

Case study

Developing community partnership to mainstream sustainable development: the case of the Federation of People's Sustainable Development Cooperative (FPSDC)

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Case study location: The Philippines

Case study period: 1998 - present

Case study summary

The case study examines the efficacy and challenges of the FPSDC's value chain social solidarity economy model of community finance, production and consumption. Achievements noted include an average of PHP5million worth of community products marketed monthly, communities sharing overall income and having self-determination over its investment. The case study also uses reflections on the project from external commentators as a further analysis of its efficacy, e.g. the program's success in promoting organic, healthy and indigenous products in influencing consumer behavior and the high success rates in vulnerable regions such as Mindanao. Further reflections suggest using technology to increase the reach and efficiency of the program and more explicitly integrating responsibility as a core concept in the program's advocacy.

1. INTRODUCTION

The Federation of People's Sustainable Development Cooperative (FPSDC) started as a program under the Philippine Development Assistance Program providing assistance to drug dependents and later transformed into a cooperative. It is now on its 17 years (March 1998) in operation as a secondary cooperative which offers financial intermediation to member institutions. FPSDC is the umbrella institution of a network of 140 primary cooperatives, non-governmental organizations (NGOs) and people's organizations (POS) and aims to support sustainable financial mechanisms for disadvantaged communities. Regional/local organizations comprise 93% of total membership (distributed 29% in Luzon, 19% Visayas, 45% in Mindanao) while national organizations comprise 7%.

FPSDC helps its members to gear themselves towards sustainable development. Members are engaged in various activities such as microfinance, agricultural production and other social enterprises.

FPSDC believes that it is important to not only pursue financial benefits, but also social and environmental benefits in a climate of peace and mutual respect.

The governance of FPSDC is participatory, socially just, and equitable. Partner Cooperatives, NGOs & POs hold a stake in the organization and are actively involved in the workings of FPSDC - from the direction and objective settings to the crafting of policies & guidelines to the resolution of major issues. Individual members of partner organizations and themselves owners and managers of their respective organizations and they share equal footing. As befits the essence of cooperativism, the growth of one ushers development for all.

FPSDC offers a variety of innovative packaged services. FPSDC provides innovative packages in different forms to suit the financing and non-financing needs of the partners. Processing of proposals is as fast and efficient, as systems are flexible and dynamic. Its assistance criteria challenges organizations to come up with viable projects, maintain a good track record and sustain enterprises.

FPSDC enhances and sustains the capability and self-empowering process of communities. FPSDC operates around the ideals of partnership and the sharing of a common vision. Thus, Cooperatives, NGOs and POs contribute counterpart equities that enhance their capability and complement their own processes. The Institution Building (IB) program sets the ground for Cooperatives, NGOs and POs to eventually pass the torch - continuously develop their respective market, products and enterprises, install more efficient systems and deliver financial services.

FPSDC as an on-going concern is profitable with sustained and significant impact. Gains can only be consolidated and felt when initiatives are not only viable but profitable and sustained, scaled up and expanded. FPSDC lends project support beyond financial services but supplements these through a programmed and focused strategy for the communities' development. FPSDC seeks to expand its membership base, increase its programs and services and upgrade its systems and operations. It supports campaigns for sustainable development, agrarian reform, social justice and reforms in the formal financing systems. FPSDC is familiar with the current financing, political and economic structures that make poor and marginalized rural families, poorer and more disadvantaged. FPSDC realizes that its mandate of making the **people's style banking** work, and work well, can be best amplified by supporting campaigns for sustainable development, agrarian reform and social justice.

FPSDC consolidates the efforts of, and learn from, development groups. Networking with other groups operating in similar circumstances and sharing the same goal will greatly push the movement towards pro-people banking forward. There is much to learn from the experiences of civil society in sharing time and resources. Consolidating these gains will create a more significant impact and provide more lasting benefits. It is as one partner puts it, "The (FPSDC) is beyond a tool for development...it is an institution of wider communities."

