THE SUSTAINABILITY OF CREDIT ASSISTANCE TO THE URBAN POOR:
A Philippine Case Study

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ABSTRACT

Urban poverty in the Philippines is strikingly manifested with the problem of street children. The labour of children is significant because of marginal household incomes. This thesis is an assessment of the credit program of one community based Non-Government Organization in Manila. The Family and Children for Empowerment (FCED), attempts to augment household incomes through the provision of low interest loans to women for informal micro-enterprises. The study is exploratory. The results reveal that most beneficiaries have achieved an income high enough to prevent their children from working and give families the opportunity to improve their standards of living. However, limitations exist in the informal sector which hinder the expansion and stability of the enterprises. Also, the cooperative credit program itself is at a critical stage. The study finds an urgent need for the cooperative to implement measures for capital build-up if it wants to continue to subsidize and provide its low interest credit loans to urban poor petty traders and producers.

RÉSUMÉ

La problématique des enfants de la rue est une manifestation marquante de la pauvreté urbaine. Les revenus obtenus par le travail des enfants sont importants car ils permettent d'augmenter les faibles revenus des ménages. Cette thèse consiste en une évaluation d'un programme coopératif de crédit d'une organisation non-gouvernementale, basée dans un quartier de Manille. Le "Family and Children for Empowerment (FCED) tente d'augmenter les revenus des ménages en accordant des prêts aux femmes propriétaires de petites entreprises de type informel. L'étude est exploratoire. Les résultats révèlent que la plupart des bénéficiaires de prêts ont pu améliorer leurs conditions de vie. Par conséquent, les revenus générés par le travail des enfants ne sont plus nécessaires. Cependant, en raison de limites inhérentes au secteur informel, les femmes ont des difficultés à stabiliser et à agrandir leur entreprise. De plus, le programme coopératif de crédit se trouve présentement dans une situation critique. L'étude démontre qu'il est essentiel que la coopérative établisse des mesures permettant l'accumulation de capital, afin de continuer à accorder des prêts à bas taux d'interêt pour les producteurs et vendeurs du secteur informel urbain.

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Glossary

Barangay - the term is used to designate a community of families living within a certain area or village

COV - Community Volunteer

FCED - Family and Children Empowerment for Development

IBCWC - Inter-Barangay Council for the Welfare of Children

IGP - Income Generating Project

ISSEC - Integrated Social Services and Enhancement Center (the former name of FCED)

LCWC - Local Council for the Welfare of Children

NGO - Non-Government Organization

Sari-Sari Store - a mini retail store located in the homes of the poor

1993 Peso Exchange rate to a US Dollar - P27.30 = US$1.00

CHAPTER I

INTRODUCTION

This is a study of the credit program of a Philippine non-government organization in a squatter area of Manila. Among the principal aims of this organization is to encourage and assist poor families send their children to school. It attempts to do this, in part, by establishing a credit program to help raise family incomes through micro-enterprises in the informal sector. The program is grounded on the basis that higher incomes would free the families from needing the income their children could earn by working. This thesis gives an overview of the aims and structure of this NGO, and then examines its credit program in detail. It focuses on the latter because this is the principal way the organization hopes to augment the income of families. Without such an increase in income, it is doubtful that sending children to school would be sustained. The study asks how well this credit program is working, with the purpose of determining the factors that make for its success or failure in income generation. Although the central focus of the thesis is on the credit program, a discussion of the aims and structure of the whole NGO is necessary because these affect how the credit program functions. It is also important to understand the overall operations of the NGO, because it bears on the question of whether the credit program will be sustainable once the organization fulfills its ultimate goal to eventually phaseout from the area. It will help us grasp the reasons behind the organization's strategy of intervention for the urban poor petty traders and producers.

Poverty, the Informal Sector, and the Need for Credit in the Third World

The economic activity of petty trading is a familiar sight in urban centers of Developing Countries. They are the most visible signs of the existence of a vital informal economy which absorbs 40 to 70% of the total labour force in the Third World.[1] It is the result of the inability of the formal sector to employ a significant portion of its labour force. The importance of the informal sector first received global attention after the United Nations ILO Employment Mission in Kenya studied its activities in 1972. The mission introduced a general concept of informality as being small scale labour intensive operations that are family owned, and which generally rely on indigenous resources. Its unregulated and competitive markets are characterized by, easy entry into establishing new enterprises, informally acquired skills and low wage levels.[2] The broad definition ascertains that there are varying enterprises that make up the informal sector. They range from the manufacture of garments through subcontracting, to transport and repair services, to petty trading of various produce and consumption goods. It is in petty trading where the bulk of the informals are to be found.[3]

Informals are identified with both men and women migrants from provinces and the residents of squatter colonies in urban centers.[4] The women are considered to own and operate 1/3 to 1/2 of all informal enterprises. The majority are found engaged in petty trading activities. Goods traded vary from fresh fruits, vegetables, garments, accessories, cooked food and juices. There are also producers of wire bags and paper flowers.[5] Through these activities, the informal sector has given the poor and unemployed an opportunity to secure an income and survive in their urban setting.

However, for most, income is meager. In separate researches (Dasgupta 1992, Papola 1981) done in Calcutta and Ahmedabad, it was found that the consumption pattern of families of petty traders was confined to daily subsistent needs. Their earnings did not produce any opportunity for an accumulation of wealth or savings.[6] As a consequence of their extreme poverty, many families in the informal sector need the labour of its children to augment family income. This, along with the inability of the family to meet various school related expenses such as uniforms, supplies and books, have constituted a barrier to the education of the children. Having to work can inhibit the potential of the child's development, as the extra burden of earning an income competes with his attendance in school. Yet, the poverty of these families is not only identified with low incomes and working children.

As residents of squatter communities, they are plagued with problems of garbage, and the lack of health and sanitation infrastructure, and decent housing. Their situations are sharp reminders of the failure of government to finance and effectively organize services to reach the poor. The squatters are left to learn to live in their poverty and mobilize their own resources for their needs.[7]

The most basic problem petty traders and producers face which cause their limited earnings is access to low interest credit. The necessary capital resources for informal petty enterprises are scarce. Generally, the doors of credit from formal financial institutions are closed to the urban poor because they lack the collaterals, and the "proper" management and financial skills considered essential to ensure repayments. They are considered to be great risk clients by banks, which also find the processing of small loans unprofitable. Outside of personal savings and assistance from relatives, middlemen or money lenders are the next available sources of capital for the poor. But the excessive rates of interest charged by these usurers, which can range from 50 to 500% a year, leave the petty entrepreneur barely enough for independent capital operations. Most of the income generated is simply used to cover the interest, and the little that is left, is allocated to a family's subsistent needs.[8]

Therefore, an income can be gained from the informal sector. But, it apparently remains to be marginal, because of the lack of access to affordable credit. These low incomes cause children to work. And, it is a clear sign of the absence of government support for social programs in the communities of the poor. Without outside assistance, the informals will continue to be trapped to the lowest activities of the economy where they are constantly battling to survive in the city.

Response of Aid Agencies and Non-Government Organizations

In time, international aid agencies and non-government organizations (NGOs) began to realize the importance of the social phenomenon of the informal sector, especially in the Third World economies where the majority of its work force was unemployed. They saw a dynamic informal sector which remained in dire need for their basic human demands to be answered. In response to this problem, NGO development interventions for the urban poor have come in various forms. There are those that simply provide direct assistance in one service, while others focus on a wide range of programs such as skills training, community organizing, educational scholarships for children, health and sanitation, and credit assistance for small informal enterprises.[9]

NGOs that had long range community development goals for their members revolved their strategies around credit assistance and community organization. They believed, it was not possible to have community development without first answering the economic needs of the poor, and at the same time it was easier to provide credit when the members were organized.

But whatever the objectives, international aid agencies began to focus some of their development efforts in assisting the small informal enterprises.[10] During the 1980's the provision of low interest credit schemes for informal sector entrepreneurs gained ground. For example, the Badan Kredit Kecamatan in Indonesia, the Fundacion Carvajal in Columbia, the Grameen Bank in Bangladesh, and Accion Comunitaria in Peru have given poor men and women in developing regions their first institutional commercial loans.[11] It was also encouraging to find some exception among formal banks that have taken the initiative, either on their own, or because of the advocacy of government and aid agencies, to accept the loan requests of informal traders.[12]

The progress of making credit more accessible to the poor has given rise to the implementation of different strategies. McKee (1989) lists three Models by which agencies have organized their credit assistance interventions. Briefly, the first, is the government sponsored and non-government organizations credit programs. They make use of revolving loan funds from which the poor can seek subsidized loans. The second, is the direct support of formal banks for informal micro-enterprises. They are experimenting with directly supplying small commercial loans to informals. The interest rates are unsubsidized yet, still lower than those charged by informal money lenders. Finally, there are the so called poverty focused banks such as the Grameen Bank in Bangladesh. The bank limits its clients to a specific target group and its operations are highly subsidized by international funding agencies.[13]

Usually, these poverty focused banks and the NGOs use credit as a small part of a larger development framework aimed at social and economic upliftment. In their view, one cannot divorce credit from social assistance when it is targetted for the poor.

The Need for Indepth Studies

How well these programs work, and which type is the most effective strategy for the delivery of credit to the poor is not yet fully known. As McKee (1989) notes, few well documented cases and empirical evidence to support these models limit the possibility of identifying a single universal approach. The problem with the available literature concerned with this specific topic, is that most are written as descriptive summary evaluations of the organizations as a whole. Indepth investigations that examine the workings, the programs and the impact of credit assistance on the over all well being of a petty entrepreneur's family are rare. This is in part because its impact on income is actually difficult to measure. Gathering information on incomes, cash flows and profits are hard to document because few keep financial records. Also, their household and business expenses are rarely considered as separate funds. Often research conclusions are based on observations and interviews with project proponents that may unintentionally be biased in their reporting.[14]

This is not to say no thorough studies have been done. The most useful studies are those on the Grameen Bank in Bangladesh and the Working Women's Forum in India. These are examples of NGOs that have a credit assistance component as part of a more comprehensive plan for community development. Although the Grameen is a rural project, it can still provide valuable lessons for its urban counterparts. Both works conducted surveys and case studies on the beneficiaries of the assistance. They also discuss the theories behind their development endeavors, their social programs and goals, and the process of the loan schemes.[15]

Similar studies are too few and more are needed to provide a reliable data base for conclusions to be drawn. The purpose of this study is to add another case.

We shall not review the literature here, due to the lack of useful indepth investigations. Rather, we will compare our results with theirs in the section where we present our findings, to determine whether it is possible to draw out some general lessons.

We hope that our findings will prove helpful to those in policy making bodies of both government and non-government agencies planning to make access to credit available to the poor. Learning from experiences of existing organizations is part of the development process. Discovering how to effectively structure the delivery of sustainable credit calls for a practical knowledge of its workings.

A Case Study: An NGO in the Philippines

This is a study of the credit program of the Family and Children for Empowerment and Development, Inc. or FCED. It was organized in 1987 to tackle the growing number of street children in Manila. It believes that by supplying credit to the families of street children, parents will be able to earn sufficient income from their informal enterprises, that they will no longer require the children to work.

The problem of the informal sector is very severe in the Philippines. In 1981, the sector accounted for a significant 40% of the work force.[16] These numbers would have definitely risen over the years with the entry of new workers unable to find gainful employment. With a significant portion of Filipinos depending on the informal sector to earn an income, the economy looses the opportunity to make full use of its human capital.

The Philippines is an economically poor nation of 65 million people. In 1992, the per capita income was only $610. Although better off than such extremely poor countries as India ($350) or China ($380), it is far below such other Southeast Asian countries as Thailand ($1220) and Malaysia ($2380). It is comparable to many of the poorer Latin American Countries such as Guatemala ($859) or El Salvador ($870).[17] The problem of poverty, furthermore, is intensified by a highly unequal distribution of income. Income distribution is far from equitable as the top 10% of the population enjoys 35.8% of the total national income, while the bottom 70% of the country survive with only 36.6%.[18] The reality of poverty then, remains to be a way of life for more than 50% of the population.[19]

The lack of employment opportunities and the rapid growth of the labour supply of the country only exacerbate the poverty problem. The government estimates that an average of 700,000 additional workers enter the labour market every year. In 1992, the labour force totalled 26.180 million with a participation rate of 65%.[20]

The Philippines is predominantly based on an agricultural economy. Unfortunately, the agricultural sector has failed to generate the necessary jobs to absorb the country's manpower. It was only able to create jobs equivalent to less than 2 years of new entrants to the labour force during the period from 1980 to 1986. The inability of the agricultural sector to absorb the available labour pushed landless peasants to the urban centers of the country. But the rural to urban migration only further strained the already troubled large scale manufacturing establishments, because employment in this sector also declined during the recession years of 1983 to 1985. No significant improvements in labour opportunities were observed even 4 years later in 1989.[21]

The problems of finding employment in the formal sector of the economy has not dissipated the flow of landless peasants to the urban areas. There are an estimated number of at least 148,000 rural families or 4% of the rural population that migrate to cities each year. They add to the congestion of homeless urban dwellers of the squatter population. For example, in just 4 years - from 1985 to 1989, squatter inhabitants tripled from 3.35 to 11 million nationwide.[22]

Metro Manila is the major Philippine urban center with a squatter population of 4 million people or about half of the city's inhabitants.[23] If the trend in urban poverty is allowed to continue, it is projected that by 1997, Metro Manila squatters will increase by 61.2% from present levels.[24]

The poverty among the squatters has pushed its youngest members to join the struggle for daily survival. There are about 7 million working children nationwide. In Metro Manila, a conservative estimate of 85,000 street children work as scavengers, vendors, and prostitutes in the city. Often their education and physical development suffer because of the long hours spent on the streets.[25] This high proportion of children working instead of reserving their energies for an education presents a bleak future for the country. This only perpetuates the cycle of poverty as children merely replace their unskilled parents in the labour force. It is often said that a nation's most important resource is its own people. The urgent need to find an intervention strategy for the Philippines' poor is critical because they constitute the majority of the population. Decisive actions need to be taken to prevent the country from witnessing a continuous decline of its human capital.

It was to attack the problems of the poor, and especially the problem of child labour in the informal sector that the FCED was founded. It targets urban poor neighborhoods, particularly families of street children in 12 depressed communities in Manila. The initial funding for the FCED's first two years of operations was granted by the Nederlands comité vooi kinderpotzegelsthe. Since then, the FCED has received grants from Save the Children Foundation, UNICEF, the Canadian International Development Agency, and separate grants from the Canadian, Japanese and British Embassies. Aside from international funding, the FCED is also able to tap local agencies for assistance. The need to seek a variety of sources is due to the many programs that the agency implements, and the large community it is servicing. The population of its target area is approximately 23,484.

FCED was founded by its President, Miss Teresita Silva. Her years of experience as a social worker in and out of government, has provided a framework of development to empower the poor to act as their own agents of development. The organization is quite ambitious and its programs comprehensive. It not only wants to increase the incomes of families to prevent children from working, but it also plans to empower the members with skills to find solutions to their own community's social problems.

The FCED has structured its programs within a two stage strategy framework. The first is mobilization and the second is withdrawal. The mobilization of residents through community building and organization is a primary aim. The FCED wants its members not only to be recipients of assistance, but also active participants in the process of development. The goal is to leave behind well functioning community core groups that will collectively pursue and implement development projects to continually upgrade their respective squatter communities.

Empowerment is considered important, because the FCED's plan of intervention is only transitory. Meaning, it wants to leave behind working and sustainable community structures and then move on to other areas where the same assistance can be duplicated. It did not see itself as a permanent aid agency in the community. Its withdrawal plans will generally depend on how swiftly the mobilization of FCED was in building the community structures.

The FCED's credit assistance is one part of its mobilizing approach. Its low interest loans attracted people to the organization. Examining how it has achieved its goal of income generation for the petty traders and producers will allow us to make an assessment of the significance of credit assistance to their families. We also are interested in seeing the viability of their enterprises as a long term source of income that would promote economic stability.

With the FCED's withdrawal, the Parents Multi-Purpose Cooperative is tasked to carry on the provision of loans. Therefore, the FCED is an approriate organization on which to base a case study of credit assistance. It tackles the problems of the informal sector, by answering both the economic and social needs of the petty traders and producers. Whether the cooperative will be able to continue the service independent of FCED is a question which will be tackled. As the focus of our study is on the issue of sustainability of credit assistance, we have organized a set of questions around the main subjects of income and sustainability.

A. The Income Effects of Credit Assistance on the Recipients

a. How badly did families who received credit need the assistance? Were incomes from non-enterprise sources sufficient to cover the costs of daily subsistence?
b. How much could working or street children add to family income? Were the enterprises incomes sufficient to cover the amounts earned by the children?
c. Could informal sector enterprises significantly add to family income, so that credit assistance would make sense?
d. Could credit assistance be profitably extended to most members of the community? What made some enterprises fail?

e. Did credit assistance lead to enough expansion of the enterprises to render the families invulnerable to crises? What are the limits on the incomes that can be derived from the informal sector?

B. The Sustainability of the Credit Assistance Program?

a. What determined the repayment rate of the credit program?
b. What was the financial state of the cooperative? Was it charging enough interest to restore its capital or revolving fund? If not, what other sources of capital was it drawing on? Can these sources be sustained?
c. Is a holistic organization needed if credit assistance is to be sustained? Can the cooperative be sustained after the withdrawal of the FCED?

It is our objective to find answers to the above questions and will return to them in the concluding chapter.

Methods

The research for this case study began on the second week of June and lasted until the end of August 1993. We spent at least 4 days each week in the FCED and cooperative offices gathering the data. We also had a chance to return to the area in January 1994 for one day to collect additional information and clarify our findings with the workers. The data was primarily collected from semi-structured interviews and participant observation techniques. Secondary information was also gathered from the FCED documents, particularly, baseline surveys of residents of the communities. The surveys contained demographic and socio-economic backgrounds of households. Other documents like evaluation reports, financial statements and minutes of meetings were used to aid in the analysis of the impact of credit assistance.

The President of the FCED, 2 social workers and 3 community volunteers were interviewed. They explained the structure of the organization and the loan assistance schemes of the FCED and the cooperative. An officer from a funding agency in Manila was also interviewed as a resource person to provide additional insights to the viability of credit assistance to the urban poor.

Finally, 32 respondents made up the non-random sample. Twenty seven had received loans from FCED, while 5 were residents that had never secured any form of assistance but were engaged in similar informal sector activities.

Organization of the Paper

The thesis is presented in two major parts: the necessary background information of the FCED, and an intensive study of the organization's credit program. The background information is given in Chapter 2 where 3 topics are discussed. The first, is a description of the socio-economic situation found in the communities being served by the FCED; the second, is a description of the aims and structure of the FCED; and the third, is the description of the credit cooperative established by the organization. All these are necessary for the analysis of the credit program.

The thesis then turns to its core focus in Chapter 3. Here, we will provide a discussion on how the sample was selected, and a detailed investigation of the effects and functioning of the credit program. Stress is put on the issues of income effects and sustainability. Finally, Chapter 4 sums up our results. We will answer the questions that were earlier enumerated and their implications for policies on development strategies for the urban poor. Also, we will give our recommendations for the credit program, and possible areas for future research in the topic of credit assistance to informal entrepreneurs.

CHAPTER II

AN OVERVIEW OF THE FCED AND THE COMMUNITIES IT SERVES

I. A Description of the Communities of FCED

The focus of the research is limited within the urban poor setting of the Paco and Pandacan communities in the City of Manila, particularly those where FCED has organized its programs. The total population of the area where FCED concentrates its efforts of assistance is approximately 23,484 people. It is about 20 minutes away from downtown Manila and is only 1.5 kilometers away from the Malacanang Palace, the residence of the Philippine President.[26]

Squatters are generally characterized as illegally encroaching on private and government lands. The absence of low cost housing and magnitude of the urban poor population, lead them to build their homes on unoccupied land illegally. Those of these study are of no exception. Many have been living in the communities for 40 years and still do not own the land they live on.

