

Prospects for People Living in Poverty to Participate in Growth-Oriented Enterprises*

Jeanne Frances I. Illo**

Abstract

The paper explores challenges and prospects for cooperatives in engaging the poor, particularly women, in so-called growth-oriented industries. It uses a local economic development model that includes social enterprises as well as household and informal economies, privileges meeting real and otherwise unmet needs of households and communities at the same time that it admits the links of local economies with global markets, and lays bare the totality and centrality of the work and economic enterprises of women living in poverty. As cooperatives seek to engage the market and broker the participation of the poor in growth-oriented enterprises, they face the daunting challenge of helping create sustainable livelihoods for women and men to make local economies grow. This will require balancing their multiple bottom lines (primarily profits and social goals), advocating for a policy environment that will work especially for women living in poverty, and linking with a private sector that is socially responsible.

Notions and Experiences of Poverty

People—women and men, girls and boys—living in poverty have been characterized or profiled in various ways. Very often, they have been treated as an undifferentiated group, with no or little resources apart from their labor, low education, ill health, and little or no motivation or drive. Apparently driven by apathy, they do not participate in “community” affairs

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** Jeanne Illo <jjillo@ateneo.edu> is connected with the Institute of Philippine Culture of the Ateneo de Manila University. She would like to acknowledge the comments of Evangeline Lopez, Camilo Casals, and the February 2005 conference participants to earlier versions of this paper.

or in collective activities. However, other views characterize them increasingly as having very few resources, yes, but as highly energetic, creative or cunning, and enterprising. The truth probably lies in between these two extreme stereotypes.

Students of poverty assert that there are different dimensions of poverty that are associated with the well-being of people (see box 1). There is the material dimension, which is linked with hunger and starvation, lack of access to key resources, little purchasing capacity, and near-absence of capability to be “what one can become, the state of being, the capacity to do valuable things” (Sen 2002). There is also the psychological dimension of “feeling poor,” which arises from being socially excluded or feeling powerless and voiceless. Then there is the social and cultural dimension, which is closely linked with exclusion and being unable to be a part of the community.

To date, four income-poverty measurements are used: *poverty incidence*, or the proportion of families with income below an income poverty line or threshold; *income gap*, expressed as the percentage of the poverty line over the whole population; *poverty gap*, or the average income shortfall as a percentage of the poverty

BOX 1. Dimensions of Poverty

Being Poor: Material Well-Being

- ☞ Poverty in terms of consumption or “hunger”
 - Seasonal hunger and food insecurity due to natural disasters, and the question of availability versus access
 - Chronic hunger and food insecurity due to lack of access to land and other productive resources
- ☞ Employment (especially for the landless)
- ☞ Income poverty or lack of purchasing power
- ☞ Asset poverty or lack of access/control of key economic resources
- ☞ Capability deprivation

Feeling Poor: Psychological Well-Being

- ☞ Social exclusion and ridicule
- ☞ Feeling of powerlessness and “voicelessness”

Staying Out And Feeling Left Out: Social Well-Being

- ☞ Being unable to do one’s part in social life and consequences of inability to reciprocate or participate in community events—humiliation, loss of honor, social marginalization, and exclusion from important events

Source: Narayan 2000

line to families with income below the threshold; and *poverty severity*, or degree of inequality among the poor.

When one uses the estimates based on the new methodology (see table 1),¹ one notes an increase in the poverty incidence, from 28.1% in 1997 to 28.4% in 2000, a mere 0.3 percentage point vs. the 1.9 percentage points under the old methodology. In terms of "income gaps," poor families in urban areas, on the average, need to raise their income by 4.9% of the urban poverty threshold for them to be considered as non-poor, while rural poor families need a heftier increase (20.9% of the rural poverty threshold). To completely eradicate poverty in 2000, the income of families living in poverty would have to be increased by 26.1% (in urban areas) and 30.9% (in rural areas) of their respective poverty thresholds ("poverty gap"). Inequality among the poor is reportedly greater in rural areas than in urban areas, as incomes of poor families in the latter cluster more closely to the poverty threshold than incomes of rural poor families.

Other, non-income poverty indicators show varying trends: increasing asset poverty, reckoned in terms of ownership of house and lot (68.3% in 1998 vs. 61.1% in 2002), but declining asset poverty in terms of access to productive land through a government program (8.8% vs. 11.0%). Moreover, social exclusion, measured by participation of a household member involved in at least one people's organization, remains high, as only 26.9% of households participated in a community organization (see table 2).

More dramatically different results are provided by non-governmental surveys, which use peoples' own measure of poverty. The Social Weather Stations (SWS) Self-Rated Poverty Surveys have shown that the proportion of respondents who consider themselves as *mahirap* (poor) has always exceeded the income-poverty incidence.² When the official poverty incidence was only 33% in 1997, the SWS figures for 1997-98 were 58% to 65%. In 2000, the official poverty incidence was 34%, but the SWS ratings ranged from 59% to 64% between March 2001 and November 2003 (Leyesa, de los Trino & Illo 2005).

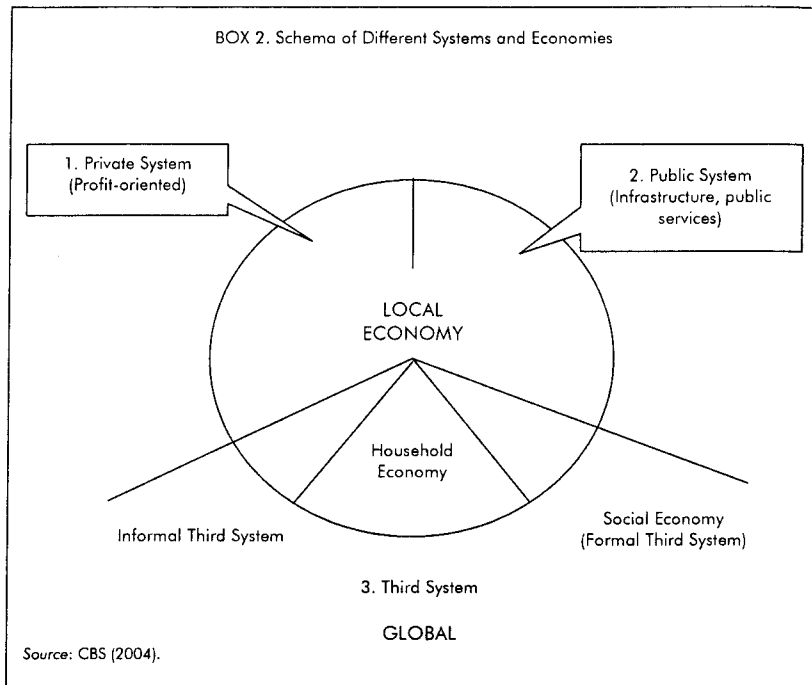
Who are the poor that will or can participate in the envisioned “growth-oriented” enterprises? Like microfinance programs, attention will most likely be on those who have some surplus or capital (physical, financial, or social), or have an “enterprising bent.” These are not the asset-less or subsistence poor, or those that have no networks or connections that they can tap. Or are they not? Who are these enterprising women and men? What are they doing now?

