

coop MONITOR

A Quarterly Publication of



MASS-SPECC
COOPERATIVE DEVELOPMENT CENTER

MEASURING THE ACHIEVEMENT of Our Movement Vision

The movement vision adopted by affiliates of MASS-SPECC is, for all purposes, a watershed event in the life of the co-operative movement in Mindanao. It was crystallized in a workshop participated in by co-op leaders from around Mindanao in 2017, a year after the 50th-anniversary celebration of the federation, and formally approved by the general assembly of MASS-SPECC on May 27, 2018.



It was a watershed because it marked a collective commitment to refocus the development of co-operatives in Mindanao from the perspective of their members – the very people who joined the organization wanting to provide for their financial and other needs. If before co-op success was seen mostly in terms of financial performance (increase in assets, in deposits, in income, etc.), now such success should

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be reflected in the real improvement in the lives of those members.

Indeed, co-operatives have grown as enterprises in the last 50 years. If co-operatives return to their growth trends before the pandemic (*see the report on the financial performance of co-operatives on page 3*) up to 25% of MASS-SPECC affiliates will have reached the billion asset threshold in 5 to 10 years from now. But this will no longer be enough as a key measure of co-op success.

With the new movement vision, the key measure of success will be the impact of the co-operative on the lives of their members. Of particular concern are members who are considered poor or who belong to the lower-income sector of the population. Have their economic well-being and welfare improved because of the co-operative? Have all members become better off now than before?



Measuring Co-op Impact on Members

There has to be objective measures to determine whether such impact has, in fact, been achieved. And these measures have to be formulated – and agreed upon – by the co-operatives themselves.

This is exactly what MASS-SPECC initiated last year. Following its governance structure, the federation started the consultation on the ground. The question was put to the co-op clusters (groupings of 8 to 18 co-operatives in contiguous areas in all regions of Mindanao): What does “better quality of life of co-op members” mean to you?

Several ideas and suggestions came out of the discussions at the cluster level. These ideas were consolidated and discussed further in the Cluster Officers’ Forum/Workshop in October 2020. The results of the discussion were put to the Regional Steering Committee (RSC) meetings in November 2020 for further refinement.

One indicator – *that members are financially secure and literate* – was recommended by the RSCs to signify the achievement of the movement vision in 5 years. Four (4) measures will be used to determine whether members are indeed financially secure and literate. These measures are: 2 for annual income received or earned, 1 for annual share capital contribution, and 1 for annual savings deposit accumulated in the co-operative.

The bottom line is that no member should have an annual income below the poverty threshold. In other words, poor members at present should have moved to the next income level in 5 years, which is the period of reckoning or at which time *all members should have achieved better quality of life*. Actual figures for individual members (income, shares, and deposits) at the end of 2021 will be used as a baseline in tracking the financial standing of members on a yearly basis.

The indicator and measures will be formalized into a resolution during the regional Ownership Meetings in April 2021 to be endorsed to the MASS-SPECC general assembly in June 2021 for final approval.

Support Actions

In support of the resolution, MASS-SPECC is undertaking two concrete actions to assist co-operatives in achieving the movement vision.

Monitoring system. An MIS tool is being developed right now by the ICT Projects Unit of the federation that is designed to generate data on income, shares, and deposits of individual members yearly. The tool will be integrated into the core banking system of the co-operatives to facilitate the generation of data.

Co-operatives will use the tool in monitoring the financial standing of individual members and their progress in line with the movement vision.

Wealth Building Program. A Member Wealth Build-Up Program is being developed for co-operatives to use in helping individual members become financially secure and literate. It is a holistic financial literacy program designed to help members acquire financial knowledge, skills, and attitude, develop desirable financial behavior, and achieve positive financial outcome.

The program will enable members to manage their income and expenses, manage their debt, and build their net worth. It will also help members set and achieve financial goals, determine their life insurance needs, and even engage in investments. A mobile and web-based application will be developed to enable members to track their journey towards financial freedom.

The program includes the training of co-op financial advisors who can accompany members in their financial journey. It will also include the development of progressive savings and investment products for members, as well as a marketing program for this purpose.

