

PILLAR 1:  
INCLUSIVE  
AGRICULTURE

# DISKARTE

Filipino slang word that can mean different things in different contexts.  
From the Spanish word *descarte* (descartar means to discard)

- Stratagem
- Gambit
- Plan
- Strategy
- Subterfuge
- Approach
- Tactic
- Line of Attack
- Trick
- Technique
- Method
- Manner
- My Way
- Style
- Mode
- Procedure
- Formula
- Out of the Box
- Moves
- Steps
- Street Smart



## WHAT IS INCLUSIVE GROWTH?

The UNDP calls it a million dollar question. The conceptualisations are diverse, ranging from:

- an emphasis **on participation** in the growth process and **enjoying** its benefits,
- to depending on **distributional value** judgements and policy priorities, giving emphasis to ‘reduction in poverty’ (**absolute pro-poor** growth) or
- ‘reduction in both poverty and extent of inequality’ (**relative pro-poor** growth) or
- a progressive improvement involving a **reduction in the ‘disadvantages** of the most disadvantaged people’.
- Finally, there is a perspective of **multiple dimensions** of deprivation, calling for a composite emphasis on improvements in both income and non-income dimensions.

## Some commonalities:

While UNDP' recognized [multiple definitions](#) of inclusive growth it pointed out that there are some common features, namely:

“Growth is inclusive when:

- it takes place in the sectors in which the poor work (e.g. agriculture);
- occurs in places where the poor live (e.g. undeveloped areas with few resources);
- uses the factors of production that the poor possess (unskilled labour, land);
- and reduces the prices of consumption items that the poor consume (e.g. food, fuel and clothing).”

The “equality of opportunity” and “participation in growth by all” [with a special focus on the working poor and the unemployed](#) are the very basis of inclusive growth.

## Some Relevant Observations

.....Compared with the other countries, the Philippines is strikingly deficient

- in formation and delivery of comprehensive extension services,
- In the management of an effective R&D;
- In implementation of regulatory and certification functions;
- in formation and strengthening of farmers' organizations;
- In delivery of credit services and
- In implementation of nationwide or international trade initiatives.....

It is in the development of effective extension services that the Philippines seemed to have lagged far behind compared with the other countries. **(A Benchmarking Study Involving Six Selected Countries in Asia and Latin America, Development Academy of the Philippines, 2014)**

## Critical Factor in Inclusive Growth in the Philippines

“....the single most critical factor that has made our agriculture sector fall behind the rest of the economy, and the rest of the region (*Asean*), is our **failure to provide our farmers ample access to credit....**” Cielito Habito



# CREDIT SURETY FUND

## What the Fund is...

- Credit enhancement for MSMEs.
- Alternative to acceptable collaterals.
- Security for loans of MSMEs who are members of a cooperative.
- Assurance for payment of bank loans.