FPSDC recognizes the need to provide long-term solutions to the deeply-rooted problem of rural poverty. Economic marginalization exists in the context of political and personal issues, and vice-versa. Poverty has many faces just as the empowerment comes in different versions and processes. FPSDC's role and niche may only answer a part of the problem. But in responding efficiently to the financial and non-financial concerns of the community enterprises, FPSDC knows that it, too, forms part of the solution.

2. FPSDC's 6-YEAR SUSTAINABLE DEVELOPMENT PLAN (2015-2020)

FPSDC envisions a transformed society advancing social solidarity economy to enhance the well-being of the people.

FPSDC adopts a two-pronged strategy to realize its vision:

1. *Empower its member organizations by providing innovative & responsive programs & services so they can become catalyst of social transformation.*

This would entail:

- reaching and accessing the marginalized sectors through increased membership, more involved and more empowered members;
- innovating and advancing responsive products and services by championing the value chain approach for organic and community products, offering innovative and accessible services to members, and developing the Coop Ville as a model of sustainable cooperative community.

2. *Facilitate the awakening of our (Philippine) citizenry for social transformation*

This would involve:

- sustaining and enhancing FPSDC resources in support of its operations through sustained growth of financial resources, acquiring or consolidating into a bank, and engaging in equity investment on sustainable value chain and market.
- empowering and developing FPSDC as a strong advocate of sustainable development by advocating for the integrity of the Eco system through environmental protection, rehabilitation and conservation to mitigate the effects of climate change; and assisting members to have full access & control over their resources.

3. FPSDC's SSE MODEL: VALUE CHAIN

In the late 1980's civil society organizations started to support initiatives for sustainable development – organic rice production, healthy, indigenous & environment friendly products, etc. –

These initiatives began to prosper In the early 1990s but the problem of market, funding, certification etc. likewise surfaced out. To respond to these challenges, FPSDC offered financial and capability building assistance at first until other challenges that were more complex emerged and FPSDC had to innovate and customize the assistance provided to members...

Thus, the value chain approach was undertaken as a hand-holding mechanism with members.

Definition of value chain

The old version

A string of companies (owned by a few) working together to satisfy market demands. The value chain typically consists of one or a few primary value (product or service) suppliers and many other suppliers that add on to the value that is ultimately presented to the buying public for a profit. (The Chorus or bottom line is profit and the singers are the Capitalists)

The revival version

A value chain refers to the full lifecycle of a product or process, including material sourcing, production, consumption and disposal/recycling processes. (Environmental concern was added in the lyrics and the singers are businessmen with a social mission)

The version with a twist

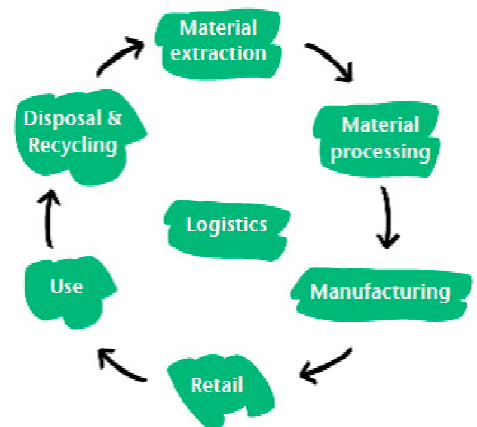
A string of community enterprises (owned by the people) working together to satisfy their needs and the market demands. It refers to the full lifecycle of a product or process, including material sourcing, production and consumption taking into consideration not just one bottomline but several bottomlines. (The Chorus or bottomline is not just profit, for some they have triple bottomlines, for others they have 4Ps, for the UN they have five. The 'singers' are the people)

