growth in the Philippines. It features presentations from Dr. Lisa Dacanay of the Institute for Social Entrepreneurship in Asia (ISEA), a consortium dedicated to social enterprise research, development, and knowledge-sharing; and Mr. Jay Lacsamana of the Foundation for a Sustainable Society, Inc. (FSSI), an NGO that offers financial and development support for organizations and entities that purport to pursue a triple bottom-line (i.e., financial, social, and environmental bottom-lines). Both presentations discuss social entrepreneurship from within the Philippine context, and explore the opportunities and challenges of the upcoming ASEAN integration.

In the follow-up discussion, it was noted that while it may not always be appropriate for those who live below the poverty line to be owners of a social enterprise, they must be actively engaged and their agency, as social enterprise stakeholders, must be promoted and expanded, so that they have the capacity to address their own needs, as well as the needs of their communities.

Inclusive Growth through Social Entrepreneurship

As mentioned in previous sessions, the Philippines is in the midst of a development crisis. To address the situation, the government has endeavored to promote economic growth through foreign investment, provide conditional cash transfers for the very poor, and eliminate the corruption embedded within its structure. Despite its best efforts however, the trend of economic exclusion fueled by uneven economic growth continues to worsen.

Social enterprise has been identified as a key strategy for alleviating poverty and inequality, and promoting inclusive growth. Dr. Dacanay goes on to identify social enterprises with the poor as primary stakeholders (SEPPS) as the kind that can best respond to the development crisis in the Philippines. Such organizations often possess the following characteristics:

- The organization is social mission driven. It pursues poverty alleviation as a primary objective, often engaging the poor as partners and providing support through governance and value chain management.
- The entity possesses a double (social and financial) or triple (social, financial, and environmental) bottom-line; it creates wealth, and its financial bottom-line supports its social bottom-line.
- It espouses a distributive enterprise philosophy that aims to generate positive economic or social value that will ultimately accrue to the poor, or for their benefit.

MFIs with social missions, cooperatives, fair trade organizations, and other similar kinds of entities are examples of SEPPSs, and there are approximately 15,000 SEPPSs in the Philippines. Among those organizations, there are three modes:

1. Control, where the organization engages the poor as passive beneficiaries.
2. Collaboration, in which the organization provides *transactional services* and engages the poor as clients or employees. Transactional services are market-driven, commonly involving a straightforward exchange of goods or services.
3. Empowerment, where the organization provides *transformational services*, which engage in capacity building that would enable the poor to actively improve their lives, communities, and/or sector. As such, entities that provide transformational services can be considered primary stakeholder driven.

At first glance, MFIs appear to take a collaborative approach, engaging the poor as clients and providing them with transactional services in the form of microcredit. However, the social services provided by MFIs are significant; their reach and access to poor communities make them uniquely equipped to take on the challenge of promoting social inclusion. The transformational services provided by MFIs most often involve the development of individual women leaders, with research showing that group-directed transformational services are often limited.

Aside from disasters related to climate change, the main challenges facing social enterprise in the Philippines involve misalignments with market climate and practices, inappropriate or inaccessible government programs and policies, inadequate program support, and government corruption. Small and medium enterprise development, and the explicit inclusion of poverty reduction and quality of life improvement into ASEAN's priority areas pose a great deal of potential for social enterprise. In order to

maximize these opportunities however, participants in the social entrepreneurship sector must find ways to cooperate and become a mainstream part of ASEAN's poverty reduction agenda.

Dr. Dacanay closes her presentation by noting that a PROSE Initiative (Promoting the Role of Social Enterprises) is currently underway in response to ASEAN integration. It aims to develop benchmarks for SEPPS best practices, as well as facilitate social enterprise through agricultural value chain and advocacy support.

Inclusive Economies through 3BL Entrepreneurship

Mr. Lacsamana introduces FSSI as an organization that had started its existence as a debt-for-development swap between the Swiss government and the Philippines. In providing financial products and developmental support services for social enterprises, NGOs, cooperatives, single proprietorships, people's organizations, and other similar entities, FSSI ultimately aims to create sustainable change through long-term economic, social, and environmental improvement.

The presentation showed that while micro and small enterprises, most of which belong to the underground economy and are owned and operated by those living in poverty, make up 99% of the enterprises in the Philippines, they make a comparatively tiny contribution to the Philippine economy. This is true even when taken as a whole. In contrast, the largest 0.4 percent of the enterprises in the Philippines make up 68 percent of the country's total economic output. According to his presentation, enterprises that simultaneously pursue People, Planet, and Profit (or financial, social, and environmental) bottom-lines (triple bottom-line or 3BL) are likelier to have meaningful effects in the following areas:

a. Sustainable poverty reduction, and
b. Local economic contribution in the form of employment and value added

The SEC-registered Malaya Development Cooperative of Isabela is a Social Enterprise supported by FSSI, and it is presented in this session as an example of how a 3BL social enterprise can meaningfully contribute to holistic local economic development, and ultimately, inclusive growth. The cooperative began its existence as a group for rice and corn-growing agrarian reform beneficiaries. Initially, it produced rice and corn through conventional, chemically-enhanced means, and was a profit-generating enterprise for its constituents. FSSI helped Malaya initiate a dairy farming enterprise and adopt environmentally friendly agricultural practices, and FSSI assisted in the creation of linkages among government agencies and NGOs and MFIs such as ASKI. Through these efforts and alliances, Malaya was able to spawn numerous micro and small enterprises and diversify its output to trading, farm supplies, dairy production and organic silage; and was able to reach previously inaccessible markets for its dairy products. This led to an improvement in the local environment, and an increase in the individual member's income and disaster-resilience, which ultimately improved the quality of life of the entire community. In effect, a socio-economic "ecosystem" was facilitated in Isabela. Local farmers were able to produce not only cash-crops such as corn, but its dairy enterprise was able to benefit from farming's agricultural by-products and vice-versa; and the use of expensive, environmentally-harmful products and practices was drastically reduced. The Malaya Development Cooperative's model has already been adopted by communities in Roxas, Quirino, and other localities.

However, ASEAN integration comes with a host of new challenges and opportunities for mSMEs and other forms of social enterprise. One of the most pressing challenges is structural. There is little

public support for mSMEs from the public sector. Philippine investment policies focus primarily on Foreign Direct Investment (FDI) and conglomerates, while policies meant to support mSMEs are either disorganized, or are passed into legislation but not implemented. Additionally, as with the community members who had constituted Malaya, many small and micro entrepreneurs have to overcome basic household challenges before they can consider developing their businesses, and often require external financing and support through the government, MFIs, and entities such as FSSI. On the other hand, the opportunities that come with ASEAN integration lie primarily with the fact that social enterprises and mSMEs now have expanded access to bigger markets, niche markets, better technology, raw materials, investors, and partnerships with other entities. Ultimately, the strength of social enterprise in the promotion of inclusive growth lies in its ability to create community-level convergences that support local economic development; and ASEAN integration can facilitate solidarity among SEPPS and the poor within the region.

Discussion

REMARKS	RESPONSES
Remark by: Christopher "Happy" Tan, Grameen Foundation, Session Facilitator **Remark:** To Dr. Dacanay - current government policies for anti-corruption, inclusive growth, and direct foreign investment have been largely unsuccessful in eradicating poverty in the Philippines. We have turned to social enterprise as an alternative way to do so. However, studies within and outside of the Philippines suggest that there does not seem to be much evidence that MFIs are an effective strategy for large-scale poverty-reduction Some large MFIs have been in operation in the Philippines for twenty years. Could this be a case of "the grass is greener on the other side?"	**Response by:** Dr. Lisa Dacanay **Response:** Your observations are consistent with research on MFIs in the Philippines. Even when MFIs have been in operation for a long time, they still mainly engage the poor in a TRANSACTIONAL way. Studies have shown that it is generally when the poor are engaged in a TRANSFORMATIONAL way that poverty reduction truly occurs. In value chain development for example, if the capacity of the cooperatives and other associations of the poor is increased so that they are empowered and have access to multiple sources of income such that they are no longer dependent on one value chain, true poverty reduction happens. There is evidence of the success of social enterprises, but usually, the results emerge over the course of very many years - even decades. Additionally, social enterprise-based poverty reduction efforts are not usually large-scale. Individual communities benefit. This is why such efforts must be mainstreamed by the government. The government has the most

	resources. Meanwhile, MFIs and coops have been pursuing their poverty reduction goals only as themselves, without harnessing the potential that partnerships with other entities could awaken to facilitate social change and inclusive growth. Social enterprises and civil society organizations need to work together more. It is only now that we've started to try to build a COMMUNITY of social enterprises for poverty reduction. MFIs and COOPs are very good at providing TRANSACTIONAL services, and civil society organizations are good at delivering TRANSFORMATIONAL services. Imagine the power of having MFIs, other social enterprises, and civil society organizations work together. Civil society organizations often dissolve because of a lack of funding. But MFIs and coops could contract such organizations to provide their transactional services for their clients. There are many possibilities. The social enterprise sector is still an emerging sector. We really need to work together more, and something has to be done by the government so that we can scale up our efforts.
Remark by: Manny Margate, NWTF **Remark:** Is it possible for a single institution to provide both transactional and transformational services? **Follow-up:** In NWTF, the financial aspect is injected with non-financial services (training in entrepreneurship, livelihood training, etc.) to bring them to the next level.	**Response by:** Dr. Dacanay **Response:** "Transformational" *assumes* that there is a transactional aspect. They go together. In terms of the models, most MFIs follow the collaboration model in providing financial access. But transformational services, when provided by MFIs, are often individually-focused, e.g. developing women leaders. The microfinance sector should look at group-directed or community-focused development, where the poor are engaged and are not just clients or suppliers or employees - they become actors in their own development, in their own communities.

	On Mr. Margate's follow-up comment: The thing with entrepreneurial training is that usually, only 5-10 percent can "move up" as microentrepreneurs. This is why training and other interventions should be social in scale, harnessing social enterprise as a way to engage the community and create a sort of social enterprise "system." Where they can develop the capacity to become partners and have ownership of their own initiatives. Not all of those who are poor are entrepreneurially inclined. We may need to reassess how we view poverty reduction as a process. We can consider value-chain financing, where the producer is not the only one to be focused on. In poverty reduction and promoting inclusive growth, we need to look beyond mSMEs. It is possible for mSMEs (whether community-owned or otherwise) to end up exploiting the poor in the same way that large corporations and firms do as they grow, unless social value formation is already emphasized from the start. This is why social entrepreneurship education should be made an important aspect in the facilitation of the growth of microentrepreneurs. This is why the microfinance sector should incorporate social entrepreneurship training and social development orientation into its client education.
Remark: For Mr. Lacsamana - for your development projects, is financial inclusion already imbedded in the project?	**Response by:** Mr. Jay Lacsamana **Response:** Yes. It is part of our 3BL policy. The MDC in Isabela started out as a loan proposal for a rice and corn production initiative with only two bottom-lines: social and financial. After the community was hit by a typhoon, FSSI provided them with a grant instead of a loan, to rehabilitate their agricultural businesses, on the condition that they convert to ORGANIC rice and corn production.

	When government interest in the propagation of a “sunshine” industry (dairy production) rose, FSSI provided the cooperative with a loan that had a grant component for capacity-building, with a provision for integration with the existing agricultural activities. It worked out, since the dairy enterprise and the organic agricultural efforts would have played off one another. Now, Malaya has grown so much that it is considering turning into a rural bank or community financial institution. None of this would have been possible through FSSI’s efforts alone. The government - in its various agencies - provided support.
Remark by: Gadwin Handumon, Paglaum MPC of Misamis Occidental **Remark:** For Mr. Lacsamana - is FSSI involved in the coconut processing value chain? Paglaum had been involved in coconut processing but we had to stop and rehabilitate. We have had some bad experiences with project partners, and regardless of whether we get a grant or not, we need help.	**Response by:** Mr. Lacsamana **Response:** Yes, we are deeply engaged in coconut by-products. There is still hope. Other coconut communities are also into cacao. One community cooperative in Davao del Sur or Davao del Norte was able to rehabilitate through cacao, and it is now shifting back to coconut.
Remark by: Nick Nicanor, NAPC **Remark:** Dr. Dacanay, could you elaborate further on government policies in relation to SEs?	**Response by:** Dr. Dacanay **Response:** Tahanan na Walang Hagdan and the National Federation of Cooperatives of Persons With Disabilities produce school chairs and educational toys, and its main client is the Department of Education. At the policy level, the NFCPWD managed to make it so that 10 percent of DepEd’s procurement would come from associations of PWDs. However, DepEd claimed that they could not push through with it because the

	Procurement Law required that the bidding should be competitive. This needs to be resolved on the policy level. The Poverty Reduction Through Social Entrepreneurship Bill that ISEA is pushing for in congress addresses issues like this. It contains provisions so that government should give social enterprises preferential treatment. Linked with that issue is taxation. Social enterprises are being taxed, but the taxation does not seem to effectively redistribute wealth the way that taxes ought to. The government does not appear to appreciate the potential for social enterprises to serve as partners in poverty reduction. As such, coops, MFIs, and other social enterprises are treated like ordinary business in terms of taxation. The Poverty Reduction Through Social Entrepreneurship Bill would provide tax incentives and benefits to enterprises that aim to alleviate poverty. By providing tax exemptions to social enterprises that help the government create a more financially inclusive and equitable society, the government could say that it is "cutting out the middleman" and providing government support and "tax" pesos to social enterprises. The Bill also makes proposals for credit for microenterprise. It essentially serves as a codification of what government should provide in terms of support, programs, and incentives for social enterprises to become partners with the government in poverty reduction.

