

FairBuilding Engagement Forums – Manila/ Philippines - June 2015

Summary Report



1. INTRODUCTION

It's been a year since the successful launch of the FairBuilding Network. Although great progress has been made different challenges and barriers were experienced that constrained FBN services and support to reach its full potential. In order to take stock and set the stage for the next phase FBN invited its partners from the not-for profit sector and the industry on the 16th and 17th June 2015.

There was full attendance of all nine Partner NGOs (except Plan International) with up to two representatives including several CEOs for the 2.5 hrs meeting on the 16th June.

The meeting with the industry partners on the 17th June was attended by seven representatives of constructing companies including two FBN supporters (Boysen and Phimma).

To shortly summarize, the meetings have shed light on the current challenges and opportunities for FBN in the Philippine's construction market and have been extremely useful to guide our strategic thinking to bring FBN forward.

2. LIST OF PARTICIPANTS

	Name of Organisation
NGO Partners	BASE Bahay
	BASE Bahay
	Gawad Kalinga
	Gawad Kalinga
	Habitat for Humanity Philippines
	Habitat for Humanity Philippines
	Hilti Foundation
	Foundation for These-Abled Persons Inc. (FTI)
	Kanlungan ni Maria - Home for the Aged Inc.
	No One In Need
	No One In Need
	Operation Blessing Foundation Philippines
	Operation Blessing Foundation Philippines
	Virlanie Foundation Philippines
Virlanie Foundation Philippines	
Industry Partners	Anglobuilders
	Boysen
	Doortech Systems
	Manila Capitco
	Phelps Dodge
	Philsteel
	Phinma

Both meetings were attended and led by Ayn Parel, Raya Villamor from FBN and Markus Dietrich and Gladys Ledina from ASEI.

3. GENERAL COURSE OF THE MEETINGS

3.1. Engagement Forum on the 16th June 2015

The start of the meeting was dedicated to officially signing Memorandums of Understanding between FBN and the two not-for profit organisations Hilti Foundation and BASE Builds (Bahay).



This was followed by a short welcome and introduction of the attendees. The FBN team provided a recap of the last 12 month and presented the achievements until today.

The main part of the workshop was focus on discussing challenges and sharing insights into the current situation of NGOs in the construction market. Special attention was given to the role of FBN and how it can enhance its assistance for NGOs by better tailoring its services and processes. In an

open and friendly discussion the NGO partners stressed both external as well as internal challenges in the collaboration with FBN industry partners. These are mainly related to the cash flow of the project, the quality of the products, logistics and the location of the supplier versus the place of the project as well as the timing of projects that e.g. in the case of Habitat makes it difficult to wait for FBN industry partners to submit their bids (which occasionally takes some time). Further issues are related to specific requirements of the project funder (e.g. proof of bidding) as well as regulations by public authorities (e.g. requirements from local governments to build schools).

Internal challenges were associated with a lack of capacities as well as divergence in procedures and responsibilities between different departments (e.g. Habitat's internal procurement and donation department).

In order to address some of these issues a number of technical and process related suggestions were made such as establishing an accreditation process for FBN industry partners that would consider their commitment and reliability, price and cash credit aspects as well as risk issues. Improving the database with regard to including the project stages and timeline of projects was considered important to inform the FBN industry partners about the deadline of the bidding process/ tender. The NGOs also requested FBN to report about material prices of the main suppliers.

Further opportunities were seen in e.g. highlighting the benefits of a transaction in a tailored marketing package for each project that would tell a story rather than just numbers and figures.

Another proposal was geared towards the post transaction process which should include a customer survey and awarding the 'most committed' FBN industry partner at the end of the year.

For the future collaboration different NGOs mentioned projects in the pipeline (e.g. Foundation for these-abled people, Base Bahay, Habitat) and affirmed their continued support for FBN and that they are convinced by the FBN concept.

Habitat pledged to include FBN in bidding process and inform us about the commencement and close of their tenders.

In the evening the TOP10 event was attended by four NGOs (Hilti Foundation, BASE Bahay, Virlianie and Operation Blessing Foundation Philippines).

