
Assessment of the DSWD SEA-K Strategy

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List of Acronyms

BDS	Business Development Services
BEST	Basic Employment Skills Training
BHW	Barangay Health Worker
BNS	Barangay Nutrition Scholar
BRAC	Bangladesh Rural Advancement Committee
BMMT	Basic Microenterprise Management Training
BSPMC	Barangay Sub-Project Management Committee
CARD-NGO	Center for Agriculture and Rural Development Non-Government Organization
CBU	Capital Build-Up
CCT	Conditional Cash Transfer
CDA	Cooperative Development Authority
CDED	Community Driven Enterprise Development
CER	Collection Efficiency Rate
CF	Community Facilitator
CLGU	City Local Government Unit
CSF	Capital Seed Fund
CSWDO	City Social Welfare Development Office
DA	Department of Agriculture
DCW	Day Care Workers
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
EMF	Emergency Fund
FDS	Family Development Sessions
FGD	Focus Group Discussion
FO-SEAK	Federation of the Self-Employment Assistance Kaunlaran
FOM	Field Operations Manual
GIS	General Intake Sheet
HAF	Household Assessment Form
IPs	Indigenous Peoples
KALAHI CIDDS	Kapit Bisig Laban sa Kahirapan Comprehensive and Integrate Delivery of Social Services
KII	Key Informant Interview
LED	Local Economic Development
LGU	Local Government Unit
LGUs	Local Government Units
LSWDO	Local Social Welfare Development Officer
MAO	Municipal Agriculture Office
MAT	Municipal Action Team
MFI	Microfinance Institution
MIAC	Municipal Inter-agency Committee Consists of heads or designated representatives from various LGU offices, namely: Municipal/City Social Welfare Development Office (M/CSWDO), Municipal/City Health Office (M/CHO), Municipal/City Agrarian Reform

	Office (MARO), Municipal/City Planning Development Office (M/CPDO), Municipal/City Engineering Office and Municipal/City Local Government Operations Office (M/CLGOO)
ML	Municipal Link
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MSWDO	Municipal Social Welfare Development Office
NGA	National Government Agency
NGO	Non-Government Organization
NHTS-PR	National Household Targeting System for Poverty Reduction
NPMO	National Program Management Office
OF	Operational Fund
PDO	Project Development Officer
RPMO	Regional Program Management Office
SEA-K	Self-Employment Assistance – Kaunlaran
SEC	Securities and Exchange Commission
SKAs	SEA-K Associations
SLP	Sustainable Livelihood Program
SWDI	Social Welfare Development Index
TESDA	Technical Education and Skills Development Authority
TSKMPC	Taytay Sea-K Multi-Purpose Cooperative
VMG	Vision, Mission and Goals

Abstract

This study looks at the effectiveness of the strategy and the complementary interventions of the Sustainable Livelihood Program's Self-Employment Assistance Kaunlaran (SLP SEA-K). The SLP SEA-K uses a microcredit strategy which intends to provide credit access to the poor, improve the ability of the group to borrow, and enable it to engage in income-generating activities. Microcredit services are generally believed to have a positive socioeconomic impact; however, the success of projects may depend largely on the management of the program. The authors of this study found out that the government lacks the capacity to handle microcredit programs. Additionally, they see the one-size-fits-all strategy of the program as a problem because of the diverse range of beneficiary profiles.

Keywords: microcredit, livelihood development, self-employment

Assessment of the DSWD SEA-K Strategy

Executive Summary

The Self-Employment Assistance Kaunlaran (SEA-K) is a government program established locally in the early 1970s to create community-based credit facilities which would provide access to credit to the poor and marginalized families. It was inspired by the Grameen Bank microcredit scheme, which provides uncollateralized small loans to the poor for livelihood development. The SEA-K was transformed into a national program in 1993 and had been administered by the Department of Social Welfare and Development (DSWD) from then on. In the same year, a two-level SEA-K scheme was implemented: (1) SEAK Level I which provided capital assistance to microenterprises, and (2) SEAK Level II which provided a larger amount to be used for microenterprise expansion and financing for basic needs of families. The program had yet to undergo another transformation in 2011 where the two levels were scrapped, and the SEA-K became the Sustainable Livelihood Program (SLP). This fairly new program focuses more on capacity-building. Furthermore, it employs two tracks: (1) the Employment Facilitation Track and (2) the Microenterprise Track where the original SEA-K micro-credit scheme is currently operating as one of the options for fund sources. The SLP SEA-K targets the beneficiaries of the Pantawid Pamilya Program and even other vulnerable or marginalized households which are not identified as poor by the National Household Targeting System for Poverty Reduction (NHTS-PR); but between the two groups, the program prioritizes the former. Whether the SLP SEA-K mechanism has potential as an exit strategy for the majority of Pantawid Pamilya Program beneficiaries is one of the questions that this study aims to answer. Another key objective is to examine how the current design and implementation process contributes to microenterprise development. To achieve this objective, a process evaluation approach, which involves analyzing the theory behind the SLP SEA-K and its implementation performance, was used. For this task, the authors utilized secondary data from the monitoring reports of the DSWD, literature review, focus group discussions, key informant interviews and case study. The case study sites were carefully selected to capture the range of implementation issues observed on the SEA-K operations. Areas with the highest number of SEA-K and Pantawid Pamilya Program beneficiaries were taken into account. For each province, SEA-K Associations (SKAs) which have been existing for at least one year were classified based on repayment rate or collection efficiency rate (CER): (1) good performing SKAs and (2) low performing SKAs.

The SLP SEA-K employs the concept of microcredit. Microcredit services intend to provide credit access to the poor, improve the ability of the group to borrow, and enable it to engage in income-generating activities. These services have been believed to have a positive socioeconomic impact. However, majority of the cross-country impact studies found that microfinance does not significantly improve the welfare of the poor nor does it move them out of poverty. Furthermore, there is an issue in targeting strategies, *i.e.*, whether the microfinance institutions (MFIs) are truly able to extend assistance to the poor. Aside from these credit-related problems, other limitations are having unfavorable market environments, poor technical and entrepreneurial skills, and informal enterprises. Attempts to address these problems have been made, but studies point out the need to look at situational variations because

of differences in entrepreneurial behavior. Establishment of survival and growth enterprises, for instance, would require different approaches and program strategies.

On the implementation performance of the program, the study noted that in terms of service delivery, the SLP SEA-K has assisted over 328,989 beneficiaries of the Pantawid Pamilya Program for both microenterprise development and employment facilitation from 2011 to July 2014. All in all, the achievements using the Microenterprise track is remarkable with a 106% accomplishment rate, which is over the target for the reviewed period. However, the good performance does not apply to Regions IV-A, VIII, and XI which only had less than 50% accomplishment rate. One reason is the insufficiency in human resource assigned to assist the beneficiaries. Other reasons for having these outliers are that some Pantawid Pamilya Program beneficiaries simply do not want to engage themselves in the two tracks, or prefer to be assisted in landing a job and choose not to participate in the Microenterprise track. It is noted, however, that only 2% of the Pantawid Pamilya Program beneficiaries served under the SLP SEA-K were assisted in terms of employment in both public and private agencies.

On the other hand, the repayment performance of SLP SEA-K in terms of CERs has not been encouraging. The repayment period for the SLP SEA-K, in particular, is two years from the receipt of the loan. On the other hand, the loan maturity is fixed to one year to let the SKAs roll over the funds. From 2011 to July 2014, the average repayment of the SLP SEA-K based on the CER is at 54.5%. More than 50% of the SKAs with amortization record have CERs below 60%, and only 10% had fully paid loans within the two-year collection period. A regression test revealed that repayment is negatively correlated with the size of the SKAs, as well as with poverty incidence. On the other hand, repayment is positively correlated with payment duration.¹ Meanwhile, based on the repayment performance, most SEA-K accounts are “problem loans,” such that an annual interest rate of at least 95% must be charged to break even from the operation costs. On top of that, the probability that enterprises funded by SEA-K will grow is rather low. This is consistent with empirical findings elsewhere whereby the growth potential of enterprises by the poor is only about 12%. Many beneficiaries engage in livelihood mainly for consumption rather than growth objectives. Therefore, the probability that SKAs transform into self-sustaining community-based credit facility or multi-purpose cooperatives is also low.

There are demonstrated case studies of SKAs that transformed themselves into functioning cooperatives. What we observed is that the major ingredients in developing functioning cooperatives in the case studies are: (a) a continuous capital build-up; (b) good leadership; (c) support of key government sectors in the organization of cooperatives and in the provision of resources needed for cooperative projects to succeed; and (d) well-trained and dedicated PDOs as development agents to jump-start the cooperation of target families and convergence among several agencies. The potential toward sustainability and what other factors to consider to transform SKAs and to move them to self-sufficiency requires further study.

In a nutshell, there are problems with how the government handles microcredit programs. For one, the government is not equipped enough to implement these programs especially since its

¹ This only shows that extending the payment periods are convenient to the SLP SEA-K beneficiaries. It must be noted that these beneficiaries are likely not to pay on time given pre-determined schedules since there are no penalties involved.

personnel and officials do not have the proper training to address microcredit-related issues. The government has constantly been a step behind in terms of organization and capability in microcredit financing. Given these inefficiencies, it is best for government to move away from direct implementation of microcredit programs.

The SLP SEA-K has also a one-size-fits-all strategy that is applied on a diverse range of beneficiary profiles. The approach to livelihood assistance for the poor should apply different sets of interventions. For the meantime, the government can consider indirect implementation of the microcredit programs through the provision of microcredit funds to be channelled through MFIs or development banks; the non-qualifiers to these MFI-delegated funds be provided assistance for the development of microbusiness models. The cooperative approach could also be considered but this scheme requires a process that may take several years guided by well-trained PDOs and other local and national development agents. In addition, since more SLP SEA-K beneficiaries prefer to be assisted in terms of employment, this study recommends to increase efforts in improving the delegated track for this aspect.

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I. Introduction

The Self Employment Assistance Kaunlaran (or SEA-K) Program is one of the social programs of government that has survived several administrations. Its history spans over a period of 40 years starting as a local program in the early 1970s and eventually becoming a national program administered by the Department of Social Welfare and Development (DSWD) in 1993. The program adopted a microcredit strategy patterned after the Grameen Bank in Bangladesh that provides small loans to the poor to encourage entrepreneurial activity and savings generation.

Until 2010, SEA-K remained the core financial assistance program of the DSWD. In 2011, the Program was transformed into the Sustainable Livelihood Program or SLP that provided a two-track livelihood assistance schemes – the Employment Facilitation Track and the Microenterprise Development Track.³ The Employment Track opened the opportunity for the marginalized households to access employment while the microenterprise track focused on providing assistance to entrepreneurial activities of the households. The SEA-K scheme became the track towards Microenterprise Development.

As a component of the Microenterprise Track, the SEA-K scheme has been redesigned as a capacity building scheme intended to build up entrepreneurial skills and microenterprise activities of target families. The main strategies include skills training, entrepreneurial training, participatory livelihood analysis, and market linkages. Less emphasis is given to financial support from the government. Beneficiaries can still tap the SEA-K capital fund for financing but as a “fund of last resort”. Households with interest to engage in microenterprise development are linked to banks, MFIs, and other lending institutions and only those households considered ineligible for credit in the formal market and those residing in areas not reached by microfinance services may have access to the fund.

SLP SEA-K has also identified beneficiaries of the CCT or Pantawid Pamilya Program as the priority families to be served. The scheme is envisioned to facilitate the graduation of Pantawid families to self-sufficiency and consequently sustain the gains of CCT intervention (i.e. continued investment of families on education, health, and productive assets). SLP SEA-K is being considered as a possible exit strategy for Pantawid beneficiaries and the expansion of the program has been proposed.

² The authors are grateful to DSWD-NLPMO and DSWD field offices for support in the conduct of fieldwork and organization of KIIs and FGDs with SLP SEA-K beneficiaries and SKAs.

³ DSWD Administrative order 11 series of 2011

The objective of this study is to examine how the current design and implementation of SEA-K (or SLP SEA-K) are able to achieve the objective for microenterprise development and whether the strategy has potential as an exit strategy for majority of Pantawid beneficiaries.

The paper is organized as follows. Section II presents the overall approach and methodology of the study. Section III provides the framework that relates microcredit, enterprise development and poverty alleviation. The subsequent sections present the analyses of program design and implementation performance based on secondary data, FGDs, key Informant interviews and case study results. The final section states the conclusions and recommendations to improve design of the program.

II. Study Approach and Methodology

The SEA-K Program has been implemented for decades and while an impact evaluation of the program would have been warranted, this cannot be done within a period of six months since the program has already been completed. There is also no sufficient data available to do a quasi-experimental impact evaluation design. There is also no point of doing process evaluation on the past SEA-K since the program processes have been transformed under the SLP.

The current SLP SEA-K scheme also cannot be evaluated in terms of its impact and potential for scaling up because impact evaluation requires identifying treatment and comparison groups and observing both groups for at least one cycle of intervention. This is not doable within a period of six months. Thus, a process evaluation is undertaken for the rapid assessment of SLP SEA-K.

The process evaluation covers an assessment of program theory and implementation performance of SLP SEA-K. The assessment of program theory involves desk review of literature and programs on similar interventions in the Philippines and other countries. The focus is on microcredit and microenterprise development programs that target similar clients of SEA-K – i.e, the poor or marginalized households - and the experiences of similarly situated developing countries.⁴

The assessment of performance includes evaluation of whether or not SLP SEA-K worked as planned in terms of service delivery and utilization; the level of organization/operation of the program and beneficiaries response to and perception of the service provided. In particular, intermediate outcomes and indicators are identified specifically those that can bring about the expected outcomes. The key issues considered are the following:

- (a) Assessment of service delivery
 - Are targeted clients aware of the program?
 - How many are receiving services?
 - Are they the intended clients?
 - Do they actually receive the intended quantity and quality of service?

⁴ Microenterprise development assistance is a key policy intervention not only in developing countries but also industrialized and transition economies.

- How does service delivery compare with other institutions providing the service?
- (b) Assessment of program organization
- Are the necessary functions performed adequately?
 - Is staffing sufficient in number and competency?
 - Is the organization working efficiently?
 - Is it coordinating effectively with other agencies?
 - Are resources being used effectively and efficiently?
- (c) Assessment of variations in and across sites
- Are there variations in and across sites in terms of service delivery and beneficiary performance?
 - What are the promising or (or failed) design features of the program?
- (d) Assessment of beneficiary feedback
- How do beneficiaries perceive the program?
 - Do beneficiaries perceive that the services are provided appropriate and timely?
 - How do beneficiaries interact with program personnel?

The analysis on the above issues utilized secondary data from the monitoring reports at DSWD central and field offices, focus group discussions (FGDs) and case studies. The selection of study sites and SEA-K beneficiaries for the FGDs and case studies is discussed below.