Locating the Poor and the Women in the Economy

Defining the Economy

How is “the economy” defined? Does this refer to just the market, profit-oriented system? A “local economy” has at least three economic systems: the private (by which we mean the market system); the public, or that which is responsible for the provision of certain capital goods (various types of infrastructure) and social services (health, education, social welfare) financed from public funds; and a third system consisting of the household, the informal, and the social economies (see box 2). As will be evident in the discussions below, the manner of engagement that women and men can have with the local economy and its various systems and, through them, the global economy, depends on their resource status or class.

Of the three parts of the third system, the household economy, which is the site of unpaid reproductive work, and the informal economy are familiar to readers. What is less familiar is the “social economy,” or the formal third system, which consists of the formalized, registered, and/or legally recognized community and social enterprises that have a “clear social purpose” and that are usually “non-private-profit distributing.” These enterprises supply their members with such goods or services as irrigation water (communal irrigation systems), potable water (community water systems), low-cost credit and low-priced commodities (cooperatives), and social protection (community-based health insurance systems). In the Philippines, cooperatives provide the most common example of a social enterprise, and are critical players in the social economy.



Tracking the Poor

In the schema of economic systems shown in box 2, the poor are packed into the unrecognized, unregistered segments of the third system, which subsidizes the private and public systems by providing an array of goods and services that are cheap and that can be divided into small, affordable units (servings, time slots, or packs). In 2001, the informal economy played a key role in allaying unemployment, as it absorbed *at least* half of the employed workforce (see table 3).

The poor populate the informal economy, but are also integral to the operation of community enterprises. More and more, they join cooperatives and similar organizations that enable them to gain access to cheap credit and commodities, social protection (health insurance and mutual support schemes), and, probably of greater importance, participation as an equal in a group.

Women's Employment

Compared to men, women, as a group, are more educated and should find work more easily—on the assumption that jobs in the private and the public systems are education-sensitive. This is true in urban areas, particularly Metro Manila, where factories and offices tend to favor the educated. Moreover, new information and communication technology (ICT)-driven, outsourced service establishments (such as call centers, encoding firms, and the like) have been employing educated, young women more than their male peers (NCRFW 2004). Generally, however, the following female employment patterns have been noted.

- Except for a few years, women's employment rate has been lower (or their unemployment rate higher) than the men's (see table 4). In recent years, however, the rates of unemployment of women and men have been hovering around two-digit figures.
- The unemployment and underemployment rates in the Philippines may even be higher without the overseas labor market. There are about 7.8 million Filipinos abroad, of whom 3.4 million are temporary (or migrant) workers and 1.5 million are irregular aliens (POEA, 2003, cited in NCRFW, 2004). More and more of the new hires are women who go abroad as domestic helpers, caregivers, and entertainers. In 2002, they constituted 73 % of all the new hires, up from 54 % in 1996 and 64 % in 1999 (NCRFW, 2004). Among the reasons for the increasing feminization of labor migration are official migration policies in which recruitment of women is actively promoted by government and recruitment agencies; and growing poverty, associated with the closures of factories and drying up of subcontracts in the garments industry.³
- Employment in the private system or sector has been plagued by a mismatch of education or training and job requirements (Illo 2002).
- Women outnumber men in two sectors (wholesale and retail trade, and community, social, and personal services), but they are also found in great numbers in manufacturing (primarily in the export processing zones), as well as in the financing, insurance, real estate, and business services (see table 5).
- The industrial classification of workers, however, belies the fact that the female-dominated sectors of retail trade and personal and community services are part of the informal economy.

Reconfiguring the working-age population, by the services they render or the goods they produce using the schema in box 2, one would find

a *minimum* estimate of 30%, or so, of working-age women working for their family in care-economy activities (20%) or as unpaid workers in their own family enterprises (10%). Another 14% are in micro-enterprises (of the self-help type; see table 6). Meanwhile, among the men, the higher proportion of self-employed workers is actually accounted for by farmers, although a number of men are also active in very small businesses (see table 7).

Attraction of the Informal Economy

Why do women (and men) living in poverty flock to the informal economy? The informal economy attracts people for different reasons. Three of five men (and half that the proportion of women) consider these enterprises as the most viable opportunity to earn good income, particularly considering that most of them have not gone to secondary school. Among the women, a small number (9%) claimed that they joined the informal economy because they could not find a job elsewhere. The most popular reasons, however, are the additional income it brings to their household and the complementation of activities with family duties (Yu 2001).

It is not surprising, therefore, that many women tend to prefer enterprises that allow them to keep close to home and/or to do at least part of their household work (as in cooking) while running a business (say, a sidewalk fast-food stall). Small stores are much preferred because they produce constant streams of income, which smoothen out consumption demands on women borrowers who have less command of joint household resources.⁴ These gendered choices are reflected in the distribution of female and male operators, by activity (see table 7), where 62% of the women are found running stores or selling beverages and other drinks; 24% operating cafes and other eating and drinking places, and in various personal and household services; and 6% working as home-based workers in textile and garments. Men, in turn, are more mobile and thus able to engage in a wider array of business, although a large number of them are in

trade (39%), operating transport facilities (21%), and offering repair services (9%).

The millions of workers in the informal economy are plagued with problems of too much competition in an overcrowded market, low capitalization, and profitability of enterprises. Microfinance schemes and training programs that continue to encourage women to persist in the usual “feminine” skills areas or enterprises contribute to the problems. There is also lack of protection as well as economic marginalization. Women agricultural producers are rarely targeted by mainstream programs, and, together with operators, homeworkers, and wage labor in very small enterprises and households, are not effectively covered by any government social protection scheme.

Women's Incomes and Poverty

Women's earnings from their livelihood activities have been found to be critical sources of income to many poor households in the urban areas.⁵ In the early 1990s, their earnings accounted for 25% to 35% of total family earnings, probably less than half yet not small at all. Among homeworkers, women's income constituted 67% of total household income despite the declining orders and other market-related problems (Pineda Ofreneo, Lim & Gula 2000).

The data on poverty and gender of household heads indicate that female-headed households are less poor than male-headed households. This is primarily because female household heads are also generally older than their male peers, and can often rely on remittances (from their spouse or children) and non-labor income. In contrast, the males are dependent on wages and the profits from their own or their spouse's enterprise.

