

coop MONITOR

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ACHIEVING INCLUSIVE AND SUSTAINABLE GROWTH



For years before the COVID-19 pandemic, the financial performance of co-operatives in Mindanao was consistently on an upward trajectory. From 1915 to 2019, the average nominal growth rate of their assets was 16% while share capital and deposits averaged 24% and 13%, respectively. Growth in reserves and net surplus, on the other hand, averaged 19% and 14%, respectively, over the 5-year period.

The pandemic changed all that: growth in assets dropped to 10% in 2020 from the comparative figure in 2019, share capital and deposits dropped to 19% and 11%, respectively, while growth in reserves decreased to 15%. The impact of the pandemic on the operations of co-operatives was clearly seen in the bottom line, with many co-operatives incurring operational losses in 2020.

Things will change again starting this year, this time for the better as the economy gradually opens up and Covid-19 moves to the endemic phase. Co-operatives are once again expected to grow and gradually return to the growth path they experienced before.

But should the nature of that growth be the same as before? Or should we not instead re-define the meaning of that growth?

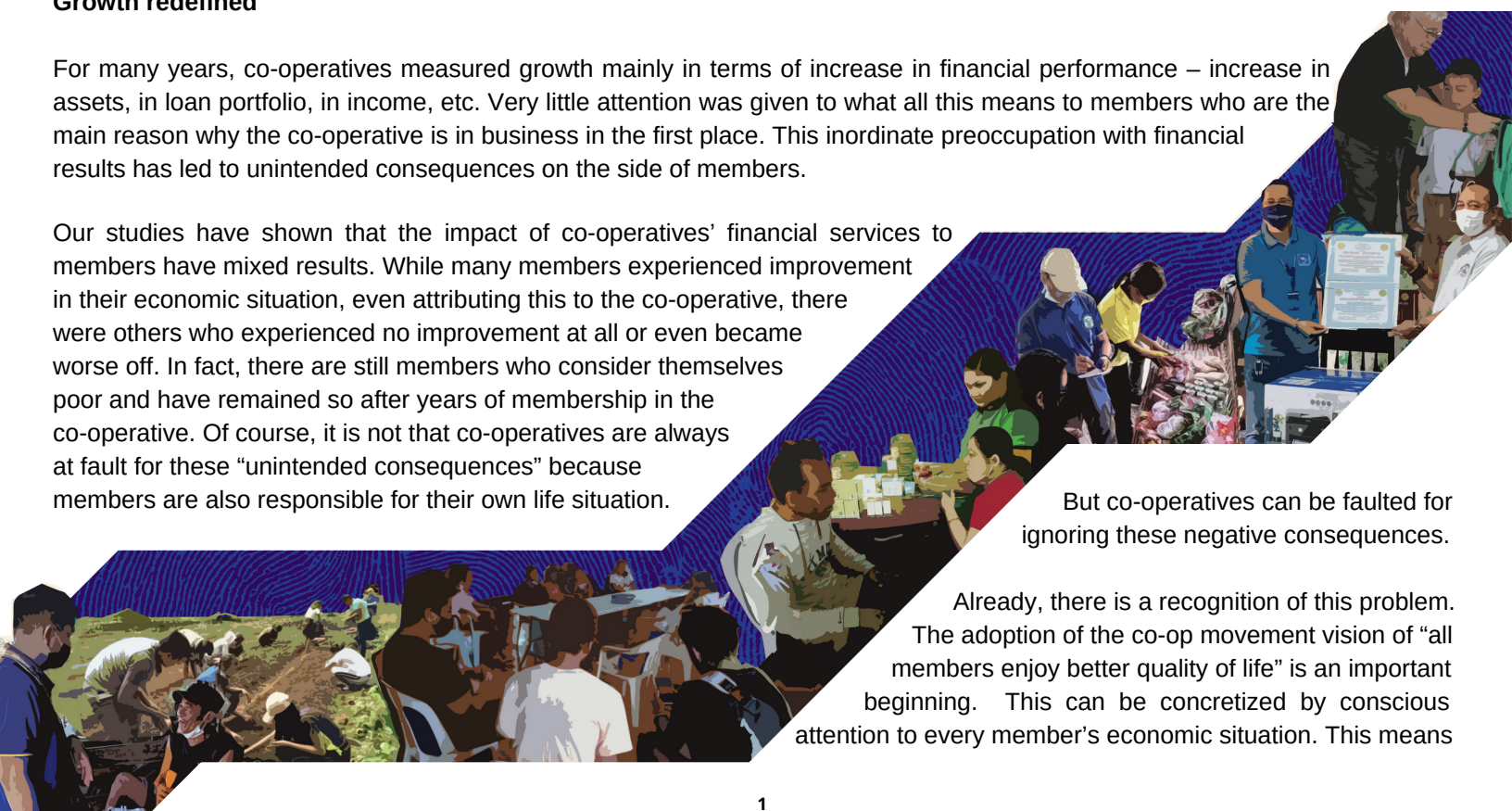
Growth redefined

For many years, co-operatives measured growth mainly in terms of increase in financial performance – increase in assets, in loan portfolio, in income, etc. Very little attention was given to what all this means to members who are the main reason why the co-operative is in business in the first place. This inordinate preoccupation with financial results has led to unintended consequences on the side of members.

Our studies have shown that the impact of co-operatives' financial services to members have mixed results. While many members experienced improvement in their economic situation, even attributing this to the co-operative, there were others who experienced no improvement at all or even became worse off. In fact, there are still members who consider themselves poor and have remained so after years of membership in the co-operative. Of course, it is not that co-operatives are always at fault for these "unintended consequences" because members are also responsible for their own life situation.

But co-operatives can be faulted for ignoring these negative consequences.

Already, there is a recognition of this problem. The adoption of the co-op movement vision of "all members enjoy better quality of life" is an important beginning. This can be concretized by conscious attention to every member's economic situation. This means





Sustainable Growth

Then there is the current preoccupation with 'sustainability' and 'sustainable development' that is growing in urgency because of the existential threat posed by climate change. As author Rick Miller notes: "Customers and employees are speaking up, expecting companies to be more socially and environmentally aware, accountable and responsible for the impact they have, and can have, in society. Today, sustainable growth means growth that is repeatable, ethical and responsible to, and for, current and future communities. And it's key to the long-term success of any business."