Remark by:

Alice Caliwag, ASKI Chairperson

Remark:

ASKI would like to share its social enterprise initiatives. It has several social entrepreneurship initiatives, and has been able to provide both transactional and transformational services. For instance, we have the ASKI Training institute, which provides clients with social enterprise training. Also, ASKI engaged OFW clients as partners and investors in the creation of ASKI hotel. There will be a session on how OFWs engage in social enterprise in the Philippines. Participants are invited to attend.

	(No response or responses of note received.)
Remark by: Gomby Maramba, NWTF **Remark:** NWTF initiated a social enterprise project where clients with similar businesses would come together to form their own marketing association. It would trade and purchase the clients' products (shrimp paste) and raw materials. Training and organizational development took a very long time, but the numbers were ultimately not feasible for replication, because while clients' individual business incomes increased because they were able to buy their inputs at a cheaper price and had a steady and captive market, the association itself did not generate any income for its own growth. Our experience was that it was difficult to organize the group and get them to agree to co-own the business among themselves.	**Response by**: Dr. Dacanay **Response:** Studies have shown that for social enterprise interventions that work, it isn't necessary for the stakeholders to own the enterprise right away. If they do not have the capacity or the willingness to do so, it could be "forcing" the issue. The determination of whether or not the stakeholders for a particular social enterprise are "ripe" to become owners already must be look at on a case to case basis. "New generation" social enterprises owned by savvy entrepreneurs are quite exciting in this sense, because they usually start out working WITH the poor, engaging them without necessarily conferring ownership to the stakeholders right away. In some cases, the stakeholders are not interested in becoming entrepreneurs themselves, and would rather serve as suppliers for a certain enterprise. "Hand-holding" and capacity building may require a great deal of time and financial investment. For example, in a very poor community in Samar, there is a community that grows rice. Single social enterprise intervention may not always be effective. We may need to critically rethink existing models of social enterprise. This is why the Poverty Reduction through Social Entrepreneurship Bill proposes that value chain and subsector development should be the key program in poverty reduction and sustainable livelihood systems development. Maybe we are trying to romanticize the issue and impose our own ideas of how social enterprises should be. There have to be many social enterprises, and they do not necessarily have to be owned by poor stakeholders. We should develop strategies in

	order to create larger scale impact. Maybe for MFIs, when we want to go into value chain financing, we have to go into value chain development and look to providing not just loans, but, as Mr. Lacsamana had shared with FSSI, other services as well.
Remark by: Rudy Mallari, Alay Buhay **Remark:** Alay Buhay helped a community create products and start a business. They had many difficulties, and they eventually concluded that they were better off forming a people's organization. The project was only able to help 25 families. Would this mean that it is ineffective? How do we truly help them? The cases presented work for rural enterprise, but how do we "translate" such models for urban enterprises such as sari-sari stores? Could you clarify your comment regarding how communities should not own enterprise?	**Response by:** Dr. Dacanay **Response:** That wasn't what I meant. I meant that sometimes, that strategy isn't appropriate. A combination of transactional and transformational services is usually necessary. Transformational services involve organizing the poor and empowering them as partners and actors, not just beneficiaries. Small initiatives are not bad! They are very important, and it is laudable to help even just a few families. But to grapple with poverty on a national scale, there should be a combination of strategies, and the government should be engaged as well, so that such strategies will be facilitated and more easily implemented.
Remark by: Phannie Bulaon, Peoples Bank of Caraga **Remark:** The government's programs often do not agree with the needs of the people. When the government is involved, why is it that the burden of risk still falls on [our clients] the farmers? For example, the government's NFA scheme has thus far proven ineffective because the NFA does not provide payment on time.	**Response by:** Mr. Lacsamana: **Response:** Engaging with government comes with many risks. There will be situations when convergence will be very challenging, or will not be feasible at all because of this. Ironically, public finance institutions should be the ones with the sensitivity and flexibility regarding the poor's enterprises, but the reality is, the risk continues to redound to the very people who need their help.

No matter how many times we march to Malacañang or hold rallies for justice, we still do not see real results. We must still constantly contend with government ineffectiveness.	**Response by:** Dr. Dacanay **Response:** This is why the Poverty Reduction Through Social Entrepreneurship Bill should be enacted into law. However, the unfortunate reality is that, as with other laws, even if the Bill passes, it's unlikely to be substantively implemented. We in the private sector can take the initiative and shore up the government's shortcomings by coming together and doing what we can.

About the speakers

Dr. Lisa Dacanay is the President of the Institute for Social Entrepreneurship in Asia, and an Executive Committee Member of the Consortium of Asian Foundations and Organizations.

Mr. Jay Lacsamana is the Executive Director of the Foundation for a Sustainable Society, Inc., and a member of ISEA's Board of Trustees.

Plenary Session: Good Governance for Inclusive Development

Good governance is essential to inclusive development. Governance is separate from government. It is a process of regulation, legislation, implementation, development, and accountability. Dr. Jesus Estanislao's presentation views governance through the wide-angle lens of nation-building, discussing its essential elements and the drivers necessary for social change. Ms. Lecira Juarez's presentation looks at good governance from the perspective of financial institutions. Particularly, it explores how governance is applicable for cooperatives and other institutions dedicated to creating an economically inclusive reality.

Governance as an Advocacy

Dr. Jesus Estanislao opened his presentation with a discussion on the definition of governance itself. He presented it as a national concern, encompassing not only the government and the military, but the NGO sector, educational establishments, and individuals-regardless of income or social status. According to Dr. Estanislao, governance and development are one and the same; with governance as the concrete *means* to achieve development. For all that good governance involves small, concrete steps in the fulfillment of duties that must be carried out from day to day, governance must ultimately be guided by a clear, long-term, wide-reaching goal. This should encompass the entire country, and should be one

that is concerned with the distant future, not just the goals of a single three- or six-year term in elected office. It is a process that demands commitment and considerable effort. To harness the energies needed to make the goals of good governance a reality, three things are necessary:

1. Alignment
2. Buy-in, and
3. Competitiveness

The presentation further explained that governance, by its very nature, is inclusive: everyone can and must participate. Within the context of national governance, alignment requires that the four drivers of social change - the government, businesses, educational institutions, families, and individuals - all share a common vision for the nation. Each of their efforts, however small, shall contribute to the concrete achievement of this vision. In order to align, Filipinos must buy into this shared vision and agree with it. In other words, as a nation, Filipinos must identify themselves as Filipino, and set aside regional disagreements and prejudices in the pursuit of the realization of that common vision. In embracing and aligning with that shared vision and the goals that it entails, Filipinos across the board must embrace their competitive spirit and strive to excel not only locally, but in the international arena as well.

To illustrate, Dr. Estanislao presented the achievements reached by the present administration and the efforts of the private sector and various government branches. The Philippines has gone from a low-income country to a middle-income country within the span of the present administration. The Philippine army has improved by leaps and bounds over the past 20 years. And various local governments, such as San Fernando and Butuan City have seen enormous strides in growth and environmentally friendly development. ASEAN's Top 50 corporations include fifteen Filipino corporations.

Dr. Estanislao presented the personal governance scorecard as a way to help individuals balance their needs and goals, and prevent them from developing habits that are harmful to themselves and their communities. A soldier's scorecard, for instance, will include items related not only to the fulfillment of his duties as a soldier, but also as a citizen, a husband, a father, etc. In closing, Dr. Estanislao emphasized that initiating, sustaining, multiplying, and further fuelling the positive developments created by good governance is ultimately a task that begins and ends with the self.

Good Governance for Inclusive Growth: Microfinance and Inclusive Growth

Ms. Lecira Juarez's presentation focused on good governance and inclusive growth from the perspective of agricultural credit providers and cooperatives. She used the metaphor of the boat rudder to demonstrate how governance steers an organization towards its goals through the construction of systems to control and distribute power, the propagation of ideals and standards to which it must adhere, and the cultivation and maintenance and awareness of relationships between and among the levels of management, personnel, and membership within an organization. She noted that in the '80s, there had been little to no discussion on good governance in relation to financial inclusion, but the changing social landscape has made it a necessity.

Within the context of the Philippines as a whole, the governance of state infrastructure is extremely crucial to the promotion of financial inclusion. Fortunately, as Ms. Juarez notes in her presentation, the Bangko Sentral ng Pilipinas possesses high regulatory capabilities, and the growing

improvement in the Philippines' other regulatory bodies - the Securities and Exchange Commission, the Cooperative Development Authority, etc. - have made the Philippines a highly conducive environment for financial inclusion.

As Managing Director of the Asia-Pacific Rural and Agricultural Credit Association's Center for Training and Research for Agricultural Banking, Ms. Juarez pointed out that APRACA is already dedicated to inclusive growth. The organization's policies, processes, investment, and development practices are aligned at every level with the values of fairness, accountability, social responsibility, and transparency; and its member organizations strive to adhere to internal operational principles that align with them, as well as the external legislations and regulatory requirements of their respective governments.

The Philippine financial sector is fertile ground for inclusive financial growth. As entities whose members and stakeholders are often from the poorest sectors of Philippine society, cooperatives and other rural financial institutions such as APRACA's member organizations are crucial for financial inclusion. Governance within the context of such entities rest primarily on the following universal values: mutual responsibility, self-management and self-discipline, self-help, solidarity, equality, democracy, and equity. These are the ideals to which every cooperative must adhere, and which shape a cooperative's standards and direct its management and operations. These ideals are harnessed in the realization of the ultimate goal of empowering their members and giving them the capacity to act to improve their own lives.

That being said, Ms. Juarez noted that in the Philippines, even though coherent standards, ideals, and goals for good governance are well-articulated, supported by government regulation and legislature, and bolstered by institutions such as APRACA, the principles of good governance often remain just that: principles, not practice. There are over thirteen million cooperative leaders in the country, but "honest cooperative leadership has become the road less travelled." On that note, she closed the presentation with a quote from Pope Francis I in his message at the 2014 World Economic Forum Annual Meeting: "I ask you to ensure that humanity is served by wealth and not ruled by it."

Discussion

REMARKS	RESPONSES
Remark by: Patricia Calilong, RBB Foundation representative, Session Facilitator **Remark:** What kind of role can governance play in the microfinance industry? The MF industry is not regulated. Do we have to wait for government to regulate us? For example, as an MFI, who are my stakeholders? Who am I accountable to?	**Response by:** Dr. Jesus Estanislao **Response:** Microfinance is a very vital sector, and it addresses some of the most pressing problems of those who have the least. LANDBANK and the BSP are presently exploring development finance. Some sort of regulation will become necessary. The MF industry is very vibrant, but we need to face the fact that true self-regulation is not possible. You cannot just rely on the market and

	people's goodwill. Ground rules need to be established, and a vision needs to be formed. The question is, will microfinance need an official regulatory body, or a self-regulatory body? The Philippine Stock Exchange, for instance, is an SRO – a self-regulatory organization – granted that status by the SEC. Either way, there needs to be more education, so that there will be a sense of deep social responsibility, as well as a set of checks and balances, so that everybody wins. **Response by:** Ms. Lecira Juarez **Response:** I believe in the principle of "as much government as necessary, and as little government as possible." Less government is needed if there is already strong self-regulation within the field. Government would be necessary if we cannot provide protection and security to those we intend to truly serve. Good governance can be construed as self-regulation. Of course, there are things that we cannot control, and we are not always angels, but it matters a great deal that individual MFIs have strong self-regulation within.

About the speakers

Dr. Jesus P. Estanislao is the Founding Chairman of the Institute of Corporate Directors (ICD) which advocates good governance among publicly-listed companies, banks, insurance companies, and government-owned/controlled corporations. He is also Founding Chairman of the Institute for Solidarity in Asia (ISA), a non-profit organization committed to public sector governance reform.

Dr. Estanislao's vision of a reformed Philippine democracy led him to explore and develop a values-oriented, transformative management approach, which he employed in previous posts as Chairman of the Development Bank of the Philippines, Director-General of the National Economic Development Authority, Finance Secretary, Founding Dean of the Asian Development Bank Institute in Japan, and Founding President of the University of Asia and the Pacific (UA&P).

