

**Davao Oriental Coco Husk Social Enterprise Incorporated,  
San Isidro Municipality, Mindanao**

**Community Economies Collective Kioloa Writing Group<sup>1</sup>**

**“You won’t last six months with that old equipment!”**

That’s how the competitors derided the Davao Oriental Coco Husk Social Enterprise Incorporated (DOCHSEi) when they came from across the province to see the new coco coir plant. They were nearly right. After only six months of ongoing financial losses, the management board recommended that the NGOs supporting the fledgling social enterprise—Unlad Kabayan and Kalumonan—close down the coco coir operation. But the NGO staff of Unlad Kabayan, the business incubator, refused. They did not want to be just another NGO deserting the community after the funding had run out. NGOs had a reputation in the region as failures in sustaining business and livelihood activities and they wanted to prove the critics wrong. Furthermore, they felt responsible for the welfare of the 30 local workers who were employed by the plant.

Uncertain of what to do next, the Unlad staff discussed the situation with the workers and asked their opinion. “Do not worry”, the workers said, “we will just work without a salary now and then we will be the ones to sell the products. After we are able to sell the products, that will be the time we will receive our salary.” So the workers took charge. No longer were they beneficiaries, passively receiving handouts from an NGO or salaries from an employer, but partners working alongside the managers to keep the enterprise alive.

Others too have come to the aid of the enterprise to sustain its activities over the last three years. First, there was support from other NGOs who offered technical assistance to improve production efficiency and management protocols in order to increase overall output. Then there was support from the Department of Agriculture, who granted funds to improve the solar dryer. However, support has not been limited to formal agencies. When another privately owned coco coir plant opened in the municipality, local suppliers, workers and others in the community stayed loyal to DOCHSEi. They did not want to lose the many benefits that the social enterprise offered them as a community, such as health insurance; free training on gender, health, technical skills and other topics; flexible working conditions; and monthly incentives for workers who meet production targets. The relationships formed between management and workers, community members, government departments and NGOs have been the key to nurturing and protecting the growth and sustainability of the DOCHSEi vision.

### **Origins and Philosophy**

DOCHSEi was established by Unlad Kabayan as a business incubation project in July 2004 in the municipality of San Isidro, Davao Oriental Province, on the Philippines island of Mindanao. It was established to improve the livelihoods of marginalized sectors and contribute to economic growth in the municipality. Its mission was to generate employment and increase the income of coconut farmers. Furthermore, it was designed to provide opportunities for Filipino migrant workers to invest their remittances, not only for profit, but in a way that would provide social benefits to the broader community. The plant was established in partnership with a local NGO, Kalumonan Development Centre, which focused on livelihood development projects for local

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farmers, fishers and the Muslim community. While Unlad Kabayan provided expertise in social enterprise development and funding to support the establishment of the plant, office and equipment, Kalumonan gifted land for the production site and counterpart funding. Most of the financial support has been sourced from foreign donors including Christian Aid, the Inter-church Organization for Development Cooperation (ICCO), and the CARE's Canada Fund for Local Initiatives (CFLI), but some funding was donated locally by the family of former Mayor Tina Yu, executive director of Kalumonan. San Isidro was an ideal location for a coconut husk processing plant, not only because of the poor economic conditions in the municipality, but also because it was the number one coconut producing province in the Philippines and so had an abundant supply of coconut husk.

In addition to the aim of generating economic benefits for the community, DOCHSEi was also established as an environmentally friendly enterprise. Before it was established, coconut husk was a waste product of the local copra industry, clogging local creeks and rivers and washing into the ocean, killing fish, coral and other marine life. DOCHSEi provided a way for farmers to make money from this waste, turning it into coco fibre used for twine, erosion control matting, flower pots, hats, bags, wall decorations, door mats and mattress filling. Today the plant is producing fibre that is exported to China and used in car seat upholstery and mattress making; geo-netting for the growing national market of local governments who use it for erosion control along roads and river channels; and handicrafts for the local market.

### **Critical Success Factors**

Social enterprises like DOCHSEi do not succeed only because of good planning and management, but because of the investment in local relationships. The following factors have therefore been critical in ensuring the success of the enterprise:

**Commitment of the NGO partners:** The NGO partners have remained committed to building sustainable livelihood options for the poor and marginalized sections of the community, even during times of financial difficulty when normal business enterprises would have decided to cease operation.

