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Scaling Up

*Interactions, Challenges, and Opportunities
for SSE in the Philippines*

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Abstract

This study discusses the interactions, challenges, and opportunities of social and solidarity economy in the Philippines, by looking at a case study of a relatively successful community-based enterprise (CBE) in the province of Negros Occidental, considered one of the 20 poorest provinces in the country in 2004. The CBE was able to assist more than 300 households, members of 11 different villages in increasing their income through collective production and marketing system.

The paper argues that CBEs in particular, and SSE in general, can be successful to an extent by properly matching the earning patterns of people and available resources with market demand; by reducing the transaction costs of farmers in ensuring market and credit access; and providing a livelihood guarantee to participants. However this needs a strong policy environment, a feasible alternative economic theory, and a radical reorganization of the current economy.

Keywords: Social and solidarity economy, community-based enterprises, Philippines

Introduction

Social and solidarity economy (SSE) has gained growing global significance in recent years as a critique to the dominant economic paradigm that has failed to deliver results in terms of increasing poor people's access to economic benefits and in ensuring a more sustainable and equitable development. The term encompasses a range of development actors that "are collectively organized, and oriented toward social aims that are prioritized above profits or returns to shareholders" (Kawano, 2013: 1).

In Asia, SSE has been in existence for decades, though this may not have been officially called as such (Jayasooria 2013: 2). It was estimated that over 13 million people in Asia who are members of more than 400 independent organisations in 21 countries in the region are involved in social economy initiatives (Loh 2013: 23). These can be in the form of cooperatives, mutual benefit associations, social enterprises, people's associations, savings groups, and community-based enterprises that produce products or offer services and earn profit in a sustainable manner.

Peredo and Chrisman (2006: 310) define community based enterprises (CBE) as an "emerging form of entrepreneurship typically rooted in community culture", and where "natural and social capital are integral and inseparable from economic considerations, transforming the community into an entrepreneur and an enterprise." In some cases, it was argued to have helped local associations "reach national and international markets" (Orozco-Quintero, 2007: 34), make communities achieve economic, social, and environmental benefits (Molnar, et al, 2007: 35-39), and even manage natural resources (Kiss 2004: 232). CBEs can be said to exemplify a social and solidarity economy, in as much as it is pursue social and economic aims and strive for solidarity (ILO 2011: 113), each factor reinforcing each other.

This study focuses on the interactions, challenges, and opportunities of social and solidarity economy in the Philippines, by looking at a case study of a relatively successful CBE in the province of Negros Occidental. Negros Occidental is a province in the Central Visayas and is considered one of the 20 poorest provinces in the country in 2004. A group of farmers, development workers, and agriculturists in the province formalized a community based enterprise involving farmers in the remote barangays of the province where poverty was most concentrated. The CBE involved a set of stakeholders organized as a coordinated mechanism across the value chain under the umbrella organization of the Multisectoral Alliance for the Development of Negros (MUAD-Negros).

There are at least three questions that this paper addresses:

- a. Given the relative success of MUAD-Negros as a CBE, what conditions, processes, and relationships hastened the achievement of certain sets of outcomes especially in making profitable the business enterprise, achieving social ends, and in locating the CBE in the landscape of producers and consumers in the region?
- b. What constraints, challenges, and difficulties were faced by the CBE in its journey towards profitability and sustainability?
- c. What is the potential for growth of the CBE in the context of competition in the market economy?

To answer these questions, this paper uses multiple methods. It made use of household surveys to quantify increase in farm production and its consequent effect on income covering all program participants at LIFE farms. It made use of focus group discussion and key informant interviews to gather perspectives from key players at MUAD, the marketing cooperative, and the women's producer groups. To evaluate business viability, the study made use of analysis of financial and operating documents .

The paper is structured into four parts. The first part discusses the landscape of CBEs in the Philippines to locate the case study within the larger country context. The second part discusses the findings of the study in response to questions 1 while the third part focuses on the constraints, challenges, and difficulties faced by the CBE (question 2). The last part focuses on the potential and constraints for growth of the CBEs in the country and offers some concluding remarks.