Selection of Case Study Areas and SEA-K Beneficiaries

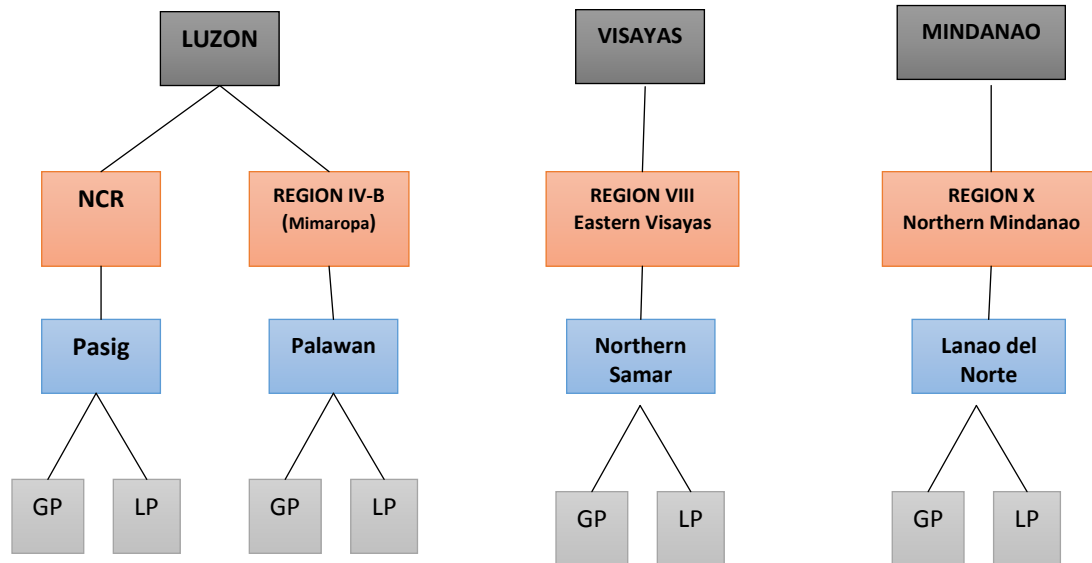
The selection of study areas was intended to capture the range of implementation issues observed on SEA-K operations. Since SEA-K is a nationwide program, the geographical variations could be significant thus, representation of major island groupings (i.e. Luzon, Visayas, Mindanao) is one criterion. Under each island group, the region with the highest number of SEA-K beneficiaries was selected. The National Capital Region is considered as a separate region to represent highly urbanized areas where markets are large and a favorable environment for entrepreneurial activity exists. From each selected Region, provinces with the highest number of Pantawid beneficiaries (Sets 1 and 2) served were selected.

For each province, SEA-k associations (SKAs) were classified into two types: (1) good performing SKA and (2) low performing SKAs. Classification is based on repayment rate or collection efficiency rate (CER) whereby good repayment performance is based on CER of at least 80% or better, while low performing SKAs are those with CER of 55% or lower.⁵ The selected SKAs were those, which have been in existence for at least a year. This is the minimum timeframe to assess the performance of a SKA. The

⁵ The 55% is based on overall average repayment rate of SLP SEA-K Program as of July 2014.

DSWD regional/provincial PDOs selected 5 SKAs from each classification. Two member representatives from the selected SKAs participated in the focus group discussion (FGDs). A case study of 2 SKAs, one from each SKA classification was selected for in-depth interview of members and SKA operations.

The selection of study sites and SKAs is presented below:



GP: Good Performing = SKAs with average repayment performance of at least 80%
 LP: Low Performing = SKAs with average repayment performance below 55%

III. Conceptual Framework: Microcredit, Enterprise Development and Poverty Alleviation

Microcredit emerged as a revolutionary tool to provide the informal economy access to formal credit services by creating a banking system that does not rely on conventional collaterals but on “trust, accountability and creativity” (Hasan, S 2002). The achievement of the Grameen Bank in making available financial resources to the rural poor households in Bangladesh in the 1980s has made microcredit a leading economic intervention for poverty alleviation. The hypothesis is that microcredit reach the poor and have a positive impact on socioeconomic welfare including subjective well-being such as empowerment and optimism.

The primary engine of growth that microcredit is supposed to fuel is livelihood or entrepreneurial development.⁶ Microcredit services (lending and savings) are intended to provide access to credit by the poor, improve their ability to borrow and enable them to engage in income generating activities to increase household productivity and income.

This microcredit-poverty relationship is well-documented and has been extensively studied in the literature. The studies noted the fast pace of expansion of microcredit programs and the global support for the strategy, first by donors, and later by socially-motivated investors. However, the promise of poverty reduction has been found wanting. The growing consensus among authors of cross-country impact studies is that microfinance has significantly improved access to credit and relaxed potential credit constraints by the poor but the poverty alleviation impact is not transformative, i.e. it has no significant effects in improving welfare and moving the poor out of poverty (Roodman and Morduch 2009; Angelucci, Karlan, Zinman 2013). Some authors also noted that credit by the poor could have been used much more for smoothing income and consumption than for its objective of enterprise development (Banerjee, et.al 2011 and 2014). Moreover, the clients of microcredit programs are not necessarily the poor. A study in the Philippines reported that only a small percentage of clients served by MFIs are poor (Kondo, Orbeta, Dingcong, Infantada 2008). Wealthier clients are more likely to participate even for programs targeted to the poor (Coleman 2006; Kondo, et. al 2008). Controlling for the heterogeneity of households, the impact studies found that the positive effects of microcredit on income, savings, consumption and investment arise mainly from wealthier clients of MFIs indicating some regressive effects (Coleman 2006; Kondo, et. al 2008; Creon, et al 2011; Banerjee, et al 2014; Karlan and Zinman, 2010; Zaman 2000; Desai et al 2011; Angelucci et.al 2013). The poverty reduction effects of microfinance are contingent on other conditions such as the amount and frequency of borrowings or on the pre-loan socioeconomic status of the household. Table 1 provides summary of key findings of impact studies using experimental design method.⁷

One of the arguments for this low poverty impact is that credit is not the only constraint to enterprise development of the poor (ADB 1997; Armenderiz and Mordouch 1997). The poor faces other obstacles to enterprise development in the form of unfavorable market environments, poor technical and entrepreneurial skills, informality of enterprises. It was also argued that microfinance has not considered the lifestyles, financial and sociocultural barriers of the poor (Collins, et al 2009; Shaw 2004). These are barriers to entry that generally lead poorer clients to select low value activities with poor growth prospects (Shaw 2004). The Grameen type microcredit programs that focused mainly on credit would have little influence over these obstacles.

A response to these limitations has been the development of microcredit programs that provides a package of *business development services* (BDS) (World Bank 2004; USAID 1997). BDS are provided on top of the *social intermediation* credit service that involves training in credit norms and procedures, savings discipline, assistance in organizing into groups, etc. The BDS are non-finance related inputs that include technical skills training, entrepreneurial training, market information and assistance, technology

⁶ While some microfinance institutions do not insist that borrowing households have a business to take a first loan, the expectation is that the ability to borrow will eventually help households start or expand small business (Banarjee 2011).

⁷ Studies did not include results from non-experimental studies due to methodological weakness arising from from endogeneity, selection bias, lack of pre-treatment results as assessed by other experts.(see Roodman and Morduch 2009; Dunn and Arbuckle 2001; Morduch 1999).

transfer, design and product development, etc including development of organizations of micro entrepreneurs (USAID 1997). These services are adopted from Small and Medium Enterprise (SME) Programs but are now being redesigned to suit the demands of micro entrepreneurs.

The theory as applied in recent microcredit programs shows a graduation model that allows the poor to break from the cycle of poverty through social intermediation, microcredit support and enterprise training (Figure 1). Some programs apply the model to those families in extreme poverty living below nationally defined poverty lines, are food insecure, of poor health and lack education and with few or no assets (e.g. Peru). Other programs start the intervention among subsistence families or those families who are below the poverty line but meet the minimum requirement in terms of economic sufficiency and human development index (e.g. Philippines). This set of families has better socioeconomic status and are assumed to be less constrained or vulnerable to access credit and engage in entrepreneurial activities.

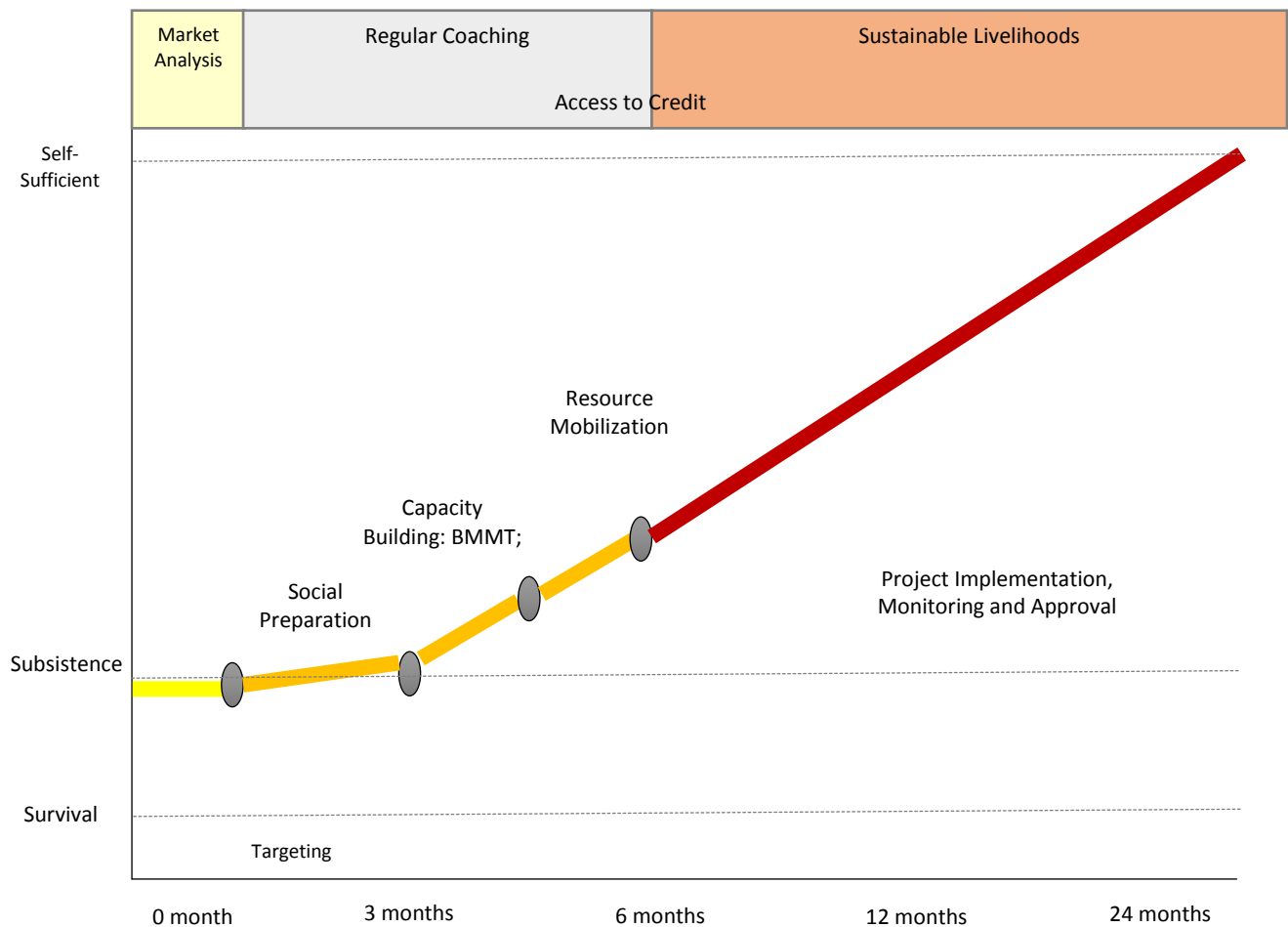


Figure 1. Graduation Model as applied to Subsistence Families (Philippines)

Note: Figure is an adoption of Graduation Model from the presentation of Mariella Graco, Peru, ADB 2014.

However, development thinkers have recognized the diversity in entrepreneurship and entrepreneurial behavior specifically in the informal sector. The literature for instance distinguishes between “livelihood and microenterprises” (Ghate, et al 1996). Livelihood activities are associated with the poor and informal sector that engage in survival activities, i.e a seasonal/part-time income source with the intent to support main family income rather than profitability. In contrast, microenterprises are usually the main source of household income and they cover a range of potentially viable activities, which are undertaken for want of profitable opportunities.

Recent literature makes a distinction between ‘survival and growth’ enterprises. This is an entrepreneurial paradigm applied to the poor who understandably can be as entrepreneurial as the non-poor and whose livelihood activities can be viable as well (ADB 1997; Bebington 1999; Berner et al 2012; Grimm et al, 2012; Verrest 2013). Survival and growth enterprises can be distinguished based on some common features that have been observed among enterprises of the poor in several countries. Berner et al.,2012; Mead and Liedholm 1998). The table below provides a summary of these features.

<i>Survival</i>	<i>Growth-oriented</i>
(Street economy, community of the poor, [Microenterprise], necessity-driven, informal own-account subsistence)	(Small-scale family enterprise, intermediate sectorMicroenterprise], opportunity-driven, , micro-accumulation)
Ease of entry; saturated markets, undifferentiated products,	Barriers to entry
Low capital requirements, skills and technology	Sizeable investments
Diversification rather than growth	Business expansion
Female majority	Male majority
Maximizing security, smoothing consumption	Willingness to take risks
Part of diversification strategy, often run by idle labour, with interruptions, and/or part-time; temporary stop gap measures	Specialization
Embedded in networks of family and kin	Embedded in business networks
Obligation to share income generated	Ability to accumulate part of the income generated

Source: Berner, E., et. al. (2012); Phillips and Bhatia-Panthaki (2007); Richardson et al (2004)

This distinction between survival and growth enterprises implies that the interventions for poverty alleviation may not be single strategy. For instance, business skills training and entrepreneur development training are important for growth-oriented microenterprises and activities with relatively numerous backward and forward linkages, such as manufacturing (ADB 1997). Veterinary services are relevant for households engage in livestock raising. Credit is usually the easiest input to deliver specifically on scale however the graduation model through microcredit apparently does not work for all.

The growth potential of microenterprises is also limited even if they are targeted with well-intended business development programs. Empirical studies that provide information about the survival, death, growth and graduation of microenterprises estimated that less than 20% of those enterprises with four

or less workers grew within a span of 15 years (Mead 1994; 1998). Another study in Mexico found that only 12% of single-worker firms expanded (Fajnzylber, P. et al 2006).

In sum, the literature says that entrepreneurship is still a puzzle to unlock. Governments in many countries employ a range of interventions that are supportive and complementary. It is good to distinguish between survival and growth. However, this is a static distinction; somehow, some survival enterprises manage to succeed but rate of success is low. Given the above, microcredit is not a silver bullet. Microenterprise programs relying on credit alone face a high probability of failure. Enterprise development needs different types of complementary intervention; the challenge is to identify the right one.

IV. SLP SEA-K Program Design and Service Delivery

Microcredit Schemes: Old SEA-K vs SLP SEA-K

The Self-Employment Assistance Kaunlaran (SEA-K) program drew inspiration from the widows and orphans of World War II in the country who made both ends meet by converting materials given to them into saleable items. They were taught to make handicrafts and earn income in the process. From 1954 to 1968, similar programs evolved such as the Vocational Rehabilitation Services, Self-Help Groups for Disaster Victims, Settlement Fund and the Economic Advancement Program (DSWD, 2008)

In 1971, the “self-employment assistance” program was introduced to provide for a “roll-on” funding scheme or the transfer of capital from one client to another. The program was initially implemented by different government bureaus implementing livelihood projects. In 1993, it was formalized as a national program under the Department of Social Welfare and Development (DSWD). The Pilipino word “Kaunlaran” (which literally means development in English) was added to the program title which gave rise to Self-Employment Assistance Kaunlaran or SEA-K.

