



## 1. Presentation / concept

**SEEDFINANCE** is a financing company established in 1994 to continue the work of CARE (*CARE International is a US humanitarian agency founded in 1945 with offices in over 70 developing countries around the world*) and SEAD, Inc. (*Sustainable Economic Activity Development, Inc. in the Philippines*).

The main shareholders are : A. CARE USA ; B. Small Economic Activity Development, Inc. ; C. Partner-cooperatives, rural banks, and NGOs ; D. Individual socially responsible investors

### Mission-statement

“The mission statement clearly states the socio-economic direction of the organization to serve the poor and the marginalized in cooperation with development finance institutions, social enterprises, and other stakeholders towards building economically self-sustainable communities”. SEEDFINANCE

### Strategic approach

**Aims primarily to bring the benefits of microfinance** to micro-enterprises, self-employed workers, family-based and community-based food production and other livelihood activities ... **through partnership with financial institutions** such as : cooperatives, rural banks, microfinance nongovernment organizations (MFI-NGOs), and peoples’ organizations.

“In addition, SEEDFINANCE is on the forefront of technological innovations in the sector including mobile phone banking, ATM banking, mobile teller facilities, online lending and online investing”. SEEDFINANCE

The Philippines is the world’s twelfth most populous country. The population is expected to reach approximately 111 million Filipinos by the year 2015.

### Highlights of the microfinance market

- the volume of microfinance activity has grown considerably in the Philippines
- an increasing number of financial institutions have engaged in retail microfinance operations
- Philippines is credited as one of the oldest and most active microfinance market in the world.

A recent study (“*Global Microscope on the Microfinance Business Environment*”, Economist Intelligence Unit - EIU, 2009) ranked the Philippines first in Asia and third overall on its microfinance index, after Peru and Bolivia.

The EIU microfinance index categorized its indicators into 3 main groups :

- 1- regulatory framework
- 2- investment climate
- 3- institutional development

**MICROFINANCE BASICS**

In 2010, the Philippine population rose to 93,260,798 according to The World Bank.

The National Statistical Coordination Board revealed that 33 % or one third of the total Filipino population is considered poor or living in an income of under US\$2 a day in 2009.

**“A staggering 33% of Filipinos live in severe poverty”**

The Philippines has been working toward poverty reduction for decades. Lack of access to credit is recognized to be the cause for the failure of the poor to come out of poverty. Like everyone else, poor people need access to basic financial services to sustain their business, accumulate assets, increase their incomes, and diminish economic vulnerability.

The Philippines and other developing countries consider microfinance as a significant element of an effective poverty reduction strategy and essential to economic growth. Microfinance serves as a means to empower the poor, and provides a valuable tool to assist the economic development process.



## SEEDFINANCE (microfinance-oriented financing company) – Philippines

EIU awarded the Philippines a perfect score for :

- **its regulation of microfinance activities at financial institutions**, adding that *“the government has promoted a regulatory environment conducive to microfinance operations.”*
- **the legal environment surrounding the formation and operation** of specialized microfinance institutions

The EIU study highlighted a **need to increase the diversity of microfinance products and services available to customers.**

### Major market trends

- **huge potential of mobile banking** in the country. A number of MFIs, rural banks in particular, have started to provide mobile banking services
- **microfinance housing** to meet the housing improvement and repair needs of MF clients
- microfinance that will cater to the credit needs of clients in the **rural areas**
- **loan products that will finance water connection** in some low-income households allowing them to have access to safe water supply

## 2. Business-model

### Customers

	DIRECT customers	INDIRECT customers	* breakdown
2012	108 institutions *	1.7 million individual clients of client institutions	- 75 savings & credit cooperatives - 8 rural banks + 1 financing company - 7 NGOs - 17 SMEs
2011	80 institutions	1.5 million individuals	

### Products & Services

Products & Services	Intrinsic <b>advantages</b> (e.g. good quality/price ratio, easy to use, etc ...)	Intrinsic <b>shortcomings</b>	Quality <b>perceived by customers ?</b>	Added-value <b>perceived by customers ?</b>
Microfinance credit lines	Responsiveness, reliability, affordability	Price/interest rate can be improved	M	M
SME credit lines	Responsiveness, reliability, and affordability	Price/interest rate can be improved	M	M
Other financial products	Responsiveness, reliability, and affordability	Price/interest rate can be improved	M	M
Fee-based technical assistance	Customized, tailor-fit to clients' operations		H	H

Poor (P), Medium (M), High (H)

While SEEDFINANCE is not the only wholesale funds provider in the country, it is however, **the only wholesaler that provides BOTH financial and technical assistance that is tailor-fit to the partner-organizations it supports.**

Seedfinance lends to the cooperatives at a rate of 12% + 0,5% service fee although Landbank requests 10% ; PCFC 12%+1%



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and Commercial banks an average of 9-11% (main Philippine banks).