that growth will no longer be measured by financial indicators alone but equally, if not more importantly, by what happens to members because of their relationship with the co-operative.

Beyond members, there is also the external environment that co-operatives have to be concerned about. Every natural calamity is a reminder that co-op members and co-operatives themselves are vulnerable to the vagaries of nature. Climate change is real and, unfortunately, getting worse. "Sustainability is the new language of business," says a news article, pointing to serious efforts made by big business to address the negative effects of climate change and ensure that they remain in business. Co-operatives should be concerned and act no less.

Co-operatives should be environmentally aware and responsible. We are all affected by what happens in our natural environment. When Odette struck the Surigao area, lives and livelihoods of members were destroyed or greatly affected. Operations of co-operatives were disrupted, limiting their ability to support members in need. And this was not an isolated event; neither was it a localized incident. This can happen to all co-operatives, big and small. This can affect all members, rich and poor.

In fact, this is a global phenomenon. International conventions to address climate change have failed because government commitments have fallen short. Most environmental experts now agree that the damage to our natural environment, which is largely man-made, is now irreversible. Natural disasters of all types now happening frequently and in almost all areas of planet Earth are the stuff of daily news.



Inclusive Growth

As co-operatives focus more on members and the impact of their services on their lives, they will ensure that they are meeting members' needs that really matter to them; they will also ensure that the delivery of those services takes into account the circumstances of these members and is sensitive to their specific requirements. For it is not only a matter of providing those services and earning income from them but also making sure that those services contribute to improving the lives and livelihoods of members. The products and services offered by co-operatives should, therefore, be predicated on members' well-being and welfare.

It is now up to local actors to do their part and to do something on the ground to mitigate the negative effects of climate change, however little this may be in the grand scale of things. Responsible members of Philippine society, including big business, are already doing their part. Co-operatives should do their part, too.

This is the best way to make sure that members remain loyal to the co-operative and their continued patronage will translate to real growth in the business of the co-operative – i.e., growth that is driven by increased demand from members who will have the means to support that business. This should include all members, especially the poor ones who can benefit the most from the co-operative. This way such growth becomes truly inclusive.

