

ANNUAL REPORT 2014



PEF
Transforming
Poor Communities
Through Sustainable
Social Enterprise



Since 2001, the Peace and Equity Foundation (PEF) has been the steward of an endowment fund for civil society – led efforts to reduce poverty. Today, PEF promotes social enterprises to help uplift poor Filipino communities through better household incomes, empowerment and resiliency against climate change. PEF envisions self-sustaining households providing for their basic needs of life – food, water, shelter, health, education – and contributing to the socio-cultural growth, economic development and effective governance of their sustainable communities.





CHAIRPERSON'S MESSAGE	2
2014 HIGHLIGHTS	4
a. Cultivating SE Capacity to Grow	
b. Tilling the Fertile SE Soil	
c. Rebuilding with Resilience in Safe Mode	
SOCIAL ENTERPRISE MOVERS	20
a. Nathalie Arsonillo	
b. Jun Castaneda and Bernie Berondo	
c. Rob Crisostomo	
d. Melissa Yeung	
e. Giobay Diocolano	
f. Francisco Rubio	
PARTNERSHIP PROJECTS 2014	45
TREASURER'S REPORT	52
FINANCIAL STATEMENT	55
BOARD OF TRUSTEES	70
MANAGEMENT AND STAFF	72



CHAIRPERSON'S MESSAGE

BENJAMIN D. ABADIANO

In 2014, Peace and Equity Foundation took a turn for the better. With the Foundation's Strategic Plan Midstream Review concluded in the previous year, the Foundation crafted a five-point agenda to focus on results that will bring it closer to our overarching goal of nurturing households and transforming communities to become sustainable.

This report shares the highlights of results so far in this five-point agenda. Herein, we zoom into

capacity-building of the social enterprise leaders and our own staff members, which was essential to grow the social enterprises that we support.

In the past three years, we discovered individuals who cared for households and communities struggling for daily survival. These individuals had innate talents of entrepreneurs – they saw ways to help others and, in turn, created opportunities for the poor to cultivate their human resources and the wealth around them. This report includes

stories of six of these mission-driven entrepreneurs who tirelessly build relationships with their clients and business partners and selflessly invest their own resources even without immediate payback (especially in the start-up years).

What the budding social entrepreneurs needed was a stable tripod to stand on: first, a solid business model; second, a results-driven and agile organization; and third, managerial acumen for the leaders to move the two other legs. In the pioneering year of the ACE (Accelerating Capacity of Enterprises) Program, we had a harvest of eight investment-ready enterprises.

In 2014, the Foundation harnessed partnerships for co-investments. Our partners in emergency response programs set their stakes with communities “building back better and safer” after natural disasters and reviving resilient microenterprises and climate-smart agriculture. We were also entrusted by resource partners to make solar lighting and other renewable energy technology within reach of indigenous communities in distant islands.

New partners were linked to the Foundation’s chain of enterprise support, not just in financial investments, but also and more meaningfully in technical expertise. We take pride in stimulating partners to tread new paths to reach cultural communities, such as when we studied and trained with our grassroots partners to implement Shari’ah-compliant financing. With six local and global partner institutions coming together in the 3rd Social Enterprise Conference, we pushed

the Filipino social enterprises to examine new markets and steady their sails for the trade winds of competition in the shifting economic environment.

Looking back at the beginning of 2014, the Foundation and our partners were overwhelmed by the magnitude of destruction to lives and livelihoods wrought by the Central Visayas earthquake and the series of strong storms and floods led such as Typhoon Yolanda (*Haiyan*) in the last quarter of 2013.

At year end 2014, when the Foundation balanced its books, we looked at the pesos invested, the returns on these and the assets we still have. Yet, there are so many intangibles in the enterprises, partners and communities that will be difficult to put in the books of accounts, such as the capacities they mustered, the values they practiced, and the trust they placed in our partnerships.

With our SE and resource partners, we see success in every new technology that produces better quality products or every market delivery accepted and new orders made. We see lives improving in products that scale up and multiply a farming household’s income or in services that bring clean water and reliable lighting to a remote rural village.

We thank you, partners and stakeholders, for continuing to trust and co-invest with us in enterprises that build social equity and peace in our communities!



2014

HIGHLIGHTS

SOCIAL ENTERPRISES GEARING UP FOR GROWTH

In early 2014, Filipinos heaved a deep breath of collective resolve to beat the odds.

In some of the poorest provinces wherein PEF had been nurturing enterprises, a major earthquake, a super typhoon and floods in the last quarter of 2013 cracked, buried and washed away farmlands and left thousands of families unsafe and insecure – with families to be cared for, homes to be rebuilt and livelihoods to be recovered.

But in early 2014, pockets of rebuilding and resilience sprouted. Community associations and emergency response groups; government, civil society and business sectors – all moved in with their own resources and linked with many others to shore up communities on the rebound.

For PEF, the immediate tasks were to mobilize development and enterprise partners to help rebuild houses and communities in safer sites; and to get the social enterprises back on track with quick-access financing, even in small but critical amounts, to swiftly resume operations. For the immediate future, however, the Social Enterprise (SE) Partners also needed to get themselves ready for risks of natural and human-induced hazards and cyclical periods of economic downturns.

Thus, 2014 emerged as a year for PEF to invest intensively in SE Partners' capacity-building, not only to beat the odds, but even more to gear up for growth amidst these intensifying challenges.



CULTIVATING SE CAPACITY TO GROW

The PEF five-year strategic plan for 2011-15 uses the Social Enterprise (SE) approach to transform poor rural households to be self-sustaining and their communities to become wealth-creating. PEF found the poorest farming and landless households in great numbers in the coconut and sugarcane plantations and in upland areas that are distant from the market. PEF decided, therefore, to infuse investments and other supports initially in farmers' enterprises in the industries collectively

called C5 – Cane Sugar, Coconut, Coffee, Cacao and Climate-Smart Agriculture.

The Social Enterprise approach can be successful only as far as the entrepreneurs and their organizations, the SE Partners of PEF, are able to start, grow and maintain their businesses and at the same time achieve their social mission of bringing poor households in their respective industries to gain and sustain incomes.

To grow and maintain a business, the entrepreneur has to build up and be nurtured by its ecosystem, much like a plant drawing in vital nutrients from the soil and with the right doses of light and water

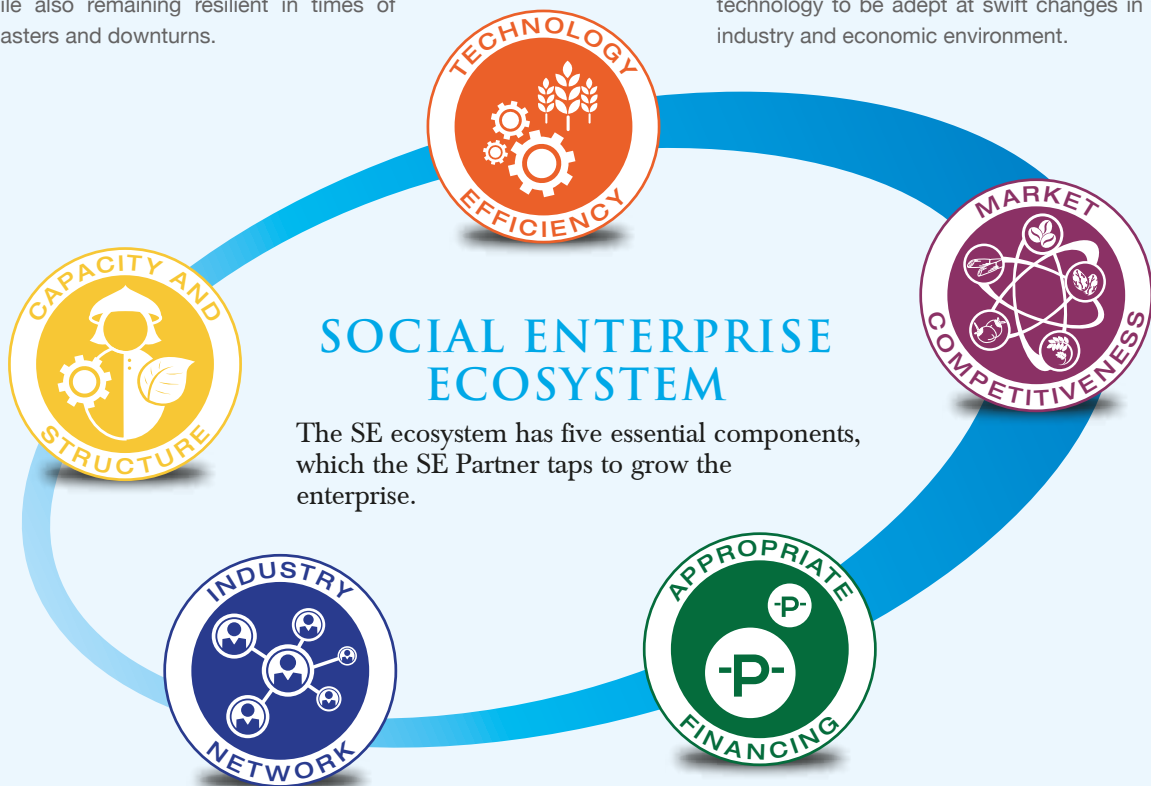
in its environment. The SE Ecosystem provides the resources and relationships for the enterprise to flourish.

CAPACITY AND STRUCTURE

The SE builds its organization and capabilities to run the enterprise effectively and efficiently, and attain its growth targets, while also remaining resilient in times of disasters and downturns.

TECHNOLOGY EFFICIENCY

The SE searches for, adapts and innovates on technology in all aspects of the enterprise. It also uses mobile applications and information technology to be adept at swift changes in the industry and economic environment.



INDUSTRY NETWORK

The SE links through networks and pursues partnerships with other entities involved in the industry to leverage financial and non-financial resources for its growth and sustainability.

APPROPRIATE FINANCING

The SE seeks investors for appropriate and culturally adaptive financing schemes. It leverages and syndicates financing based on its cash needs at the right time. Agricultural SEs, especially, must have incisive risk analysis and employ adequate financial risk management mechanisms.

MARKET COMPETITIVENESS

The SE understands the market needs and demands and develops its products, prices and placing or delivery system, as it links with other market players in the industry's value chain.

UNEARTHING COMPETENCIES FOR SE GROWTH

The SE Partner, whether a not-for-profit or registered for-profit entity, brings the social enterprise from start-up to scale-up, with a sturdy tripod to stand on. First, the **Enterprise** must have a social mission with clear business goals (business-oriented); it must know its competitive advantage within the industry (value chain-oriented); and identify and target its market niche. Second, the **Leader** must know how to manage the interacting facets of the enterprise and be a persistent opportunity-taker within the social enterprise ecosystem. Third, the **Organization** must have effective structure and systems, and competent staffing of persons dedicated to its social mission and values.

From 2011 to 2013, when many of the social enterprises were in incubation and start-up mode,

PEF gathered insights and lessons from the SE Partners regarding what makes a successful social enterprise. This was done through several Workshops for Investments in Social Enterprise (WISE), which gathered social entrepreneurs and industry leaders in a region to discuss the C5 and other potential rural-based industries. The WISE gathering also unearthed and dissected the sets of competencies that make a successful social enterprise.

Thus, in 2014, while PEF moved more financial and social resources to the C5 and other social enterprises, it also zoomed into systematic capacity-building of SE Partners, which was built around the framework of competencies for Enterprise, Leader, and Organization.

INTERACTIVE MENTORING

SE Partner mentoring activities begun in previous years continued in 2014 with a more interactive approach and using the partner's self-identified capability needs based on its SE strategic growth plan.

Guided by mentors from the academe and industry, 14 SE Partners defined their strategic growth plan with the following essential building blocks: (1) ensuring enterprise viability using value-chain industry assessment and market analysis; (2) matching enterprise goals with social impact goals; (3) financing with cash flow management and investment leveraging; (3) safeguarding against risks, including natural hazards; (4) professionally managing the enterprise; and (5) keeping the entrepreneurial spirit alive.

Since natural disasters, like the series of these that peaked in 2013, wreak major negative impacts on economic activities, especially in highly vulnerable agricultural areas, PEF supported organizational retro-fitting of seven SE partners in Mindanao. The Tropical Institute for Climate Studies (TROPICS) of the Ateneo de Davao University used an organizational development (OD) approach for the SE partners' capability-building on Disaster Risk Reduction and Climate Change Adaptation (DRR-CCA). As a final output, the partners aligned their organizational vision, mission, goals and strategies to become more adaptable and manage the effects of climate change and natural disasters.

In another crucial aspect, PEF and its SE Partners are interdependent with regard to financial viability and risk management. The 2014 compliance audits of SE Partners' projects and operations were conducted with a capacity improvement, not a "fault-finding," lens. Moving beyond financial and project audit compliance, the PEF Internal Audit and Control Unit (IACU) spearheaded and guided activities for partners to assess their internal control systems and diagnose

risk vulnerabilities. A pilot partner, MUAD was selected to undergo "Risk Management" as the basis of training of the other SE partners under the ACE program. The next step is for the SE partner to share the learnings with their key staff to inculcate the value of due diligence and good financial management as well as good governance. These practices will then be incorporated in their risk management policy and guidelines.

ACCELERATING CAPACITY OF ENTERPRISES (ACE) PROGRAM

For the SE partners with high growth potential, PEF designed the Accelerating Capacity of Enterprises (ACE) Program which was rolled out in 2014.

The goal of the ACE Program is to develop highly capable SE Partners who will bring their enterprises through the stages of growth to maturity while co-fulfilling with PEF the social mission of creating income opportunities for the poor households and changing their communities. The keystone objective of the ACE Program is to make the SE Partner investment-ready so that it passes the due diligence test of hardnosed social impact investors.

The ACE Program has crafted a four-month, four-module course at the end of which the SE Partner presents its business proposition or "makes a pitch" to social impact investors. Through each module, the SE Partner defines its business model and growth trajectory, while its leaders and officers are equipped with the necessary

competencies of business strategic management, financing, risk analysis and management, and organizational design for the enterprise.

2014 was a milestone year for PEF capacity-building for SE Partners. Ten SE partners were selected for the ACE program because of their business growth potential and managerial talent pool. An amount of Php450,000 was allocated to each ACE partner to complete the program. A total of 41 managers, officers and board members of the SE Partners acquired new competencies to manage their social enterprise.

From among the ten, eight SE partners completed the ACE program successfully when they presented their full business proposals to the Foundation and the Peace and Equity Holdings Company. PEF approved a combined initial investment of Php85 million for the eight enterprises, 3 of which are "registered for profit enterprises".

8 ACE Program Investment-Ready Enterprises in 2014

	SE Partner	Social Mission	Enterprise	Industry Sector
L U Z O N	Coco Technologies Corporation (CocoTech) *	Employment for coconut households and communities	Bio-engineering materials (geo-nets) from coconut coir	Coconut
	Global Organic and Wellness Corporation (GlowCorp) *	Link agrarian reform beneficiaries (ARB) to the market	Product consolidation and marketing of organic food and healthy lifestyle products	C5 – Coconut, Cane Sugar, Cacao, Coffee, Climate Smart Agriculture: Organic Rice
V I S A Y A S	Health Innovation Multi-Purpose Cooperative (HIMPC) *	Total family quality health care made accessible	Diagnostic, maternity and pharmacy services	Basic Social Services: Health
	Multi-Sectoral Alliance for Development-Negros (MUAD-Negros) * with four farmers' associations and cooperatives.	Develop competitive and resilient sugarcane farmers	Enterprise development services and Farm-to-Market value-chain linkages	Cane sugar, Climate Smart Agriculture
M I N D A N A O	Healthy Sweets, Inc. *	Employment and increased incomes for coconut farming households	Coconut sap sugar production and trading	Coconut
	Kadtabanga Foundation for Peace and Development	Development and empowerment of conflict-affected communities in Mindanao	Shari'ah-compliant financing for micro-entrepreneurs and community enterprises in conflict-affected communities in Mindanao	Financing for micro and small community enterprises
	Magpet Agro-Industrial Resource Cooperative (MAGIRCO)	Improved and sustained incomes for local small farmers by creating better market linkages	Banana chips production and trading to export market	Climate Smart Agriculture: Cardava bananas and other farm crops
	Sustainable Growth for Rural Venture, Inc. (SUGRUVI)	Provide sustainable livelihood to subsistence farmers, especially indigenous peoples' (IP) farming households.	Granulated cassava production and trading	Climate Smart Agriculture: Cassava

* Registered for Profit Entities

TILLING THE FERTILE SE SOIL



A social enterprise can grow vigorously if it is linked to the industry value-chain through cost-effective technology, quality-seeking markets, flexible and innovative financing, and capacity-enhancing partnerships. These are the elements of the SE ecosystem that the PEF sought to enhance through its five-point action agenda in its midstream review of the current 2011-15 strategic plan.