These two support actions are MASS-SPECC’s commitment to help ensure that co-operatives are equipped to help *all members achieve better quality of life*. RMV



We have started to receive from our member-cooperatives audited financial reports as of the end of 2020, a year of uncertainty and difficulty brought about by the coronavirus pandemic. The figures that are shown here may change as we get more financial reports. But already they show downward trends in key financial indicators, as expected.

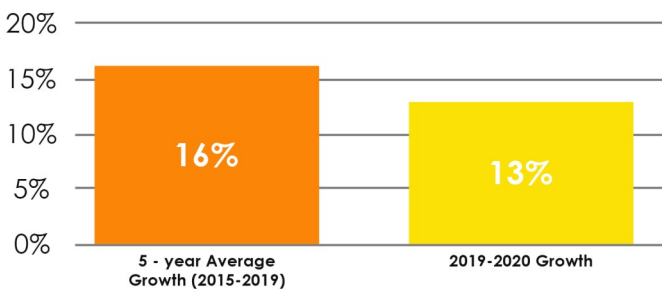
The same trends are reported by other businesses in almost all industries, including banks, thanks to the negative impact of the pandemic on almost all sectors of the national economy.

Shown below are average growth figures before the pandemic, from 2015-2019, and the comparative growth figures for 2020.

Total Assets

In the five-year period before the pandemic, growth in total assets was 16% on the average. This growth figure compared well with other businesses, including banks. But in 2020, total assets only grew by 13%, or a reduction of 3% from previous years' average growth rate.

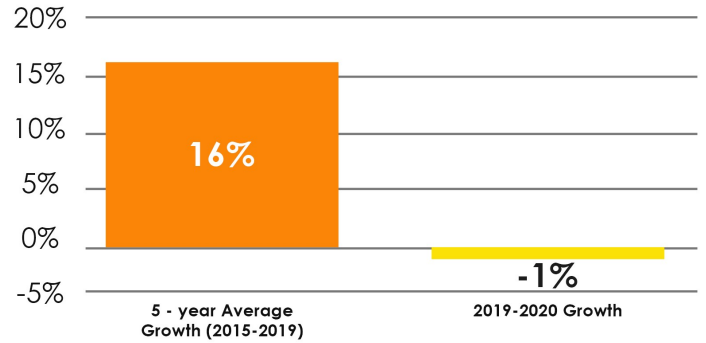
ASSETS



Total Loans Receivable

Contributing to the drop in total assets was the big reduction in total loans receivable. From 16% average growth rate during 2015-2019 period, loans receivable dropped to negative one percent (-1%) in 2020. This was the result of the drop in loan demand from members, combined with repayments of outstanding loans.

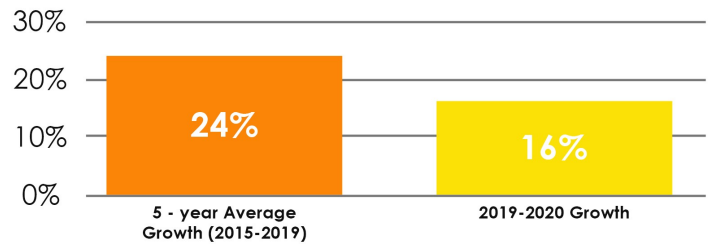
LOANS RECEIVABLE



Member Shares

On the other side of the balance sheet, the share contribution of members also dropped by 8%, from the average growth rate of 24% during 2015-2019 period, to just 16% growth in 2020. This can be related to the drop in loan demand as members tend to increase their share contributions when they intend to borrow more.

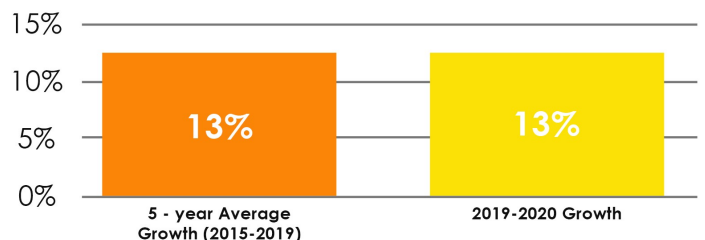
MEMBER SHARES



Deposits

It was the deposit accounts of members that showed some resiliency. Deposits grew by 13% in 2020, equal to the average growth rate of the 2015-2019 period. This means that members continued to see the co-operative as source of funds for their cash needs.

