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# Let's PUMP—It Up—PINAS!!!

On a sunny day in May 2015, George Ugabam walked into a coffee shop to meet with someone who had been referred to him by a friend, for a discussion about a dream project on poverty eradication in the Philippines. Standing tall, Tito Uyenco Jr. shook hands with George as they met each other for first time. Their meeting lasted throughout the whole afternoon until twilight.

George was a young economics professor and researcher at his university in one of the main cities in Luzon, while Tito was a former Chief-of-Staff of a government agency in the Philippines and had spearheaded different development programs. After a long discussion with data and concept papers that Tito had brought with him, George and Tito decided to call their project *Pinoys* Uplifting Marginalized *Pinoys* (PUMP)-PINAS.<sup>i</sup> They also planned what their next steps should be. At the end of the meeting, however, George was unsure about how to source the capital needed for the project's start-up.

## Overview of Poverty in the Philippines

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During their meeting, George and Tito had discussed the stagnant status of poverty incidence in the Philippines, which was still above 25%, meaning that 25 million individuals remained in poverty. These individuals earned only \$2 or less a day. Most of them went to bed hungry. Many of them were farmers and fishermen living in the countryside, though it was also alarming that in the urban areas the number of poor people had been increasing as well. George shared that “the Agriculture sector had not been developed ever since the Philippines had shifted into a service-oriented economy sometime in 1990s.”<sup>1</sup> A huge number

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<sup>i</sup> “Pinoys” refer to Filipinos, while “Pinas” is an abbreviation of Philippines in the native tongue.

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of the labor force worked in in the agriculture sector. With its underdevelopment, employment conditions in the sector were very bad. For example, Tito highlighted that middlemen exploited and took advantage the farmers and fishermen and pocketed their profits.

**Exhibit 1**  
**PUMP-PINAS Emblem<sup>ii</sup>**



Source: PUMP-PINAS Team

Despite the different initiatives and programs done by the government and private institutions, poverty level incidence had not changed significantly. The incidence of poverty among Filipinos in 2015 was recorded at 26.3%, a very slight improvement from 27.9% in 2012.<sup>2</sup> Tito elaborated: “rich companies and individuals are into the city developments and businesses, while agriculture-related investments are risky and the return is usually less compared to investments in industry and services-related business activities.”<sup>3</sup>

**Exhibit 2**  
**Income Gap, Poverty Gap and Severity of Poverty: First Semester 2012 and 2015**

Statistics	1st Semester Estimates	
	2012	2015
Income Gap <sup>iii</sup>	29.2	29.0
Poverty Gap <sup>iv</sup>	6.5	6.1
Severity of Poverty <sup>v</sup>	2.7	2.5

Source: Philippines Statistics Authority (PSA), 2016

**Overview of the Philippine Economic Structure and its Relation to Poverty**

The Philippine economy focused on the services sector in the late 20<sup>th</sup> century as, Business Process Outsourcing (BPO) and other services related industries started to flourish. In the annual record of 2014, the share of Services Sector to the total Gross Domestic Product (GDP) was 57.3%, Industry had a share of

ii The emblem is portrayed with a Sakkat or straw hat symbolizing Filipinos uplifting the land and water resources depicted by the blue wave and green plain pasture. The rising sun connotes hope. The three yellow stars together with the other colors including the color white represent the Philippine flag colors.

iii The income gap measures the average income required by the poor in order to get out of poverty, expressed relative to the poverty threshold

iv The poverty gap refers to the income shortfall (expressed in proportion to the poverty threshold) of families with income below the poverty threshold, divided by the total number of families

v The severity of poverty is the total of the squared income shortfall (expressed in proportion to the poverty threshold) of families with income below the poverty threshold, divided by the total number of families. This is a poverty measure that is sensitive to income distribution among the poor.