In 2014, PEF veered into the five-point action agenda to reach its targets for the current strategic plan and fertilize the soil for SE scale-up in the next strategic plan period, 2016-2020. One action agenda point—Capacity-Building of SE Partners—has been reported above. The following sections report on highlights of the other four action agenda points.

COMPETITIVE SOCIAL ENTERPRISES

In 2014, out of a total enterprise investment portfolio of Php127 million, PEF approved fresh investment of Php49 million in the growth-achieving C5 agricultural enterprises to raise their viability and link small farming households to the industries' value-chains.

Among the C5 SE partners were:



Cacao
Seed Core Agri-Industrial Corporation has a collective network of nurseries, starting in Davao City and expanding to

other provinces like Bukidnon, which provide premium cacao seedlings to farmers, in its “tree to market program”. Seed Core trades cacao beans (fermented and dried) to chocolate manufacturers locally and abroad.



Cane Sugar
Kamanepa Multi Purpose Cooperative entered into a joint venture with its 50 farmer-members to professionally

manage, as an enterprise, aggregated small farms totaling 100 hectares in Tulunan, Cotabato province. As partner-owner of the enterprise, the cooperative member share rewards (profits) and risks with the cooperative and provide paid labor.

More importantly, enrolled farmer members are learners, equipped to become agri-entrepreneurs. Block farming is designed to increase efficiency, productivity, bargaining power and resiliency of small farmers that will yield to higher income. The cooperative is also working with the Cotabato Development Council Foundation to set up a nursery for quality cane planting materials.



Climate-Smart Agriculture
Sustainable Growth for Rural
Venture, Inc. (SUGRUVI)
organized a network of cassava

producers of the Matigsalog-Manobo tribe of Quezon and Kitaotao towns in Bukidnon province in Mindanao. The company upgraded its processing facility and now sells granulated cassava, a raw material for feeds, to a large agri-business company.



Coconut
Green Life Coco Products, Inc.
in Tayabas, Quezon province,
organized village VCO
processing units for a reliable

supply of organic virgin coconut oil (VCO), which is refined by the company. Green Life then organized a marketing network to consistently supply buyers of VCO and other coconut food products like coconut sugar and culinary oil. It is also working on obtaining its certification for organic VCO products.

Upgrading and Adapting Technology

Cost and production-efficient technology boosts enterprise growth. PEF continued to support technology upgrading and adaptation in the C5 enterprises.

The Diversified Block Farming (DBF) system promoted by the Multi-Sectoral Alliance for Development-Negros (MUAD-Negros) has been replicated by sugar farmers' cooperatives in Negros Occidental. Through the DBF system, the farmers consolidated their lands into 55-hectare blocks, 85% of which is planted to cane sugar and the rest to bananas and "fuel energy" crops. The block farms' target is to produce 75 tons per hectare of raw cane sugar, which is the sugar industry standard for large sugar plantations. PEF supported the training of farm technicians for cultivation and soil conservation, farm financing and management. The farm technicians were then deployed to 4 cooperatives, which had a total of 95 participating farmers with a combined area of 220 hectares using the DBF system.

With longtime partner in northern Luzon, the Cordillera Network of NGOs and POs (CORDNET) and its members, the farmers' federation in Abra province, KAPPIA Network, the latter's muscovado production enterprise was revived and for now, is under PEF management. Aside from production operations and marketing, the management agreement includes equipment testing, production process research, and training in mill operations.

PEF started to turn an agricultural property in Albay province, into a Technology Demonstration Farm, which will develop and showcase improved and tested production models for cacao and coffee. OPTIONS (Organization for Partnerships, Teamwork and Initiatives on Opportunities for Nature Stewards, Inc.), an NGO based in Albay province, is PEF's partner to jumpstart the operation of the farm.

Other smaller investments were made together with resource partners to expand technology adaptation by farmers: (1) a model farm with a cacao nursery and budwood garden were set up by Abag Kalambuan, Inc., and Federation of Matigsalug-Manobo Tribal Councils (Femmatrics), in cooperation with Seed Core Agri-Industrial Corp. and the Bank of the Philippine Islands Foundation, in Sinuda, Bukidnon; (2) a nursery for high-yielding varieties of sugarcane was expanded by the Cotabato Mill District with Kamanepa Multi-Purpose Cooperative to service farmers in Tulunan, Cotabato; (3) International Institute for Rural Reconstruction (IIRR) rolled out a tested System of Rice Intensification (SRI) technology in Guinayangan, Quezon province in Luzon.

...and sharing technology know-how

The Philippine Coffee Board, Inc. continued the “Pick Red Campaign,” an advocacy program to benefit small coffee growers and producers by teaching farmers to select and harvest only the mature red coffee berries and, thus, keep the quality of Philippine coffee at a competitive edge.

The Philippine Agrarian Reform Foundation for National Development (PARFUND) extended its knowledge sharing with Philippine and Asian small farmer organizations regarding “integrated rice-duck farming,” a breakthrough technology that tremendously improves productivity with a correctly timed pest control by ducks and provides another income stream from duck-raising.

Reaching More Markets

A scanning of the social enterprise landscape in 2014 showed that the market is still wide open for healthy lifestyle products using virgin coconut oil, and organic food and ingredients like cacao, coffee, and muscovado sugar.

PEF provided a Php20 million credit line in 2014 to Global Organic and Wellness Corporation (GlowCorp) for its marketing of organic rice, muscovado and coconut sap sugar, which are produced by farmers and consolidated by their cooperatives or associations in several provinces throughout the country. GlowCorp develops market linkages, quality-checks, brands, packages and distributes the products. The company in 2014 reached a sales volume worth Php47 million reaching consumers via large supermarkets in major Philippine cities and the export market in South Korea.

Healthy Sweets (HS), a family social enterprise in Davao del Norte in Mindanao, produces coconut sap sugar, which is being promoted as a healthy sweetener and substitute for refined white table sugar. With PEF’s investment in increasing production capacity, HS coconut sugar and other food products are now sold in big malls in Cebu and Davao cities and has crossed national borders to gain shelf spaces in Japan, Taiwan and Estonia.

LEVERAGING TECHNOLOGY AND INNOVATING ON FINANCE

Back to Basics in Social Services

Essential living amenities of water and sanitation, energy for lighting and cooking, and sturdy housing can be made affordable to rural households through innovation and leveraging of technology and financing.

The Health Innovation Multi-purpose Cooperative in Cebu City utilized its investment to establish a “3-in-1” health facility to provide poor families in urban and rural areas access to diagnostic, maternity care and pharmacy services. Their laboratory diagnostic prices, for instance, are 50% less than costs in conventional diagnostic centers.

Renewable solar lighting technology for homes and farms are now made more accessible through social enterprise marketing and financing systems. In partnership with the Department of Energy in its Renewable Energy Program, the Hybrid Social Solutions, Inc. (HSSI) was given a credit line for solar lanterns inventory and distribution in Luzon.

From a wholesale distributor like HSSI, a small indigenous community group, the Tagbanua Tribe of Coron Island Association in Coron Island, Palawan province loaned Php700,000 from PEF and DOE, through which they purchased and in turn loaned out solar lanterns for 50 members to acquire in affordable installment terms.

As essential household amenities, too, appropriate and low-cost waterless toilets and rainwater collectors have also been installed for 503 Tagbanua households also in Coron, Palawan through the Pinagsaragpuan Yang mga Grupo

Yang mga Tagbanua, a federated group of indigenous peoples in the island, with a Php400,000 grant.

Culturally-Responsive Financing

In Muslim communities in Mindanao, PEF blazed the trail for **Shari’ah-compliant Islamic financing**, a culturally-responsive financing, which follows tenets of the Islamic moral and religious laws collectively called the *Shari’ah*. PEF started with a pilot project in 2012 and went on to projects with three community organizations in 2013 to provide Shari’ah-compliant financing to micro-entrepreneurs, corn and seaweed farmers.

To extend Shari’ah-compliant financing to more communities with the right knowledge, system and capable staffing, PEF supported capacity-building of Mindanao partners and its own staff, through a learning immersion program to the Shar’iah cooperative *Baitul Maal wa Tamwil (BMT)*, in Indonesia, where they studied the foundations and the basics of Shari’ah-compliant financing operations including customer service orientation, contracting, internal control and risk management, and insurance.



PEF worked with the Al-Qalam Institute (AQI) of Ateneo de Davao University to help set up a Shari'ah Council that will guide the implementation of Shari'ah-compliant financing projects. One of the Shari'ah Council's role is to define the *fatwa* (a learned or legal opinion by a Muslim scholar-leader) that will guide the SE partners in their financing services. Cordaid, an international development financing organization from The Netherlands, is PEF's strategic investment partner in this program.

Meanwhile, the Kadtabanga Foundation for Peace and Development continued its community enterprise financing in Maguindanao, a conflict-ridden province in Mindanao, with a fresh Php5 million investment from the Cordaid-PEF partnership. (The story of Kadtabanga Foundation's financing program, its leader and organization are told in a later section of this report.)

The Shari'ah-compliant Islamic financing offers a culturally sensitive financing model for the Muslim communities in conflict-torn Mindanao. PEF and its partner, Al-Qalam Institute, together with Universitas Islam Indonesia in Yogyakarta, Indonesia, have facilitated capacity-building, organizational development and knowledge-sharing for on-the-ground social development partners and have set them with firm footing on the road to self-reliance and an enduring peace.

Channeling Partners' Expertise and Investments

In 2014, PEF kept its partnerships alive and spawned new ones to leverage and channel more resources to social enterprises for gaining stability and scaling up.

With government and the private sector, for instance, technical expertise of the Sugar Regulatory Administration (SRA) and the Sugar Industry Foundation, Inc. (SIFI) were tapped to better understand the sugar industry as well as build and promote a working model of Diversified Block Farming system to sugar farmers with small tracts of land.

PEF continued its partnership with the PinoyME Foundation, a Philippine pioneer in financial leveraging from individual and institutional investors. With PEF's financial guarantee of PinoyME wholesale credit, 14,000 households accessed micro-enterprise loans from PinoyME through its retail lending partners.

PEF also continued its vibrant partnership with three international impact investors. Cordaid, an international development financing organization supports enterprises in climate smart-agriculture, as well as emergency response for natural disasters.

With a fund from the Department of Energy that was placed in the stewardship hands of PEF, solar lighting is marketed through local community organizations such as those of indigenous people's households and villages without access to electricity. The Bank of the Philippine Islands (BPI) Foundation has further supported the projects for renewable energy technology by augmenting the inventory of a solar lighting distributor through a credit line and a loan to a small indigenous people's group for a micro-lending program of solar lanterns and fuel-saving cookstoves to its members.

To search for and syndicate larger financing for expanding enterprises, the Peace and Equity (PE) Holdings Company was established by PEF

in 2013. Its mission is “to accelerate the growth of enterprises to achieve sustainability through responsible investments.” With an authorized capital of Php500 million and a Board of Directors in place, PE Holdings in 2014 hired an investment manager, formulated its Investment Manual and generated an initial pipeline of high-growth social enterprises from PEF partners.

RESEARCH AND KNOWLEDGE SHARING

PEF worked with relevant government agencies and industry associations for reviews of the C5 and to check how they would fare in the advent of the ASEAN economic integration, which begins in 2015.

The 3rd Social Enterprise Conference was organized by PEF with seven partners and held on 26-28 November 2014. For the 276 participants, the conference was a marketplace of strategies and lessons on the C5 enterprises and for SE partners to learn the state of these industries in the domestic and global settings. The upcoming ASEAN economic integration has raised the resounding gong for Philippine enterprises to step up in terms of production efficiency and competitive costs and quality – crucial areas of improvement in which the C5 enterprises and supportive institutions should funnel more resources.

In line with the 3rd SE Conference, PEF also engaged the youth with one-day Youth SE Conference. The young entrepreneurs were

guided through five mentoring stations, wherein experts discussed the rudiments and strategies of product design, technology, impact investing, and presenting a business pitch.

A PEF - Cordaid Partnership Research Fund to Grow Social Enterprises completed its activities in 2014. This had provided a technical assistance grant of for research and knowledge products. Notably, research grants produced five industry studies on innovative technology and systems for C5, which can stimulate new growth strategies for the enterprises; and one study on a new potential agricultural industry of commercial cut flowers for highland communities in the Cordillera, Northern Luzon. Three studies on mechanical technologies being applied in the PEF-financed C5 enterprises came up with recommendations on technology improvements for cost and energy-efficiency and reduction of greenhouse gas emissions to stem global warming.



PEF INTERNAL CAPABILITY: BEING ABLE TO ENABLE SE PARTNERS

The Social Enterprise approach for creating wealth and transforming poor communities is not a cut-and-dried process, nor is it one-size-fits-all. PEF has to learn with the SE Partners as they grow and adapt to changing environments.

PEF in its mission as a “dedicated steward and effective mover of financial and social resources,” has to equip itself with the right capabilities for this. PEF, therefore, invested in its own capacity-building in the crucial support work for SE Partners.

Strengthening staff capabilities. PEF staff joined selected SE Partners in local and international exchanges. These were the Audit Peer Learning Event conducted by PEF’s Internal

Audit Unit, Community-Managed Disaster Risk Reduction Conference in Nepal, the Social Enterprise Impact Forum in Singapore, an exposure visit to Shari’ah-compliant microfinance institutions in Indonesia, the Natural Product Expo East in the United States, and the ASEAN Sugar Learning Exposure in Thailand. In these venues, PEF staff learned the best practices in social impact investment from knowledge leaders of other countries. In turn, PEF and partners shared the SE approach, results and lessons learned-so-far from its SE Partners and projects, with other countries’ business leaders and investors.

Imbibing the “learning as we do” dictum, the staff and managers, advised by the Board of Trustees and active Foundation members, used SE project review meetings, evaluations and purposive discussions with partners and industry leaders, to gain lessons and skills on social enterprise PDME, that is, planning and development for investment, and monitoring and evaluation.

Instilling Risk Management. About more than a year since Risk Management was launched in PEF, the Board approved on March 12, 2014 the PEF Risk Management Policy which states: “Peace and Equity Foundation is committed to implement an integrated and dynamic PEF Risk Management (PRM) framework to ensure that all key organizational risks are consciously and consistently managed to achieve its vision, mission, values and strategic objectives. It ensures a responsible risk-taking culture in the organization.” The guidelines were subsequently approved by the Audit Committee on November 17, 2014 and risk management was embedded in PEF in its regular reporting and monitoring tools.