The area is divided into 12 small villages or what is locally known as barangays. About 3,793 families cramply live within a total area of not more than 0.78 sq. km.[27] The barangays are distinguished from one another by numbers. In this study, the barangays of concern are 821, 823, 824, 825 (under the bridge), 825 (Philippine National Railways and Riverside), 826, 828, 842, 844, 849, 850, and 853. There is one main river called the Estero de Pandacan that runs along Bgys. 825, 823, 826, 828, 849, and 853. However, for barangay 825 (under the bridge), the river actually runs under it. This community builds their homes on stilts over the river and use the bottom part of a bridge as their ceiling. Thus, the reason why they are called "under the bridge". This river, however, may already be considered a canal as it is indiscriminantly used for garbage and waste disposal purposes by the residents living alongside it. For a newcomer, the smell arising from the stagnant water is quite uncomfortable. But for the residents, the health risks that the canal presents are serious. It is a breeding ground for disease carrying mosquitos. During the period of the investigation, effort by the government was being made to dredge the river. However, the residents to whom the researcher spoke seemed wary about the government actions. According to them, this has already been done in the past, but people continue to throw their garbage in the river. They complain that it is not easy to get all the residents along the river to cooperate because they do not all come from the same barangays. Thus, organizing everyone is difficult and the cleanup drives end in vain.

Another health hazard that some residents are exposed to are the trains. The Metro Tren rail track crosses thru the other 825 barangay. The track is used daily by provincial commuters. The barangay homes are built only about 5 meters away from it. Undeniably posing a danger to the residents and specially to their children who are the common victims of accidents.

With regards to the availability of public services and job opportunities, the area can be said to be centrally or strategically located. There are two health centers, eight elementary and six high schools in the vicinity. Multinational and big local companies (Coca Cola Philippine Bottlers, Inc., the Philippine Refining Corp.), terminal facilities of gasoline corporations (Shell, Petron and PetroPhil) are also found in the outlying areas. Their presence has attracted many to the neighborhoods, and has definitely influenced the density of the population.

Like all other squatter colonies, the homes are built side by side. The only open spaces are the pathways and basketball courts. Substandard materials of scrap wood, galvanized iron, cardboards, sometimes even plastic are used to construct the homes. Walking thru the sometimes cemented narrow pathways without a guide can be disorienting and the maze of identical homes offer no help. Laundry hangs outside the homes and sometimes even overhead across the pathways. The shallow canals and absent drainage systems cause the barangays to experience flooding regularly during the rainy season months of June to October.

It is difficult to estimate the number of people per household for it is a common practice to rent rooms to whole families. Extended family relations often also live within the same household. One household that the researcher visited contained 17 people and their living space was certainly not large enough to fit them comfortably.

Almost all houses have electricity but many are illegally connected. This frees the poor from extra monthly payments at the expense of the electric company. Water, however, is a scarcer commodity. Personal water connections are expensive. The majority have to rely on public water pumps or faucets. The whole day, plastic containers line the sources of water. These are then sold around the communities at P1.00 to P2.00 (US$0.04 to $0.0.7) per container.

Before FCED began its services, random baseline surveys were conducted by social workers in the 12 different barangays. The social workers accomplished this task generally, through area home visitations. In its tabulated survey of 287 adults, it was found that about 60 to 70% of the women were in their productive child bearing years, which was between 15 to 40 years of age. The size of nuclear families were usually between 5 to 7 members. Of the 287 adults surveyed, 3% had completed the tertiary level of education, 10% had at least some tertiary education, 11% had completed the secondary level, 31% had some secondary education, 9% had completed primary education, 32% had at least some primary, 2% received some vocational training, and the remaning 2% had received no education at all.

Husbands were considered the head of the family. Their occupations varied but because of their limited educational levels, their occupations were confined to blue-collar jobs. They worked as electricians, security guards, machine operators, masons, plumbers, drivers, tailors, casual factory and construction labourers, and vendors. Even if some of the poor did possess the skills, the national urban unemployment (15%) and underemployment (16.6%) rates reflected the inadequate capacity of the economy to properly employ its most important resource.[28]

We were unable to measure the rate of unemployment of the area, but we believe that it was quite reflective of the national urban average. During our home visits, we observed quite a number of adult males sitting idle, or playing a game of chess or basketball. Many comment that they do work but on a very irregular basis. It is a problem that manifests itself through the low income that they bring to the household. Monthly income scales range from a dismal rate of P200.00 (US$7.33) for the irregular workers to the minimum wage of above P3,000.00 (US$109.84). Those whose incomes are above P4,000.00 (US$146.46) are able to live a little better but cannot be said to be economically secure.

The 1992 national poverty threshold is P3,675.00 (US$134.56) for an average household of 6 members. The estimate assumes that the amount is entirely spent on food and basic necessities.[29] The minimum wage in the country was P118.00 a day (US$4.32) or P3,540.00 a month ($129.86).[30] We see that the wage is barely able to sustain a family. When the head of the family is unable to provide the basic needs in order to subsist, women and children are forced to find alternative sources of income. In and around the barangays, we find children working. They are on the streets selling newspapers or flower garlands, scavenging garbage dumps for recyclable goods, or simply begging for money. The women work as domestic helpers, laundry women, or become small vendors or open mini-stores in their homes. The vendors either sell their goods within the community or outside in the public market areas. Those who remain in the community are found along the main pathways selling cooked food and fruits, sometimes vegetables. On the other hand, the mini-stores or what is commonly known as the "sari-sari" stores are retailers of rice, canned goods, sugar, coffee, soft drinks, cigarettes, beer, soap, candies, and other small items. The sari-sari store is located within the home. A window is usually open towards the front of the house where people can immediately see the goods being sold. These informal economic activities are quickly noticeable in the barangays, accentuating the inadequacy of the incomes of heads of households.

Given these descriptions, we can understand why these 12 barangays are considered to be the poorest in the area. The income distribution of its residents are depressingly low so that daily sustenance is the main concern. The 12 barangays reflect the similar circumstances in the other urban poor squatter areas in the country. It is disconcerting to discover that one out of every 5 persons in Metro Manila lives below the poverty line, but it is a fact.[31] How to begin to transform this reality into more positive statistics is a colossal feat, but it cannot be ignored when majority of the population is poor. The assistance of FCED and the cooperative is a test to see if its strategy of credit assistance is an effective intervention for improving the incomes of poor households and thus, uplift their standards of living.

II. Family and Children for Empowerment and Development (FCED): An Agency Profile

This section provides an overview of the theoretical foundations of the organization's ideas on community development. Its goals and how it hopes to effectively provide services that would bring about positive change to the lives of its members is discussed.

The Family and Children for Empowerment and Development, Inc. is a non-government, non-profit service organization. When the organization was first established in May of 1987, it was known under a different name. Originally, it was called the Integrated Social Services and Enhancement Center (ISSEC). Although the name was changed in 1992, its goals and objectives remained the same. It was incorporated in order to register at the national Securities and Exchange Commission Office and be officially recognized as a non-government organization (NGO).

The organization was founded in response to the increasing number of street children in the Paco and Pandacan areas of the city of Manila. The prevalence of street children is a result of the debilitating effects of poverty. Having children contribute to the household income signifies two circumstances. First, that the parents lack a source of livelihood, or second, their income is simply insufficient to meet basic needs. To attempt to curtail the problem from worsening, FCED designed its programs around an intervention strategy at the grass roots or community level. FCED wants to bring down the number of working children in their area by focusing their services to families of street children and those at high risk of falling into the same economic circumstances.

FCED believes in a vision of development that the poor can act as their own agents of progress in their communities. And, progress can take place if the delivery of social services are accompanied with the formation and promotion of community and cooperative action. Developing the local capacities of the target beneficiaries is critical to the FCED, because it envisions them to continue working for their community's upliftment independently from the organization. As mentioned in the Introductory Chapter, FCED has a 2 stage strategy of intervention, namely, mobilization and withdrawal. We will now discuss each separately in relation to how the FCED organized its plan of action for community development.

2.1 Mobilization

The FCED believes in professing a process of participatory development. It considers the active involvement of the members of the program important. Because, for the FCED, the first step towards development is empowerment. It wants to work as a catalyst and not only as the benefactor of assistance. The poor must then be given the opportunity to learn to act on their needs. It sees the practice of mobilization as a way to hasten both the delivery of its services and for community action to take place.

In its attempt to instill in the members the value of cooperative action, FCED concentrates its efforts in programs that revolve around five major components: Community Organization, Street Children Area Projects, Income Generating Projects, Mental Health and Inter-Agency Linkages. How each of these programs are able to effectively provide assistance to the organization's members, and attain the goals of FCED, fall on the shoulders of the project manager, three social workers, seven other staff members and the community volunteers of FCED.

The project manager is responsible for the daily implementation of programs, and the submission of regular status reports to the President, the FCED Board of Directors, and funding agencies. While, the social workers and volunteers have the actual task of mobilization through organizational workshops that they conduct.

Before any type of mobilization and local community building begins, social workers want to first pinpoint residents who are considered to be the "poorest of the poor", according to the FCED President. During the baseline surveys, the most common problem expressed is the depressed economic situation of the families. Therefore, in order to ease the financial gap and attract the participation of this target group, FCED introduced its educational assistance for street children and the income generating components of the program. These two programs are to act as the incentive or motivating forces for membership in FCED.

2.1(a) Street Children Area Projects

The main goal of the Street Children Area Projects is to discourage children from working out on the streets. The streets can be dangerous for children because they are exposed to possibilities of accidents, health problems, gangs, drug pushers and the sex trade. The educational assistance or scholarship program of the FCED is meant to substantially relieve parents of the financial burden of sending children to school. Even though primary and secondary public education in the Philippines is free, the supplies needed to remain in school eat up a major portion of the menial income of an urban poor family. The FCED sponsors the education of the street child by providing him or her with the needed school fees, supplies and uniforms. The only requirement that is demanded from the child is that he or she stops working. The FCED considers this to be reasonable since with the educational assistance, families now have the extra money, that used to be spent on that child, to cover their other expenses. For some children who express the desire to continue to earn an income, FCED would integrate them into livelihood projects that can be accomplished in the center rather than have them return to the streets. As much as possible only one child per family is accepted as a scholar to be able to assist a greater number of families.

Part of the structure of the Street Children component is the weekly value formation and alternative education seminars. Here the children are made to participate in creative arts classes, tutorials, education against drug abuse, peer counseling, and basic traffic rules and regulations workshops. The FCED wants to use these seminars as a way of instilling in the children values such as love, self worth, cooperation, respect, and good manners. The organization believes that the stress of poverty and the over-all depressed socio-economic situation of their communities, may not be conducive climates for these values to develop. Thus, they need to be reinforced in the weekly sessions by one Value Education Facilitator.

The organization also has a Street Educators program that directs its efforts on runaway street children. The four street educators interact with the children literally on the streets or sidewalks. The program is meant to reunite the children with their families. But if they refuse to return home, the children are instead encouraged to seek assistance and counselling in government or private drop-in centers.

The Street Children Area Projects aims to ease the crippling effects of poverty on the children. However, the FCED realizes that this may not be enough. It believes in the importance of also helping raise family incomes. In order for the parents to properly support the needs of their families, other complementary programs or components are also initiated to sustain the street children project.

2.1(b) Income Generating Projects

The purpose of the Income Generating Projects component is to involve the members of FCED in a livelihood project that will either provide or increase daily income. By requiring their member's children to stop working, FCED had to introduce families to alternative sources of income. The income had to be higher or at least equal to what the children formerly earned and contributed to the family. This was one way of averting the need for children to return to the streets. It was to work as a complementary program in ensuring that children remain in school.

The provision of better income opportunities to parents is to be accomplished through referrals to job training centers, livelihood projects of FCED, and the social credit program. FCED livelihood projects consist of the production of candles, recycled paper ornaments and baskets, pickled fruits, and canvas bags. The most important project under the income generating component is considered to be the social credit program. It provides loans with only a 7% interest for the members for capital purposes. Any member can avail of the assistance but it is compulsory for parents whose children are scholars of FCED. Social Credit is a program where in parents are given access to loans. The loans can only be used to start or expand their small income generating projects (IGPs). The goal is to have the parents ultimately answer the educational needs of their children and no longer rely on the subsidization of FCED. The amount of loans range from P500.00 to P3,000.00.

For the loan scheme to work, FCED believes in organizing Social Credit groups for each of the 12 barangays. A barangay can have more that one group. The size of groups varies between 5 to 15 members. They are provided with training in simple bookkeeping, simple project proposal preparation, and business management so as to aid them in their petty trading and small production enterprises. These groups are also supposed to be organized to foster social accountability and cooperation. In limiting the social credit groups to residential boundaries, the FCED makes use of the daily pressure of social contacts to inculcate repayment responsibility. This is essential because if one member fails to repay his or her loan after the 3 month loan cycle, no new loans can be released for her whole group. Thus, seminars on team building, personal and inter-personal effectiveness, and value clarification are incorporated into the program. Through the loan scheme, the social credit group begins to learn the mechanics of community organizing and the value of working together. These were important because FCED plans to utilize the same social credit groups to also serve as the core groups in the barangays. The intention is to expand the perspective of the members from merely focusing on their personal needs, to learning to identify with the problems of the community. The FCED mobilized the social credit groups to be the starting point for its community organizing activities.

2.1(c) <u>Community Organizing</u>

The FCED highlights community organizing as the core of its intervention strategy. It believes in the value of being a community based organization. For the FCED, its aim of mobilization is easier accomplished when the staff can work directly on a daily basis with its members. In this way, the organization hopes to effectively respond to their members' needs since more personal relationships with the members evolve through the home visitations and weekly workshops.

The responsibility of community organizing falls on the social workers. They are given a four fold task. First, as researchers and evaluators, they are to accomplish baseline surveys to determine the socio-economic needs of the communities, conduct core group assessments from which feedback on the group's progress can be discussed with the group and the project manager. Social workers also gather, document and submit data collected from group activities. Second, as organizers, they identify, organize, motivate and sustain viable community groups to prepare, implement and evaluate projects. Third, as trainors, they identify training needs of the members, prepare training designs, and seek resource persons or outside assistance whenever possible. Finally, their fourth responsibility is as liaisons with other agencies and community leaders. They are to make referrals and conduct orientation meetings with different government and non-government groups in the communities regarding the available social services in the area.

Through the community organizing efforts of the social workers, the residents are trained to be able to identify their needs, plan and implement projects to respond to these needs, and to evaluate these projects, in order to see whether they have achieved to upgrade the community. The FCED wants the members to participate at all levels of the decision making process of community projects. The residents are encouraged to learn to work together for their own development, because according to FCED, no one can provide better solutions to the community's problems than the residents themselves. Community organization brings together persons with common interests and needs, and gives them the opportunity to realize that there is strength in numbers and cooperation. The poor have to realize that they can control the route towards their economic and social well being. No longer should they be passive bystanders to the development process.

As mentioned earlier, FCED organizes core groups for each barangay from the original social credit groups. The whole process of the transformation of the social credit groups is an attempt of the FCED to link economic development to social development. Because, it is through credit that residents can be mobilized and only when the financial burdens of the poor are eased, will they be willing to look towards solving their common community problems. Also, the loan scheme depended on the building of trust and cooperation among the members. Without these relationships, the FCED did not see the credit program to be workable. Thus, it believes in the partnership of its credit and social programs.

To prepare the core groups for their tasks of upgrading their communities, they receive more workshops on organizational skills. Specifically, the training consists of topics on personal and inter-personal effectiveness, team building, value clarification, objective setting, problem solving and conflict management, project development and management, definition of a leader and leadership, qualities of a leader, types of leadership, and tasks and functions of a leader.

How much the core groups have understood the topics of the workshops is to be seen in their utilization of community funds for their development projects. The funds originated from part of the daily remittances from members of the social credit groups. The decision as to what project to undertake is discussed by the group. The social worker is present during the decision making process, but acts only as a consultant and facilitator. The process is guided by identifying and planning a project that will be beneficial to the whole community. The community fund can be used for various projects, such as the cementing of drainage systems, the purchase of garbage cans and other materials needed for their cleanliness drive, or providing a lamp post for the passageways. It all depends on how the group wishes to utilize their community funds.

Certain members that stand out because of their leadership potential are identified by the social workers and are tapped to act as the community volunteers. From the very beginning of FCED's contact with the residents, it stresses that the trained community volunteers will be the primary movers of community projects. The responsibilities of the COVs are quite demanding because they are expected to learn how to conduct the trainings that the social workers used to do, organize and sustain the core groups, and evaluate their barangay's activities. In other words, the community building responsibilities of the social workers are passed on to these COVs.

2.1(d) Mental Health
(e) Inter-Agency Linkages

The last two components of FCED, the Mental Health Education and Inter-Agency Linkages, can be discussed together. In cooperation with the Philippine General Hospital and the local health center, FCED plans to have some of its members trained as mental health workers for their communities. Their task is to identify residents suspected of having mental health problems, and refer them to the local health center or to the hospital. To be able to establish such links, the FCED has set up contacts with other existing government and non-government agencies in the area. The Inter-Agency network is supposed to allow the FCED to refer its members to other organizations which offer services that the FCED does not. For example, it has linked up with centers that offer automotive vocational training, and computer and high speed sewing instruction. The network also tries to discourage the duplication of services to the same clients, in order for their resources to reach a wider range of the poor. There are approximately 24 groups that participate in this network and they represent the local barangay leaders, national and municipal government offices, the health centers, schools and other NGOs in the area. The FCED organizes these agencies to meet once every two months and it gives the COVs and core group leaders the opportunity to familiarize themselves with the resources that are available to them and which they can tap for their future community projects.

2.2 The Phase Out Plan

It is not the intention of FCED to remain in the communities indefinitely. Once FCED sees that the above five components are functioning smoothly, it will begin to prepare its process of withdrawal. Withdrawal for FCED means passing on to the members the responsibility of the operations of the components. The main goal of the phase out plan is to strengthen two particular organizational structures before leaving. The first is a Multi-Purpose Cooperative, and the second is the establishment of the Local Council for the Welfare of Children (LCWC). Both of these are supposed to continue the advocacy work of FCED with regards to the protection and prevention of street children in the area and to sustain its existing programs of development.

2.2(a) The Cooperative

The cooperative is to take charge of loan activities of the organization. It has expanded the social credit program by allowing loans to be used for purposes other than sources of credit and capital. The cooperative is expected to be the livelihood link between the members of the different barangays. Although, the former social credit groups have been federated to the cooperative, they still remain as the core groups of FCED in the barangays. Each core group meets either every week or once every 2 weeks to discuss problems with regards to their livelihoods and ways how the group can raise funds for their community projects. A more detailed description of the cooperative will be given later.

2.2(b) The Local Council for the Protection of Children

The Local Councils for the Welfare of Children (LCWC) are supposed to be established by the Department of Social Welfare and Development, a government office. But because the government has been lagging in its efforts, the FCED initiated its organization in the barangays. The LCWCs are to advocate and protect the needs of children. The FCED plans to use its organized core groups to be the starting point of the LCWCs for their own barangays. The LCWCs have committees on livelihood, health and sanitation, education, protection, sports and recreation, and peace and order. The livelihood committee will recommend new members to the cooperative and conduct research on possible income generating projects for the community. The health and sanitation committee will try to answer the garbage problem of the barangays. The education committee will monitor the street children in their barangays and recommend their inclusion into the educational assistance program. They will also check the school attendance of those children who are currently being assisted. Financial support from FCED will continue as long as funds are available, but the education committee and not the social workers, will take charge of selecting and disbursing the school supplies to the children. The protection committee, is concerned with responding to the immediate needs of children who are sexually or physically abused. This committee can act to intervene in a family crisis situation with the assistance of the local barangay officials. The sports and recreation committee will serve two purposes, to provide leisure activities for all ages, and to raise much needed funds for community projects. Finally, the peace and order committee will try to protect the barangay from criminal elements.