FPSDC's model

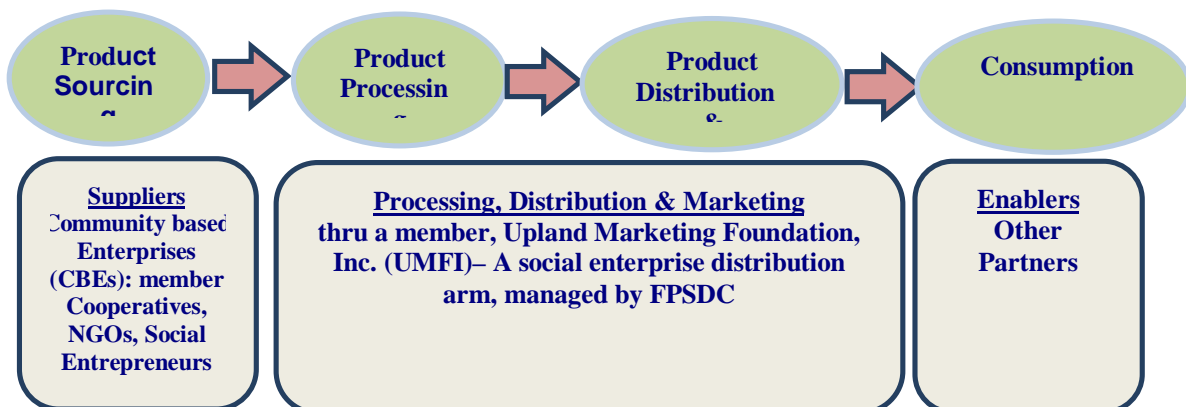
FPSDC's value chain model was developed as a hand-holding partnership with members.

A value chain refers to the full lifecycle of a product or process, including material sourcing, production, consumption and disposal/recycling processes. (World Business Council for Sustainable Development).

FPSDC's value chain model (see figure below) consists of four integrated processes: product sourcing, product processing, product distribution and marketing, and consumption.



Product sourcing: FPSDC's value chain starts with product sourcing through active interaction with community based enterprises (composed of FPSDC member cooperatives, NGOs, and social enterprises from various parts of Luzon, Visayas, and Mindanao) for the purpose of selecting products that meet the requirements of FPSDC client-users/customers.



To ensure the supply of the required volume of products, FPSDC provides financial assistance for planting and/or harvesting. Purchases are made in cash.

FPSDC also provides business development assistance for product quality enhancement, technology improvement, systems development, and other institutional capacity building requirements of the producer.

Product processing: The selected products are then consolidated, quality checked, and packaged by Upland Marketing Foundation Inc. (UMFI), a member organization of FPSDC. Products are checked against seven (7) quality standards: production area standard, quality of product, efficiency of equipment & machineries, packaging materials standard, compliance to Good Manufacturing Practices, efficiency of warehousing system, operational Research & Development Department.

As part of its marketing strategy, FPSDC gives its products a distinctive label - F & C (Farms & Cottages).

Product distribution and marketing: The packaged and labeled product is distributed by UMFI to 250 supermarkets and institutional client-users/customers such as hotels, hospitals, restaurants, and schools.

FPSDC also continues to tap new market outlets, users and consumers as part of its ongoing marketing effort. In addition to direct sales, FPSDC actively participates in trade exhibits, and uses e-commerce to broaden its outreach in both domestic and export markets.

FPSDC keeps a checklist of items to be periodically monitored to keep its marketing system in tiptop shape. These are: efficient warehousing system, efficient logistical system, agreements are protected by written contracts, investment in listing fees, on line monitoring system, effective merchandizing system, efficient system for product returns, fund allocations for marketing research, studies, promotions/ advertising.

Consumption: FPSDC follows through its product value chain till the end-user. Being a vigilant advocate of organic products and healthy food, FPSDC constantly engages in consumer education on organic and healthy products. In support of this advocacy and engagement with end-users, FPSDC allocates funds for consumer education and that its Research & Development Department engages in consumer research and studies.