DEPOSITS



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Co-op leaders come together in forum on renewing PH economy amid pandemic

Around 200 leaders of co-operatives from Visayas and Mindanao gathered in an online forum last February 26, 2021 to discuss the crucial role of co-ops in revitalizing the country's economy amid a global health crisis.

Resource speaker Dr. Cielito Habito, a multi-awarded economic professor from the Ateneo de Manila University, described the journey ahead of renewing our economy as "two wheels on a bumpy road."

"Poverty and hunger have escalated due to the pandemic," Dr. Habito said, adding that "hunger has doubled from 2019 levels and is elevating already to high rates of severe malnutrition and stunting among young children."

PiTik performance of 2020

In his presentation, Dr. Habito showed that the three 'big hits' in 2020 performance were *Presyo*, *Trabaho*, and *Kita*, which he coined as "PiTiK Performance."

He said that *Presyo* (prices) of goods and services have been steady, but are now picking up from 2.5% in FY2019 to 2.6% in FY2020.

In terms of *Trabaho* (jobs), unemployment zoomed with 7.25M (with a rate of 17.7%) jobless Filipinos in April 2020, as compared to 5.1% in April 2019. The unemployment rate has eased to 10% in July 2020 and then to 8.7% in October last year.

As to *Kita* (income), Dr. Habito said that our Gross Domestic Product (GDP) in 2020 fell into recession for



the first time in 29 years to -9.5% compared to 6% in 2019.

He added that the manufacturing sector sees continued contraction due to lockdowns and weak demands. There is also a steep drop in exports and even more in imports.

Remittances from Overseas Filipino Workers (OFWs) were up since September 2020 after falling again in August, garnering a full-year down of only -0.8%.

Human cost of economic decline

Dr. Habito, who is also a columnist behind the "No Free Lunch" in the Philippine Daily Inquirer, said that beyond the statistics and numbers in the state of our economy, the most telling is the human cost of economic decline.

He described: "Poverty and hunger have escalated, and education has taken the severe blow. Remote learning leaves behind children of the poor and far-flung communities with limited or no connectivity at all. These threaten the very future of the country in the social, economic, ecological, political, and cultural realms."

"Aside from agriculture and banking, the digital economy is the only other major sector to see growth during the pandemic, along with the allied logistics services (such as shipping)"

Despite the economic decline of the country, there are ways forward where co-operatives can partake and lead. Dr. Habito humbly suggested the following:

1. Promotion of agri-cooperatives where development and strengthening of capacities must be a key performance indicator of the Department of Agriculture, and with an allocation of appropriate budget.
2. Establish, through public-private partnerships, a well-funded Co-operative Leadership Academy (or a Co-op Leadership Training Institutes) to identify, train, and nurture co-operative leaders and managers, similar to South Korea's Saemaul Undong Training Institutes.
3. Federate and foster co-ops towards moving more widely across the agricultural value chain, known as the "Finance-to-Field-to-Fork Approach."

Co-ops going digital

For Dr. Habito, this is also the right time for co-ops to emphasize digital transformation in delivering their products and services.

"Aside from agriculture and banking, the digital economy is the only other major sector to see growth during the pandemic, along with the allied logistics services (such as shipping)," he said. "This will help foster

accelerated agriculture and agribusiness growth via application of digital tools to improve value chains."

Bernadette Toledo, Chief Executive Officer of MASS-SPECC, the largest regional co-op federation in the country, shared that "co-operatives have proven most resilient during times of crisis of global proportions."

For Toledo, co-ops thrive and succeed in difficult times when they remain socially relevant, when they are focused on their members' welfare and well-being, and when they are integrated into a comprehensive co-operative system."

