



Trip Report: Improving Household Well-Being by Improving Access to Credit

Philippines: January 26-February 11, 2003

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I traveled to the Philippines from January 26-February 11, 2003. The objectives of my trip were: (1) to visit the field sites in Bukidnon to get a sense of the changes which had occurred between 1984/85 and 2003; (2) to meet with the host-country collaborators to prepare for the qualitative study; (3) to meet with researchers working on rural finance issues at the Philippine Institute for Development Studies and the University of the Philippines; and (4) to explore sources for additional funds from AID Mission in Manila and the Asian Development Bank.

The team which went to the field consisted of Howarth Bouis and myself from IFPRI and a RIMCU team consisting of Linda Burton (Director of RIMCU), Chona Echavez, Beethoven Morales, Lourdes Wong, Mediatrix Palma, and Dodong Obial. I would like to acknowledge RIMCU's excellent cooperation and collaboration (both substantive and logistical) during this trip.

1. Manila: January 28-30, 2003

I spent three days in Manila visiting the Asian Development Bank, the AID Mission, the Philippine Institute for Development Studies, and the University of the Philippines School of Economics (see Appendix A for a list of persons visited).

Asian Development Bank. At the ADB, I met with staff working on rural development, poverty, and education issues in the Philippines. I had an interesting discussion on microfinance issues with Sununtar Setboonsarng, Poverty Reduction Specialist working on the Philippines. The ADB is currently preparing two loans for the Philippine government, one on microfinance and the other on agrarian reform cooperatives. The first phase of ADB's microenterprise finance project ended in December 2002, and a follow-up project is in preparation, possibly for approval in early 2004. The first phase consisted of a Grameen-type project, working through the People's Credit and Finance Corporation (PCFC), a subsidiary of the Land Bank of the Philippines (the government-owned bank responsible for loans to the agricultural sector). The ADB project was judged to be highly successful. USAID also has a microfinance project, MAPS, which teaches rural banks how to undertake microfinance activities. Microfinance is a big new development in the Philippines, with microfinance institutions being mainstreamed into the rural financial sector. Two-thirds of conduits are rural banks, one-third are NGOs, and one-third are cooperatives. Sunny thinks that

the expansion in microfinance will come from the rural banks; a number of NGOs want to be chartered as rural banks so that they can also mobilize savings since grant funds are drying up. The new ADB loan would look into different approaches, not only Grameen-style approaches, as well as different products, such as housing, tree crops, etc. One of the important components of this loan would be designing incentive systems for banks to lend to the agricultural sector, replacing directed credit programs.

Interestingly enough, the PCFC is not allowed to work with farmers since farmers are the domain of the Land Bank. (The Land Bank does lend to cooperatives, but only some 2,000 out of 7,000 cooperatives are accredited and eligible to borrow). Since the commercial finance sector realizes that microfinance can be profitable, the gap continues to be in agricultural financing. This has some interesting intrahousehold implications. According to Sunny, on-lenders have approached her with pleas such as “Please lend to the men!” Following the Grameen model, microfinance projects, particularly NGO projects, target women. However, men have a hard time getting long-term agricultural loans, even if they have collateral, and thus feel marginalized. Credit being fungible within the household, it is not surprising that women channel some of their funds towards agriculture.

Although I initially thought that the microfinance project would be a better source of technical assistance funds to supplement the BASIS funding, Sunny thought that the work was more relevant to the Agrarian Reform Community Project because of the links between rural finance and land tenure. Also, the work fits in better with the timing of the loan. However, since she is still raising money for the loan package, she could not make any funding commitments. However, we agreed to keep each other updated.

AID Mission. I met with Joseph Ryan and Gil Dy-Liaco at the AID Mission on January 29. Joe Ryan briefed me regarding AID’s programs in Mindanao. The two most successful programs are: (1) setting up former Moro National Liberation Front (MNLF) combatants as small-scale corn/seaweed farmers in Central Mindanao and some of the islands; and (2) the Targeted Commodity Expansion Program, which would help farmers move out of basic grains into high-value crops. The first program, which has involved extensive consultation with the MNLF hierarchy, gives outright grants and technical assistance to farmers. There is no financial services component except through the grant itself. Ninety percent of the grantees are reportedly viable a year or two after the grant program ends. The second program is production and marketing oriented and aims to hook producers directly into the transportation network. It is beginning to compete successfully with Baguio, the traditional source of vegetables and fruits for the Metro Manila market. The project also organized conferences for Mindanao businessmen.