SEA-K adopted the Grameen Bank scheme of providing uncollateralized small loans to the poor for livelihood development. In the DSWD version of the Grameen lending scheme, community-based associations called SEA-K Associations (or SKAs) are used as credit conduits. The Grameen scheme uses joint liability groups of five members, all women. Following the Grameen scheme, SEAK K loans are transacted individually under a joint liability scheme wherein co-borrowers act as guarantors. The groups or associations go through a process of organizational and social preparation prior to the provision of micro-credit.

The goal of the SEA-K program is to establish self-managed community-based credit facilities to provide the poor and marginalized families continued access to credit. A two-level SEA-K scheme was implemented in 1993 (1) SEAK Level I provided capital assistance to micro-enterprises; and (2) SEAK Level II (SEA-K Kabayan) provided a bigger amount of capital assistance for micro-enterprise expansion and financing for basic needs of families (e.g. shelter construction). The two-level credit assistance was

also an opportunity to capacitate the SKAs on credit management through learning-by-doing. SKAs can roll-over these funds within a period of two years for relending to members.

In 2011, the SEA-K program was enhanced and transformed into the Sustainable Livelihood Program or SLP consisting of two tracks, the Microenterprise Track and the Employment Facilitation Track (Figure 2). The two-track strategy aimed to give participants opportunity to improve income generation through either self-employment (Microenterprise Track) or wage employment (Employment facilitation Track). The SEA-K microcredit scheme was retained and has become the track towards Microenterprise Development.

The main difference between the old SEA-K and the SLP SEA-K is the focus on capacity building of the later. Capital financing or asset support for microenterprise development can now be obtained from several sources. SEA-K is just one source and is regarded by DSWD as the “fund of last resort”. The LGU or other national government agencies also provides funding. DSWD also links beneficiaries to MFIs and other lending institutions or to donor agencies that can grant physical assets to SEA-K Associations or to the community. Beneficiaries may also use their own funds and participate only in the capacity building activities for microenterprise. This change has abolished the two-level SEA-K loan fund and provided for the opportunity to mainstream participants to the formal credit market.

However, the design of the SEA-K financing has remained unchanged. Loan is uncollateralized at zero interest rate. Access to the fund requires membership in SEA-K associations (SKAs), which are peer managed. The loan is channeled to the SKAs under a joint liability arrangement and SKAs are allowed to roll over the funds within two years for credit assistance to members (Table 2). The basic features of the fund that have changed are: (1) the increase in the maximum loan amount per beneficiary from P5,000 to P10,000; and (2) loan tenure was shortened to one year for the individual to provide an opportunity for the SKA to roll over collected funds for another year.

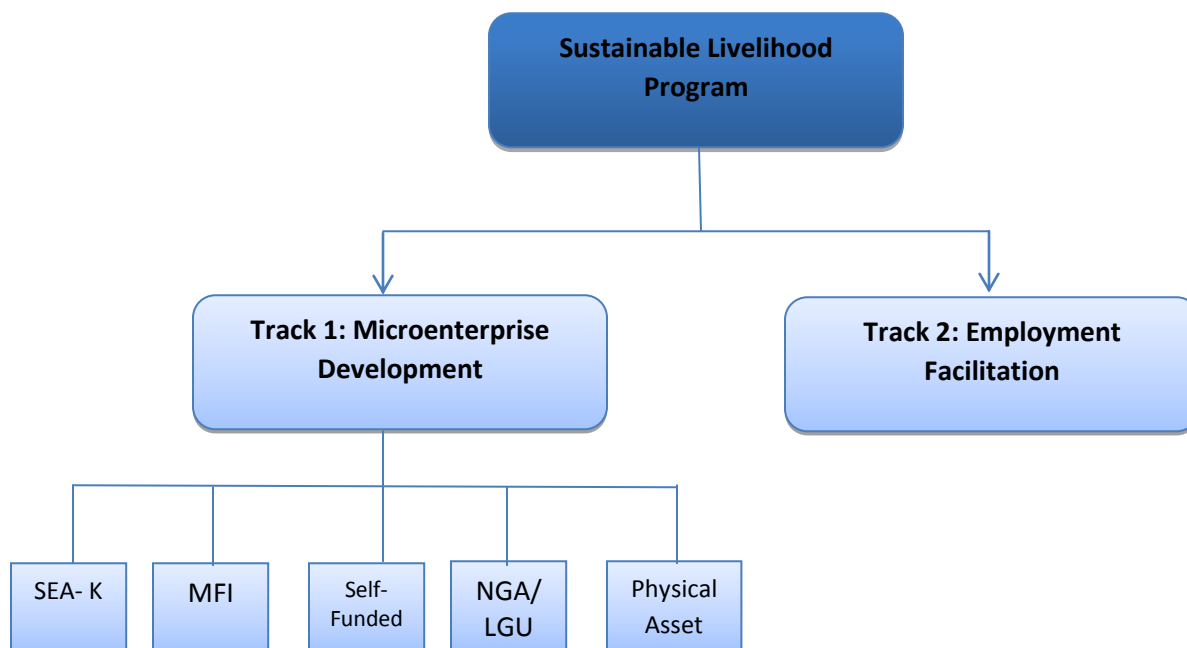


Figure 2. SLP Tracks and Microenterprise Fund Sources

Target Beneficiaries and Identification of Participants/Beneficiaries for Microenterprise

The Microenterprise SEA-K scheme targets beneficiaries who meet the following criteria:

- 1) Pantawid Pamilya Program beneficiaries or poor families identified through the (NHTS-PR), and other vulnerable or marginalized households not included in the NHTS- PR.
- 2) The participant should be at least 16 years of age.
- 3) Has limited or no access to formal credit facilities (micro-financing institutions, banks, cooperatives, formal lending investors, pawnshops, and other formally registered credit entities)
- 4) Preferably beneficiary of the Pantawid Pamilya Program for at least 2 years wherein the Social Welfare Development Index (SWDI) show a readiness for engagement in livelihoods.⁸ A family with SWDI of 1.83 or higher is qualified for microenterprise track but priority is given to families in the subsistence level or those with SWDI of 1.83 to 2.82. A concern raised on this criterion is that the readiness measures apply to families and not an assessment of the entrepreneurial ability of the participants.

The national target for the Microenterprise Track is determined annually at the DSWD central office based on fund availability. The different units of the Regional Program Management Office (RPMO) then conduct a consultation meeting to set the regional targets. Regional targets are based on the number of Pantawid beneficiaries in the provinces, the performance of the PDO and the situation of the area (e.g. peace and order, accessibility of barangays). The provincial targets are flexible and maybe change at the Regional level in case the provinces fall short of meeting its target. Redeployment of the PDOs within a region is practiced to meet regional targets.

The Provincial Coordinators, Staff from Planning Unit, Monitoring and Evaluation Unit and Management and Audit Unit, determine the targets for each PDO. Normally, 1 PDO has a caseload of 500 families. However, this ratio may change within a year usually due to limited number of PDOs and to increases in the number of CCT beneficiaries. As of June 2014, a total of 4.09 million families have been served by the Pantawid Pamilya Program and less than 400,000 families have been assisted through SLP (both Microenterprise and Employment Tracks) mostly for microenterprise.⁹

The members of the Municipal/City Action Team-Municipal/City Link, Kalahi-CIDSS and SLP work closely together in selecting the participants.

The process of selecting participants to the Microenterprise Track is as follows:

⁸ SWDI or Social Welfare Development Index is an assessment tool that describes the socio-economic conditions in a household/family and measures its level of functioning in terms of indicators of economic sufficiency and social adequacy. The SWDI is administered every year using data capture technology.

⁹ The total on Pantawid beneficiaries Includes the beneficiaries of MCCT or expanded CCT of about 2,000 families (DSWD Status Report, 2nd quarter 2014)

- The PDO secures a potential list of program participants for SLP implementation using the NHTS-PR data and/or Social Welfare Development Indicators (SWDI), General Intake Sheet (GIS) and Household Assessment Form (HAF). These data are provided periodically by the concerned DSWD offices to the SLP-RPMO for the latter to come up with a roster of target participants per municipality, following the SLP eligibility requirements. They request the master list of the beneficiaries from the Municipal/City link. The PDOs give priority to beneficiaries classified as under the subsistence level.
- Once the listing of potential participants has been completed, a process of validation shall be conducted by the PDO and LGU social worker/ livelihood worker, together with the ML and/ or Community Facilitator (CF), in coordination with key informants in the community, namely, the barangay officials, day care workers (DCW), barangay health workers (BHWs) and barangay sub-project management committee (BSPMC). The validation is undertaken to determine if the target participants are still living in the barangay and if the information related to their eligibility to the SLP are still valid.
- After validation of the potential program participants, the PDO facilitates the preparation of the final list of target participants and sets with the barangay chairperson the schedule for the Pantawid Pamilya Parent Leaders' assembly or a Community Assembly for non-Pantawid Pamilya beneficiaries.
- The barangay chairperson or his/ her designated barangay official shall convene the Assembly and the final list of target participants shall be presented during the assembly. This will be followed by a brief orientation about SLP. In general, PDOs presents both the Microenterprise and Employment Tracks. It is also possible that only the Microenterprise track is discussed specifically in cases when job opportunities under the Employment track are uncertain.

The Microenterprise orientation focuses on capacity building and skills enhancement activities. The sources of financing are also discussed. It is important to note that participation in the program is voluntary. Pre-qualified beneficiaries may choose not to participate.

- At the end of the assembly, an ad hoc team composed of at least three members coming from the Pantawid Pamilya Parent Leaders, BHW, DCW, Barangay Nutrition Scholar (BNS) and BSPMC is created either by election or voluntarily, to assist in the execution of succeeding activities. The PDO, LGU Social Worker/ Livelihood Worker and/ or ML/ Community Facilitator (CF) assist in the formation of the ad hoc team. The DSWD and LGU also consult with the Pantawid Pamilya Parent Leaders for scheduling of the activities for the next phase.

SLP SEA-K Delivery Mechanism

The Microenterprise track is executed based on a Community-Driven Enterprise Development (CDED) approach, which equips program participants to actively contribute to production and labor

markets by looking at available resources and accessible markets within the community.¹⁰ The CDED Approach promoted the Local Economic Development (LED) Strategy and Value Chain Production of each community.

The LED, as defined by World Bank, is a strategy that aims to build up the economic capacity of a local area to improve its economic future and the quality of life for all (DSWD Operations Manual). It involves a process whereby partners in public, business and non-governmental sectors work collectively to create better conditions for local economic growth and employment generation. This ensures that the micro-enterprises to be developed or funded are based on the LED strategy for each community.

A value chain, on the other hand, is “a sequence of production, processing and marketing activities where the product is passed through all activities of the chain in a certain order and, with each activity, the product gains value” (SLP Field Operations Manual). SLP SEA-K endeavors to create and develop value chain productions for its program participants. The goal is for community resources to be transformed into products and services and linked to local and national markets through extensive networks of partnerships in both public and private sector.

To implement the CDED strategy, the DSWD provides social, business and financial interventions that are delivered in four stages as follows:

a) Stage I: Pre-Implementation

This stage covers the following: (1) identifying target program participants (discussed above); (2) engagement of the LGUs to get their full commitment and support for the success of the program; and (3) partnership with other stakeholders that can complement the initiatives of the DSWD SLP.

The engagement with LGUs is covered by a Memorandum of Agreement (MOA) or Memorandum of Understanding (MOU) between the DSWD Field Offices and the Municipal/City Local Government Unit (M/CLGU). The MOA/MOU specifies the roles and responsibilities of both parties before, during and after program implementation. The field PDOs takes full responsibility in engaging with M/CLGUs, working in close coordination with other members of the Municipal/City Action Team (M/CAT) and conducting participatory planning activities with program partners.

The prescribed timeline for this stage is one (1) month. At this stage the PDO and/ or LGU Livelihood Worker orients the participants about the program and the social preparation and trainings which the participants have to complete. It is also in this Stage that participants form groups or SKAs. Groupings are commonly by barangay or district to improve association of families within the community and to facilitate interaction among members. The Pantawid parent leader plays a major role in identifying group members and in selecting individuals to a group. Minimum group size is 5 and there is no limit on the size of SKAs.¹¹ Two or more SKAs may also join together for an enterprise project. This federation of SKA s is also encouraged by the program.

¹⁰ CDED approach was based on study done by PinoyMe foundation (2009) which recommended the shift in government role from credit provider to that of a market enabler.

¹¹ Initially, the program set maximum size of 30 for a SKA but this was repealed. Bigger sized SKAs can divide into subgroups with own sets of officers.

During the orientation, PDOs are advised not to mention any funding assistance from DSWD. The reason is two-fold: first, to ensure that the intervention of DSWD is focused on capacity building rather than credit assistance; second, to ensure that the decision of the target beneficiary will not be influenced by the existence of the SEA-K fund but by the desire to engage in entrepreneurship as a possible solution to address poverty situation. However, based on PDO experience this requirement is difficult to implement since sources of financing for enterprise development is a key feature of the Microenterprise Track. The PDOs are aware that the availability of uncollateralized, zero interest fund through SEA-K can attract the Pantawid families to participate in the microenterprise scheme.

b) Stage II: Social Preparation

This stage provides an avenue for participants to: (1) understand their current situation and envision the future for their family and for themselves; (2) create a general strategy on how to realize their vision, mission and goals in life; and (3) imbibe the values of cooperation and accountability; savings to mitigate internal and external shocks, and time management for priority setting.