Available data on household expenditures suggest that female-headed families tend to spend more on home maintenance, education, and medicine, and less on cigarettes and alcohol than male-headed families (HDN/UNDP 1997 cited in Illo 2002). They have also been increasingly allocating more of their incomes for payment of loans or making small investments. This investment pattern may be partly attributed to women's con-

cern for their own and their families' long-term security, particularly when they cannot expect to depend on others for their care and sustenance.

Recent data suggest that women household heads in the lowest 40% of Filipino households save more (21 centavos per peso received) than their male peers (19 centavos to one peso income; Monsod 1999). Moreover, they tend to allocate more for household basic needs than the males. This saving pattern probably explains why in the SWS Self-rated Poverty Surveys, relatively fewer women than men consider themselves as poor (Leyesa, de los Trino & Illo 2005). Although the women generally tend to feel the burden of poverty more than the men, they are probably more resilient and are able to draw on collective energies. It is this asset (psychological and social) that helps them transcend the material deprivation they find themselves in. It is this capacity to explore economic possibilities, the attention to finances, and the enduring interest to secure their families' needs that can be channeled to more upscale enterprises.

Opportunities and Challenges for Scaling Up

Prospects for the participation of the poor in "growth-oriented" enterprises would usually involve redirecting their resources or energies to activities that have a more stable demand or to sectors that are not yet crowded, scaling up financial and technical assistance to them, and linking them with economic units that can provide them with production contracts and/or access to credit or markets. These can be made possible by a supportive policy environment, a socially responsible private economy, and an effective and efficient social economy. Do these obtain in the Philippines?

A Supportive Public System and Macro Policy Environment

One of the functions of the government, or the public system, is to create an environment that will enable the private sector and communities to flourish. This entails providing them with institutions (financial, banking, fiscal) that work, policies that are implemented impartially, and pro-

cedures that facilitate access to services or resources. More important perhaps for the private sector is the establishment of a system that minimizes transaction cost, or the cost of doing business. For the poor, this means helping them get capital, skills, and links to markets or networks. All too often, however, before all these can be accessed, what people living in poverty need is information, which will cut down the cost in terms of time and resources spent on complying with requirements, and minimize uncertainties. To date, the government has put in place policies that support an anti-poverty agenda that has microfinance as a key feature (see box 3). To realize this, the government has:

- Created the structure and mechanisms for the delivery of credit and other forms of assistance to microentrepreneurs. For instance, it set up the Philippine Credit and Financing Corporation (PCFC) as the vehicle for delivering microfinance services to the poor, and created other bodies or assigned specific functions to existing government financial institutions (GFIs).⁶ The PCFC uses as conduits of its credit microfinance institutions (MFI), which include rural banks, cooperative rural banks, thrift banks, non-gov-

**BOX 3. Policies on Economic Assistance
to the Poor and Small and Medium Enterprises**

- Presidential Decree 717 (1975): Provides for an agrarian reform credit and financing system for agrarian reform beneficiaries through banking institutions.
- Republic Act (RA) 7882 (1995): Provides assistance to women engaging in micro and cottage business enterprises.
- Republic Act 8425 (or the Social Reform and Poverty Alleviation Act of 1997): Establishes micro-finance as a strategy for poverty alleviation and creates the Philippine Credit and Financing Corporation (PCFC) as the vehicle for the delivery of micro-finance services for the poor.
- Republic Act 6977 (1991), as amended by RA 8289 (1997), or the Magna Carta for Small Enterprises: Mandates the government to create a conducive business environment for micro, small and medium enterprises (MSME), provide them with a range of services and facilities, and create the SME Development Council (SMEDC) and the Small Business Guarantee and Finance Corporation (SBGFC). The law also provides for the mandatory allocation of credit resources for SME lending.
- Republic Act 9178 (2002), or the Barangay Micro Business Enterprises (BMBE) Act: Encourages the formation and growth of BMBE through the extension of incentives, such as exemption from income tax for income arising from the operations of the enterprise, exemption from the coverage of the minimum wage law, credit delivery, and technology transfer, production and management training, and marketing assistance.
- Executive Order 110 (2002): Directs the PCFC to administer the People's Development Trust Fund.
- Executive Order 138 (2002): Prohibits government agencies from giving loans and directs them to lend at prevailing market rates.

ernmental organizations (NGOs), and cooperatives. By January 2004, or several months before the set deadline, the president has delivered on her promise to reach at least one million women through the government's micro-finance program (NCRFW 2004).

- Provided various facilities and forms of assistance, including credit and rediscounting facilities, savings mobilization, and capacity development for both MFIs and beneficiaries. Moreover, the Technical Skills and Development Authority (TESDA) has been mandated, at least under Republic Act (RA) 7882, to provide and conduct such necessary training and programs, free of charge, to all women who may avail themselves of the benefits of the law.

Although well intentioned, the laws pertaining to microenterprises do not cover the poorest of the poor. For instance, the Social Reform and Poverty Alleviation Act specifies the "poor" as the microfinance clientele, but in practice, PCFC has exhibited a preference for the "entrepreneurial poor," or those who already have an existing micro-enterprise, thereby excluding people living in poverty who have yet to start a business (Pineda Ofreneo and others 2003). Additionally, the poor have been constrained by stringent requirements for access, or by high interest rates charged for very small loans that prevent them from breaking out of the poverty cycle.

Meanwhile, in support of small and medium enterprises (SMEs), the government has crafted a "National SME Development Agenda," with five elements: financing, human resource development or entrepreneurship training, market development, product development, and advocacy for an enabling environment. The website of the Department of Trade and Industry describes the agenda as seeking to provide "a strong domestic supply base for globally competitive [Philippine] industries." This could be achieved by graduating micro and small enterprises to higher levels of business and upgrading their "productivity and valued-added capabilities." Among others, this involved, in the immediate term, the strengthening of twenty strategic SME centers all over the Philippines; and by 2006, to increase the gross value added of small and medium enterprises from 32% to 40 %, comparable with the Asian average.

Government policies and programs, however, have conflated the informal enterprises of the poor (microenterprises) with the formalized "micro" businesses, and small and medium enterprises of the non-poor, view-

ing all of them as a seamless continuum. This has created problems, as, with the possible exception of microfinance programs, the policies have disadvantaged the poor, at the same time that these have failed to address the issues of the SME sector. *Thus, while there is at least the intent to create a policy environment conducive to the participation of the poor in the community economy, this is hampered by the requirements and the way programs are being implemented. Despite criticisms, the high capitalization (P3 million) under Republic Act 9178 should encourage micro-entrepreneurs and other community producers to collectivize or cooperate to attain a larger capital base and possible economies of scale.*

A Socially Responsible Private System

Government uses two bases for classifying establishments: assets and employment (see box 4). These have different applications—the asset-based classification is used in credit and investment programs, while the employment size criterion serves labor inspection and similar purposes.