Recognized as the foremost authority on good governance, he has served in the private sector governance advisory boards of the Ramos, Macapagal-Arroyo, and Aquino administrations. He developed the Performance Governance System (PGS), a Philippine adaptation of the Balanced

Scorecard, which is now being implemented in over 40 local government units, national government agencies, and government-owned enterprises. Currently, he is the Philippines' representative to the ASEAN Capital Markets Forum's Corporate Governance Scorecard Project while serving in various multi-sector advisory boards of government agencies such as the Philippine Navy, the Philippine Army, and the Philippine National Police.

A Cebuano, Dr. Estanislao is a graduate of Economics and Philosophy from the University of San Carlos. He earned his masteral and doctorate degrees in Fordham University and Harvard University.

Dr. Estanislao was awarded the rank of Commander of the Philippine Legion of Honor in 1992, and MAP Management Man of the Year in 2010. He received the first Outstanding Filipino (TOFIL) award in the field of good governance in 2012. In April of 2013, Dr. Estanislao was given the Hernando De Soto Award for Democracy for his work in ICD and ISA by the Center for International Private Enterprise in the United States.

Ms. Lecira "Bing" V. Juarez is the Managing Director of the Asia-Pacific Rural and Agricultural Credit Association (APRACA) Center for Training and Research in Agricultural Banking (CENTRAB). Ms. Juarez directs and supervises programs, projects and operations aimed at facilitating international cooperation in the areas of training and research towards better understanding of financial, monetary, banking and economic development issues, particularly as they relate to agriculture and rural areas. These are achieved through exchange and transfer of innovative technology, ideas and best practices in rural finance and development between and among 70 member and partner institutions from 20 countries in the Asia Pacific.

Before APRACA, Ms. Juarez was a cooperative manager and leader. She was also a microfinance practitioner, implementing the Freedom from Hunger (FFH) and World Council of Credit Unions (WOCCU) SCWE – Savings and Credit with Education program which was conferred recognition for breaking the world record in self-sufficiency. She has broadened her perspective in Inclusive Finance having served as Chairman of the Cooperative Development Authority (CDA), the registering and regulatory agency for cooperatives in the country, and having worked and interacted with ASEAN and advanced countries. She was also privileged to actively interact with the Alliance for Financial Inclusion (AFI) and other champions on financial inclusion during her AFI membership. She is continually enriching her knowledge and perspective on financial inclusion with her advisory work and services with various rural financial institutions.

E-Payments for Inclusive Growth

One very important aspect of inclusive growth is access. Very often, those living below the poverty line do not have access to modes of payment that meet their needs and capacities. The remoteness and inaccessibility of a person's community of residence from physical payment centers may make sending and receiving cash extremely difficult, and the safety concerns can make carrying large amounts of cash risky in areas where the peace and order situation is unstable. Technology has made it possible to overcome the challenges inherent in the physical payment and remittance of cash, and has opened up income-generating opportunities for microentrepreneurs interested in e-payment retailing. In this session, USAID's E-PESO program, Globe's G-Xchange services, Smart's Smart Voyager program,

Ruralnet's RNet services, Auto Top-Up Ventures Inc.'s Payswitch services, and Remitbox Corporation's web-based remittance platforms were presented as pathways to accessibility that would facilitate inclusive growth.

Electronic Payments for Inclusive Growth

Mr. John Owens introduced the E-PESO program, a five-year initiative of the USAID focused on the use of e-payment to provide inclusive growth, with efforts at widespread adoption and use across the country and all sectors (government, consumers, and businesses). E-PESO is working with regulators to improve the retail payment sector through e-payments, which have been shown to improve transparency and accountability for continued growth and innovation.

MFIs can benefit through e-payments through financial inclusion, cost-savings, transparency (improves accountability and tracking), security, efficiency, speed, and providing new business models for MFIs. Interoperability and interconnectivity across all digital payment platforms are present in countries where e-payments work. Part of the E-PESO initiative is to look at all the opportunities and different infrastructure and promote the idea of interoperability and interconnectivity between the different models.

There are now more than 18 countries where e-payments and the use of agents are having a dramatic impact on financial inclusion. Agent networks in the Philippines have developed such that they not only offer remittance services but other services like bill payments and, along with e-payments, MFIs need to take advantage of this opportunity.

G-Xchange Inc.

Ms. Grace Jarin-Castillo presented the solutions and innovations of GXI, the legal entity of G-Cash. She introduced the context G-Cash works in. The Philippines has a population of over 100 million, with only 20 percent availing of bank services, the majority of whom in the metro areas. The D and E social classes make up 90 percent of the population, where the market for the unbanked and underbanked is large. This segment of the population is either unwilling to do banking, or banking facilities are unavailable in their areas. Over half of the population is young, with the median average age at 23. This means that the population is social, tech savvy, and uses mobile and technology a lot. This bodes well for the mobile money sector, since the next generation is adaptable to the technology, which means that e-banking services are useful and relevant to them.

GXI recently launched the first American Express virtual card for G-Cash subscribers, which allows them to shop online with an account registered in the United States. A payroll disbursement service, PowerPay, was also launched in 2012 as a service under G-Cash. GXI also partnered with the Bank of the Philippine Islands to create BanKO, an MFI. The Globe MasterCard and Globe Charge products were launched in the 2013-2014 period.

The speaker also presented case studies on how it has increased its acquisitions over time. She mentioned BanKO, a banking joint venture with a wallet platform powered by GCash. GCash manages the wallets and the cards. BanKO is important because it keeps the banking efforts relevant, and has a scaled distribution network to help remove barriers of getting a bank account. GXI also worked with the

MFI Tulay sa Pag-Unlad, Inc. (TSPI) and Union Bank to enable financial inclusion and facilitate loan release and collections through their TxtBilis service, which enables the MFI to disburse and collect loans via mobile wallet. Finally, a video on Globe Charge, a mobile POS solution available to SMEs and large businesses, was shown.

Smart Voyager

Mr. Lito Villanueva presented a video that was shown during a Smart event held with financial inclusion partners. After the video, he reiterated the commitment of Smart to the recently launched National Strategy for Financial Inclusion and serving those at the bottom of the pyramid. The speaker also mentioned mobile-based innovations from Smart like the charge-to-phone innovation, which is the country's first sticker-based NFC application and developed in partnership with Visa and Citibank; and the Land Bank mobile loan saver, which served around 19,000 government employees in its initial phase and processed PhP2.6 billion pesos worth of loan portfolio in 10 months. It was announced that phase 2 for private sector employees would be made available, too. Smart is also focusing on the happily banked segment aside from the unbanked and the underbanked.

RNet

Mr. Daniel R. Arcenas of RuralNet Inc. on their two suites of revenue generating services: RNet Basic and CashKo. RNet Basic offers three core services: the order and payment services (NSO documents, PRC licenses, LRA-certified true copy of titles), the collection services (SSS, PhilHealth, and Pag-IBIG premiums, and bills payments), and the payout services (domestic remittance, international payout). The three core features of CashKo are: the ATM/debit card solution, cellphone banking, and internet banking. Its two additional features are the loan collection system and the RB remittance system.

Essentially, CashKo provides their customers with new services and technologies, equips them with cutting-edge banking technologies with accompanying service fee revenue streams and MRCBIs getting a major share of the services fees, and only CashKo customers need to be enrolled. The enrolling institution will own the active subscriber's account forever, and will continually earn revenue as long as there are transactions made by the customer. In combining the two suites, RNet Basic and CashKO, MRBCIs become one-stop hubs for a wide range of financial services and order processing since they are able to process government documents; offer reliable order, payment and delivery aggregation in rural areas; and provide access to additional banking services including ATM cards, P2P transfers, and bill payments via mobile banking. The experience of Cantilan Bank, Inc. was presented as a success story.

Payswitch

Ms. Patricia de Villa introduced Auto Top-up Ventures Inc. (ATVI) and their solution, Payswitch, which has a nationwide presence. The Payswitch dashboard presents options to sell e-load, gaming PINs, bills payment, mobile money transfers, micro-insurance payments, and insurance.

The speaker enumerated the advantages of being shared agents, like being able to provide additional services for your MFI clients, introduce new products and services to attract new customers, have additional revenue streams for your MFI, and provide additional cash flow for stores.

The speaker presented several use cases for Payswitch. FICO Bank uses Payswitch as an additional service for the bank's SME clients. Payswitch agents are used by the bank as additional cash in/cash out outlets. The FICO cards are also topped-up using the Payswitch platform. Payswitch also provides training to FICO clients on how to use the solution. The solution is also used by the Bigasan Ko. Access to Payswitch and its digital services is PhP500 monthly.

Remitbox

Mr. Brezhnev Tero presented Remitbox Corporation's web-based remittance platform Collect and Payout Plus. Remitbox Collect users are able to request and receive payments in minutes as long as the recipient's name, mobile number or email address are available. The full-stack payment platform is connected to thousands of Remitbox branches nationwide making it easy for the customers to make payments. Payout plus is a cash disbursement service using the Remitbox infrastructure. It can be used for payroll, pension, releases, release of sales commissions and other disbursements that are either one-time or recurring.

Remitbox introduced the MFI payment option, where clients can go to any Remitbox partner to settle their loans. MFIs can release loans through Remitbox outlets, and MFI agents/collectors can deposit collections at any Remitbox outlet. Remitbox processes all transactions at the end of the day and prepares settlement reports at midnight. They then send the settlement reports to the network. Remitbox deposits the payments to the bank, and the bank updates deposit details to network. The network receives and confirms payment settlement made by Remitbox. There is no signup fee or monthly maintenance fee for Remitbox but it costs PhP10-30 for each transaction.

Discussion

REMARKS	RESPONSES
Remark by: Allan Sicat, MCPI **Remark:** How is the interoperability between solutions?	**Response by:** Mr. Lito Villanueva **Response:** Smart and Globe, being members of the GSMA, are talking, and there is pilot for an interoperable mobile money solution, which will be available by first quarter of 2016. The central bank and the GSMA signed a Memorandum of Agreement at the Mobile World Congress in Barcelona. **Response by:** Ms. Grace Jarin-Castillo

	Response: Discussions and workshops are set for both Globe and Smart staff. The GSMA is pushing for e-money and a more agnostic deployment of solutions. The Philippines is now one of 10 countries that have interoperability among telecommunications companies. **Response by:** Mr. John Owens **Response:** Shared agents of networks are already in place and the next sector that needs to move is the banking sector. Once this happens, the national retail payment system is expected to become active. This is expected to happen during the next two years.
Remark by: Ron Chua **Remark:** MFIs provide loans, collect savings, disburse loans. The issue is with the platforms where the cost benefit for MFIs has not always been existent. What has changed? Are there changes? Does it make sense for MFIs to move in this direction? What benefits do these applications offer? Regarding interoperability, what if our clients use a different platform? How do we reconcile this gap? How can these platforms be improved by expanding microenterprise initiatives?	**Response by:** Mr. Daniel Arcenas **Response:** RNet basic has the GCash platform that will provide the industry with ATM debit card solution. It is effectively a mobile banking solution for the same price. Using this solution, MFIs can attract customers. MFIs that are still unsure can use CashKo to test the system. CashKo does not require a minimum balance or deposit. Clients are able to use it whenever they want at only PhP0.75 per transaction. With CashKo, as long as there is money in the wallet, then transactions can be made. It is easier to bring in partners because it is affordable. RuralNet is working with MFIs because they can recruit local billers and merchants. They will have a revenue share as incentive. **Response by:** Ms. Patricia de Villa **Response:** The key role of MFIs is to provide liquidity solutions for small business owners. They can explore looking at new

	loan facilities that provide funding to virtual wallets. **Response by:** Mr. Brezhnev Tero **Response:** What has changed is internet access. The solutions have also become available. On the solution side, there is no one size fits all application. MFIs should figure out what fits their services. The availability of services, infrastructure, systems should be considered on a case-to-case basis

About the speakers

Mr. John V. Owens is Chief of Party of USAID's E-PESO program. He is an attorney and senior advisor who has provided policy and regulatory guidance, training, and research as well as managed several long-term international development efforts focused on payments, financial inclusion, digital financial services and micro and SME development in emerging markets for more than 25 years. He has worked and managed long-term financial inclusion projects in Jamaica, Bolivia, and the Philippines as well as multiple consultancies in other countries across Asia, Africa, the Middle East, Latin America and the Caribbean, Eastern Europe and the Pacific Islands.