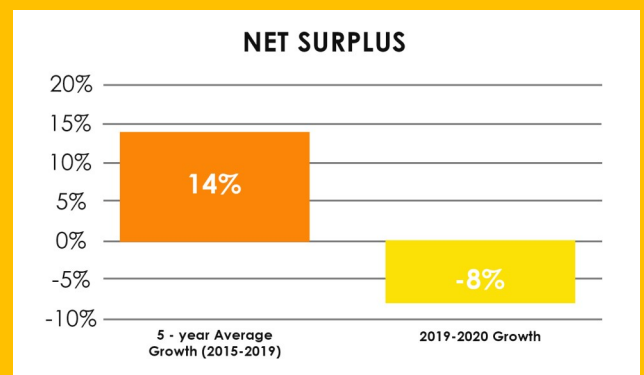
The said forum – organized by MASS-SPECC Cooperative Development Center – also featured talks from DOH-10 Center of Health Development Head Dr. Elma Oclarit on the government's vaccination program, and Cooperative Development Authority Undersecretary Orlando Ravanera on co-op initiatives during the pandemic.



...continuation from page 3 **Impact of the Pandemic on Co-op Performance...**

Net Surplus

Perhaps not surprising at all was the big drop in net surplus. From the average growth rate of 14% in the 2015-2019 period, net surplus dropped to negative eight percent (-8%) in 2020. This was a direct result of the big drop in loans receivable, which is the main source of income of the co-operative, as well as the expected increase in non-performing loans.



We have rounded up some of the relevant economic highlights and market trends during the first quarter of 2021 that reflected both our struggles and successes as we continue to endure the profound social and economic impacts of a global health crisis.

2020 JOB LOSSES HIGHER THAN 2009 FINANCIAL CRISIS

A report by the International Labor Organization showed that work hours equivalent to 255M full-time jobs were lost in 2020 due to COVID-19 pandemic, about four times the job losses stemming from the economic slowdown triggered by the subprime mortgage crisis in 2007-2009.

According to the seventh edition of the "ILO Monitor: COVID-19 and the World of Work," the reduced work hours were attributed to rising unemployment and underemployment due to the economic effects of the pandemic.

The ILO estimated the loss of full-time jobs at 114M. The working hours lost resulted in a decline in worker income of 8.3%, equivalent to \$3.7T or 4.4% of global gross domestic product. (Source: Business World)