31.3% and Agriculture had only an 11.3% share.<sup>vi</sup> The drive of the services sector, with the robust Overseas Filipino Workers' (OFWs) increasing remittances, had been the source of resilient and strong economic growth that many expected to contribute to the poverty alleviation, with the hope that money liquidity would trickle down into the marginalized.<sup>4</sup>

Historically, in early 1900s to 1950s, agriculture had been a source of considerable growth and development until massive industrialization begun sometime in 1950s. The Agriculture Sector Share to total GDP in 1946 to 1951 had been above 30%, but it gradually declined to below 30% in 1952 and thereafter.<sup>vii</sup> With different Development Plans implemented by the Government since 1950s<sup>viii</sup>, the Philippine economy shifted into a more open economy in the 1990s and beyond. The Recent Development Plan, under President Aquino administration, focused on inclusive growth and development. Undeniably, the shift from the Agriculture sector into the Industrial sector had been very swift, leaving the former sector stagnant in terms of developments. In a similar way, the services sector became in-demand dramatically for the Philippines, which left the Industrial sector without desired developments. This effect was called *leap-frogging* by some economists and researchers: a leap or rapid shift from Agriculture sector to Services sector. With the shift to services, Agriculture and Industrial sectors' productivity levels were deemed less important compared to the Services sector. The stagnant growth and development in Agriculture and Industrial Sectors in the Philippines resulted in undesirably high unemployment levels.<sup>5</sup>

Many recent studies showed that in order to uplift the employment condition in the country, there must be progress in the Agricultural Sector and enhancement in manufacturing industry. In the past 40 years, there had been underinvestment in the Agriculture and Industrial sectors. According to the World Bank's comprehensive development report in 2013, "the key to breaking this pattern is to pursue an economic reform agenda that both completes the agricultural development phase and supports a revival of labor-intensive manufacturing for exports."<sup>6</sup> Research and development support, aside from financial support, also needed to be provided to the agriculture and mining sector in order to bolster productivity and enhance quality.<sup>7</sup>

Asian Development Bank likewise determined that one of the causes of poverty in the Philippines was the failure to fully develop the Agriculture sector.<sup>8</sup> The majority of the poor families were in the rural areas, mostly working as farmers and fisherman in the Agriculture sector. In 2014, official estimates indicated the number of poor Filipinos being between 24.1 and 27.4 million.<sup>9</sup> Although global poverty levels were declining, the Philippine poverty remained high.<sup>10</sup>

## The Importance of Institutions

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There has been much research about the root causes of power, prosperity and poverty. Daron Acemoglu and James Robinson, in their book *Why Nations Fail*,<sup>11</sup> argued that man-made political and economic institutions serve as the foundation for economic success. If the economic or political institution is not effective, then the economy of a nation may fall into prolonged poverty.

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vi Computed using at Current Prices based from Philippine Statistics Authority (PSA), June 2015

vii Computed using at Current Prices based from National Statistics Coordination Board (NSCB), June 2015

viii The Philippine government in 1950s to early 1960s focused on the recovery from the war by supporting prioritized basic industries; 1961 to 1964: lifting of exchange controls was the main element; 1970s: removal of import-substitution policies and liberalization of the economy; 1980s to 1990s: further liberalization and rurally focused employment creation; 2000s: focus on growth and human development under a framework of macroeconomic stability; 2011-2016: inclusive growth and development (Ballester et. al., Evolution of the Philippine Economy as Seen Through the Time-series Input-Output Tables, 2014).

In the Philippines, many foundations as well as the government helped the plight of the poor. On the part of the Philippine government, an important institution, the National Anti-Poverty Commission (NAPC), was formed under the Public Act No. 8425 also known as the “Social Reform and Poverty Alleviation Act” implemented in 1998. However, former chairperson of Civil Service Commission Karina Constantino David, said in 2010 that the NAPC “has been in the limbo in the last few years...Maybe the concept sounds good on the paper but in actual fact, a coordinate body headed by the President, with Cabinet members at the forefront... the coordination like NAPC has no stature or power to craft policy that the departments should implement.”<sup>12</sup>

## Inclusive Growth

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*Inclusive growth* is defined as a growth that is rapid enough to matter, given the country's large population, geographical differences, and social complexity. It is a kind of growth that creates jobs, draws the majority into the economic and social mainstream, and continuously reduces mass poverty.<sup>13</sup> The main things that could hinder inclusive growth are low economic growth, weak employment generation, and persistently high inequality. These, in turn, have deeper structural underpinnings that are crucial to be addressed. The major concerns are the inadequate infrastructure, weak institutions and governance, inadequate levels of human development, and a poor and degraded state of environment and natural resources.<sup>14</sup> All of these can be related to the Philippine Agriculture Sector's worsening condition because most of the resources for investment from the private or government sector were going into the Services Sector.<sup>15</sup>