1. CBEs in the Philippines

It is important to provide a contextual definition of community-based enterprises. In the Philippines, as with the rest of Asia, there are organizations based in communities that implement or undertake production of goods or services or are engaged in trading activities and thus may be categorized as community-based enterprises. For example, cooperatives engaged in agricultural production or processing can be considered as community-based enterprise if we do not particularize its characteristics. In the Philippines, there are a total of 21,679 cooperatives as of June 2012. Also, social enterprises have been gaining prominent visibility in the country and though there has been no comprehensive survey conducted to ascertain the numbers, a rapid appraisal conducted in 2007 reported that there are more or less 30,000 social enterprises in existence, consisting of cooperatives, micro-finance institutions, fair-trade organizations, non-government organizations, and individual entrepreneurs with a social agenda (Dacanay 2007). The question then will be, can all of these be categorized as community-based enterprises?

It is therefore important to look at relevant literature to distinguish what we mean here by CBEs. A landscape of definitions is provided below – two of which (first two columns) relate more particularly to Philippine context as the definitions emanate from case studies in the Philippines and another which relate to a more global perspective.

Table 1. Defining Community-Based Enterprises

Features	Community Partnering Initiative (also in Gibson, 2009: 116-129)	SIBAT (see http://www.sibat.org/communityenterprise.shtml)	Peredo and Chrisman (2006)
Ownership	Assets of the enterprise are owned by the community and can not be sold for private financial gain	Owned by members of the people's organizations in mainly agricultural communities	Owned by community members
Leadership	Community members lead the enterprise	Led by popularly elected officials of the organisations	Led and managed by community members
Activities	Production of goods or services that generate profit for reinvestment or distribution to community members	Production of goods that are profitable – the whole of product cycle from farms to markets	A community acting corporately as both entrepreneur and enterprise....create or identify a market opportunity, and organize itself to respond to it – products and services, methods of production, markets, supplies, or organization structure.
Aims	Not only profit, but also responding to social and environmental problems	Practices are environmentally sustainable	Contribute to both local economic and social development, the public good, profit is seen not as primary
Sustainability	Financially sustainable or in to	Financially sustainable	Financially sustainable

process of being so

Table 1 above shows that what is characteristic of CBEs is that ownership belong to community-members and not to anyone else. In this case, non-government organizations, individual entrepreneurs, foundations, cooperatives, and those listed by Dacanay (2007) in her rapid appraisal may not be considered as community-based enterprises, as several of these are not owned by community members themselves (e.g. NGOs, foundations, individual entrepreneurs) or are only partly owned by community members but also by other stakeholders as in the case of cooperatives. However, there is no available data to show the magnitude of CBEs in the country but there are specific case studies (see Gibson, 2009: 116-129 and AusAID/PACAP 2002) documenting community-based enterprises and their initial results.

Lacking a comprehensive list of community-based enterprises in the Philippines, it can be said that the case study highlighted in this paper is just one among the many community-based enterprises operating in the country. However, the choice of the study is based on three qualifying characteristics; (1) that the case study should qualify using the primary definition of CBEs indicated in table 1 above, (2) that the case study needs to involve agricultural communities that are able to organize its enterprise cohesively, (3) that the case should be located in one of the 20 poorest provinces in the country based on 2004 ranking.

There is a reason for case selection criteria. Firstly, this paper would like to investigate community-based enterprises, to distinguish it from cooperatives, social enterprises and other forms of organizations. Secondly, the interest in agricultural communities is owing to the economic characterization of the country, especially the countryside. Finally, the study would like to look into poor provinces in the country as it would like to locate the how CBEs respond to the challenges of poverty and destitution. With these as criteria, the Multisectoral Alliance for the Development of Negros (MUAD-Negros) based in Negros Occidental was chosen.