AID’s strategy in the Philippines has changed. It no longer supports “transformational” business projects because of the bad investment climate. However, the microfinance projects are doing well—the margins are big despite high administrative costs. AID does not provide loanable funds to financial institutions; its technical assistance revolves around improving repayment.

While I had initially thought of asking the AID mission for additional research funds, it became clear that this was not a priority of the mission. AID Manila is interested only in program evaluation of its current projects, and in research which has direct operational relevance.

Philippine Institute for Development Studies. I met with Gilbert Llanto at the Philippine Institute for Development Studies, a research institute attached to the National Economic and Development Authority (the Philippines' economic planning agency). Llanto is one of the key Philippine researchers on rural finance and has worked on this issue since he was at the Technical Board for Agricultural Credit (since reorganized into the Agricultural Credit Policy Council (ACPC)). Gilbert updated me about current developments in Philippine rural finance; I summarize these below.

The passing of Executive Order 138 (EO 138) in August 1999 mandated the transfer of directed credit programs (DCPs) implemented by government nonfinancial agencies to government financial institutions.¹ This is in line with policy reforms attempting to liberalize the financial sector in general. Although there are new government credit programs, their reach is minimal: households still rely mostly on the informal sector for loans.

Llanto feels that shifting from production credit to household credit is a better move since credit is fungible within the household. Microfinance is a better entryway to poor households because households are diversified enterprises anyway. He feels that transportation, marketing, and access to technology are more important constraints in the rural sector than access to financial services, although he admits that most poor farmers do not have enough liquidity to cope with emergency events, that credit is needed for consumption-smoothing purposes.

He pointed out two changes in the rural financial sector: (1) the rise of a new breed of moneylenders with the growth of overseas contract workers: wives of OFWs who use remittances from their husbands as financial capital; and (2) the growth of microfinance institutions (MFIs). MFIs are "hot" in the Philippines because of donor interest, because rural banks find them commercially viable, and because the policy environment for MFIs has improved considerably.² For example, the Banko Sentral ng Pilipinas now recognizes microfinance as legitimate businesses, and the Central Bank governor even opened a separate rediscount window for MFIs. Many of them started as NGOs but are

¹ The Philippines is one of the few remaining countries that maintain subsidized credit programs managed by nonfinancial government agencies. The country also has a long history of mandated lending to the agricultural sector, such as the Agri-Agra law (PD 717, issued in 1975) which mandated banks to set aside 25 percent of their loan portfolios for agricultural lending, 15% of which should be allotted to general agricultural lending and 10% to agrarian reform beneficiaries. However, this law could be easily subverted through "alternative compliance" mechanisms, such as investing in government bonds. However, the opinion of one of the past NEDA Directors-General is that the Agri-Agra law is less harmful than the DCPs so there was no point in repealing it.

² Major donors for MFIs are the ADB/IFAD through PCFC and the Land Bank; USAID through MAPS; UNDP, which is sponsoring the ASA approach, and the EU.

now trying it out as rural banks in order to mobilize savings (savings are a cheap source of money; interest rates run only at 2%). Llanto argues, however, that these MFIs have limited reach. Llanto also told me of a project at the Department of Finance under Piedad Geron (one of my former dissertation advisees) which is establishing performance standards for microfinance institutions.

I also met with Mario Feranil to discuss the possibility of PIDS's organizing the policy seminars for Manila-based policymakers and with Jenny Liguton to obtain copies of PIDS research papers on rural finance.