## Impact Investing

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The term *impact investing* emerged sometime in early 2000 and referred to building value not only in terms of profit or good return but also to provide a good societal impact. Impact investments refer to “investments made into companies, organizations and funds with the intention to generate social and environmental impact alongside with financial return.”<sup>16</sup> This became an effective way to address the fund shortage for developments of other countries, particularly the emerging or developing ones. Funding in the impact investment could be for employment, financial inclusion, economic development, sustainable living, agriculture and education.<sup>17</sup>

## PUMP-PINAS Project

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George and Tito's Pinoys Uplifting Marginalized Pinoys (PUMP) PINAS was an innovative project with the goal of uplifting many Filipinos from poverty, most specifically the poorest of the poor who were primarily fishermen and farmers. PUMP-PINAS had a connotation of propelling the Philippines, as implied by the term “pump.” The PUMP-PINAS project aimed to establish an institution that would provide capital as well as guidance and support to groups of farmers and fishermen so that their harvests could be of higher value and be exported thereby paving the way to higher value-added products and income. The provided capital, guidance and support comprised (1) deciding what to produce with desired productivity and efficiency, (2) manufacturing of the product with export quality, and (3) coordinating with potential markets for the produced. All these processes aimed to be taught to the fishermen and farmers themselves.<sup>18</sup>

## Meeting with the Advisers

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In September 2015, George organized a meeting with potential advisers wherein he presented the PUMP-PINAS Project. There were about ten (10) renowned people invited, most of them retired but very influential professionals (see **Exhibit 3**). Tito was also present in the meeting. Passionately, everyone agreed that it was already high time to eradicate poverty in the Philippines as other neighboring countries had significantly improved their own poverty incidence levels.

The underpinnings of PUMP-PINAS Project – namely Cooperatives, Impact Investment and Business Incubators -- were discussed thoroughly, and the potential advisers foresaw promising results.

George raised his concern about funding of the project and, fortunately, one of the potential advisers pledged that she would help secure the funding for its start-up. Other advisers suggested other funding sources, such as banks, foundations and non-governmental organizations. One of the invited potential advisers offered funding from China, but it had some conditions that some advisers did not want due to some conflicts of interest. It was also the time when China and Philippines were at the height of a tension regarding a territorial dispute. George was glad to hear these exchanges of ideas and strategies. He considered the meeting with the potential advisers to be a success. Out of the ten invited potential advisers, six of them confirmed becoming PUMP-PINAS advisers while others, due to their busy schedules, opted to just be external consultants and supporters, which was also fine for George. Although the meeting had been good, advisers also argued about where should they source the seed capital or the funding for the start-up.

## Meeting with the Executive Board

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In October 2015, George organized a meeting with potential executive board members who served as the core team for implementation. George, Tito and the advisers invited potential candidates with the same passion for poverty eradication. There were young ones and retirees, with diverse professional fields of specialization or professional background, who attended the meeting. Most of them had decided to be part of the Project, despite there being no official entity yet. Some offered suggestions and potential sources of funding to support the start-up of the project. After the discussion, the group developed an organizational structure for the project (see **Exhibit 4**). Later that night, after the meeting with the potential executive board, George was bothered because there was an attendee who asked him if the entity was already registered so that it could deal legally with prospective partners and individuals. George discussed it with Tito, who advised that the project budget should include the incorporation for the group. Upon discussing it, they estimated a \$25 million fund for the initial projects of PUMP-PINAS, from which the incorporation funding could also be extracted. After the initial meeting with the executive board, there were a series of other small meetings that enhanced the concept further.

## The Prelude to Incorporation

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With Tito being a dual citizen of the United States of America and the Philippines, he needed to be back in US during the last quarter of 2015. George was left alone in November 2015 with other executive officers who remained through their passion. During those times, work became demanding and compelled many officers of the group to meet only infrequently. George visited the Security Exchange Commission (SEC) of the Philippines several times in November 2015 in order to register their group with the name PUMP-PINAS Agri-Business Corp. There were a lot of challenges in order to incorporate it, especially that

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they decided that the registered company to have a paid-up capital of 10 million Philippine pesos (USD 217,391.3 at the Php46/\$1 exchange rate.) In order to do this, George tried to package the PUMP-PINAS Project inclusive of the incorporation; he included the cost of incorporation in the proposed budget or seed capital needed.