Each LCWC will have a chairperson that reports its plans and progress to the Inter-Barangay Council for the Welfare of Children (IBCWC). This IBCWC will function to oversee that the different LCWC committees remain active. The LCWCs are legally recognized. By transforming the core groups into the LCWC committees, FCED hopes to see that the basic structures of community organization that it has laid down receive the financial and technical support from government and other non-government agencies. It needs such support to be able to sustain the activities of the members. Their ability to tap local and outside resources to aid them in the many different problems present in their squatter areas will be a sign of how well they have learned the organizational skills imparted by FCED.

Basically, the core groups and the COVs are expected to be the lifeline of the existing programs once the phaseout has been completed. The FCED conducts yearly core group assessments to measure whether their community organizing skills have been sufficiently developed to begin the phaseout. The assessment is accomplished either by the social workers or a person not connected with the FCED. The core group is made to answer questions on community organizing and leadership characteristics. The group must be able to exhibit that they possess the attitudes and skills for planning, implementing and evaluating community socio-economic activities. The trained leaders should also have the management and leadership capabilities to be able to sustain membership commitment. The success of the group as a whole is assessed through its community projects. Was there maximum involvement among members in the decision making process? Were they able to sustain their projects? Did the projects respond to the most immediate concerns of the people? Were they able to tap outside resources for assistance and prove that they can be partners with the government and private sectors in the community's development effort? These questions evaluate what organizational aspects of the core groups still need strengthening.

FCED hopes that before it phases out of the communities, each of the 12 barangays will have an organized LCWC that will actively work to improve their surroundings. Specifically, The long term objectives of FCED are the following:

1. To develop a large core of well trained and competent community volunteers and community leaders who have gained proficiency and experience in community organization training and management skills, in order to maintain the community structures established by the project.

2. To establish community structures -- the multi-purpose cooperative, Local Council for the Welfare of Children (LCWC), the Inter Barangay Council for the Welfare of Children groups (IBCWC), and social credit groups -- to serve as enduring organizations that will lead the community along a more stable path of development.

3. To strengthen the LCWC at the barangay level and to organize these into a federation or core organization that will effectively identify and address the community's needs, particularly those of street children families.

4. To make the multi-purpose cooperative serve most, if not all the members of the community and to develop it into an autonomous body of community residents supporting and managing their socio-economic activities.

5. To transfer the management of the Educational Assistance Program to the LCWC committee on education and to the COVs, and to strengthen the program to accommodate an average of 300 children at the three educational levels.

6. To make the LCWC or the IBCWC a legal organization to liaise networks with both government and non-government organizations, including foreign donor agencies, after FCED's phaseout.

The phase out of the FCED is greatly dependent on the organizational skills that the members have learned and acquired. With the withdrawal, the cooperative is supposed to be responsible for continuing the loan cycles to the members for their economic enterprises and personal needs. While, the LCWCs are to act as agents for cooperation and progress in their barangays. The goals of FCED are indeed ambitious. Much time and resources have been spent for the member's personal and community development. In the end, it will essentially be up to the members to carry on the vision of achieving a better standard of living for themselves and their children.

III. The Parents Multi-Purpose Cooperative, Inc.

The Parents Multi-Purpose Cooperative was organized to primarily carry out a credit program for the long term. The cooperative formally began its operations last August 26, 1991. It acquired its Certificate of Registration from the Philippine Cooperative Development Authority in September 1991, and an accreditation as a non-government agency in August 1992. Its daily operations were fully managed by the members. FCED acted in a supervisory capacity and had 3 staff members to assist in one of the cooperative's committees.

The cooperative organizes its objectives around the economic, social, political and spiritual development of its members. Specifically, its aims are to:

a. Economic - To uplift the standard of living of the members through the use of a revolving capital fund, and the promotion of cooperation between the members

- To develop and strengthen the IGPs of the members, and to give those without IGPs the opportunity to start one through the provision of low interest capital assistance

b. Social - To strengthen the trust, understanding, cooperation and accountability between the members from all barangays

- To establish links with other cooperatives and learn from their experiences and gain more insights about proper IGP management, and to incorporate the cooperative ideals and values in all members

c. Political - To promote democratic ideals through member participation in the activities, problems and decision making process of the cooperative

d. Spiritual - To respect the different religious beliefs of the members, and to grant them the freedom to practice their spiritual obligations

During the time of the study, the cooperative had a membership of 237 people. They make up the general assembly. The cooperative adheres to the democratic principle in the selection of its officers. It is the general assembly which elects the 7 Board of Directors and the 15 members of the 5 different committees. The committees plan and implement the policies and different programs that the cooperative undertakes. They are the Audit and Supervisory, Credit, Election, Educational and Training, and Social Development Committees. Tenure for these positions is one year, but the members can be re-elected. Through the Social Development Committee, the cooperative plans to expand beyond its monetary services. One of its goals is to set up consumer stores for its members in 4 of the 12 barangays in order to cushion the inflationary prices of basic commodities. Another, is to have its own educational assistance program for the children of its members. It also hopes to duplicate the organizational training of FCED for the new cooperative members.

The daily operations of the cooperative are managed by five staff members appointed by the Board of Directors. The staff is made up of a manager, a bookkeeper, a treasurer and two collectors. Initially, all members of the Board, Committees, and the staff volunteered their services. Only the daily lunches and snacks of the staff were subsidized by the cooperative. However, by 1992, it was decided that the staff receive small monthly honorarias for their services. The other volunteers received year end honorarias. The overall structure of the cooperative has the general assembly at the top and the different committees and the board below it (See Appendix B).

The cooperative wants to serve as many members of its communities as possible through loan assistance. As a multi-purpose cooperative, it does not limit itself to providing loans only to be used as capital for the small businesses of the members. It is in this aspect that the social credit scheme of FCED differed from the cooperative. The cooperative allows loans for home improvements, the purchase of appliances, the education of children and for family emergencies.

Majority of the cooperative members originally came from the social credit program. They already had existing IGPs from which they could derive an income. The multi-purpose function of the cooperative was believed to be the next step in encouraging the development process. Thru the cooperative loans, the members were given the opportunity to decide how to use the money for their best interests. According to staff workers, this was the reason behind the low interest rates charged by the cooperative. Since the members already were earning an income, the loans were to help them take steps towards improving their lives. In order for the members to retain most of their income for their basic and consumption needs, the interests of the loans were minimal.

The initial training for the organization of the cooperative was conducted by the Sariling Sikap Foundation. It is a nationally acknowledged agency which encourages the development of cooperatives in the Philippines. The training period of 3 consecutive weekends consisted of seminars that covered topics on Cooperative Orientation, Pre-membership, and Accounting for Non-accountants. Its main thrust was to orient members in viewing the cooperative as a people's organization. Its survival was directly related to membership commitment. The cooperative wanted their commitment to be rooted in social responsibility and accountability. And, these were stressed in the seminars. While, the simple accounting training was to teach members proper management of their IGPs and how to keep their capitals separate from household funds.

2.3 Membership

Ninety five percent of the members are women. The social workers explain the unbalanced participation of the sexes to two factors. The first, is the lack of interest or patience on the part of the men to attend the seminars and meetings that the cooperative requires. Secondly, they said that men cease to operate their IGPs once they find employment. So many times, the women are the ones encouraged to join the organization.

When the cooperative began its operations, initial membership was limited to FCED members for two reasons. First of all, confining the membership was the easiest way of policing their ranks, since working and friendly relationships had already been established thru the former social credit groups. The members were equipped with the skills, knowledge and experience of the workings of credit assistance. The cooperative hoped to rely on the sense of social accountability that had previously been developed among the members. This was supposed to discourage the incidence of defaults. The cooperative believed this to be important during the critical early stages of its operations, because it saved the cooperative time and effort from intensive monitoring.

The second reason for the limited membership was that FCED members had the advantage of having saved a personal capital build up (CBU) fund through their interests on past loans with the social credit program. From the 7% interest collected on individual loans, 4% was set aside for each members's CBU. When a member signified her intentions of applying for a loan, her CBU would be forwarded to the cooperative by FCED. The amount became the member's share capital or fixed deposit. This was a required deposit before any loan was to be released. If a member's CBU did not reach the minimum requirement, one simply had to add to the amount. For first time loanees in the cooperative, the minimum amount for a fixed deposit was P500.00 and the maximum was P1,500.00.

The amount of a loan is computed by multiplying the fixed deposit by 2.25. For example, if a member deposits P1,000.00 (US$36.63), his or her loan will be P2,250 (US$82.41). All loans are payable in 100 days. First loans are considered character loans. If the loans are not repaid on time, acceptance of application for succeeding loans would be more difficult for the member to receive as the member undergoes a reevaluation. If members do not experience problems in repayment, second loans are immediately released.

There were 44 original incorporators of the cooperative in 1991. In 1993, the cooperative opened its doors to non-FCED residents of the 12 barangays. The membership increased to 237, with the new members accounting for about 40%. In finally accepting non-FCED members, the cooperative was attempting to fulfill its goal of servicing as many members of its community.

Like any banking organization, the cooperative believes in protecting its funds thru a screening process. Residents who wish to join go thru the membership application process which consists of 8 steps. The first, is the non-FCED resident has to be recommended or endorsed by one of the former social credit members. The need for an endorsement works as a guarantee that the applicant is a resident of one of the barangays and is acquainted with one of the members. Being a resident is a prerequisite because the limited resources of the cooperative does not permit its services to move beyond the 12 barangays. The second step is their compulsory attendance in the Cooperative Orientation, Cooperative Pre-membership and Accounting for Non-accountants Seminars, which last for only two days. Third, is the application and approval of membership by the Board. If no objections are expressed, the applicant's membership is approved and he or she has to pay a P100.00 (US$0.3.66) membership fee. For those who are interested in acquiring loans, they have to undergo these further steps. They have to set up their fixed deposit with the cooperative and fill up an application form. The manager then briefs the applicant of the existing and new policies of the loan scheme, at the same time he verifies with the bookkeeper and treasurer if the applicant has complied with the fixed deposit requirement. The bookkeeper then forwards the loan application to the credit committee which conducts an investigation in the barangay where the applicant resides to confirm whether the applicant has the means to repay the loan. The committee talks to neighbors and the other members who live in the same barangay. If the committee is satisfied with the results of their investigation, they submit their approval of the loan to the manager. He then sets the date of the release one week from the approved date at which the terms of repayment is finalized with the signing of a contract. If the applicant is rejected, she has the option of withdrawing the fixed deposit or keeping it with the cooperative as a form of savings. She can reapply for a loan in the future and the credit committee will reevaluate her status once again. The whole loan process usually takes about 2 weeks.

2.4 Loan Interest and Charges

The cooperative plans to continue to provide its services to the communities for many years. It hopes to continue to support its operations through the loan cycles of its members. The revolving fund is the source of all loans. As the membership of the cooperative grows, it plans to stabilize this fund in 3 ways. First, the interest rates and service fees the cooperative charges will continue to be deducted from the loans. Second, the cooperative will seek outside subsidies or grants from different local or international funding agencies. Third, it plans to identify a profitable livelihood project. The income is meant to supplement the operational costs of the organization, finance the honorarias of the staff and the office supplies.

The computation for loan interests of the cooperative depends on the terms of payment that the member agrees to in the contract. Members are allowed to remit daily, weekly or semi-monthly. Interests range from 7 to 8.5% per annum. Remittances are computed as follows:

$$\text{Daily - fixed deposit} \times 2.25 \times 7\% \times \frac{100}{360}$$

$$\text{Weekly - fixed deposit} \times 2.25 \times 7.5\% \times \frac{14}{48}$$

$$\text{Semi-monthly - fixed deposit} \times 2.25 \times 8.5\% \times \frac{7}{24}$$

The cooperative requires collaterals for loans that reach P10,000 and more. For these large amounts, the collateral has to be something that is not movable, for example, a title to a piece of land. Once the loan has been fully repaid, the collateral is returned to the member.

Recognizing the vulnerable economic situations of their members, the cooperative established a Damayan Fund. The fund is to aid its members for family emergencies. It is meant to provide donations to families of a member that has passed away, or to assist members who fall seriously ill.

In preparation for the FCED phaseout, the cooperative is also saving up for a Land and Building fund for when it will have to rent its own office space in the future.

These two funds are to be built up by deducting 1% from the 1st and 2nd loans of the members per year.

The cooperative helps the individual member increase her fixed deposit by having a 1% forced retention deducted from each loan. The amount is then added to the fixed deposit. Aside from this, individual fixed deposits earn a yearly interest. The rate is computed from the member's average monthly fixed deposit divided by the total fixed deposits in the cooperative. It usually only averages to less than 1% a year.

The cooperative also accepts savings deposits from its members, which earn a 5% yearly interest. Deposits and remittances are given to the assigned two collectors, who go around the barangays daily .

The Staff hopes to eventually pass on the responsibilities of running the operations of the cooperative to the children of the members. They see it as their legacy to their communities. They assert that as long as the stability of their revolving or capital fund is maintained, they will be able to guarantee the continued cycle of loans for the members. So that in turn, the loans can assist members improve the lot of their families. For the cooperative, credit assistance is an important factor in the poor's fight against poverty. The cooperative's success and sustainability will inevitably be determined by the capabilities of its staff to properly manage its financial resources, and the commitments of the members to be partners in attaining the cooperative's goals.

CHAPTER III

A DETAILED ANALYSIS OF THE FUNCTIONING OF THE CREDIT PROGRAM

This Chapter is organized in 3 sections. First, we will introduce the topics for discussion. This will be followed by a brief description of the methodology that was used in the selection of the sample. Finally, we will present and analyze the findings of our study. The analysis will be guided by questions we believe are essential in discovering the importance of the strategy of credit assistance, and the issue of its sustainability.

3.1 The Central Questions

Throughout this investigation, we focused on the impact of credit assistance on urban poor petty traders and producers. At the same time, we examined the operations of the cooperative to find out whether it would be able to financially sustain itself for the long term and inspire economic progress in the communities. These two are distinct problems in the assessment of credit assistance that must be tackled. Because first of all, the question of how successful or not access to low interest loans have actually aided the poor families, is separate from an analysis of the operational sustainability of the credit program. The latter is more concerned with the repayment rate of the loans, the restoration and building of the revolving capital or fund for the loans, and the administrative capacities of the cooperative staff. In other words, the loans may have brought real economic impacts to its beneficiaries, but the credit program itself has to be assessed with regards to its aim of being a permanent structure in the communities.

In order to present a clear analysis of the issues involved, we divided the discussion into four parts. The first major section is Income. It deals with the sample, their household characteristics and their micro-enterprises. It asks such questions as, what were the income effects of credit assistance, how badly was it needed, how much could working children add to family income, etc. The next three sections are concerned with the Loan Repayments, the Financial Stability of the Cooperative, and A Holistic Strategy for Credit Assistance. These topics confront the question of the cooperative's sustainability. It looks into the ability of the cooperative to augment its revolving fund through its loan scheme, and what measures it can take to guarantee that its services will continue unhampered for the long term (see Chapter I for a complete list of questions).

Our analysis will be supported by including in the discussion the pertinent findings of other studies found in the literature.

3.2 Methodology

This was primarily a qualitative research project. We designed semi-structured interviews for our sample and resource persons, and gathered data from FCED and the cooperative documents. The investigation began the second week of June 1993 and lasted thru the end of August of the same year.

The sample for this study were first and foremost residents of the communities where FCED and the cooperative provided their services to. The 32 respondents were selected in consultation with the social workers and community volunteers. The selection was not accomplished randomly. The limited time available for the research and the busy schedules of the staff confined the freedom of selection. They were chosen deliberately in relation to the characteristics that the three separate samples should possess. Thirty one females and one male constituted the whole sampie.

Before the interviews were conducted, a staff member would first speak to the persons a few days before the scheduled day of interview. The reasons for the interview were explained and they were asked if they would be willing to talk to the researcher. There were no expressed reluctance to the request by any of the respondents. Before each interview began, respondents were asked to sign a consent form. It explained the confidentiality of their answers and their willingness to be tape recorded. Six women did not agree to being recorded. The interviews lasted between 40 to 60 minutes. There was never an understanding that the sample would receive anything in exchange for their time. But we welcomed the suggestion of one of our advisers, to take a picture of the respondents and give them a copy. The obvious excitement of the respondents to have their pictures taken showed that the act was greatly appreciated.

The sample was divided into three groups. The first group were the recipients of loans and had on-going IGPs from which they could derive an income. After some discussion, the researcher and the social workers came up with a list of 22 names. Ten were identified to represent those persons engaged in trading, such as shop keeping, or fruit and vegetable vending. The next 12 represented those in productive activities such as food preparation, paper recycling and rag making. The same procedure was undertaken in choosing the sample of five for the second group. This sample consisted of members who had received loans but experienced problems with regards to their repayment. Their IGPs had also ceased to operate.

Data collected from these two samples are the most significant because it will outline the reasons behind the success and failures of the recipients of the loan assistance. Upon membership into the organization, the women were made to answer baseline information sheets. An attempt will be made to compare their present situation to that time before any assistance was given. One problem encountered was that not all of the samples' baseline sheets were located by the researcher. Thus, the researcher is limited to making impact analysis to those respondents with the available data.

The third group of five respondents was selected by the community volunteers. They were asked to identify persons who had similar micro-economic enterprises with the first sample, but were non-FCED members. Having received no prior assistance from FCED or the cooperative, they acted as the control group. This particular data will be used to find out the impact of the credit program in the lives of its recipients. We wanted to compare two factors. First, how critical loans with low interest really were for the urban poor; and second, how this group has managed to continue their IGPs without low interest credit.

The questionnaires of the sample covered topics concerning their socio-economic backgrounds, economic activities, household incomes, their reasons for membership or non-membership, where their loans were utilized, problems encountered with loan repayments, their comments on whether their lives had improved because of the assistance, and whether they believed that the officers of the cooperative have been managing it efficiently.

The interviews conducted with the staff, volunteers and the President of FCED were concerned with their assessment of the impact of the loans, problems encountered, their comments on the sustainability of the cooperative and the importance of community organizing in the structure of their development framework. The complete list of questions can be found in Appendix C.

3.3 Findings of the Study

A. Income

The primary objective of FCED was to aid families of street children. FCED believed that through a credit assistance program, women will be able to sustain a petty trading or producing activity from which adequate incomes will be gained. Consequently, the higher incomes was to produce two immediate effects. First, it would free the children from the burden of working; and second, it would be sufficient to support both the basic needs of the family and the education of children. However, credit assistance did not always bring better earnings to its beneficiaries. Some women experienced problems with sustaining their small enterprises. The reasons for the mixed results and failures will be examined in this section.

Essential to the discussion of sustainability was the economic viability of the small enterprises of the women. Normally, expanded enterprises augmented incomes. It was supposed to give families financial security and protect them from reversing back into their subsistent life, when bouts with illness or emergencies arose in the household. Thus, it was also important to examine the financial stability of their IGPs.

In light of this, the discussion of our findings concerning the impact of the loans in the lives of the beneficiaries will revolve around four central questions.

1. How badly did the recipients need credit assistance?
2. Were incomes raised enough to send children to school, and was this done?
3. Why did some enterprises fail? How replicable are the successes of those with on-going IGPs?
4. Were the enterprises expanded enough to guarantee stability? If not, why not?

These issues have to be confronted if we desire to understand the importance of credit assistance as an effective intervention strategy in poverty alleviation. We will tackle the questions systematically by first presenting our findings, and then comparing them with other studies found in the literature. We will see what similarities and differences exist between petty traders and producers and the organizations that assist them.