The main activities includes self-mastery and participatory livelihood analysis, which are intended to be completed in approximately 2 months. Participants proceed to the capacity-building stage based on endorsement by PDOs. Any issues on participation at this stage are endorsed to M/C Link for case management.

o *Self-Mastery*

Activity	Key Output
Self-Awareness	<ul style="list-style-type: none"> - Individual Households' Vision, Mission, Goals (VMG) - Skills Inventory
Time Management	<ul style="list-style-type: none"> - One week work plan per household formulated with more time allotted to non-productive work
Financial Literacy	<ul style="list-style-type: none"> - Actual savings generation activity with clear rules and accountabilities

o *Participatory Livelihood Issue Analysis*

Activity	Key Output
Environment Scanning	Understanding of the beneficiaries' current situation and identification of resources and opportunities: <ul style="list-style-type: none"> - Available and lacking resources for livelihood opportunities - Potential Enterprises/Livelihood using the available resources - Risks associated with resources - Ways and means that they would do to cope with and recover from stresses and shocks

Value Chain Analysis	Identification of at least three existing products and services in the community that have a steady supply of resources and an accessible market demand
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c) Stage III: Capacity Building

Capacity Building for Microenterprise Development involves skills/technical training of program participants on sustainable micro-entrepreneurship. It is undertaken in two phases and expected to be completed within two months. The phases are:

- Training Phase = provides for (1) Basic Microenterprise Management Training (BMMT) and (2) Technical/Vocational Training. BMMT refers to capacity building on basic entrepreneurial skills training (e.g. microentrepreneurship, business proposal preparation). PDOs are usually the main resource person for the training. On the other hand, Technical/Vocational Training refers to capacity building on specific livelihoods (e.g. Bangus or Tilapia Farming). These skills are usually taught by partner NGAs (e.g. TESDA, DA, DTI, DOST), MFIs and CSOs.¹²
- Preparation Phase = the program participants prepare for their respective project proposals for a prospective microenterprise. Enterprise may be for individual enterprise or group enterprise or a combination of group and individual projects. In case of combined projects, the SKA members agree on the amount, which each member will contribute for the group enterprise. Group enterprise is encouraged under SEA-K. One reason is for the members to pool their funds and other resources to enable them to engage in viable enterprises. Another reason is to build up values of cooperation and community development. However, most beneficiaries prefer individual projects. The choice on the type of enterprise is a decided upon by the beneficiary. PDOs mainly assist participants to prepare their project proposals.

d) Stage IV: Resource Mobilization and Access to SEA-K Funds

This stage is comprised of activities that direct the participants' to the start of their chosen livelihood through the provision of resources, whether financial or non-financial. The stage assumes that the participants are already capable of starting their enterprises but lack some necessary resources for them to do so.

The PDO and LGU Livelihood Worker collect and evaluate the project proposals of microenterprise and refer participants to access financial or non-financial assistance from external institutions. Note that the approval process for non-SEA-K funding is undertaken by the external funding agencies themselves.

Approval of projects for SEA-K funding is done by DSWD. Funds are channeled through SKAs which have been organized by the PDO and LGU Livelihood Worker under Stage 1. Each SKA has to undergo training on organizational and credit management and on SEA-K policies and procedures. The SKA is not a legal entity but is registered under DSWD. It has a set of officers consisting of a President, Treasurer

¹² Technical/vocational training is also given to beneficiaries of the Employment Track

and Secretary, which are elected by the group. Because all SKAs are intended to serve as credit and savings facility of members, they are required to adopt rules and guidelines on loan repayment, savings and operational funding. Box 1 provides the general guidelines which SKAs can adopt for capital build-up.

Box 1. General Guidelines for Capital Build-up of SKAs

The savings of each member consist of the capital build-up (CBU) and emergency fund (EMF). The CBU is equivalent to at least 50% of the weekly principal payment of the member while the amount of EMF is decided upon by the members. The savings of each member is collected at least during every period of repayment of the loan principal.

The CBU is intended as loan fund of the SKA which can be used to support the financing needs of members or non-members who may want to avail of credit assistance. Using the CBU for lending will provide earnings to the capital invested by each member and improve their access to financing.

The EMF is a welfare fund to support members who may be faced with crisis and family emergencies, like deaths, serious illnesses or accidents. The SKAs may also use their EMF collections as payment of premium for micro-insurance and/ or social insurance services provided by the government (e.g. SSS and PhilHealth) for the members.

To ensure availability of funds for the SKAs' essential operating or overhead expenses, the members contribute an operational fund (OF) equivalent to 10% of their weekly payment.

Source: DSWD (2013). Sustainable Livelihood Program Field Operations Manual

Figure 3 shows the approval process for DSWD SEA-K funding. The beneficiary assisted by the PDO prepares a business proposal during the Business Development Session. The beneficiary is guided by a template called the "Hilaw na Sangkap", a menu for the materials needed in the business. The menu consists of the list of the items, the quantity, price per item and total price. From the list, an estimate of the amount needed to start the proposed business is provided.

Upon submission of a business proposal, the PDO consults with the SEA-K Unit Head and SKA President or officers to evaluate the proposal and the amount requested. In particular, the beneficiary's capacity to pay and type of project are major criteria in determining the amount of funding. Loan amounts may, thus, differ among beneficiaries.

Once the amount of funding for each beneficiary has been determined, the PDO prepares the mother proposal of the SKA which provides the total amount of approved funding requested by the SKA supported by the list of proposals of each member. The mother proposal also includes basic information about the members and the SKA and other documentation required for the release of funds (see Box 2).

The mother proposal is submitted to the Barangay for review before it is forwarded to the Regional Project Management Office (RPMO) or DSWD Central Office for final approval.¹³

An orientation with the beneficiaries is conducted before the release of the checks. The Mayor usually awards the capital assistance to the SKA, which is represented by the President, Secretary and Treasurer. The check is deposited to the bank and the cash can be withdrawn after 5 days by the President and Treasurer. The PDO provides a schedule to the SKAs on when the funds can be withdrawn and distributed to members. The approved amount for each beneficiary is given by the President and Treasurer in the presence of the PDO and LGU livelihood worker and each beneficiary signs an acknowledgement receipt for the C/ MSWDO, PDO II, and the SKA. SKAs with group livelihood projects are not allowed to distribute funds to individual members. The PDO or the LGU counterpart conducts a Loan Utilization Check one week after the release of funds to determine if the capital assistance was used for its purpose.

The repayment period [to DSWD] of the SEA-K funds is two years from receipt of the loan but the loan maturity for each beneficiary is only for one year. This repayment scheme provides the SKA an opportunity to roll over funds. Rules and regulations are set by the SKAs on loan repayment prior to loan utilization. These are patterned from the DSWD guidelines and agreed upon by all the members. Repayment schedules are flexible and maybe done on a weekly, month or quarterly basis. SKAs may also impose sanctions or penalties for non-payments and delayed payments.

Most SKAs hold weekly or monthly meetings, which also corresponds to their repayment schedules. The group meetings enable the SKA Treasurer to collect payments and the members to exchange experiences. The SKA Treasurer deposits to the SKA bank account the principal payments, CBU and EMF. The OF is held by the Treasurer as petty cash but more often this amount is collected only as the need for it arises (e.g. transportation allowance to deposit payment and meetings with DSWD and LGUs). The SKA Treasurer and the SKA President are authorized to withdraw from the SKA account the principal payments to be deposited to the DSWD Regional SEA-RSF account. The SKA Treasurer submits copies of deposit slips as proof of payment/ deposit. To ensure effective monitoring of the repayment schedule and status of the loans, the SKA Secretary keeps a ledger of the overall transactions of the SKA. The individual members are also required to keep a ledger to track their individual remittance to SKA. The SKAs submits to DSWD their ledger and deposit slip.

In cases of defaulters or failure of an officer to transmit payments of members to DSWD, the SKA members inform the PDOs and the PDOs hold a case conference with the concerned member. Based on DSWD guidelines, the SKA or beneficiaries in default may be excluded from future programs of DSWD. This guideline provides an incentive for members to repay their loans and prevent anomalous transactions of SKA officers.

¹³ Projects charged to the DSWD Regional SEA Revolving and Settlement Fund (DSWD SEA-RSF) are approved at the regional level while projects funded through the Livelihood GAA are approved at the DSWD Central Office.

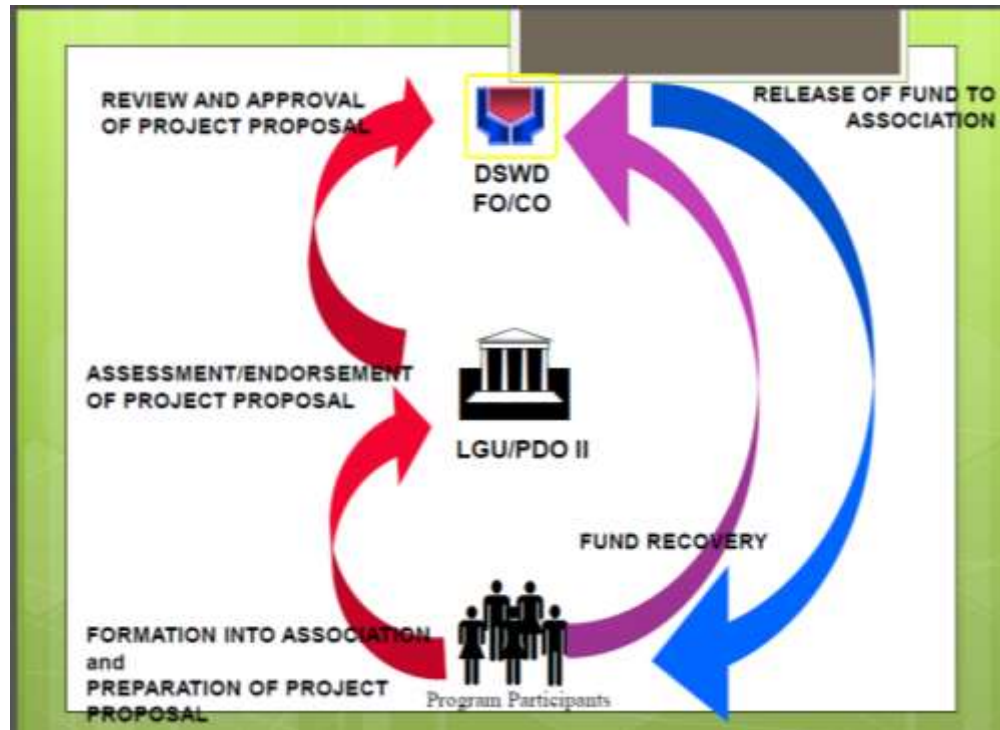


Figure 3. SEA-K Scheme Process Flow

Source: Estravilla-Cabelin, C. (2014). SEA-K Program Orientation

Box 2. Required Information and Documents in the Approval of SKA Mother Proposal

The SKA/SKG mother proposal should contain the identifying information/data of the SKA/SKG which include the following:

- Name and address of SKA/SKG
- Number of members,
- Date organized
- Amount of requested Capital Seed Fund (CSF)
- Savings Account and the name of the bank
- Project description
- Project composition
- Savings mobilization strategy
- Projected cash flow
- Release and rollback of CSF,
- Recommendations of the field PDOs

The proposal should be supported with documents such as pictures of members, duly signed constitution and by-laws, photocopy of SKA/SKG bank account, amortization schedule, certificate of eligibility, project summary profile of members and promissory note.

Source: DSWD (2014). Memorandum Circular No. 11, Series of 2014

Monitoring and Sustainability

SLP provides for the conduct of monitoring, reporting and evaluation of different activities of the Microenterprise track specifically the management and sustainability of enterprises funded, assessment of the SKA operations, their growth and their capacity to be mainstreamed to institutional markets and formal lending institutions.

Mainstreaming is a major outcome of SLP SEA-K. Established SKAs need to be linked with formal lending institutions and/or institutional markets which include commercial banks, non-bank financial institutions, insurance companies and non-government organizations. Mainstreaming of SKAs is necessary to help the participants create and increase economic opportunities by having access to additional and bigger capital assistance, generate opportunities to build assets, increase their production and expand their market. The DSWD has provided indicators to determine successful SKAs and enterprises that can be mainstreamed to the formal market (Box 3). These indicators perhaps can be used to assess the potential sustainability of the SKAs. Part of the outcomes of SEA-K is to graduate SKAs into self-sustaining credit facility institutions. Thus, the program envisions these SKAs to become recognized legal organizations registered with SEC or CDA in the medium-term.

The LGU Livelihood Worker is expected to attend the SKAs' weekly meetings and assemblies during the first year of operations and at least twice a month thereafter. However, due to heavy workload, monitoring is done on a case to case basis. Problematic SKAs and members are usually prioritized.

Moreover, the PDOs cannot monitor the members individually. Their review is limited to the SKA Ledgers and Passbooks to check if the SKAs are paying the right amount and are doing so on time. Monitoring individual projects is based mainly on information provided by SKA Officers and LGU counterpart.

Box 3. Indicators for Readiness of SKAs or Enterprise to be Mainstreamed

- A sound financial portfolio.
- The SKAs'/households' financial management system and control mechanisms are intact, lending activity is extended to the community successfully, clear operational policies on the utilization of association funds are strictly followed, existence of a financial staff, etc.
- Organizationally stable, transparent and exhibiting good governance.
- The SKAs have already established organizational structures with clear roles, functions and accountability from its officers to its members. There should be a clear sustainability plan where the SKA's Vision, Mission and Goals (VMG) are translated into medium-term and long term business plans and they have been accredited as a formal and legal organization doing business (e.g. SEC, CDA, Bureau of Rural Worker-DOLE, DTI, with business permit, etc.). To influence local policy to support their livelihood and enterprise development, part of the long-term plan of the SKA is representation to the local special bodies (regional, provincial, city/ municipal or barangay).

- Expansion and stability through a formal engagement with the private sector, either locally or globally, as market of their products or trade partner.

Some of the tangible manifestations that the business activities of the SKAs are growing and have reached sustainability are: a) SKAs are already acting as wholesaler or product consolidator and/ or as a formal credit facility in the community and b) SKAs have successfully merged or federated in response to market demand

V. SLP SEA-K Program Utilization

Accomplishment vs Targets

Between 2011 and July 2014, the SLP has served over 328,989 Pantawid beneficiaries for both microenterprise development and employment facilitation (Table 3). SLP targets at least 30% of Pantawid beneficiaries for wage employment and 70% for Microenterprise Track. Employment facilitation is a co-shared responsibility of DSWD with other government agencies- DPWH, DOLE, LGUs. The targets are made in consideration of availability of local jobs. This target is also based on the assumption that the poor specifically agriculture-based households would prefer self-employed activities due to seasonality in agriculture. The Microenterprise Track allows families to engage in home-based enterprises that can be carried out on a flexible time schedule conducive for family members specifically women who are the main participants or representatives of Pantawid.

Of the families served under SLP, the Microenterprise track accounts for 98% of accomplishment. Only 2% of the Pantawid beneficiaries were served through employment in both public and private agencies.¹⁴ Performance on employment facilitation track is based on actual job placement, that is, the beneficiary should have been provided jobs defined as 3-month employment contract at minimum wage. The requirement specifically on minimum wage excludes Pantawid beneficiaries hired as contractual workers (e.g. LGU) but receive wages below the regional minimum wage.¹⁵ Another constrain is job location. There were Pantawid beneficiaries that were qualified for jobs but did not accept since wages were not adequate to cover the daily commute from residence to workplace.

The shortfall in Employment Facilitation track has been compensated by the performance on microenterprise development. Overall, the Microenterprise track showed an accomplishment rate of 106% over target for the period in review (Table 4). However, on a regional basis, some regions underperformed, in particular Regions IV-A, VIII and XI, which accomplished less than 50% of targets for the period. Region VIII is among the regions with the highest number of Pantawid beneficiaries and SLP

¹⁴ The Employment Track performance does not include non-Pantawid beneficiaries which represents about 60% of total beneficiaries under this Track. It is possible that the non-Pantawid families are prioritized since they are not included in the CCT program. The non-Pantawid families are those identified as poor and marginalized under NHTS but are not qualified for the CCT (e.g. no school age children) or have yet to be identified for the CCT program (e.g. no school age children).