No effort is too little if it contributes ultimately to change. And it is this perspective that gives meaning to the Action Points adopted by members of MASS SPECC and approved in the last general assembly (see GA Resolution on next page).
RMV



RESOLUTION ON INCLUSIVE & SUSTAINABLE GROWTH

Approved by the General Assembly of MASS-SPECC on June 10, 2022

NOW, THEREFORE, RESOLVED AS IT IS HEREBY RESOLVED, to adopt the results of the 52nd Co-op Leaders' Congress, with advice to members of MASS-SPECC to implement the concrete actions recommended by the Congress.

RESOLVED, FURTHER, that MASS-SPECC management monitor the implementation of these concrete actions and report the same to the Board regularly.

ACTION POINTS

The 52nd Co-op Leaders' Congress recommends the following actions that members of MASS-SPECC can take towards pursuing and achieving inclusive & sustainable growth.

For co-operatives to be a "financial force for change," they should integrate economic, social, and environmental factors into all aspects of their business operation. In particular, cooperatives should:

Inclusive Growth

1. Engage in businesses that address members' primary needs and create opportunities for them.
2. Use coop assets to help improve the well-being, prosperity, health and resilience of members.
3. Undertake programs that promote financial literacy and the habit of savings among members.
4. Support organizations that implement solutions that address inequality, help underserved communities, and create employment opportunities for deserving groups.

Sustainable Growth

1. Commit to affirmative action on climate change – e.g. incentivizing zero plastic, use of solar energy, reducing carbon emission, use of clean and green energy, etc.
2. Develop co-op products and services that are climate resilient and benefit the environment.
3. Undertake and/or support initiatives that protect and restore our natural environment.
4. Monitor the climate impact of co-op investments and business activities.



ECONOMIC HIGHLIGHTS AND MARKET TRENDS

Q2, FY 2022

This report provides co-operators with a rundown of significant economic highlights and market trends during the second quarter of 2022 that reflect the profound impact of the COVID-19 pandemic, the accompanying financial challenges, and the alarming climate change, among other social issues, affecting the co-operative movement and Philippine society.

BASIC DEPOSIT ACCOUNTS CLIMB TO 7.9M AS OF END-DECEMBER 2021

More Filipinos became part of the financial system through basic deposit accounts (BDAs) as of December last year, according to the Bangko Sentral ng Pilipinas (BSP).

Data from the central bank showed BDAs rose by 19% to 7.9 million in the last quarter of 2021 from 6.6 million in the same period a year earlier. The total value of BDA deposits also increased by 7.6% to P5.1 billion as of the end of December 2021 from the P4.7 billion seen a year prior.

The BDA framework was introduced by the central bank in 2018 to encourage more Filipinos to become part of the financial system. This type of account has a low opening amount capped at P100, no maintaining balance requirement, no dormancy charges, and simple identification requirements.

Based on the 2019 Financial Inclusion Survey, only 29% of adult Filipinos are part of the banked population, leaving some 51.2 million individuals unbanked. The BSP wants 70% of Filipino adults to have accounts in financial institutions by 2023.

Source: *Business World*

EGOV PAY TRANSACTIONS SURGE BY 467% AS CONSUMERS SHIFT ONLINE

EGov Pay transactions jumped by 467% to over 91,000 at the end of 2021 from just around 16,000 a year earlier. The central bank also reported that the value of EGov Pay transactions increased by 300% to P246 million in 2021 from around P61 million in 2020.

Launched in November 2019, EGov Pay is a system where consumers can settle payments to government institutions. Fees for government clearances and taxes were the most common payments processed through EGov Pay. Since its launch, 484 billers have been onboarded to EGov Pay at the end of April.

The top two government agencies that use EGov Pay are the Philippine National Police and the Bureau of Internal Revenue. Billers include provincial and local government units, state colleges and universities, water districts, and other government agencies and offices.

As part of its digitalization efforts, the central bank wants 50% of payments, both in terms of volume and value, to be done online by 2023.

Source: *Business World*



Photo source: <https://www.bworldonline.com/>

GOV'T BANK OPENS P1-BILLION LOAN PROGRAM FOR RURAL BANKS GOING DIGITAL

Land Bank of the Philippines has launched a P1-billion lending program to digitalize the banking operations of countryside financial institutions in order to reach more unbanked Filipinos. This will be done through its Digitalization of Countryside Financial Institutions lending program, where the bank will finance digitalization projects, including paying for a subscription or licensing fees for commercial software or outsourcing information systems.