REBUILDING WITH RESILIENCE IN SAFE MODE



The fourth quarter of 2013, was jarred by a magnitude 7 earthquake in Central Visayas; Super Typhoon Yolanda (*Haiyan*), which ravaged nearly all the Visayas islands, and Southern Luzon and its islands; further followed by two other typhoons, not as strong but which flooded towns in the Bicol region, Visayas and northern Mindanao with heavy rainfall. PEF was still unfinished helping build safer shelter sites and houses in the aftermath of Typhoon Sendong (*Washi*), which hit Cagayan de Oro and Iligan Cities in Northern Mindanao two years before in 2011.

Thus, the PEF Board of Trustees decided to allocate 30% of its unrestricted funds to disaster emergency response and rehabilitation. To guide the use of these funds, PEF employs the ADAPT framework with the key processes of:

- **Assessment** of the situation of people and partners on the ground within 72 hours after a disaster.
- **Deployment** of food and non-food emergency goods with a ready-to-mobilize network of local responders and an immediate cash transfer system for food supplies as near as possible to affected sites.
- **Accountability** to the affected people and communities for them to retain their dignity and be involved in the response mechanism; and to the donors with timely and accurate reporting.
- **Partnership** and collaboration to extend the response areas, minimize overlaps,

and mobilize the people and their local organizations for self-help.

- **Transition and SE Recovery** with access to appropriate financing and establishing financing mechanisms to initiate rehabilitation via SE driven or designed enterprises.

PEF funds for transition and SE recovery were plowed into two types of post-disaster rehabilitation projects: first is **shelter rehabilitation in safer areas**. PEF approved in 2014 an additional Php6 million to the three Community Mortgage Program (CMP) Mobilizers in Cagayan de Oro City for initiating housing construction with the community associations and Php1.5 million to two of them for integrating disaster risk reduction in their housing and resettlement projects. (See Boxed Article, RECOVER HOPE: A Partnership Guarantee Fund for Safe Shelter)

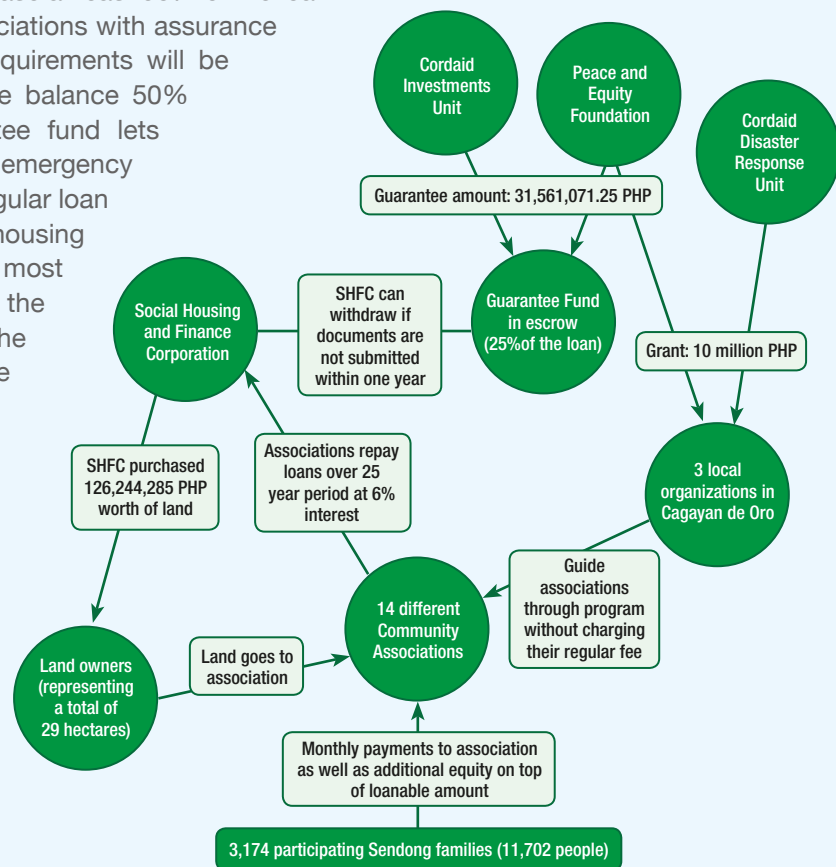
RECOVER HOPE

A Partnership Guarantee Fund for Safe Shelter

Thousands of families living in Cagayan de Oro City were hit by severe Typhoon Sendong (international name, Washi) on December 16, 2011. In 2012, PEF and Cordaid partnered with local NGOs for RECOVER HOPE (Rebuilding Communities through Vibrant Economic Resilience for Houses, Organization, Peace and Enterprises). PEF directly supported three non-government organizations (NGOs), as Community Mortgage Program mobilizers, who organized the displaced households into shelter self-help associations and facilitated their access to housing finance and community development assistance. These NGOs were the Growth, Organizational Upliftment of People (GROUP) Foundation, Technology Outreach and Community Help (TOUCH) Foundation and the Social Action Center of the Roman Catholic Archdiocese of Cagayan de Oro.

The Social Housing Finance Corporation (SHFC), a government corporation, is tasked to provide loans to community associations through a Community Mortgage Program to purchase and develop land for resettlement and for house construction. However, the loan for land purchase from private landowners could be processed only with complete documents, which in a business-as-usual mode may take more than a year. Thus, PEF and Cordaid set up a guarantee fund for SHFC to release at least 50% of the loan amount to the community associations with assurance that all loan documentation requirements will be submitted within a year for the balance 50% to be released. The guarantee fund lets the SHFC release loan as an emergency quick-response bypass of its regular loan policy, so that the community housing associations can clinch the most crucial step, which is buying the land from private owners. (See the Flow Chart below for a complete picture of the process, players and outputs of the PEF-Cordaid Guarantee Fund.)

By January 2014, through RECOVER HOPE, 14 community associations of 3,174 families in Cagayan de Oro City were covered by a Php 31.56 million guarantee by PEF and Cordaid to avail the Php 126.2 million in loan for purchasing land for safer settlements from SHFC.



In addition, the Julio & Florentina Ledesma Foundation, a social housing provider in Negros Occidental, used a Php10 million development loan from PEF to also build houses in Cagayan de Oro and Negros Oriental, which will be recovered from the government's shelter financing agencies.

Two partners in the Visayas, the Uswag Development Foundation in Aklan and the Fatima Multipurpose Cooperative in Leyte used a combined grant and loan of Php7.52 million for housing repairs of 1,400 Typhoon Yolanda-affected households.

Second is **livelihood and enterprise rehabilitation** coupled with capacity-building for disaster risk reduction and climate change adaptation for SE partners.

Microentrepreneurs and their credit providers were hit hard by typhoons of previous years. Their capital outlays for home-based processed food and handicrafts production and inventories were severely damaged. Thus, PEF provided funds for rehabilitation and refinancing. The Maranding Women Investors Multi-purpose Cooperative, a PEF partner since 2007, in Lanao del Norte province started to revive its microfinance portfolio with refinancing from PEF after Typhoon Sendong hit their client communities in December 2011, and their other investors declined to provide further support after the calamity.

After Typhoon Yolanda in November 2013, microfinance borrowers were left with damaged houses and no inventory or assets for their businesses, two microfinance retailers in the Visayas—clients of PinoyME Foundation—were

refinanced by PEF with Php6 million. Three cooperatives in Leyte and Biliran provinces, also in the Visayas, were given a combined Php9.2 million in funds for livelihood recovery loans to rehabilitate their members' fishing and farming activities.

After the destructive earthquake of October 2013, The Bol-anon United Sectors Working for the Advancement of Community Concerns (BUSWACC) in Bohol province was assisted with a Php7.7 million rehabilitation fund with a grant component for capability-building in disaster risk reduction and management. This NGO network runs a microfinancing program and links its members – cooperatives, POs and NGOs – to buyers through its fair trade store, and has been a PEF partner since 2005.

In 2014, after the storms, floods and earthquake of the previous year, thousands of Filipinos have returned and rebuilt homes, revived communities, reopened schools and restored livelihoods. Filipino resolve and resilience still stand out in the world's collective memory.

SE Partners have feet firmly planted on the ground while they sow and cultivate the seeds of sustainability. With the intensive capacity-building and knowledge-sharing activities, PEF has enabled SE Partners to nurture the SE route with knack and agility. And to further boost SE growth, PEF has locked in partnerships with industry and investment leaders.

PEF in 2014 has released the social enterprises' enduring capacity to keep growing, be ready for risks and stay steadily on track to sustain the enterprise and its valuable social mission.



SOCIAL ENTERPRISE MOVERS

From the uplands of Mindoro, to the battle-scarred communities of Maguindanao, to the air-conditioned confines of a Quezon City office, these six (6) people wandered the rough and uncertain road to till the fertile soil, and grow the SEs.

Some were already employed or minding their own businesses. But all of them were drawn by their passion to find business solutions to solve complex, insurmountable, social problems of the communities - the farmers who supplied coconut, cacao or cassava or the women from war-torn areas patiently selling their wares - who have become their business partners.

There was neither a formula nor a map for them to follow. Each one observed and studied the key elements of the enterprise – the products, processes, markets, prices and everything else in between. Then, with native instinct and inquisitive minds, each sought better ways to gain more net income from every peso invested in the business. They worked backward to entice their local suppliers to produce quality commodities. They worked forward to link to larger and longer-term buyers. And they worked in the middle of the enterprise chain to consolidate, process, package and deliver the goods with quality and on time.



The drive to make the business thrive springs from the entrepreneur's innate desire to create opportunities for sustained income, not only for oneself, but for the households, too. This drive has been fueled mainly by one's own human, material and social resources. In the last 5 years, PEF tried to understand and support their enterprises, thus provided them with more financial resources for adapting technology, enhancing products, employing talents and honing organizational capacities.

Now, they are more adept risk-takers and networkers. Now, they are social enterprise movers, making the journey with business partners from large supermarkets, local consolidators, development investors like PEF, and most important with rural households.

These are the 6 SE movers who work with PEF in transforming and empowering poor communities, and creating self-sustaining households.



SOCIAL ENTERPRISE MOVERS



NATHALIE ARSONILLO

Going Back to Her Roots

Cassava is one of the most drought-tolerant crops and also grows well even on marginal soils. The edible variety of this tuber is staple food in many tropical countries, yet many farmers consider it a low-value crop. Unfortunately, farmers are unaware of the industrial uses of cassava: alcohol, glucose, solvents, animal feeds and fertilizers are just a few of the high-value products that can be derived from the lowly tuber.

“Every time I went home, my high school friends and I would take part in medical missions as a kind of reunion. Every year, we saw that the farmers’ living conditions had not changed, so we asked them what we could do to help them out,” recalled Nathalie, now 42.

While working at a bank in Cebu City, she started a lending program, but this did not bear fruit because the farmers could not manage to pay their debts.

After 11 years of employment in the banking industry, Nathalie decided to return to her hometown in Quezon, Bukidnon. In 2008, she set up Sustainable Growth for Rural Venture, Inc. (SUGRUVI), which aims to increase productivity, and provide sustainable livelihood to subsistence farmers starting in her province.

“I decided to focus on things that could make a difference [for our hometown farmers] in lieu of giving dole-outs once a year,” she said. So, with her brother she began by investing in a 150-square-meter farm lot on hilly terrain. Most of the surrounding farmlands owned by rich landlords were planted to sugar, so the siblings opted to invest in cassava, which they knew had potentially a bigger agri-industrial market.

“We saw cassava being grown in small patches throughout Bukidnon and Cagayan de Oro city, but there weren’t any in our town of Quezon,” explained Nathalie. However, persuading farmers to shift from rice, corn and sugarcane to cassava was not easy. Cassava requires extra effort and care for the first three months and fetches a low price per kilo compared to the other cash crops. She needed to give farmers proof that planting cassava would be worth the extra effort.

In SUGRUVI’s business model, adequate supplies of cassava from its farmers are built up over the longer term through fair pricing, quality standardization, and improved farm management practices, such as variety selection, soil fertilization and properly scheduled planting and harvesting.

“We set up model farms to supply quality planting materials and to show the difference between crops grown with proper care and those without, and the effect of different fertilizers on the yield.

Farmers saw that they could earn significantly more per hectare if crops were cared for properly,” said Nathalie.

Another challenge she had to overcome was earning the trust of small farmers, especially the indigenous people, the Matigsalug Tribe in Bukidnon. “At the bank, everything was by the book. In business, you have to be more flexible. Like bamboo, you have to sway with the wind. I had to study agriculture, as well as ways of handling cultural differences,” she said. It took her three months to convince a Matigsalug Datu (tribal chieftain) to start a cassava plantation in his community. When he finally agreed to collaborate, he was also able to mobilize the whole community.

Establishing harmonious relationships with peer entrepreneurs and potential buyers also paid off. Although it took her a couple of years before she





was able to get the attention of San Miguel Foods, Inc., a large food and agri-business products manufacturer, this company now procures cassava granules from SUGRUVI for the production of commercial feeds.

The main challenge after marketing was managing cash flow for operating costs needed for the transport of goods and cash payments for farmers while waiting for buyers to pay for delivered products.

Luckily, in 2011, Nathalie was awarded a grant by the Business in Development (BiD) Network *Women in Business Challenge*, a yearly global competition for women entrepreneurs. She was granted €5,000 worth of business coaching from and membership in United Success, a global business network helping women doing business in emerging markets. She also pursued contacts made in the past and from the BiD Network to connect with potential creditors or investors like PEF, and LGT Venture Philanthropy.



Thus, in 2014, PEF provided SUGRUVI with a Php5 million loan for working capital. She also availed of a grant through which Nathalie and her management team completed the Accelerating Capacities of Enterprises (ACE)



program and organized a cooperative of IP farmers.

Starting with only five farmers in 2008, SUGRUVI now maintains a cassava supply network of 1,575 farmers, more than two-thirds of whom indigenous peoples from the Matigsalog-Manobo tribes of Quezon and Kitaotao in Bukidnon.

Though SUGRUVI was financially in the red for the first three years of its operations, company growth has increased steadily with net incomes of Php5,000 in 2011 rising to Php321,000 in 2014 and projected to double this in 2015. This would not have been possible if Nathalie had not been able to clinch the supply agreement with San Miguel Foods, and the partnership with the communities.

Despite all the roadblocks and difficulties, Nathalie felt that her efforts, in small steps, “one farmer at a time,” really made a difference, especially for those who have placed their trust in her enterprise. “It’s been rewarding whenever farmers come to tell me that they realized substantial income from cassava. It’s been fulfilling to link them to industrial partners and the market.”

Nathalie advises prospective agri-entrepreneurs to think more than twice before starting up, as it can take years of sweat and tears before an enterprise becomes profitable. “Your key is correct financing. Either you have a source or you know how to start with minimal capital. You have to be open, patient, and flexible. After lean and difficult times, there will be light and abundance at the turn of the road.”

ABOUT SUSTAINABLE GROWTH FOR RURAL VENTURE, INC. (SUGRUVI)

- SUGRUVI is a non-stock corporation that provides sustainable livelihood to subsistence farmers.
- It consolidates and processes dried cassava chips into granules for delivery to San Miguel Foods, Inc., as ingredient for commercial feeds.
- Based in Bukidnon province, it operates in the hinterlands of Quezon and Kitaotao, providing employment to small cassava farmers and indigenous people communities.

ABOUT NATHALIE ARSONILLO

- Graduate, Master’s Degree in Business Administration and Bachelor of Science Major in Psychology, Xavier University, Cagayan de Oro City
- Worked at United Overseas Bank of the Philippines, Cebu City; Metropolitan Bank & Trust Company, Davao City; and Solidbank Corporation, Davao City
- Founder and Managing Trustee of SUGRUVI
- Winner of *Women in Business Challenge*, 2011 organized by Business in Development (BiD) Network, which supports small and medium enterprises and committed female entrepreneurs in emerging markets of Africa, Latin America and Asia

SOCIAL ENTERPRISE MOVERS



CORNELIO CASTANEDA & BERNIE BERONDO

Linking Farmers to Local and Global Markets

The demand for healthy food continues to rise globally. Products like organic rice, muscovado (raw sugar from a simple evaporation of sugarcane juice) and coconut sap sugar fill the fitness bill of health-conscious consumers.