¹⁵ DSWD mentioned that these contractual jobs would already be counted as outputs for the Employment Track in the next performance updates of SLP.

beneficiaries but the Region has achieved less than half of target. One reason for low performance is the insufficiency in human resource complement. Increases in regional targets may not be attuned to the number of Project Development Officers (PDO) since the hiring and training processes for PDOs take time. The ratio of the number of beneficiaries to PDO has increased overtime from about 300 beneficiaries per PDO in 2011 to 535 and lately to 1,000. The downside of setting PDO performance with number of participants is that the beneficiary selection process becomes target driven and the quality of service delivery may be compromised.

Another reason is that some Pantawid beneficiaries refuse to participate in the Microenterprise Track and would prefer the employment track. Others, were not interested in either Tracks of SLP.

On the other hand, other regions over-performed with Regions 1, 2 and CARAGA having accomplishment rates about twice the national average.

SEA-K has been the main source of capital fund for microenterprises of Pantawid beneficiaries (Table 5). About 13% of beneficiaries were funded by MFIs while (17%) opted for self-funding. Self-funded beneficiaries participate in the training programs and have the option not to join SKAs. There are SKAs with group projects that are supported by DSWD with physical assets instead of direct financing.

However, dependence on SEA-K funds vary across regions. In nine of the 17 regions, more than 70% of the beneficiaries obtained funding from SEA-K. In ARMM, 100% of beneficiaries obtained microenterprise funding through SEA-K.¹⁶ NCR, Regions II and XI also showed high dependence on SEA-K funds with more than 90% of beneficiaries funded through program. NCR is quite surprising since many MFIs operate within the region. Some of the beneficiary families in NCR and also other regions had disclosed that they have access to MFIs or cooperatives/associations (e.g. employees, market vendors) that provides credit assistance.

On the other hand, SEA-K funds is not the main fund source for Regions 1, 9 and CARAGA where most beneficiaries are either self-funded or have obtained loans from MFIs.

Fund Delivery Mechanism

SLP SEA-K has been promoted as a capacity building program where focus are on values formation, technical skills and entrepreneurial training with SEA-K funding as a one-time capital fund. However, SLP SEA-K has been perceived by beneficiaries and implemented primarily as a redesigned version of the old SEA-K loan fund. This observation is based on the following: (1) the manner of beneficiary selection or participation in the fund; (2) the organization of SKAs and the joint liability requirement to access SEA-K fund; and (3) the type of enterprise and capacity to pay of family as basis for loan amount. Moreover, the performance of SEA-K is measured mainly in terms of number of beneficiaries served or mobilized

¹⁶ A reason mentioned is the lack of MFIs operating in the area.

(i.e., outreach) and repayment while the status of enterprises funded (including those group enterprises) as well as SKA organizational performance is rarely monitored.¹⁷

Beneficiary access to SEA-K fund is voluntary. PDOs pre-qualifies a Pantawid family based on minimum requirements on age, access to MFIs, and SWDI of households. The SWDI is based on the DSWD CCT Program where Pantawid beneficiaries are assessed on changes in their socioeconomic status overtime. The index which consists of several indicators classifies Pantawid beneficiaries into three categories: survival, subsistence and self-sufficient households. As of 2014, the updated results of the SWDI on 3 million Pantawid beneficiaries show that about 75% are classified as subsistence households; 23% survival and only less than 1% can be considered self-sufficient. The 75% or 2.3 Million families are the target beneficiaries of SLP for Microenterprise or Employment facilitation.¹⁸

The pre-qualified beneficiary then decides whether to participate or not in microenterprise and whether to obtain funding from SEA-K. To access the SEA-K fund, the beneficiary has to complete the social preparation and trainings and be a member of a SKA.

SEA-K funds are approved and released through the SKA. Although projects and loans maybe individualized, the release of funds, loan repayment and monitoring are channeled through the associations and the members are jointly liable in repaying the loan of each member. The DSWD only monitors the repayment record of SKAs, and not those of individuals.

The maximum loan amount for a SKA is the combined amount of all individual loans. Currently, the maximum loan per beneficiary is pegged at PHP 10,000; hence, a SKA with 15 members has a maximum loan ceiling [maximum capital fund] of PHP 150,000.

The amount of a loan per individual may vary based on the agreement of members as concurred by the PDOs in consultation with LGU counterparts, SKA officers and parent leaders. It appears that the method to determine the loan amount per individual varies by region or SKAs. In some regions, the general rule is that each beneficiary receives the maximum loan amount which is P10,000 per individual and this rule is applied to most if not all SKAs. In other regions, the maximum loan amount is only indicative of the loan that a beneficiary will receive. The amount can be lower than P10,000. This difference in method is reflected in the regional average loan per SKAs. For instance, the average amount received by SKAs in Region III is only P5,000 per beneficiary while about P10,000 in Region 8 (Table 6). This difference in loan amount is due to other criteria applied by the PDOs in the approval of loan amount per individual. The criteria are: (1) type of enterprise and (2) capacity to pay of the beneficiary. Thus, it is possible for a rice retailer to receive higher loan amount than a street vendor. Likewise, individuals with the same enterprise e.g. sari-sari store can be granted different loan amounts.

In particular, capacity to pay is usually based on income sources and debt status of families. Assessment based on debt status can be loosely implemented because of several reasons: (1) the unreliability or absence of public information on the debt status of beneficiaries; (2) the lack of

¹⁷ SKA organizational performance is measured in terms of repayment. They are considered active as long as payments are remitted irrespective of whether the agreed schedule of payments and amount based on amortization schedule is followed.

¹⁸ Pantawid beneficiaries are assessed annually on changes in their socioeconomic status overtime using the SWDI indicators. The SWDI methodology is currently being enhanced to adequately capture the socioeconomic progress of the Pantawid beneficiaries.

capability or training of PDOs to act as credit investigators or account officers; and (3) the trade-off between meeting a target number of beneficiaries and doing credit investigations, which will result in fewer eligible beneficiaries.

The PDOs after consultation with LGU and SKA officers or parent leaders recommend to the Provincial and Regional DSWD office the maximum loan amount per individual and per SKA. In most cases, the recommendation of the field PDOs is approved by the Provincial and Regional heads. Thus, PDOs become de facto account officers. Since credit investigations are not strictly done, the PDOs are unable to sort out clients in terms of risk levels.

Microenterprises Funded and Typologies of SEA-K Beneficiaries

All beneficiaries go through basic microenterprise training and local market assessment intended to guide them on choice of enterprise. PDOs cannot dictate the type of enterprise to the beneficiary. The decision lies with the beneficiary.

The bulk of enterprises funded under SLP SEA-K are in services sector predominantly (38%) on retail trade (including direct selling; ambulant selling) and sari-sari store (Table 7). The other dominant activity is agriculture mainly backyard livestock raising and small scale farming (38%). Beneficiaries also prefer Individual enterprise over group projects. Overall, 99% of SEA-K beneficiaries have individual enterprises (Table 8).

Beneficiaries tend to choose enterprises based on their lifestyles, ease of entry and exit, familiarity, social network, ambition and less on the market potential or growth of the enterprise. Thus, small scale trading, sari-sari stores, home-based activities, agriculture production are popular. In particular, family livelihood history (or experience) and ease of entry and exit also explain why within barangays or localities, specific sectors or industry tend to dominate (e.g. hog raising in Eastern Samar; seaweed farming in Palawan) (Figure 4).

Household vulnerabilities indicated by family size, dependency ratio, diversity of income sources have also dictated the utilization of capital fund and on how beneficiaries organize enterprises. More vulnerable families would use SEA-K funds for both household consumption and livelihood activities. These families are more concerned with turnover and daily income rather than savings or growth of enterprise. Credit is more often used for coping with crisis and thus, those vulnerable families would have difficulty with repayment.

Less vulnerable families engage in small scale enterprises which are also a secondary (or even tertiary) source of income. However, not all can be considered non-entrepreneurial. Some beneficiaries are attracted to activities or investments with considerations of profitability and growth. These beneficiaries may already have an existing enterprise or with a new enterprise but are opportunity driven, and thus, will avail themselves of those capital funds. It is possible that new enterprises may be discontinued after a year or less but this does not imply failure of intervention since the beneficiary generated savings to take advantage of another business opportunity for higher profitability or better

management of risks. This type of micro-entrepreneurs is better able to understand the vagaries of the market and to use credit to start or develop an existing enterprise.

Typology of SKAs

The SKAs formed through SEA-K can be classified into types based on repayment performance and potential for sustainability (Figure 5). Quadrant 1, represents a type of SKA with high repayment performance but low potential for sustainability. This SKA consists of members with individualized projects. While the main motivation of members to join SKA is to avail of SEA-K funds, the SKA officers are active in keeping the members informed and in encouraging support among families. The officers are also driven to have a good repayment record to be able to avail of other support or programs from DSWD. While some members have difficulties in repayment due to household emergencies, the capital build-up (savings and emergency funds) helped the SKA members with repayment during crisis. The SKA fully paid its loan within two years. However, since the SKA has no shared goals beyond access to SEA-K funds, the SKA has become inactive after the loan has been fully paid. Members withdrew their savings and meetings are only conducted if requested by the PDO.

Another type of SKA (Quadrant II) is represented by associations that have weak leadership and unable to develop or sustain cooperation among members. Like the first type, enterprises are individualized and the motivation for membership is to avail of the SEA-K fund. Two to three months after receipt of funds, most members failed to attend meetings and this has not changed over the years. The agenda for meetings is mainly to collect payments and capital shares. While payments were good in the initial months (one to two months after loan release), the capital contributions and operational fund have not been complied with even in the initial weeks. A few members have made capital contribution at the start but later also stopped payment.

Quadrant III and IV represent SKAs that have potential for sustainability. This is reflected in the SKAs continued capital build-up (savings and operational fund) even after full payment of SEA-K loan (as in the case of Quadrant IV); regular meetings and active participation of members in the activities of the SKA. The SKAs' group project and shared goals to have a viable enterprise or to develop a credit facility where earnings return to members through patronage refund have strengthened cooperation and partnership for these SKAs. In Quadrant III, the SKA's lower repayment is due to inception period in the organization of group enterprise. The SKA has also to finalize guidelines for profit sharing thus income realized from the project has yet to be distributed.

The other laudable but elusive objective of SEA-K is the development of self-sufficient community-based cooperatives, credit or multipurpose cooperatives. SLP SEA-K channels microcredit through SKAs and encourages group projects among beneficiaries. Group projects could address the issue of capital constraint facing individual projects. Also many beneficiaries are agriculture-based and forming SKAs can initiate development of farmers' enterprises or multipurpose cooperatives.

The poor can use the cooperative approach in running business. Combining the capital and labor resources of similarly situated households boost the chances of the poor to create wealth and allow them to be competitive and engage in viable enterprises. In many countries, cooperatives arise in areas

such as agriculture, women and youth, social care, housing, technology etc. It has existed as a development approach for poverty alleviation for decades. In the Philippines, this has been adopted as a scheme since the 1970s and continues to be encouraged in government programs.

An identified “success story” of SKAs that have transformed into a multipurpose cooperative is the Taytay SEA-K Multi-Purpose Cooperative (TSK MPC).¹⁹ (see Box 4). The TSK MPC was created by members from different SEA-K SKAs (both from the old SEA-K and SLP SEA-k). It is now recognized as a legal entity having been registered as a multi-purpose cooperative with the SEC and CDA. The skill and dedication of the provincial PDOs in conducting participatory livelihood training and linking SKAs to concerned government agencies including bringing in the LGU to actively participate in the activities created a convergence of efforts that assisted in the organization of cooperative, improvements in productivity of cashew farmers and establishment of market linkages (both input and output markets). The support from several government agencies in terms of assets, grants, technical training and market linking has strengthened the resolve of officers and members to efficiently run their cooperative. Continuing support for TSK MPC is provided by the LGUs and NGAs to enable TSK MPC to be self-sufficient. This strong support coming from several sectors of government has created optimism among members that government is serious in assisting them and that cashew through cooperative efforts can be a way out of poverty.

SKAs can transform themselves into functioning cooperatives. Whether they can move to self-sufficiency is yet to be demonstrated. We can only say that the major ingredients in developing functioning cooperatives that is observed in the case studies are: continuous capital build-up and leadership; clear support of key government sectors to make the cooperative work and the project viable. The skill and dedication of PDOs as development agents is critical to startup the cooperation of target families and convergence among several agencies. The potential toward sustainability and what other factors to consider to transform SKAs and to move them to self-sufficiency requires further study. Studies in other countries show that high administrative costs, dependence on subsidies, professionalism in management remains critical in the success of this approach (Sumelius, et al 2013).

¹⁹ The authors learned of TSKMPC in the key informant interviews conducted with the PDOs. Unfortunately, this was not included in the list of case studies since the beneficiaries are mostly SKAs formed from the previous SEA-K program. Thus, an in-depth interview of officers and members was not carried out. We present the case here based on written reports and interview with the Provincial PDO.

Figure 4. Typology of Beneficiaries

Repayment Rate	SEA-K Capital Utilization	
	< 100%	100%
	LOW	<ul style="list-style-type: none"> • High dependency ratio • No stable/seasonal income source/low wages • High indebtedness (MFIs and /or informal) • SEA-K enterprise not existing
GOOD	<ul style="list-style-type: none"> • Low # of dependents • With stable income source • Diversified income source (farm and non-farm) • Enterprise existing or not existing • With access to MFIs 	<ul style="list-style-type: none"> • Low # of dependent • With stable and regular employment • Diversified income source (farm and non-farm) • Enterprise existing or capital/savings reinvested • With access to MFIs

Source: Case Studies of Selected Beneficiaries in: Pasig; Taytay, Palawan; Catarman, Northern Samar; Lanao del Norte

Figure 5. Typology of SKAs

Potential for SUSTAINABILITY	Level of Repayment (Collection Efficiency Rate)	
	LOW (below 60%)	GOOD (at least 80%)
	LOW	<ul style="list-style-type: none"> Individual Projects No regular meetings (inactive) No CBU/EFBU/OEFBU No shared goals
HIGH	<ul style="list-style-type: none"> SKA with Group Project Regular meetings (active even post repayment) With CBU/EFBU/OEFBU Shared group responsibility Repayment from other sources; capital build-up as initial focus 	<ul style="list-style-type: none"> SKA with Group Project Regular meetings (active even post repayment) With CBU/EFBU/OEFBU Engage in service enterprise Motivation --Group fund use for lending to members (interest lower at 12% compared to 20-24% MFIs)

Source: Case Studies of Selected SKAs in: Pasig; Taytay, Palawan; Catarman, Northern Samar; Lanao del Norte

Box 4. Success story: TSK MPC

- Taytay Sea-K Multi-Purpose Cooperative (TSKMPC) (Taytay, Palawan)

Implementation of the SLP started in early 2012 for Palawan with the social preparation activities for beneficiaries. In October 2012, the DSWD-SLP Project Development Officer (PDO) gathered around 30 Pantawid

beneficiaries to conduct the participatory livelihood issue analysis (PLIA). The process involved discussions and mapping of resources of families and the community, determining production volume, production problems, harvesting, pricing, and others. The PDO met the group several times to generate and discuss relevant information and clarify their understanding of each problem faced in farming and cashew production. Other PDOs of Palawan also conducted the PLIA process for other groups of beneficiaries in the municipality.