2. The Case of MUAD-Negros

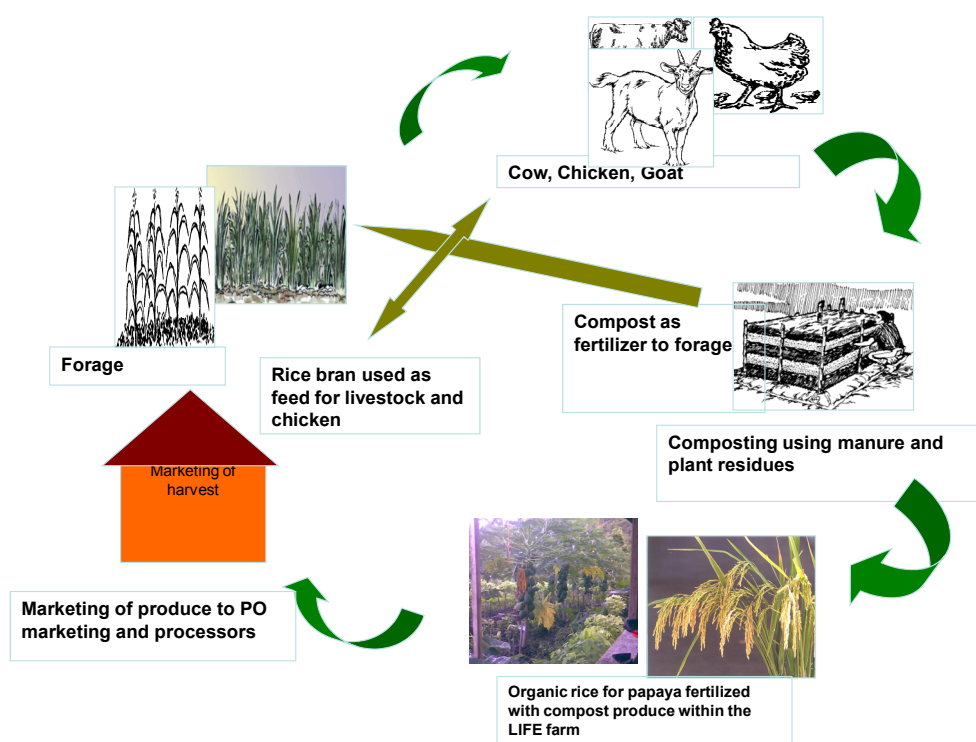
MUAD-Negros is a multi-stakeholder alliance of non-government organizations, foundations, local government unit representatives, and people’s associations established in 1987 as a collective response of development organizations to address major economic setbacks due to the collapse of the sugar industry in the middle of the decade and the overwhelming devastation caused by typhoons and other natural calamities. Since the time of its organization, MUAD-Negros engaged with several funding agencies to implement various programs on the environment, reproductive health, micro-enterprise development, farming technology, and capacity development, among others. Its first few funders were Miserior, the Philippines Canada Human Resource Development Program, the Association of Foundations, the Philippines-Australia Community Assistance Project, and the Foundation for Philippine Environment.

MUAD-Negros has been at the forefront of poverty alleviation programs in the province for more than ten years (Magbanua 2005: 11). In 2004 it partnered with Peace and Equity Foundation to become a provincial access center. This enhanced its capacity to serve more poor people and households and expand its reach to areas where development funding assistance is scarce. It applied for funding assistance from PEF in the amount of seven million pesos (P7.4 M, P5 M in loan fund) to implement the “Provincial Development Fund for the Improvement of Small Income Families” (PDFISIF). Two years after, the second phase of the program was approved by PEF with another five million peso loan fund with a corresponding 2.5 M grant. This was also the time that MUAD was able to particularize and define its development strategy, more particularly the Livestock-based Integrated Farming Enterprise (LIFE).

MUAD-Negros trained farmer participants in the production of organic papaya and rice in their farms; both crops fitted to the soil condition and farm location of the farmers and also possess high market value even at

the local market in Bacolod city, the provincial capital. The farmers were encouraged to re-organize their farms to be sufficiently cushioned against droughts and heavy rains that frequently occur in the area. Farmers were then trained in diversified farming through the LIFE model where farmers organize their farms where inputs and outputs are interdependent – farmers plan foliage for use of its livestock, livestock manure and plant residues are used to fertilize rice or papaya (main crops) and other plants, and all farm produce are sold to a marketing cooperative owned by the farmers themselves. This framework is shown in Figure 1 below:

Figure 1. Livestock-integrated farming enterprise



Secondly, MUAD organized a marketing cooperative that was tasked to pickup papaya and rice from the farms, employ a quality control system, and deliver these to contract buyers. The marketing cooperative has its own delivery truck and visits farms based on production schedules to pick up products. This process did not only assure farmers of a ready market for their produce, but it also encouraged them to do more and invest in their farms because they are certain that goods will get a fair price as compared to selling them to private individual traders.