Rural, thrift, and cooperative banks may borrow up to 80% of the total cost of the digitalization project, with an interest rate of 5% per year for a term loan, which is fixed for the first year and can be re-priced later. The loan is payable for up to five years. For a short-term loan, the bank's prevailing rate when the loan was availed applies, but not less than 5% per year, and is payable for up to one year via a six-month promissory note. As of the end of April, the state-run bank's loans to 88 rural banks had reached P9.66 billion.

From January to March of this year, the bank also facilitated a total of 39.14 million transactions worth P567.61 billion through its major digital banking channels. Its first-quarter performance was attributed to higher interest income from loans and investments, as well as one-time gains from its merger with the United Coconut Planters Bank.

Source: *Business World*

INTEGRATION OF 'GREEN' PRINCIPLES IN BANK POLICIES GAINS BSP SUPPORT

Bank regulators are drafting a circular that lays down guidelines on how banks should integrate sustainability principles in their investment activities.

By integration, the BSP refers to banks explicitly and systematically including material environment and social issues in investment analysis and decisions, to better manage risks and improve returns.

Last January, the BSP said it was looking at the possibility of extending regulatory incentives to banks that embrace sustainability principles, as part of efforts to mainstream sustainable finance and mobilize capital to address urgent global challenges.

While doing that, the BSP proposed the inclusion of sustainable finance as a form of compliance with the mandatory credit to the agriculture sector. Under the Sustainable Finance Framework, the BSP expects banks to progressively increase their loan allocations for green or sustainable projects as part of their set strategic environmental and social objectives.

The BSP itself has incorporated sustainability principles in its portfolio management as part of its sustainable central banking strategy, having invested \$550 million in the Green Bond Fund managed by the Bank for International Settlements.

Source: *Philippine Daily Inquirer*



Photo source: <https://www.euractiv.com/section/economy-jobs/news/commission-prepares-the-ground-for-ambitious-sustainable-finance-strategy/>

CURBS ON PLASTICS OUTPUT SEEN NEEDED

Legislation that will hold plastics producers accountable for managing the life cycle of their products will make companies conscious of the possible legal fallout from acting irresponsibly, but curbs on imports and production may ultimately be needed.

Congress has ratified a consolidated version of a bill seeking to promote sustainability by holding enterprises responsible for the life cycle of their plastic products.



The act compels large or obliged enterprises to establish or phase in extended producer responsibility (EPR) programs for the plastic packaging of their products to efficiently manage waste and reduce the production, import, supply, or use of plastic packaging deemed low in reusability, recyclability or retrievability; and to achieve plastic neutrality through efficient recovery and diversion schemes.

EcoWaste Coalition Plastic said that to effectively reduce plastic waste, the government should not only require the retrieval and recycling of plastics but also regulate their production.

Under the bill, obliged enterprises may voluntarily organize themselves into producer responsibility organizations (PRO) to establish viable platforms to implement their EPR program. Such enterprises must also establish and implement an auditing system to monitor and assess their compliance performance. An independent third-party auditor must certify the veracity of the report using standards established by the department.

Obliged enterprises that fail to comply with the law can be fined at most P20 million and an automatic suspension of their business permits until the law is complied with.

Source: Business World

FILIPINOS KEEN ON CLIMATE CHANGE NEWS AND ADVOCACY

More than half of the Filipino respondents in an online poll said they were interested in news about climate change and believe that media should take a stand when reporting on the issue, according to a global study on news consumption trends.

The results of the 2022 Digital News Project of the Reuters Institute for the Study of Journalism (RISJ) and the University of Oxford showed that interest was highest in several Latin American, Southern European, and Asia-Pacific markets.

The Philippines—an archipelagic country especially vulnerable to climate-related disasters—topped the Asia-Pacific market with 52% of respondents saying they were drawn to stories on climate change.

This was also the trend for more than half of the participants in Greece (53%), Portugal (53%), and Chile (52%). In contrast, interest was lower in more developed countries like Canada (39%), the United States (30%), most of Western Europe and United Kingdom (42%), which led to the global talks on climate change last year.

The study noted that interest in climate change news was higher in countries where there was less political polarization, with many on the political right ignoring such reports.

It also found that most people across the world prefer to consume climate change news via documentaries (55%) rather than major news organizations (35%).

Another finding was the public's growing preference for news outlets to take a clear activist stance on environmental issues, with a large number of respondents in the Philippines (42%), Portugal (48%), and Chile (58%) saying that journalists should advocate change.