His areas of expertise include digital financial services, payments, financial inclusion regulations and policies. He has worked on both the policy/regulatory side as well as with private sector banks, credit unions, specialized microfinance institutions, third party e-money operators and mobile network operators. He previously worked for 13 years in the Philippines under USAID's Microenterprise Access to Banking Services (MABS) Program and most recently he worked with more than 125 regulators and policy makers from 96 countries with the Alliance for Financial Inclusion (AFI), where he provided support to the Digital Financial Services Working Group, the African Mobile Phone Financial Services Policy Initiative, and represented AFI on the G20 Global Policy for Financial Inclusion subgroup on Markets and Payments Systems. He holds a Juris Doctor in Law from Notre Dame Law School in the United States.

Ms. Grace Jarin-Castillo gave her presentation as a representative of Xavier Marzan, and CEO and President of Globe's G-Xchange program. She is head of Globe's Business Enterprise Segments which pioneered cloud-based digital solutions in the Philippines.

Lito Villanueva is Vice President and Head of FinTech, Digital Inclusion & Alliances Voyager Innovations, Inc. He is one of the very few digital finance global practitioners to have a mix of experience in banking, payments and MNO sectors with over 20 solid years of track record. He has a great deal of exposure in multi-market interventions and global best practices with established relationships among key

stakeholders including international development agencies. He is a recognized subject matter expert and thought leader on digital financial services developing disruptive financial innovations including emerging regulations on financial inclusion and inclusive growth.

He started his career as senior research associate and associate editor at The Economist Intelligence Unit (EIU) Philippines then joined the global banking group of the Land Bank of the Philippines. He was then tapped by the International Finance Corporation under the World Bank Group as consultant to develop a mobile money framework for cross-border remittance to Mongolia. He was subsequently invited to join Visa as its customer strategy and market activation lead for global mobile products covering at least 15 growth and emerging markets in Asia, Latin America, and Africa.

Some of his pioneering initiatives merited at least 10 major awards and recognitions from various international organizations in the last two years. These award-winning innovations include the launching of the country's first paperless and fully electronic salary loan with auto-savings and insurance feature known as the Mobile Loan Saver; the UNDP mobile cash transfer which was touted as the quickest deployment by the UN Secretary General Ban Ki-Moon; contactless payments via NFC stickers known as Charge2Phone across all postpaid customer base of the PLDT Group in partnership with Visa and Citibank; and the world's first mobile-based anti-fraud security and card control solution known as LockByMobile, among others.

Lito has two post-graduate degrees, one in Master of Arts in Public Administration graduating magna cum laude at the University of Santo Tomas, and a Master in National Security Administration at the National Defense College of the Philippines.

Mr. Daniel R. Arcenas is president of RuralNet, Inc. Although he has made the Arcenas Group of Companies one of Cebu's major business groups, countryside development remains his top priority outside of business. The reason for this is his 27 years and the Arcenas family's 55 years being with the Rural Banking Industry. He is also past president of the Rural Bankers Association of the Philippines (RBAP). It is because of this that RuralNet Incorporated was established.

RuralNet Inc. is a countryside electronic order and payment provider. This countryside exchange will transform rural banks and cooperatives into a national network of order/payment centers for products and services of both government and private sector providers. Gone are the days that people in the countryside have to travel all the way to their provincial centers to purchase the best their country has to offer. RuralNet Inc. has also partnered with Globe's G-Xchange, Inc. (GXI) to provide RBs and coops with a very affordable ATM/debit Card solution, mobile banking solution and internet banking solution now known as "CashKO." Combined with RuralNet's TCSP core platform, CashKO will enable RBs and coops to extend their reach through mobile devices 24/7 and even barangays and towns far from their branch offices. Thus helping expand and achieve financial inclusion in the countryside.

Ms. Patricia de Villa is Founder and Managing Director of Auto Top-Up Ventures, Inc. Filipino, 36 years old, wife and mother of two, Patricia founded Auto Top-Up Ventures in 2009 and developed a business model based on mobile, prepaid, payment, merchant and channel aggregation offering value-added telco and financial technology services to micro, small, and medium enterprises in the Philippines and migrant Filipino markets. With over 15 years of local and international experience in the information, communications and technology industry, she has worked in various marketing roles with Globe Telecom, PACNET (formerly Asia Netcom), IDT Telecom Asia Pacific, Ltd. (Hong Kong) and most recently as Product Development Consultant in San Miguel Corporation's Telco Project Team.

Patricia holds a Bachelor of Arts Degree in Development Studies from the De La Salle University, and a Certificate in Entrepreneurship from the Asian Institute of Management. She is currently completing the Certified Digital Marketing Program which is recognized and supported by the Ateneo de Manila University and the International Institute of Digital Marketing.

Mr. Brezhnev R. Tero is President and CEO of Remitbox Corporation. He started Remitbox Corporation in 2012. The objective was to help support pawnshops with no remittance platform to be able to build up their white labelled domestic remittance service. He saw the opportunity to offer the service to small and medium-sized pawnshops and retail chains to compete in the rising opportunities in the remittance industry. The Philippines being the third biggest inbound remitting country in the world poses a lot of new opportunities.

At first the goal was to focus on domestic remittance then later on start accepting international inbound remittance. Then he found out that there are many other opportunities to service the growing financial needs of the SME companies who are used to cash-based transactions. This is where Remitbox came up with some innovative services like COLLECT, PAYOUTPLUS, PASAGIFT, AIRTIME, and GAS PADALA to augment these growing needs.

Brezhnev's background is in the field of Information Technology and his exposure to various industries - from banking, telcos, pawnshops, amongst others - has led to where Remitbox Corporation is now. He is a seasoned IT professional with more than 20 years of solid experience. As the President and CEO, he is very much involved in the development of every product and services the company is presently offering, with focus on coming up with services that address superior user experience, convenience, and on demand type of execution.

Breakout Session: Responding to Disasters

On 8 November 2015, Typhoon Yolanda (International name Haiyan), tore through the Philippines, laying waste to the Visayas and Northern Palawan. It not only claimed thousands of lives, but it destroyed homes and livelihoods, leaving many of the poorest in the country bereft. Climate change has made devastating storms such as this the "new normal," and because of its geographic location and socio-economic situation, the Philippines and its citizens are especially vulnerable.

Because of their access to clients living below the poverty line, the Philippine microfinance industry is uniquely poised to help poor populations prepare and recover from disasters. The presentations shown in this session explored the disaster response experiences of two NGOs and how microfinance served their disaster relief and recovery efforts. This Breakout Session also featured the research findings conducted by MCPI on various MFIs' disaster responses and best practices, as well as a presentation on Project New Dawn, a disaster response and management initiative by Philippine Business for Social Progress.

Ultimately, preparation continues to be key to effective disaster response. Still, there is no one-size-fits-all model for disasters. Each situation is unique, and each locality and institution is unique.

Innovations in Cash Programming: Typhoon Haiyan Response Experience

World Vision International is a humanitarian NGO that focuses primarily on children. With the growing number of natural disasters however, disaster response has now become part of its operations. In general, WVI uses cash programming to assist its beneficiaries. Money in this case can refer to cash, e-payments, or vouchers, which can thereafter be used to buy necessities such as food and medical supplies. It can be delivered through conditional or unconditional cash transfers, and as part of WVI's disaster response operations after Typhoon Yolanda hit, cash programming was delivered through traditional cash disbursement, e-payments, and microfinance.

During the presentation, Mr. Josaias dela Cruz noted that WVI had not considered microfinance as a possible measure for disaster recovery and rehabilitation. Community Economic Ventures, Inc., World Vision's microfinance subsidiary, had initially been hesitant to provide microfinance capital. It had been concerned that WVI's beneficiaries would suffer from excessive post-disaster debt burden, but when payment plans were structured according to the recipients' needs and capacities, microfinance proved to be an essential aspect of WVI's disaster response and resilience cycle. Bangon loans were developed as a disaster and calamity response microfinance product. This disaster response and resilience cycle involves relief, followed by recovery, then rehabilitation, and preparedness.

In the aftermath of Typhoon Yolanda, WVI's first move had been to get on the ground with food and necessities, as well as specialists in healthcare, information technology, and other vital areas. Thereafter, during the recovery phase, WVI created temporary schools and shelters for mothers and children, instituted protection measures for vulnerable populations such as children and persons with disabilities, and provided beneficiaries with cash loans and loan insurance payouts to allow them to purchase new belongings to replace what they had lost during the disaster. Rehabilitation involved the provision of business start-up loans, seed stock, and other materials that beneficiaries would need to begin earning again, so that their businesses could help revive the local economy and benefit the entire community. Disaster preparedness involved developing savings programs and loans that incorporated various insurance plans and policies, including disaster insurance.

At every phase of the cycle after Typhoon Yolanda, WVI was able to harness mobile and online technology to meet beneficiaries' needs. For instance, the Last Mile Mobile Solutions identification system allowed WVI to gather information on beneficiaries and serve as a verification system, which facilitated WVI's cash programming operations. It also allowed WVI and other humanitarian agencies to access reports, metrics, and other kinds of digital data for analysis and quality control.

Other international non-government organizations have learned to use cash programming, microfinance and other inclusive financial services, and mobile money solutions such as e-payment solutions as well. Mr. dela Cruz noted that cash programming has become a highly valued tool for humanitarian work, and presented the increasing involvement of the private sector, local NGOs, citizen groups, and emerging donors in humanitarian and disaster response efforts, as well as the rapid changes brought about by technological and market-based innovations.

He concluded his presentation on World Vision International's disaster response experience in the Philippines with the key themes and learnings emerging in light of the numerous calamities that had beset the developing world in recent years. For instance, partnerships and consortiums among

organizations and the private sector are essential to bridging the capacity and knowledge gaps within individual institutions. Additionally, there are challenges to cash programming as a delivery scheme for disaster relief and humanitarian aid. Scaling up pilot programs is generally the most pressing concern. The cash-based approach is still in development. It has mostly been used as food substitution or as part of a cash-for-work program. But different NGOs have developed different models and standard procedures, including multisectoral approaches. Despite its ability to overcome physical boundaries, e-payment is slow to be adopted. Ultimately, with the rapidly changing humanitarian landscape, the biggest challenge to cash programming as an approach to humanitarian aid and disaster response continues to be the attitudes within organizations themselves.

ICCO's Emergency Response Project on Typhoon Yolanda

Presented by Mr. Rajis Sinaga, ICCO Cooperation Regional Finance and Grants Officer for Southeast Asia and the Pacific, ICCO Cooperation shared what it had experienced, learned, and accomplished in response to Typhoon Yolanda. Mr. Sinaga noted that in the Philippines, ICCO has focused primarily on agricultural development, providing funding and support for projects that increased farm productivity for communities throughout the country. Because of the access that MFIs have to target beneficiaries, ICCO has worked side by side with MCPI and MFIs in the Philippines since 2006.

Typhoon Yolanda in 2013 was ICCO Southeast Asia and the Pacific's first experience of a major disaster and participation in disaster relief operations. It was able to raise PhP250 million in funds, which it funnelled into its disaster response operations. The first month of its experience led it to identify the following challenges to disaster relief operations:

1. Scarcity of materials and human resources. High media coverage areas were provided with the most support, often to the detriment of other affected localities, as carpenters and other skilled workers left their affected homes to take advantage of the aid agency-inflated demand for their services.
2. Disaster situations and price inflation go hand in hand, especially where resources are locally limited.
3. Different institutions with the same beneficiaries will sometimes overlap in their provision of support. This is part of the double-edged challenge of identifying unserved groups and preventing double service for other groups.
4. Disaster situations are fraught with logistical difficulties, as roads and telecommunications networks are often badly affected.
5. Local government units may sometimes lack the commitment or resources to provide the necessary support.

After the initial phase of post-Yolanda disaster relief was completed, ICCO concentrated its resources on recovery: the development of livelihood projects. ICCO provided funding for boat-building, transportation, and vegetable-growing projects. MFIs, which had initially not been identified as first priority allies for disaster response, proved highly useful. ICCO provided grants for direct interventions, which initially did not appear to mesh well with the fact that MFIs provided credit to clients who were often ICCO's target beneficiaries. To provide grants would have distorted the market. However, ICCO was able to circumvent this challenge by providing funding for community-based enterprise projects

where ICCO would provide grants for community-owned income-generating assets, and MFIs would provide credit for community capital.

Over the course of this phase of ICCO Southeast Asia and the Pacific's disaster recovery experience, lessons were learned and opportunities were identified. MFIs are useful even during the initial emergency relief phase, and because of their existing access to and relationships with target populations, they can be sourced as first responders during emergency situations. MFIs can also provide their clients with unique funding during emergencies. As a disaster-prone country, the Philippines should develop a Disaster Risk and Reduction Management (DRRM) program, and ICCO intends to support it by setting up a program on a regional office-level. ICCO intends to implement a second round of disaster rehabilitation programs in the Philippines, and MFIs are invited to participate.

