

Sustainable opportunities for low-income Filipino Youth

A group of young Singaporeans visiting the Philippines noticed that opportunities to earn above the minimum wage are often restricted to those that study at the better-known schools – schools that are prohibitively expensive for the under-served rural Filipino youth.

Seeing the need for high-quality, low-cost training to ready young people for employment, the group started BagoSphere, a Social Enterprise (SE) that provides affordable and effective vocational training for low-income, unemployed youth in the province of Negros Occidental. The pilot program, launched in 2011, provided vocational training targeting the business process outsourcing (BPO) sector to 14 young adults who were selected from 40 aspirants through group assessments and individual interviews. The trainees were put through a rigorous training program, and upon graduation, 90% of the students were successfully placed in partner call centers. Two years later, 64% are still in employment, and 14% have been promoted. Through stable skilled employment, graduates are able to earn a salary four times higher than that of unskilled work, raising themselves and their families above the national poverty threshold.



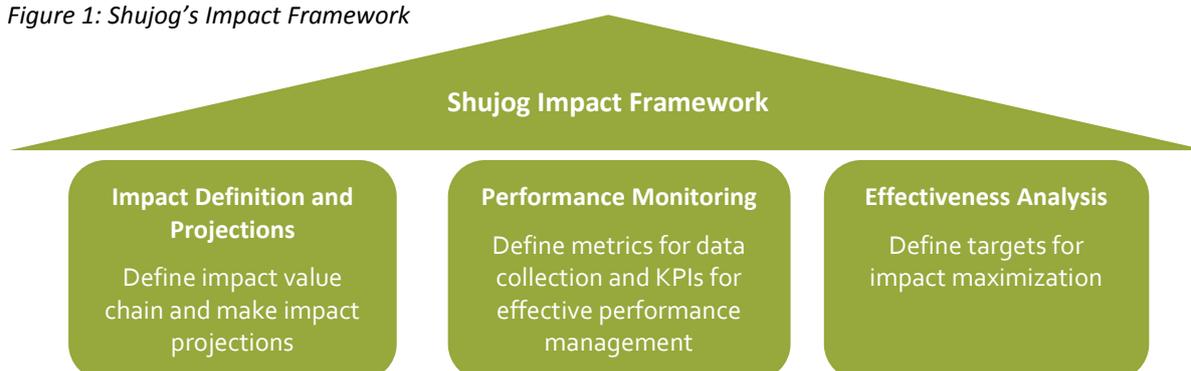
Photos: © BagoSphere, 2013.

Following its successful pilot program, BagoSphere was seeking capital to launch full scale operations.

IIX INVOLVEMENT

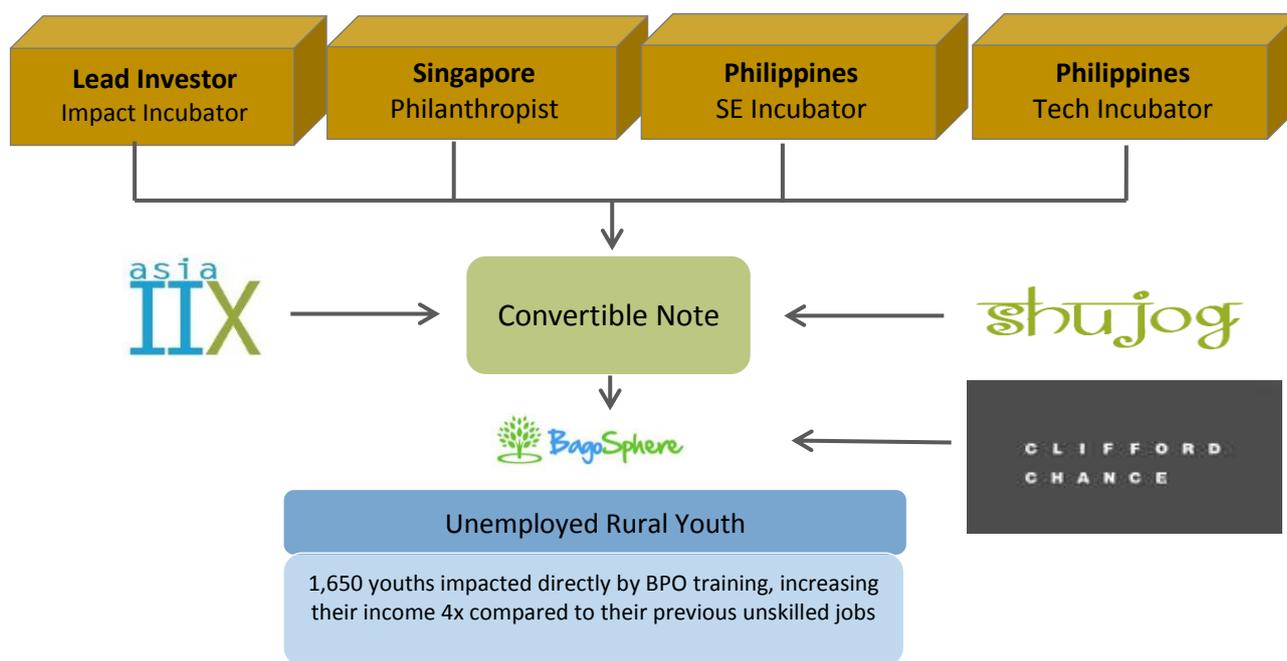
IIX encountered BagoSphere at a social enterprise competition, and identified it as having a high potential to generate both social and financial returns. IIX worked with BagoSphere’s management team, providing technical assistance to refine its business plan and financial model. IIX also involved its sister not-for-profit company Shujog to create an Impact Framework and to build impact projections for BagoSphere to ensure that its mission is embedded in its performance management structures and to better communicate to investors the impact of every dollar invested. The Impact Framework (see Fig. 1) provides a structure for managing performance against social impact targets, helping to both monitor and, in the process, enhance the realization of BagoSphere’s social mission.