1. How badly did the recipients need credit assistance?

Development programs generally tried to help the people that were most in need. FCED was no different. It identified street children families to be those living below the poverty line. The organization presumed that children worked because of the inadequate incomes of the heads of households. Husbands were usually considered to occupy this position in the family. From the available 13 baseline data, we found that the average income of the husbands was between P25.00 to P100.00 (US$0.91 to $3.66) daily. This was before the women received any form of credit assistance.

In order to uncover the significance of the incomes the women now contribute to the satisfaction of daily household needs, our analysis will first look at the earnings of husbands. We want to see if the husbands' incomes alone are able to support families. We will analyze their incomes in two ways. First, we will compute for the present value of the husbands' past income from the baseline data. Second, we will examine their present incomes. In both cases we shall ask if the incomes were sufficiently high to meet the needs of families and permit them to live above the poverty line. In this way, we will see how important the women's IGPs or enterprises are to the household income.

Computing for the current values of past incomes is useful because it allows us to make comparisons with present rates and be able to evaluate the economic impact of the earnings. To control for the value of the income lost due to inflation, we will take an average Philippine annual rate of inflation of 10%. The women of the first 2 samples have been members of FCED for at least 3 years, so we will discount the rate by 3 years of inflation. Using the formula $x(1-.1)^x$, where x = starting income, .1 = 10% inflation, and the power x = the number of membership years, we end up with the amounts between P18.00 to P72.00. This means that, the real values of their former daily incomes of P25.00 to P100.00 in 1993 was P18.00 to P72.00 (US$0.65 to $2.63).

To measure the adequacy of their incomes in meeting the daily requirements of subsistence, we will look now at the size of the households. Not all households were nuclear in composition. From the first and second samples, 11 families shared their homes with extended relations.

Table 3.1- The Distribution of the Size of Households of the First and Second Samples

Household Size

	2	3-5	6-8	9-11	12↑	total
sample	4	3	15	4	1	27

We clearly see that the average size of households are quite large. In Manila, the 1992 poverty threshold for an individual was P20.41 (US$0.75).[32] Allowing for the 10% inflation, at the time of the research, the threshold would be P18.36 (US$0.67). For the purposes of the discussion of our findings, we will utilize the value of P20.00 (US$0.73) to be a rough indication of the poverty line as the difference is quite small. Multiplying this amount with the number of members per household and comparing this with the computed real values of the past incomes of the men, we find the incomes to be acutely insufficient to meet the basic subsistent requirements of each member of the household. For a household of 6, husbands must earn at least P120.00 (US$4.39) a day, in order to be living just on the poverty line. If the heads of families were still earning below P100.00 in 1993 and they were the only sources of income, they were obviously not adequately supporting their families.

To further emphasize how poor these members of FCED were, we will now examine the husbands' present earnings.

Twenty three women are married in the first 2 samples of 27 respondents. From this number, only 14 have husbands who have a means of a regular daily income. They work as car mechanics, security guards, labourers, maintenance men, company drivers, cigarette vendors, a peddy cab driver and one is a self-employed baker. The four that work irregularly are the contractual carpenters, a scrap wood vendor and an alternate public transportation driver. The remaining five husbands are not working or contributing any income to the household. Four are unable to work because of poor health, while one is unemployed. Finally, the remaining four respondents have no husbands in their households. They consist of three widows and one single woman.

Table 3.2 provides the breakdown of how many husbands are regularly or irregularly earning daily, and how much those earnings are. We can see that their earnings have generally increased over P100.00 (US$3.66) Ten are receiving at least the national minimum wage of P118.00 (US$4.32) a day and four are earning more.

Table 3.2 - Daily Earnings of Husbands of the First and Second Samples

	P0.00	P100↓	P100-120	P121-150	P151↑	total
Regular		3	7	1	3	14
Irregular		1	3			4
Non-working	5					5
total	5	4	10	1	3	23

What the impact of the present earnings of these 23 husbands are to their families generally depends on the size of their households. Husbands may be earning more than the minimum wage, but if their households are large, it will significantly affect per capita incomes. Conversely, with few members in a household, husbands' incomes do not have to be higher than the minimum wage to allow for above poverty existence.

Table 3.3 is an approximation of how husbands' incomes compare with the poverty threshold when the size of households are taken into consideration. The Table tabulates the daily per capita income of husbands with regards to them having regular or irregular earnings. The columns represent the per capita incomes, and the rows signify the number of families that are supported by the husbands' incomes. To be subsisting on the poverty line, the per capita income of husbands must at least be between P20.00 to P30.00 (US$0.73 to $1.09). Per capita incomes below P20.00 would situate households living below the poverty line.

Table 3.3 - Per Capita Income of Husbands of the First and Second Samples

	P0.00	P1-19	P20-30	P31-60	total
regular	5	6	4	4	19
irregular		4			4
total	5	10	4	4	23

The data from the Table above shows that a significant number of 15 heads of households have a per capita income of below P20.00 daily. From this, five husbands do not contribute any income at all. Ten households are barely surviving on the sole earnings of the husbands. While the four households with a per capita of between P20.00 to P30.00 may be said to be on the subsistence threshold. Thus, although incomes have increased above P100.00, ten of the 18 earning husbands have incomes which do not provide economic security. They remain incapable of answering the basic needs of their households.

Only four husbands are able to sufficiently support their families. The one with a bakery earns enough to permit his family of six to live decently above the poverty line. With the bakery he runs with his wife, they together earn P250.00 (US$9.15) daily or a per capita of P42.00 (US$1.53). Two husbands are working overseas and their remittances to their families are adequately covering daily needs and expenses. One is only supporting his wife and a son, and the other, a household of 9 members. The last is a self-employed car mechanic who brings home P200.00 (US$7.32) daily also for his family of six. Therefore, out of the 23 households with husbands present, only four can be said to be have the livelihoods that can sufficiently provide for the needs of their household. Fifteen are existing below poverty either because husbands are not working or their incomes are too marginal to support their household size. Finally, the incomes of four husbands are still quite unstable because it allows for their households to just exist on the poverty line.

In such situations of economic instability it is natural for other earning adult members of some of the households to contribute to daily expenses. This is especially true in families where women are the main income earners. For example, the 3 widows and 3 women who's husbands were not working, relied on their working adult children or other working adult members in the household to assist with daily expenditures. On the other hand, 7 households with earning husbands also received assistance from other members. These additional earnings by other members of the family raise an important point, that is, if these incomes were taken into account, would this bring the families above the poverty line?

To illustrate more clearly the significance of the different sources of incomes found within the households of the first and second samples, we constructed Table 3.4. It exhibits the individual household sizes, incomes of husbands, incomes of other adult earning members, the contribution the women make from their informal enterprises, and the total per capita incomes of the household. It is organized according to the presence of husbands and whether they are earning or not.

Table 5.4 - Per Capita Incomes of the Households of the First and Second Samples

	household size	income of the husband (per capita)	one added income from an adult member (per capita)	two or more added incomes from adult members	total income of husband and adult members (per capita)	IGP income	total household per capita income
Husband non-earning (5)	6	-	-	-	-	150	25
	8	-	16(2)	-	16 (2)	125	18
	10	-	33(3)	-	33 (3)	100	13
	6	-	-	-	-	300	50
	9	-	50(6)	-	50 (6)	75	14
earning regularly (14)	5	83(17)	-	-	83(17)	125	42
	2	120(60)	-	-	120(60)	75	97
	6	118(20)	-	-	118(20)	200	53
	6	200(33)	-	-	200(33)	400	100
	9	200(22)	-	-	200(22)	125	36
	6	250(42)	-	-	250(42)	-same-	42
	9	130(15)	-	-	130(15)	125	28
	7	120(17)	-	-	120(17)	125	35
	5	100(20)	-	33,33(13)	166(33)	100	53
	6	135(22)	-	-	135(22)	125	43
	7	120(17)	33(5)	-	153(21)	100	36
	8	118(15)	-	-	118(15)	100	27
	3	75(25)	33(11)	-	108(36)	21	43
	6	80(13)	16(3)	-	96(16)	-	16
earning irregularly (4)	7	120(17)	67(10)	-	187(27)	25	30
	7	120(17)	-	16,16(5)	152(22)	50	29
	15	118(8)	-	16,16,100(9)	250(17)	100	23
	8	21(3)	-	-	21(3)	-	3
widows (3)	2	-	16(8)	-	16(8)	100	58
	2	-	67(34)	-	67(34)	50	58
	6	-	-	16,16(5)	32(5)	75	18
Single (1)	2	-	-	-	-	75	38

(Note: 1. values are computed in pesos
2. -same- means husband and wife share the income of P250.00)

Table 3.4, shows 18 additional adult members contributing their incomes to the households. And, four households have more than one working adult member. The contributions these members make are also minimal and irregular. They merely range from P17.00 to P100.00 a day. The added incomes from adult members are too small to compensate alone for the low per capita income of households in terms of husband's income. This is plainly observed when we focus solely on the incomes they bring into homes with unemployed husbands. Their per capita incomes do not rise above P6.00 (US$0.21) for the three households. The situations in the widowed households are quite similar, except for one that had a per capita income of P34.00 (US$1.24). The other two households had members only earning between P5.00 and P8.00 (US$0.18 to US$0.29) per capita income. These minimal values are clearly not even enough to compensate for their own individual subsistence.

The data above distinctly manifests the financial difficulties the households would be experiencing with only the incomes of the other adult members as a source of basic needs. On the otherhand, a little improvement is observed within households where husbands and other working adults pooled incomes together. This is shown in Table 3.5 where the rows represent the regularity or irregularity of the adult members contributions, and the columns represents their combined per capita incomes with the earning husbands.

Table 3.5 - Combined Per Capita Income of Husbands and Contributing Adult Members of the First and Second Samples

	P1-19	P20-30	P31-50	total
regular		1		1
irregular	2	2	2	6
total	2	3	2	7

Only seven households were able to pool husbands and other adult members' incomes together from the first and second samples. And it worked to carry five households on or above the poverty threshold. However, as shown, these are mostly not regular contributions. Thus, even if per capita incomes are on or above the poverty line, the irregularity of the contributions of the adult members still produce precarious economic circumstances. Situations may have somewhat improved, but their irregular contributions undermine the assistance that they can make to the households. Incomes may be sufficient for one day, and lacking the next. Families then could not entirely rely on working adults or their combined incomes with husbands to properly support their basic needs.

Thus, the data plainly portrays the bleak economic conditions of the households. Eighteen households from the first and second samples have a per capita income of P30.00 (US$1.09) or less. If they are unable to find any additional more income, their households would be surviving on or below the poverty threshold. Therefore, the poverty of these families remains evident.

In these precarious situations of subsistent survival, it would not be surprising if the younger members of the household are sent out on the streets to earn extra money for the family. Through various activities of vending and scavenging, children can contribute an average of P11.00 to P30.00 (US$0.40 to $1.09) a day. Their contributions are significant as the amounts equalled at least 20 to 60% of the incomes of the heads of households. These proportions can invariably pull some families to live above the poverty line. This may be the reason why they are made to work in the first place. And if children are able to work and attend school at the same time, the temptation for families to have them ply the streets is great.

Therefore, from the first and second samples we can conclude that if the sole income of husbands or other adult members of the household were the only sources for the satisfaction of daily needs, then they would be experiencing a subsistence way of life. In such circumstances of poverty, there is a strong possibility the children of the household would be forced to roam the streets of Manila in search for an income. Thus, the first two samples who received the credit assistance from FCED and the cooperative were those that were indeed poor and who required the assistance. They were in dire need of finding an alternative source of income because without this, they would be surviving on the barest of necessities.

2. Were incomes raised enough to send children to school, and was this done?

Having established the poverty of the first two samples, we now look at how substantial the contributions of the women's income from their IGPs were to the family. Out of the 27 families, 16 had working children. Before the women became members of FCED, 7 children had already stopped going to school. They dropped out because of the long hours spent on the streets. They either fell behind in their studies, or simply had lost interest in their education due to their family's financial problems. To prevent more drop outs, FCED wanted its credit assistance to have a direct effect on sending children to school. It believed in education as an investment in human capital. With education, the children hopefully, would have better income opportunities in the future, and, not only fill their parents' shoes in the informal sector. Thus, part of the understanding between FCED and the beneficiaries of its loans was that the children's studies was to be a priority once incomes had increased.

Upon membership in FCED's social credit groups, nine women were able to begin a small income generating project, while 18 expanded one that already existed. Ten engaged in fruit or food vending, eight had sari sari stores in their homes, four produced rags from scrap pieces of cloth, two produced paper bags and ornaments from recycled paper, one was a fish vendor, one had her own small bakery, and finally, the last was a ready to wear retailer of clothes.

It was only the first sample of 22 women who were able to maintain the operations of their IGPs. Table 3.6 presents the earnings of these women. Depending on their income generating project (IGP), they were earning between P25.00 to P500.00 daily.

Table 3.6 - The Daily Income of the First Sample

Income Generating Project (distribution)		Daily Income
fruit vending	(3)	P25.00 to P75.00
cooked food vending	(2)	P50.00 to P80.00
	(3)	P100.00 to P200.00
sari sari stores	(3)	P50.00 to P100.00
	(1)	P101.00 to P150.00
	(1)	P300.00
rag production	(4)	P100.00 to P150.00
paper bag recycling	(2)	P100.00
beauty product agent/fish vendor	(1)	P200.00
bread baker	(1)	P250.00
ready to wear retailer	(1)	P300.00 to P500.00

Comparing the above values with the earnings of other adults in the families which was between P16.00 to P250.00 (Table 3.4), we found that the women contributed at least an extra 50 to 400% income to the household. Undeniably, these earnings allowed the families to live better than if they were simply existing on the earnings of the husband or other adults as earlier discussed.

On the question of whether they observed improvements in their families' living standards since becoming members of FCED, all the women gave positive responses. They measured their progress by sharing how their increased earnings were spent.

Table 3.7 - Comments on the Effects Produced by the Extra Earnings Generated by the First Sample

Responses of the Women	Frequency of Responses
- permitted her to be self-supporting	1
- purchased things for their home	9
- purchased things for their IGPs	3
- supported the education of children	12
- completed house repairs	2
- improved family eating habits	3
- purchased clothes for children	3
- children no longer needed to work	2
- helped send siblings and children abroad to work	3
- purchased land	1

The above effects of credit assistance were perceived by each as signs of prosperity. The social workers and community volunteers also confirmed that they had observed these positive changes among the families. Through their home visitations, they saw first hand how the women were able to slowly accumulate household appliances and kitchen utensils. Examples of their purchases included electric fans, irons, weighing scales, frying pans, radios and even televisions. A volunteer expressed that the women's outlook in life had improved as well. According to this volunteer, it was easier to organize and meet with the women now. Unlike before, women were not as preoccupied with their financial problems. One woman pointed to the loans as being the reason that allowed her family to enjoy 3 meals a day as opposed to the past when they would be lucky to eat even once. She invested the loan in a food vending enterprise. Her daily earnings of P200.00 gave her the opportunity to be self-supporting.

The low interest loans had given the first sample the opportunity to keep most of their incomes. The women made use of their incomes to bring about concrete improvements in the standards of living of their families. Whether it would also ensure that the women will be able to continue to send the children to school, is a delicate question. One would have to look again at each family's present household incomes and sizes. An important factor to consider was whether the women were the sole earners of the household. If not, then the practice of pooling multiple household incomes together would definitely lighten the economic load of the women.

Eighteen women in the first sample had children in either the primary or secondary levels. Examining this group's exact household income was not easy because of the non-regularity of some of the members' contributions. Table 3.8 contains approximations of the per capita incomes of households with school age children (ages 5-17), which we gathered from the interviews. The rows signify the number of children in school per family, while the columns represent the per capita incomes that the families share.

Table 3.8 - Per Capita Income of Households in the First Sample with Children in School

	P19↓	P20-30	31-50↑	total
1 child	1	2	4	7
2 children	1	-	4	5
3 or more children	1	3	2	6
total	3	5	10	18

The average household size for this group was between 6 to 8 members. Taking this, together with our per capita poverty threshold of P20.00 (US$0.73) into consideration, we find that the families of 15 women should be able to shoulder the children's primary and secondary education. It was possible as long as these women's incomes do not decline drastically, and they can continue to depend in part on their husband's or adult working children's salaries. Apparently, their earnings were supplemental to the pool of household incomes.

One woman was only supporting herself and her nephew so, her per capita of P37.00 (US$1.36) was quite sufficient to cover their daily expenses.

On the other hand, the three households that earned a per capita of less than P19.00 (US$0.69) had 7 to 10 members in their homes. If their incomes did not increase, the danger of the children having to work was still very much present. One of these women actually had 2 children still regularly working around market areas as bag carriers. These three women were the main bread winners of the family because their husbands were non-working. But it was interesting to find that even with their economically depressed situations, the women still continued to support their children's schooling.

In the Philippines, education is considered an important investment. Every parent wants to be able to provide his or her child with an education. Because of this, children are still sent to school even if they work. This national concern for education can explain why the literacy rate in the country is 87%.[33]

The interest the first sample had in sending their children to school then, was not only due to the pressure of FCED, but from their own personal aspirations. When women were questioned on their plans for the future, 10 women wanted to see their children not only finish high school but even have the chance to go to college. The women did not have to be reminded on where to allocate their extra earnings. The education of their children was already a priority. If they will continue to have a steady source of income, then they will proceed to support their children's education. Therefore, their improved financial situations aided in the realization of their aspirations for their children.

It was evident that the loans were successful in providing the first sample the opportunity to have a source for income. But, it is also apparent that daily basic needs were satisfied particularly among families which practiced the pooling of household earnings. Provided that these incomes are sustained, the children will be able to remain in school and will have no need to work. Therefore, credit assistance was more effective in households where there was some form of economic cooperation. It was an important factor which supported the children's education and permitted families to live above the poverty line.

In our examination of other studies found in the literature, comparable actions toward women's allocation of their earnings to improve the health and welfare of the whole family were found by Fuglesang and Chandler (1987) and Sadeque (1989). The former studied the Grameen Bank and saw that women tended to spend their earnings on nutrition, health, sanitation, education and in other ways that benefitted the whole household. The latter found that in Pakistan, one of the first things the women members of the Agakhan Rural Support Program did with their savings was enroll their children in school. These actions supported the firm belief of the agencies that women were good entry points to raising poor families' standards of living. Women did not consume their earnings frivolously. The agencies, however, do not dispel the importance of the contributions of husbands to family welfare. But from Grameen's experience, they observed the strong tendency of men, to appropriate their extra income for their personal consumption or satisfaction in tea houses. Thus, for the organization, providing credit to women was seen as a more effective route towards social development. Women's incomes generally went to the well-being of the whole family first and not for individual satisfaction.[34]

The findings of these 2 studies can be applied to the first sample of our own research. The women's expenditures were primarily put into improving the lot of the family. Family welfare took precedence over other expenditures. The extra earnings from their IGPs were substantial contributions. Without the credit and development loans from FCED and the cooperative, it probably would have been more difficult for the women to effect better standards of living, because of lack of personal resources. The incomes the women now earned, has allowed the majority of the children to continue their studies without having to work. The additional income they bring into the household are high enough to support the education of their children. Through the experience of the first sample, credit assistance has proven effective in assisting the women and their families' economic and social upliftment.

3. Why did some enterprises fail? How replicable are the successes of those with on-going IGPs?

As explained earlier, the second sample consisted of women that had availed of the credit assistance from FCED but had failed to maintain the operations of their IGPs. Apparently, access to low interest credit did not always ensure that the women would have a steady source of income. In comparing the experiences of all the samples, two factors can explain the IGP problems of the second group. First, are the personal business practices of the women, and second, the financial situations of their households. It was, however, difficult to pinpoint which of these two factors had a greater influence on the failure of the IGPs, because both were found to be present in the experiences of the second sample.