Because the Philippines is now a middle-income country, Mr. Sinaga mentioned the ICCO will no longer fund grants for projects in the Philippines after 2015. However, it will continue to provide loans and guarantees, as well as investments and agribusiness booster projects. He noted that ICCO Cooperation's interventions involve advocacy, capacitation, connection, incubation, and investment, and that SME financing, angel investing, and inclusive business are all part of its intervention mix. He closed the presentation with an invitation to participants to partner with ICCO in the pursuit of a better world.

Disaster Risk Management and Loan Portfolio Protection in Philippine Microfinance: Summary of Findings

MCPI initiated an ICCO-funded research project to increase awareness and motivation among microfinance stakeholders. The findings of that research were presented by the session facilitator, Ms. Jesila Ledesma of Kwentong Negosyo. The research project employed a questionnaire asking 15 respondent MFIs about their disaster response and preparedness practices, and then used a follow-up telesurvey to collect further information from one third of the respondents.

The key findings indicated that 80 percent of the respondents identified hazards in their areas of operations and adopted disaster response plans. Among those "prepared" MFIs, common practices included establishment of communication channels for staff and clients; improvement of infrastructural disaster readiness - the acquisition of backup generators and disaster insurance, for example; staff protection in the form of insurance and staff calamity preparedness funds, MIS tracking abilities expansion, and loan portfolio protection. Enabling factors included responsiveness to social mission, proactive risk management policies and practices, compliance with regulations, active participation in industry/funder network activities, and coordination and partnership with local government units.

The study also found that among the respondent MFIs, further improvement was generally needed in five (5) areas. Strategies must be developed and improved to speed up client recovery. MIS capabilities need to be increased so that non-financial costs and products developed for disaster-response can be tracked. MFIs need to prepare and develop disaster-ready liquidity plans and conduct loan portfolio analysis in a regular and systematic manner. Strategies must also be developed to mitigate disaster-induced credit risk.

Overall, while MFIs and other stakeholders do concern themselves with developing community disaster-resilience, it is necessary to develop integrated response strategies that efficiently use the resources and unique capabilities of the various stakeholders. Strategic alliances initiated by MFIs and formed among LGUs, NGOs, private institutions, and other entities are vital to true disaster resilience.

Responding to Disasters: The Micro-Enterprise Disaster Assistance Fund for Resiliency Program

Mr. Rene Fortuno opened his presentation with an introduction to Philippine Business for Social Progress, a foundation composed of 252 private companies that aims to lead the Philippine business sector's poverty reduction efforts.

After Typhoon Yolanda, PBSP initiated Project New Dawn, a multifaceted disaster relief, response, and rehabilitation initiative. Project New Dawn had three major focus areas:

1. Northern Cebu: livelihood, health, education, and environmental projects in Daan Bantayan, Madridejos, Santa Fe, and Bantayan.
2. Iloilo: PBSP partnered with the International Rescue Committee to establish emergency housing and rehabilitate the fishing sector value chain in the municipalities of Ajuy, San Dionisio, Batad, and Estancia.
3. Capiz: PBSP also partnered with the Adventist Development Relief Agency and the Department of Foreign Affairs and Trade in Canada to provide emergency housing, microfinance, ecosystem rehabilitation, and fishing sector value chain rehabilitation in the municipalities of Capiz and Panay.

Ultimately, Project New Dawn mobilized PhP363 million in its efforts to provide relief aid, classrooms and educational aid, artificial reefs, mangrove reforestation, and livelihood financing.

Aside from Project New Dawn, PBSP partnered with USAID and four MFIs in the Philippines to establish the Micro-Enterprise Disaster Assistance Fund for Resiliency Program. This project ultimately aims to create a PhP5 billion resiliency fund. It is predicted that it would eventually spin-off into the Disaster Assistance for Resiliency Foundation, and that the foundation would sustain the program and support DRRM and climate change mitigation education and efforts throughout the country.

Presently, the USAID Micro-Enterprise Disaster Assistance Fund for Resiliency Program is meant to run from 2014 to 2016. Thus far, it has conducted due diligence, monitoring, organizational, and development activities in preparation for the scale-up and spin-off into Resiliency Foundation. The resiliency fund has already been established, and by September 2015, it will have released PhP106 million in loans to its four member MFIs' 20,000 client-borrowers. In its present incarnation, it intends to provide for 500,000 disaster-affected MFI client-microenterprises.

Through the program, PBSP provides MFIs with loan portfolio capital credit from the resiliency fund. The funds are advanced at 0 percent interest, payable within one year. Upon availing of the funds, MFIs have 45 days to fully release the amount in the form of loans to their clients. The borrower-MFIs provide their disaster-affected clients with loans at 0-4 percent interest per annum, payable in six months to one year, depending on their loan policies. Thereafter, MFIs must submit quarterly reports on their accomplishments. Clients' repayments of these loans shall be reflowed into the Resiliency

Foundation, and MFIs have the option of re-flowing their 4 percent interest income into the Foundation as well.

Mr. Fortuno emphasized that the USAID-MIDAS program and the subsequent Disaster Assistance for Resiliency Foundation is not meant to compete with MFIs, but is designed to complement MFIs' regular lending activities. It will provide MFIs and their clients with "emergency liquidity" during times of disaster. Disaster-affected MFI clients can only avail of MIDAS loans once, and will have to revert to their MFIs' regular loans afterwards. He also noted that the loan is also available for affected MFI staff, and that it is repayable through salary deduction.

Over the next few years, the Disaster Assistance for Resiliency Foundation will be registered with the Securities and Exchange Commission. It is predicted that the USAID-MIDAS program will be completed by October 2016. Towards that end, PBSP is working to develop and establish the Foundation's organization and operational infrastructures for spin-off. Other MFIs, cooperatives, and development organizations are invited to grow and invest in the resiliency fund, and participate in its DRRM and CCM activities.

Mr. Fortuno closed the presentation with instructions on how MFIs may participate in the Resiliency Fund:

1. Submit three years of audited financial statements for pre-qualification for accreditation through PBSP's Borrower's Risk Rating process.
    a. PBSP will conduct a field visit to the applicant institution's head office and branches for further due diligence.
    b. Recommendations will be presented to the MIDAS program Steering Committee and PBSP Board.
2. Upon accreditation, MFI managers and loan officers will be given a field orientation on the program's lending, reporting, and documentation guidelines.

Mr. Fortuno emphasized that even without imminent disasters, the USAID-MIDAS program - and eventually, the Foundation - in coordination with the Corporate Network for Disaster Response, will provide accredited MFIs with access to disaster preparedness activities such as Business Continuity Planning and Management.

Discussion

REMARKS	RESPONSES
Remark by: Linda Orsos, SB Corp. **Remark:** When we engaged with Yolanda victims, we were able to develop an "enterprise rehabilitation program," and PhP750 million is available for this endeavor. Our releases	**Response by:** Mr. Josaias dela Cruz **Response:** We have a sister company, CEVI (Community Economic Ventures, Inc.), WVI's microfinance spin-off, which handled microfinance aspect of our disaster response operations.

are currently only at 70 percent. How was WVI able to disburse all of their funds? **Remark by:** Susan Trinidad, CEVI **Remark:** I invite SB Corp. wholesalers to partner with CEVI. We specialize in retailing, fieldwork, and direct client interaction. World Vision Incorporated provided loans that support small and medium enterprises, but do not ask for collaterals. **Remark by:** Linda Orsos, SB Corp. **Follow-up:** Our concern is the SMEs. Our experience is that our initial research will show that their proposals are feasible and that they have the resources and securities to guarantee their loans. However, because of the disaster, they will often not have the sufficient documentary proof to fulfill requirements. For clarification, SB Corp is a wholesaler and retailer, and we address loans that are larger than microloans—PhP200,000 to 5 million. We are not in competition with MFIs.	**Response by:** Mr. Rene Fortuno **Response:** On the issue of programming – one very critical element needs assessment and identification. The program must be designed to fit those needs.
Remark by: Me-An Ignacio, MCPI Chairperson **Remark:** During the session on microinsurance, we came together to develop a Damayan fund or a social initiative for catastrophe. We would like to invite MCPI member-MFIs to participate in the Rimansi initiative. It can coordinate with PBSP.	

Closing messages from the speakers:

Rajis Sinaga: Yolanda is the first big disaster in the Region, and ICCO would like to take the opportunity to introduce its DRRM program.

Josaias dela Cruz: I admit that at the time, we had not been prepared for such a disaster. As a humanitarian agency, we learned to invest in warehouses so that we would have relief goods on hand. For MFIs, what can you do to prepare now, in case disaster strikes? Perhaps you will need emergency liquidity, in which case, you can avail of PBSP's Resiliency Fund.

Rene Fortuno: We shouldn't look at disaster management as something separate from our businesses. It should be part of business operations. Invest in prevention and pre-disaster provisions.

About the speakers

Mr. Josaias dela Cruz is the National Director of World Vision Development Foundation Philippines. Jody has more than 32 years of combined experience in banking and development work. His notable involvement in the microfinance sector includes serving as Vice President for Microfinance of BPI Globe BanKO; Founding President and CEO of Opportunity Microfinance Bank; Founding Director of Microfinance Council of the Philippines, Inc.; and Executive Director of TSPI Development Corporation. Jody was a Claude Wilson scholar and the youngest Filipino to graduate from the Asian Institute of Management with a Master in Business Management degree. He earned his Bachelor of Science in Business Management from the Ateneo de Manila University.

Mr. Rene M. Fortuno is a seasoned social development professional and currently the Chief of Party for Micro- Enterprise Disaster Assistance Fund for Resiliency Program of the Philippine Business for Social Progress. He joined PBSP in 1989 as Program Officer and steadily rose from the ranks to become Director for Livelihood and Enterprise Development in 2012. When PBSP moved into integrated development in the 1990s, he led teams in designing and implementing area resource management programs in Marinduque and Quezon as well as disaster rehabilitation and resettlement programs in provinces affected by the Baguio City earthquake and Mt. Pinatubo eruption. In 1995, he became Deputy Project Director of the Small and Medium Enterprise Credit; and Senior Manager for Training and Consulting Group then Assistant Director in 2004. Rene started his professional career in banking with the International Banking Department and Sto. Cristo Branch of the Associated Banking Corporation from 1981 to 1985 then he joined Plan International/Bicol Philippines from 1986 to 1989. He holds a Master in Development Management (with distinction) from the Asian Institute of Management; Master in Business Administration (candidate) from the University of Sto. Tomas; and a Bachelor of Science in Commerce major in Management from San Beda College Manila.

Mr. Rajis Khanna Sinaga is currently the Regional Finance and Grants Officer for Southeast Asia and the Pacific of the ICCO Cooperation. Prior to joining ICCO Cooperation, his stints include working for The ASEAN Secretariat, Save the Children, and the PT Crown Worldwide Indonesia Group. Rajis holds a degree in Economics Major in Accounting from the Universitas Advent Indonesia–Bandung and is

currently pursuing his Master in Business Administration at the Ateneo de Manila University Graduate School of Business.

BREAKOUT SESSION: PROVIDING SERVICES TO OVERSEAS FILIPINO WORKERS

According to the BSP, 1.6 million Filipinos were deployed abroad, 10.7 percent of which are job orders from the Middle East. As a result, remittances rose by 6.2 percent in 2014, wherein cash and non-cash remittances reached a new record high amounting to $26.924 billion. Thus, it is equally essential that while overseas Filipinos are considered as one of the major backbones of the country's economy, they must be provided with services to further harness their capacities, as well as to promote and protect their rights.

In this session, the Commission on Filipinos Overseas discussed its mandate in promoting and upholding the interests, rights, and welfare of overseas Filipinos; while ASKI Global Limited, a non-stock, non-profit organization, tackled the programs and services being provided to overseas Filipinos in Singapore, and the importance of these services in achieving inclusive growth in the Philippines.

M&D Programs and Services to Overseas Filipino Workers Relating to Inclusive Growth

In a video presentation, Sec. Imelda Nicolas described the present status of Philippine immigration. In 2013, 10.2 million Filipinos left the Philippines seeking opportunities abroad. The Commission on Filipinos Overseas was established to promote and uphold the interests of these overseas workers. The span of their services include PDOS counselling, relief operations, financial literacy programs, and more. In order to make these projects more effective, efficient and accessible, the Commission also plans to meet with the top seven microfinance institutions in the country, and implement measures and procedures of similar projects in other countries. However, these plans still have to face various challenges such as culture clashes and current social attitudes.

The presentation ended with a quote from Franklin Roosevelt, "We should all try to construct a more inclusive society where no one is left out." As a mission statement, it echoes the objectives of the Commission on Filipinos Overseas.

ASKI Global Ltd.