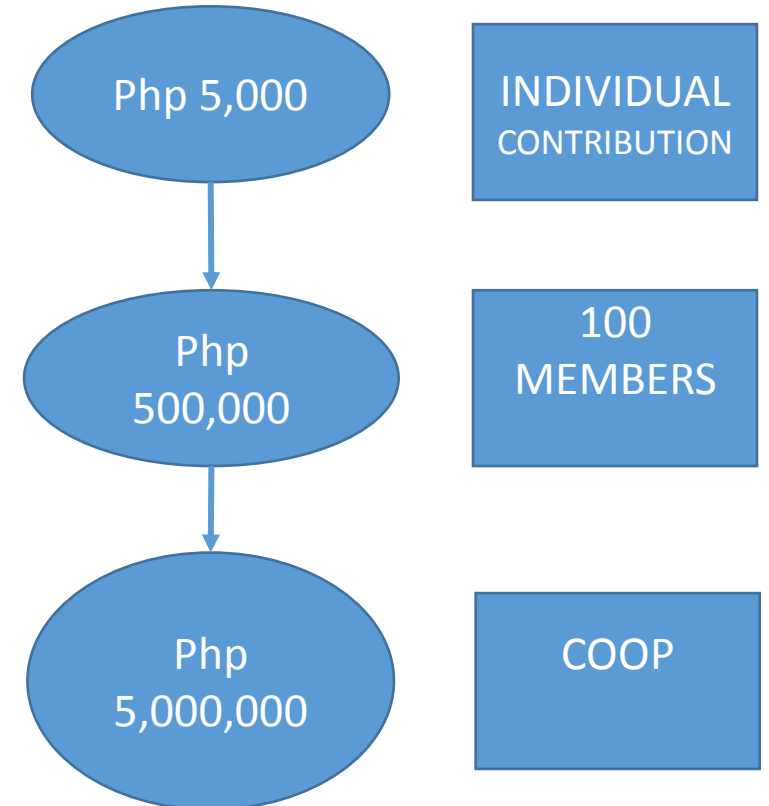


## **Credit Surety Fund**

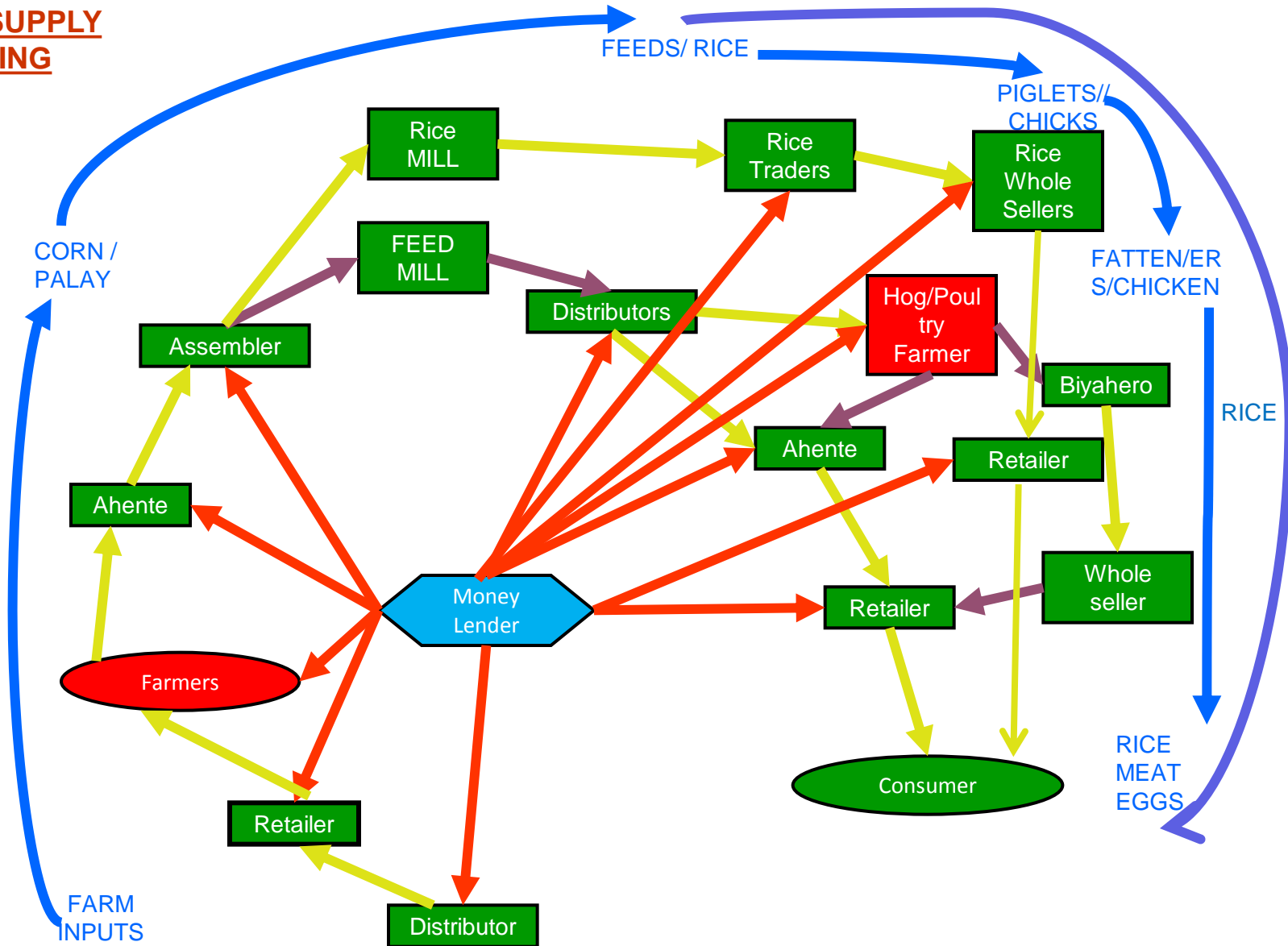
- **Approved by the Monetary Board on July 2, 2008**
- **45 CSFs nationwide as of December 2015**
- **Php 3 Billion+ loans provided with Surety Cover**
- **98.2% payment rate**
- **Turned into law –RA 10744 February 6, 2016**
- **Program to be regulated and supervised by Cooperative Development Authority in cooperation with Bangko Sentral**