UP School of Economics. I met with Emmanuel Esguerra, another of the Philippines' key researchers on rural finance and a former colleague. He said that issues of institutional design are now at the forefront, the debate regarding "should we" or "shouldn't we" now being over. Even if financial markets are liberalized, there is no guarantee that financial services can be delivered to clients. The question is what kind of institution can better serve its clients: cooperatives can only lend to its members, while NGOs are dependent on grants. The transformation of NGOs to rural banks is starting, although slowly. Esguerra gave me copies of his papers to share with the research team.

2. Field Visit to Bukidnon: February 3-4, 2003

Howdy Bouis and I traveled to Cagayan de Oro on February 2, 2003, and spent the next three days in Bukidnon with our RIMCU colleagues. The objective of this brief reconnaissance visit to Southern Bukidnon was to get an overview of changes which had occurred in the period between the first phase of household surveys (1984/85) and the present. We were interested in the following topics: (1) general perceptions of changes in living conditions over the past 20 years; (2) sources of credit; (3) asset accumulation and intergenerational transfers of physical and human capital; (4) the importance of employment, migration and remittances; and (5) changes in diets. Since Howdy Bouis was the PI of the first two IFPRI-RIMCU studies, his impressions of changes in the study sites were very important. We were also fortunate that Lourdes Wong, supervisor of the field team in the last two studies, will be involved in the next phase of work, for both consistency of data collection methodology and continuity (in terms of relations with the respondents). To protect their anonymity, I use initials when referring to people we interviewed in the field.

2.1 General Changes in the Environment

The improved roads which link the general survey area to Cagayan de Oro and to Davao and Cotabato are perhaps the most obvious change. (Roads to the survey sites are still unpaved, but much better than before). With the operation of the Pulangi Hydroelectric Facility, electricity has been available since 1995/96. Two sugar mills are now in operation—the BUSCO mill, which was operating during the first survey, and the Crystal mill, which started operation in 1996. There are plans for a new sugar mill (Zubiri). With the improved roads, sugar cane from as far as Cotabato comes to

Bukidnon to be milled (also because of the closure of the mill near the Cotabato-Bukidnon border). Sugar area has also expanded since 1984/85, with many respondents reducing corn areas and expanding their sugar area. Part of this expansion is due to favorable domestic sugar prices, which are much higher than the international price. (Sugar area did not expand in areas which were too rocky or too difficult to reach by truck). Landlords who obtained their land as pasture leases are converting it to sugar due to its high profitability. A number of new corn mills are operating, partly to supply the livestock industry which is moving from Manila to Mindanao. Valencia, the nearest city, has expanded, with more commercial establishments, banks, rural industry (farm machinery), and even internet cafes! Howdy noticed that there were many more tractors on the road compared to 20 years ago.

Unlike in 1984/85 when sugar collection depended on contracts with the mill, milling is now on a “free for all” basis. This is partly due to changes in mill capacity. When prices dropped, milling capacity increased because people stopped planting sugar. When prices rose again, people started planting sugar, but then the new mill came in. With the demise of the bagon system, truck drivers are key to having one’s cane milled on time. Farmers typically pay P300-500 per trip in addition to truck rental as a tip to the driver. Hauling costs have become quite expensive over the years.

Another change in the environment—less obvious, but immediately apparent when one talks to farmers and laborers—is the change in land-labor contracts after the implementation of the Comprehensive Agrarian Reform Program (CARP—RA 6657). Large landowners are either subdividing their land or leasing it out to avoid land reform. Some owners of plantation tree crops cut their trees to avoid having the plantation placed under CARP. One large hacienda (OWADI) distributed “shares” of land to its employees, then leased it back and hired back the laborers as harvesters. We see more “professional” managers being hired to manage these plantations, replacing landlords who had a more personal relationship with their workers (although some acknowledge that these managers are only managers in name). Even small landowners prefer wage labor or fixed-rent contracts (abang) instead of tenancy (tercia), as they are afraid that the tenant will take them to the Department of Agrarian Reform. Tenants with long-term contracts seem to feel secure that they can take their case to court, but new tenancy contracts seem hard to find. At the same time, landless workers feel that it is too risky to stake out land and start to farm it, for fear of eviction, and would prefer long-term permanent labor arrangements.