The 2001 National Statistics Office (NSO) survey of business establishments put the total number of establishments at 811,592 (see table 8a). Of these, almost 92% were micro businesses with assets of less than P3 million. Small and medium enterprises accounted for 8%, while large enterprises comprised a miniscule 0.4%.⁷ More than

BOX 4. Classification of Establishments	
By Asset Size	
Micro:	Below P3 million
Small:	P3 million to P15 million
Medium:	P15 million to P100 million
Large:	More than P100 million
By Employment Size	
Micro:	1–9 workers
Small:	10–99 workers
Medium:	100–199 workers
Large:	200 or more workers

half (56%) of the micro businesses were engaged in trade and 15% were involved in manufacturing (see table 8b). Meanwhile, the proportion of manufacturing establishments to total increased at higher levels of business. By employment size, registered microenterprises reportedly absorbed 38% of workers in establishments; small and medium enterprises, 31%; and large enterprises, 31% (see table 8b).⁸

What are the prospects of the enterprises of the poor, either as individual businesses or as cooperatives, linking up with small and medium enterprises? To turn the question around, what SME practices would allow players from the social economy to buy into their growth curve?⁹

- *Subcontracting.* Long practiced in the garments industry, basket-weaving, and similar ventures, firms farm out to smaller outfits, producers' groups, or individual workers specific parts of the production process.

The direct employment figures from table 8b are the tip of the iceberg. Lying submerged are the millions of subcontractors and home-based workers that enable small and medium enterprises to be competitive domestically and globally. However, subcontractors do not exclusively come from the informal sector. A survey of 1,000 small and medium enterprises sponsored by the Employers' Confederation of the Philippines (ECOP) in 2003 showed that almost a third of the sample enterprises were able to access contracts farmed out by larger enterprises. Fewer (28%) claimed to have the capacity to provide contracts to smaller enterprises, unlike the sectors/subsectors assisted by Pearl2, a project funded by the Canadian International Development Agency (CIDA), of which almost all of those profiled in 2004 used subcontractors or farmed jobs out to smaller firms in the industry. (Pearl2 2004a-f)

- *Supplying small and medium enterprises with raw materials or necessary services.* This can be explored, as *at least* two of five small and medium enterprises source their raw materials, capital goods, and workers and services within the city or municipality where they operate (Floro 2003). Individuals, groups, or cooperatives that are in or close to Metro Manila enjoy an advantage, as about two-fifths of small and medium enterprises are located there (NSO 2001). The four other places with a large concentration of small and medium enterprises are in the Southern Tagalog, Central Luzon, Central Visayas, and Southern Mindanao regions.

Required of suppliers and subcontractors, however, is reliability in terms of consistently good quality of service, materials, or output; and on-time delivery or completion of contracted task.

- *Linking with or joining the programs of business service organizations or SME business associations for skills development and marketing.* Some business groups run programs for microenterprises or women (and men) who are interested in putting up a business or strengthening an existing business. Such is the experience of the Women's Business Council of the Philippines (WBCP), which, in partnership with TESDA and with the cooperation of various groups, organized various seminars and short courses aimed at developing the capability of women as entrepreneurs (Illo 2002). It conducted workshops for banks and women borrowers on women-friendly credit processes, and helped the trainees with the marketing of their products by holding a trade mission to Canada for women handicraft exporters, with the assistance of the CanAsian Businesswomen's Network (CABN), Trade Facilitation Office Canada (TFOC), and the Philippine Trade and Training Center (PTTC). The different training programs yielded many results: improved management of business and household funds, organization into a cooperative to pool their capital and other resources, improved technique, and constant flow of orders from Canadians whom they met during the export seminar. To improve their production, other trainees went on a study mission to a group that had more experience and far more advanced production methods.

Experience of home-based workers and small subcontractors with different forms of subcontracting, however, has been mixed, at best. Because subcontracting is often used in export-oriented production, major problems revolve around uncertainties about export-oriented "jobs" or "contracts" as a result of increased competition with other exporting countries that have either lower labor costs and/or better quality outputs. (However, even where the goods are sold domestically [as in footwear; see table 9], they can face stiff competition with cheaper imports, or much higher quality imports at comparable prices.) Pineda Ofreneo (1999: 40) notes, "Increased competition has led to the simplification of the structure of the garments and probably other industries, local and global, as foreign buyers now buy directly from Filipino manufacturers/exporters who in turn develop 'satellite firms' around their needs, bypassing the middle-level subcontractors, many of whom no longer get orders and have ceased to exist as such." *A socially responsible SME sector would need to provide its subcontractors with the opportunity to retool or develop the skills to participate in a new round of contracting arrangements. Otherwise, subcontracting might lead to greater impoverishment or the demise of cooperatives.*

To get around the problems of subcontracting, enterprises of the poor (including cooperatives) could become exporters or the principals themselves, dealing directly with importers or buyers of foreign department stores. The individual, group, or cooperative enterprises would need to have a product that is in demand, of consistently good quality, and within their capacity to deliver on time. They also need to have stable flow of orders for their goods, which means constantly pleasing and seeking buyers. As the experience of the Pearl2-assisted subsectors suggest (see table 9), this may entail participation in trade fairs, browsing the Internet, and getting into e-commerce, direct sales, and the like. Finally, they need to be able to ship their goods and have these reach the buyers. All these require new skills and competencies, reliable contacts and connections, and higher investments—many are probably beyond the reach of local entrepreneurs, be they poor or not. With all these issues, should the poor and cooperatives even contemplate getting into exports? Is export-oriented growth the only path to a better life? Or, should growth always imply engagement of the “market”?

The Social Economy

The strength of the third economy lies in its being rooted in the local economy and in the immediate economy—the family, the neighborhood, the town, district or city. It is there where the poor build and expend their greatest asset—social capital, or resources within communities which are created through the presence of high levels of trust, reciprocity and mutuality, shared norms of behavior, shared commitment and belonging, social networks (formal and informal), and effective information channels. As informal sector, community, or cooperative enterprises link up with private sector players, the former broaden their networks. Does this also improve their information and channels? In a sector that is fuelled by competition and, by definition, “secrecy,” what happens to trust, reciprocity, and mutuality?