## Attempts for Funding

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With a very challenging experience in the SEC, for the drafting of the different legal papers required for registration (see **Exhibit 5**), George tried to ask some help from the group to fast-track the processes. This was because they also needed to get capital funding for the official registration. Unfortunately, the adviser who offered that she would take charge of the fund sourcing had suddenly become very busy and unreachable. George, despite his busy schedule, wanted to hit the ground running. With this situation, George sent unsolicited proposals to Asian Development Bank (ADB) and USAID as these are key institutions that support projects that address critical social problems or issues (See **Exhibit 6** & **Exhibit 7**). He also sent letters to potential grantors. Lastly, he sent letters to concerned government agencies. However, these efforts were to no avail.

### Asian Development Bank (ADB)

The idea for the Asian Development Bank originated in the early 1960s. The vision was for a financial institution that would be Asian in character and would foster economic growth and cooperation in one of the poorest regions in the world. ADB formally launched in December 1966 with 31 members, headquartered in Manila and focusing its assistance primarily on food production and rural development.<sup>19</sup> By 2015, the organization had 67 members.<sup>20</sup>

### USAID

USAID's mission focuses on eliminating extreme poverty while "promoting the development of resilient, democratic societies that are able to realize their potential." Funded by the U.S. government, USAID provides assistance to more than 100 foreign countries in the developing world to promote economic prosperity, food security and further education.<sup>21</sup>

## Meetings with Private Companies and Friends

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Tito, despite being in U.S. since October, had been communicating with George from time to time in November to second week of December 2015. George also continued to meet with Tito's friends, and with his own friends as well, to discuss and share the PUMP-PINAS Concept Paper. Some supported it, while others due to their busy work had declined to be involved or only took on passive roles.

## The Choice to be Made

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In December 2015, George aimed to finally register their group in SEC. Also in December, he received a message from the adviser who offered help with the said funding. That had pleased George, despite there being no certainty when the help would be given. George wondered whether he should engage ADB or USAID again to get the additional funding. Or, should he continue his presentations to friends and private companies with Tito's guidance? What about the government agencies, Non-Government Organizations (NGOs), or foundations? George and the group knew that they needed to start somewhere, even just with

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the incorporation, so that they could deal more formally and legally with other individuals and institutions. George wondered what choice he should pursue for funding this start-up.

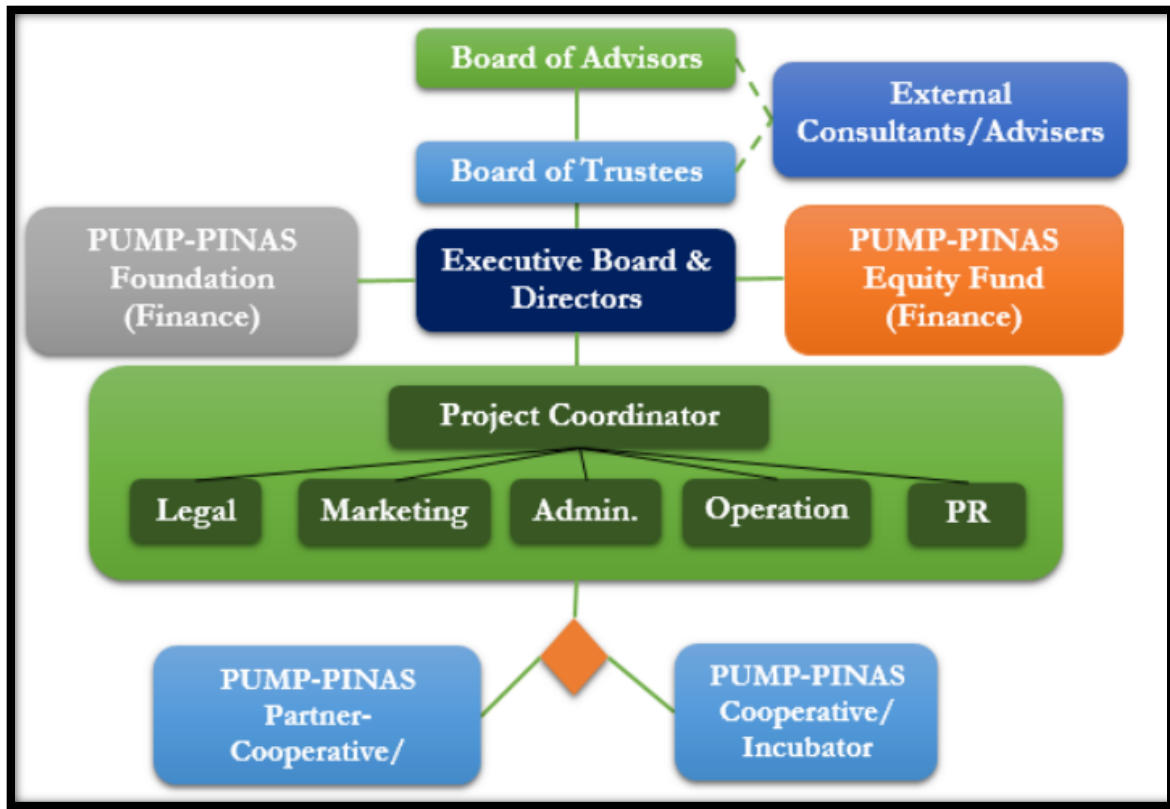
**Exhibit 3**  
**Meeting with the potential advisers (September 20, 2015)**