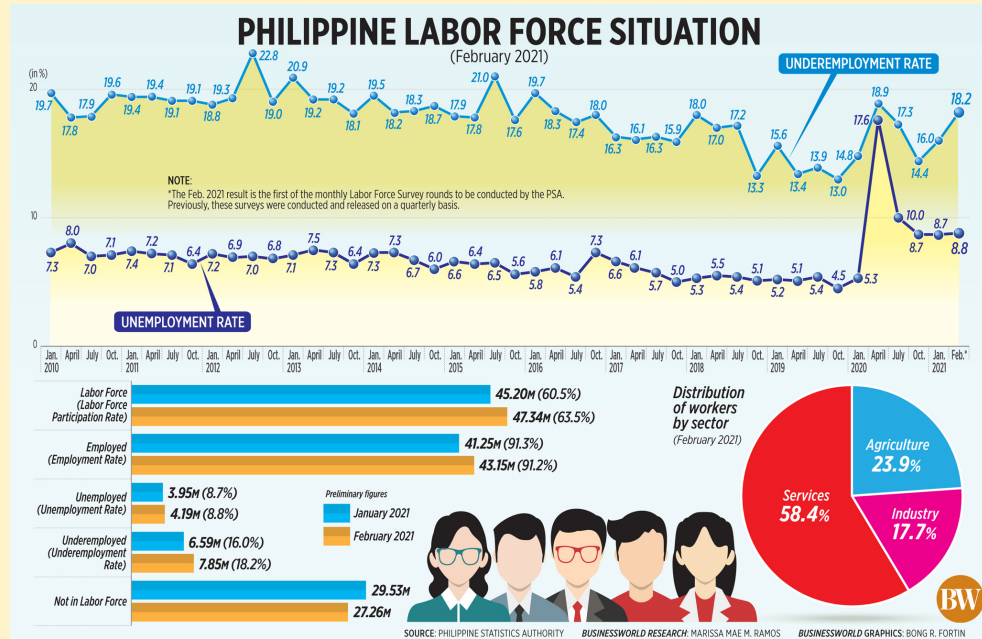
UNEMPLOYMENT HITS RECORD HIGH: 4M FILIPINOS JOBLESS IN JANUARY

The annual unemployment rate in 2020 reached a record-high 10.3% versus 5.1% in 2019. This is equivalent to 4.5M Filipinos who do not have jobs. The 10.3% unemployment rate is way above the 3.8%-5.2% target set in the Philippine Development Plan 2017-

2022 for this year.

The underemployment rate or the proportion of those working but are looking for more work or longer working hours, increased to 16.2% (or 6.4M) from 13.8% the previous year.

The employment rate, which is the proportion of the employed to the total labor force, likewise declined to



Source: <https://www.bworldonline.com/jobless-filipinos-hit-4-2m-in-feb/>

89.7% from 94.9% previously. This translates to around 39.4M employed, from 41.9M the year before. This equates to a net job loss of 2.6M last year versus the government's annual target of 900,000 to 1.1M.

The services sector accounted for the biggest proportion of the employed population with a 56.9% share in 2020, down from 58.4% a year earlier. Industry accounted for 18.3%, also down from 19.3% in 2019. Meanwhile, the share of those employed in the agriculture sector increased to 24.8% from 22.2%.

To address high unemployment, economic managers proposed the "gradual and safe relaxation" of

quarantine restrictions along with the implementation of “localized quarantine” when necessary; the expansion of age groups allowed to go out to boost consumer demand; and the further opening of public transportation while supporting active transport such as more protected bicycle lanes.

Labor Secretary Silvestre Bello III expects a “better and more improved employment performance in the coming months” as more vaccines become available and that more Filipinos are getting vaccinated. (Source: *Business World*)

JANUARY INFLATION SURGES TO TWO-YEAR HIGH

Expensive food, especially pork and vegetables, lifted headline inflation to a two-year high of 4.2% year-on-year in January, making it harder to enjoy more consumer spending amid a prolonged recession. Not only was the rate of increase in prices of basic commodities the highest since January 2019’s 4.4%, but it was also above the government’s target range of 2% to 4% for 2021.

The impact of high prices was worse for poor households as inflation for the bottom 30% income households climbed to 4.9%, also the most elevated in two years. In a report, the Philippine Statistics Authority said the surge in inflation among the poor was mainly due to faster price spikes in food and non-alcoholic beverages.

Meat inflation jumped to 17% from 10% in December 2020, due to higher pork prices caused by the African swine fever scare. The 21.2% year-on-year jump in vegetable prices also outpaced December’s 19.7%. Fruits were more expensive by 9%, a bigger increase than the 6.3% in December. Fish prices rose 3.7% at the start of 2021. (Source: *Philippine Daily Inquirer*)

VIRUS EXPECTED TO LAST LONG-TERM DESPITE VACCINE ROLLOUT

The head of the European Union’s disease control agency warned that COVID-19 could last indefinitely

even as global infections slowed by nearly half in January 2021 and vaccine rollouts gathered pace in



Source: https://pngtree.com/freepng/economic-recession-due-to-covid-19_5348316.html

parts of the world.

European Centre for Disease Prevention and Control Chief Andrea Ammon urged European countries in particular not to drop their guard against a virus that “seems very well adapted to humans” and may require experts to tweak vaccines over time, as is the case for the seasonal flu.

After the latest harsh wave of a pandemic that started in China more than a year ago, glimmers of hope flickered as the rate of new COVID-19 infections has slowed by 44.5% worldwide over January 2021. More than 107 million people have been infected worldwide and nearly 2.4M have died from the virus. (Source: *Agence France-Presse*)

SWS: 31% OF FAMILIES WITH DISTANCE LEARNERS HAVE WEAK INTERNET

Around 31% of Filipino families with members studying through online distance learning have weak internet connection, according to survey results released by the Social Weather Stations (SWS) in March 2021.