One of the primary problems experienced by the five women with unsuccessful IGPs was they allowed their neighbors to over extend their credit. They shared that at the end of the day, they were left with numerous promissory notes or IOUs and not cash income. With earnings of less than P50.00 (US$1.83), they found it difficult to separate their capital fund from daily expenses. In contrast, the respondents of the first and third samples explained that they limited the credit purchases they permitted their neighbors to make. They were conscious of the importance of keeping their capital base intact. This was their guarantee that they would be able to conduct their businesses the following day. The successful respondents stressed that the ability to know how to talk and deal with people were the more important characteristics a small entrepreneur should have. Refusing to over extend the credit of their neighbors required "diplomatic" communication skills, so as not to antagonize or embarrass their customers. They had to be tactful to keep the business of their customers and yet, not be afraid to refuse credit requests.

These micro-businesses restock on a daily basis. When earnings fall short for a day and capital is not regained, it invariably affects the next day's income. Less products can be bought and sold by the entrepreneur. The practice of credit limitations helped the first and third samples maintain their daily capitals.

Another business management characteristic that the second sample lacked was possibly their commitment to their IGPs as a steady source of family income. Ten women from the first sample expressed that it was their perseverance and hard work which permitted them to continue to run their IGPs. When 16 women experienced low earnings, they implemented steps to counter balance this problem. They did not want to lose the security of their IGPs. The following were examples of the alternative steps they undertook:

- adjusted products to those that were more saleable
- engaged in a second IGP
- borrowed money from relatives
- allocated part of the contributions made by working adults in the household to increase their capitals
- pawned their jewelry

In other words, when the first sample encountered financial difficulties they were not discouraged to abandon their IGPs. These women had acquired a sense of self-confidence that through hard work, they would be able to regain their incomes. An important factor that may had influenced their confidence was their years of experience in handling their IGPs. Seventeen of these women had existing IGPs before they received any form of credit assistance. Through their practical experience, they learned which businesses practices worked and which did not.

On the other hand, 4 women from the second sample had little or no experience of operating an IGP. Their first loan was used to begin an IGP. The training that the FCED provided was apparently not enough to help them assuade their problems of capital utilization and prevent the discontinuation of their IGPs. The women explained that they simply could not afford to keep their IGPs running with its low earnings. Eventually, their working capitals were consumed to first fulfil family needs. One woman stopped her IGP in 1989 and the other 4 in 1991. Only 2 women had settled their loan balances with the FCED. The other 3 still owed the agency between P100.00 to P400.00 (US$3.66 to $14.65).

However, one cannot immediately conclude that the reason for the failure of the second sample was because they did not see the long term benefits of the IGPs. They may have had the commitment and skills for IGP management, but their extreme poverty may have denied them the opportunity to sustain it. There possibly were no other sources to turn to for financial assistance during hard times. This brings us to the second factor that influenced the failure of their IGPs.

The second determinant which aided the sustainability of the IGPs was the presence of multiple incomes in the household. As cited earlier, this pooling served to meet household expenses that helped families keep children in school. Aside from this, it also softened the consequences of low earnings. Nineteen women from the first sample could rely on additional sources outside of their income, to share with daily expenses. These extra sources either came from earnings of husbands or other adult members in the household. Employed children gave part of their earnings to their mothers, while others took the initiative and purchased rice and household appliances, or contributed by paying for the electric bills. The economic cooperation within these families permitted the women to keep their capital for their businesses untouched.

Similarly, the third sample also had other financial resources to rely on. Two had husbands regularly employed, and one was actually working in the Middle East. Another woman had a husband that worked irregularly as a car mechanic but said that other adult members of her household contributed to daily expenses. While, the separated woman said, that her brothers took care of the educational needs of her children. The single male respondent of the entire sample also shared that his siblings gave parts of their income for household needs. The reliance on these other sources, thus, made the management of IGP capital easier as it could be left intact.

On the other hand, 3 households in the second sample had its share of extended family relations, but these relations served to burden the families more, instead of providing assistance. The women complained that these persons also worked in the informal sector where incomes were irregular and small. They could not be depended upon to make contributions to daily expenses. Here, the presence of relatives had a contradictory effect as opposed to the experiences of the first and third samples.

Therefore, the failure of the second sample to sustain their IGPs was probably at least partly due to the absence of other regular sources of income that could be depended upon. The women said that they simply did not have the money to support the household. When their husband's earnings were also low, their capitals were their only source of funds. Their needs came first before IGP stability. One woman, for example, who fell ill during her pregnancy, was forced to utilize her capital for medical expenses because she had no savings. And, she had no other source to tap for financial aid.

Therefore, the credit assistance program had mixed results. For the second sample, the loans they received were unable to sustain their IGPs and uplift their families' economic hardships.

The intent of the FCED loans was to serve the poorest of the poor, but it may be that the reason for the success of the first sample was because they were not in the same threshold of poverty as the second. Before the FCED assistance, only two children of the first sample actually needed to stop going to school as opposed to five from the second sample. It seemed that for the former group, the loans acted to prevent the street children from abandoning their education entirely, and not really as an attempt to return the children to school. Although the families were undoubtedly poor, they still could afford the educational expenses of their children. It was possible that the successful beneficiaries were in situations not as economically critical. They may have been slightly better off because they had the incomes of other members of the household to depend on. Thus, we find that within these squatter communities a form of stratification. There were varying household income levels which made credit assistance work better for certain types of families and not sustainable in others.

Our findings show that the IGP failure was due to the loss of capital to subsistent needs. Whether to primarily attribute the closure of the IGP to poor business management practices or personal characteristics rather than the lack of other financial sources to support the lost capital, was not clear. Both influenced capital depletion. And, even if the husbands of the second sample were working, it did not assure that capitals of the women will remain intact. Thus, the provision of credit to the poor did not always prove an effective strategy because of economic and other personal circumstances that surrounded the informal entrepreneurs.

In comparing our observations with past studies, we came across similar experiences of set backs with other credit assistance programs in Manila. Farbman (1981) and the Philippine Business for Social Progress (1987) both evaluated a total of 12 government and non-government organizations and pointed out that credit was not always practical for those at the lowest end of the poverty scale. Unexpected family misfortunes forced small entrepreneurs to use capital, which even close monitoring by NGO proponents were not able to prevent. This diversion of funds and their experience of difficulties in collecting payments for their produce affected their own abilities to repay their loans. Added to these problems was the increasing costs of raw materials and supplies. Capital erosion could not be helped because of the adverse economic conditions of the small entrepreneurs. The studies stressed that access to survival resources and social services to meet more pressing and basic demands of the household, were better intervention strategies for these particular families. Before any form of credit assistance was to prove beneficial, these basic needs had to be satisfied. Because, without first answering these needs, problems of capital depletion or diversion will not be avoidable. They suggested that job training or basic education and health services were better than credit as initial development interventions for these extremely poor families.[35]

The summary findings of the above studies were comparable to the experiences of the second sample. Credit assistance was not working for certain types of families. Their depressed economic situation may have required different forms of intervention other than credit. Undoubtedly, reaching the "poorest of the poor" is no easy task. As the 1993 Human Development Report puts it, most NGO interventions probably fail to touch the poorest 5 to 10% because they are difficult to organize for assistance. Their poverty and minimal education are obstacles for them and the NGOs.[36]

But even if FCED is not successful in servicing those in survival conditions, the opportunity for development that it has brought to its other successful members cannot be denied. The access to credit that it has provided its members has produced economic impacts in the lives of the first sample that may not have been possible for them to achieve if not for the loans. But the problems of the second sample cannot be ignored. Our findings suggest that credit assistance can be a viable strategy for assisting small entrepreneurs, and can be replicated. But it accomplishes better results, if other adult members of the household can be relied upon for extra income, and if the entrepreneurs implement proper business practices. Without these factors, the life of the IGP is uncertain.

4. Were the income generating projects expanded enough to guarantee stability? If not, why not?

The FCED opened the doors of access to low interest credit to lessen the burden of repayments, and allow the women to retain a larger amount of their incomes. By holding on to more cash income, they would have the opportunity to satisfy their family's basic and consumption needs. FCED also hoped that as women saw the fruits of their labour they would be encouraged to reinvest more capital for their IGPs. This was important because it would ensure the long term viability of the IGPs and economic stability of the families. An expanded capital was believed to produce higher incomes that in turn would promote an accumulation of savings for the women.

It was first assumed that because the women had the surplus income to purchase consumer durables and make house repairs, as depicted in Table 3.7, there was income available that could also be spared for IGP expansion. Plus, with the higher loans that the women from the first sample acquired from the cooperative, there was no reason to keep their enterprises small.

In general, the IGPs of the women had remained small in scale. The IGPs operated on a day to day basis. Only five women from the first sample said, they tried to increase their capitals but they did so irregularly. On the other hand, 14 women expressed their satisfaction with its size and proudly stated that their IGP was able to stand on its own without dependence on the loans. They simply revolved the same amount of capital daily. However, this practice suggested that the IGPs were in rather economically problematic states because no allowance was given to "margins of error". For example, products did not sell at the same amounts everyday. When many were left unsold, less income was generated which invariably affected the daily capitals. Only eight women still wanted to see their businesses grow in order to achieve better sustainability. For these last group of women, the loans remained important resources that provided the opportunity for future expansion. But for the present, little effort was exerted at increasing reinvestments. From Table 3.9, we discover that the cooperative loans were mostly utilized for non-capital purposes. During the time of the research, 15 women had loaned from the cooperative and allocated the total or part of the amount for various expenditures.

Table 3.9 - Cooperative Loan Utilization

Loan Utilization	Frequency of Responses
- purchase of sewing machine	1
- house repairs and improvements	3
- educational expenses	5
- purchase of land	1
- reclaim pawned jewelry	3
- repay a loan from a relative	1
- purchase of a karaoke system	1
total	15

Only the woman that purchased a sewing machine used her total loan for her business. She needed this to increase her production of rags. The rest of the loans were obviously not for capital expansion. This lack of interest for IGP development probably stemmed from the problem that the women saw their IGPs as having diminishing returns. They did not believe their profits would increase significantly with the infusion of more capital reinvestments. Why this was a common perception, can be traced to a number of factors. We identified three particular conditions which affected the women's profits and influenced their investment behaviour. They were, the type of IGP, the location of their businesses, and the presence of competition.

Expectedly, different IGPs generated varying daily incomes and, the incomes the women earned were not at all steady. Earnings from their small enterprises depended upon how much they could produce, sell or collect in a day. During the interviews, they usually gave the lower and upper limits of their earnings. Looking back at Table 3.6, we find that the most profitable business was the retail of ready to wear clothes (P300.00-500.00; US$10.99- $18.31), while fruit vending was the least gainful (P25.00-75.00; US$0.91-$2.75). The other informal activities of paper recycling, rag production, sari sari store keeping, food vending and baking had intersecting incomes.

Also, the capital bases of certain IGPs had upper limits. For example, the difficulty with fruit, fish and cooked food vending was that the vendors could only prepare a fixed amount to sell daily. Their items had limited shelf life. Ideally, everything had to be sold in the same day. If not, the leftover was simply either given away or sold at cost. For these women, increasing their capital investments meant profit losses.

The second problem related to marginal earnings was the location of the IGPs. Eighteen women of the first sample conducted their business in the communities where they lived. As residents of squatter areas, it followed that their clients were also their poor neighbors. This being the case, margins of profits were limited. We did not ask the women specific details on the profits for their products, but one food vendor and two sari store owners openly shared that they only put a .25 centavo to P1.00 profit over their goods. They had to keep prices affordable to the poor, but these low mark-ups limited their chances for a higher income. It was possible to assume that the other women with IGPs in their communities were also confined to similar sizes of profits in order to remain competitive in their areas of business. In contrast, the four rag producers had little complaints about their incomes because they had steady buyers who went to their homes to purchase their products daily. Demand for these items were quite high, and they were satisfied to keep their businesses at home.

Those that brought their goods outside their communities were the retailer of clothes, the fish vendor that also worked on commission in selling beauty products, and the 2 paper recylers. The last group had smaller incomes because this particular type of IGP did not command high prices. Paper bags had low commercial value. They were only used by market vendors to wrap fish or meat in. On the other hand, the first 2 women had products that could demand more revenues. By going outside the boundaries of their communities, they were exposed to different income level consumers. This gave them the opportunity to set higher prices that in turn produced more income for them.

The third problem that affected the decision to expand the IGPs, was the presence of competition. Nineteen respondents from the three samples identified competition as a factor which limited their profit opportunities. Profits had to be kept low in order to encourage sales.

Table 3.10 - Experiences of Competition

	Yes	No	total
First Sample	12	10	22
Second Sample	4	1	5
Third Sample	3	2	5
total	19	13	32

Six women of the first sample expressed that when they first began their IGPs, they experienced no competition. But when neighbors saw that the IGPs were doing well, they followed suit. One sari sari store owner, for example, used to accumulate profits of P250.00

(US$9.15) daily. But ever since three other stores were set up around her, her earnings devastatingly fell to P50.00 (US$1.83). She said that people would now buy from stores that were closer to their homes. But this had not discouraged her, and she tried to improve her income by selling in smaller portions. She explained that instead of selling a whole bottle of coffee, she would portion out the contents into plastic bags. Selling this way had a faster rate of return, because her customers rarely could afford to purchase the whole bottle. This was a common retailing practice among the sari store owners.

Competition was also not avoided, among those who went outside the boundaries of the community. The fish vendor who sold in the market area said that because there were many other vendors around her, she was forced to keep her prices down. In short, there appears to be a limit to the number of IGPs that a neighborhood or commercial area can support. If this number is exceeded, one or more IGPs will fail to grow because of the competition.

Some groups of women had undertaken steps to try and curtail the effects of competition through price fixing. For example, the rag producers were united in setting uniform prices for their rags. They decided together when an increase was necessary to cover the rising costs of their raw materials. In another barangay, a group of five sari sari store owners had agreed to sell cigarettes at identical prices. This was preempted by its sudden retail price increase. They realized that by selling at the same rate, they would be able to keep their profit margins. However, these price fixing groups are not likely to be very important because the new prices only evidently covered the increase of their costs, but the real value of their profits remained the same. Though price competition may have been reduced, little was achieved with regards to better economic returns. Little gain can really be expected as prices need to be kept at the levels affordable to their poor neighbors.

Thus the experiences of low economic returns by majority of the women in the first sample, caused them not to prioritize capital expansion. Women would rather use their extra earnings to improve the lot of the family. This was not to say that a consumer ethic was a strong characteristic among the members. Rather, it was the economics of their IGPs and personal reasons that prevented them from expanding. As discussed earlier, the women of the first sample were hard working. Expenditures for the welfare of the family and education were not frivolous investments. Although, non-productive purchases were noticed in Table 3.9, it was not a common practice. It was plainly the poverty of the families that dictated their expenditure behaviours. House repairs or improved eating habits were basic needs and not consumer aspirations. Therefore, it was the interacting forces of the type of IGP, location, and competition that prevented expansion. These factors kept profits for most of the women marginal which did not motivate them to develop their capitals.

However, in keeping their IGPs only at levels where their basic needs are satisfied, they run the risk of falling back into their previous critical levels of poverty. Their incomes do not ensure the sustainability of their enterprises when unexpected financial problems arise. Without accumulating savings from their income, capital is unavoidably touched. For example, one member shared that after she suffered a heart attack at the same time her eldest child got ill, her capital was depleted due to medical expenses. She was forced to close her store. She was only able to reopen it after her working adult children contributed some money to help her regain some of her capital. But, her daily earnings fell from P300.00 to P100.00 (US$10.99 to $3.66) because it was not sufficient. Two other women from the first sample had similar experiences of capital diversion for medical reasons.

Thus, the situations of the families remain unstable. There exists a strong possibility of capital utilization for emergency needs. The progress that the women have achieved can easily disappear with one sick member of the family. How to encourage savings and IGP expansion are still not clear. And, it is difficult to expect the poor to practice saving with a 10% average inflation rate in the country. But IGP expansion needs to be confronted if the FCED and the cooperative want to ensure that the process of development it has initiated would not end in vain.

Turning now our discussion to the findings of other studies that have documented the incomes of petty traders and producers, we discover comparable problems regarding the lack of enterprise expansion. First of all, Papola (1981) and Schöwälder (#63) described the informal sector as heterogeneous. The sector offered a variety of economic activities and income levels, but for most informals, incomes were low and fluctuating.[37] In Bose's (#276) examination of different petty trading activities, he blamed the fluctuating incomes for entrapping the poor to live below the poverty line. In contrast to this, Dasgupta's (1992) survey results in Culcatta found only 23% of the petty traders to be living below the poverty threshold. A greater proportion were able to earn enough to keep their households above subsistence. However, the findings were misleading because the traders usually came from households with multiple incomes.[38] In other words, if there were no pooling of incomes, many of these families would fall below the poverty line. Thus, proving Bose's earlier assertion of the marginal incomes of petty traders.

In the literature we found 4 constraints that explained the predominance of small scale enterprises in the informal sector. The first constraining factor to expansion, according to Mathur (1979), was the limited size of profits that small enterprises can generate. The small profits the entrepreneurs earned, reinforced the perception that little can be gained from increasing capital. Even if one practiced reinvestment, the rate of growth did not increase very much. In short, the small incomes of petty enterprises was a hindrance to expansion.

Related to the income potential of petty traders and producers was the significant relationship between location and its income levels. Dasgupta (1992) claimed that informal activities confined to squatter areas or in the same communities where the informals lived were more vulnerable to low incomes.[39] Similarly, Buvinic and Berger (1989) revealed, neighborhood businesses earned 1/3 less than those that were situated outside of the squatter communities. But, they added that the businesses were still able to survive even with the low earnings. Strassman (1987) also found that higher incomes were possible if only the IGPs moved or sold to more profitable areas instead of their neighborhoods. Trading in main markets and in business districts permitted greater exposure and a more diverse clientele. But moving out was not so easy, because of the extra transportation or rent costs that the vendors may not be willing to shoulder. In addition to this, Lall (1989), stated realistically that even if profitability on investments was higher when businesses were close to consumer markets, profits were not really substantial because of competition with other traders.[40] The continuous entry of new informal entrepreneurs into the sector only augments the problem of competition whether in or out of the communities. This is, though, a fact in any form of business. The markets are limited and not everyone can succeed.

However, Forbes' (1981) study disagreed with the limited expansion possibilities of petty activities. He claimed that as long as the entrepreneurs judiciously reinvested part of their incomes, no matter how small, scales of operation can increase without losing profits. But he added that the proportion of those who successfully had achieved vertical mobility were few in number because of the marginality of their surplus. It was the shortage of financial resources which was the obstacle to their desire of developing their enterprises.[41]

The second constraint to expansion concerned the limitations of the small entrepreneurs themselves. McKee (1990) found the absence of reinvestment behaviour was a characteristic common to urban poor livelihoods. She explained that petty livelihoods only expanded up to a certain point when family labour and management capacities were fully utilized and basic consumption goals were satisfied. Once the informals no longer had the extra labour power or time for their enterprises, increasing capital did not necessarily bring about corresponding profits.[42]

For example, in our study, a rag producer can only produce a certain amount for so many hours a day. If she worked alone, supplementing her raw materials would not produce extra daily income as her labour capacity was limited. She would still be producing the same number of rags. Another example were the women who operated their IGPs in their communities. Even if they had access to credit from their cooperative loans to cover the extra transportation and rent costs, they were not moving out to more profitable areas. The women of the first sample expressed satisfaction to keep their businesses within or near their homes. But it appears that they did not have any real choice because they had to remain close to their homes to watch over their children. At the same time, they had to accomplish other household responsibilities. With these personal constraints, increasing capital was not a priority. The women would rather make use of their revenues for education, house repairs, and other consumption demands.