In the Philippines, 30 farmers' associations were being supported by the Philippine Development Assistance Program (PDAP), an NGO that pioneered in agricultural enterprises for agrarian reform beneficiaries and small farmers in these

products, which they called prime commodities. With technical and financial support, organic production and marketing grew steadily but the farmers were not ready for the real world of market volume, delivery and quality demands.

The huge market potential of the organic food “sunrise” industry lured Cornelio (Jun) Castaneda, a farmer from one of the PDAP-supported associations in Sultan Kudarat.

So in 2010, Jun and eight other farmers' pitched in Php30,000 each for the initial working capital of Php270,000 of the Global Organic and Wellness Corporation (GlowCorp), as their marketing entity. The group of nine sought the help of Bernie Berondo, then senior program officer of PDAP, who then signed on as GlowCorp General Manager with Jun as President. Starting the corporation was no easy feat, but the group faced the challenges head-on. "Since we yet had to establish a track record, it was difficult for us to access start-up loans, so we had to start from scratch," said Bernie.

Having been a farmer himself, then working on farm-to-market linkages with an NGO made Bernie best fit for the job. He jumpstarted market promotion by introducing the GlowCorp organic products at trade fairs and business seminars, and from there, networked with retail stores and institutional buyers.

Customarily, farmers choose to sell their products wholesale, but Bernie found the need to tap the retail consumer market for which he had to redesign packaging and distribution. Because of low capital and the absence of operating funds in the first six months, the farmer shareholders delivered their products to GlowCorp for sale on consignment.

Meanwhile, Jun, already an organic grower, began to diversify his crops and showed his fellow farmers that they can hit the niche market and earn more. Jun was able to convince other farmers to switch to organic because of the

positive three-to-five-peso per kilo difference in sales price. Eventually, more farming households signed on and GlowCorp, which initially sold only organic rice, now moved into marketing of muscovado and coconut sugar.

Only in 2013, after two years of pushing its products to the market, did GlowCorp gain income. "It was then when we realized that we can succeed," declared Bernie. It was a steep uphill climb for GlowCorp in its first two years. From an initial sales volume of Php1.3 million in 2010 and Php8.3 million in 2011, sales surged by 100% to Php17 million in 2012, bolstered by new investments from PDAP and an agreement with the SM Supermarket for product shelf space.

In 2013, the Peace and Equity Foundation (PEF) approved a credit line worth Php6 million, after which the company posted gross sales of Php32 million that year and Php47 million in 2014, when the company posted a monthly supply turnover volume of 140 tons organic rice and 140 tons muscovado sugar.

From 400 farming households supplying organic produce in 2010, GlowCorp now has a network of 2,500 farming households and small-scale producers that supply organic rice (unpolished black, red and brown rice, and polished white





rice) from Camarines Sur, Nueva Ecija, North Cotabato and South Cotabato, and muscovado sugar from Abra, Batangas, Antique and Sultan Kudarat. As a company formed by farmers, and their cooperatives and organizations, GlowCorp is a prime example of a social enterprise fully owned and managed by farmers.

The products, under the line and brand name of *Prime Organics*, can be found in 306 outlets countrywide. These include the largest food retail store chains of Rustan's, Shopwise, Metro Gaisano, and SM. GlowCorp began to go overseas, when it directly exported muscovado sugar to South Korea.

For Bernie and Jun, GlowCorp would not have succeeded without the commitment, strong leadership, persistence and sacrifice of all the members of their team – shareholders, directors and staff members. Transparency, teamwork and expertise also defined their roles in production, consolidation and marketing. For them both, venturing into this enterprise has been risky, but the hard work has paid off in the numbers of farmers who have gained improved and reliable incomes.



With its growth trajectory, GlowCorp has applied for a larger credit line of Php15 million plus a Php5 million equity investment in 2014 from PEF, which represents 28% of its financial requirements and will be leveraged by the Php30 million equity of its shareholders.

There are still crucial steps to take. GlowCorp is completing its organic certification that will bring its products to the meticulous export world markets. The company leaders have honed skills from leadership and entrepreneurial training, staff development—particularly for their second-line managers—and installation of computerized systems for finance and operations.

Jun and Bernie agree on their most valuable lesson in GlowCorp growing years: “We learned from scratch, going step by step along the way. We waited as we did not expect to see returns at once. We calculated our risks and succeeded. We believe in our products and in our farmers.”

ABOUT GLOBAL ORGANIC AND WELLNESS CORPORATION (GLOWCORP)

- GlowCorp is a stock and for-profit corporation formed by nine farmers in 2010 as a marketing enterprise. The founding of GlowCorp was supported by the Philippine Development Assistance Program (PDAP).
- As of 2014, GlowCorp stockholders are eight farmers’ cooperatives, associations, and NGOs.

ABOUT CORNELIO (JUN) CASTANEDA, JR.

- President, Global Organic and Wellness Corporation
- President/Manager, Sultan Kudarat Muscovado Farmers and Millers Corporation
- Chairman, Municipal Agricultural and Fishery Council of President Quirino Municipality, Sultan Kudarat Province
- Chairman, Muscovado Sugar Industry Council
- Provincial Awardee, Outstanding OTOP (One Town-One Product), Small and Medium Enterprise, Department of Trade and Industry (DTI) XII in 2009
- Award of Excellence, Sectoral Award of President Quirino Municipality, Sultan Kudarat 2010
- Graduate, University of Southern Mindanao (College) and Notre Dame of Marbel University (Post-Graduate)

ABOUT BERNIE ALVANEZ BERONDO

- General Manager, Global Organic and Wellness Corporation
- Senior Program Officer, Philippine Development Assistance Program, Inc. (PDAP)
- Graduate, Masters in Management, Economics and Consumer Studies, Wageningen University and Research Centre, The Netherlands
- Graduate, Master’s Degree in Agricultural Education, Visayas State College of Agriculture, Baybay City, Leyte
- Graduate, Bachelor in Agricultural Technology, Notre Dame of Marbel University, South Cotabato

SOCIAL ENTERPRISE MOVERS



ROB CRISOSTOMO

Balancing the Brew of the Chocolate Business

Once considered a luxurious delight for wealthy people, chocolate has become a household treat as middle class families with disposable incomes have grown in numbers. Fortunately, too, more socially-conscious entrepreneurs are veering towards more sustainable production and fair trade partnerships, thus opening opportunities for small cacao farmers and processors.

Looking to fill the fair trade cocoa demand is Seed Core Agri-Industrial Corporation, a Philippine enterprise founded in 2011 and

operated by Rob Crisostomo. As an agricultural business leader, he works with rural farming communities, which serve as supply chain producers of cacao beans, the staple ingredient of chocolate.

As a young entrepreneur, Rob, 32, embraces the cause of sustainable development, and advocates organic food and a healthy environment. While still a student of business management, he and partner, Bea Misa, were already selling organically grown products. The couple then opened Ritual, a neighborhood grocery store in Makati City, which

sells organic food and home goods sourced from small producers countrywide.

From 2011-2012, he was the managing director and chief executive officer (CEO) of Islands Cacao, a top Philippine manufacturer and trader of cocoa beans and products. “We tried to merge what consumers look for with what we generate as long-term sustainable livelihood. We saw the global demand for chocolates. We like chocolate ourselves so we built our businesses around that,” said Rob.

Despite failure in his first venture, his entrepreneurial drive never ceased to seize opportunity. Seeing that the cocoa supply could be kicked up and bring better incomes to Philippine rural farmers, Seed Core geared up to provide quality cacao seedlings to rural communities by establishing a collective network of nurseries. To create a resource network of government agencies, local authorities, public corporations and farmers groups, Seed Core packaged the Planting SEEDS (Social Environmental and Economic Development and Sustainability) project, which could supply 20,000 cacao trees for farmers in a “tree-to-market” program in selected provinces. Aside from cacao seedlings, the project also provides training and information to the farmers so that the trees have a high survival rate.

For Rob, venturing into a social enterprise is not something everybody can excel in. The biggest challenge is remaining financially sustainable. It was his passion, resilience, attitude and managerial skills that have kept their enterprises active and hardy—able to hurdle tough times.

Rob explained: “You need to have an entrepreneurial mindset, the ability to spot

opportunities, the willingness to take risks, and the awareness to discern needs and take advantage of those needs. But you also need the ability to survive because only 2 to 3 out of a hundred businesses survive.”

His place in the industry allowed him to perceive potentials and capitalize on these. Instead of focusing on the local market, he chose to engage in exports because overseas buyers offer higher prices. Exporting also pushes the enterprise to raise product and process standards to internationally certified levels. Through these and its brand equity, the product and the enterprise behind it gain credibility as well.

Seed Core’s major current client is Barry Callebaut, based in Switzerland, one of the world’s leading manufacturers of high-quality chocolates and cocoa products. Callebaut’s customers include top-brand chocolate producers worldwide such as Hershey’s, Nestlé and Cadbury.

“Locally, we supply beans to artisanal chocolate makers like *Theo & Philo*. For 2015, we’re extending our supply chain and developing our own cocoa products,” adds Rob. The company is converting some farms into nurseries that use organic fertilizer and more sustainable agricultural practices, as well as expanding operations to more small-scale farmers, who can earn more in the cacao supply chain.

For Rob, social enterprise is not simply equated with doing business. “A social enterprise works on principles, to make profit but at the same time to commit to the social good and adhere to environmental laws that drive the business forward. The challenge lies in balancing,” he said.



“When you present yourself as a social entrepreneur, people expect you to give things for free. But among suppliers, producers and the workforce, everyone is equal. All members of the team work towards the vision of improving the lot of everybody. This differs from a hand-me-down [project]. There should be mutual respect between you and the farmers.”

Although a fairly young enterprise, Seed Core has already earned a number of accolades such as the top Social Enterprise Award of the British Council in *I am a Changemaker* competition held in October 2011. The company’s business plan had also been granted the *Starbucks Shared Planet Award*.



The Peace and Equity Foundation (PEF) partnered with Seed Core and with a Php1 million credit line, supports the livelihood of cacao farmers in Davao City, and the establishment of a cacao farm in Bukidnon; but Rob hopes that the relationship prospers so that he could invest in other aspects of production and sales in the future. “PEF actively supports our advocacies by providing training in the preparation of feasibility studies or helping us to invest in other technical and managerial competencies so that we can contribute to the cacao industry in Davao,” Rob said.

Overall, Seed Core is still creating the right system for the business, including building a strong team of employees, and network of partners, suppliers and buyers. Rob further said with foresight, “You need to create a system that could go on, be scaled up or expanded—with or without you—for the enterprise to remain sustainable.”

Rob likens the managing of a business to navigating a river that requires focus yet also flexibility to shift strategies in case previous ones do not work. “Rivers meander and do not follow a straight contour. They curve this way and that. You may hit a rock or drop into a ravine or waterfall. The key is to keep afloat with determination, compassion for others, and zeal.”

ABOUT SEED CORE AGRI-INDUSTRIAL CORPORATION

- Seed Core Agri-Industrial Corporation works with rural farming communities by providing quality seedling material and linking these communities to markets.
- It acts as supply chain manager for various agriculture commodities such as cacao.
- For cacao, it establishes a collective network of nurseries for plant materials and farm inputs and also serve as training centers for farmers in the supply chain.

ABOUT ROB CRISOSTOMO

- Director and General Manager, Casco Commodity Inc.
- Co-Founder and President, Seed Core Agri-Industrial Corporation
- Co-Founder, Owlephant Trading, a social enterprise that produces, distributes and markets natural and organic products
- Partner-Manager, Ritual, a retail store of organic food and other products
- Member, Social Enterprise Network, Youth for Sustainable Development Assembly, and the Global Shapers Manila Hub of the World Economic Forum
- Graduate, B.S. in Management, Ateneo de Manila University (2005)



SOCIAL ENTERPRISE MOVERS



MELISSA YEUNG Taking Business to Heart

Her heart was pained after a visit to a home for abandoned and street children. The then teenaged high school girl thought deeply, as she now relates, “I was so shaken when I got home. I prayed and asked why God allowed those kids to suffer. I asked Him what I did to deserve all the blessings I had. My reflection then was that I had the responsibility to share my blessings with others.”

Melissa Yeung, 29, has always had a heart for the less fortunate. When she was just in high school, she organized C3 Concerts for Charitable Causes

and donated the proceeds to various charities with her classmates. As a university student of Development Studies, Melissa signed up as a volunteer of an NGO, Gawad Kalinga, which gave her the chance to help build homes for families in the Payatas shelter resettlement site in Quezon City. Her voluntary charitable work gave her keen insight: “In spite of their poverty, poor families are able to give hope, life and light. I found that everyone’s got heart—no matter how poor, how small, or how young—everyone can contribute to uplifting (their own and others’) lives.”

Got Heart Foundation began beating in 2007, with its founders banking on unleashing and harnessing the potentials of people and communities for their sustainable livelihoods. In the same year, Melissa was introduced to the concept of social entrepreneurship and Got Heart Foundation became her platform to lend her helping hand in a sustainable and scalable way by building grassroots enterprises. She ripened her knowledge further by earning a Master in Entrepreneurship at the Asian Institute of Management.

Got Heart Foundation's main goal is to create opportunities where hardworking people in the economic margins can grow their own enterprises as a way out of poverty. The Foundation organizes and financially supports business initiatives from scratch, and provides capital or market spaces for starting ones. In many instances, Got Heart buys products directly from grassroots enterprises. At present, it has mutually beneficial relationships with more than 200 communities.

With support of the Peace and Equity Foundation (PEF), Got Heart was able to set up showcase outlets for the products of partner communities: a neighborhood store in Esteban Abada Street, serving upper middle class villages in Quezon City and a retail store in Gaisano Mall in Davao City.

Melissa takes a passionate and people-centered approach to running the business. So far, she said, her biggest challenge, has been “finding the right people. At first, I only looked into academic credentials. Eventually, I realized that it is the “heart” that’s more important. The skills can be learned in the course of the business as so long as they’re willing to learn and know what we’re here for.”

Melissa knows what kind of products appeal to target customers at the shops, mainly mothers and families, sports and health enthusiasts, cancer fighters and survivors, and ecologically conscious consumers. Got Heart's added value lies in moving products to a growing stream of loyal and potential customers through branding, packaging and promotion.

“We made the shop look nice and friendly. We don't sell products that our friends and family members won't buy themselves. We also post photos and stories of our partner communities so buyers can see the people and places behind the products. We listen to what our customers want and seek out products they request,” Melissa explained.

Melissa further described the enterprise workings thus: Got Heart is a non-profit entity that is run like a business. Mark-ups are used to sustain operational costs like logistics and wages for the shopkeepers who come from partner communities. All profits are reinvested in the partner community enterprises in the form of



cash for working capital, and fixed capital such as for new greenhouses and other equipment, and expansion.

To raise capital and invite more social investors, Melissa and partners put up a for-profit corporation called Got Heart Social Enterprises, Inc., in 2007. To round up the value chain, this company invested in Earth Kitchen, a healthy food restaurant in Katipunan Avenue, Quezon City, in collaboration with the long-time and more experienced Hizon's Catering.

Earth Kitchen serves food with ingredients from farmers and indigenous communities such as cashew nuts from Palawan, pili nuts from Bicol provinces, organic greens grown by small farmers in Tarlac and Bukidnon, and wild honey harvested by indigenous people – Mangyan tribes of Mindoro island and the Tagbanua of Palawan islands.