Based on the survey conducted from November 21 to 25 last year, 39% of families with members aged 5 to 20 who are currently studying through online distance learning say they have a strong internet connection.

The survey also found that 86% of the families spend an average of P901 per month as additional expenses

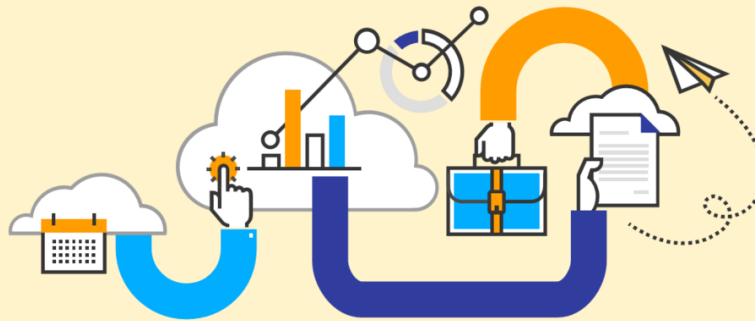


for internet connection. It likewise found that 56% of the families use prepaid internet connection, 41% use postpaid, and 5% rent internet use.

An estimated 4.3M or 14% of enrolled school-age Filipinos are exclusively participating in online distance learning, while 1.2M or 4% are in online distance learning mixed with modular distance learning. (Source: *Philippine Daily Inquirer*)

DIGITAL TRANSFORMATION IN PH AFTER A YEAR OF COVID-19

A survey commissioned by Epson in mid-2020 revealed that 55% of SMEs in the Philippines reported being at the “very early stages of digital transformation” and eight out of 10 (86%) identified digital technology adoption as the way to improve business processes, especially customer experience.



Source: https://www.pinclipart.com/downloadpngs/ibxJhmb_digital-transformation-vector-png-clipart/

Nearly three quarters (74%) of the respondents have embarked on the digital transformation journey that mainly focused on the marketing and sales as well as customer interaction and servicing parts of their businesses.

Another survey commissioned by Alibaba Cloud revealed that a majority (94%) of Philippine businesses view cloud-based technology solutions as an important factor in mitigating the impact of the pandemic. The financial services and the business process outsourcing sectors are leading the migration to cloud technologies. In fact, the banking sector has seen an acceleration in digital banking initiatives as part of its digital transformation strategy.

Data from the Bangko Sentral ng Pilipinas revealed that electronic payment (e-payment) transactions coursed through the automated clearing houses of the National Retail Payments System rose to P444B as of September 2020. Payments made through PESONet

more than doubled, with volume surging by 264% year on year and value rising by 160% over the same period. (Source: *Business World*)

ACCELERATED DIGITAL TRANSFORMATION TO CONTINUE IN 2021

Four trends will shape the technology and telecommunication market in 2021: (1) accelerated artificial intelligence or AI automation in operations; (2) reshaping of the technology landscape by remote solutions; (3) mainstreaming of digital health and well-being; and (4) increase in intelligent resilience investments.

The disruptive impact of 2020 has required many industries to adapt rapidly and has increased demand for services or solutions that deliver greater degrees of automation and autonomy.

Retailers and service providers will continue to adapt by investing in efficient and cost-saving operations. Automation will improve customer experiences, and AI’s benefits will be felt from both front-end and back-end solutions.

Industries will continue to iterate work-from-home solutions in 2021 to make them more effective. Workers will benefit from this trend as firms’ annual budgets being invested into remote work upgrades.

Digital therapeutics will become integral to healthcare delivery as the pandemic recedes in 2021. Wearables are key to combating the spread of COVID-19 once privacy concerns are addressed. The large volumes of contact tracing data also mean digital health companies will have the material to refine their AI models.

Internet of Things (IoT) security concerns will be addressed by confidential computing, a technology

that isolates and protects sensitive data. Benefits include a reduced risk of advanced cybersecurity attacks on end-users, as well as increased trust in cloud services for processing data.