# MECHANICS

- As practiced, an individual member can access credit at a maximum of **ten times** what he can contribute as counterpart fund to be placed with his cooperative in the form of **savings or equity contribution**.
- The individual contribution can be **pooled together** with the contributions of other members which will then be placed with the **Credit Surety Fund** by the cooperative as investment.
- The **cooperative** can then obtain **loan** from a participating bank up to **ten times** the investment without hard collateral but with Credit Surety Cover issued by the CSF in favor of the lending bank.
- The loan can then be **relent to individual members** to finance their own businesses or **the cooperative can use** the fund to support its business activity.
- The **individual member** can actually access loan **directly from the bank** using surety cover jointly issued by the Credit Surety Fund and by the cooperative.



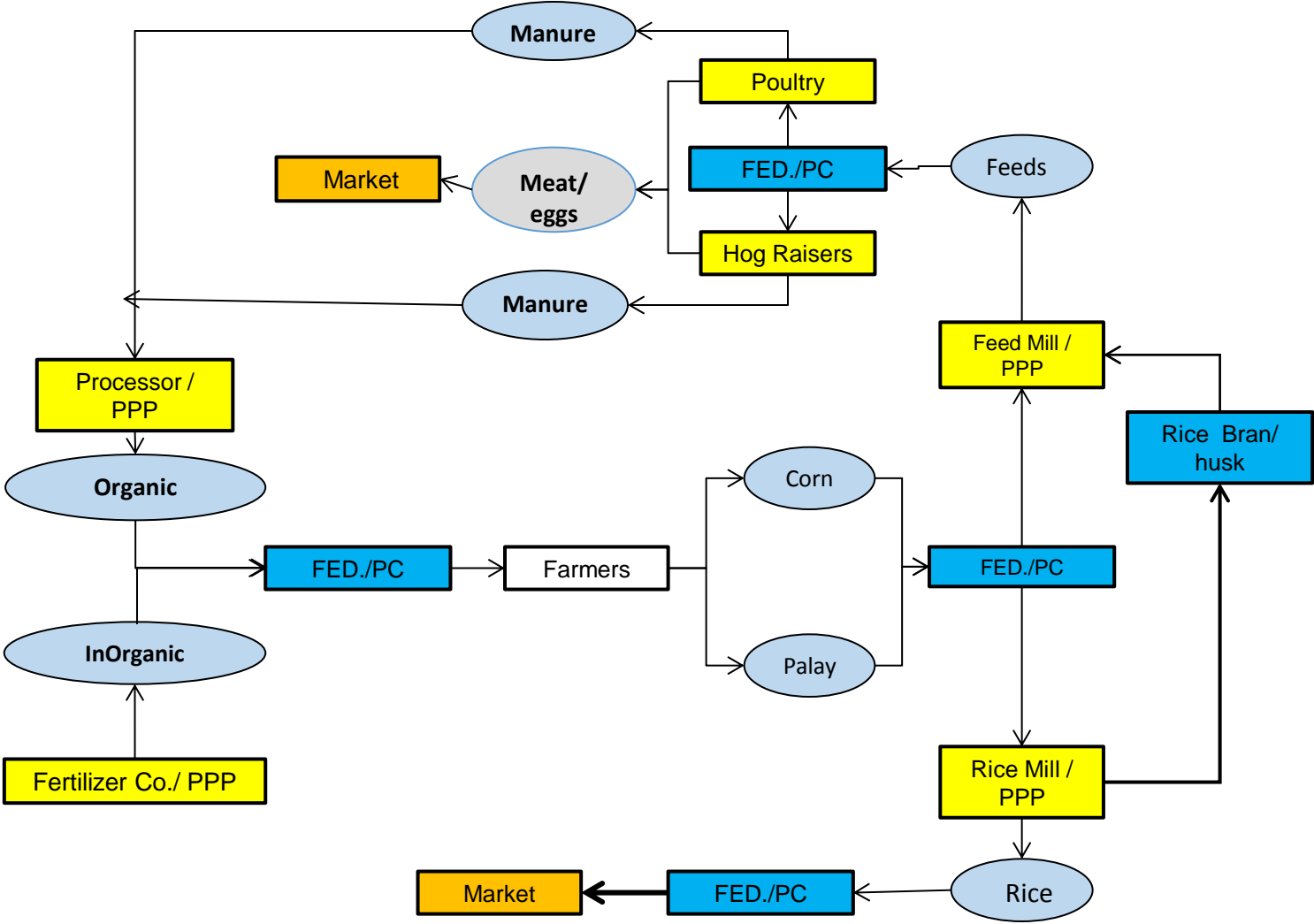
**PREDOMINANT SUPPLY CHAIN & FINANCING**