“Got Heart Foundation is now the main supplier of Earth Kitchen. By integrating Got Heart Foundation’s communities into Earth Kitchen’s

supply chain, we have created a micro-economy that’s sustainable for both ends of the spectrum (from the producer to the consumer),” Melissa declared.

For Melissa, Got Heart Foundation is all about helping others help themselves. She takes pride in seeing how partner communities and their youth grow into self-reliance.

“When we started, our community in Payatas depended on our donations. When we worked with out-of-school youth a year later, most of them went back to school. When they graduated, some of them worked full time at Got Heart and some are now managing the shops or working for Earth Kitchen. It’s really heartwarming and a big heart-leap from the way things were before.”

ABOUT GOT HEART FOUNDATION, INC.

- Got Heart Foundation, Inc was established by Melissa Yeung and friends in 2007 to help support and scale up grassroots enterprises
- Got Heart Foundation has two neighborhood store outlets in White Plains Avenue and Esteban Abada Street, both in Quezon City and a retail store in the Gaisano Mall in Davao City. The stores carry organic food and healthy lifestyle consumer products from partner communities.

ABOUT MELISSA YEUNG

- Founder and Executive Director of Got Heart Foundation and Got Heart Social Enterprises, Inc.
- Graduate, B.S. Development Studies at the Ateneo de Manila University, Quezon City in 2007, and Master's Degree in Entrepreneurship at the Asian Institute of Management



SOCIAL ENTERPRISE MOVERS



HADJA GIOBAY SAVEDRA DIOCOLANO

From Waging War to Shari'ah Compliant Financing for Peace

In certain rural areas of Mindanao, which for years have been wracked by armed conflict, former combatants are paving the way for their communities to lay down arms and work together for progress and peace.

The Kadtabanga Foundation for Peace and Development Advocates works for community development in Maguindanao province and Cotabato City of the Autonomous Region in Muslim Mindanao (ARMM) in southern Philippines.

Leading the organization is Hadja Giobay Diocolano, the only woman among 15 former MNLF combatants of the Moro National Liberation Front (MNLF) who originally founded the group. From 2002 to 2005, Hadja Giobay, as she prefers to be called, served as president and since 2005 to the present, as executive director. The transformation from warriors to peace and development workers was the major challenge that she and her colleagues had to hurdle in the early years of the Foundation.

“Karamihan sa amin, sanay humawak ng baril. Kailangan mag-shift ng mindset from combatant to peace and development advocate. From armed struggle naging mainstream ang efforts towards peace.”

(Many of us were adept at using guns. We needed to shift our mindsets from being combatants to peace and development advocates. From waging armed struggle, we switched to mainstreaming our efforts towards peace.)

With her background in community organizing and networking, Hadja Giobay was able to lead in government as well as non-government positions. She was previously barangay chair and municipal secretary. She currently heads the Women’s Committee of the MNLF in Maguindanao and is an active member of various community-based and women’s organizations and served as Commissioner for Maguindanao of the Regional Bangsamoro Commission on Women of the ARMM.

She attributes her honed leadership skills to various capacity development training in peace-building, conflict negotiations and resolution given by different organizations. *“Nakatulong talaga yung organizational development and management skills and leadership training ng UNDP.”* (The UNDP [United Nations Development Programme] training in organizational development and management skills and leadership were indeed of great help to us.)

As peace advocates, Hadja Giobay and her co-founders aimed for Kadtabanga to help their people in post-conflict communities help themselves to gain prosperity, and with this, peace. Hadja Giobay explains: *“Ibig sabihin ng ‘Kadtabanga’ ay ‘Magtutulongan tayo.’ Parang, tutulungan kita pero tutulungan mo rin kami. Parating kailangan ng counterpart.”* (*‘Kadtabanga’* [is a Maguindanaoan term that] means ‘helping one another.’ We



help you [the community] but in return you have to help us. Communities need to give their counterpart.)

Kadtabanga works closely with People’s Organizations (POs) that deliver social services, give access to resources, and train individuals and owners of small enterprises. Its projects and services include the construction of health centers, installation of water systems, skills development and housing for families, which have been displaced by armed conflict and natural disasters. They first encountered the Peace and Equity Foundation (PEF) in 2006 when they were given a grant for a community water system and organizational capacity-building activities.

For Hadja Giobay, the Foundation’s most important goal is empowering local communities. *“Kailangan ma-feel nila na sa kanila yung project para may sense of ownership p.”* (They need to feel a sense of ownership of the project). For instance, in the construction of a health center, community members persistently follow-up land donations,



or some give part of their land, while others provide labor or “sweat equity.” When skills training are held, community members assist in preparatory activities and gathering participants.

Presently, Kadtabanga implements Shari’ah-compliant financing for livelihood projects run by the POs. PEF supports the Foundation in this regard by providing training in financial management and simple bookkeeping for the POs who require investments. “We maintain open lines of communication and the people can approach our finance staff anytime to gain a clearer understanding of Islamic financing.”

Because the Shari’ah-compliant financing program is fairly new, Hadja Giobay realized that she and her team need further training.



With nine staff members of Kadtabanga, PEF supported their participation in an intensive 10-day Islamic Finance Immersion Program in Jogjakarta, Indonesia. She and three other board members and managers also successfully completed the PEF-run Accelerating Capacity of Entrepreneurs (ACE) Program, which sharpened their social enterprise leadership and management abilities.

Armed with the capability to manage the Shari’ah compliant financing program, Kadtabanga Foundation provides the PO partners with capital for their small group businesses such as barber shops, bakeries, fish or vegetables vending, and making of *bagoong* (sauce from fermented salted fish or shrimps). Aside from this, the Foundation helps community microentrepreneurs to market local products such as processed food, and bags and slippers made of water lily stalks. A product of pride that they carry is *inaul*, a colorful cloth woven with the Maguindanaoan traditional hand looms.



While the road to peace was not easy, Hadja Giobay is proud that Kadtabanga has established a name for itself and is now internationally recognized as a model of community-based peace-building efforts. The Foundation was voted as one of the finalists in the prestigious 2015 Triennial Awards of the Cebu City-based Ramon Aboitiz Foundation Inc. (RAFI), which recognizes the exemplary achievements of individuals and



institutions of the Visayas and Mindanao islands in raising the dignity of human lives.

Hadja Giobay herself has won numerous awards for leadership and peace efforts. She declares with determination: “Our aim has always been to achieve lasting peace and sustainable development. Some say that this is a frayed objective, but we disagree because we still have not achieved it. A lot more will have to be done. In our own small way, we want to help the poor and the displaced, and create a constant culture of peace.”

ABOUT KADTABANGA FOUNDATION FOR PEACE AND DEVELOPMENT, INC.

- Kadtabanga Foundation is a non-profit and non-stock organization formally established in 2000 in the Autonomous Region in Muslim Mindanao.
- Members of Kadtabanga are former Moro National Liberation Front (MNLF) combatants who turned themselves into Peace and Development Advocates (PDAs) for their communities.
- Kadtabanga Foundation’s projects include construction of health centers and provision of equipment; construction of community potable water systems; organization of cooperatives, establishment of livelihood activities, skills training, and provision of agricultural materials; construction and/or renovation of classrooms; and construction of permanent shelters for internally displaced families.

ABOUT HADJA GIOBAY SAVEDRA DIOCOLANO

- Executive Director (2005 to present), Chair (2002-2005) and founding member in 2000 of Kadtabanga Foundation
- State Chairperson, Moro National Liberation Front (MNLF)
- Chairwoman, Nuron-Nisa Kutawato Multipurpose Cooperative
- Member of the Bangsamoro Women’s Solidarity Forum, Royal Ladies of Maguindanao and Federation of United Mindanawan.
- Served as Commissioner for Maguindanao of the Regional Bangsamoro Commission on Women (RCBW) under the Office of the Governor of the Autonomous Region in Muslim Mindanao (ARMM).
- Graduate, Bachelor of Arts in Economics from Philippine Harvardian College, Cotabato City, Maguindanao

SOCIAL ENTERPRISE MOVERS



FRANCISCO RUBIO

Tapping the Coconut Tree to Green the Lives of Farmers

The Philippines is the second biggest coconut producing country in the world. Yet, around 60% of this agricultural industry's farmers, workers and their families struggle for daily survival.

Francisco Rubio, founder and chief executive officer of Green Life Coco Products, Inc. (GreenLife) in Tayabas, Quezon province, knows this reality pretty well. The son of a coconut farmer, he was raised in the remote island of Jomalig, Quezon, the only one of six siblings to finish college with a scholarship grant of CocoFed

(Philippine Coconut Producers Federation, Inc.). He graduated with a Bachelor of Science in Agriculture degree and took up master's units in cooperative management.

Formally established in 2009, Green Life Coco Products manufactures virgin coconut oil (VCO) and its subsidiary products of culinary oil, massage oils and soap, and other organic coconut-based products, like coconut jam, sugar and vinegar. It is still creating new product lines like fresh coconut milk and the now popular health and sports drink—coconut water.

GreenLife positions itself as the leading producer of high value quality coconut products that will generate jobs for small-scale farmers and ultimately lead to a flourishing Philippine coconut industry.

Francisco laments that many coconut farmers remain poor because they rely solely on copra, crudely dried coconut meat that is milled and pressed for its vegetable oil, whereas the proverbial “tree of life” can yield a multitude of products, as long as one learns to tap its gifts. “One can derive almost a thousand products from the coconut tree—from roots to fronds—like oil and handicraft materials that can make it to the export market. The global demand for VCO alone is doubling annually,” said Francisco, citing statistics from the Philippine Coconut Authority (PCA).

As a municipal agriculturist, Francisco was tasked to set up a one-man operations office in his hometown of Jomalig, Quezon. In 1992, he with his wife, Emelita, and their growing brood, moved to the commercial hub of Lucena City, and started anew by selling fresh coconuts in a family stall at the city public market. For starting capital, he borrowed from the “5-6” informal moneylender, so called because for every five pesos borrowed one pays back six pesos weekly—a 20% per week interest rate.

His resourceful expertise in coconut products gave him the edge in vending. “I used to sell as many as 500 coconuts a day at Php3 each to come up with an income of Php1,500. But I also made an enterprise out of the by-products that were usually thrown away. We looked for buyers of the *sapal* (leftover ground coconut meat after extracting coconut milk) and the coconut water which can be turned into vinegar. We also made and sold *nata de coco* (a gelatinous food made from

fermented coconut water) as our snack line,” Francisco narrated.

It wasn’t easy, but through hard work and ingenuity, Francisco was able to pay his debts and become profitable. Proof of success came soon after when other vendors started copying his business strategies. Instead of crowding out the competition, he made friends with other producers and established two cooperatives so that small vendors could sell their products in bulk. And rather than harbor trade secrets, he openly shared his know-how and new technology. As someone who grew up in a rural farming community, he knew the ropes of the coconut business and easily connected with fellow farmers, manufacturers and potential buyers.

In 2003, the Rubio couple was first introduced to VCO through a company that was giving seminars on its production. They joined the group called VCO Philippines and started producing small quantities. VCO production then was not yet standardized and the market was still in infancy. Francisco read books and articles and realized the increasing global demand for healthy products and decided to invest.

“You have to continually evolve and find new ways to earn. I went into the business for survival because of nine children I had to support. I thought of a way where I could combine my passion [for the coconut] with what I knew about business and the existing network,” said Francisco.

Since setting up Green Life Coco Products in 2009, Francisco has established his own niche among VCO processors, producing only fresh, natural and high-grade products. In 2013, Francisco pioneered the Village VCO Processing



system to bring small coconut farmers into the industry value-chain.

In 2014, Peace and Equity Foundation (PEF) stepped in by providing a credit line of Php2 million for GreenLife's working capital, which covers the costs of running the VCO Village processing operations and pay the farmer-processors promptly. The company is also working on its VCO organic production certification with help of a small grant from PEF.

GreenLife now has a production volume of 20,000 liters of VCO per month. The company directly employs 40 village VCO workers and 21 factory workers at the main standardization plant. GreenLife also provides indirect employment to about 80 village coconut processors and others involved in farm management support services and product distribution. The company is now expanding its operations through its Village VCO Processing Units, a network of producers which employ at least 10 individuals per unit, thus creating jobs for the local economy.



Meanwhile, the two cooperatives he set up for coconut trading and farmers' services have increased their assets. These are the Koopnaman Multi-Purpose Cooperative with assets valued at Php135 million and AEC Cooperative with assets of Php12 million.

Two of Francisco's nine children are being trained as second-line managers for marketing and distribution in the family-owned company. According to Francisco, his children are more "tech-savvy" when it comes to social media marketing and promotions, and more thorough in dealing with the paperwork required for organic certification. Francisco makes sure to involve them in decision-making and ensures their continuing business education through seminars and workshops.

From a vendor who borrowed capital for his public market stall to the leader of a social enterprise, Francisco Rubio takes pride in seeing GreenLife as investor-ready for PEF and other financial resource partners.

With bigger scale, improved quality standards and organic certification, GreenLife entered into the export market. As he moves and sets up more village production units, Francisco regards PEF as a network ally with whom GreenLife shares the mission to grow with the coconut-producing communities.

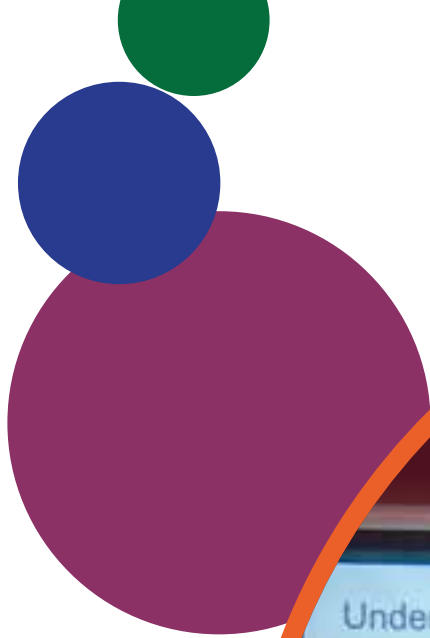
Francisco believes that having the passion, taking risks and networking are key qualities of a social entrepreneur. "We started with [financially] nothing. It wasn't easy, but if you have the passion to study the market and excel in the technology, it is possible to succeed. At the end of the day, it is about giving jobs to lowly farmer families and placing them on higher ground."

ABOUT GREEN LIFE COCO PRODUCTS, INC.