2.2 Changes in Living Conditions: Paths to Economic Mobility

We conducted 15-minute interviews of respondents in the following categories: sugar farmers, sugar workers, corn farmers, corn laborers, and corn tenants. We also spent two hours talking with a progressive sugar landlord. We listened to many stories—what I will summarize here are impressions from all the stories (with references to individual cases). The most striking conclusion is that one’s condition depends critically on initial conditions—in particular, having land. Most of our respondents with secure access to land reported improved conditions in life, better diets, better houses, more assets, etc.

Landed people were able to obtain credit and even became sources of credit themselves! Mortgage default was also one way of acquiring more land. People without land (corn tenants, corn workers, sugar workers) had more varied outcomes. Some tenants were able to buy land, and some to engage in petty trade. Some lost their land, and many had children who did not go beyond elementary school. Nevertheless, a few landless workers managed to educate some of their children, saying that this was the only thing they could leave behind.

Sugar farmers. We interviewed two sugar farmers in Kisanday and San Jose. The first farmer we interviewed, Mr. S., lived near the road. Since 1984/85, he had increased his landholdings to 12 has. although he had sold six and was cultivating six. He lived in a bigger house, surrounded by the (smaller) houses of his children. He has converted most of his land to sugar, although he has a little corn left for home consumption. He feels that his life has improved due to sugarcane—aside from the bigger house, Mr. S. also has appliances such as a TV, VCD player, and a washing machine (the latter is puzzling since there is no running water!) The family's diets have improved, they now eat a rice-corn mix instead of only corn. It did not seem, however, that his children were especially successful in terms of schooling. One child works in Valencia at the Gaisano store, one child is farming, and his two daughters are living nearby with their husbands. One of his daughters (and her husband) are involved in the ukay-ukay (surplus clothes) business. The daughter who lives nearby said that she eats only corn (she seems to have a much lower living standard than her parents). Mr. and Mrs. S. are raising their granddaughter, the child of their unmarried son.

The other farmer, Mr. C., lived farther away from the main road in San Jose (we gave him a lift home from the crossing, where he was drinking with friends). He had a two-storey concrete house, further away from the road. Since 1984/85, he was able to buy one more hectare of land, so he now cultivates 2 hectares. He used to plant corn but now plants most of his land to sugar. Although he says times are more difficult because of high prices, he seems to have improved his lot. He has now converted the first floor of his house into a living area (they used to live on the top floor). Most of his 10 children have finished high school and some have finished college (one is still in college). His daughter Eva, who has been working as a domestic helper in Singapore for the past 4 years, has helped a lot in sending her siblings to school. She sends money every two months. His two boys now live in Gingoog and Davao—they did not come back since they were not interested in farming. He says that his diet has improved—his family now eats fish and meat, while they used to eat dried fish (bulad) and fish paste (ginamos).

I was surprised that Mr. S., who seems wealthier in terms of landholdings, did not have children who were better educated. Perhaps the children were encouraged to work more on the farm instead of going to school? I did not probe this issue but it might be worth looking into later on. In contrast, Mr. C. seems to have done better in terms of educating his children.

Corn farmers. We interviewed three corn farmers in Natulungan. One of them, Mr. C., has been a share tenant on two hectares of corn land since 1978. He was a migrant from Daan Bantayan (Cebu) and came here in 1966 with his parents. His household only consists of him and his wife—their daughter is married and works as a domestic worker, and their other child drowned in Polangui. Their daughter reached Grade 6 before getting married. Mr. C. is actually the tenant of the landowner's son, both of whom live nearby. Although the landowner has three other children, they are not interested in farming and now live in Manila. The son who lives nearby came home from Cagayan de Oro to get married and start farming. He gives a share of his produce to the father. Mr. C. did not seem concerned that he was a share tenant with a verbal contract as he felt he could take his case to DAR if a dispute arose. He does not think that things have substantially changed since the mid-1980s.