Our Chorus (Wins)

- An average of P5M worth of community products are mainstreamed monthly. In the context of the neoliberal market economy this amount may be miniscule but in the context of SSE this is trailblazing.
- Communities share in the overall income of the whole FPSDC chain thru dividends and patronage refund.
- Organic, Healthy, Indigenous products are being patronized as evidenced by increasing sales
- Community producers of these products are also increasing
- The people are in control, they decide and they benefit – and this is what is just.
- What we are doing is in response to the call of the times as manifested by the UN's SD Goals and Pope Francis' encyclical.

Our challenges & Countermeasures

Challenge	Countermeasure
Insufficient and irregular supply of raw materials	Explore other sources and Joint venture agreements
Taxation (High tax rate)	Pay taxes
Cost centers – production & marketing	Look for grant funds for marketing & capability building
Pricing (not competitive)	Regular monitoring of prices
Returns (bad stocks)	Strengthen quality control

Other Plans

- To launch the e-commerce (cyber marketing platform for community based products)
- To engage in other beyond credit products with members and community based enterprises (joint ventures, syndication, future proofing etc.)
- To participate in other handholding initiatives for sustainable development (1KoopMart)
- To further promote Social Solidarity Economy
- To explore Export market (AEI)

REACTIONS TO THE FPSDC CASE

Reactor 1. Pinky Cupino, Center for Positive Thinking.

After listening to the Solidarity Economy development framework of the Foundation for a Sustainable Society Inc. (FSSI) and the more focused experience of the San Juan Coconut Producers and Processing Cooperative, we now benefit from FPSDC'S value chain social solidarity economy model already in place involving at least six products and borne 17 years of experience in cooperative building.

As such, we heard many best practices that we can all learn from and find inspiration as we develop our own enterprises and SSE models. To name a few:

1) 45% of FPSDC's 140 member-organization came from Mindanao, an area much in need of development partnership.

2) Aside from SSE's triple bottomline of people and planet over profit, FPSDC talks of 4Ps – people, planet, prosperity and peace. The inclusion of peace is a welcome addition and it is a necessary input and outcome of SSE.

3) FPSDC talks about value chains and identifies the values subscribed in its one medium term plan, the values of social justices, participation, cooperation, excellence, innovation and stewardship. While SSE is in fact, value-laden the concept of value chain further emphasizes that SSE is not value-neutral. Value laden: partial to the marginalized, responsible governance, responsibility as the thical cor, and earth-friendly.

4) FPSDC's medium-term plan (2020), especially its presentation in graphic form, provides a direction for its members in clear and understandable terms. It also provides us a model for our own one year of medium-term or strategic planning.

5) The inclusion of recycling in the value chain process is worth emulating. It reflects the principle of being planet-friendly is implemented in concrete form, not just hollow words.

6) Lastly, its consumer education program shows that FPSDC goes beyond satisfying market demand, as it states in a plan but it also seeks to influence consumer tastes and practices especially in promoting organic, healthy and indigenous products

Some suggestions:

1) May I offer our ASEC-Philippines partner organizations the Metro Manila Vendor's Alliance as marketing partners of the FPSDC represented by Ms. Flora Santos AND also a vice-President of SANLAKAS.

2) We are soon creating a program with ASEC-Philippines for senior high school in accounting management and in running this program, it is good if we could partner with FPSDC for job placement.

3) With regard to your bottomline to work towards sustainable development, may I invite you to consider to frame this in creating sustainable societies, with responsibility as a core ethical concept. An advocacy of our organization – the forum on ethics and responsibilities.

Reactor 2. Marilyn Ortis - MMO Corporation

Ms. Marilyn Ortis shared her story on card swiping technology and made some suggestions for its possible use in the FPSDC value chain. She engaged in card system business since 1976 even before credit cards like Master Card and Visa were first introduced in the Philippines. She was peddling this card at P10 per card during those early years to employees in Makati.