Of the many organizations that comprise the social economy, cooperatives and cooperative enterprises are, in many places, also organizations and enterprises of the poor. Several cooperatives are outcomes of organizing work with resettled communities (as in the case of the Bagong Silang 2 Multipurpose Cooperative and many similar cooperatives), informal settlements (Cebu Peoples' Cooperative), market vendors (as exemplified by the Novaliches Development Cooperative [Novadeci] and many other groups that began as market vendors' cooperatives), and women in a community (the Lumbia Women Multipurpose Cooperative, which was originally a self-help group). The need to organize themselves into a cooperative—negotiate for “land rights” in a repossessed property of a private bank where a group of people had been relocated, create a financial system that would serve the interest of the members, and create a sustainable livelihood for women—shaped the organizations that emerged. They were *enterprises that had distinctly social features*, or the shortcut, *social enterprises* with the following features:

- Not primarily for-private-profit organizations.
- Seeking to meet social aims by engaging in economic and trading activities.
- With legal structures to ensure that all assets and accumulated wealth are not owned by individuals, but by the group.
- With organizational structures in which the full participation of members is encouraged on a cooperative basis, with equal rights afforded to all members.

What functions do cooperatives perform now, particularly in connection with the participation of the poor? How well are they doing it? Below are some examples from primary cooperatives that the Institute of Philippine Culture of the Ateneo de Manila University and the National Confederation of Cooperatives studied in 2004.

- *Provision of health care system*,¹⁰ in addition to its mainline activities of savings mobilization, lending programs, mutual aid (*damayan*) scheme, and other social programs. In the case of Novadeci, the health care program for its members has been heavily subsidized by the earnings of the cooperative. Thus, *the social goals of a cooperative can be better served if the organization is efficient as an enterprise. Because social economy organizations, such as cooperatives, take on many of the welfare and so-*

cial protection functions of the state vis-à-vis the poor, they need to be compensated, rather than taxed.

Unlike in other health management organizations, the members of the health care program, who are also members of the cooperative, have control of the program. Moreover, through health education, the cooperative promotes the notion of wellness or preventive health care, ensuring lower utilization rate and higher actuarial value or longer operation of the health fund. Persistent challenges of sustainability of the program are being addressed by making membership in the health program mandatory to all cooperative members, thereby expanding the latter's membership base. Another challenge is the protection of the program and the members from abuse.

- *Opportunity for scaling up credit and connections for microenterprises.* In the few cases of cooperatives engaged in microfinance that we have studied (Cebu Peoples' and Novadeci), it is evident that the microentrepreneurs gain access not only to the loans, but also to the possibility of membership in the cooperative. In fact, a number of the new members come from this group. Once a member of the cooperative, they can strive to become "members in good standing" (MIGS) and thus improve their credit rating within the cooperative. Should they wish to, they could also enroll in the health care program, mutual aid scheme, and other social programs of the cooperative.
- *Creating new business and raising revenues for the cooperative as a service-provider enterprise.* A health program, whose services go beyond health insurance and include a medical clinic, laboratory, and pharmacy can create new businesses for the cooperative. When these facilities are open not only to program members but also to other cooperative members and even non-cooperative members, the clinic and laboratory, in particular, serve not only as cost centers (providing free consultation to program members), but also as revenue sources. In many instances, the efficiency and low fees charged by the medical clinic and laboratory of Novadeci have attracted paying members and have been known to lure nonmembers to join the cooperative. The prospect of unlimited access to free medical consultation should also convince cooperative members to enroll in the health program, thereby increasing the support base of the health insurance and medical services.

Examples of cooperatives scaling up of their operations through the introduction of new business lines are probably more widespread than is apparent. The trick is in recognizing opportunities, aligning them with the mandate of the cooperative, and sharing the information with members that run their own enterprises.

- *Complementation and competition.* The story of the Lumbia Women's cooperative is instructive. It reflects the various ways in which economic activities and enterprises can be "cooperativized." At the start, procurement of materials and processing of *kasuy* (cashew) was done by individual members, while financing and marketing were undertaken at the group level. As the self-help group—and, later, the cooperative—acquired the equipment and tools to make group production efficient and effective, a large portion of the processing is done by the group enterprise, although individual members could continue processing the *kasuy* that the cooperative has purchased. The flexibility of economic arrangements allowed or encouraged by a cooperative enterprise multiplies the ways in which the members could benefit from the cooperative, and enhances the total supply that the cooperative could market. But even while producing for the local economy, the Lumbia women discovered to their dismay that they have to compete with cheaper *kasuy* products from Palawan and Vietnam.

The Oro Integrated Cooperative, Inc., provided the Lumbia group with access to financial resources while still a self-help group (pre-cooperative). By extending affordable credit to the Lumbia group, OICI enabled the group to build an enterprise that survives until now, and to transform itself into a cooperative and, therefore, avail itself of larger loans from other sources. Meanwhile, big cooperatives can generate more business by extending financial and non-financial services (marketing linkages and/or development of various management competencies and systems) not only to its individual members but also to small cooperatives and group enterprises. Similarly, secondary and tertiary cooperatives can provide strategic non-financial support to promote group enterprises as an economic organization option.

How can cooperatives help enterprises of the poor (individual or smaller cooperative) scale up? Learning from the lessons of the past, the following can be explored:

- Knowing the problems or issues faced by their members and other entrepreneurs.
- Linking microenterprises with higher levels of business or, better yet, with other local enterprises that can provide them with raw materials, technical services, and the like.
- Getting information to microenterprises or would-be entrepreneurs about policies, training, trade fairs, policies, and the like.
- Providing technical assistance or linking microentrepreneurs and would-be entrepreneurs with other social enterprises that could give them technical assistance in identifying and designing products, quality control, marketing strategies, and similar inputs.

- Promoting organizational, management, and financial accountability and transparency within the cooperative.

The stories of these cooperatives echo the findings of case studies and business research supported by the CIDA-funded SEDCOP (Socioeconomic Development through Cooperatives Project). Although the cooperative enterprises started as community-based microenterprises, they have “managed to scale up business operations, as well as grow in terms of asset size, sales and net worth. In the process, these cooperative enterprises have spurred economic growth and development in socio-economically disadvantaged areas of the country while mobilizing marginalized social sectors, especially rural and urban poor women, to share in the benefits of growth through employment, co-ownership and/or supplier relationship with these cooperative enterprises.”