Chona also talked with a corn tenant who has been farming as a share tenant for 23 years on a *tercia* contract. His corn is entirely for home consumption; he works as a day laborer if he needs cash. None of his six children are farming. All of them finished elementary school while some went to high school. Two children work in a sawmill (*bansohan*), one operates a *trisikad*, two work as domestic helpers, and one is disabled. He obtains fertilizer on credit from Mayor L. at P500 a sack, three months to pay (cash price is P430). Although recommended fertilizer application is 6 sacks per hectare, he applies only 3 sacks for fear of crop failure. His wife plants corn but prefers to get 2 taros at harvest time rather than be paid right away (P50/day). The tenant did not think that his life has changed at all over the past 23 years. He eats corn, dried fish, vegetables, and fish paste. He did not want to move because he could not think where he could move.

We also interviewed a woman, Mrs. L., who seems to have improved her station in life. The L. family started as share tenants, but now own about 1.5 hectares of land, planted to corn. They have 7 children, of whom 3 live with them. One child finished high school and works in Petron, but the rest finished elementary school. One child who is living with them finished grade school and is now working. They were able to save money to buy land through a variety of means: another occupation (her husband is a carpenter and also works as a day laborer) and raising cows and carabaos acquired through sharing arrangements. They also grow *germelina* (a fast growing tree crop) which they use for house construction. Their married children have moved away and send money. In fact, their son who works in Petron finances the little *sari-sari* store in front of the house. Mrs. L. is now a source of consumption credit for her neighbors.

Corn workers. We interviewed two corn workers in Natulungan, Kibawe. One was only 15 years old but has been a daily wage laborer since he was 7. His father does not own any land and also works as a daily laborer. He has five siblings, some of whom work as domestic helpers. Three of his siblings are still in school. He does not plan to go back to school because no one will help his father. Of his wages of P60 per day, he gives P40 to his parents for living expenses, and keeps P20 for his own expenses. The family diet consists of dried fish and corn, except for Saturdays when they can get fresh fish because it is market day.

Chona talked with a 17 year old wage laborer who has been working since he was 7 years old. He is one of a group of 15 people who rotate between the corn and sugar lands of Mayor L., doing a variety of tasks (*guna, lampas, abono*). He belongs to a family of 7 children. His sister works as a domestic helper in Davao. She does not know how to send money, so only does it when she visits (rarely). He has two sisters in elementary school, three younger siblings under school age. This worker's father had inherited one hectare of land and one carabao from his grandfather, but sold it to pay for legal expenses when the uncle killed someone. After losing his land, the father worked (and is working) as a share tenant. The sharing arrangement is 1:4 in favor of the tenant but yield is very low (10-15 sacks) due to no fertilizer application. His own wage earnings go to his mother to pay for daily needs. This worker says that his condition in life has gotten worse since his father lost his land. Their daily meals consist of bananas and cassava (*balanghoy*), and either dried fish, vegetables, or fish paste.

Sugar workers. We talked with sugar workers on two plantations—OWADI, a corporate farm owned by N. (which had already been subject to land reform), and the farm of Mr. M.

The OWADI workers lived in a bunkhouse with 8 doors, two families per door. (Workers who had arrived earlier lived in separate houses with little gardens, but the bunkhouse we visited was crowded). Housing is free so long as one is employed by WADI. Electricity is not free but charges are minimal. WADI also provides health insurance. Lourdes and I interviewed a woman who is married to a harvester (*tapasero*). They used to farm land on a hillside, but after the husband fell off the cliff, they came to OWADI (in 2001). She also sells mushrooms that grow on the sugar cane wastes. The couple has three children. None of her children went beyond grade 1. One of the children is with her in-laws (*ugangan*) to whom the parents have mortgaged 1 hectare of land for P2000; the daughter and her husband are working the land. The other two children are with her. The boy is a *tapasero* and the daughter, who is married, has three children. The eldest (8 yrs) had started school but dropped out because he got tired from the distance. (Schooling is publicly provided up through high school and a bus takes the children to school, but apparently it is quite a distance away.) The woman did not report any changes in diet nor in living conditions.