By consolidating the initial results of the PLIAs of different groups, the PDOs with the Region IV-B Cluster Coordinator met to discuss and formulate a tentative plan for livelihood development of Taytay families. The discussions included possible interventions to facilitate increase in income from farming and cashew production. The tentative plan for livelihood included the following components: (a) value adding for cashew through processing trainings; (b) establishment of a common service facility (CSF) that can serve as a group production area for improved cashew products. The plan identified assistance that would come from other agencies aside from DSWD.

The tentative plan was presented to the groups of families who agreed to take the following direction for cashew production: (a) access training to improve productivity of their farms, (b) learn how to process cashew nuts to improve finished product quality so these would be better than what are currently sold in the local stores, and (c) make a proposal for the establishment of a common production facility. The PDOs finalize the plan and initiated implementation of the plan as follows:

- Meetings with potential partners to firm up details of the plan for skills trainings and these included the regional offices of the Department of Agriculture (DA) that involved the Palawan Research and Experiment Station (PRES) for farm production technologies and the Department of Science and Technology (DOST) for cashew processing technologies.
- The DA scheduled the training on cashew farming for 99 farmers and committed to provide cashew tree seedlings for planting and decorticating tools to help in extract the nuts from the flesh of the cashew fruit. The five-day training was conducted in June 2013.
- The DOST committed to provide a grant for the purchase of cooking and storing equipment to be used in the processing facility, while DSWD's support was to provide funds for the series of trainings was around Php148,800.
- Meeting with the Mayor of Taytay, for establishment of a CSF for cashew producers. The LGU assigned an unused LGU-owned building that can be used as a production facility.
- Development of a proposal for the establishment of the CSF with member of the Municipal Inter Agency Committee members providing inputs on design and specifications. This was reviewed by the partner representatives from the DA-PRES, DOST and the DSWD Regional PMO for SLP.

As the CSF project begins to take shape, the PDO met the SEA_K groups to discuss the management and operation of the facility. The members suggested the existing Taytay SEA-K Association to be transformed into a cooperative. The PDO assisted by the Taytay Cooperative Development Officer (CDO), the MSWDO and the Federation Officer of the SEA-K in Taytay discussed with members the requirements of establishing a cooperative. A pre-membership seminar was conducted in May 20, 2013 involving some 145 members of the SEA-K Association. Thirty-five of them became the cooperators of the Article of Cooperation.

The team of mobilizers (PDOs and LGU counterparts with CDA) guided the cooperators to develop the policies needed for cooperative operations. By June 10, 2013, the Cooperative's articles of incorporation were adopted and in September 6, 2013, the Taytay SEA-Kaunlaran Multi-Purpose Cooperative (TSK MPC) was registered with 110 members, 83 women and 27 men (total includes the cooperators). Its members paid-up share capital reached Php321,600 with total assets of Php453,100 as recorded in its balance sheet in July 5, 2013. The shares came from savings pooled by members when they were part of the SEA-K Association implementing their

income-generating projects. The Cooperative mission is to help members and provide financial assistance, basic commodities and other services for food security, education and to institutionalize cooperation for improving social and economic status of its members.

The Taytay Sangguniang Bayan approved the counterpart budget for the establishment of the CSF for cashew in the amount of Php500,000. The CSF proposal developed by DSWD PDOs facilitated the approval of Php150,000 worth of additional equipment for the CSF. The DA also provided an initial 65 units of decorticator tools and cashew seedlings to be distributed to Pantawid farmers. The recipient families were trained in the use of these tools to extract the nut from the flesh of cashew fruits. The CSF started production in September 2013. For its production needs, the CSF was buying cashew nuts at a price higher than the local price (P190/kg vs local buyers price of P170/kg). By October 2013, additional equipment such as digital ph meter, dial thermometer, chest freezer, refrigerator, etc were donated by the DOST. The Provincial Department of Trade and Industry provided technical assistance on packaging and labelling.

On the first month of operations, sales for cashew products reached a gross of about Php75,000 mainly from purchases of local residents and local/foreign tourists. This encouraged the cooperative to move operations to full scale. Eventually, the Cooperative management deliver cashew products to local inns and lodging houses on consignment basis. In addition, two (2) outlet stores were also established; one in the Taytay Poblacion transport terminals that ferry passengers from Puerto Princesa City to El Nido and another in the El Nido transport terminal for passengers going back to the city. With these active marketing activities, the sales reached about Php42,000 to Php50,000 per week, the peak sales occurring from December to May.

The Taytay SEA-K Multi Purpose Cooperative can be considered a successful example of DSWD development role in linking and mobilizing government resources and poor community partnership for livelihood development. The LGU and the NGA assistance made the Pantawid beneficiaries believe that “government is working to address the issues of poverty.” Members of the cooperative are now looking into cashew as a key product to help them out of poverty - “Casoy Ang Susi Upang Yumaman.” Apart from increasing membership through campaigns, the LGU and NGAs support is boosting production and sales of cashew products.

*Source: Based on reports of Luzviminda Villanueva
MSWDO, DSWD-IV-B SLP-Unit*

VI. Financial Viability of the SLP SEA-K Program

Repayment Performance

SEA-K is a social program. While the program’s outcomes are not measured by returns on investment, its financial sustainability compared to alternative arrangements or strategies is important for efficiency.

A measure on SEA-K outcomes is repayment performance of SKAs.²⁰ Since projects are mostly individual, repayment can be an indicator of beneficiary performance in terms of how they are better

²⁰ DSWD monitors repayment performance by SKA. Individual payments are mainly the responsibility of SKA officers.

able to use the credit or the capital fund for enterprise development. It can also indicate the effectiveness of SKAs as channels of credit and of PDOs in encouraging repayment.

For the period 2011 to July 2014, average repayment of SLP SEA-K program measured in terms of collection efficiency rate (CER) is at 54.5% (Table 9).²¹ More than 50% of SKAs with amortization record have CERs below 60%. Only 10% of SKAs with amortization records have fully paid loans within the two-year collection period given to SKAs. SKAs continue to collect loans even beyond the loan tenure and are considered active by DSWD for as long as payments are remitted.

Repayment performance is highest in Regions IV-B and V with average CER of at least 80% (Table 10). It is lowest in Regions II, VIII, XI and ARRM with average repayment of less than 40%. The CER is also lower for SKAs in provinces classified as the bottom poor provinces compared to SKAs in the least poor provinces (Table 11).

Repayment data was further analyze using regression to show the relationship between repayment and the policy features of SEA-K scheme that are expected to affect repayment performance. The regression equation used is as follows:

$$Y = a + BX_i + \varepsilon$$

where,

Y (dependent variable) = SKA repayment rate measured as the CER

Independent variables:

Size of SKA = number of beneficiaries

Ave capital assistance = total SKA capital assistance/number of beneficiaries

Loan Tenure= term of loan

Poverty incidence = provincial poverty incidence 2011

Time (in weeks) since release of capital assistance = number of weeks from date of release to July 31, 2014 (date of repayment record =as of)

Pantawid dummy = 1= Pantawid; 0= Non-Pantawid

Regional Dummies = 1= Region1; otherwise =0

1= Region 2; otherwise = 0

1= Region 3; otherwise = 0

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²¹ CER is a measure of effectiveness of staff to collect amortization. It compares the amount that was collected in a given time period to the amount of receivables due for that time period. A result near 100% indicates that high effectiveness in collection.

1= ARMM; otherwise = 0

The results of the regression test (Table 12) revealed that larger sized SKAs is negatively related with repayment. A larger size SKA implies more members to collect from and higher chances of defaulters in the groups.

The results also show a strong and negative correlation between poverty incidence and repayment performance. Poverty incidence is indicative of economic development in the area. In more economically advanced provinces (i.e. lower poverty incidence) there are more opportunities for enterprise or for livelihood activities including wage employment thus the association with higher repayment rate compared to provinces that are less developed and with smaller markets.

Another key finding is that longer payment duration is associated with better repayment rates. The long repayment term provides time for beneficiary to pay the borrowed capital. This does not imply that SEA-K change policy to longer loan tenure. It simply indicates that stretching payment period for SEA-K fund is convenient and of lower cost to the beneficiary. Beneficiaries tend not to pay along pre-determined schedules since there are no penalties involved.

Increasing the maximum loan amount per beneficiary is not related with the repayment performance. In the literature, the positive relationship between higher loan amounts in microcredit was noted among clients that have gone through several loan cycles (Desai 2011). Higher loan amount to new clients or to “kick start” enterprises is not associated with better enterprises or improved growth potential of an enterprise.

The repayment performance of SLP SEA-K and the previous SEA-K program was compared to show whether the policy of providing repeat loans to beneficiaries of the program improves performance. The SLP SEA-K is a one-time capital fund that can be rolled over by the SKAs for another year. In contrast, the old SEA-K program provided for repeat loans with higher loan value for good performers in the first loan. For purposes of comparison, we considered only SKA accounts with data on payment duration. Table 13 shows that the average CER of previous SEA-K program is higher by 14 percentage points than SLP SEA-K for accounts with payments within a period of 12 months or less. For accounts with payments within 19 to 24 months, the old SEA-K program has a CER higher of 19 percentage points than SLP-SEA-K. The results indicate that the provision of repeat loans in the previous SEA-K has possibly improved repayment but the overall CER of 66% is still not financially sustainable. As with SLP SEA-K, with average CER of 55%, the previous SEA-K program is still at risk and capital funds will be depleted eventually.

Cost of SLP-SEA-K Microcredit Services

The cost to DSWD or to government of delivering microcredit service is compared to that of NGO-MFIs. The comparison is indicative and is mainly intended to compare the operational cost of SLP SEA K to some benchmark operational data from financially viable MFIs. The insights drawn from the comparison could have some policy implications.

Table 15 shows comparative efficiency ratios for Grameen Bank, BRAC, CARD-NGO and SLP SEA-K. In terms of staff productivity measured by the ratio of microcredit borrowers to field staff, SEA-K showed the highest ratio. One field staff of PDO is handling 355 borrowers annually compared to only 228 for CARD NGO, 212 for BRAC and 171 for Grameen bank. MFI field staff are the critical resource in microcredit programs because they do a range of activities to ensure delivery and repayment of the loan to clients. In the case of SEA K they mobilize participants [beneficiaries], and provide support services that include social preparation, training, coaching, case management for effective credit delivery and repayment. The high ratio of SEA-K indicates that the field PDOs handle more borrowers than their private counterpart. This seems to be mainly dictated by the need to meet targets. As mentioned earlier, the caseload of SEA-K PDOs has been increased from 300 plus in 2011 to 500 plus in 2013 and recently to 1,000. These increases are related to the expansion in the number of beneficiaries of the Pantawid Pamilya Program. The increased caseload of field PDOs will likely affect the quality of service. If the less poor or non-poor clients of NGO MFIs require substantial time and effort from field staff for social preparation, values formation, coaching, and other activities, then the poorer clients of SEA-K are expected to need much greater time and effort from the PDOs.²²

The ratio of the amount of loan disbursed per field staff is lowest for SEA-K. This ratio does not necessarily imply inefficiency but may reflect the lower loan size per beneficiary. SLP SEA-K target participants are Pantawid beneficiaries, which have been pre-identified as poor based on a national poverty targeting system. On the other hand, MFIs have not really succeeded in excluding non-poor clients and thus, average loan sizes tend to be higher.

However, the ratio of total expenses per peso of amount disbursed reflects the higher cost of microcredit service delivery by government. On average, microcredit operations of government cost twice more than NGO MFIs operations (Table 14). Compared to CARD NGO current operations (2013), the operational cost difference is even more glaring with government operational cost at four times that of CARD (Table 15). Moreover, despite the higher cost of operations, most of SEA-K accounts are “problem loans” based on repayment performance. Estimates of default cost reflecting market rates of MFIs reveal that SEA-K fund has to charge an annual interest rate of at least 95% to break-even from its operations.

The literature seems to indicate that the regular clients of MFIs are not the poor. While this may be the case, the experience of CARD NGO on hard core poor does not support the hypothesis of high operational and default costs. Repayment performance of CARD-NGO hard core poor clients, which could also be the target clientele of SEA-K was reported at 100% in the last two years.²³

²² Empirical studies have shown that non-poor clients have not been excluded from microcredit programs and client outreach of MFIs, including those in the Philippines consist of the less poor or non-poor (Kondo, Orbeta, Dingcong, Infantada, 2008___).

²³ Based on interview with Mr. Vicente Jr. P. Briones, (Senior Operations Director, 21 October 2014, CARD MRI Executive Office, San Pablo City, Laguna)

VII. Conclusions and Recommendations

In spite of the promotion of SLP SEA-K as a capacity building program, SEA-K has remained, in terms of implementation and perception, a microcredit scheme. The problems associated with government implementing microcredit programs are:

- Government has no capacity to sort entrepreneurial from the non-entrepreneurial poor; neither is it capable of sorting low from high risk clients. PDOs are neither hired nor trained to be credit investigators or account officers.
- Government is also noted to have poor collection record simply because it is not organized and properly incentivized as a loan collection agency.
- Government cannot solve the information asymmetry that characterizes credit markets and cannot depend on information provided by LGUs [politicians], PDOs [bureaucrats], and parent leaders [self-interested borrowers] to determine capacity and willingness to pay, and creditworthiness of proposed projects.
- SEA K is organized around a one-time or two-time event of credit provision and collection with the expectation of clients graduating into self-sufficient families. It takes time for growth-oriented micro-enterprises to become viable and for beneficiaries to be bankable clients.²⁴
- MFIs are most cost efficient in the delivery of microcredit services. They can immediately respond to policy and institutional changes to make access to credit by the poor more effective. For instance, in response to evidence of the adverse effects of joint liability among group members they discarded joint liability arrangements and instead utilized insurance schemes to minimize credit risks. It has been observed that at some threshold, individual members decide to shirk the responsibility required by joint liability schemes, and simply refuse to repay the loan of a defaulting member of the group.

The SLP SEA-K approach also provides a one size fits all strategy for a diverse set of beneficiaries. This is based on the assumption that microcredit will fuel enterprise development, lead to enterprise growth and beneficiaries can be mainstreamed to formal lenders. However, as shown in the study, SEA-K beneficiaries display broad diversity in utilization of capital fund and on how they organize enterprises. This diversity results in distinct categories of enterprises or entrepreneurs such as ‘survival’ or ‘growth’ enterprises.

Considering the above findings, it is recommended that government move away from direct implementation of microcredit programs. The approach to livelihood assistance for the poor should apply different sets of interventions. The suggested approaches are as follows:

- Provide microcredit fund channeled through MFIs/development banks with track record which will identify the growth entrepreneurs/enterprises from sets of Pantawid beneficiaries.

²⁴ Based on CARD NGO experience, it requires at least three years before clients can be mainstreamed as regular bank clients.

- For those not qualified by MFIs, provide funds for the development of micro business models (e.g. micro franchising capsules) and adopt an interventionist role in the choice of enterprise by offering these models under a grant scheme to target beneficiaries.
- Build on SEA-K beneficiaries who are similarly situated (e.g. agriculture) through guided cooperative development using the TSK MPC model.

On transforming SKAs into cooperatives, it is important to note that the transformation process takes time. Capacity building is just an initial step, organizing and establishing into cooperative may take about two years (assuming convergence among key NGAs have been achieved) and possibly another 3 to 5 years before the cooperative can be self-sufficient. This process requires well-trained and dedicated PDOs and other local and national development agents. It also requires DSWD to define its specific role in the development process.