In a video presentation, Ms. Irma Cosico, Chief Executive Officer of Alalay Sa Kaunlaran, Inc. Global Ltd. (ASKI Global Ltd.) showed success stories of Philippine workers in Singapore. According to the presentation, 2,700 women were trained to become more financially self-reliant through a series of financial literacy lectures, business development courses, and business management classes. With a vision of becoming a global center that promotes inclusive and sustainable development, ASKI Global

educates their clients to become financially-savvy entrepreneurs. Currently, most of their students are female (90 percent), with more than half of them (55 percent) coming from household service workers. Their students also include clients of other nationalities.

ASKI Global Ltd. also discussed their triple bottom line. They equip their clients and their families with the ability to establish their own businesses, provide jobs to others, build assets, build wealth, and eventually the OFW can return home to a situation of gainful employment and security. Through this program, families are able to reunite and stay together, and the Philippines as a nation regains the human resources lost through emigration.

Students, before graduating, are to propose a business model which they will have to defend. They also have to propose a five-year budget plan. Different programs are offered with a methodology customized for the clients themselves in cooperation with the government, different academes, and financial institutions.

Discussion

REMARKS	RESPONSES
Remark by: Tess Ganzon, Bangko Kabayan **Remarks:** Is the financial literacy lecture open to all? What are the partnerships we can have as a bank with a clear interest in OFWs from Batangas?	**Response by:** Sec. Imelda Nicolas **Response:** Yes it is open and it's for public use. More than that, it is user-friendly as well. Potential partners include the JMDI-CFO unit in Region IV-A and PesoSense. **Response by:** Ms. Irma Cosico **Response:** The only challenge is that it is a new product line. An OFW can only pay during Sundays. We will need an MFI that will train the families established in Batangas, or to lend materials to Batangas.

Remark by: Fr. Jovic Lobrigo, SEDP-Simbag sa Pag-Asenso **Remark:** What are the key challenges for those who would like to partner with ASKI which we would also have to prepare for?	**Response by:** Ms. Cosico **Response:** The biggest challenge is to treat OFW loan as a new product design. The second is also the adoption of the vision which is the back-to-back training of their families.
Remark by: Mercy Abad, ASHI **Remark:** An appeal for the middle-aged men who don't know how to reintegrate should also be given consideration in the future policies.	**Response by:** Ms. Cosico **Response:** That is already a developing project of ASKI. Actually there are already male applicants. It is just that we're still processing them, and we're formulating learning materials more tailored to male students. **Response by:** Sec. Nicolas **Response:** Another course of action is to request for assistance from other government institutions. This will ensure a more comprehensive reintegration program.

About the speakers

Secretary Imelda M. Nicolas is the Chairperson of the Commission on Filipinos Overseas (CFO), a Cabinet-level Secretary position under the Office of the President of the Philippines. Prior to her appointment at the CFO, she was a Cabinet-level Secretary of the National Anti-Poverty Commission

(NAPC), former Chairperson of the National Commission on the Role of Filipino Women (NAPC), and Presidential Assistant helping Cabinet secretaries in monitoring implementation of major government-funded infrastructures. She was also Chair of the Women's Business Council of the Philippines (WBCP) and the first woman member of the official delegation of the Philippines to the APEC Business Advisory Council (ABAC).

She is currently one of the Philippine government's focal points to the state-led initiative called Migrants in Countries in Crisis (MICIC). Recently, she was invited to be one of the members of the reconstituted IOM Migration Advisory Board (MAB) and the Advisory Group of the ADB-MPI's project on "Achieving Skill Mobility in the ASEAN Economic Community". She also chairs the Metropolis Asia Secretariat and is a member of the Metropolis International Steering Committee. Finally, Secretary Nicolas was recognized by the Filipina Women's Network (FWN) as one of the "100 Most Influential Filipina Women in the World."

Ms. Irma L. Cosico of ASKI Global - Singapore is the Chief Executive Officer of ASKI Global Limited. She has been in the microfinance industry in various capacities for almost 15 years. She was Managing Director of ABS-CBN Bayan Academy for Social Entrepreneurship & Human Resource Development until March 2010. She headed the Microfinance Operations of the ABS-CBN Bayan Foundation from 2003 to 2005 and the Client Services Group from 1999 to 2002. Irma also served as Consultant to the Asian Development Bank (ADB) in 2002 where she assisted in the design of the Japan Fund for Poverty Reduction Project – Philippine Business Initiatives in Rural Development. She was commissioned by Hong Kong & Shanghai Bank Corporation (HSBC) in 2006 to do a study on franchising microfinance. Irma was one of the pioneers of the Alliance of Philippine Partners in Enterprise Development, a network of Philippine Christian-based MFIs and was seconded as Project Coordinator of the Microfinance Council of the Philippines, Inc. in 1998. She teaches microfinance as a special topic at the National University Singapore and Singapore Management University. She took her MS Development Communication in the University of the Philippines Los Baños, and Master in Public Administration in Carleton University Canada as a CIDA scholar. She also holds a Master in Entrepreneurship degree from the Asian Institute of Management.

Breakout Session: Developing Value Chains

Agroenterprise clients, specifically farmer-producers, have always been on the losing end of the market chain. Microfinance has succeeded in providing many farmer-producers with production capital. However, reduction of client vulnerability is still a work in progress for this segment of clients, hence the need for value creation at each section of the market chain.

Value chain as an approach involves different elements and actors. Aside from financial intervention, exploring partnerships and capacity building activities are essential in the process. Value chain development can be seen as an approach that helps minimize the risks in rural financing while creating value for farmer-producers. This session will look into the initiatives of the Land Bank of the Philippines in addressing agroenterprise market gaps while providing market linkages to the producers through

their microfinance institution partners. A discussion on the efforts of the Catholic Relief Services in enabling the different actors of the market chain, and a sharing on the value chain experience of the Peoples Bank of Caraga will also be highlighted in this session.

Peoples Bank of Caraga

Given the needs of small farmers and the narrow profit margins, value chain financing (VCF) has been a very important tool to help farmers maximize their profit opportunities. Currently, profits which reach the small farmers are minute because they can only sell the crops, never with the added value, though they are the ones to process their produce. This leaves the small farmer at the bottom of the value chain with the least profit, and one of the most disempowered within the chain. With the help of trained and dedicated staff, VCF aims to give small farmers technical assistance and proper financing training.

The manifestations of success can be observed in returning clients, growing membership, improving resilience of farmers to a variety of challenges, and repayments of past due accounts.

Land Bank of the Philippines

Value chain financing (VCF) is a process that covers a full range of activities and participants involved in moving the agricultural product from the farmers' field to the consumers' table (Nogales, 2007). They also acted within the Production, Technical and Marketing Agreement which formalized the process within the value chain participants. It provided salient provisions on product specification, quality standard, volume, delivery schedules, pricing and payment scheme, and the auto-debit arrangement.

Several constraints to maximize profit for farmers are done by demand-driven production, market research to match production capacities with the market demand, adopting a "win-win" pricing scheme, and helping them build long-term business relationships. In order to sustain the benefit their venture produces, they strengthen the producers' cooperative as intermediaries. Assisted by state colleges and universities, LANDBANK fosters technological support, which allows for the creations of financial products and services.

Catholic Relief Services

Catholic Relief Services (CRS) is an international relief and development agency in the United States with a vast array of services that aim to help small farmers towards empowerment. They have helped small farmers maximize their profit as well as keeping their businesses sustainable. They introduced to farmers the 'agroenterprise' which is a combination of farming and businesses. This is

how CRS trained farmers to make profits, work with the markets, and capture more value from value chains.

To achieve these goals, CRS encourages farmers to include themselves in the formal markets by building knowledge, skills, and attitudes for agroenterprise. They also organize farmers for business in cooperation with partners that create the supporting environment.

Discussion

REMARKS	RESPONSES
Remark by: Oyen Dorotan, Undersecretary of the National Anti-Poverty Commission **Remark:** In your experience, has there been any farmer who became rich, became a millionaire, because they followed the framework of the value chain?	**Response by:** Mr. Pedro Terry Tuason **Response:** There haven't been any millionaires yet, but testimonies show that farmers in this program have been able to repay their loans, make new purchases, and meet a lot of other financial needs that they had not previously been able to. **Response by:** Ms. Epifania Bulaon **Response:** There have been fifteen accounts of lives which our bank has helped who started from small stores but were able to gain an asset of a million. But it will be hard to suggest that in a short span of time they can already become millionaires because they are just small farmers. **Response by:** Ms. Glecy Angeles **Response:**

	We have copies of success stories which we can also share publicly. We also believe that success is more than the financial satisfaction, but the overall satisfaction in a farmer's quality of life.
Remark by: Jody dela Cruz, World Vision Development Foundation Philippines **Remark:** Do MFIs have any hope of improving the situation at hand?	**Response by:** Mr. Tuason **Response:** It is challenging because the decisions within the processes are still under the discretion of the traders. Even if we suggest a price, if the traders say no, we can't do anything about it. **Response by:** Ms. Bulaon **Response:** Traditional buyers have been known to lower the prices as time goes by. But with the help of other institutions, small farmers have been taught how to research and look for ways to maximize their profit regardless of abuses from traders who gradually lower the prices. **Response by:** Ms. Angeles **Response:** In accordance with the Production, Technical and Marketing Agreement, we all assure that the quality of the products are high-end. Financing also covers literacy and loans which assist the capability of small farmers to become sustainable.

About the speakers

Mr. Edgardo S. Luzano is the Department Manager and Head of the Programs Management Department 1 of the Land Bank of the Philippines and has been with the organization since 1992. He specializes in agribusiness, development banking, and cooperative development.

Mr. Pedro Terry R. Tuason is the Senior Program Manager of the Catholic Relief Services (CRS) - Agriculture and Natural Resource Management Initiative. He was part of the CRS' team that produced the clustering approach to agroenterprise development for small farmers: The CRS Philippines experience.

Ms. Epifania A. Bulaon began her career in development work as a community organizer in Palawan. Her passion in serving the marginalized has been deepened as she took part in igniting the microfinance initiatives of Peoples Bank of Caraga (PBC) in 1998. At present, Phannie is the Microfinance Project Director of PBC.

Breakout Session: Growing Local Economies for Enterprise Development

Local Economic Development involves the state, NGOs, and the private sector working together to improve the conditions of a particular locality for employment and economic growth. Enterprise development, as facilitated by local economic development is crucial to inclusive growth.

The session explored the concrete experiences of three key stakeholders in local economic development: the national government, the local government, and the private sector. For the national government, the office of Senator Paolo Benigno "Bam" Aquino discussed the status of R.A. 10644, the Go Negosyo Act of 2014, and its implementation. The local government unit of San Jose, Nueva Ecija's presentation featured its experiences mobilizing various stakeholders in supporting a local social enterprise. The private sector's viewpoint was conveyed in this session through Ms. Consuelo "Baby" G. Valenzuela, Alay sa Kaunlaran, Inc. client and 2006 Citi Microentrepreneur of the Year awardee. She shared how the success of her weaving business had been facilitated not only by her own industry and ingenuity, but also through programs and services initiated by ASKI, the LGU, and the rest of the private sector.

The Office of Senator Bam Aquino Presents: The Go Negosyo Act of 2014

Mr. Marco Camilo Javelosa of the office of Senator Bam Aquino opened his presentation by stating that the Senator's agenda policy is "malawakang kaunlaran," or inclusive growth. Republic Act 10644, also known as The Go Negosyo Act of 2014, is a piece of legislation meant to support Filipino

micro, small, and medium enterprises by promoting ease of doing business. It is the first law passed by Senator Bam Aquino, and its Implementing Rules and Regulations was passed in December of 2014. It amends R.A. 9178, also known as the Barangay Micro Entrepreneur Act of 2002. The Go Negosyo Act mandates the creation of a 'Negosyo Center' in every province in the Philippines. The Act is to be implemented by the Department of Trade and Industry, and its local branches are to operate and provide for space for the Negosyo Center. These centers are meant to serve as local "one-stop-shops" for mSMEs, where they can avail of the following services:

1. Government requirements such as business certificates and business registration;
2. Business education such as tax and financial literacy, and business mentorship;
3. Information on and linkages with other mSMEs in the area; and
4. Access to business financing through MFIs

Mr. Javelosa emphasized that the Negosyo Centers are not meant to replace MFIs as mSME credit providers. Rather, arrangements could be made so that various MFIs in operation in the area could partner with a local Negosyo Center so that there will always be an available MFI representative at the Negosyo Center who could present their MFI's financial products and services for various mSMEs' needs.

The presentation also featured the activities and progress of the Go Negosyo Act's implementation throughout the Philippines. In Iloilo, for instance, the local Negosyo Center, through the efforts of the local DTI and the office of Senator Aquino, held a three-day tax literacy workshop. In Aklan, a business mentorship program was developed in partnership with a local entrepreneur. While Negosyo Centers are primarily implemented through the DTI, local government units may also initiate the development of its own Negosyo Center as well, with support and guidance from the local DTI.