3.2. Engagement Forum on the 17th June 2015

After the first day was dedicated to receiving insight into the NGOs challenges and situation, the second day completely belonged to the FBN industry partners. This meeting was marked by a lower attendance and differing experience of the representatives on the subject of CSR.

We started off with discussing the experience of industry representatives with NGO construction projects. One company (Boysen) was found to mainly contribute to answer our questions about challenges and barriers. Boysen stated that some NGO projects are too ambitious, take much longer than planned or are discontinued. He also mentioned that the company experienced a lack of transparency about the usage of their products – how and where. Furthermore he complains about a lack of commitment and reliability by some NGO for example a frequent turnover of staff makes it difficult to follow up and re-engage after the first phase of marketing has died off.

The aspect of cash flow/ credit payment that was mentioned by the NGOs have been also highlighted by the industry partners as a challenge in potential collaborations. Cash on delivery is a preferred practice by the industry partners, which can be full filled by NGOs only in few cases or not at all.

An interesting fact was mentioned by Phinma and Boysen: the representatives emphasised that tax incentives of NGO projects are often diminished by administrative hurdles (red tape) from the respective authority making it hard to reclaim the money. That means even if NGO projects can provide donation certificates they are not a “fast sell” as they require documentation and involve additional administration effort in the Philippine context.

The sellers-market in the Philippines makes it difficult for NGO projects to be attractive only in economic terms. Additional incentives have to be clearly spelled out and promoted for making NGO projects attractive and visible. Consequently it has been noted that the attending industry partners are mainly concerned with their bottom-line and an engagement with NGO projects should clearly contribute to their economic development.

Still, the industry partners recognised and acknowledged the benefits of partnerships with FBN and NGOs. The main benefits are related to marketing and promotion activities for their brands and products. Yet, before they engage with NGOs they want to know exactly what they can gain from the partnership. An example of a rather unexpected marketing success was Boysen KnoxOut campaign, which brought not only national but also international media attention and helped to sell the product to other markets. This example suggests rather high expectations of marketing outcomes by companies with an established CSR policy such as Boysen.

Solutions for a better engagement were seen in better highlighting the marketing benefits of each project and the potential extra media mileage, establishing stronger relationships with individual NGOs to understand the needs and create more networking opportunities.

What has become clear was a strong call for relationship building and establishing trust between the industry partners and FBN/ the NGOs.

4. ANALYSING and ASSESSING BARRIERS IN THE CONSTRUCTION MARKET

The meetings have been very productive and provided a better picture of the current situation in the Philippines. In the conversation four main themes emerged, which in the following are discussed more in detail:

Firstly an indicator of the challenges NGOs are facing with regard to industry’s commitment has been demonstrated in the number of attendees of the two meetings. In comparison to the NGO meeting that had been fully subscribed with at least 3 CEOs participating, the meeting with the industry was less well attended with only second or third tier representatives. It can be assumed that the **industry’s interest in NGO projects and respectively FBN work is still underdeveloped** and such projects don’t reach the critical point to be attractive enough for a sincere engagement - except for some front runners (such as Boysen). The current sellers-market situation additionally hampers projects that don’t tick the economic box for suppliers. This assumption is further supported by the fact that suppliers often do not provide their quotes in time and do not offer reasonable discounts for such projects.

Secondly a **lack of trust** mainly perceived by the industry partners leads to several issues. One major challenge that seems difficult to be addressed by FBN means (other than through relationship building) is the credit or cash payment (credit line) issue. Due to constrained funding flow, NGOs often need 6 weeks if not even longer to pay for materials supplied. Yet, companies request cash payment and lack trust in NGO’s reliability of credit payment.

While NGOs showed willingness to put more efforts into the relationship building with industry partners, there is still a lack of understanding about the respective needs.

Thirdly, industry partners mainly consider **marketing and promotional aspects** of their engagement in such projects as beneficial. Yet, FBN and NGOs have to demonstrate and spell out those benefits more in detail. It has been suggested that by means of telling a story rather than stating figures as well as offering the sense of being part of a community with a long lasting relationship projects can create more interest and raise greater attention by industry partners.

Fourthly, **logistical issues** mainly apply to the fact that the majority of projects can be found in the disaster struck regions of Leyte and Bohol whereas the main industry contacts of FBN are located in Metro Manila. The option of shipping material was found to be too expensive, consequently making FBN projects less attractive to current industry partners.