The Philippines ranked 11th in the 2020 Cloud Readiness Index, down two places from its 2018 spot. The index measures the extent to which economies are prepared to adopt and roll out cloud computing technologies – infrastructure that involves using networks to allow online data storage, among other functions. (Source: *Business World*)

HOW SMALL BUSINESSES CAN RECOVER

The 2020's GDP plunge in the Philippines is the largest on record since 1946, even topping the mid-1980s crash. The pandemic and its adverse economic impact are testing the economy. However, the nation is seeing early signs of recovery with restrictions of movement lessening.

Given that SMEs account for 99% of registered businesses in the Philippines, along with providing 60% of the nation's jobs, most workers and business owners are heavily affected by the current economic turbulence caused by lockdown measures. COVID-19 is thought to strongly affect 68% of SMEs in the country, with only 13.4% slightly affected or not affected at all.



With global credit in short supply from banks, businesses are increasingly turning to alternative methods of raising money. A method proving to be successful and popular in the US, Europe, and Australia is quick-financing business loans. Quick financing (also named alternative lending) is an automated way of lending money to small businesses. With many alternative lenders being fintech startups, a new approach is taken to credit scoring.

Instead of business meetings and strict credit assessments, like with small business loans from banks, businesses are asked to supply online documentation regarding current finances. With automated scanning and interpretation of data, a verdict can be produced in a matter of days. Quick financing plays a key role around the world because it's solving a key problem for SMEs: cash flow. With cash flow being a key factor in SME insolvency, demand for alternative lending is on the rise.



The pandemic is thought to be a catalyst for speeding up technological adaptation too, with many businesses advised to work from home, along with the technology industry being one of few unscathed industries during the current economic crisis.

Solutions to project management and communication difficulties derived from remote work and social distancing have provided a large global opportunity. Whilst the pandemic has caused disruptions in overall demand and supply, tech supply and demand have remained relatively stable. (Source: *Philippine Daily Inquirer*)

CO-OP STORY: MICMA WINNER FEATURE

WITH A BRAVE HEART, BUILD YOUR OWN BUSINESS

"I am grateful to the MSU-IIT Coop because without them, my shop will not be established. For those who are still hesitant to start a business, they should not be afraid to do so because MSU-IIT Coop is here to help you."

John M. Acain used to work from one car company to another as a mechanic, until one day he decided to venture into opening his own shop. He named it "Motolab Parts and Services," located along Mahayahay Highway in Iligan City. Early on, he met a customer in his shop who introduced him to the idea of getting into a co-operative as a member. John, after attending the orientation seminar, found the programs and benefits of MSU-IIT National Multipurpose Cooperative (MSU-IIT NMPC) interesting, so joining was not a hard decision for him to make.



John has been an active member of MSU-IIT NMPC for five years already, reaping all the fruits of his hard work and labor. He availed of personal and business loans to develop his shop and acquire the equipment he needed to upgrade Motolab into what it is now.

From running their micro-enterprise, John and his wife Maria are able to send their two children to school and save up for the future with their deposits. The couple is grateful for the opportunities provided by the co-operative to maximize his skills and realize their dream of building their own business. Looking back, the co-op has been a big help to their family in braving life's challenges.



Their labor has indeed paid off and recognized. John, a resident of Iligan City and an active member of MSU-IIT NMPC, was hailed as the Nanlimbasog Award* Grand Winner of the Mindanaw Co-operative Micro-Entrepreneur Award (MICMA) in 2019.

John and Maria are now poised for further growth in the future. For those who are still hesitant to start their own business, John advises: "They should not be afraid to do so because MSU-IIT Coop is there to help you."

**The Nanlimbasog Category of MICMA is open to micro-entrepreneurs who successfully started a business that is now a reliable source of income for the family. Asset size of the microenterprise should have a market value of not more than P300,000.00, inclusive of those rising from loans, but exclusive of the land on which the particular business entity's office, plant, and equipment are situated. For more info about MICMA, visit our website with this link: <https://mass-specc.coop/about-micma/>*

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