Chona talked with a 72-year old widow who was working as a day laborer at P60/day. She had 7 children, 5 of whom were married. Most of her children had migrated (to Valencia, Malaybalay, and Manila). She lives with her daughter, son-in-law, a bachelor son, and four grandchildren in the OWADI bunkhouse. She and her husband used to be share tenants in Negros and had bought 5 hectares of land, but had to leave due to the peace and order situation. Her son-in-law works for OWADI, thus the family is allowed to live in the bunkhouse. Her daughter takes in laundry to make extra money.

We also spoke with *tapaseros* who lived in the M. bunkhouses. These houses seemed less crowded, with one family per door, and families had planted little gardens surrounding the bunkhouse. Although the M. workers are paid less than the OWADI

workers, their housing conditions seemed slightly better. Children who married were allowed to build little huts near the main bunkhouse. M. also allowed the workers to grow corn on land which was not suitable for cane, but this was very rocky land and difficult to cultivate. Many of the tapaseros had come to Bukidnon from Negros Occidental, because landlords there paid very little. We started talking with a young man who had come with his father (also a tapasero) and had been working as a tapasero since 1990. We also spoke with an older man who was also a tapasero, but had two children in school. One girl was in 2nd year college as a working student; the other was in second year high school. His son had stopped schooling and worked as a driver. His wife run a petty trading business—for which they had bought a refrigerator by installment. Another man had four children. Two (a boy and a girl) were in a computer school in Cebu on religious sisters' scholarship. One child who was a HS graduate was working to help out, while his youngest was 1st year HS in Maramag. Another tapasero, Mr. C., had five children. His eldest child was working, in college, but the next two had to stop in 3rd and 2nd year high school because the parents could not afford to send them to school. They are working as pakyaw (piece-rate) workers. His two youngest children are in 1st year high school and grade 4. Perhaps he is now making more money now that his wife runs a little store. It is possible that once the eldest is through with college she will contribute to pay for the younger siblings' schooling—but the middle siblings have lost the opportunity to go to school.

Although we talked with tapaseros who seem to have very similar occupations, it became clear that work contracts were quite different between the two plantations. OWADI paid a higher wage (P175/day) compared to the M. plantation (P80/day), but the higher salary category was only for those 18 years of age or older—usually only one person in the entire family. It seemed that M. also provided other work opportunities to his workers—whether corn land that they could cultivate rent-free, work on the livestock ranch in the off-season (3 days at P50/day), as well as work for the wives in cottage industries run by Mrs. M.³ (Three tapaseros on the M. farm also had little stores.) So, workers on the M. farm could work the whole year. They said that they have social security, and Medicare, and also get an annual payment from the amelioration fund (P900/year). However, they were still lobbying for 13th month pay.

I was quite impressed by the ability of these tapaseros to send their children to school. The second man we interviewed said that they really worked hard to send their children to school, since education was all they could leave them. Why are some families with seemingly similar conditions able to send some children to school and others not? A lot may have to do with timing—younger children can continue in school if they have an older sibling who is working—and with wives having secondary occupations.

³ Other types of labor contracts exist: (1) harvesting, paid by tonelada at P110/ tonelada; (2) weeding (10 person work team, with variable payment per weeding—P1000 for the first, 800 for the 2nd, and 500 for the 3rd); (3) tapok (gathering the sugar stalks) at P2 per stalk (one worker we talked to makes P100/day from tapok); and (4) planting (magpatdan), which can involve the entire family, including women and children over 15.

Are sugar workers better off than corn workers? Perhaps these workers are, since they had long-term contracts at the sugar plantations, and the plantations made available a number of amenities to them. The corn workers we spoke to were employees of the mayor of Kibawe. Daily wages in sugar are also higher than wages in corn (P80/day vs P60/day), but sugar workers were also paid by tonelada (P80/tonelada in the 80s; P110/tonelada now).

2.3 Sources of Credit

Respondents seem to associate “utang” (debts) with large loans which require collateral and often say that they do not like to make utang because they are afraid they will not be able to pay it off. Some respondents preferred to liquidate assets (carabao, or water buffalo) rather than incur loans, or will hire themselves out as day laborers to get cash. The fact that this is still a viable way of getting cash indicates that the area has not quite reached a labor surplus situation, though I suppose the timing matters. However, further probing reveals that there are a variety of credit sources.