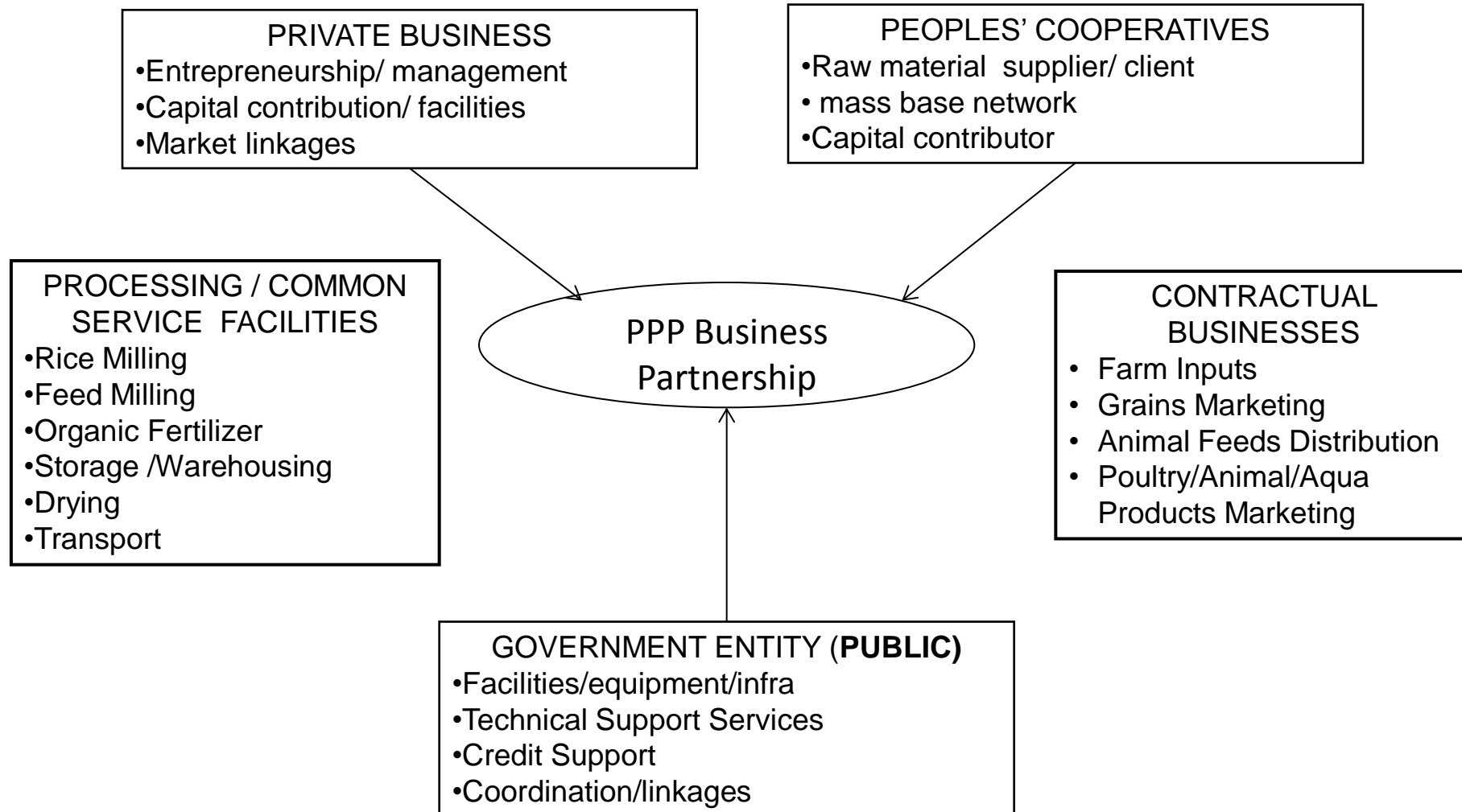
## **Problems Associated with Present Supply Chain**