Source: PUMP-PINAS Team

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Exhibit 4  
PUMP-PINAS Organizational Structure



Source: PUMP-PINAS Team



**Exhibit 5**  
**Articles of Incorporation and By-Laws**

FIRST: That the name of said corporation shall be  
**PUMP-PINAS AGRI-BUSINESS CORP.**

SECOND: That the primary purpose for which such corporation is incorporated:

**Primary Purpose:**  
To engage in, carry on, conduct, and deal in the business of agriculture which comprise specifically the works of planting, farming, harvesting, manufacturing, exporting, investing into, marketing, merchandising, warehousing, consolidating any land or water resources that includes all incidental activities in doing the afore-stated specific works, as principal, partner institution, promoter, agent, factor or in any other capacity

**Secondary Purposes:**  
Furthermore, the primary purpose hereinbefore set forth and not in limitation of the powers granted by statute, the Corporation may do and perform and do all and any acts and things which may be necessary or proper for the attainment of the purposes and objectives of the Corporation, it being expressly provided that the foregoing enumeration of specific powers and purposes shall not be held to restrict or to limit in any manner the general powers and purposes of the Corporation; nor shall the expression of one thing be deemed to exclude another, although of like nature, not expressed, it being understood that the Corporation may exercise any and all rights, powers, privileges, and attributes of other corporations in general;

1. To own, buy, develop, construct, build, manage, offer, sell, lease, operate, maintain, administer, market, subdivide, promote or deal in any and all kinds of industries especially in real estate industry for the purpose of attaining the Corporation's objectives and to render general management and technical

Source: PUMP-PINAS Team

**Exhibit 6**  
**Initial Response of ADB**

Dear Mr. **George Ugabbam**

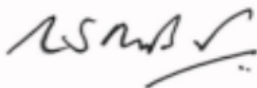
This refers to your email to ADB President Takehiko Nakao dated 10 September 2015. We are pleased to learn of your envisioned program PUMP-PINAS Project.

ADB's actual program of support to the Philippines is determined in close coordination with the Department of Finance, and the National Economic and Development Authority (NEDA). While many meritorious proposals are presented to ADB, they need to be endorsed by the oversight agencies before they can be considered for funding. Smaller projects, in any case, are unlikely to be processed as stand-alone operations; opportunities for accessing ADB funding might be possible through larger, nationwide or region-wide operations of ADB, which usually have line departments as the executing agency. We encourage you to discuss your program with the appropriate government.

To learn more of the ADB-Philippines partnership, please visit our web site:  
<http://www.adb.org/countries/philippines/main>.

We wish you well in your future endeavors.

Yours sincerely,



Richard Bolt  
Country Director

Source: Ugabbam, George A.

**Exhibit 7**  
**Response of USAID**

**Initial Response:**

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**Unsolicited Proposal of Poverty Eradication Project**

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**UnsolicitedProposals (USAID)** <unsolicitedproposals@usaid.gov> Tue, Oct 13, 2015 at 11:29 PM  
To:

Dear **George Ugabbam**

Regrets for the delay in getting you a status update on your 08/28/15 submission. While a 30-day response time is our goal as an Agency, we acknowledge that sometimes individual responses are delayed by other mission-critical priorities and workload. I have just sent another follow-up to USAID/Philippines, requesting that they contact you directly with a response soonest. In the meantime, **should you have any other questions regarding this matter, please limit your correspondence to me at this [Unsolicited Proposals mailbox](#) only**, so that I may properly track the matter and respond timely.