Issues and Challenges

The issues and challenges in improving the prospects of people (particularly women) living in poverty to participate in “growth-oriented enterprises” are many. They include:

- *Challenging notions and assumptions.* As social enterprises, cooperatives are not driven only by private profits but also by collective returns. Their self-funded micro-finance windows could be taken as both a business move (investing in a new product line) and a community program (extending low-cost loans to mostly women members and non-members who are living in poverty). For this to occur, cooperatives have to be efficient and optimize the returns that would enable them to fund their social goals. “Growth-oriented enterprises” are often assumed to be synonymous with “market-oriented” or even “export-oriented” enterprises. The definition of such a concept should be broadened to include both financial and social bottom lines, since one can enrich the other. As the cases of cooperatives, above, suggest, these social goals are particularly important to women, as these often encompass services and “social products” that respond to needs of women for social protection, health care, and the like.
- *Creating an effective public policy environment for the poor.* As is evident in the short discussion on government policies and programs, there have been attempts to lay the foundation for an anti-poverty program and foster the development of the SME sector. However, the implementation of the

former has been spotty¹¹ and the SME agenda has yet to be fully operationalized. More importantly, there is a need for a stable economy and polity that will ensure the human security and well-being of the poor, particularly women, and other groups. The prospects of macro stability are challenged by the “permanent crisis” that seems to plague the country. Where there are uncertainties in the public and private systems, local communities protect themselves by taking over the provisioning of food and other basic needs, as well as social protection. Research studies of the poor indicate that women do much of this provisioning. It is, therefore, difficult to speak of programs or projects for/with the poor without considering women. However, the various constraints faced by women because of their gender—their lack of real estate collateral, or the continuing view by financial institutions of women as credit risks, which compels them to require men to sign their loan applications—call for changes in policies that will allow women living in poverty to benefit from anti-poverty and/or micro-enterprise programs.

Another issue that should not be forgotten pertains to the manner in which the state relates with the “third economy” and the social economy in particular. Taxing social enterprises for providing services that should have been supplied by the state just does not make sense.

- *Promoting links with the private sector without withdrawing from its social roots.* It is probably hard to deny that one of the routes for improving the well-being of members is through market engagement. However, growing from a micro-enterprise to higher levels of business need not necessarily be limited to profit seeking. It could be also geared to the improvement of services, lower costs of goods that could be offered to the members and other residents of the community, and diversifying the goods it produces or the services it provides to meet the needs of its localities. But to be all of these, cooperatives and cooperative enterprises have to be efficient. Members, women and men, stand to benefit from the continued low-cost services of cooperatives.

The market is an important and useful human institution for meeting certain needs, but not all needs. It best serves the human interest when it functions as an adjunct to a robust social economy founded on values of cooperation, sharing, trust, and mutual obligation (PCDF 1994). Contrary to proponents of export-oriented growth, growth can also be taken to mean as improved well-being and human security—which are uppermost in the minds of the poor¹²—in the context of the development of local economies, where

- The market or private system is primarily local in character, enhanced but not dependent on trading relationships with more remote localities.
- Production is also carried out by small (not large) social enterprises, with capital that is rooted in local ownerships.
- Strong, democratically accountable governments or public systems set the goals and provide a regulatory framework for the socially productive function.
- A strong and politically active civil society holds government accountable to the public interest.

The participation of the poor in “growth-oriented enterprises” should probably be considered not in terms of formal jobs, but in terms of engaging women and men in sustainable livelihoods—meaningful productive activities—and meeting real and otherwise unmet needs of households and communities in ways that are socially and environmentally sustainable. The challenge for cooperatives is just this: help create sustainable livelihoods to make local economies grow!

TABLE 1. Income-poverty-related estimates of families living in poverty (in percent)

Item	1988	1991	1994	1997	2000	Difference (1997–2000)
Old methodology						
Poverty incidence ^a	40.2	39.9	35.5	31.8	33.7	1.9
Urban	30.1	31.1	24.0	17.9	19.9	2.0
Rural	46.3	48.6	47.0	44.4	46.9	2.9
Income gap ^b	31.7	32.7	31.5	29.8	29.6	0.2
Poverty gap ^c	12.8	13.0	11.2	8.4	8.4	0.0
New Methodology						
Poverty Incidence	—	—	—	28.1	28.4	–0.3
Urban	—	—	—	15.0	15.0	–0.0
Rural	—	—	—	39.9	41.4	–1.5
Income gap	—	—	—	13.6	13.1	–0.5
Urban	—	—	—	5.60	04.9	–0.7
Rural	—	—	—	20.8	20.9	–0.1
Poverty gap	—	—	—	29.8	29.8	0.0
Urban	—	—	—	26.6	26.1	–0.5
Rural	—	—	—	30.9	30.9	0.0
Poverty severity ^d	—	—	—	3.5	3.4	–0.1
Urban	—	—	—	1.6	1.5	–0.1
Rural	—	—	—	5.2	5.3	0.1

Source: 2002 Philippine Statistical Yearbook (NSCB, 2003).

^a Proportion of poor families to the total number of families.

^b Income shortfall, expressed as a percentage of the poverty line over the whole population.

^c Average income shortfall, as a percentage of the poverty line to families with income below the threshold.

^d Measures inequality among the poor.

TABLE 2. Selected indicators of access to minimum basic needs
(in percent of families)

Item	1998	1999	2000	Difference (1999 – 2002)
Total families (in thousands)	14,371	14,746	15,925	—
<i>Survival</i>				
Access to safe drinking water	78.1	81.4	80.0	-1.4
With sanitary toilet	80.4	85.8	86.1	0.3
With electricity	72.3	73.3	79.0	5.7
<i>Security</i>				
With roof made of strong materials	62.2	70.5	72.2	1.7
With outer walls made of strong materials	55.9	68.1	62.1	-6.0
With own house and lot	68.3	71.5	66.5	-5.0
Own house and lot through government program	6.3	5.9	5.1	-0.8
Own land other than residence	18.3	21.4	21.5	0.1
Acquired land other than residence through CARP	8.8	9.1	11.0	1.9
With family head who is gainfully employed	86.1	66.2	81.2	19.9
With member 18 years old or over who is gainfully employed	95.1	95.0	93.5	-1.5
<i>Enabling</i>				
With children aged 6–12 years who are in elementary	91.1	91.6	91.2	-0.4
With children aged 13–16 years who are in high school	69.9	71.5	77.0	5.5
With member involved in at least one legitimate people's organization				7.8
With working children 5–17 years old	15.2	14.7	12.8	-1.9

Source: Annual Poverty Indicators Survey, or APIS (NSO 2003).

TABLE 3. Sample estimates of the size of the formal and informal economy based on employment (class of workers), 1996 and 2001

Class of worker	1996			2001		
	Number (in 000)	% to total workers	% female	Number (in 000)	% to total workers	% female
<i>Formal: wage and salary workers</i>	13,096	47.7	35.8	14,751	49.0	38.2
Private sector	11,010	40.1	33.4	12,385	41.1	35.7
Government	2,086	7.6	48.5	2,366	7.9	51.1
<i>Informal</i>	14,346	52.3	37.8	15,334	51.0	39.9
Own-account workers	10,297	37.5	31.2	11,257	37.4	34.8
Unpaid family workers	4,049	14.8	55.0	4,077	13.6	54.0
Total no. of workers	27,442	100.0	37.6	30,085	100.0	39.1

Source: *Philippine Yearbook*, National Statistics Office (NSO 2002).

