



Does microenterprise seed capital help the poor to build sustainable livelihoods in the Philippines?

Governments in low- and middle-income countries often implement microenterprise development programs for poor households lacking the skills or resources to build sustainable livelihoods. Interventions supporting self-employment or entrepreneurial activity are especially suited to the Philippines, where over 50 percent of families in the bottom third of the income distribution are engaged in entrepreneurial activities.¹

This brief summarizes the lessons from an evaluation of a microenterprise development program implemented by the Philippine government's Department of Social Welfare and Development. The program is part of the Sustainable Livelihood Program (SLP), which is one of the largest social protection programs in the country, reaching over two million households since its inception.²

Main findings

- Over 90 percent of SLP participants are women with low levels of education and limited labor force participation.
- SLP supported businesses suffer from high closure rates and low profitability. Promoting member participation in group-run businesses remains a challenge.
- Descriptive findings suggest the need to improve business-project selection and the quality of support services provided to SLP beneficiaries, such as capacity-building, mentoring and organization-building.
- The administrative cost – PhP0.42 centavos – to disburse one peso of grant money is less efficient than other microcredit or livelihood programs.

The intervention

The SLP targets working-age individuals from households classified as poor in the Department of Social Welfare and Development's poverty registry and prioritizes household beneficiaries of Pantawid Pamilya, the department's conditional cash transfer program. The program recruits participants in target cities, municipalities and *barangays* (villages), which are selected based on the density of households receiving the conditional cash transfer that are not reached by the SLP.

To access funding and capacity development, participants form an SLP association of 5–30 members and submit a business plan. The plan undergoes a review process. The business may be new or preexisting and may be run individually or in a group. The evaluation focuses on beneficiaries of the SLP Seed Capital Fund, a grant worth up to PhP10,000³ per household, which is used to start a new business or support an existing one.

Evaluation lessons

Over 90 percent of SLP participants are female. Most are spouses of heads-of-household (83%) with an average age of 45 years. They tend to have low education levels (65% did not finish high school), and the majority do not participate in the labor force (57%).

The evaluation found that SLP-supported businesses suffer from a high rate of closure and low profitability. Among group businesses, promoting member participation is also a challenge. Sixty-six percent of group-project beneficiaries reported not performing work for their group business in 2019. Among those who did,

only 10 percent received compensation. Furthermore, only 6 percent of group beneficiaries received dividends from the group business in 2019. These findings suggest a need to improve SLP delivery, beneficiary business-project selection, and quality of support services such as capacity-building and mentoring for SLP beneficiaries.

To disburse one peso of grant money, the Department of Social Welfare and Development incurs an administrative cost of PhP0.42 centavos. The authors note that this is less efficient than other microcredit or livelihood programs.

Lessons for future research and programming

The SLP aims to improve labor market outcomes for participants, but the evaluation suggests a need to review program design. The descriptive findings also suggest the need to weigh the relative merits of individual and group businesses. Individual businesses constituted less than 10 percent of the study sample, indicating a preference for

group businesses among either participants or the Department of Social Welfare and Development. However, the evaluation finds that group businesses face a range of organizational issues and require support for better organization-building to help them generate greater employment and income for their members.

About this impact evaluation

The brief is based on an impact evaluation by Aniceto C Orbeta, Jr, Marife M Ballesteros, Celia M Reyes, Vicente B Paqueo, John Paul P Corpus, *Impacts of the Sustainable*

Livelihood Program's Microenterprise Development assistance on poor households in the Philippines, completed in 2020.

Endnotes

¹ Philippine Statistics Authority (PSA), 2018. APIS 2017. Annual poverty indicators survey final report. Quezon City: Philippine Statistics Authority.


² DSWD 2019. Sustainable Livelihood Program CY 2019 Accomplishment Report. Available at: https://livelihood.dswd.gov.ph/storage/reports_documents/ilovepdf_merged.pdf

³ USD208 (PhP1 ≈ USD0.0208 at the time of writing).

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