- **Local agri- supply chains are prone to manipulations by large traders and processors resulting to accretion of monopolistic profits to a favored few;**
- **There is low incentive for small farm holders to improve farm productivity due to uneconomically low ROI from farm production resulting further to low income security and non-inclusive growth;**
- **Erratic supply capabilities in terms of quantity and quality of farming sector resulting to inability of small farm producer groups to institutionalize marketing systems for competitiveness and long term development;**
- **Inefficient distribution systems and high wastage at post harvest level causing unnecessary losses and foregone earnings to farm producers;**
- **High cost of informal credit resulting from inability to access institutional credit;**

# SUPPLY CHAIN GUIDE FOR DEVELOPMENT



# PPP AGRIBUSINESS PARTNERSHIP MODEL





# STRATEGIES

- **Integrate credit extension and collection with farm production, marketing, agri processing and final goods distribution;**
- **Make use of the existing facilities OR go into partnerships with private investors Public/Private/People's Organization (PPP) partnerships from farm inputs production and supply to final goods processing;**
- **Improve access to financing for farm production, farm mechanization and equity participation of farmers in the ownership or management of common service facilities, and agri processing facilities through the use of Credit Surety Fund together with existing financing programs of the DA , LBP, DBP and coop banks and other financing nstitutons;**
- **Encourage the use of cheaper but more efficient farm inputs as well as the adoption of small farm mechanization;**
- **Encourage crop diversification and introduction of new cash crops**



PERFORMANCE

YEAR	TOTAL LOAN AMT. WITH SURETY COVER
2011	Php 3,000,000.00
2012	11,500,000.00
2013	34,350,000.00
2014	62,420,000.00
2015	147,240,000.00
2016	350,000,000.00 (Target)

Number of Cooperatives: 9 coop members in 2011. Current members – 26 cooperatives

Number of Individual members as of December 2015 – 10,  
156

# IMPACT

The average monthly income of a farming household in Pangasinan from farming activities is **Php 4,295.00** which is below the food threshold of at least **Php 5,458** a month. There about 250,000 farm based households or 1.25 million persons.

## Theoretical Gains

(Per Hectare Monthly Equivalent)

Reduction in Interest Cost	Php 2,000.00
Increase in Productivity	583.00
Reduction in Inputs Cost	625.00
Price Gain	316.00
Net Effect Additional Monthly Income	Php 3,524.00

**Mind Shifts:**

- **From “pangkat ng mangungutang” to “pangkat ng bisnismen”**
- **From “individual” to “group” action- From “ako” to “kami” or “tayo”**

**Strength in numbers facilitated:**

- **Collective marketing**
- **Inputs acquisition**
- **Collective production**
- **Partnerships with large industry players**
- **Acquisition of equipment and facilities**
- **Access to technology and know how**
- **Access to information and training**
- **Better management systems**

**Some concerns:**

- **Acute shortage of managerial and entrepreneurial talent**
- **Inefficient bureaucratic processes in accessing government services**
- **Inadequate infrastructure**
- **Low basic education learning skills of constituents**
- **Use of ICT in systems development**

**We do not *ask* to be included; we *act* to be included.**

**DISKARTE**