TABLE 4. Selected labor force statistics, by sex of worker, 1995–2004

Year	Labor force participation rate		Employment rate	
	Female	Male	Female	Male
1995	49	85	90.6	92.3
1996	49	83	92.3	95.4
1997	49	82	91.5	92.5
1998	49	83	90.2	90.7
2000	48	80	90.1	89.7
2001	53	82	89.6	90.6
2001	53	82	89.6	90.6
2003	51	83	89.7	90.0

Source: For 1995–2003, Labor force surveys, National Statistics Office; for 2004, Bureau of Labor and Employment Statistics (BLES), Department of Labor and Employment (2004). Cited in Leyesa, De los Trino and Illo 2005.

TABLE 5. Distribution of employed workers by major sector or industry group, 1996 and 1998

Industry or sector	1996		1998	
	% of employed workers	% female	% of employed workers	% female
All employed workers	100.0	36.9	100.0	37.5
Agriculture, forestry, & fishing	41.7	26.8	39.9	25.7
Mining and quarrying	0.4	10.4	0.4	5.6
Manufacturing	10.0	44.3	9.5	44.9
Construction	5.7	1.3	5.3	2.0
Wholesale and retail trade	14.8	65.0	15.3	65.1
Transportation, communication, and storage	6.0	4.6	6.7	5.6
Financing, insurance, real estate, and business services	2.5	38.0	2.4	44.4
Community, social, and personal services	18.3	56.1	19.9	57.4
Workers not elsewhere classified	0.2	–	0.1	–

Source: Bureau of Labor and Employment Statistics, Department of Labor and Employment.

TABLE 6. Distribution of working-age population, by type of economy, October 2001

Item	Type of economy	Female		Male	
		Number (in millions)	%	Number (in millions)	%
Total working-age population		24.83	100.0	24.60	100.0
<i>Informal economy</i>					
Not in the labor force—housekeeping*	Family	3.49	20.7	—	—
In the labor force—unpaid family worker	Family	2.20	8.9	1.87	7.6
Own-account worker—self-employed	Self-help	3.54	14.3	5.93	24.1
Subtotal informal economy		9.23	43.9	7.80	31.7
Own-account worker—employer	Private	0.38	1.5	1.41	5.7
Wage worker—private	Private	4.42	17.8	7.96	32.4
Subtotal private economy		4.80	19.3	9.37	38.1
Wage worker—government	Public	1.21	4.9	1.16	4.7
All people engaged in different economies		15.24	61.4	18.33	74.5
Unemployed		1.36	5.5	1.91	7.8
Not in the labor force		8.23	33.1	4.36	17.7

Source: Labor force survey (NSO 2003).

*Assuming that women in the 25–54 age group who are not in the labor force classify themselves as busy with "housekeeping."

TABLE 7. Comparative data for female and male operators in the informal economy of Metro Manila, 1995*

Enterprise	Ratio (F/M)		Informal economy income as percent of minimum wage		
	No. of operators	Income	Female	Male	Both sexes
<i>Predominantly female enterprises</i>					
Restaurants, cafes, and other eating and drinking places	2.95	1.40	227	162	194
Sari-sari (variety) store	2.64	0.80	84	104	94
Other personal and household services	1.74	0.98	86	88	87
Textile, wearing apparel, and leather manufacturing	1.45	0.43	64	150	107
Other food and beverage retailing	1.34	0.53	81	152	117
<i>Predominantly male enterprises</i>					
Renting out rooms and buildings; lodging	0.82	0.78	132	163	147
Trade other than sari-sari store, or food and beverage retailing	0.68	0.49	292	594	443
Financing, insurance, real estate, and business services	0.58	0.34	458	1,339	899
Manufacturing outside textile, garments, and leather	0.52	0.48	118	245	182
Operator of bus, taxicab, or jeepney	0.06	0.93	107	115	111
Operator of tricycle or other transport vehicle	0.05	0.82	63	76	70
Repair services	0.04	0.46	88	191	140
Average	1.03	0.59			

* Recomputed in Illo (2002), using data from the National Statistics Office, as reported in Yu (2001).

TABLE 8-a. Distribution of establishments, by sector and size of establishment, 2001

Sector	Micro		Small		Medium		Large		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
<i>Establishments</i>										
Agriculture, forestry, & fishing	1,956	46.1	2,014	47.4	124	2.9	153	3.6	4,247	100.0
Mining	216	62.4	100	28.9	14	4.0	16	4.6	346	100.0
Manufacturing	108,986	88.0	12,627	10.2	988	0.8	1,194	1.0	123,795	100.0
Utilities	485	41.8	483	41.6	99	8.5	94	8.1	1,161	100.0
Construction	1,530	55.0	1,037	37.3	105	3.8	111	4.0	2,783	100.0
Commerce	415,924	95.6	18,469	4.2	408	0.1	300	1.0	435,101	100.0
Finance	17,791	75.8	5,477	23.3	84	0.4	109	0.5	23,461	100.0
Ownership of housing & real estate	34,527	88.3	3,928	10.0	299	0.8	361	0.9	39,115	100.0
Private services	92,500	89.5	10,237	9.9	318	0.3	244	0.2	103,299	100.0
Government service	70,034	89.5	7,390	9.4	484	0.6	376	0.5	78,284	100.0
TOTAL	743,949	91.7	61,762	7.6	2,923	0.4	2,958	0.4	811,592	100.0

Source: National Statistics Office (2001).

TABLE 8-b. Distribution of employment, by sector and size of establishment, 2001

Sector	Micro		Small		Medium		Large		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
<i>Employment</i>										
Agriculture, forestry, & fishing	8,077	4.9	47,745	29.2	16,740	10.2	90,942	55.6	163,504	100.0
Mining	1,029	4.9	3,049	14.4	2,128	10.1	14,897	70.6	21,103	100.0
Manufacturing	353,415	23.0	309,952	20.2	136,648	8.9	734,088	478.9	1,534,103	100.0
Utilities	2,152	2.8	14,509	18.9	14,124	18.4	46,140	60.0	76,925	100.0
Construction	6,848	4.6	26,928	18.2	13,843	9.3	100,472	67.8	148,091	100.0
Commerce	1,109,473	67.1	350,368	21.2	55,184	3.3	137,925	8.3	1,652,950	100.0
Finance	74,175	29.2	97,782	38.5	11,458	4.5	70,649	27.8	253,884	100.0
Ownership of housing & real estate	103,153	25.1	92,936	22.6	41,199	10.0	173,926	42.3	411,214	100.0
Private services	307,369	39.8	230,866	29.9	41,909	5.4	191,602	24.8	771,746	100.0
Government service	186,194	29.8	183,527	29.4	66,125	10.6	188,600	30.2	624,446	100.0
TOTAL	2,151,885	38.0	1,357,662	24.0	399,358	7.1	1,749,061	30.9	5,657,966	100.0

Source: National Statistics Office (2001).