By profession, Ms. Marilyn is a Chemical Engineer but she was not able to practice. Instead, she became an entrepreneur. She said, "it was by accident or by chance maybe." She was offered to be guarantor for credit cards of small stores in Makati. Her card scheme became known then in Makati that caught the eyes of Mr. Tony Go who is a son of a pioneer banker of Equitable Bank.

In 1997 she badly needed a technology to solve the problem of Y2K and to enable the business she started to survive – she developed the card swiping technology. This technology enabled even the poor (the masses) to have a credit card. At first nobody among her friends believed that the technology will work. So the challenge was there and the risk was high. Eighteen (18) years after, people were enjoying the use of the MMO credit card system.

In 2005, Ms. Ortiz was offered by Mr. Tony Go a partnership the Equitable bank. Unfortunately, seven months after the signing of their partnership, Equitable Bank was sold to Banco De Oro (BDO). So her primary objective of providing credit card even to the poor was put in danger. She started to feel frustrated most especially when BDO asked her to provide P600 million worth of pre-paid credit card to continue the contract. At first she thought of looking for investor to solve her problem, unfortunately none came to invest. But this did not stop her from continuing her project until one day her house was foreclosed by the bank which added to her burden.

But she was really determined to continue the project. Never give-up, persistent, this was her attitude after BDO disregarded her contract with Equitable Bank. Meanwhile, her determination to continue the project led her to meet the mayor of Naga City and offered them the technology of cash card. In 2008, Mayor Robredo agreed then and adopted the use of the technology to facilitate the delivery and use of the city's financial assistance for its constituents. The card is a multi-functional card that can be used to buy basic commodities within the city market and groceries at the same time being used to monitor the services provided by the local government in Naga City.

In conclusion, Ms. Ortiz encouraged FPSDC to develop it's people style banking system for the masses by using the MMO card system - a cash card with links to Megalink, Banknet and Expressnet. Each member who will avail of this card can use it to buy products or commodities and transact business with other ASEC-Philippines partner organizations. She offered her services to develop the system for FPSDC and discuss the mechanics in details.

RESPONSE FROM FPSDC

FPSDC appreciated the comments made by Pinky Cupino and took note of the offer by Marlyn Ortiz of her MMO card system. FPSDC then invited ASEC-Philippines

partner organizations to participate in its Social Investment Facility (SIF) which aims to generate resources for investment in community enterprises.

The Social Investment Facility is designed to provide alternative investment opportunities to organizations to earn better returns for their money and at the same time support development initiatives of the disadvantaged communities

As the fund trustee, FPSDC manages funds invested in SIF by lending to NGOs, Cooperatives and Peoples' Organizations (POs). FPSDC also supports small community enterprises by participating in joint venture arrangement with the community.

FPSDC assures social investors of liquidity and availability of funds and its full earnings in times of withdrawal or termination of investment.

The SIF Facility: earning while helping

Investments in SIF earn an interest rate higher than the regular bank savings. FPSDC

AMOUNT	INTEREST RATE PER ANNUM (TAX FREE)				PRE-TERMINATION RATE
	90 DAYS – 270 DAYS	>270 DAYS – 365 DAYS	>1 YEAR – 3 YEARS	> 3 YEARS	
Regular Savings	2%	2%	2%	2%	None
Time Deposit P100K-P1M	4.00%	4.50%	5.00%	Negotiable	If the withdrawal/pre-termination is made within the 1 st half of the agreed term, the rate shall be 50% of the approved rate. If it is more than half of the agreed term, the approved rate should apply pro-rated based on # of days
>P1M – P3M	4.50%	5.00%	6.00%	Negotiable	
>P3M – P5M	5.00%	5.50%	7.00%	Negotiable	
> P5M	Negotiable	Negotiable	Negotiable	Negotiable	

issues time deposit certificate for the investment placements. FPSDC informs the investor how his investment has benefited communities, how the development initiatives at the community level have provided opportunities for a better quality of life among the marginalized.