To notice that Seed gives incentives (through an interest's discount) to the cooperatives who make efforts to reduce the interest rate to final beneficiaries.

### An innovation-driven strategy

Partners	Purpose of the partnership	Formal agreement ?	Expected outcomes
SMART Communications	Mobile phone banking technical and marketing support	YES	Expansion of mobile phone banking facilities for the unbanked in hard to reach, un-served, or under-served areas
ENCASH	ATM banking technical and marketing support	YES	Provision of ATM banking services for the financially excluded in hard to reach, un-served, or under-served areas
LACCAS Alliance	Management information systems set up for social performance	YES	Monitoring and management system for social performance

Social Performance Management is considered as a main goal as well as technological innovation like the mobile teller facilities. Today, 52 partners (out of 90) are using mobile banking facilities.

Out of the 1.700.000 clients end-beneficiaries of the SEEDFINANCE activities, only 500.000 are above the poorest of the poor. A regular mapping of the Philippine poverty areas vs. the location of MFIs is performed, as part of the selection process of the partners.

### New development paths :

- increasing the financial support (through loans) to SMEs. Most of the time, these SMEs used to be cooperatives that are undertaking a new social business development.
- OFW remittances flow : Seed has a remittance administration license, which would allow them to collect part of this considerable flow (20 billion USD in 2011), as a new source of financing.

Seedfinance offices with Jun Perez, CEO (standing up)



### Form of investment

POWER Shares or Preferred Ownership With Efficient Returns is the Series B preferred Stock of SEEDFINANCE Corporation offered to PFIs and individuals with social responsibility.

The strength of the partnership brings the benefits of SME finance, advanced technical assistance, and business development services to more than seventy (70) partner-financial institutions and over 1.2M micro- and small-and-medium enterprise end-clients in 11 administrative regions, 31 provinces, and hundreds of towns and villages all over the Philippines.

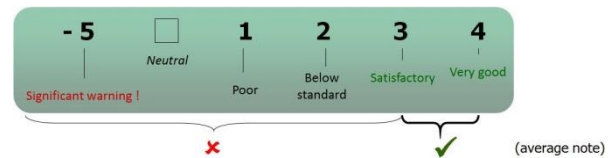
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Value	<ul style="list-style-type: none"> <li>• P1.00 par value per share</li> </ul>
Return of Investments	<ul style="list-style-type: none"> <li>• Eight percent (8%) per annum</li> </ul>
Term	<ul style="list-style-type: none"> <li>• - Five (5) years locked-in term</li> <li>- Redeemable anytime at the option of SEEDFINANCE</li> </ul>
Nature of Ownership	<ul style="list-style-type: none"> <li>• Non-participating and non-voting</li> </ul>
Investment Amount	<ul style="list-style-type: none"> <li>• Minimum of P5,000.00 to a maximum of P2,000,000.00</li> </ul>
Mode of Investing	<ul style="list-style-type: none"> <li>• One (1)-time or amortized payment for maximum of twenty-four (24) months via PDCs, SMART Money transfers or bank transfers</li> </ul>
Documentary requirement	<ul style="list-style-type: none"> <li>• Subscription Agreement</li> </ul>

3. Assessment summary (scoring)



Score : 3,60 / 4

		major NEGATIVE weighting	major POSITIVE weighting
<b>LEGAL</b>	Corp. management		Strong management / business skills
	Mission statement		Clear written mission statement
	Stakeholders		Strong relations with local actors
<b>OPERATING MODEL</b>	Organisational structure		Proven procedures manual, monitoring tools, MIS
	Innovation & Dvlpt		Good command of technology
	HR management		Jobs creation Training, annual assessment, incentives ... Internal communication, code of conduct ...
<b>MARKET &amp; COMPETITION</b>	Customer		Customers diversification Clear payment policy
	Quality / Reputation		Good products quality and diversification Strong products & services advantages vs. medium shortcomings
	Market		Medium-sized market with steady growth
	Competition	Interest rates being under pressure due to the growing competition	Good sales (and promotion ?) strategy
<b>FINANCE</b>	Financial statements		Sound financial projections
	Insurance		Culture of risk
	External factors		Government support to the microfinance sector
<b>SOCIAL &amp; ENVIRONMENTAL INITIATIVES</b>	Internal / external initiatives		Good to high social / environmental impact Local dialogue, social / environmental lobbying

August 2012