One strategy that needs to be developed, tested and rigorously evaluated is employment facilitation among the poor. Currently only a token proportion (2%) of the SLP Pantawid beneficiaries is on employment facilitation. The basic justification for importance of promoting employment among the poor is that more than half (57.5%²⁵) our labor force consist of wage and salary workers. Only less than one-third (28.2% self- employed and 3.2% employer in own-family operated farm or business) can be considered “entrepreneurs.” To expect that there will be a higher proportion of entrepreneurial individuals among the poor is simply not justified by data. Besides running businesses have a high failure rates that the poor can ill afford.

²⁵ PSA Labor Force Survey April 2014 round

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Data References:

Case Profiles and Ledgers of selected SKAs

DSWD-Sustainable Livelihood Program Information System (SLPIS)

DSWD-SLP NPMO Accomplishment Report

Key Informant Interviews:

- Interviews with DSWD Field Staff: Provincial Coordinator, Project Development Officer and LGU Livelihood Worker

Pasig: (August 6-7, 2014)

Mr. Fernando Santos- Provincial Coordinator
Ms. Janet Morauda- Project Development Officer
Ms. Leona Nomio- LGU Livelihood Worker

Taytay, Palawan: (September 1-4, 2014)

Mr. Zaldy Ablaña- Provincial Coordinator
Ms. Ardenia Dumarán & Mr. John Arce- Project Development Officer
Ms. Natividad Junio- LGU Livelihood Worker

Catarman, Northern Samar: (September 14-17, 2014)

Mr. Ronaldo Fariñas- Provincial Coordinator
Ms. Ethel D. Tan - Project Development Officer; Sub-PC
Mr. Paul Jerec C. Endriano, Mr. Raymund Lopez and Ms. Louie Ma. Lim – Project Development Officers
Ms. Ma. Archie B. Ronato – LGU Livelihood Worker

Lanao del Norte: (September 22-25, 2014)

Mr. Jerry Tiago, Ms. Sunshine Grace Santos, Mr. Jhon Lourd Gentallan, Ms. Nerissa Mamo, Mr. Jonathan Quirino- Project Development Officers
Ms. Aida Macadindang- LGU Livelihood Worker
Mr. Donald Lim- Monitoring and Evaluation Representative

Tables

Table 1. Summary of Key Findings of Impact Studies

Indicators	RCT (Experimental Design) (IPA)
Access to credit (based on borrowing levels/probability or outreach)	Increase; Pent-up demand for microcredit not universal
Informal borrowing	Mixed. - Decline but small only 2.6% (India); - Microcredit does not crowd out informal borrowing (Mexico)
Starting new business	Not evident. Increase in the number of new business but not in the number of HH that start a business
Business outcomes/revenue	Increase for agriculture and pre-existing business. Helps profitable, median business, but not small profit businesses
Household Income/expenditure	Not evident. But shift in spending (i.e., less on temptation goods and more on durable goods)
Productive assets /Business assets	Increase for wealthier hhs; positive but weak evidence in rural areas
Income diversification	Limited to within sector
Personal Savings	Not evident on poorer hhs; and on marginally creditworthy hhs (PH)
Spending on health	Positive but small/minor increase
Spending on education	Not evident ; Positive for boys (PH, Ethiopia)
Women empowerment or intrahousehold decision-making	Not evident
Subjective well-being (optimism, calmness, lack of worry, etc.)	Decrease but small/marginal effect (PH); Increase on happiness, trust (Mexico)

Table 2. Comparison of the Old SEA-K and SLP SEA-K

	Old SEA-K (1993 to 2010)	New SLP-SEA-K (2011 to present)
Strategy	Microcredit	Microcredit + microenterprise development (CDED approach = develop resource-based, market driven and viable microenterprises)
Goal/Final Outcomes	Improve access to financial services Sustainable, self-managed community-based credit facility	Improve access to financial services Self-sufficient community organizations <ul style="list-style-type: none"> • Credit facility and/or • Wholesaler enterprise
Target Beneficiary	Marginalized sectors in low income communities or barangays in depressed municipalities and /or cities where the potential resources for entrepreneurial activity are present	Priority participants: Pantawid families Non-Pantawid listed in the National Household Targeting System for Poverty Reduction. Other vulnerable, marginalized and disadvantaged sectors
Delivery mechanism	<ul style="list-style-type: none"> • Loan Fund (Grameen strategy= peer managed joint liability loans) 	<ul style="list-style-type: none"> • Resource mobilization + Loan fund (Grameen strategy) • Lender/funder of last resort
Amount	<ul style="list-style-type: none"> • Maximum of Php 5,000 per project participant 	<ul style="list-style-type: none"> • Maximum of Php 10,000 per project participant
Credit channels	<ul style="list-style-type: none"> • SKAs, Group, Individual 	<ul style="list-style-type: none"> • SKAs
Interest Rate	<ul style="list-style-type: none"> • Interest free 	<ul style="list-style-type: none"> • Interest free
Repayment Scheme	<ul style="list-style-type: none"> • Maximum of two (2) years • Weekly loan repayment plus CBU/OFBU/EFBU 	<ul style="list-style-type: none"> • Maximum of two (2) years SKA to DSWD and maximum of one (1) year from SKA member to association • Based on SKA guidelines; weekly, monthly or bi-weekly repayment plus CBU/OFBU/EFBU

Source (s): DSWD (2014). *Sea-K evolution to SLP*; Estravilla-Cabelin, C. (2014). *SEA-K Program Orientation*

Table 3. Number of Pantawid Families served through SLP (2011- July 2014)

	SLP	Track 1: Microenterprise Development	Track 2: Employment Facilitation
Philippines	328,989	321,338	7,651
	100%	98%	2%
NCR	7,648	7,495	
CAR	12,342	12,095	
I	12,724	12,470	
II	8,100	7,938	
III	7,766	7,611	
IV-A	4,795	4,699	
IV-B	24,607	24,115	
V	28,958	28,379	
VI	11,450	11,221	
VII	15,106	14,804	
VIII	10,685	10,471	
IX	46,299	45,373	
X	54,506	53,416	
XI	9,098	8,916	
XII	10,634	10,421	
CARAGA	55,269	54,164	
ARMM	7,908	7,750	

Source: SLPIS Database

Note: Data on Track 2 is Total SLP

Table 4. Targets vs Accomplishment of SLP

REGION	Estimated Targets (2011-July 2014)			% Accomplishment (2011-July 2014)		
	SLP	Track 1 Microenterprise (70%)	Track 2 Employment Facilitation(30%)	SLP	Track 1	Track 2
PHILIPPINES	603,333	303,283	181,000	66.5	125.4	11.5
NCR	16,834	11,783	5,050	62.3	73.2	36.9
CAR	17,730	7,667	5,319	90.1	186.3	31.7
I	13,571	6,128	4,071	112.3	240.4	12.6
II	8,781	4,161	2,634	127.0	258.6	14.9
III	13,473	6,904	4,042	124.4	240.9	3.2
IV-A	22,045	9,884	6,613	33.8	71.7	5.4
IV-B	57,088	27,082	17,126	47.7	97.4	4.8
V	73,188	38,114	21,956	42.4	78.0	5.9

VI	24,308	12,847	7,292	60.9	104.0	19.5
VII	31,779	14,818	9,534	54.3	105.4	17.1
VIII	45,317	25,342	13,595	32.2	51.9	10.8
IX	80,683	43,216	24,205	63.4	109.0	16.7
X	65,935	31,662	19,781	94.2	194.0	3.5
XI	30,199	17,942	9,060	36.0	55.3	10.4
XII	17,539	10,174	5,262	68.4	109.5	16.1
CARAGA	64,256	29,987	19,277	89.0	181.6	14.2
ARMM	20,608	9,919	6,182	125.9	261.6	-

Source: SLPIS, DSWD

Notes: Targets on Microenterprise estimated as 70% of DSWD SLP annual targets

Accomplishment of Employment is based on Total SLP Track 2 beneficiaries

Table 5. Distribution of Microenterprise Fund Source by Region

REGION	Funding Source					
	SEA-K	NGA/LGU	Physical Asset	MFIs	Self-Funded	Total
PHILIPPINES	65.7	1.4	3.0	12.8	17.1	100.0
NCR	98.1	-	-	1.8	0.1	100.0
CAR	63.0	3.3	1.2	17.2	15.4	100.0
I	52.7	2.3	0.5	24.3	20.1	100.0
II	96.7	0.8	0.5	1.2	0.8	100.0
III	89.4	4.4	3.3	1.7	1.1	100.0
IV-A	59.8	4.5	-	35.7	-	100.0
IV-B	84.2	0.6	5.7	8.0	1.5	100.0
V	58.7	1.1	2.4	6.7	31.1	100.0
VI	61.9	0.8	0.4	8.5	28.3	100.0
VII	61.2	0.1	-	27.6	11.1	100.0
VIII	74.5	0.5	5.5	10.7	8.7	100.0
IX	48.0	3.3	11.7	18.9	18.0	100.0
X	79.7	-	-	1.8	18.5	100.0
XI	91.6	0.5	2.2	5.5	0.2	100.0
XII	88.4	2.0	4.0	4.2	1.5	100.0
CARAGA	40.9	1.7	0.8	24.9	31.7	100.0
ARMM	100.0	-	-	-	-	100.0

Source: July Accomplishment Report – SLP NPMO

Table 6. Number and Size of SKAs and Average Capital Assistance

Region	No. of SKAs	Ave. size of SKAs	Ave Capital Assistance (P)
PHILIPPINES	10,100	19	7,777.17
NCR	406	18	6,233.41
CAR	393	14	8,702.53

I	429	14	7,412.63
II	300	20	8,618.93
III	115	*	5,878.30
IV-A	177	16	8,349.29
IV-B	1,090	18	8,719.14
V	393	21	8,207.58
VI	350	20	7,693.35
VII	225	20	6,996.47
VIII	544	15	9,886.90
IX	761	22	9,447.48
X	1,622	22	5,439.14
XI	397	21	7,738.04
XII	397	21	9,664.66
CARAGA	1,399	19	8,046.28
ARMM	1,102	*	9,919.48

Source: SLP-NPMO, DSWD, (Number of SKAs: as of August 2014) (Average Capital Assistance: as of July 2014)

*ARMM - No data on SKA size (no. of members) and classification of Pantawid and non-Pantawid SKA; estimated number of Pantawid SKAs ; *Region 3 - No data on SKA size (no. of members)

Table 7. Types of Micro-enterprise Funded Through SEA-K, Pantawid beneficiaries

	No. of Beneficiary	% to Total	Amount of capital(PM)	% to Total
AGRICULTURE	82,775	48.9	666.03	49.7
FARM PRODUCTION	28,052	16.6	218.93	16.3
FISHERY	17,586	10.4	144.28	10.8
LIVESTOCK/ ANIMAL RAISING	34,376	20.3	278.46	20.8
AGRI-OTHER	2,761	1.6	24.36	1.8
INDUSTRY	6,118	3.6	47.68	3.6
FOOD MANUFACTURING	3,291	1.9	24.93	1.9
NON-FOOD MANUFACTURING	2,551	1.5	20.61	1.5
INDUSTRY-OTHER	276	0.2	2.15	0.2
SERVICES	77,256	45.6	599.83	44.8
WHOLESALE TRADE	1,827	1.1	15.76	1.2
RETAIL TRADE	38,274	22.6	305.96	22.8
SARI-SARI STORE	25,998	15.4	195	14.6
SERVICES-OTHER	11,157	6.6	83.11	6.2
OTHERS	3,131	1.8	26.62	2
Grand Total	169,280	100	1,340.16	100

Source: SLPIS database, as of August 2014

Table 8. Distribution of SEA-K Funded Projects: Individual vs Group

Region	Individual Projects	Group Projects	Total Projects
PHILIPPINES	182,407	11	182,418
NCR	7,222		7,222
CAR	6,832	1	6,833
I	8,161		8,161
II	4,272		4,272
III	1,270		1,270
IV-A	3,291		3,291
IV-B	18,496		18,496
V	21,724		21,724
VI	18,452		18,452
VII	6,764		6,764
VIII	6,748		6,748
IX	4,300		4,300
X	35,331	10	35,341
XI	7,541		7,541
XII	7,088		7,088
CARAGA	20,685		20,685
ARMM	4,230		4,230

Source: SLPIS database, as of August 2014

Table 9. Distribution of SKAs by Repayment Rate

Repayment Rate	No. of SKAs	%
Below 60%	3,711	36.74%
60-79.9%	1,151	11.40%
80-100%	2,381	23.57%
Incomplete/ No Amortization data	2,857	28.29%
TOTAL SKAs	10,100	100.00%
Average Repayment, All Regions		54.50%
No. of Fully Paid SKAs	749	10%

Source: SLP-NPMO, DSWD (as of July 2014)

Note: No amortization data are mostly new releases

Table 10. Repayment Rate of Pantawid SKAs by Region

Region	Repayment Rate
PHILIPPINES	54.5%
NCR	62.8%
CAR	50.9%
I	58.2%
II	18.2%
III	55.6%
IV-A	75.0%
IV-B	81.8%
V	80.7%
VI	64.0%
VII	66.1%
VIII	39.9%
IX	60.7%
X	64.1%
XI	59.7%
XII	25.1%
CARAGA	60.6%
ARMM	16.8%

Source: SLP-NPMO, DSWD

Note: Data for ARMM are combined Pantawid and Non-Pantawid

Table 11. Repayment Performance of Bottom Poor and Least Poor Clusters

Bottom Poor Cluster		Least Poor Cluster	
Province	Repayment Rate	Province	Repayment Rate
Apayao	31.0%	NCR	62.8%
Bukidnon	67.9%	Bataan	57.4%
Camiguin		Benguet	35.1%
Eastern Samar	63.3%	Bulacan	48.8%
Lanao del Norte	64.5%	Cavite	
Lanao del Sur	32.3%	Ilocos Norte	9.4%
Maguindanao	9.9%	Laguna	
Masbate	75.6%	Pampanga	
Negros Oriental	65.2%	Rizal	

North Cotabato	8.8%	ALL	59.2%
Northern Samar	30.5%		
Sarangani	28.7%		
Sultan Kudarat	17.9%		
Sulu	45.2%		
Western Samar	53.8%		
Zamboanga del Norte	57.3%		
ALL	44.2%		