Figure 1: Shujog’s Impact Framework



Once they were prepared, IIX introduced BagoSphere to IIX’s Impact Incubator partner, profiled BagoSphere on IIX’s Impact Partners platform, and offered management the opportunity to present to investors at IIX’s Social Enterprise Showcase at the Impact Forum 2012. IIX’s Impact Incubator partner agreed to act as the lead investor and lead the transaction process. They were joined by three other investors, including members of Impact Partners. IIX also referred BagoSphere to international law firm Clifford Chance, which provided *pro bono* legal advice to structure the deal and to ensure that the transaction documents included measures to enshrine and protect BagoSphere’s social mission. IIX continues to be involved with BagoSphere post-transaction, serving as board observer and Social Advisor.

Figure 2: BagoSphere investment structure.



Impact of Investment

BagoSphere creates direct impact for two categories of stakeholders: its students and its employees, with its students being the primary target beneficiaries.

Social return to beneficiaries

BagoSphere has designed its program to be affordable for its students, who are a mix of unemployed youth and youth in low-wage employment, by virtue of a deferred payment scheme, or “train-first-pay-later” tuition fee with options for affordable monthly installments after the student secures employment. The program delivers a pass rate eight times higher than competing training courses due to its superior results-oriented curriculum that teaches job skills, life skills, and financial literacy that will aid students in managing their incomes and improving their livelihoods. This allows students to be successfully placed in the high-growth BPO industry, resulting in increased income, knowledge, and career opportunities; with an indirect impact on their health and assets.

As part of Shujog’s work to create a social impact framework for BagoSphere, it projected the social return for an individual student who invests time and money in acquiring skills for the BPO industry. The social return is

primarily a result of the enhanced earning potential after the training program. Based on Shujog’s projections, the social return on investment (SROI) for an individual student is between \$4.89 and \$6.55 for every dollar of a student’s investment; with higher returns for students who were unemployed prior to the training program.

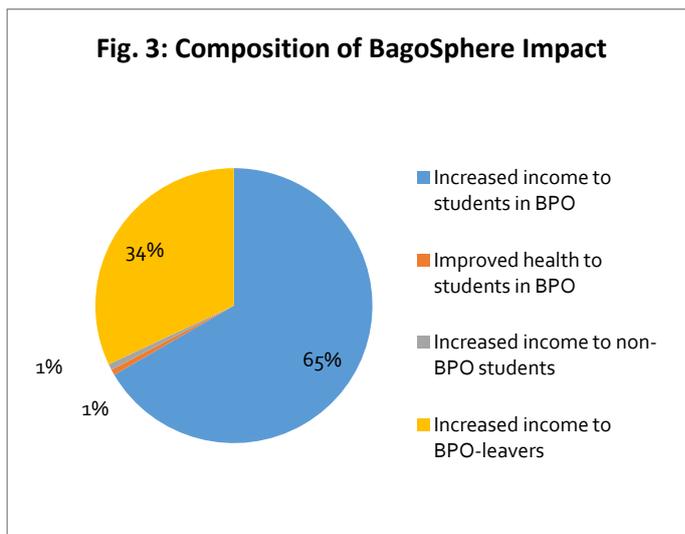
The employees of BagoSphere – most of whom are teachers – are projected to receive moderately positive impact through improved work benefits and wages.

Social return to BagoSphere

The key performance indicators for BagoSphere’s social impact concern outcomes such as student job placement rate, average lag between graduation and job placement, and post-program job tenure. Comparisons between pre-program and post-program wages and work benefits are also considered, as well as the average wage growth upon placement in a BPO company.

Shujog has projected that for every dollar that BagoSphere spends on its activities in the first year (post-pilot phase) \$16 of social return will be created. This mostly comes from increases in income for BagoSphere’s students (see Figure 3). Over time, BagoSphere’s impact on its main beneficiaries is projected to increase further, with its SROI increasing to \$17.77 over the first three years of operations (see Table 1). This will mostly come from both the growth in income of students and a gradual shift towards an increasing number of students with lower pre-course qualifications enrolling in the program.

The increase in income will also enable some of the students to finish their college education, which will further expand their opportunities for higher wage jobs and access to career opportunities outside the BPO industry.



Source: Shujog Impact Framework & Projections for BagoSphere, 2012.

Table 1: Social Impact Projections for BagoSphere

Impact Projections (in USD)			
Year 1 Inputs	\$49,238	PV of 3-year Inputs	\$203,329
Year 1 Impact	\$787,570	PV of 3-year Impact	\$3,613,357
Year 1 SROI Projection	16.00	3-year SROI Projection	17.77

Note: SROI projections are based on the growth scenario and financial model of BagoSphere and tracking the impact on beneficiaries for three years after undertaking BagoSphere training. Future social returns are discounted at 8% p.a. based on average inflation in the Philippines since 2000 and a conservative measure of the social discount rate for rural youth in the Philippines. (Source: Shujog Impact Framework & Projections for BagoSphere, 2012)



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