This brings us to the third constraint. Comparable to our own findings, extra income more often than not was spent on basic needs and consumer durables. Forbes (1981) related the entrepreneurs' allocation behaviour of income as a way of improving their status and security in their social setting. But, he underscored the fact that his study found petty traders to be hard working. Their problem of expansion was rooted in their fluctuating incomes.[43] Berger (1989) also added that poor families rarely separated capital from household funds. It was a familiar story among poor entrepreneurs. Daily needs created a strong pressure to use revenues instead of reinvesting them into the businesses.[44]

The last constraint to expansion was identified by Samal (1990) as harassment by government officers. By being informals, sidewalk and mobile traders had no permits to show when picked up for vagrancy.[45] This made them easy prey for corrupt policemen. Having fewer items to collect when police conducted random raiding, made escapes easier. The women of our sample shared that such was another reason for not moving their businesses out of their communities. They were spared from the problem of being harassed by unscrupulous policemen by remaining within the confines of their barangays.

Therefore, there are many interacting factors which affect the decision to expand small informal enterprises. The IGPs of the sample required minimal capital for its operations, which was the reason why they chose to engage in this particular informal activity in the first place. However, we found that little had been done to expand their capitals to levels that would guarantee its stability. The problem was not absence of credit as they did have access to the low interest loans from the cooperative. The lack of interest for expansion lay in the personal limitations and expenditure behaviours of the women, and the circumstances surrounding their

IGPs in the informal sector. When women reached their management or production capacities, increasing capital investments would have made little difference, unless new business practices were implemented. Thus, extra earnings were utilized instead for family needs. Added to these, the small scale characteristic of the IGPs, the location of their business, and the problems of competition and corrupt policemen, all were obstacles to undertaking expansion measures. Most of the women were satisfied with their present incomes as long as it was able to support daily consumption needs. However, they remained helpless once financial emergencies arose. Therefore, the IGPs of the women of the first sample in general still have not achieved the stability that would answer the unforseen emergent needs of the future.

B. The Long Run Sustainability of the Credit Program

1. What were the loan repayment rates? What influenced these rates?

The revolving fund of the cooperative is the source of its credit and loan assistance. It is the backbone of the cooperative. The fund expands with each renewal of a loan cycle. If members do not remit dutifully to the revolving fund, the cooperative's sustainability is not assured. Delayed repayments may lead to serious operational problems because it affects the cooperative's rotation of loans.

For the initial 2 years of the cooperative's operations, the organization's Manager reported the rate of loan returns to be 85%. The missing proportion was blamed on the delinquent and abnormal remittances by members. Delinquent members were those with over due loans, while the abnormal ones concerned those who failed to follow the terms of their contract but still paid the full amount by the due date.

How the cooperative was able to achieve its rate of repayments was difficult to attribute only to the loan strategy that it had adapted. The majority of its members were formerly part of social credit groups of FCED which practiced a different form of credit scheme. It may be the carry over effects of this initial program that promoted good repayment behaviours in the cooperative, and not the new system of individual loans. Looking at the repayment performance of the social credit program, we find that it had a comparable 80 to 88% repayment rate.

There was then the old social credit program that members were first oriented to, and the new cooperative mechanism. These 2 systems implemented different strategies in ensuring the repayment behaviours of the members. With the former, members were organized into social credit groups that underwent intensive team building seminars. Only when the social workers observed that the groups had shown signs of the willingness to work together, were loans released. FCED made use of the group scheme as a way of developing the spirit of social accountability. Repayments were enforced by holding the whole group accountable for each member's loan. When one member was unable to repay her loan on time, the group could not reloan unless they found a solution to assist the delinquent member. Regular monitoring was accomplished through weekly group meetings, where they discussed the member's problems. These meetings were also venues for follow up cooperative action seminars.

To aid the groups experiencing problems, part of the social credit scheme was the development of a savings fund. If the group decided, the fund could be used to cover the unpaid balance of a member's over due loan. FCED did not deny that it would encounter problems in collecting loan repayments but they hoped that through the use of social credit groups, incidences of defaults could be avoided. The groups were meant to facilitate social pressure and solidarity.

Ideally, if members were truly interested to continue to avail of the credit loans, they would accept the responsibility to repay them and be willing to assist others who experienced problems.

In contrast, the cooperative shifted from the social credit group scheme to individual loans. The change was determined by the members themselves. Reflecting this decision was the answer of 18 women from the first sample. They preferred individual loans, because it no longer tied them to the performance of their groups. They related that it was not always easy to solve the nonrepayment problems of their group members. Through the cooperative, they believed that unnecessary conflicts were avoided.

The facilitation of social accountability was not as intensive in the cooperative as it was with the social credit group. Members only needed to attend the pre-membership seminars. The cooperative did not provide for any additional training to reinforce the importance of repayments among its members. The organization had faith that the social responsibility the members developed from their social credit groups, would be built into the structure of the cooperative. With the entry of non-social credit members in 1993, it would be interesting to see how the repayment performance of this cohort compared to the old members. The former were not exposed to the intensive organizational seminars of FCED. From their repayment performance can we really assess the loan scheme of the cooperative. Unfortunately, there were no data available to make the comparisons, because of their recent entry into the cooperative.

In place of the social group, the cooperative only required a co-guarantor to co-sign the loan contract. To discourage delinquencies, the cooperative instituted a procedure of charging added interests as a consequence on delayed remittances. Members, whose remittances had been delayed for a month, were first sent a warning or notice of their due date. The staff also conducted home visitations to find out the problem of the member and explained the need for his or her daily repayments to fund the loans of others. If the non-payer had not paid by the due date, a 2% interest was added to the balance for every month that passed. The cooperative also charged the interest to the co-guarantor's loans, forcing the co-guarantor to assume the responsibility of reminding or assisting the non-payer. A second warning was sent on the 3rd month after the due date. Finally, legal action against the defaulter would be sought on the 6th month. During the investigation, no overdue loans had gone beyond 6 months. According to the Manager of the cooperative, the warnings were taken seriously by the delinquent members. The loan balances were settled before the 6th month from the due date cut off point.

It is important to bring out that the spirit of social accountability do not always prevent late repayments. From our interviews, we discovered 8 women from the first sample with overdue loans. Two women were 5 months overdue. They fell back on their remittances because they needed the money. One woman's child contracted a lung infection, while the other had emergent family expenses. The financial difficulties of these women, can be traced to the general failure to use the loans for IGP expansion as earlier explained. The small scale of their operations produced limited earnings. When incomes did not create any savings, it was not unusual for capitals to be used for family emergencies. The recurrence of capital diversion resulted in lower earnings, inevitably causing late remittances.

Unlike the group savings of the social credit scheme, the cooperative had no security fund to protect it from delinquencies. Thus, if many members in the future will not honor their loans, continued operations will be problematic.

Fortunately, the delayed payers mentioned above all planned to repay their loans. They did not see default as an option because they still wanted to remain members of the cooperative and avail of its services. Two women explained that the money they received was not charity. A loan demanded a repayment and they did not want to be seen as persons that could not be trusted. We can see that the women had acknowledged the importance of the cooperative in their lives. And, defaulting from a loan was not easy when friends, neighbors and relatives were also members of the cooperative. These social contacts and relationships made turning one's back on a loan more difficult. It may not have prevented delayed repayments due to financial problems, but the social ties did work to probably weaken the thoughts of defaults.

To solely point to the new scheme of the cooperative as the reason behind its good repayment rate would neglect the contributions made by the social workers and volunteers in organizing and monitoring the former social credit groups. It was due to their work that the members developed the sense of solidarity. It was precisely this factor that the cooperative depended upon to support its individual loan scheme. To effectively measure the independent effects of the cooperative strategy, we would need to confine our analysis on the non-social credit members. But, conclusions on how regular this group was repaying loans, cannot yet be made. They only were accepted into the cooperative the same year of this investigation. We would only see whether the strategy that the cooperative had implemented was effective if we returned after a few years and conducted a new research. By then, a trend can be observed on their repayment behaviour.

Therefore, we believe that the present good repayment rates of the cooperative may be an outgrowth of the social credit program of the larger organization. It is not merely the result of the new individual loan scheme.

Upon looking at the evaluations of other studies, we found that the structure of group loans had both positive and negative repayment outcomes.

The experience of the Grameen Bank and the WWF of a group loan structure resulted in loan returns of 90 to 95%.[46] The studies point to the organization of small neighborhood groups to be the key to the monitoring and collection of loans. The members were inculcated with the ideology of self-help and mutual support, together with raising their consciousness on the importance of repayments. Their regular interaction elicited pressure for good repayments because members wanted to avoid the public indignity of being identified as a defaulter. In contrast to this, Farbman (1981) saw that taking away group liabilities produced better individual repayments. His study examined 8 different organizations in Manila which assisted informal enterprises. The findings in the study stated that even after organizing the beneficiaries into solidarity groups, the poor were not always willing or comfortable to share financial risks with those in the same economic circumstance. Delayed repayments among members within groups was a cause of conflicts and misunderstandings that were difficult to resolve. Farbman, however, did not belittle the importance of the group for social projects. But when it came to credit assistance, the members preferred individual loans schemes.[47]

For the time being, it would be premature to single out and outline one strategy to be the only effective route to credit assistance. Farbman himself admitted that more explorations into credit models need to be undertaken. It is still not clear if the influence or compulsion of group loans produce better repayments. But, what we can gather from the discussion above is that close monitoring and constant interaction among the beneficiaries does help encourage good repayment behaviours among the poor. Organizing the beneficiaries seems to be at the very least the important first step in credit assistance. Whether individual loans work better than group schemes, have to be further examined in future studies.

2. Are the returns adequate to restore the capital of the Cooperative? If not, what other sources can be drawn on?

The establishment of a sustainable cooperative was one of the main goals of FCED. The cooperative was to provide the members with access to low interest loans. It was then important for the cooperative to ensure its operations remain unhampered. The revolving or capital fund of the cooperative is the source of its loans. The fixed and savings deposits of the members, together with membership and interest charges, service fees and fines collected on deliquent payers, all make up the revolving fund.

The interest rate of the cooperative was between 7% to 8.5% per annum. The inflation rate for Metro Manila in 1992 was 12.17%.[48] At face value, it seemed the cooperative was not earning enough interest to cover inflation. It was losing the value of its loans after every cycle, because the revolving fund was not increasing in congruence with the inflation rate. However, if one unravelled the computation of the terms of payment of the loans, the cooperative was actually collecting a higher charge per loan than the interest rate suggested. First of all, it separated the service and collection fees from the interest rate. By doing so, it earned additional income for its revolving fund. To illustrate the charges clearly, let us take an example of a P1,000.00 (US$36.63) fixed deposit. The breakdown of the deductions from a loan with an agreement of daily remittance is as follows:

P1,000.00 x 2.25 x 7% x $\frac{100}{360}$ = P43.75 (interest of the loan)
33.75 (1.5% service fees)
45.00 (2% collection fees)
11.25 (1% Land and Building Fund)
P145.00 - amount earned for the revolving fund
22.50 (1% forced savings for fixed deposit build up)

P167.50 - amount deducted before the release of the loan

P2,250.00 - total loan
\- 167.50
P2,082.50 - cash received by the member

The member does not receive the full amount of her loan. In the loan scheme of the cooperative, the member was actually borrowing her own P1,000.00 fixed deposit. The real loan from the cooperative was only P1,250.00 (US$45.78), and yet, she was being charged interests for the combined sum of these two amounts. In other words, she was paying interest for her own money. If we took the percentage of the P145.00 charge from only the P1,250.00 loan, the interest rate and charges added up to roughly 12%. But, this percentage can still be considered an underestimate for two reasons. First, let us take into account that the total interest was deducted before the release of the loan. Normally, the interest charge from a formal bank loan is spread out over a repayment schedule. Interests are recomputed after each repayment. Interest payments decrease with the frequency of remittances as the balance also diminishes. On the other hand, the flat rate deducted by the cooperative even before the loan was utilized served to collect a higher interest. Because, instead of the interest being computed staggerdly on the remaining loan balance, it was computed only once for the total loan. And with inflation, the value of the interest was greater at the beginning of the loan than if it was collected in instalments. Making use of this scheme probably functioned to simplify and facilitate the cooperative's collection procedures. It was also less complicated for the member as she knew the amount to set aside everyday for her remittances were the same. The method, however, seemed to be more of benefit to the cooperative than to the member.

The second reason for the underestimated interest rate, was the rotated remittances. Each remittance returned to the revolving fund was released for another member's loan. The continuous rotation of the remittances compounded the income earned on the initial loan. The income gained from the first loan increased as long as its remittances were used for other loans taken out during the repayment period. We did not expect the loan scheme to be quite as complex. And, we found no formula to help us compute for the true interest the cooperative earned per loan. But from the above considerations, we can deduce that the income the cooperative received from the loans was higher than the stated interest rate.

Although we know the cooperative's true interest rate was greater than 7%, it was still below the rates charged by moneylenders. From the experience of the third sample, we found that a loan from a moneylender demanded an interest of 20% or higher. For example, a P1000.00 (US$36.63) loan had an interest of P200.00 (US$7.32). The loan was payable in 40 days. For the same loan, a cooperative member paid less and with a longer period of remittance. The daily remittance for the cooperative loan was P22.50 (US$0.82) for 100 days, while that from a money lender was P30.00 (US$1.09). If a person reloaned for 100 days, the interest rate would reach 50%, in contrast to that of the cooperative.

Thus, the cooperative rates remain lower than moneylenders. It allows the members to retain a bigger portion of their earnings. This answers FCED's goal for the loans to meet the needs of the family, particularly the education of the children, as was observed in Table 3.7. The low interest rates then supported the development objective of the FCED, which was for the families to make use of their extra earnings for family welfare.

The next question would be whether the cooperative was expanding its capital base to levels of sustainability. The cooperative had 237 members with 150 that actively took out loans. The others made use of the cooperative as a savings bank. The cooperative paid a 5% interest per annum on savings deposits. The commercial bank rate was 4%. Saving in the cooperative was more convenient for the members because they could give any amount to the collectors that went around the communities everyday. With the collectors, they were not embarrassed to give small amounts to add to their savings deposits. We don't know the reason why people put their money in savings deposits when the interest is below the rate of inflation. This is one of the contradictions that is difficult to resolve especially when encouraging savings among the poor. But setting money aside, undoubtedly worked as a form of security. The members were assured of a fund they can depend on during times of emergencies.

Fixed deposits earned a minimal interest of less than 1% per annum. The source for the interests the deposits earned, was the revolving fund. The honorarias of the staff and operational costs of the cooperative were also financed through the same fund. Therefore, it was important for the capital of the cooperative to be high enough to meet all these costs and responsibilities, and at the same time cover the inflation rate.

As we have shown, the interest rate of 7% was an underestimate. Upon analyzing its loan scheme, the cooperative may be earning more than the 12% inflation rate. The next question to ask then is whether it is earning enough to restore its capital. Given the difficulty of estimating the true interest rate, the best way to assess the cooperative's financial sustainability is to compare its total yearly cost with its total yearly returns.

From the data we gathered from the 1992 financial statement of the cooperative, we found that it earned an income of P50,556.06 (US$1851.87). This was the total amount it received from the charges it deducted from loans. Comparing it with their expenses of P74,385.35 (US$2724.74), the income was evidently insufficient. But the cooperative was able to remain operational because it undertook a project of sewing student uniforms which earned the revolving fund an extra P42,160.00 (US$1544.32).

The reason for the shortfall can be traced in part to the initial capital costs or overhead expenses that the cooperative incurred. Having already purchased office furniture and equipment, one can expect a decrease in their yearly equipment expenditures. In fact, the honorarias of the staff constituted the bulk of their operational costs for the 1993 projected budget. In this budget, the cooperative only figured saving an amount of P5,950.00 (US$217.95) by the end of the year, after deducting its expenses from its income. This surplus comes to about only 8% from the total projected capital of P71,445.00 (US$2617.03). And if we compared the same surplus with the cooperative 1992 capital fund of P247,480.46 (US$9065.21), we found that it will be gaining a mere 2% of extra income. In other words, the cooperative's income will be unable to cover the 12% inflation rate if this budget is to remain true. It may restore its fund, but not the value of its money lost to inflation.

This projected 1993 budget indicated that the cooperative was just surviving. It only hoped to replenish its revolving fund and not produce extra income to generate some savings. The cooperative sustained itself only to a point where operations were manageable. The fact that FCED had to support the revolving fund through 2 separate loans was an indication that the cooperative's income was inadequate. The first loan of P20,000.00 (US$732.60) was released in the beginning of its operations and had been repayed. The present loan of P30,000.00 (US$1098.90) was acquired in 1993. The cooperative needed this to boost its fund when they accepted new nonFCED members in the same year.

At this time, we cannot make any pronouncements whether the cooperative will be able to maintain its loan services. The incomplete data we collected restrict us to conclude the long term sustainability of the organization. We would need to examine their logbooks item per item to see really why their costs of operations were quite high. At the moment, we can only suggest that if it maintains its present scheme of interests and charges, its operations are confined to yearly projections that barely allow it to survive. If we take their first 2 years experience as an indication of a trend, despite initial start up cost, the revolving fund will just cover the costs of the cooperative. It seems that even in normal operations where funds are expected to be concentrated on the loan cycles, the income will not be high enough to restore the value of its capital.

The cooperative understood its financial situation, but they did not see increasing its interest rate as an immediate solution. However, the cooperative did not entirely rule out the possibility of charging higher interests. According to the cooperative Manager, once the staff and the Board of Directors saw that the costs of operations were rising, he said the interest rate could be increased from the present 7% to 10%. The increment would benefit the cooperative given the scheme of its loan charges as discussed earlier.

But if the cooperative decides to keep loan interests down, there are at least three alternative measures it could take which can help restore its capital fund. One way is to seek outside grants from funding agencies to subsidize its loan program. The second is the identification of a profitable livelihood project for the cooperative. And, the third alternative is the expansion of the cooperative's membership. An expanded membership gives the cooperative additional savings and fixed deposits to invest into the loan cycles.

The latter two suggestions of a livelihood project and an expanded membership promote self-reliance, because it requires the cooperative to find solutions from within its organization. Financial independence will be helpful to the life of a long term organization. It frees the organization from being too dependent on outside assistance, which it may not always be successful in acquiring. According to Dublin, independence is where the strength of the bonds and commitments of the members will be tested.[49] How they respond to the financial predicament of the cooperative will be dictated by their personal experiences of how the credit assistance has affected their lives, and their view on what progress can still be made because of it. If both of these reflections are positive, then the cooperative should find little problem with mobilizing its human resources.

In view of these three alternatives on how to augment the revolving fund, the cooperative was actually in the process of seeking solutions to the financial difficulties they faced. For example, at the time of the research the cooperative actually had two pending proposals with a funding agency in Manila. With FCED phasing out, it realized that it cannot remain dependent on the organization for more additional loan assistance. It had to begin to establish other contacts with different NGOs. And they would rather seek subsidization for their revolving fund by applying for grants rather than loans from funding agencies. On the matter of cooperative membership, it had actually grown since its original 44 incorporators in 1991.

However, it would be difficult to tell how many more residents will seek the membership. Their participation will generally depend on their perception of the cooperative' performance. With regards to a livelihood project, the cooperative had so far been having difficulty in identifying one that would both be long term and profitable. Although, it did have a project of sewing student's uniforms in 1992, it was not pursued in the following year. It was unable to receive the same job order. The cooperative is still looking out for other income earning projects which can be a collective enterprise.