Source; SLPISA Database, DSWD

Notes: Poverty cluster based on NSO
Provincial Poverty Incidence 2011

Table 12. Regression Results Pantawid SKAs

Source	SS	df	MS		Number of obs	=	10199
-					F(22, 10176)	=	98.8
Model	5654747	22	257033.975		Prob > F	=	0
Residual	26472821	10176	2601.49575		R-squared	=	0.176
-					Adj R-squared	=	0.1742
Total	32127568	10198	3150.37931		Root MSE	=	51.005
<hr/>							
<u>repaymentrate</u>			<u>Coef.</u>	<u>P>t</u>			-
<u>size of ska</u>			<u>-0.4418237</u>	<u>0.000</u>			<u>*</u>
<u>ave capital assistance</u>			<u>-0.0030995</u>	<u>0.000</u>			<u>*</u>
<u>loan tenure</u>			<u>0.1761033</u>	<u>0.151</u>			
<u>poverty incidence</u>			<u>-0.2249619</u>	<u>0.000</u>			<u>*</u>
<u>time in weeks</u>			<u>0.2730019</u>	<u>0.000</u>			<u>*</u>
<u>ncr</u>			<u>-20.8104600</u>	<u>0.566</u>			
<u>region1</u>			<u>-24.0809000</u>	<u>0.506</u>			
<u>region2</u>			<u>-52.0753100</u>	<u>0.151</u>			
<u>region3</u>			<u>-92.5902500</u>	<u>0.011</u>			<u>*</u>
<u>region4a</u>			<u>-21.2806200</u>	<u>0.558</u>			
<u>region4b</u>			<u>-21.4096000</u>	<u>0.553</u>			
<u>region5</u>			<u>14.1441600</u>	<u>0.696</u>			
<u>region6</u>			<u>-15.1544700</u>	<u>0.675</u>			
<u>region7</u>			<u>-30.9403500</u>	<u>0.393</u>			
<u>region8</u>			<u>-26.7305700</u>	<u>0.460</u>			
<u>region9</u>			<u>3.6180320</u>	<u>0.920</u>			
<u>region10</u>			<u>-14.1953200</u>	<u>0.694</u>			
<u>region11</u>			<u>-10.0454700</u>	<u>0.781</u>			
<u>region12</u>			<u>-43.6427800</u>	<u>0.228</u>			

<u>car</u>	<u>-31.7809200</u>	<u>0.380</u>	
<u>caraga</u>	<u>-21.5227300</u>	<u>0.552</u>	
<u>armm</u>	<u>-83.1198900</u>	<u>0.022</u>	<u>*</u>
<u>cons</u>	<u>97.2303300</u>	<u>0.007</u>	

Table 13. CER by Payment Duration SLP SEA-K vs SEA-K Level I

Period	SLP SEA-K			SEA-K Level I		
	No. of SKAs	% to Total SKA	CER/Repayment Rate	No. of SKAs	% to Total SKA	CER/Repayment Rate
≤ 12 months	1,477	14.62	57.03	1,603	10.39	71.32
13-18 months	398	3.94	59.05	1	0.01	11.13
19-24 months	6,537	64.72	51.06	5,979	38.74	70.80
25-36 months	5	0.05	76.06			
≥ 3 years	1	0.01	-*			
Blank	1,682	16.65	60.05	7,849	50.86	61.61
ALL	10,100	100.00	54.46	15,432	100.00	66.12

Source: SLP SEA-K: SLP-NPMO, DSWD (as of July 2014)

SEA-K Level I-SLP-NPMO Status of Loan Repayment Performance CY 2010 Below (as of September 2014)

Note: No amortization data for SLP SEA-K >3 years

Data for SEA-K Level I: Repayment data as of Sept 2014 except for Region 3 and Region 12, ARMM data is only Maguindanao; Region 3 and Region 7 has no data on number of SKA members

Table 14. Comparative efficiency ratios for Grameen Bank, BRAC, CARD-NGO and SLP SEA-K

	GB	BRAC	SEA-K	CARD NGO
Mobilized Members/Field Staff	186	299	499	260
% borrowers/members mobilized	92	71	70	88
Borrowers/field staff	171	212	355	205
Amount Disbursed/ Staff (US \$)*	35,438	15,950	15,458	55,053
Total Annual Expenses/Annual Disbursement	0.13	0.15	0.3	0.1
Default Cost	0.05	0.05	0.65	0.005
Break-even interest rate (%)	18	20	95	10.14

Notes: For comparison purposes, 2013 values of SEA-K and CARD-NGO deflated to 1994 prices using GDP deflator;

Data for GB, BRAC, RD-12 computed from Khandker 1998, Chapter 5 p84-109; GB and BRAC data (Financial viability) from Khandker 1998 Table 5.8

Mobilized members refer to Microenterprise track 1 participants; Borrowers refer to beneficiaries of SEA-K capital fund

*Taka and Phil Peso converted to USD (1994 values)

Default cost based on principal plus interest

Total expense = includes cost of funds. Operating expense include salaries and benefits, training costs, travels and other administrative expenses.

Table 15. Comparative Cost ratios SEA-K and CARD NGO, 2013 values

	SEA-K	CARD NGO
Mobilized Members/Field Staff	499	260
% borrowers/members mobilized	70	88
Borrowers/field staff	355	228
Amount Disbursed/Field Staff (PM)*	1.16	4.21
	(\$27,358)	(\$99,292)
Total annual expense/annual disbursement	0.30	0.06
Default Cost	0.65	0.003
Break-even interest rate (%)	96%	7.0%

Source: DSWD 2013 ; CARD NGO 2013

Note: SEA-K is lender of last resort and linking beneficiaries to the formal sector is a primary program objective. A lower ratio of SEA-K clients to mobilized members is better.

- Average loan size of CARD-NGO clients is P20,000. But repayment performance of CARD NGO microcredit Program for hard core poor with max loan of P5,000 is 100%

Appendices

Appendix 1. Focus Group Discussion Guide Questions

Rapid Assessment of SEA-K Microenterprise Development Strategy

Philippine Institute for Development Studies (PIDS)

FGD GUIDE

Objective: To determine beneficiary feedback on services received, delivery, timeliness and appropriateness of service

A. General Criteria for FGD Respondents

- One FGD for pre-selected 5 high performing SKAs or one FGD for 5 pre-selected low performing SKAs Two respondents per pre-selected SKA (preferably members, non-officers)
- Total of 10 participants of Adult Males and Females per FGD
- SEA-K Beneficiary or co-borrower for at least one year
- Pantawid beneficiaries from any Sets (Set 1 or 2)
- Healthy mix, preferably equal split of agriculture- and non-agriculture-related livelihood projects
- Willing to participate and express opinions and feelings during the sessions

B. FGD Outline

1. Warm-up / Introduction

Build rapport and introduce parameters of the discussion.

- Welcome and settle participants
- Provide attendance sheet with basic information/profile of respondent (home address, age, SKA name, no of years with SKA, occupation/livelihood)
- Explain purpose of inviting them and topic of discussion
- Use of recording equipment
- Importance of their participation
- No right or wrong answers
- Confidentiality & other house rules

2. Guide Questions for Group Discussion

This guide allows for considerable freedom within the topic. Questions are indicative only of the subject matter to be covered and not word-for-word descriptions of the moderator's actual inquiries and probes.

Discussion on SEA-K Components

- a) How did you come to know of the SEA-K program?
- b) Why did you choose to join the program? What were your motivations? What were your expectations on SEA-K at the time you joined the program?
- c) How did you choose your livelihood project? What factors did you consider in your choice? How did the program help you in your choice? Was the amount of capital assistance given sufficient for your livelihood?
- d) How did you choose the group to join in? What factors did you consider? Would you prefer to be part of a small group or bigger group?
- e) Has group membership helped in the development/growth of your microenterprise? Why or why not?
- f) What types of social preparation, training or capacity building activities of SEA-K have been useful to development of your enterprise? Explain.
- g) What business developments skills do you need for your enterprise? Basic (counting); advanced skills (cost calculations; cost and profit account, Bookkeeping); specialized (future profits, markets feasibility)?
- h) Are you satisfied with the timing of the release of capital assistance? How long after the submission of mother proposal was the cash assistance released?
- i) What challenges or risks do you face with regards to your livelihood? How do you address these challenges? How does the program assist you to address these challenges?
- j) What is the way forward?
- k) What features or services in SEA-K need to be improved or enhanced? What support is needed to make the organization (e.g. SKA) sustainable? What is needed for the beneficiary enterprise project to be viable? What is needed to facilitate graduation/mainstreaming of beneficiaries to lending institutions?

Would you consider availing of a loan, to expand your business, if DSWD helped your SKA link with a lending institution? If no, why. If yes, what would be your considerations.

Appendix 2. Case Study-Beneficiary Guide Questions

GUIDE QUESTIONS FOR CASE STUDY BENEFICIARY

Key Objectives:

- (1) Determine household behaviour in the use of funds, repayment and development/growth of enterprise.
- (2) Determine household vulnerability levels and coping mechanisms

Name: _____

Contact no.: _____

Barangay/Municipality: _____

SKA, name: _____

SKA, year organized: _____

Type of enterprise and date started operations (month/year): _____

I. SEA-K Experience

1. How long have you been a member of SKA? (month/year joined?)
2. How did you become a part of the group? Motivation to join the group?
3. What project/enterprise did you enroll for SKA funds? How did you choose project? What is the motivation for choosing the project?
4. How much capital assistance did you proposed? Was this amount approved? If No, why?
5. What was the amount of assistance approved? How did you use the capital assistance? How much was spent for the project and how much for consumption?
6. Did you provide additional capital or assets (capital assets e.g. computer) for the enterprise? What is the source of additional capital/assets (savings or borrow from other lenders, donation)? If borrow, ask details of the loan (e.g. source, interest, amount, payment details, etc).
7. What was the income (asked if gross or net) from the enterprise? How was the proceeds/income from the enterprise spent (e.g. how much for consumption, reinvested, savings, rental, loan payment etc)?

8. What is the market of your enterprise? Neighborhood; social networks only; beyond neighbor and social networks?
9. Is the business owned or managed by you alone or also by your husband (meaning, partners) ?
10. Do any of the household members assist in the enterprise? How?
11. Do you have hired workers? How many? What is the operational expense of the enterprise?
12. What is the source of your business skills? Household/informal or formal (gov, NGO, private, school)?
13. What skills do you need for the business? basic skills (counting money)? Advanced skills (e.g. book keeping, product pricing, cost calculation, cost and profit account; specialized skills (e.g. future profit estimamtes, marketing plans, etc)
14. Is the enterprise enrolled in SEA-K still existing? If not? When did it close? Why?
15. If existing, Do you have interest in expanding the business, create specialization or increase loan?
16. Did you start another business after SEAK enterprise? If yes, what was the source of capital?
17. Loans and Repayment performance with SEA-K
 - No. of loan cycles
 - Current loan status= outstanding balance and repayment performance
 - SKA’s collection scheme/arrangement? (when do you pay, who collects the payment)
 - Do you pay amortization on time? If not, how long is the delay? Reasons for delay?
 - How was the loan paid? From proceeds/income from the enterprise? other sources.
 Elaborate
18. What are the main challenges in building/managing the enterprise? How were they addressed? Did you receive support from SKA? from municipality? from SEA-K PDOs?
19. In what ways have SEA-K or the SKA assisted/helped your household for your other needs?

II. Household Information

Key issues;

What human, financial, physical, social, productive assets the household have at their disposal?

To what extent household reduce vulnerability through mobilization of their extra labour, income diversification, or enhance income regularity

What various livelihoods have been developed and what sources of income does the household have at their disposal?

20. Household Members

Name of Household Members (incl.	Position in the HH	Year of birth	Age	Education (number of years)	Occupation	Nature of work (permanent, contractual

respondent)						

21. Sources of Household Income

Source	Income or Amount received monthly (PhP)
SEA-K project/enterprise	
CCT	
Remittances	
Grants/Contributions from relatives/friends	
Wage employment (identify household member)	
Other income sources (please specify)	

22. What are the other sources of loans of household? List all sources both formal (e.g. MFIs) and informal (e.g. friends, 5/6)

- a. How often do you borrow from these sources?
- b. How much is the interest rate?
- c. What is the repayment arrangement? What are the sanctions for delayed payment?
- d. How is this loan paid?
- e. What is the purpose of the loan?

23. What are households financial, physical and natural assets.

- Savings (P)
- Land (size)
- Housing (owned/rented)
- Livestock (number of heads)
- Others (identify)

24. What are the social capital or social ties (social relations/networks) of the household at the community, city, national level? Do you or any member of your household have membership on

- Membership in ROSCAs (Rotating Savings and Credit Association)
- Membership in cooperative
- Community assets that HH has access
- Others (specify): officers of homeowner's association

III. Previous enterprise and/or employment experience

25. Do you have previous experience in operating/managing an enterprise?

- If Yes, please specify type of enterprise _____
- For how long was the enterprise in operation? Why discontinued?

26. Were you previously employed before you enrolled in SEA-K and started the enterprise?

- If Yes, please specify occupation: _____
- For how long were you working? Why did you stop?

IV. Household Future Plans

27. What are the future plans of household to improve income? Do you intend to establish another enterprise? How will you go about your plans?

Appendix 3. Case Study-SKA Guide Questions

CASE STUDY of SEA-K Associations

Objective: Examine the motivation for organizing, the strengths and limitations to growth of the SKAs and perceived role of DSWD/LGU in SKA development.

I. Basic Profile

Name of Association:

Location and Address:

Date Organized:

Date Registered: Type of Registration: SEC/DOLE/etc.

Date SKA received capital assistance from DSWD:

Number of Members: Year 1:

Number of Members to date (2014):

New members:

Members who drop-out: _____

Name of Officers, occupation, livelihood and number of years in position:

President

Treasurer

Secretary

Others_____

II. KII with SKA Officer(s):

1. What is the objective or goal of the organization? Do you intend to become a bigger group, build an SEA-K cooperative or to remain a viable small group to gain access to MFIs and other financial institutions?
2. What is the organization's policy on membership, selection of officers, groupings and size, savings and operational fund? (Get copies of organization by-laws and other rules and regulations)?

3. How do you collect payments from members? How does the organization address delays or non-payment of amortization and other required fund contribution? What are the sanctions? Do you have a reward system for good payment?
4. Does the organization allow free movement in and out of the organization? What are the penalties for drop-outs? What are the reasons for drop-out? Does the organization reinstate previous members?
5. Does the organization recruit new members? How? What are the requirements and criteria for joining? What is the role of DSWD in the recruitment process?
6. Have the organization access other fund/loan sources (or business partners)? Based on your assessment is the SKA ready for mainstreaming? Why or why not?
7. What challenges does the organization face?
 - a. in achieving sustainability
 - b. SKA formation, registration, selection of officers, opening of bank account, conducting meetings, collecting payments, etc. And how does DSWD/SEA-K help them address these challenges.

How does the SEA-K/DSWD help in addressing these challenges?

8. What are the plans of the SKA/what did the SKA do- after completion of rollback payment?
9. How does DSWD support the sustainability of SKAs? What efforts are undertaken by DSWD or the SKA to mainstream the beneficiaries to lending institutions?

III. -Analysis of SKA Financial Status and Management

1. Distribution of members by type of Livelihood
2. Indicate if Livelihood of each Member is still existing
3. Indicate regular meetings of SKA after capital assistance was released
4. Amount of Loan, and repayment performance.
 - a. On time repayment (monthly)= amount collected (excluding advances and arrears) / amount due
 - b. Overall repayment (monthly) = amount collected (including advances, arrears, etc)/ amount due
5. Amount of Savings or capital build-up; savings withdrawal
6. Repaid seed capital, amount of revolving fund
7. Number of loan cycles per borrower
8. Costs of administration of SKAs= personnel, meetings, organizational expense, MOOE, capital outlay (assets), rent = estimate values if donated or free use.
9. Forms submitted to DSWD for Monitoring and encoded data inputs