Thank you,  
Scott Hochenberg  
(Quoted text hidden)

**Delayed Response:**

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**Bernadette Cariaga** <bcariaga@usaid.gov> Mon, Feb 22, 2016 at 9:58 AM  
To:

Dear **George Ugabbam**

We sincerely apologize for the long delay in responding to your proposal. We regret to advise you that your proposal is outside the scope of the Mission's current priorities. Should you wish to submit specific project proposals in the future, kindly take a look at USAID/Philippines website: <https://www.usaid.gov/philippines> as well as the Philippine's Country Development Cooperation Strategy: <https://www.usaid.gov/results-and-data/planning/country-strategies-cdcs> to give you substantial information on the Mission's priority sectors, including ongoing activities/projects.

Please note also that partnership opportunities for USAID-funded activities in the Philippines are announced and posted on the USAID/Philippines website. Partnerships are carried out through contracts, grants, and cooperative agreements with American, Filipino, and international nongovernmental organizations (NGOs) and contractors. You can regularly visit the Mission's site to see list of notices of contract and competitive assistance opportunities.

Thank you for your interest in development assistance. Should you have further queries, please don't hesitate to reach us back.

Sincerely,

Bernadette L. Cariaga  
**USAID/Philippines**

Source: Ugabbam, George A.

## Endnotes

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- 1 Interview with George Ugabbam, co-founder, September 15, 2016
- 2 Based on the T-Test that was used to determine the statistical significance of the decrease in the poverty incidence among population at 90% level of significance, the results of the 2012 and 2015 First Semester Family Income and Expenditure Survey (FIES) does not indicate significant change from first semester 2012 to 2015.
- 3 Interview with George Ugabbam, co-founder, September 15, 2016.
- 4 PUMP-PINAS, PUMP-PINAS Project Concept Paper, September 15, 2016.
- 5 PUMP-PINAS, PUMP-PINAS Project Concept Paper, September 15, 2016.
- 6 World Bank. (2013). Philippine Development Report: Creating More and Better Jobs. World Bank Philippine Office, East Asia and Pacific Region.
- 7 PUMP-PINAS, PUMP-PINAS Project Concept Paper, September 15, 2016.
- 8 Asian Development Bank (ADB). (2009). Poverty in the Philippines: Causes, Constraints, and Opportunities
- 9 PUMP-PINAS, PUMP-PINAS Project Concept Paper, September 15, 2016.
- 10 Bello, W. (2013). "Global Poverty Down, Philippines Poverty Remains High." *Inquirer*. Retrieved December 11, 2016 from <http://opinion.inquirer.net/54331/global-poverty-down-philippine-poverty-remains-high>
- 11 Daron Acemoglu and James Robinson. *Why Nations Fail*. New York: Crown Publishers, 2012.
- 12 Mangahas, Malou. "Poverty of Purpose?" (September 7, 2010). Retrieved June 26, 2015 from <http://pcij.org/stories/poverty-of-purpose/>
- 13 *In Pursuit of Inclusive Growth, Philippine Development Plan 2011-2016*, Retrieved June 21, 2015 from <http://www.neda.gov.ph/wp-content/uploads/2013/09/CHAPTER-1.pdf>
- 14 *Ibid*.
- 15 PUMP-PINAS, PUMP-PINAS Project Concept Paper, September 15, 2016.
- 16 Global Impact Investing Network, "What You Need to Know about Impact Investing," Retrieved June 27, 2015 from <http://www.thegiin.org/cgi-bin/iowa/resources/about/index.html>
- 17 PUMP-PINAS, PUMP-PINAS Project Concept Paper, September 15, 2016.
- 18 PUMP-PINAS, PUMP-PINAS Project Concept Paper, September 15, 2016.
- 19 Asia Development Bank, "History," <https://www.adb.org/about/history> Accessed December 11, 2016.
- 20 Asia Development Bank, "Members," <https://www.adb.org/about/members> Accessed December 11, 2016.
- 21 USAID, "Mission, Vision and Values," <https://www.usaid.gov/who-we-are/mission-vision-values> Accessed December 11, 2016.