Mr. Javelosa closed the presentation with a note on the importance of partnerships in the success of a Negosyo Center. Ideally, the Negosyo Center will become a space of multi-sectoral intersection. It would be a hub where mSMEs can access the services of MFIs, LGUs and other government agencies, NGOs, and other mSMEs from different industries and value chain placements.

The Farmer Entrepreneurship Program: the San Jose City Experience

Mr. Wilfredo Alfonso of the San Jose City Agriculture Office presented a glance into the goals, efforts, effects, and opportunities of an LGU-led initiative to support community enterprise development. The Farmer Entrepreneurship Program of the City of San Jose was initiated by the city's present mayoral administration, and is implemented by the City Agriculture Office.

Onion farming and rice farming are San Jose's primary economic activities. The project was meant to provide support for onion farmers in San Jose by giving them access to wholesale and retail markets where they could sell their produce directly. Before the project has been initiated, many small onion farmers were financially bound to middlemen who provided seeds, informal credit, and other agricultural services, but who also tended to dictate prices and impose limitations on the farmers' selling and farming activities, which in turn adversely affected the size of their incomes.

In order to address this issue while sustainably increasing farmers' capacities to meet market demands, the project sought to accomplish the following:

1. Organize the farmers;

2. Develop and implement a mentorship program and provide training;
3. Give the farmers access to useful technology; and
4. Match the farmers' products and capacities to appropriate markets.

The San Jose LGU's Agriculture Office succeeded in doing so by collaborating with government agencies such as PhilRice, the Central Luzon State University, and ASKI. The university and government agencies provided technical support and information; and as an MFI, ASKI was able to provide the project's farmer-participants with credit, financial management training, and a way to facilitate the creation of women's groups.

Mr. Alfredo's presentation closed with a note on how the project's efforts yielded an increase in the farmers' individual income, the adoption of more environmentally friendly farming practices, and more diverse economic activity in the area. This led to general economic improvement within participating communities, and ultimately, an improvement in the well-being of the farmers and their families.

An Interview with Ms. Baby Valenzuela, MFI Client and Entrepreneur.

The segment featuring Ms. Consuelo "Baby" G. Valenzuela was conducted interview-style, with the Breakout Session facilitator, Ms. Jesila Ledesma of Kwentong Negosyo, facilitating. Through the discussion with Ms. Valenzuela, session participants were given a glimpse into how MFIs, LGUs, and other entities can support a microentrepreneur as her business and entrepreneurial capacities grow. It also explored how such growth can lead to inclusive economic growth within a locality and beyond.

At present, Ms. Valenzuela owns four souvenir shops in Baler, Aurora Province. She is a client of ASKI, and in 2006, she won the Citi Microentrepreneur of the Year Award. In continuing to grow and expand her business, she was subsequently named the 2009 Medium Entrepreneur of the Year by the Aurora provincial government.

In 2002, Ms. Valenzuela used her native *sabutan* (raffia) weaving skills to produce souvenir placemats for a Young Entrepreneurs' Cooperative initiated by the congresswoman in office at the time. In 2004, she joined ASKI as a client, and obtained an initial business loan of PhP5,000. She was subsequently able to access trade fares and livelihood seminars through ASKI and the government agencies such as DTI and the Department of Science and Technology. She diversified her products and continued to use the information and skills she obtained to grow her business.

Today, through her souvenir shops' success, she was able to provide income for herself and her siblings. Through her shops, she is also able to employ members of her own community and provide a market for micro and small entrepreneurs selling local delicacies and other souvenir products. Additionally, to meet the demands for her *sabutan* products, she has developed backwards linkages for raw materials and other supplies, and has provided employment for raffia harvesters, dyers, and up to three hundred weavers in her community.

During the interview, Ms. Valenzuela emphasized the fact that she came from a very poor family, and that her own struggles with extreme poverty gave her insight into her employees' needs. Her regular employees are provided with both life and health insurance, and are paid salaries above the

Aurora province's minimum wage. She is currently vice president of a local souvenir shop owners' association, and she hopes to provide mentorship for budding microentrepreneurs.

She intends to expand her businesses and support Baler's booming tourism industry with a restaurant and spaces for transient guests. However, during the interview, she acknowledged that her skills and knowledge in business diversification still needs to be developed further. The interview also brought to surface the issue of taxing microentrepreneurs. Ms. Valenzuela noted that staying up-to-date and fully compliant with her tax requirements had a markedly adverse effect on her financial bottom-line. Both she and the session participants agreed that the situation, while challenging, would be much better borne if mSMEs could feel more concrete government support.

Discussion

REMARKS	RESPONSES
Remark: There are many MFI clients who are budding entrepreneurs. Often however, local government serves as a hurdle, rather than a helper for their development. For example, a client who needs an ID will often be charged a very large amount, and the barangay will also require an ID and charge a similar exorbitant amount. There are many individuals in the local government who are very greedy and create obfuscating government functionalities. The government and the central bank claim to aim for financial inclusion, but this tendency within Philippine government is not helpful at all. Perhaps the DTI and the national government can work together to create systems that will encourage people on the local level to be more circumspect?	**Response by:** Mr. Marco Javelosa **Response:** In relation to the Negosyo Centers: it can't solve LGU-entrenched graft, but there are spaces where people can air their grievances. Because of the autonomy local government has, measures to reduce red tape can be challenging for national government bodies. In relation to the tax issue raised by Ms. Baby, Sen. Aquino has filed a bill that exempts start-up businesses from paying taxes, but we don't know if it will pass into law yet. **Response by:** Mr. Wilfredo Alfonso **Response:** Yes, there really is a problem with generating high charges. There are issues like that, such as for the initiation of cooperatives. There are so many requirements, and farmers' cooperatives are

	often composed of very poor individuals.
Remark by: Ms. Phannie Bulaon, PBC **Remark:** We've seen Baby (Ms. Valenzuela) when she was still a very small businessperson. Now she has really grown. Her products are now delivered by the truckload. But do you still need credit? Advice: if you have the resources, you can use your savings for half of the capital, and use credit for the rest.	**Response by:** Ms. Consuelo Valenzuela **Response:** I still have plans, and technically, I have the resources to bankroll my business' expansion without needing to use credit. However, I want to use credit instead of my own money. Guidelines presented in another forum, and my own sibling's advice, all suggest that I should use credit. However, I am still a little confused, because the advice I've received is contradictory. **Response by:** Ms. Jesi Ledesma, Session Facilitator **Response:** Negosyo Centers should have experts to be available to advise small and microentrepreneurs. For example, financial analysts, risk assessors, etc. to help guide them as they grow.
Remark by: Jimmy Ramos, ASHI - Antique **Remark:** The LGU's support really is very important. Because even if an MFI throws all of its effort and compassion into an effort, if it does not align with the LGU's vision and program, or it does not have the support of the local government, it will be a very big challenge to get it off the ground. The nice thing about San Jose's experience is that LGU is very supportive.	**Response by:** Ms. Ledesma **Response:** That's true, especially since we are discussing local development for inclusive growth. For instance, if, in the case of San Jose, it supports the onion farmers, but what about farmers focusing on other agricultural products? (to Mr. Alfonso) How inclusive is San Jose's agricultural office? **Response by:** Mr. Alfonso

	Response: We also have project for other products, like assorted vegetables. Often, it depends. It will really help if there are cooperatives or groups involved who can lobby for LGU support. By necessity, when there are more people backing one kind of endeavor, the local government will focus on that.
Remark by: JP Padua, ASKI **Remark:** I agree with Jimmy, it can be very difficult to get LGUs to support efforts that do not meet its needs, especially when it lacks skilled personnel. Instead, we have opted to find ways to get our Farmer Entrepreneurship project off the ground without having to pull the LGU for support. So our project creates a farmer accreditation system where accredited farmers train their local communities. (No response or responses of note received.)	
Remark by: Hannah, San Jose LGU **Remark:** The reality is that LGUs are political. This year, our mayor is actually about to end her term, so we are trying to find a way to institutionalize the system and make it independent so that it can exist independently even if the next mayor does not support it.	**Response by:** Ms. Ledesma **Response:** Not all LGUs have such proactive and responsible leadership, so it is fortunate. San Jose can serve as a role model for other LGUs who may not have such a well-developed farm entrepreneurship system. Are there similar idea exchange systems for Negosyo Centers? **Response by:** Mr. Javelosa **Response:** Not yet, but this is definitely a good idea. I will bring this up at the Senator's office.

About the speakers

Mr. Marco Camilo C. Javelosa is a Programs Officer from the Office of Senator Bam Aquino. He is currently involved in the nationwide roll-out of Negosyo Centers in coordination with the DTI as the main implementing agency, as well as LGUs, private partners, and stakeholders from various sectors. He is also currently completing his master's degree in Public Management at the Ateneo School of Government.

Mr. Wilfredo A. Alfonso is Agriculturist II of the City Agriculture Office of San Jose, Nueva Ecija. He is the Agro Enterprise Facilitator for the Farmer Entrepreneurship Program. He worked with farmers to introduce them to institutional marketing. In 2013, he was awarded the PAGASA Award for Civil Service for Most Outstanding Public Government Officials and Employees.

Ms. Consuelo G. Valenzuela is a successful entrepreneur-client of Alalay sa Kaunlaran, Inc. (ASKI) in Baler, Aurora. She is the 2006 awardee for the Citi Microentrepreneur of the Year Award. She has also qualified as a recipient of training from the Goldman and Sachs 10,000 Women initiative, which "provides business and management education to underserved female entrepreneurs in developing and emerging markets."

Breakout Session: Private Sector Involvement in Inclusive Growth

The business sector is investing its resources in long-term social programs that go beyond the requirements of regulators. Companies engage in meaningful partnerships with other non-government organizations, local government units, and government agencies. Their concrete programs contribute to community development, environmental protection, health, education, and initiatives for economic progress. This session will look at collaborations that have created strategies for resource sharing that produce ideal results. More importantly, the emphasis will be on social business programs that create awareness on what remains to be done and inspire other organizations to embark on complementary activities.

Driving Financial Inclusion, Promoting Economic Progress

Ms. Aneth Lim presented on the mission and focus areas of Citi Philippines and explained how the company drives change in communities through business activities and philantrophic efforts in developing solid partnerships. The mission and focus areas of Citi Foundation has three legs: (i) it promotes economic progress in communities by enabling financial success through financial products and capital to support financial inclusion and the growth of business enterprises, and these provide new income generation and/or employment opportunities for low-income individuals; (ii) it provides youth economic opportunity by catalyzing jobs, enabling young people opportunities, especially increasing the number of low-income youth who complete post-secondary education who become employed or start their own income-generating businesses; and (iii) urban transformation by building thriving cities

through urban-focused initiatives, leading and contributing to economic progress and/or environmental sustainability of low-income individuals and communities.

Citi Philippines invested in financial inclusion efforts to develop a more inclusive financial system that gives greater access to financial products, services and capital to low-income communities and individuals. Financial Inclusion aims to increase financial products and capital to facilitate the growth of businesses that provide new income generation and/or employment opportunities for low-income individuals, and to increase the number of low-income adults or youth who develop financial capability (adopt positive financial behaviors and accumulate and preserve financial assets). Those who were trained underwent a paradigm shift, learned to do more complex analysis and follow-through in investment. Financial inclusion is where Citi invests (2013-2015).

Lim also touched on the Citi Microentrepreneurship Awards (CMA), which is the largest and longest-running Citi branded program advancing microfinance and broader financial inclusion efforts in over 30 countries. CMA was developed in the Philippines. It aims to raise awareness of the importance of microentrepreneurship and microfinance in supporting the economic empowerment of low-income individuals; and catalyze innovations among MFIs that will lead to the increased supply of demand-driven products and enhanced client capability.

Safe Drinking Water Program

Mr. Deepak Saksena, Unilever Global Partnerships Director-Water Business, and Mr. Brian Duruin, Pureit Business Manager, discussed the Pureit product and program.

Mr. Saksena spoke of the United Nations' recognition of access to clean water and sanitation as a human right, and the recommendations of the World Health Organization concerning the challenge of providing safe drinking water (which is that in-home purification is better than public purification). He detailed the advantages and disadvantages of current methods of purifying water such as boiling water, using water-purifying liquids and tablets, buying bottled water, and using premium purifiers. Mr. Saksena then compared these methods to the Unilever Pureit Safe Water program. Unilever makes it a mission to provide safe drinking water in view of the UN and WHO declarations. This includes a partnership model for a program that makes a durable, reliable water-purifying product accessible to the poor.