5. ANALYSING and ASSESSING OUR OPPORTUNITIES

It can be acknowledge that both groups (NGOs and industry partners) were open, interested and seeking or suggesting ways to collaborate.

The greatest impact was made by the representatives of the companies by especially emphasizing that building up close relationships with specific NGOs/ and projects was important to them. In several discussions they iterated the current lack of trust and low perceived reliability.

In the same vein, commitment and accountability were highlighted by the NGOs as an important feature of the collaboration with industry partners. By considering suggested changes to some of FBN procedures and processes (e.g. accreditation system), we will be enabled to identify committed industry partners and address the concerns of the NGOs.

The challenges of logistics and timing can be easily translated into an opportunity for FBN. By finding and signing up local industry partners closed to the NGO's projects location FBN will extend its reach and increase the chances of efficient and effective transactions.

Small changes to the FBN database to consider the tender deadlines of NGO projects will create more transparency and help both sides to better plan their actions (e.g. submitting quotes and respond in bidding process).

Further opportunities were seen in more targeted and tailored marketing activities that will meet the needs of the industry. While the industry is motivated (almost exclusively) by the prospect of increased brand exposure through NGO projects, NGOs should focus on long term strategies as well as including the project communities into their marketing efforts in order to establish customer loyalty. FBN as the middle man, can both support and extend the NGOs marketing efforts as well as follow up and dig deeper into the needs and requirements of industry partners to enable successful collaborations.

6. Reality Check

Expectations	Reality
1. The more the merrier = more projects → more traffic → more transactions Scale up to the point where it runs by itself	Transactions insufficient
2. Buyers-market – sellers are keen to chase NGOs	Sellers-market - sellers have choice what business to chase and find NGO business less attractive
3. Emphasis was on ‘economic’ – business sense of the project platform	Suppliers focus on marketing and promotion of involvement
4. Industry regards NGO projects as source of income	NGO projects are source of CSR activity
5. Willingness of suppliers to ‘go the extra mile’	Difficult – no interest and need due to sellers-market situation
6. Reliance on market mechanism (→ willing buyers and willing sellers)	Prevalence of “trust” → emotion driven motivation to act → looking for relationship that transcends a simple transaction
7. Location/ geography no problem	Disparate location of suppliers + project = hindrance

7. STRATEGIC IMPLICATIONS

Based on the meetings and in-depth discussion with both NGO and industry representatives we are heading towards the following new strategic directions:

Quality versus quantity: We have learnt from our experience but also in the conversations that building up trust and commitment is crucial to operations between NGOs and industry partners. Companies and NGOs find it hard to interact without knowing each other. We take into account that only an online platform of projects doesn’t address the concerns of for the two sides. Therefore FBN will place more emphasis on establishing relationships with and between individual NGOs and industry partners. We will strategically focus on creating an atmosphere of trust between us and the different partners based on a mutual understanding of the aims and intentions of our work. By giving more importance to individual relationships at the first place we will enhance our credibility and built up trust that will ultimately support our aim to enable matches between industry partners and NGOs. As soon as we have a first transaction and hence a proof of evidence for our concept to work, we will be in a good position to grow the organisation’s ambitions.

8. FBN STRATEGIC ACTIONS

Relationship building and promotional activities will be the new focus of FBN work. Additionally FBN will engage with new suppliers in specific project locations hereby selecting companies for the most needed products first (concrete/ cement, wood, steel, electrical supply and sanitary supply).

FBN will become a **clearinghouse** which will facilitate monthly to fortnightly events between NGOs and Suppliers – so called FairBuilding Networking Forums.

FBN will be the facilitator offering:

- Opportunity to engage and building relationships
- Place
- Safe environment
- Rewards

For the meetings FBN will guarantee the following points:

- FBN will ascertain projects – needs, timing and visibility
- FBN will moderate the meetings, facilitating an open, friendly and meaningful discussion
- FBN will shortlist and invite committed suppliers “by invitation only” that fit the project needs

FBN will provide rewards – promotion in Manila Star and FuturArc ads (an add will be placed in the Manila Star after each meeting – promoting committed parties and potential matches – further details will be presented in the next weeks)