Source: Philippine Daily Inquirer





Photo source: <https://www.insperity.com/blog/employee-retention-strategies/>

SHARED VALUES IMPROVE EMPLOYEE RETENTION

Businesses that value family, education, faith, health and wellness, and basic needs are more likely to keep their employees, according to a human resources study.

In a year-long study titled “What is important for Filipinos” conducted in 2020, the National Commission for Culture and the Arts identified 19 common and shared values, the top five of which are mentioned above.

Companies can show that their priorities are aligned with their employees by developing training programs that extend to other family members, or by offering health benefits that cover dependents.

Including employee dependents helps in employee retention and reduces cash advance requests when a family member falls ill.

Asked for initiatives to cope with rising inflation three options were presented: a hybrid work arrangement; a temporary inflationary allowance; and perks for those working on site, such as unlimited rice from the office pantry.

A separate study by Singapore-based market research firm Milieu Insight, showed that honesty and integrity were valued the most by Filipino workers.

Source: *Business World*



‘Co-op Whiz’ on its second year as MASS-SPECC celebrates Int’l Day of Co-operatives 2022

CAGAYAN DE ORO CITY, Philippines — Bearing the theme “Cooperatives Build a Better World,” MASS-SPECC Cooperative Development Center took part in the global celebration of the 100th Coops Day by holding the second year of “Co-op Whiz: An Online Co-op Trivia Challenge.”

On July 2, MASS-SPECC posted trivia questions on its official Facebook page to test participants' knowledge about co-operatives and their impacts on society.

For each question, the participant had to first react to the post (like, love, or wow) and then write the correct answer in the comment section, to have one valid entry.

All correct answers to a specific question were collected and placed in an electronic draw to determine the winner. The winners were announced on Monday, July 4 through Facebook.

Prizes for the trivia questions included Php250 worth of mobile load or GCash.

This year’s International Day of Co-operatives had the theme “Cooperatives Build a Better World” aimed at presenting how cooperatives worldwide have contributed to sustainability and inclusive growth, thereby providing a better quality of life.

According to the International Cooperative Alliance(ICA), #CoopsDay has since become the occasion “to spread the word about how a human-centered business model, sustained by the cooperative values of self-help and solidarity and the ethical values of social responsibility and concern for community, can reduce inequality, create shared prosperity and respond to the immediate impacts of COVID-19.”

A decade from the UN International Year of Co-operatives (2012), which showcased the unique contributions of co-operatives in our lives, this year’s #CoopsDay slogan echoes the theme of the International Year.

As One Strong Mindanawon Co-op Movement, MASS-SPECC strives to contribute to building a better world by #SharingAndGrowingTogether.

CO-OP STORY: MICMA WINNER FEATURE

INGENUITY FROM PIGGERY TO BIOGAS



1st RUNNER-UP – MICRO-AGRI CATEGORY

BONIFACIO COLCOL

Matalam, North Cotabato

Cooperative: **Makilala Multi-Purpose Cooperative**

Micro-enterprise: **Piggery and Biogas Technology**

Necessity is the mother of innovation. This truly reflects how micro-agri entrepreneur Bonifacio Colcol of Makilala MPC saw a great opportunity to earn more from his need to dispose of the waste material from his piggery business.

Having graduated from high school, Bonifacio has never been deterred from striving hard for a better quality of life. He used to be a public utility van driver traversing the Davao-Kabakan route. However, his income from being a driver was just enough for his family to make ends meet.



With his savings and the loans granted by Makilala MPC, he started his piggery business and was able to develop his biogas technology. With this innovation, Bonifacio got to save money from buying LPG or firewood and, at the same time, earns from installing it in different households. For seven years, they were able to successfully market biogas, inspiring other livestock entrepreneurs to follow Colcol's example. His story proves that nothing is wasted in entrepreneurship, from selling the meat of the hogs he is raising down to turning pig-poop into the sustainable biogas.

**The Micro-Agri Category of MICMA is open to farmers who successfully engaged in agro-enterprises that is now a reliable source of income for the family. Asset size of the farm and other aligned agro-enterprises has a market value of not more than Php 300,000.00, inclusive of those rising from loans, but exclusive of the farmland on which the integrated farm is situated. For more info about MICMA, visit our website with this link: <https://mass-specc.coop/about-micma/>*

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