Substandard farm products, like in the case of organic papaya for example that does not conform to size specifications, are brought to processing center. Other products that do not command high farm gate prices because of stiff competition like ginger and turmeric, are also brought by the marketing cooperative to the processing center for value adding processes. The processing center produces dried fruits, powdered drinks, candies, jams, jellies, from the production of the LIFE farms. These are then transported by the marketing cooperative to display centers and traders. In this case, product development at the processing center is critical, as this does not only need a careful reading of market forces, but also matching market demand with the available farm products raised by the farmers.

For the last 5 years or so, this process yielded significant results. To date, the marketing cooperative is already able to deliver to traders around 2 tons per week of organic papaya in the “bagsakan center” located

in Bacolod City, the provincial capital, that are all sold at the end of the day. The same process will also be done with the livestock in the beginning of 2014.

The organization of the value chain, with corresponding actors, is indicated in Figure 2 below:

Figure 2. Value Chain of the CBE

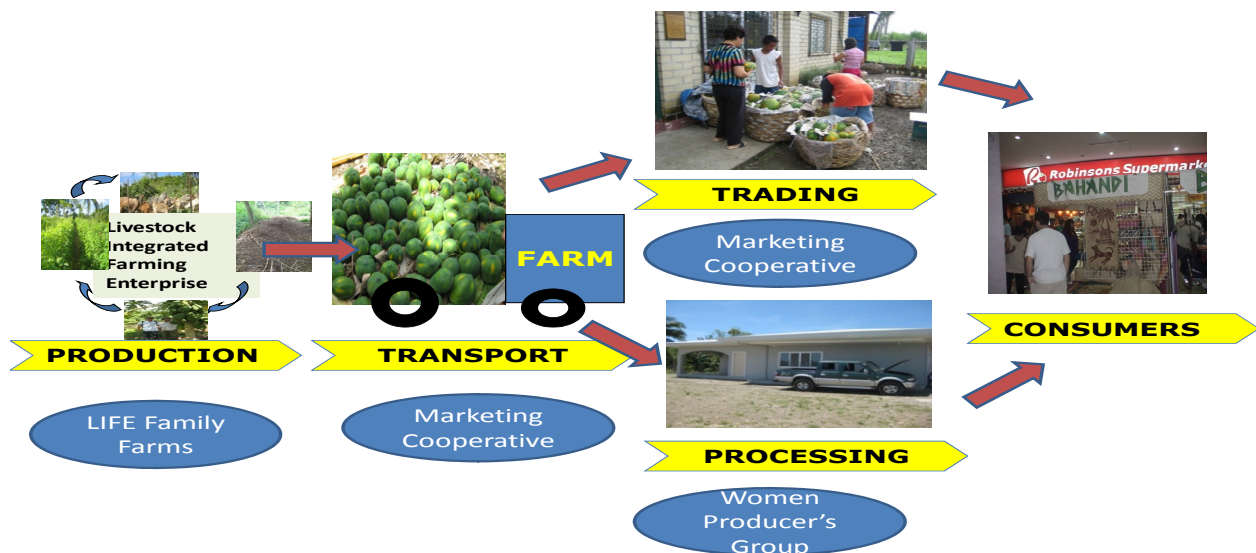


Figure 2 shows that there are at least three major collectives that are impacted on by this enterprise. These are the LIFE Family Farms, the marketing cooperative, and the women producer's groups. We characterize these using the table on CBEs earlier illustrated in Table 1. The results are presented in Table 2 below:

Table 2. Analysing Stakeholders Using the CBE lens

Features	LIFE FAMILY FARMS	MARKETING COOPERATIVE	WOMEN's PRODUCER GROUPS
Ownership	Owned by the families, tilled by them.	Owned by the farmers who also supply the marketing cooperative with farm products	Owned by the women, some of whom are wives of the farmers who till the family farms
Leadership	Led by the household head (the father, in most cases)	A board of directors elected by its members	A board, elected by its members

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