Therefore, the cooperative is open to the possibilities of increasing its revolving fund through other ways other than charging higher interests. But, it would also be useful for the cooperative to learn that the study done by Lanzona, et al., discovered that the successful NGOs with higher repayment rates were those that charged more interests. Beneficiaries were forced to comply with their due dates because of the greater costs of delay. However, the same study warned that interests must remain within the bounds of socialized credit, or it would go against the very objectives of the assistance.[50] Because, the interest may in fact be taking away from the poor, crucial income that should be used for daily needs.

Also, in an interview with one Officer of a funding agency, the interviewee noted that it might be useful to study why moneylenders are able to collect from the poor even at high interest rates. Of course the cooperative should not charge the same high rates, but when the pressure of penalties are high, people will comply with the terms of the contract on time. When they perceive subsidized loans as forms of charity, they will not feel the same urgency to repay the loan.[51]

It is important to note that 12 women of the first sample were open to an increase of loan interests because they realized the necessity of augmenting the cooperative revolving fund. They explained that a more stable revolving fund allowed the release of more loans for the members. They also said that the new interest could be used to increase the honorarias of the staff. Their willingness to both support the revolving fund and the staff demonstrated their awareness of the benefits the cooperative offered in their lives. The cooperative may be underestimating the abilities of its members. Members would not be willing to accede to the increase unless they believed that they would be able to afford it. The cooperative then can hold consultations with its members or discuss the possibilities of interest increase in their general assemblies. Increasing the interest rate would help the cooperative be more self-reliant. If the intentions and objectives of the increase are explained clearly, and the members understand that it will ultimately benefit the cooperative as a whole, little objections can be expected.

To summarize from our limited observations, we believe the present interest rate as a lone source of cooperative income is problematic. Even if we discovered that its earnings from a loan was more than the 7% interest, it may still be inadequate. In 1992 it failed to cover the expenses of the cooperative. For 1993 it was not expected to produce a sizeable amount for capital build up and at the same time cover the inflation rate. Therefore, it may be that unless the cooperative successfully undertakes one of the 3 alternative measures mentioned above, its long term sustainability will not be ensured.

3. Is a holistic structure required in a credit program, and can it be maintained?

It has been often argued that credit assistance can be sustainable for the long term only if it is combined with the delivery of basic services or within a holistic assistance program. Lanzona, et al. suggest that in terms of the repayment behavior of the small informal entrepreneurs, a holistic organization that promotes community building, has the following advantages. First, with the development of a higher sense of cooperation, persons will feel more compelled to repay their loans. Second, the members will more likely feel the pressure to make use of their loans productively. Third, their constant interaction through community activities means that members can monitor each other. Finally, members will more likely offer help to those in trouble so that these persons regain their ability to repay loans. They assert that part of the reason behind good repayments, is the sustained community building component throughout the program of assistance. It is perceived that NGOs that practiced intense training in cooperative action and beneficiary participation in community projects are more successful in sustaining their credit operations. The constant interaction among members promoted closer monitoring. And, the building of mutual trust resulted in better repayment rates.[52] Once the people acquired a deeper understanding of the objectives of the NGOs, their good repayment behaviour was a another way to exhibit their commitment to development goals.[53] This sense of social identity was strengthened through the realization that personal economic well-being was tied to the progress of the community. Activities in community building education, health, sanitation and other social development programs are believed helpful in achieving the credit goal of economic stability.[54]

Whether this assertion of a holistic strategy in the provision of credit to the poor, is required universally is difficult to answer because of varying NGO mechanisms and community factors that surround the assistance. In terms of our own study, we do not have the opportunity to make comparisons between organizations that had multi-purpose frameworks with those that only focused on a credit program since we are examining only one organization.

Nevertheless, some of our data are relevant to this question. From our own examination of the cooperative, we observed that the community building component of FCED has had an impact on the cooperative's operations. We are pointing to the use of volunteers that manage the cooperative. Before the establishment of the cooperative, these persons underwent several skills training and leadership seminars as members of the FCED. The seminars were meant to encourage their participation and involvement in community projects. It is possible to deduce from their continued membership in the organization, that they had been able to integrate into their life, the community building values imparted by the FCED. Their eventual recruitment in the cooperative was an extension of the participatory attitude that the FCED envisioned for its members. Without this commitment, the cooperative might not be able to function because it heavily relied on the work of its volunteers.

As part of the plan of its phase out from the communities, the FCED had always stressed that the cooperative was to be operated by the members. Therefore, the FCED first needed the foundations of community building to be in place, before it could turn over the credit scheme of the cooperative to the members. The ability of the cooperative to continue its functions, showed that the community organization component of the larger organization was able to mold responsible persons to occupy its various staff and committee positions. It was safe to presuppose then that the trainings and workshops of the FCED had empowered the members to work and act on their development plans through the cooperative.

The other organized members also can be tapped to occupy staff positions in occasions when a sudden illness, or family problem cause a person to leave his or her post. The cooperative did not keep a pool of members or assistants to be immediately identified to fill the positions. This may cause some problems because it will take time to instruct them with the duties of a cooperative officer. But it should not be difficult to find at least a handful of responsible persons out of the 237 members particularly among those who had undergone numerous FCED trainings that encouraged community involvement. For example, the community volunteers can be utilized as they had already demonstrated their commitment to offer their time as organizers for FCED.

It was in these aspects of community organizing or local capacity building, where we found evidence of a relationship between social development and credit. The willingness of the members to volunteer their time and energy to the cooperative has so far allowed the smooth flow of its credit operations.

Aside from developing the spirit of voluntarism, we also found that community building worked to serve as a monitoring mechanism in the repayment of loans. The creation of personal bonds between members expanded their economic credit relationships. If social cohesion was weak, the cooperative may not have survived the critical first years of its operations. From the 85% repayment rate, we can assert that the responsible repayment behaviour was achieved by linking personal and the cooperative goals. Thus, a relationship existed between the community organizing activities of the FCED and its credit program.

Furthermore, we have noted that to restore its capital, the credit cooperative may need to either implement a productive income generating project, expand its membership, or seek funds from development and donor agencies. All would be aided by being a holistic organization. First of all, it presumably is easier to run a livelihood project with an organized and committed membership. Because it is likely that the project would be asking members to give up some of their time away from their own IGPs or personal lives to share in making the enterprise work. More commitment is thus needed and critical, particulary in the initial phase of production when markets are still being tested. Incomes for the members involved in the project may not be immediately attractive but if commitment has been ingrained, then a workable livelihood project can be possible.

Secondly, when the assistance of an organization moves beyond a single service, it encourages new members to participate, and appeals to funding agencies. It is natural for people to involve themselves in activities where they see additional benefits or services are available. We also believe funding agencies are more willing to subsidize organizations which have multi-purpose programs aside from solely credit. Development is not only a problem of economics and extending beyond credit assistance may improve the chances of the cooperative to receive monetary grants.

How important similar broad based programs of assistance like the FCED's has been in the provision of credit, is an issue that some studies have began to confront. In the study of Lanzona et. al. (1993), they find NGOs with intensive community building programs to achieve higher rates of repayment of loans. They define community building in terms of organizing the beneficiaries into formal or informal associations that actively work towards social and economic self-reliance in the larger context of society. They categorize the 16 NGOs of their study into 3 levels of community building training (maximum, high and low) and compare them with the NGOs' rates of loan returns. Table 3.11 is a summary of the data the researchers gathered through their interviews with the NGO workers, and the researchers own perception of the NGO performance. The rows situate the level of community building: (a) maximum for NGOs which conduct regular workshops on value formation, leadership training and community organization; (b) high for NGOs which offer similar trainings but only at the initiation of the programs; (c) low for NGOs which provide only technical training like bookkeeping and accounting. The columns are estimates of repayment rates. The categories are: (a) below average which pertains to NGOs which collect back less than 50% of all loans within a given cycle period; (b) average, for NGOs that collect at least 50%; (c) above average, for NGOs that are able to collect above 60%.[55]

Table 3.11 - The Effect of the Level of Community Building on Repayment Rate of the NGOs

	below average	average	above average	total
maximum	-	-	2	2
high	1	7	1	9
low	5	-	-	5
total	6	7	3	16

Source: L.A. Lanzona, A.B. Ramirez, and W.P. Belen, "Investing in Community Development: Lessons from NGO Experiences," An Assessment of the Social Credit Projects of the Philippine Development Assistance Program, (An unpublished mimeographed report), 1993, table 5.

The table shows that the ten NGOs with maximum and high levels of community building training were more successful in collecting loan repayments. These trainings seem to have had a positive effect on repayments even if they were not sustained through out the program of assistance. While, the 5 NGOs that concentrated in only technical training did not fare as well. Thus, the researchers see a relationship between community building and member repayments. However, they do not point to the former as the sole reason for good repayments. Increased productivity, individual characteristics and the interest rate are variables which also influence repayment behaviors.[56]

Unfortunately, Lanzona, et. al., did not discuss the details of how a comprehensive development program should be implemented. For a more specific examination, we will turn to the workings of the Grameen Bank and Working Women's Forum (WWF). These organizations from the very beginning linked its long term investment into the credit needs of its members to their social progress. For example, the Grameen saw a connection between its health and nutrition programs to repayments. The programs were good banking investments because better health conditions among the members and their families promoted better productivity. This consequently influenced economic stability because they were not as prone to illness as before. There were less occasions of capital diversion for medical needs. Another example to illustrate their holistic approach to development was their introduction of saving schemes for the women. Through the additional income the women earned, they were able to build up joint funds either for their children's education or community projects. The growth of the funds relied on the member's weekly contributions and their ability to work together. In one group's decision to build pit latrines, the project required both their savings and cooperation for its construction. The project would not have been possible if no sense of mutual help among the members had been initially developed.[57]

With regards to WWF, once loan groups were organized, WWF involved them in different community activities. Members were joined together to set up social services. They created day care centers for children of working mothers, evening coaching classes for the older children, and some members were also provided with training as community health workers. WWF knew that credit was a mobilizing catalyst. In order to take advantage of this, and maintain the women's interest, their participation in the organization's community programs was integral.[58]

The positive experiences of the Grameen Bank and WWF support the assertions of other studies (Lanzona et, al. 1993 and Farbman 1981) that believe credit assistance is sustainable once the beneficiaries see tangible results in their social and economic life.

Thus, both our data and the experience of other organizations suggest a holistic approach may be necessary for a credit program to work well. It is apparent that the FCED and the cooperative under investigation, also sees validity in the need for a multi-purpose strategy. It is the FCED's intention to leave behind such organizations. The LCWC is one of these. The cooperative is the other. The cooperative is supposed to have a functioning Social Development Committee. We then have to ask whether these structures are being created.

The first thing to note is that these structures were supposed to have been created by 1992, according to FCED's timetable. In fact at the time of the last interviews (January 1994), only four of the 12 LCWCs were in existence, and while the credit cooperative had set up the Social Development Committee, it had not yet begun any projects. Whether the delay in implementing one of its projects will be a permanent problem for the cooperative is difficult to know. The reasons why they are behind schedule may be due in part to their lack of funds to begin them, and the pre-occupation of the cooperative officers to first stabilize their credit operations before embarking on other projects. Another reason may be the cooperative's dependence on the community organizing being undertaken by FCED. Most of their members were FCED core group participants. They were receiving regular team building skills and involved in the planning of their own development projects for their respective barangays. In other words, the participatory values were still being enforced thru the FCED.

What about the LCWCs? The social workers and COVs said there have been problems in its organization due to heavy workloads, difficulty in maintaining interest among the members, and problems of members transferring their residences. Because of these the FCED extended its operations another two years instead of phasing out in 1992. So far, only the LCWCs of four barangays are considered to be prepared to function independently from FCED. The conditions of the eight other core groups cause some concern. The situation signifies that commitment in the core groups still needed to be upgraded. The FCED also recognizes that it may not be able to pull out completely from the barangays. It believes that it will continue to have at least one available social worker to act as a consultant to the members whenever the need arises.

However, the community organizing component of a holistic program may also prove to be a barrier in the entry of other persons that wish to become members. It was revealed that the reason for the non-membership in the FCED by the three respondents from the third sample, was because they had no time to spare for the many meetings the organization required. They had other family and business concerns. Even if they would receive low interest loans, they found joining the FCED to be an extra burden on their life.

It is unfortunate that during the time of the investigation, the Social Development Committee was still in the process of formalizing its plans. We cannot make any indepth analysis of its effects on the cooperative in this study. And, the problems the FCED core groups were experiencing indicated that the cooperative cannot depend on FCED activities to fulfil its social development goals.

The cooperative does see the importance of a multi-purpose strategy in cultivating membership commitments. Realizing credit alone will not solve the problems of poverty of its members, it sees the need to initiate its own social projects. But to conclude that credit assistance will exclusively work within a holistic framework is beyond the scope of this study. Such a conclusion will be possible if we compared FCED and the cooperative with a credit only focused organization. Our observations are preliminary and limited. Thus, we are limited in generalizing that credit programs with multi-purpose strategies are more sustainable. But considering the experiences of the Grameen Bank, WWF and the Lanzano, et. al. arguments discussed earlier, we can safely suggest that holistic programs that encourage community involvement do help make credit assistance to the poor viable. This is but one model of a program of credit intervention and it seems to be workable. Therefore, a multi-purpose approach in the delivery of credit is a possible development strategy for assisting the urban poor petty traders and producers.

CHAPTER IV

CONCLUSION AND RECOMMENDATIONS

Opening the doors of access to credit was one of the solutions FCED undertook as an intervention measure in the alleviation of the poor. The organization wanted to reduce the incidence of street children in its area of operations. By providing low interest loans to start and expand small income generating projects for petty traders and producers, it was envisioned that the incomes gained would carry the poor families from their life of subsistence. The Family and Children for Empowerment and Development, Inc. established a cooperative to ensure that the access to credit would be sustained after its planned withdrawal from the communities. Aside from this, FCED organized community structures to empower the members with the capability and skills to initiate and implement social development projects in their respective neighbourhoods.

This study focused on two major issues, income and sustainability. In the Introductory Chapter, key questions were posed as guides, to ascertaining the viability of a credit strategy to the poor and if it was possible for the cooperative to sustain its services and operations for the long term. We will now return to these issues for our conclusions.

The Income Effects of Credit Assistance on the Recipients

(a) How badly did families who received credit need the assistance? Were incomes from non-enterprise sources sufficient to cover the costs of daily subsistence?

Credit assistance was meant to augment family incomes. Excluding the incomes earned by the women from their enterprises, our data on the twenty seven recipients of credit showed that they came from indigent households. The individual daily per capita incomes for most, fell below the poverty threshold of P20.00 (US$0.73). Even if the families were able to rely on more than one income from either a husband or a working adult member, a significant number subsisted below poverty or lived precariously on the threshold. In effect, the families could not solely rely on these sources for the satisfaction of daily needs. The economic situations were even more acute for the households where no such income contributions were available. Therefore, credit assistance given by the FCED, did indeed reach those whose poverty was unmistakable.

(b) How much could working or street children add to family income? Were the enterprise incomes sufficient to cover the amounts earned by the children?

The temptation to send the younger members of the family out on the streets was very much present in households where family income was depressingly marginal. The capability of a street child to earn was evidently vital, because he or she could contribute as high as 20 to 60% of the income of an adult member.

With the implementation of the credit program, the majority of children no longer needed to work. The sustained IGPs of the 22 women provided them with an income of between P25.00 to P500.00 daily (US$0.91-$18.31). The women were successful in bringing an extra 50 to 400% more to the family income. Thus, the incomes the women earned from their existing IGPs sufficiently covered the amounts earned by the children. The IGPs protected the children from having to return to the streets. It allowed the children to concentrate their energies on school work and freed them from the unfair burden of the responsibility of contributing an income to the household.

(c) Could informal sector enterprises significantly add to family income, so that credit assistance would make sense?

Incomes from the IGPs not only were able to surpass the earnings of the children, it also allowed the retention of a larger portion of their earnings to satisfy basic and consumption needs. The assistance created a sole or supplementary income which significantly achieved to raise the standards of living of the families. Most allocated their extra earnings to support the continued education of their children. Even if some families still lived below the poverty threshold, sending children to school was one of their primary concerns. Aside from education, the added earnings was allocated for the welfare of the whole family. Household appliances, furniture, business utensils and clothes for children were purchased. Family eating habits were improved. Home repairs were undertaken. Others even shared their earnings with relatives. Therefore, credit assistance for these women had proven to be a viable strategy in alleviating their depressed economic and social conditions. Their struggle to effect positive changes in the lives of their families was due to the additional income that their IGPs brought into the household.

(d) Could credit assistance be profitably extended to most members of the community? What made some enterprises fail?

The credit program had its share of set backs. Not all of the recipients of the assistance were able to sustain their incomes or IGPs. The IGPs failed because of capital depletion. This was traced to two problems, specifically, the poor business practices of the recipients and the financial situations of their households. The practice of permitting clients to over extend credit purchases inevitably produced low incomes. And, once these were insufficient to support daily expenditures, the diversion of capital for household needs was unavoidable. However, the utilization of capital for basic needs was also partly due to the shortage or absence of other financial resources in the household. One of the reasons behind successful IGPs was presence of other regular income earning members. It cushioned the adverse effects of low IGP earnings and allowed capitals to be kept intact. Thus, our study suggests that credit assistance achieved better results in situations where household income levels were not at the lowest end of the poverty scale. This puts a limitation on how much can be said about whether the same assistance can be extended to most members of the communities. We can only conclude that the dissimilar household economic conditions of the beneficiaries affected their abilities to sustain their IGPs. Credit assistance was a viable strategy, but not a universal solution for all members.

(e) Did credit assistance lead to enough expansion of the enterprises to render the families invulnerable to crises? What are the limits on the incomes that can be derived from the informal sector?

The IGPs of the women had remained small scale in operations. Little effort was put into reinvesting a higher proportion of their profits back into their capitals. The enterprises expanded only to the extent that the incomes satisfied family needs. The same amount of capital was revolved daily. Because of this practice, it was rare for the women to accumulate savings. During the times of emergent family crisis, the capitals were often the only source of ready funds. The stability of the IGPs, thus, remained vulnerable. In the poor and unsanitary environment of the communities, illness was a common problem for the families. Capitals were often used to cover the medical expenses, invariably affecting the sustained operations of some IGPs. Thus, the threat of being pulled back into their previous depressed financial states remained to be a reality for these families.

The women had no reason to postpone developing their IGPs because of the availability of the cooperative loans. Their problem of non-expansion stemmed from the limitations which generally surround informal enterprises. Our observations and the data from other studies reveal five particular constraints which discourage higher capital investments. These were first, the small scale operations of the IGPs; second, its location; third, the presence of competition; fourth, the limited labour power and time of the women; and fifth the harassment by government officials, particulary the police. Once the women believed these obstacles to be insurmountable in their endeavors to increase income, they would rather spend their extra earning for family consumption. The fact that the IGPs have survived is a sign that the entrepreneurs have learned to cope with their incomes and circumstances. Yet, the battle to rise above a life of poverty and achieve true alleviation will remain to be difficult without the stabilization and expansion of the enterprises.

The Sustainability of the Credit Assistance Program

(a) What determined the repayment rate of the credit program?

For the first two years of the cooperative's operations, it achieved a repayment rate of 85%. The study revealed that this good rate of loan returns was a carry over effect of the organizational and community building measures undertaken by FCED for former members of the social credit program. The constant interaction among the beneficiaries served as a monitoring mechanism that made defaults more difficult. When social credit members were federated to the cooperative, the cooperative actually depended on these social structures and relationships to reinforce repayment responsibility. Thus, it was the prior cultivation of social accountability among the members that motivated their repayment behaviour. It was still too early to make a proper assessment of the effectivity of the individual credit scheme of the cooperative. We would have to complete another study on the new or nonFCED members and compare their repayment behaviours with those of the old members.

(b) What was the financial state of the cooperative? Was it charging enough interest to restore its capital or revolving fund? If not, what other sources of capital was it drawing on? Can these sources be sustainable?