**Fostering a sense of ownership within the local community:** It has been critical that both workers and others within the local community understand that DOCHSEi is a social enterprise and that they have a stake in its long-term viability and success. Activities that have helped to foster this sense of ownership and commitment include: team building exercises, social entrepreneurship training, skills training and weekly and monthly meetings between workers and team leaders.

**Accessing technical expertise:** Establishing a manufacturing business is not easy without support from others. The Canadian Executive Services Office (CESO), for example, assisted DOCHSEi by sending a volunteer mechanical engineer to advise on efficient production and management processes. He helped cut down on time wastage which has contributed to increased productivity and helped DOCHSEi become more competitive and profitable. The Philippine Business for Social Progress through their corporate volunteer program (PBSP-CVED) also sent a volunteer who assisted by compiling a production and operations manual that serves as a guide to efficiently implementing the rules and policies of the enterprise.

**Trusting the workers:** The responsibility for decision making is not held by the management team and board alone. Staff in different production units contribute ideas, make recommendations and even implement their own decisions at different levels to help improve the

productivity of individual workers and the enterprise as a whole. The weekly and monthly meetings keep the management team updated so they can discuss crucial problems that may lead to poor performance. Trusting the capability and initiative of workers motivates them to work more efficiently and productively.

**Connecting with broader networks:** DOCHSEi is linked into broader networks to ensure access to a range of resources that it cannot access on its own. Examples include marketing assistance offered by the Department of Trade and Industry through the Phil Coir (Network) and a research partnership with the Davao Oriental State College, which has enabled research into the potential of coco dust as an organic fertilizer.

**Connecting factory production to home production:** In addition to the production, technical and office staff employed at the DOCHSEo plant, up to 90 homeworkers are employed on piece rates to spin the fibre into string that is then woven into geo-matting. Fibre is delivered to women at home in the surrounding area. Groups of 2-4 women share the use of a simple spinning wheel to make string. They transport the wheel from home to home and spin in their spare time, as one reported, “instead of watching TV or gossiping”. This brings added income into the household and spreads the effects of the DOCHSEi plant deep into the community.

### **Future Plans**

DOCHSEi plans to expand its operations through product diversification, including products such as geo-nets, organic fertilizer and compacted coco dust for the export market. This will require large-scale investment to expand existing equipment, infrastructure and operating capital. Consequently, DOCHSEi is now seeking investment from migrant workers, social entrepreneurs and other local investors who are interested not only in profit, but also in a social return on investment. Through product diversification DOCHSEi will be able to employ more people in the community under more flexible working conditions, enabling home-based production for mothers who would otherwise be unable to earn income.

There are also plans to introduce a profit-sharing system so that workers have an on-going stake in the social enterprise.

### **Details of Davao Oriental Coco Husk Social Enterprise, Inc.**

**Type of Business:** Manufacturing engaged in processing of coco husk. Products: coco coir/fiber, coco dust, handicrafts and geo-nets.

**Registered:** under Security and Exchange Commission (SEC), Fiber Industry and Development Authority (FIDA), Department of Trade and Industry (DTI), and Barangay Micro-Business Enterprise in municipality of San Isidro(BMBE).

**Year established:** July 2004

**Vision:** With the vision of a sustainable economy and the goal to uplift the poor in the community, DOCHSEi is a progressive, sustainable, gender sensitive and socially responsible enterprise engaged in the production of environmentally friendly products through the innovative utilization of coconut husks.

**Mission:** To provide employment and help augment the income of the coco farmers. It also offers an investment placement for the migrant workers that contribute to the socio-economic growth of the community

**Employment:** 125 workers

Apart from the LGU, DOCHSEi is the largest employer in the municipality.

**Initial Investment**

Unlad Kabayan	2.5 million pesos
Kalumonan	1 million pesos
CFLI	1.5 million pesos

**Community links**

Employment of landless and poor tenant farmers

Employment of women in their homes

Income to coconut tenant farmers for otherwise waste product 100 pesos/truck load of husks