Mr. Duruin spoke about Pureit's partnership with MFIs. Unilever chose MFIs as partners because of their triple bottomline and their reach in otherwise difficult-to-reach areas. The partner MFIs are Ahon sa Hirap, Inc. (ASHI) and Kasagana-ka Development Center, Inc. (Kasagana-ka). Concerns in developing the partnership model include whether the product will lead to more defaults, and if it will overburden MFI staff. In order to minimize the risk of failure, the product was reasonably priced and was made available to clients to pay in weekly installments. Unilever provided detailed product information, including the benefits of the product (safety, savings, convenience) and its limitations (Pureit cannot desalinate water). The company conducted promotions and sales activities. Unilever staff talked to MFI loan officers and staff. Before product demonstration, Unilever also had education campaign for members on Pureit during center meetings. There were eight pilot branches, and over 10,000 client members were given Pureit orientations. Of these, 60 percent showed interest in availing of the product, but only 20 percent of the 10,000 (2,000 members) were immediately eligible to

purchase it. Nearly all ASHI staff said that the exercise was satisfactory (95 percent). Pureit scaled up to provide for the remaining branches of ASHI and Kasagana-ka.

Mr. Duruin shared that it was important that this program was conducted with like-minded partners who believe that WASH is integral to inclusive growth. They also found that if the weekly installment price was lower than what the clients spend on water, the interest translates into action, that is, purchase. Most of the clients were dual users: adults drank water from deep wells and children drank purified water. The full collaboration with field staff was also appreciated, as was presenting in center meetings, where client members needed to visit multiple times in order to convince the entire family of the merits of the product and to approve the purchase.

Discussion

REMARKS	RESPONSES
Remark by: Joseph from Legaspi **Remark:** How is the product going to be maintained/serviced? What are the logistics of fixing a broken device if we have this in Legaspi?	**Response by:** Mr. Deepak Saksena **Response:** Unilever assumes the responsibility of all after-sales servicing. Before they start selling the product, the company identifies the after sales services. These may vary per region, but they will be provided by Unilever. **Response by:** Mr. Brian Duruin **Response:** Unilever deployed a workforce into centers and branches stationed in the area. Members of this workforce are also educators that work on relationship-building and after-sales servicing. They are the first line of response. Although the most convenient way to air concerns is to contact the Pureit call center, clients prefer to contact either the person who sold them the product, or their loan officer. Clients can also text their center chief and branch manager if there are problems with the device. If the issue remains unresolved, a call is made to the call center that will schedule a technician to make a house call. Unilever is committed to protecting its brand name through after-sales service.
Remark by:	**Response by:**

Lalaine Joyas **Remark:** Is the product commercially available?	Mr. Duruin **Response:** Yes, the product is commercially available.
Remark by: Ed Jimenez **Remark:** What has been the Philippine experience of this product?	**Response by:** Mr. Saksena **Response:** The Philippines has learned from the prior experiences of other product launches, but the philosophy has always been – before selling anything to the poor, a product should be sold to the rich. The poor have as much aspiration, and have no intention of remaining poor. They want to use the same products as the middle class and the rich. Never launch your product first with the poor. Make it available to the rich and middle class first. It forces the company to provide the poor with the best of everything. Pureit is now the world's largest selling water purifier (at 12 million units) and a bulk of these sales are from the middle class and the rich. If there are parts of Pureit that need to be replaced, it is in Unilever's best interest to keep their consumers happy. **Response by:** Mr. Duruin **Response:** Unilever has a reputation to protect, and the burden on them to prove the quality of this product is huge. If it does not do a good job of servicing, repercussions include lowering the reputation of the Unilever brand in this country, which would be costly. This is the enlightened self-interest of the company, the vested interest. **Response by:** Mr. Saksena **Response:** The consensus is that Pureit is a technically resilient

	device. It has no moving parts and nothing really goes wrong with it. In India 99.5 percent of calls are for replacing the tap. The same is true in Kenya and other countries. The call center might not be useful to MFI clients, since the client is more likely to call the loan officer directly. In order to track complaints, a register may be made with loan officers, who will inform the Pureit PWE and resolve the matter within three days. There can be various after sales solutions that can be developed, and over time, a couple of retailers can become service providers. It is in Unilever's best interest to work with MFIs.
Remark by: Elfred del Rosario, Commission on Filipinos Overseas **Remark:** What are the qualifications to be classified as microentrepreneur?	**Response by:** Ms. Aneth Lim **Response:** Citi Philippines uses the government definition of microentrepreneur. CMA awardees need to be MFI clients, because Citi needs the MFIs to vet the candidates and evaluate their payment history.
Remark by: Boy Solarte **Remark:** We had a bad experience with a company that sold solar-powered products. From that, we realized that after-sales service is important, especially when selling equipment. The speed of the response to problems influences the clients' conscientiousness in making weekly payments for the product. If the response is delayed, the clients won't pay for the product, which will result in problems with ratings, affecting MFIs negatively. There was mention that there were people in the field. But if there are many units sold, then the number of after-sales staff might be spread thin. Geography also needs to be considered.	**Response by:** Ms. Mercy Abad, ASHI **Response:** The after-sales service has been very good over the past four months of their partnership. The response has been very quick. There was a case where there was something wrong with the equipment, and Unilever replaced it. Their staff were also patient with the clients. She hopes this type of service will continue. ASHI is now going to sell the product in Cavite and Kalibo, the hinterlands, so this may test the after-sales service further. **Response by:** Ms. Judy, Kasagana-Ka **Response:** The after-sales service was quick. The clients also know that they can contact the PWE, apart from informing their

	loan officers if there are any problems. **Response by:** Mr. Duruin **Response:** One of the pilot areas was Talim Island, which was one of the best ways to test the after-sales service of the program.
Remark by: Tess Ganzon, Bangko Kabayan **Remark:** Given that Citi is now trying to track the progress of earlier winners, there were clients that won the MOTY but their businesses went down after. Out of all the winners, there is only one whose business is still doing okay. For Pureit, how much does the MFI earn? Is there a sales discount? Are the prices regulated?	**Response by:** Mr. Saksena **Response:** The margins are reasonably uniform for all partners. The product will not be sold at a discount in the marketplace. **Response by:** Mr. Duruin **Response:** It depends on the MFI whether they want to earn from loan interest, take the margin, or avail of both. However, the company ensured that before the program started, the final price was aligned with the interest. Pureit business representatives must explain to SM and Abensons that Unilever is marketing a different SKU in retail.
Remark by: Irma Cosico, ASKI Global **Remark:** Is the person in charge of Pureit a water specialist? Does Citi measure the impact of Citi's intervention on families?	**Response by:** Mr. Duruin **Response** Staff for Pureit are trained using modules developed by Unilever microbiologists so it can be said that they are specialists in water purification. **Response by:** Ms. Lim

	Response: CMA has launched two studies to track past winners. Some winners fail for various reasons, for which Citi provides interventions. In a microbusiness, it is always about family and community, so that is tracked as well.
Remark by: Jeng Juan, APPEND **Remark:** Where are Pureit water purifiers made? Is it possible to have the manufacturing firm established locally?	**Response by:** Mr. Duruin **Response:** The product is manufactured by Unilever but mainly in India, where it was started. If the demand rose in the Philippines, there may be a possibility of manufacturing the product locally.
Remark by: Lalaine Joyas **Remark:** What is the future direction for Citi? What are the areas of interest?	**Response by:** Ms. Lim **Response:** Citi has changed its direction far too many times and it is now focused on sustainability specifically in finance. There are efforts to serve clients that the bank cannot do business with directly by partnering with local organizations.

About the speakers

Ms. Aneth Ng-Lim assumed the role of Director for Public Affairs and Corporate Citizenship for Citi Philippines in September 2010. She is responsible for building and maintaining Citi's relationship with various stakeholders including employees, media, alumni and community partners. She joined Citi in 2000 to handle Public Relations and Communications for the Consumer Bank. Her role later expanded to Consumer Education Head, where she spearheaded initiatives to enhance money management skills among consumers including Use Credit Wisely, the longest running credit education campaign in the country.

Prior to Citi, Aneth held key communications positions in the media, government and the private sector with Manila Bulletin, the Senate of the Philippines, Ayala Land, Inc., and Coca-Cola Bottlers Philippines respectively.

Mr. Deepak Saksena is a pharmacist working with Unilever-India as Global Partnerships Director-Water Business. He is responsible for forging sustainable partnerships with microfinance institutions, non-government organizations, social businesses, and government programs to provide safe drinking water to low income families.

The Unilever Safe Water program is a widely acclaimed model of sustainable business and is extensively studied and reported by reputed consulting firms and institutions such as Harvard Business Schools and London School of Hygiene & Tropical Medicine, and has been described in detail in published books such as "Everybody's Business" by British authors Jon Miller & Lucy Parker.

Mr. Brian Duruin is the Business Manager for Pureit.

Conference Synthesis

Dr. Asuncion Sebastian sums up the primary concern for MCPI's 2015 Annual Conference with the question, "How can the microfinance industry contribute to inclusive growth?"

In order to tackle this question, it was first framed within the Philippine context. Conventionally speaking, a nation's GDP is inversely proportional with its poverty levels, which is to say that when a nation's GDP increases, its poverty levels will see a commensurate decrease, as various industries and economic sectors see improvement in business and an increase in income. In the Philippines however, this is not the case. In fact, alongside the Philippines' increased GDP, poverty levels have increased as well, suggesting that economic growth in the Philippines has failed to include or encompass the sectors of society that need this growth the most.

This development must be seen alongside the concerns, challenges, and opportunities raised by the ASEAN economic integration. In light of this, one of the most pressing concerns for microfinance institutions is the increase in competition from banks and other financial institutions in other ASEAN nations. Currently, local commercial banking institutions are responding with increased consolidation: absorbing smaller institutions in order to fuel growth and improve internal stability. How can smaller institutions, such as rural banks and microfinance NGOs focused on poverty reduction and social development compete against large commercial institutions with more reach and financial resources? How can ASEAN integration and banking consolidation be reconciled with the idea of financial inclusion –of including the excluded?

ASEAN integration also raises concerns about the state of agriculture and retail trade in the Philippines. Many microfinance clients are engaged in these industries. While discussions during the conference conclude that these industries will not be dramatically affected, Dr. Sebastian offers anecdotal evidence that many small local businesses do not feel confident that they can compete with the imported products and better-supported businesses from other ASEAN countries.

Despite all the positive developments in the Bangko Sentral ng Pilipinas, PhilHealth, SSS, and other government agencies and GOCCs, there are still considerable gaps. Many microfinance clients and other sectors living below the poverty line do not or cannot avail of the benefits and protections offered by these government entities, and the discussions during the conference have shown that there may still be disharmonies between policies and programs that hamper effective implementation.

Inclusive growth within the Philippine context and in light of ASEAN Integration have been discussed and addressed among the higher levels of government and among development practitioners and NGOs, but there continues to be a marked lack of communication with the stakeholders themselves: the owners and proprietors of the very micro, small, and medium enterprises that form the backbone of the Philippines' (and in fact, much of Southeast Asia's) inclusive development agenda. While the Philippines has a strong and relatively mature microfinance industry, the discussion on developing and strengthening micro, small, and medium enterprises on a national level has only recently begun to take concrete shape.

Concepts such as value chain financing, disaster risk reduction management, digital finance, and microfinance support for overseas Filipino workers had not been considered before. Now, as the breakout session topics in this year's MCPI Annual Conference suggests, these matters are the subject of much discussion and speculation among microfinance practitioners. Process innovation has accelerated in light of the product homogenization of a maturing Philippine microfinance industry. Ten years ago, local microfinance institutions would not have been willing to engage the government and the private sector, but that is clearly no longer the case. Activities geared towards coordination, capacity building, resource and knowledge-sharing, and project partnerships among diverse entities have increased. This interaction is seen across the board – from multinational corporations with corporate social responsibility concerns, to small community groups attempting to pool their resources and improve their living conditions.

Given these developments, another question must therefore be asked: what is microfinance's vision for the Philippines? Before, MFIs merely provided credit to micro, small, and medium enterprises, but more and more institutions are now explicitly involved in the business of poverty reduction. What can this mean? What must we keep in mind?

One important point emphasized by Dr. Sebastian was that the individual microfinance client – the "*nanays* and *tatays*" who generate micro, small, and medium enterprises to help provide for their families and communities - must never be forgotten. In an institution's mission-directed push for poverty reduction, the *nanays* and the *tatays* must be respected and considered partners. They must always be placed at the core of a microfinance institution's operations. However, institutions that support entrepreneurs must also work to prevent their clients from growing to become exploitative themselves. Even within microfinance institutions themselves, the creation of social mission-based individuals should be integrated into their operations.

The discussions generated by the first question raised in this conference – of how the microfinance industry can contribute to inclusive growth - has unearthed even more questions and challenges. But the industry has shown that it has the wherewithal to rise up to them. In closing, Dr. Sebastian reminds the participants to recall Dr. Estanislao's talk on good governance - to contribute to inclusive growth, each and every participant must: Think big, think long term, think strategies, and think steps.