The financial situation of the cooperative was found to be quite delicate. The interest rate and loan charges were apparently not generating sufficient income to support its operational costs. The cooperative was able to recover its capital fund but failed to accumulate the savings to protect it from the rate of inflation or problems of defaults. The FCED needed to extend loans to allow the cooperative to remain operational. But, the cooperative realized that it could not always depend on the FCED to see it through its financial difficulties. It understood the need to work out strategies for its own income generation to stabilize its capital fund. Thus, the cooperative had sought grants from funding agencies to supplement and subsidize its loans. It opened membership to nonFCED residents to expand its revolving fund. And, it plans to identify a long term collective livelihood project where the income earned can be shared with the members and added on to the fund. The cooperative was at a critical point of its operations. Whether these alternative steps will assure the sustainability of the cooperative remains to be a question we are not able to answer at this time. We can only suggest that the course of its development will be determined by how they choose to resolve to build up their capital.

(c) Is a holistic organization needed if credit assistance is to be sustained? Can the cooperative be sustained after the withdrawal of FCED?

We observed that the holistic framework of the FCED positively affected the performance of its credit assistance program. The central mobilizing strategy of community organizing and local capacity building gave the FCED the responsible volunteers it needed to run its cooperative. Once the link between the economic and social goals of the organization was internalized by the beneficiaries, their participation in the programs of assistance was a spontaneous response. The development of a higher sense of cooperation also served as a monitoring mechanism in the repayment of loans. The cooperative also hoped to use its multi-purpose strategy to encourage member expansion and to attract monetary assistance from funding agencies.

The sustainability of the cooperative after the withdrawal of the FCED will depend on how well the staff and officers will be able to manage its credit operations and social projects. At this point, it is difficult to predict the long term sustainability of the Parents Multi-Purpose Cooperative. Its financial state needs to be stabilized and its Social Development Committee has yet to implement its programs. The slow progress of the organization of the Local Council for the Welfare of Children, forces the cooperative to be its own catalyst in its social programs for the communities. In this way, will it be able to mobilize membership commitment to protect the social and economic interests of the cooperative. The challenges the cooperative presently face are great. If the members have truly identified with the cooperative ideals and values, it will hopefully be able to rise above and overcome its problems.

In summary, the credit assistance program of the FCED and the cooperative have generally achieved its goal of increasing family incomes of urban poor petty traders and producers. Even with the failure of some to sustain their informal enterprise, this intervention strategy addressed the economic needs of the beneficiaries. Standards of living were improved and children were sent to school. The sustainability of the credit program was facilitated by the organization's holistic framework. Therefore, the credit program of FCED proved to be a feasible strategy of intervention to address poverty alleviation.

Recommendations

In the process of our evaluation of the credit assistance program of FCED and the cooperative, some issues were raised that need immediate attention. In pursuit of a more effective route in prevailing over the unequitable distribution of wealth in society, the FCED or other development agencies that plan on initiating credit programs for the poor can take the following steps in order to strengthen the sustainability of the assistance:

(i) In our discussion of unsuccessful enterprises, we pointed out that credit assistance may not be the best solution for those in extremely depressed economic situations. Access to basic needs or survival resources, such as job training, basic education or health services may be better interventions. Without first answering these needs, problems of capital diversion will not be avoidable. Organizations then must be sensitive in identifying what the immediate needs of its target groups are before undertaking a credit program.

(ii) Informality does not necessarily close the doors to expansion. The practice of increasing capitals is an investment for the future but new business strategies must be implemented if profits are to increase. For example, fruit and food vendors can make use of mobile vendors to sell in areas outside of their immediate communities. More capital can be invested because the products would be reaching a greater number of people. More studies would be needed to examine what new business management methods can be implemented. It would be naive to believe that the problems inhibiting expansion would disappear once IGP growth is achieved. But, working only to the point where basic needs are satisfied will not achieve economic stability and mobility for the petty traders and producers. It may be better for the cooperative and other development agencies not to concentrate on poverty alleviation through encouraging entrepreneurship, but rather search for employment opportunities for its members.

iii) Thus, it is more important now to look beyond supporting the enterprises that limit the poor to the smallest activities of the informal sector. The vision of credit assistance must include measures where production for commercial markets and not simply trading will be the principal goal of livelihood programs. The livelihood should be such that, it is not characterized with fluctuating incomes. And, it needs to generate employment. Finding feasible and marketable products would need the cooperation of the business sector. Perhaps a partnership can be forged where representatives from business can help identify and implement a collective livelihood for the members of an NGO. And, with their business contacts, market the products. But, the majority of earnings from the livelihood must be either reinvested for expansion, or shared among the members.

(iv) Finally, we recommend that a more comprehensive study should be conducted in the future after the withdrawal of the FCED. The FCED had 5 major components. Examining how much social and economic progress has been achieved by the individual members and the communities will determine the effectivity of its holistic development intervention framework. At the same time the evaluation must also examine how the cooperative has fared in dealing with its operational problems.

The access to credit was only the first step in the long process of combating poverty. It alone cannot solve the deeply rooted social and economic problems of the marginalized. Only with a concerted effort from the government, non-government and private sectors will the growth potential of the urban poor be fully realized.

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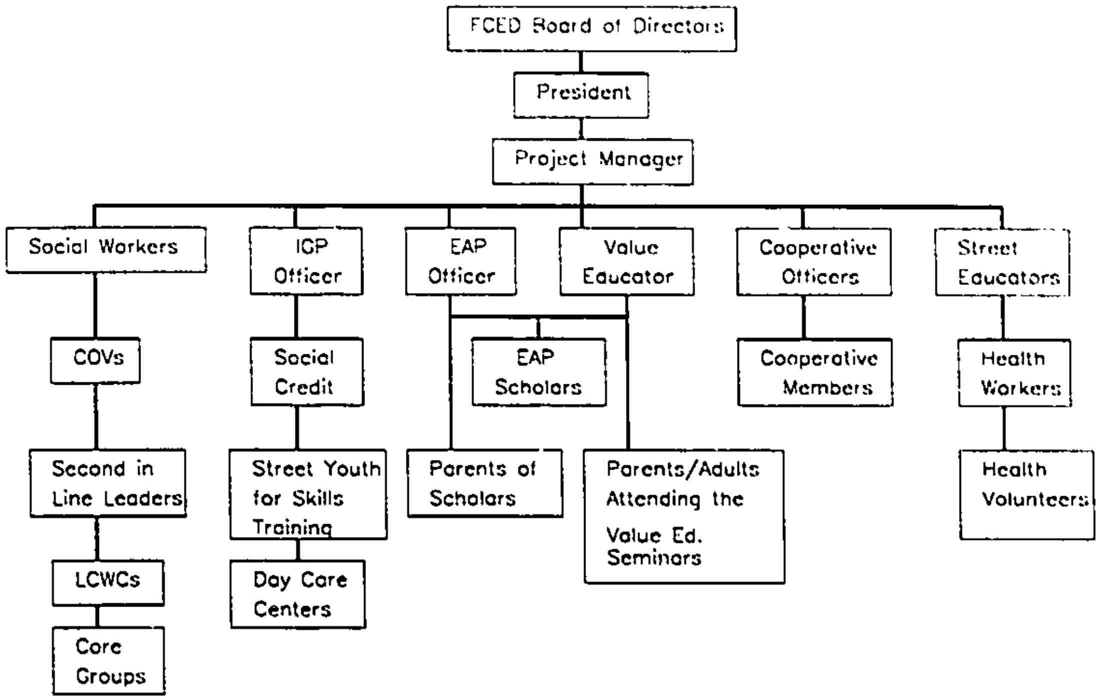
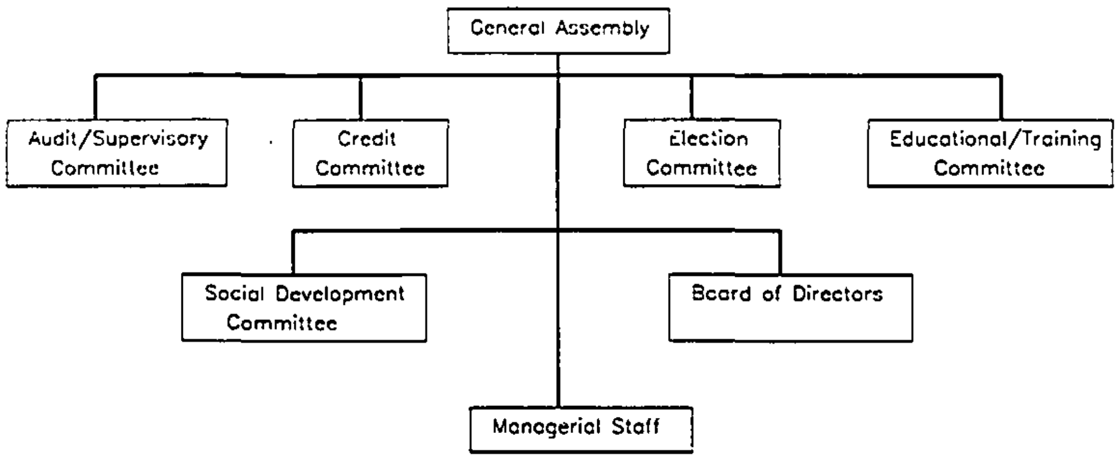
Appendix A – FCED Organizational Structure



Appendix B - Parents Multi-Purpose Cooperative

Organizational Structure



Appendix C - Interview Questions

First Sample - FCED Respondents with on-going IGPs

1. Name
2. Sex
3. Age
4. Are you married?
5. If yes, is your husband earning a living? How much is his daily income?
6. Do you have children? How many?
7. How many of them are presently of school age and studying?
8. Were any of your children working before you joined FCED?
9. If yes, what type of work did your child engage in? How much was his/her daily earnings? Was he/she studying at the same time?
10. Are any of your children still working?
11. When did you become a member of FCED?
12. How did you come to know about the organization?
13. What motivated you to join the organization?
14. Were you earning an income before you became a member of FCED?
15. If yes, what were you doing?
16. Are there other members in your household aside from your nuclear family? How many?
17. Do the working adult members in your household contribute to daily expenses? How much?
18. When you first joined FCED, how much credit did you receive?
19. What type to livelihood project did you engage in?
20. What made you choose this?
21. Where do you conduct your business?
22. Does it need any special skills?
23. How many times have you received loan assistance?
24. What do you think about the amount of the credit assistance? Why?
25. How much are your present daily earnings from your livelihood project?
26. Are you able to make a profit that allows for savings and extra capital to be generated?
27. How much of your earnings is invested back into your capital in order for your enterprise to expand?
28. Do you earn a steady amount of income from your business?
29. How do you compensate for low sales?
30. Was competition a problem for your business?
31. How much do you spend on food? on housing? water?
32. Did you experience any problems in repaying your loan? If yes, how were you able to find a solution for them?
33. What do you think about the different training workshops that FCED provides to its members? Have they been helpful? In what way?

34. How often are your group meetings? How often do you attend? What are the issues discussed?
35. What do you think about raising the interest rates on your loans? Why?
36. Do you personally believe that the loans have brought about significant developments in your life? In what way? Can these changes really be attributed to the assistance?
37. What do you think about FCED's plans of phasing out and leaving the responsibility of the continuous cycle of credit assistance to the cooperative?
38. Do you believe that they should phase out?
39. Do you think that your livelihood projects can be sustained? Why or why not?
40. What are your future plans for your self and your family?

Second Sample - FCED Respondents whose IGPs have ceased

1. Name
2. Sex
3. Age
4. Are you married?
5. If yes, is your husband earning a living? How much is his daily income?
6. Do you have children? How many?
7. How many of them are presently of school age and studying?
8. Were any of your children working before you joined FCED?
9. If yes, what type of work did your child engage in? How much was his/her daily earnings? Was he/she studying at the same time?
10. Are any of your children still working?
11. When did you become a member of FCED?
12. How did you come to know about the organization?
13. What motivated you to join the organization?
14. Were you earning an income before you became a member of FCED?
15. If yes, what were you doing?
16. Are there other members in your household aside from your nuclear family? How many?
17. Do the working adult members in your household contribute to daily expenses? How much?
18. When you first joined FCED, how much credit did you receive?
19. What type to livelihood project did you engage in?
20. What made you choose this?
21. Where do you conduct your business?
22. Does it need any special skills?
23. How many times have you received loan assistance?
24. What do you think about the amount of the credit assistance? Why?
25. When did you begin to experience problems in repaying your loans? Why?
26. How much did you used to earn?
27. Do you still have an unpaid balance? How much?
28. Did you have problems with the other members or the social worker?
29. Do you still have plans of repaying the loan and becoming an active member again? If yes,

how do you plan of accomplishing this?
30. Are you earning an income now?
31. In your opinion, what aspects of the organization still can be improved on?
32. Are you still in touch with your social worker and the other members?

Third Sample - NonFCED Respondents with existing IGPs

1. Name
2. Sex
3. Age
4. Are you married?
5. If yes, is your spouse earning a living? How much is his/her daily income?
6. Do you have children? How many?
7. How many of them are presently of school age and studying?
8. Were any of your children working before you joined FCED?
9. If yes, what type of work did your child engage in? How much was his/her daily earnings? Was he/she studying at the same time?
10. Are any of your children still working?
11. Are there other members in your household aside from your nuclear family? How many?
12. Do the working adult members in your household contribute to daily expenses? How much?
13. What type to livelihood project are you engage in?
14. What made you choose this?
15. Where did you get your capital to start your business?
16. Where do you conduct your business?
17. Does it need any special skills?
18. How much are your present daily earnings from your livelihood project?
19. Are you able to make a profit that allows for savings and extra capital to be generated?
20. How much of your earnings is invested back into the enterprise?
21. Do you earn a steady amount of income from your business?
22. How do you compensate for low sales?
23. Was competition a problem for your business?
24. How much do you spend on food? on housing? water?
25. Can your earnings sustain your business?
26. What are your future plans for your self and your family?
27. Why did your not join FCED or the cooperative?

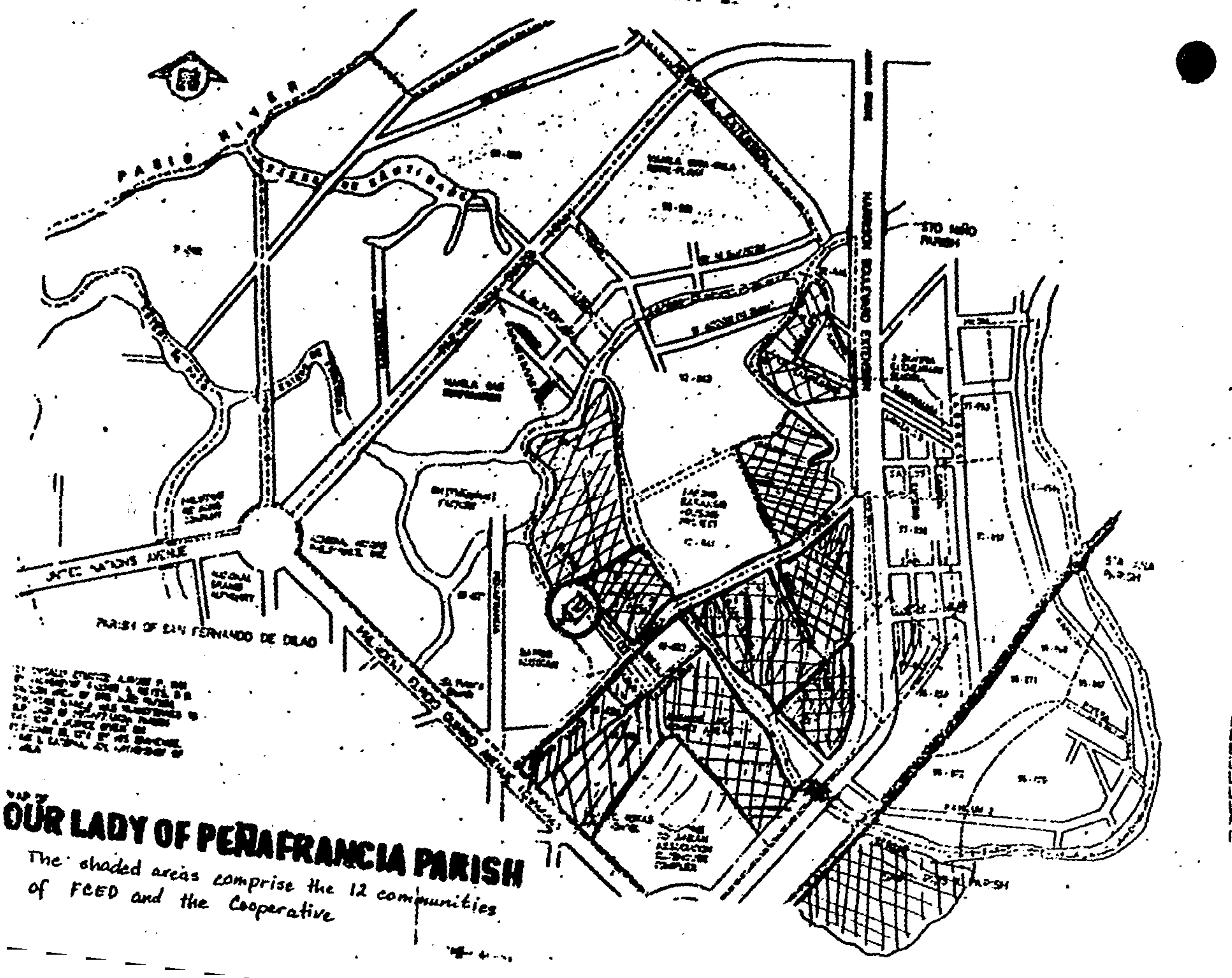
Social Workers and Community Volunteers

1. How long have you been involved with FCED?
2. Can you tell me about the process of how parents come to be members of FCED? Is there a criteria followed?
3. How many parents are you supervising?

4. What does your supervision entail?
5. Can you explain the training that the parents constantly undergo? Why does the organization stress the importance of the trainings?
6. Why is self-awareness and group consciousness inculcated to the members? What are its objectives or what does it hope to accomplish?
7. How do you measure the success of the training?
8. How successful has the credit assistance program been in raising the income and savings of the members?
9. How much was the increase?
10. In your observations, how have they used their earnings? Or, what concrete changes can you say have been brought about by the credit assistance?
11. Do you believe that the credit assistance has been sufficient? What are the aspects in the program that need to be strengthened?
13. What were the reasons why others have failed to sustain their IGPs?
14. What has been done to solve this problem?
15. What steps are taken to prevent this from happening again in the future?
16. Do you believe that FCED should withdraw from the communities?
17. If yes, what will be its criteria? How will it be measured?
18. Will the revolving fund for the credit assistance be sustainable?
19. How will it answer to inflation rates and the rising standards of living?
20. Is it possible to increase the interest rate of the loans?
22. (For the Community Volunteers) Do you believe that you will be able to take on the responsibility of supervising the operations of the cooperative? Why or why not?

FCED President

1. How would you assess the performance of FCED in alleviating the poverty of its members?
2. Why did the organization stress the importance of the development of social accountability and group consciousness in the process of applying for loans?
3. What was its contribution to the process of development?
4. How is FCED financed? What are the costs of operation?
5. One of the main objectives of FCED when it was established in 1987, was to set up organizational structures to allow FCED to phase out after 5 years, can you define what these organizational structures are?
6. How has it been set up?
7. What will be the criteria for the phase out? How will it be measured?
8. Why was there a delay with the phase out plans?
9. Once FCED phases out, will there still be outside subsidy for the revolving fund of the cooperative? If not, how will the fund be sustainable?



MAP OF
OUR LADY OF PEÑAFRANCIA PARISH

The shaded areas comprise the 12 communities of FCED and the Cooperative