- Green Life Coco Products was founded in 2001 with the mission to uplift the livelihood of coconut farmers in Southern Luzon.
- Its vision is to become a leading producer of high value and high quality coconut products that create jobs and help develop the Philippine coconut industry.
- Green Life brand products include: Virgin Coconut Oil, VCO Scented Oil and Massage Oils, Coco Jam, Coconut Sugar, Coconut Vinegars, Culinary Virgin Coconut Oil and VCO Soap. Products in development include: Coco Flakes, Coconut Candy (*Bukayo*), Coco Flour, Coco Soy Sauce (*Toyo*), Coco Honey, Fresh Coconut Milk, Coco Water

ABOUT FRANCISCO P. RUBIO

- CEO, Green Life Coconut Products, Philippines Inc.
- Director, Quezon Federation and Union of Cooperatives
- Director, KOOPNAMAN Multipurpose Cooperative
- President, USA Organic
- Owner, UNLAD-SAKA Enterprise
- Scholarship grantee from 1978 to 1985 of the Philippine Coconut Producers Federation, Inc. (CocoFed)
- Graduate, Bachelor of Science in Agriculture in Lucena City and pursued Masters in Management (Cooperative) in Lucban, Quezon



APPROVED

PARTNERSHIP PROJECTS 2014

Social Enterprises - C5 Sector**49,894,649 (18%)**

PARTNER	CORE ACTIVITY AND FOCUS OF INVESTMENT	ISLAND	TOTAL
CACAO			6,840,600 (14%)
1. Abag Kalambuan, Inc. ^a	a. Establishment of Model Farm, Budwood Garden and Construction of Nursery b. Building Partnership with Indigenous Communities via Social Enterprise Development Phase 2 (Solar Energy for Cacao Plantation)	Mindanao	1,620,600
2. Organization for Partnerships, Teamworks and Initiatives on Opportunities for Nature Stewards, Inc.	a. Establishment of Cacao & Coffee Center in Albay b. Learning Exchange: Cacao Summit	Luzon National	4,220,000
3. Seed Core Agri- Industrial Corporation	Production Financing for Cacao Seedlings	Mindanao	1,000,000
CANE SUGAR			13,609,249 (27%)
4. Cotabato Mill District Development Council Foundation	Nursery Expansion for Small Farmers in North Cotabato	Mindanao	1,878,000
5. Kamanepa MultiPurpose Cooperative	Block Farming	Mindanao	9,937,449
6. Laua-an Multi Purpose Cooperative	ACE Program***	Visayas	345,000
7. Multi- Sectoral Alliance for the Development of Negros, Inc.	a. Training of Farm Technicians b. ACE Program***	Visayas	561,000
8. Sugar Industry Foundation, Inc.	Learning Exchange: Sugarcane Farming in Thailand	Nationwide	887,800
CLIMATE SMART AGRICULTURE (CSA)			14,659,800 (29%)
9. InterNationwide Institute for Rural Reconstruction	Scaling-out tested climate smart approaches at the municipal level in Guinyangan, Quezon	Luzon	950,000
10. Philippine Agrarian Reform Foundation for Nationwide Development	a. Learning Exchange: InterNationwide Conference on Rice Duck Farming b. ACE Program***	National Mindanao	1,343,000
11. Sustainable Growth for Rural Venture, Inc. ^b	a. Cassava Production b. Connecting Communities to Entrepreneurs and Markets c. ACE Program*** d. Expansion of Cassava Production	Mindanao	12,366,800
COCONUT			13,990,000 (28%)
12. Coco Technologies Corporation	ACE Program***	Luzon	345,000
13. Green Life Coco Products	a. VCO Processing b. VCO Organic Certification	Luzon	2,400,000
14. Healthy Sweets Inc.	a. Production of Coconut Sugar in Panabo City b. Construction and Equipment Acquisition c. Marketing and Product Promotion d. ACE Program*** e. Cocosugar Production	Mindanao	11,245,000
COFFEE			795,000 (2%)
15. KPS - Small Enterprise and Economic Development, Inc. Foundation	Capacity Building for Staff in Micro Finance Operations	Mindanao	95,000
16. Philippine Coffee Board, Inc.	a. Learning Exchange: 7 th Nationwide Coffee Summit b. Product Promotion	Nationwide	700,000

*** ACE Program is a 4-module capacity development that aims to accelerate the capacities of social enterprises to be investor ready and achieve their social mission.

Social Enterprise - Non C5 Sector**178,086,088 (65%)**

PARTNER	CORE ACTIVITY	ISLAND	TOTAL
BASIC SOCIAL SERVICES		125,250,000 (71%)	
HEALTH			7,100,000
1. Health Innovation Multi-Purpose Cooperative	a. Learning Exchange: Impact Forum b. ACE Program*** c. Birthing, Pharmacy and Diagnostics	Visayas	7,100,000
HOUSING			10,000,000
2. The Julio & Florentina Ledesma Foundation, Inc.	Socialized Housing Construction Including Rebuilding Houses for Rehabilitation in Calamity Affected Areas	Visayas	10,000,000
RENEWABLE ENERGY			6,710,000
3. Health Innovation Multi Purpose Cooperative ^c	Promotion and Marketing of Solar Lantern	Visayas	500,000
4. Hybrid Social Solutions, Inc. ^b	Inventory of Credit Line Facility For HSSI	Nationwide	5,000,000
5. Sustainable Growth for Rural Venture, Inc. ^b	Promotion and Marketing of Solar Lantern	Mindanao	510,000
6. Tagbanua Tribe of Coron Island Association ^a	Promotion and Marketing of Solar Lantern	Luzon	700,000
POTABLE WATER AND SANITATION			1,440,000
7. Dancalan Ilog Waterworks and Agro-Industrial Multi-Purpose Cooperative (Level 3)	Improvement and Expansion of Service Area	Visayas	370,000
8. Kauswagan Water and Sanitation Service Cooperative (Level 3)	Improvement and Expansion of Service Area	Visayas	670,000
9. Pinagsaragpuan Yang mga Grupo Yang Mga Tagbanua	Repair of typhoon-damaged Saragpunta Office & Provision of Waterless Toilet & Rain Collector	Luzon	400,000
GENERAL HOUSEHOLD WELFARE (HEALTH AND EDUCATION)			100,000,000
10. Nationwide Confederation of Cooperatives	Bridge financing to ensure timely delivery of coop managed Pantawid Familyang Pilipino Program (Conditional Cash Transfer)	Visayas	100,000,000
MICRO FINANCE		12,600,000 (7%)	
11. PINOYME Foundation, Inc.	Refinancing for Rehabilitation of Micro Finance Wholesalers	Nationwide	6,000,000
12. Sewers for Equity and Welfare Producers Cooperative	Purchase Order Financing	Luzon	100,000
13. Maranding Women Investors Multi-Purpose Cooperative	Liquidity Financing for Calamity Affected MFIs	Mindanao	6,500,000
CULTURE - BASED FINANCING		9,187,360 (5%)	
14. Al-Qalam Institute for Islamic Identities and Dialogue in Southeast Asia	a. Institutional Building on Islamic Finance Operation b. Learning Exchange: Islamic Financing Practices of Indonesia c. Training Needs Assessment of Shariah based Financing Partners d. Learning Exchange on Shariah Financing	Mindanao	2,042,360
15. Kadtabanga Foundation for Peace and Development Advocates, Inc.	a. ACE Program*** b. Mudarabah Investments/ Shari'ah Compliant Investments for Community Enterprises	Mindanao	7,145,000

a In partnership with BPI Foundation

b In Partnership with CORDAID Enterprise Sector

c In Partnership with Department of Energy (DOE)

OTHERS			31,048,728 (17%)	
(Business Development Services, Manufacturing, Consolidation and Trading, etc.)				
16. Assisi Development Foundation	Linking Producers to Market via a Café in Davao City (PEF Office)	Mindanao		183,728
17. Association of Foundations	Mobile Apps for Social Enterprises (Competition and Mentoring Program)	Nationwide		1,300,000
18. Ateneo De Manila University	a. Mentoring of Young Entrepreneurs b. SE Competition for Young Entrepreneurs	Nationwide		1,350,000
19. British Council	"I am a Changemaker" Competition for Young Entrepreneurs	Nationwide		500,000
20. Gifts And Graces	Website Development for Marketing	Nationwide		120,000
21. Global Organic and Wellness Corp.	a. ACE Program*** b. Scaling up of Marketing Operations to Link Farmers to Market	Nationwide		21,145,000
22. Got Heart Foundation	Linking Farmers to Market	Mindanao National		650,000
23. Kapwa Green tea Enterprise	Plant Improvement and Equipment Acquisition	Luzon		985,000
24. Magpet Agro Industrial Resources Cooperative ^b	a. Electronic Truck Scale Acquisition b. ACE Program*** c. Product and Market Development on Second Fry Banana Chips	Mindanao		3,975,000
25. Multi Sectoral Alliance for the Development of Negros, Inc.	Integrated Upland Farming (Livestock and Fruit Trees)	Visayas		340,000
26. Route+63 Sustainable Travels, Inc.	Marketing Capital for Expansion of Eco-Tourism	Nationwide		500,000

*** ACE Program is a 4-module capacity development that aims to accelerate the capacities of social enterprises to be investor ready and achieve their social mission.

Relief and Rehabilitation

40,637,312 (15%)

PARTNER	CORE ACTIVITY	ISLAND	TOTAL
DISASTER RISK REDUCTION (DRR)			4,279,510 (11%)
1. Abuyog St. Francis Xavier Credit Cooperative	Learning Exchange: Workshop on DRR - CCA	Visayas	135,000
2. Microfinance Council of the Philippines	Learning Exchange: DRR and Mitigation Program for MFIs	Luzon	950,000
3. Nagkakaisang Magsasakang Caibiran Multi Purpose Cooperative, Inc.	Agri-Refinancing and Organizational Development	Visayas	770,000
4. Omaganhan Farmers Multi Purpose Cooperative	Coastal Resource Management in the Aftermath of Typhoon Yolanda	Visayas	965,560
5. Simbahang Lingkod ng Bayan	Production of Calendar on DRR	Nationwide	200,000
6. Tropical Institute for Climate Studies	Capacity Development for PEF partners in Mindanao on DRR Climate Change Adaptation	Mindanao	1,258,950

a In partnership with BPI Foundation

b In Partnership with CORDAID Enterprise Sector

c In Partnership with Department of Energy (DOE)

REHABILITATION			33,391,152 (82%)	
7. Abuyog St. Francis Xavier Credit Cooperative	Agri-Refinancing for typhoon Yolanda-affected Areas and Common Facility Repairs	Visayas		7,500,000
8. Bol-anon United Sectors Working for the Advancement of Community Concerns Inc.	Micro-Enterprise Financing, Green Island Establishment and training on climate smart technologies	Visayas		7,686,645
9. Camaca Multi-purpose Cooperative	Fishpond Repair for typhoon Yolanda-affected areas	Visayas		240,000
10. Fatima Multi Purpose Cooperative	Housing Repair for typhoon Yolanda-affected areas	Visayas		5,100,000
11. Growth, Organizational Upliftment of People, Inc.	Assist the HOAs to comply with all deferred documents; application for additional financial assistance from SHFC; preparation of technical plans and other requirements for the loan window of SHFC;			2,430,800
12. Social Action Center - Archdiocese of Cagayan De Oro	site development and construction; and incorporate Disaster Risk Reduction in the development plans of the HOAs for typhoon Sendong-affected areas	Mindanao		2,839,600
13. Technology Outreach and Community Help Foundation, Inc.	Post Disaster Capacity Assessment for typhoon Yolanda-affected areas			2,669,096
14. Institute for Social Entrepreneurship in Asia	Planning Rehabilitation with Small Farmers and Fishers for the three municipalities affected by typhoon Yolanda	National		450,000
15. Pambansang Kilusan ng mga Samahang Magsasaka	a. Housing Repairs & Construction of a New Handicrafts Production Center b. Rebuilding Houses and Livelihood for Yolanda Victims	Visayas		955,000
16. Uswag Development Foundation, Inc.		Visayas		3,520,011
RELIEF			2,966,650 (7%)	
17. Caritas Diocese of Libmanan	a. Relief and Livelihood Assistance for Barangay Bahao b. Relief Assistance for Tropical Storm Ruby victims in Barangays Bahao & Tagbac, Libmanan, Camarines Sur c. Relief Assistance for Tropical Storm Glenda victims	Luzon		1,489,650
18. Caucus of Development NGO Networks	a. Task Force Ruby Community Damage and Needs Assessment (CDNA) b. Relief Assistance for Tropical Storm Glenda victims	Visayas National		277,000
19. Coalition for Bicol Development	Relief Assistance for Tropical Storm Ruby victims in Masbate	Luzon		250,000
20. Nagkakaisang Magsasakang Caibiran Multi Purpose Cooperative, Inc.	Typhoon Yolanda Relief Operation	Visayas		300,000
21. Partnership of Philippine Support Service Agencies, Inc.	a. Relief Assistance for Tropical Storm Glenda victims b. Relief assistance to Communities Affected by Typhoon Ruby	National		400,000
22. People's Alternative Livelihood Foundation Sorsogon, Inc.	Cash for Work for Typhoon Glenda victims	Luzon		250,000

*** ACE Program is a 4-module capacity development that aims to accelerate the capacities of social enterprises to be investor ready and achieve their social mission.