TABLE 9. Selected information about some SME sectors and sub-sectors

Sector (Total Employment)	Subsector	Niche	Size of Enterprises	Export Growth	Production Process	Marketing Strategy
Houseware (40,000 direct workers; one million subcontractors for baskets alone)	Basketry and wickeretry	Low end to midrange	Micro to small	Exports declining since 2000; negative average growth	Subcontracting	Mainly trade fairs; export
Fine jewelry (100,000)	Cultured pearls (47%); silver jewelry	Middle to high end; Low end	Small to medium; a few big players	Positive average growth; exports falling in 2003	In house, but some sub-contracting; manual	Retail shops; domestic; trade fairs, business missions, and contacts for export
Furniture (481,500)	Wooden; rattan	No data	Small to medium (98%)	Negative average growth; drastic fall in 2003	Subcontracting; finishing (in-house)	Direct sales, fairs, export
Footwear (725,000)	Sports (about half)	Market segmentation	Micro to medium	Negative; especially bad in 2002	Subcontracting (to micro and small)	Major department stores, own retail shops, export
Holiday decors (250,000)	Christmas decors	No data	Micro to medium; large (5%)	Negative, except 2000	Some subcontracting	Trade fairs, Internet, department stores, direct sales
Costume jewelry (10,000)	Semiprecious stones shells, etc.	High-end Mid- and low-end market segments	Micro to medium	Positive, except in 2001	Subcontracting to smaller firms	International trade fairs
Processed mango (regular workforce of < 100 processors, 5,000 on the average; workforce triples during the peak season)		High- and mid-market segments	Small and medium	Highly positive, except in 2002	In-house to maintain quality control	Groceries, supermarkets, contacts and trade fairs for export

*Based on published "State of the Sector" reports for 2004 of Part 12 (2004a, 2004b, 2004c, 2004d, 2004e, 2004f, 2004g), a project of the Canadian International Development Agency.

Endnotes

1. The change in the total poverty threshold (food plus non-food basic needs) that was instituted in January 2003 came from the adjustments made in the estimation of the food threshold (or the cost of basic food requirements), particularly the replacement of special rice in the menu with cheaper, ordinary rice; replacement of the ratio of bought to not bought items in the menus based on the 1982 Food Consumption Survey (FCS) with the ratio based on the 1993 FCS.

2. The poor distinguish among them, based on whether they are able to have a meal or two in a day, have the capacity to earn something, could show their face in community gatherings, or have connections (political, social or economic) inside and outside their community (Marita Concepcion Castro Guevara, lecture given to a graduate class at the Ateneo de Manila University, 2003).

3. Other reasons are lack of local job opportunities that would allow women to explore better jobs, acquire greater skills, and obtain a more secure future; growing demand for female migrant workers in more developed economies; and normalization of prostitution and other sex industry activities (stripping), often disguised as "entertainment" jobs in destination countries (Santos 2002 cited in Narito and others 2005).

4. In rural areas, investment in pigs comes close to opening a store. Coke (2001, cited in Illo 2002) argues that pig-raising is preferred by women who are less risk-averse, considering the fact that it involves irregular cash flows that do not immediately meet the demands of weekly loan repayments.

5. Dejillas (2000 cited in Illo 2002) reports that the financial crisis in the late 1990s had pushed women to accept lower rates, resulting in lower average weekly incomes compared to men. Other losses experienced by women in the late 1990s are documented in Illo and Pineda Ofreneo (1999).

6. The PCFC serves as a wholesaler of loans up to P25,000 per end-client (poor household defined vis-a-vis the government's poverty threshold). The Development Bank of the Philippines rediscunts micro-finance loans and serves as a primary wholesaler of small and medium enterprise loans above P150,000 per client. The Land Bank of the Philippines is a credit wholesaler for farmers and fisherfolk, and has recently launched a microfinance program. The National Livelihood Support Fund (NLSF), which is supervised by the Land Bank, provides loans to agrarian reform beneficiaries through accredited conduits. Finally, the Small Business Guarantee and Finance Corporation supplies wholesale loans to MFIs.

7. It has been suggested that the Barangay Micro Business Enterprise (BMBE) law had caused the reclassification of many small enterprises into microenterprises (Floro 2003).

8. Both asset and employment-based information obviously do not include the countless family farms and enterprises, or even the majority of the truly microenterprises of the poor. These pertain principally to firms, offices, factories, plantations, or agribusinesses that operate in the private system. The employment figures also exclude the subcontractors and home-based workers that enable small and medium enterprises to be competitive domestically and globally.

9. The succeeding discussion is based on results of interviews with Ed Sutherland (Pearl2 country coordinator) and Director Rhodora Leano of the Bureau of Small and Medium Enterprise Development, Department of Trade and In-

dustry, as well as the results of a case study done on the Women's Business Council of the Philippines (WBCP) in 2000 (Adeva 2000).

10. Other social economy organizations have worked hard to provide social protection to their members and to demand social protection from the state. Given the marginal status and lack of job security of informal sector women workers, some NGOs and people's organizations, notably *Patamaba* (the National Network of Informal Workers in the Philippines), have initiated alternative social protection measures to help women in times of illness and bereavement in the family. They have also actively campaigned for informal sector coverage by the Social Security System and Philhealth, and have enrolled many women workers in these formal schemes.

11. A review of the anti-poverty policies (Pineda Ofreneo and others 2003) points to the built-in "accessibility disadvantage for small borrowers," either because of non-compliance by GFIs to set aside a certain percentage of their loan portfolio for women with existing micro and cottage businesses (RA 7882), preferential option for the least poor among the poor in the application of the law (RA 8425), or for group (cooperative) loans over individual loans (RA 6938), the shutting down of financial assistance schemes for the very poor (Executive Order 138), and the shift of probable beneficiaries away from microentrepreneurs to small-town businesses (RA 9178). With the way microfinance programs are working now, MFIs seem to be allowed to issue "skyrocketing interest rates because there is no or little countervailing force to such abuse" (Pineda Ofreneo and others 2003).

12. In "Voices of the Poor" (Narayan 2000), the poor have been reported to think of what they need to increase their freedom of choice (or capability) in terms of material assets, bodily health, bodily integrity, emotional integrity, respect and dignity, social belonging, cultural identity, imagination and inventiveness, information and education, organizational capacity, and political representation and accountability. All these correspond with what Martha Nussbaum (1999) calls "basic functional capabilities" that make us human.

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