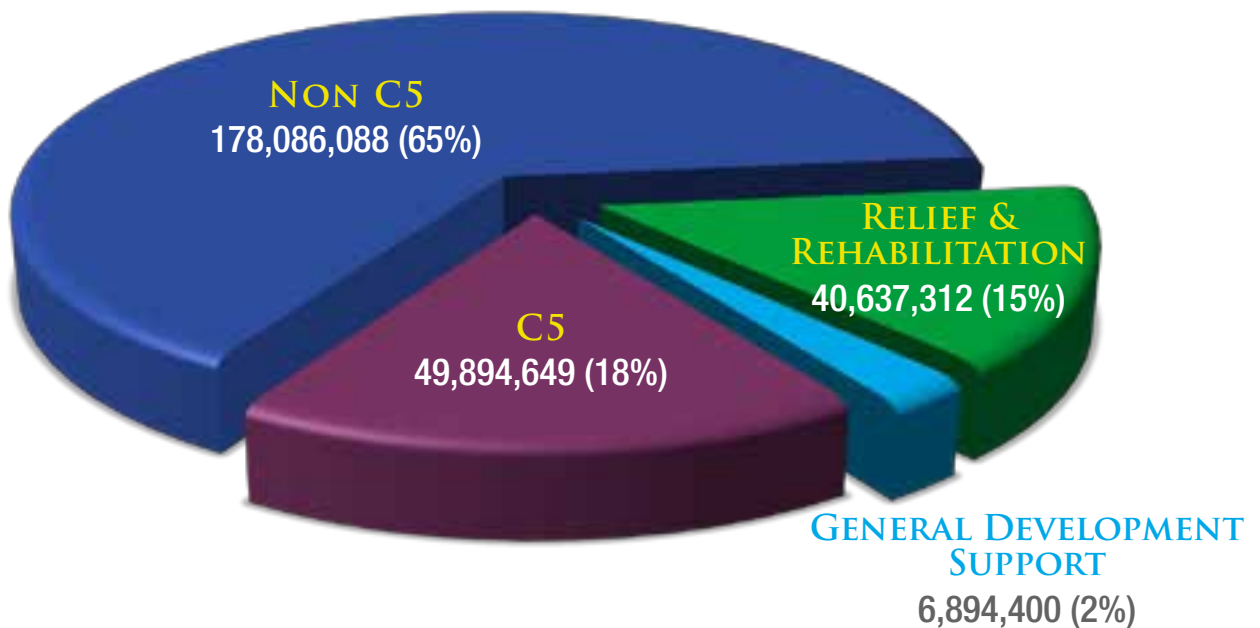
General Development Support

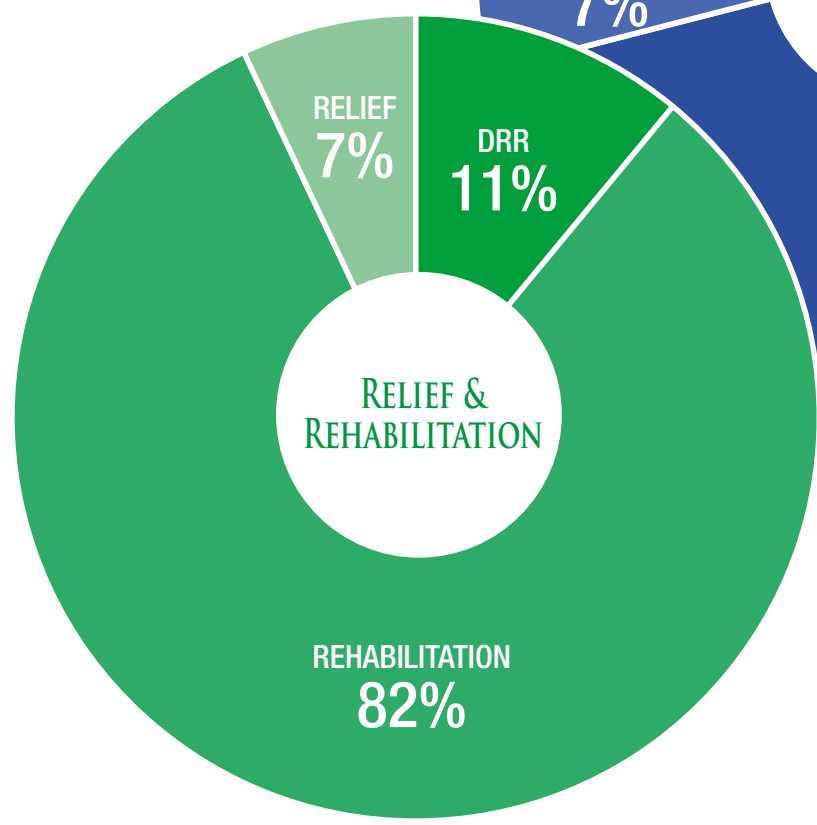
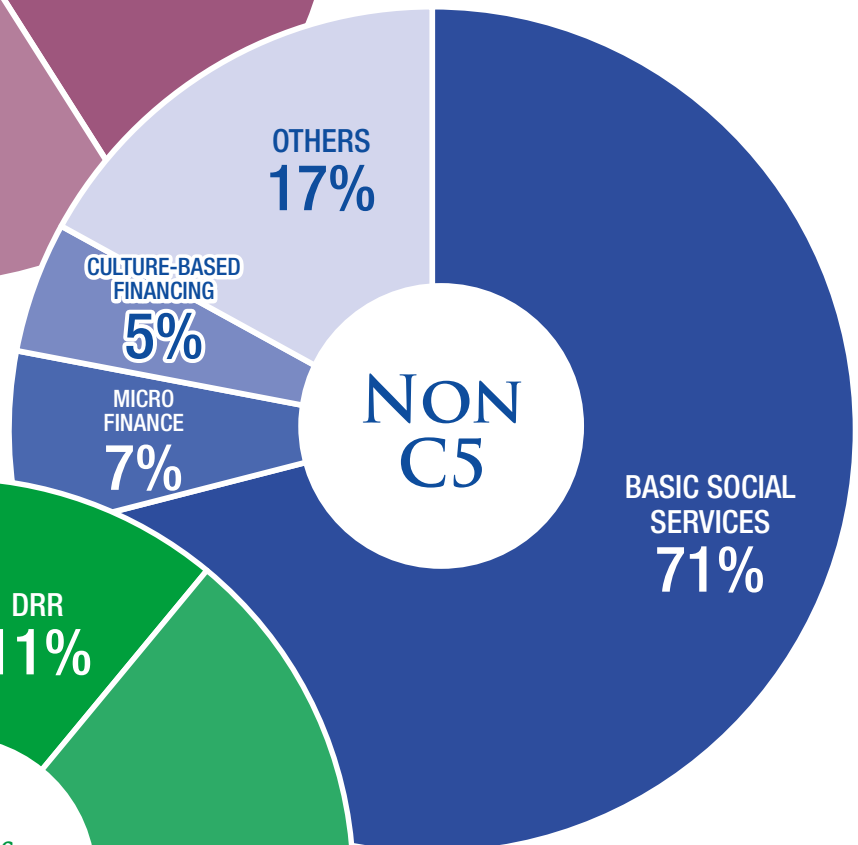
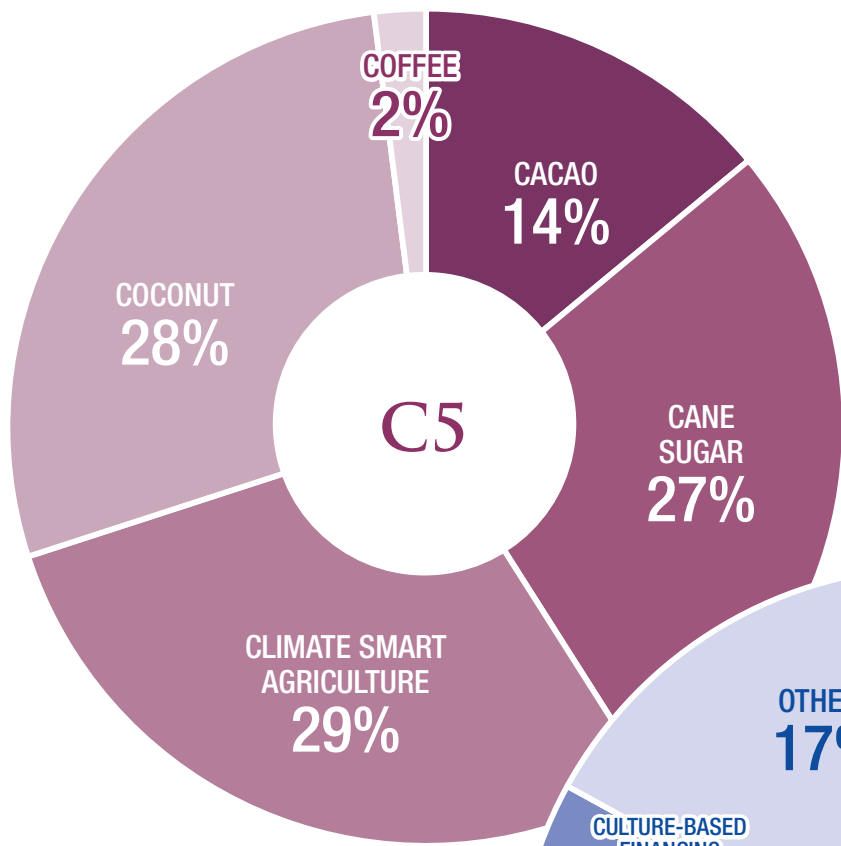
6,894,400 (2%)

PARTNER	CORE ACTIVITY	ISLAND	AMOUNT
1. Association of Foundations	Research on funding for Typhoon Yolanda relief and rehabilitation efforts	Nationwide	150,000
2. Bato Balani Foundation, Inc.	Training of Students on Business Development	Nationwide	570,000
3. Capiz Vendors Multi Purpose Cooperative	Capacity development program for staff and officers	Visayas	110,000
4. Caucus of Development NGO Networks	a. Cluster meetings on bottoms-up-budgeting (BUB) for social enterprises b. Social Development Week	Nationwide	4,500,000
5. Coalition of Social Development - South Cotabato	Business planning on Value Chain Analysis (VCA) for agri enterprises.	Mindanao	160,000
6. Datal Bob Muslim Tboli United Farmers Association	Improvement of drinking water system (Level 1)	Mindanao	204,400
7. EchoSi Foundation	Participation on NY Artisan Trade Show to promote woven materials of IP communities	Nationwide	350,000
8. Institute for Social Entrepreneurship in Asia	Conference: Social Enterprise Advocacy and Leveraging	Visayas	350,000
9. Philippine Cooperative Center	Cooperative Summit	Nationwide	500,000

*** ACE Program is a 4-module capacity development that aims to accelerate the capacities of social enterprises to be investor ready and achieve their social mission.

**TOTAL APPROVED PROGRAM INVESTMENTS (IN PHP)
AND PERCENTAGE PER PORTFOLIO
PHP 275,512,449**







VITALIANO N. NANAGAS II

TREASURER'S REPORT

Seven years ago, then PEF Chairperson, Abp. Antonio J. Ledesma SJDD, invited me to join the Foundation as adviser of the Finance and Investments Committee. In 2014, I was elected as a Trustee and appointed by the Board as Treasurer.

On behalf of the Board of Trustees, I am pleased to report the financial position of the Peace and Equity Foundation at the end of the year 2014.

MANAGEMENT OF THE ENDOWMENT FUND

Our major task in the Finance and Investments Committee is to ensure that earnings from the Endowment Fund will be sufficient to fund our projects and operations.

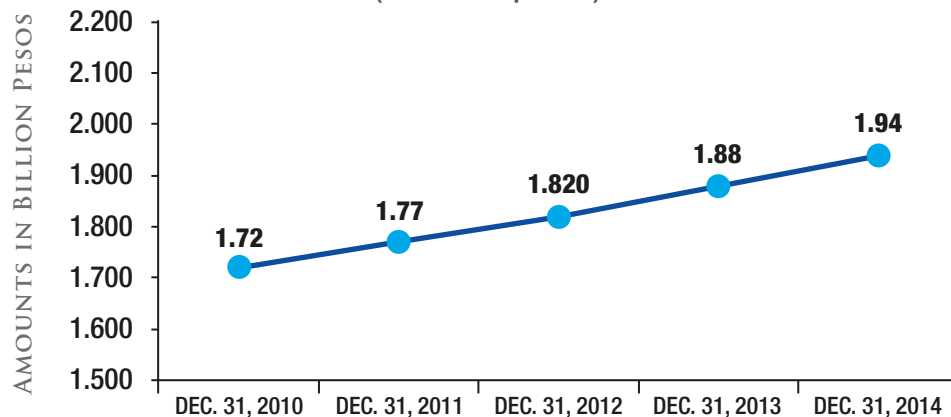
Realized earnings from investments in 2014 amounted to Php116.32 million, net of tax. The unrealized earnings from investments (or mark-to-market valuation), on the other hand, was in the amount of Php140.15 million. Average return of investments was 14.25%. Apart from investments in the financial markets, PEF also earned Php4.9 million from interest on project loans and other income of Php917,000.

The Foundation maintains a policy of keeping the value of the original Endowment Fund intact by adding 3% provision for annual inflation. Total provision for inflation for the year amounted to Php56.4 million raising the restricted fund balance to Php1.936 billion at the end of the year. This amount is 47% higher than the original endowment fund of Php1.318 billion established in 2001.

Other sources of funds in the amount of Php39.19 million include principal payments from project loans and from partner organizations namely the Catholic Organization for Relief and Development Aid (Cordaid), Department of Energy, and BPI Foundation.

COMPARATIVE TOTAL FUND BALANCE

For years 2010 to 2014
(in billion pesos)



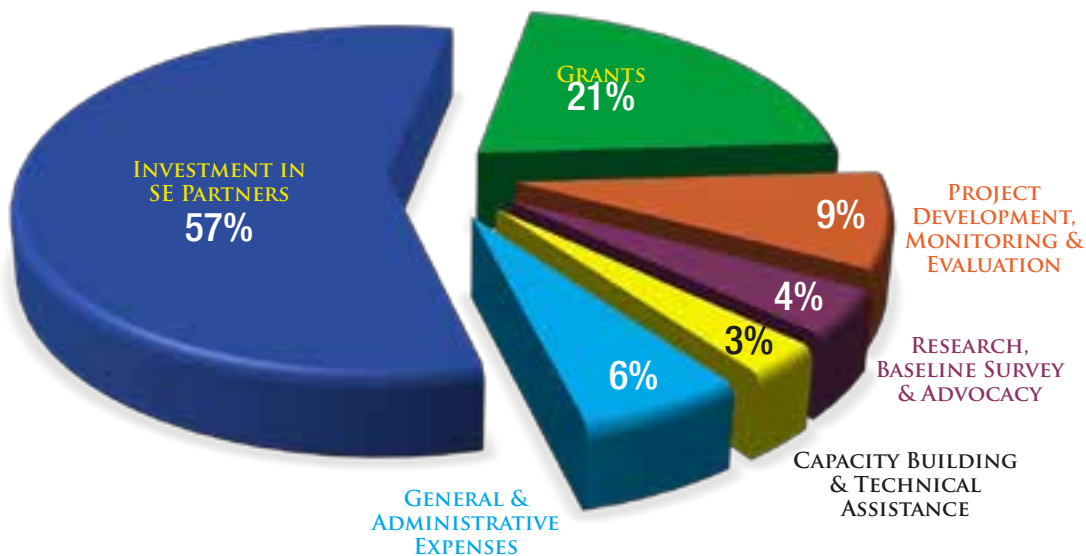
USES OF THE FUNDS

A total of Php292.51 million was disbursed in 2014. This amount is 88% higher than the previous year.

The funds were used for the following purposes:

- Investments received by partner organizations totaled Php166.42 million. These disbursements were in the form of project loans, special deposits, and equity investments.
- Grants extended to social enterprises and other general development programs amounted to P61.46 million.
- Expenses incurred for capacity building and technical assistance totaled Php8.63 million
- Costs for developing and monitoring of project performance amounted to Php25.9 million.
- Research, industry studies, baseline survey, and SE advocacy and events took up Php 12.1 million
- General and administrative expenses amounted to Php18 million.

DISBURSEMENTS FOR THE YEAR 2014 PHP 292.51 MILLION



WAY FORWARD

The Board of Trustees and management are in the last stages of formulating the Foundation’s second five-year plan to implement the Social Enterprise strategy for the period 2016-2020. We will evaluate the financial requirements of the plan then reformulate an appropriate strategy to support it. The strategy would likely include further strengthening of the financial base to

support the Foundation even beyond 2020 and at the same time building up sufficient reserves to meet contingencies.

With you, our stakeholders, we move forward to another fruitful year of social enterprise partnership!



FINANCIAL
STATEMENTS

**Peace Equity Access for Community
Empowerment (PEACE) Foundation Inc.**

Parent Company Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report



SGV
Building a better
working world.

A member firm of Ernst & Young Global Limited.



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Peace Equity Access for Community Empowerment (PEACE) Foundation Inc.

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc., which comprise the parent company balance sheets as at December 31, 2014 and 2013, and the parent company statements of comprehensive income, statements of changes in fund balances and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 24 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore
 Maria Veronica Andresa R. Pore
 Partner
 CPA Certificate No. 90349
 SEC Accreditation No. 0662-AR-2 (Group A),
 March 26, 2014, valid until March 25, 2017
 Tax Identification No. 164-533-282
 BIR Accreditation No. 08-001998-71-2015,
 February 27, 2015, valid until February 26, 2018
 PTR No. 4751311, January 5, 2015, Makati City
 March 18, 2015



**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION INC.**

PARENT COMPANY BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱41,512,382	₱41,119,231
Receivables - net (Note 5)	196,446,792	106,089,888
Available-for-sale (AFS) financial assets (Note 6)	1,916,070,637	1,952,802,423
Other current assets (Note 7)	17,528,992	25,445,105
Total Current Assets	2,171,558,803	2,125,456,647
Noncurrent Assets		
Receivables - net of current portion and allowance (Note 5)	55,146,848	32,729,392
Property and equipment - net (Note 8)	29,601,267	31,545,597
Investment properties (Note 9)	4,911,814	4,911,814
Investment in Peace and Equity Holdings Inc. (PEHI; Note 10)	31,250,000	31,250,000
Other noncurrent assets (Note 18)	748,037	607,538
Total Noncurrent Assets	121,657,966	101,044,341
TOTAL ASSETS	₱2,293,216,769	₱2,226,500,988
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	₱21,230,647	₱16,830,415
Grants payable (Note 12)	19,074,261	8,821,429
Funds held in trust (Note 13)	83,419,633	153,322,410
Total Current Liabilities	123,724,541	178,974,254
Fund Balances (Note 23)		
Restricted	1,936,073,280	1,879,682,796
Unrestricted	233,418,948	167,843,938
Total Fund Balances	2,169,492,228	2,047,526,734
TOTAL LIABILITIES AND FUND BALANCES	₱2,293,216,769	₱2,226,500,988

See accompanying Notes to Parent Company Financial Statements.



**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION INC.**

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
REVENUES		
Investment income (Note 6)	₱121,154,865	₱155,694,957
Interest income (Notes 4, 5 and 7)	4,901,063	4,141,242
Foreign exchange gain - net	–	36,568
Others (Note 17)	917,004	2,607,917
	126,972,932	162,480,684
EXPENSES		
Grant expenses (Note 12)	61,460,148	25,571,285
Project expenses (Note 14)	46,634,088	22,265,420
General and administrative (Note 15)	18,006,736	14,576,237
Provision for impairment losses on receivables - net (Note 5)	10,979,459	13,336,954
Depreciation and amortization (Note 8)	2,960,751	2,839,411
Foreign exchange loss - net	90,823	–
	140,132,005	78,589,307
INCOME (LOSS) BEFORE INCOME TAX	(13,159,073)	83,891,377
PROVISION FOR INCOME TAX (Note 20)	4,827,470	8,661,226
NET INCOME (LOSS)	(17,986,543)	75,230,151
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Item to be reclassified to profit or loss in subsequent periods:</i>		
Net unrealized valuation gain (loss) on AFS financial assets (Notes 6 and 7)	140,153,773	(84,003,288)
<i>Item not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement losses on defined benefit plan (Note 18)	(201,736)	(10,567)
	139,952,037	(84,013,855)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱121,965,494	(₱8,783,704)

See accompanying Notes to Parent Company Financial Statements.



**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT (PEACE) FOUNDATION INC.
PARENT COMPANY STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Unrestricted Funds				Restricted Funds			
	Members' Contribution	Cumulative Excess of Revenues over Expenses	Revaluation Reserves on AFS (Notes 6 and 7)	Remeasurement Gains (Losses) on Defined Benefit Plan (Note 18)	Total	Endowment Fund (Note 1)	Provision for Inflation (Note 23)	Grand Total
Balances at January 1, 2013	₱100,000	₱67,959,811	₱163,103,571	₱212,303	₱231,375,685	₱1,318,371,694	₱506,563,059	₱2,056,310,438
Net income	-	75,230,151	-	-	75,230,151	-	-	75,230,151
Other comprehensive loss	-	-	(84,003,288)	(10,567)	(84,013,855)	-	-	(84,013,855)
Total comprehensive income (loss)	-	75,230,151	(84,003,288)	(10,567)	(8,783,704)	-	-	(8,783,704)
Provision for inflation (Note 23)	-	(54,748,043)	-	-	(54,748,043)	-	54,748,043	-
Balances at December 31, 2013	100,000	88,441,919	79,100,283	201,736	167,843,938	1,318,371,694	561,311,102	2,047,526,734
Net loss	-	(17,986,543)	-	-	(17,986,543)	-	-	(17,986,543)
Other comprehensive income (loss)	-	-	140,153,773	(201,736)	139,952,037	-	-	139,952,037
Total comprehensive income (loss)	-	(17,986,543)	140,153,773	(201,736)	121,965,494	-	-	121,965,494
Provision for inflation (Note 23)	-	(56,390,484)	-	-	(56,390,484)	-	56,390,484	-
Balances at December 31, 2014	₱100,000	₱14,064,892	₱219,254,056	₱-	₱233,418,948	₱1,318,371,694	₱617,701,586	₱2,169,492,228

See accompanying Notes to Parent Company Financial Statements.

The Notes to these Financial Statements (FS) and the Consolidated FS as of 31 December 2014 are available at www.pef.ph.



**PEACE EQUITY ACCESS FOR COMMUNITY EMPOWERMENT
(PEACE) FOUNDATION INC.**

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱13,159,073)	₱83,891,377
Adjustments for:		
Provision for impairment losses on receivables (Note 5)	10,979,459	13,336,954
Depreciation and amortization (Note 8)	2,960,751	2,839,411
Unrealized foreign exchange loss (gain)	90,823	(36,568)
Investment income (Note 6)	(121,154,865)	(155,694,957)
Interest income (Notes 4, 5 and 7)	(4,901,063)	(4,141,242)
Operating loss before working capital changes	(125,183,968)	(59,805,025)
Decrease (increase) in:		
Receivables	(125,947,782)	(34,855,362)
Other current assets	7,916,113	(3,940,186)
Other noncurrent assets	(342,235)	(17,072)
Increase (decrease) in:		
Accounts payable and accrued expenses	4,400,232	5,121,435
Grants payable	10,252,832	(2,097,789)
Funds held in trust	(69,875,091)	(18,502,470)
Net cash used in operations	(298,779,899)	(114,096,469)
Income taxes paid	(4,827,470)	(8,661,226)
Net cash flows used in operating activities	(303,607,369)	(122,757,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in AFS financial assets	176,885,559	22,537,617
Investment income received	121,154,865	155,694,957
Interest received	7,095,026	3,177,912
Additions to property and equipment (Note 8)	(1,044,107)	(1,596,171)
Investment in PEHI (Note 10)	-	(31,250,000)
Net cash flows from investing activities	304,091,343	148,564,315
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(90,823)	36,568
NET INCREASE IN CASH AND CASH EQUIVALENTS	393,151	25,843,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	41,119,231	15,276,043
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱41,512,382	₱41,119,231

See accompanying Notes to Parent Company Financial Statements.



Peace and Equity Holdings Inc.
*(A Wholly-owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation Inc.)*

Financial Statements

As of December 31, 2014 and 2013 and

For the Year Ended December 31, 2014 and

For the Period from September 23, 2013 to December 31, 2013

and

Independent Auditors' Report



SGV
Building a better
working world.

A member firm of Grant Thornton Global Limited



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Peace and Equity Holdings Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Peace and Equity Holdings Inc. (a wholly-owned subsidiary of Peace Equity Access for Community Empowerment (PEACE) Foundation Inc.), which comprise the balance sheets as at December 31, 2014 and 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 2014 and for the period from September 23, 2013 to December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





- 2 -

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Peace and Equity Holdings Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the year ended December 31, 2014 and for the period from September 23, 2013 to December 31, 2013 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 9 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Peace and Equity Holdings Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore

Partner

CPA Certificate No. 90349

SEC Accreditation No. 0662-AR-2 (Group A),

March 26, 2014, valid until March 25, 2017

Tax Identification No. 164-533-282

BIR Accreditation No. 08-001998-71-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751311, January 5, 2015, Makati City

February 24, 2015



PEACE AND EQUITY HOLDINGS INC.
**(A Wholly-owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation Inc.)**

BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash	₱1,712,877	₱31,250,000
Receivables	11,259	–
Available-for-sale (AFS) financial assets (Note 4)	29,333,200	–
Input value-added tax (VAT)	41,467	–
Total Current Assets	31,098,803	31,250,000
Noncurrent Asset		
Furniture and fixtures - net of accumulated depreciation of ₱11,892 in 2014	58,254	–
TOTAL ASSETS	₱31,157,057	₱31,250,000
LIABILITIES AND EQUITY		
Current Liabilities		
Due to parent company (Note 5)	₱178,968	₱2,113,140
Accrued expenses	27,570	10,565
Other payables	11,752	–
Total Current Liabilities	218,290	2,123,705
Equity		
Capital stock - ₱100 par value		
Authorized - 5,000,000 shares		
Issued and subscribed - 1,250,000 shares (net of subscriptions receivable amounting to ₱93,750,000)	31,250,000	31,250,000
Unrealized valuation gains on AFS financial assets	1,735,450	–
Deficit	(2,046,683)	(2,123,705)
Total Equity	30,938,767	29,126,295
TOTAL LIABILITIES AND EQUITY	₱31,157,057	₱31,250,000

See accompanying Notes to Financial Statements.



PEACE AND EQUITY HOLDINGS INC.
**(A Wholly-owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation Inc.)**

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014 AND
FOR THE PERIOD FROM SEPTEMBER 23, 2013 TO DECEMBER 31, 2013

	2014 (One Year)	2013 (Two Months)
REVENUES		
Investment income (Note 4)	₱1,844,731	₱–
Interest income	97,038	–
Others	18,114	–
	1,959,883	–
EXPENSES		
Personnel	644,202	–
Meeting costs	297,480	115,036
Project appraisal	204,883	–
Legal services	178,933	303,475
Trainings and seminars	86,423	54,802
Taxes and licenses	83,927	1,646,175
Professional fee	55,000	–
Depreciation	11,892	–
Others	53,732	4,217
	1,616,472	2,123,705
INCOME (LOSS) BEFORE INCOME TAX	343,411	(2,123,705)
PROVISION FOR INCOME TAX (Note 6)	266,389	–
NET INCOME (LOSS)	77,022	(2,123,705)
OTHER COMPREHENSIVE INCOME		
<i>Item to be reclassified to profit or loss in subsequent periods:</i>		
Net unrealized valuation gain on AFS financial assets (Note 4)	1,735,450	–
TOTAL COMPREHENSIVE INCOME (LOSS)	₱1,812,472	(₱2,123,705)

See accompanying Notes to Financial Statements.



PEACE AND EQUITY HOLDINGS INC.
**(A Wholly-owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation Inc.)**

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014 AND
FOR THE PERIOD FROM SEPTEMBER 23, 2013 TO DECEMBER 31, 2013

	Capital Stock	Unrealized Valuation Gains on AFS Financial Assets	Deficit	Total
Issuance of capital stock	₱31,250,000	₱–	₱–	₱31,250,000
Total comprehensive loss	–	–	(2,123,705)	(2,123,705)
Balances at December 31, 2013	31,250,000	–	(2,123,705)	29,126,295
Net income	–	–	77,022	77,022
Other comprehensive income	–	1,735,450	–	1,735,450
Total comprehensive income	–	1,735,450	77,022	1,812,472
Balances at December 31, 2014	₱31,250,000	₱1,735,450	(₱2,046,683)	₱30,938,767

See accompanying Notes to Financial Statements.



PEACE AND EQUITY HOLDINGS INC.
**(A Wholly-owned Subsidiary of Peace Equity Access for Community
Empowerment (PEACE) Foundation Inc.)**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014 AND

FOR THE PERIOD FROM SEPTEMBER 23, 2013 TO DECEMBER 31, 2013

	2014 (One Year)	2013 (Two Months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱343,411	(₱2,123,705)
Adjustments for:		
Investment income (Note 4)	(1,844,731)	–
Interest income	(97,038)	–
Depreciation	11,892	–
Operating loss before working capital changes	(1,586,466)	(2,123,705)
Increase in:		
Receivables	(11,259)	–
Input VAT	(41,467)	–
Increase (decrease) in:		
Due to parent company	(1,934,172)	2,113,140
Accrued expenses	17,005	
Other payables	11,752	10,565
Net cash used in operations	(3,544,607)	–
Income taxes paid	(266,389)	–
Net cash flows used in operating activities	(3,810,996)	–
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	1,844,731	–
Interest received	97,038	–
Increase in AFS financial assets	(27,597,750)	–
Additions to furniture and fixtures	(70,146)	–
Net cash used in investing activities	(25,726,127)	–
CASH FLOWS FROM A FINANCING ACTIVITY		
Proceeds from issuance of capital stock	–	31,250,000
NET INCREASE (DECREASE) IN CASH	(29,537,123)	31,250,000
CASH AT BEGINNING OF YEAR	31,250,000	–
CASH AT END OF YEAR	₱1,712,877	₱31,250,000

See accompanying Notes to Financial Statements.





BOARD OF
TRUSTEES

BENJAMIN D. ABADIANO CHAIRPERSON

President, Assisi Development Foundation, Inc.
representing national networks and coalitions

ANNA MARIE A. KARAOS VICE CHAIRPERSON

Member, Partnership of Philippine Support
Service Agencies
representing national networks and coalitions

VITALIANO N. NAÑAGAS II TREASURER

President, Organizational Systems, Inc.
representing the business sector

FR. GRANWELL N. PITAPIT

Chair, Camarines Sur CSOs Network
for Development, Inc. (CAMSURNET)
representing Luzon NGO networks/coalitions

EDITH Y. VILLANUEVA

President & Chief Operating Officer,
Sugar Industry Foundation, Inc.
representing Visayas NGO networks/coalitions

MARTINIANO L. MAGDOLOT

Board Member, Sarangani Province Empowerment
and Community Transformation Forum, Inc.
representing Mindanao NGO networks/coalitions

SYLVIA O. PARAGUYA

Chief Executive Officer,
National Confederation of Cooperatives
representing national networks and coalitions

SEN. RAMON B. MAGSAYSAY, JR.

representing the development community at-large

ROBERTO M. BALLON

Chairperson, Kapunungan sa Gagmay'ng
Mangingisda sa Concepcion
representing the basic sectors

ATTY. ANA LEA H. UY

Corporate Secretary / Legal Counsel

BOARD COMMITTEES

Programs
Finance and Investment
Knowledge Management and Communications
Human Resource and Organizational Development
Audit

ADVISERS TO THE BOARD

CARMENCITA T. ABELLA
EMMANUEL C. AREÑO
SENEN C. BACANI
JOEY A. BERMUDEZ
SEGFREDO O. BUAGAS
MA. SOCORRO N. CAMACHO
ROGELIO G. DECAL
MARIETTA T. PARAGAS
MARLENE D. RAMIREZ
ANDREA MARIA PATRICIA M. SARENAS
DANILO A. SONGCO
MA. AURORA F. TOLENTINO

MANAGEMENT AND STAFF

ROBERTO R. CALINGO
Executive Director

CAUCHIE C. GARCIA
Manager, Support Services

MUTYA DR. MEJIA
Manager, Knowledge Management &
Communications

RICARDO E. TORRES, JR.
Manager, Partnerships & Programs

ARACELI B. ESCONDE
Manager, Internal Audit & Control

MARIA PIA V. VILLAPANDO
Executive Assistant

WILMA B. GUINTO
CHRISTOPHER F. PASCO
ALBERTO P. ROSLINDA, JR.
RICARDO D. SOTO, JR.
Portfolio Officers

MARC DIZER D. CAOILI
PETER F. NABONG
MARY ALLEN ROSS D. NICDAO
DANYLLE C. PASCUAL*
Portfolio Specialists
** until March 2014*

FERDINAND G. FUELLOS
Evaluation & Technical Assistance Officer

NICHOLAS T. GEAGA
PIA FLEUR KHRISTINE N. LABASTILLA
Evaluation & Technical Assistance Specialists

JOAN CRIS DG. LAZARO
Operations Assistant

TONI ROSE O. ABEJO
Internal Audit and Control Specialist

FAITHFUL A. RAMIREZ
Knowledge Management Officer

ASTRID C. VILLANUEVA
MA. APRIL R. DELA CRUZ*
Communications Officer
** until August 2014*

MARIANE GENELOU S. REYES
DANICA MARRA M. SOLIMAN
ANNA AMALIA G. BRILLANTE*
Knowledge Management Specialists
** until May 2014*

ALETH A. GAYOSA
Communications Specialist

GRACIE KRIS E. CHOY
Finance Officer

MA. LUCITA P. SATIEMBRE
LEDA L. SERBO*
Senior Finance Specialist
** until June 2014*

CLEAUFE LINDA F. BAUTISTA
Finance Specialist

VENERACION VERONA Q. VIAJAR
Human Resources
& Administrative Officer

ELEANOR G. PERALTA
Human Resources Specialist

JOAN QUENNIE B. BALDOZ
MARGEUX M. MARTINEZ
Administrative Assistants



Copyright 2015 by Peace Equity Access for
Community Empowerment Foundation, Incorporated.
All rights reserved.

This publication may be used for educational purposes
with proper citation of the source.





CONTRIBUTORS:

Writers

EUGENE M. CACCAM
VERONICA F. VILLAVICENCIO
KARA M. SANTOS

Graphics and Layout

RYAN G. PALACOL

Printing

PROPRINT DESIGN CORNER

Photos

PEF PHOTO FILE
KARA M. SANTOS



69 Esteban Abada Street, Loyola Heights,
Quezon City 1108 Philippines
T (+632) 426 9785/86 ext. 111
F (+632) 426 9785/86 ext. 102

<http://www.pef.ph>