--formal credit from a lending institution: this usually requires collateral (land) and is associated with larger loan amounts. Mr. S., for example, borrowed P20,000 from the bank, at 4% per month using his land as collateral, to pay for his daughter’s hospital expenses. Mr. S.’s neighbor lost his land to the bank because of failure to pay the loan on time. This lending institution is what is typically referred to as a microfinance institution in this area—it is privately financed, operates with Central Bank authorization, but has very minimal transactions costs and paperwork. A bill collector makes monthly visits to collect payment.

--“Bombay” (South Asian) lenders operate in a similar fashion, with daily collections! They usually lend to stores or vendors, those with a daily cash flow. They do not lend to farmers.

--mortgaging (*prenda*), with land as collateral. This has been a way for people with liquidity to accumulate land, once the borrowers default. This seems pretty common here. Mr. M. told us about agrarian reform beneficiaries who had lost their land this way.

--credit from BUSCO: close to harvest time, sugar growers can borrow money from the mill at 3%, payable in sugarcane. This is a short-term loan.

--loans from suki (regular source): 10% per month from the corn buyer

--consumption loans: from sari-sari store (bali-bali; owner makes a list) or from the plantation canteen (then is deducted from the salary) or from a store outside (paid weekly). Note that only OWADI workers in the P175/day category were allowed to borrow from the canteen. Other types of workers had to pay in cash.

--through share tenancy: this is not very common now

--through installment loans: one tapasero bought a fridge by installment from a store in Valencia. Payments are higher if the buyer does not give a down payment. Also, the store can take back the appliance if the buyer defaults.

Although our interview samples are admittedly very small, I was surprised that no one mentioned microfinance groups or group lending as a way of getting loans (even if

Grameen replications and ASA methods are much talked about in Manila). Only NGOs operate group lending programs, which are perceived to be expensive (administratively) to operate and thus need external funding.

Illness seemed to be one reason for incurring large loans (Mr. S's loan for his daughter's C-section) or disposing of assets (Mr. C.'s sale of a carabao to pay for his medical expenses). We heard that doctors are now acquiring land through mortgage default if some of their patients cannot pay their debts!!!!

2.4 Asset Accumulation

Land is obviously one of the most attractive assets to accumulate. Among our respondents, those who had been able to accumulate land did so by saving and by using proceeds from sale of carabaos and cows. (Some had acquired initial endowments of land through inheritance). In the past, the "agricultural ladder" seemed to be a way of accumulating land (we see some tenants who were able to buy land) but this does not seem to be an option anymore. We also heard of lenders who acquired land through mortgage defaults—but this is conditional on one's having some financial capital to start with.

The woman who financed land acquisition by selling livestock also obtained livestock through a livestock sharing arrangement, whereby alternate offspring go to the owner and the person who cares for the livestock. This is not an unusual arrangement and it might be important to find out how prevalent it is in Bukidnon.

There also seems to be a mechanism for acquiring consumer durables by installment.

2.5 Education, Employment, and Migration

Most of the household heads in the 1984/85 survey had elementary education. In the next generation, among the landowning households we interviewed, children had finished elementary, some had finished high school, and a few even had some college or completed college education. Among the landless households we interviewed, there were more who had dropped out in the elementary grades, although there were a few who had managed to send their children to high school or even college. Without exception, however, most parents (landed or not) said that children, after finishing high school, would prefer to leave the farm and work in a non-agricultural job—some were working in Valencia and others in Cagayan de Oro. Those with high school education seemed to be able to find work in the growing number of stores in the town or city centers. Others worked as drivers or as domestic helpers. We did notice that some children, after marrying came back to farm. We will need to find out whether these children really wanted to farm, or were discouraged in their attempts to find non-agricultural jobs. Families with overseas workers were lucky to have a source of remittances (e.g. Mr.C.) to help with household expenses.

I had expected that more children would have finished high school since it has been publicly provided since 1986. However, there probably are not enough public high schools which are close enough to the villages. Some parents therefore send their children to private schools. Some respondents mentioned having to incur debts or to sell assets (livestock) to pay for tuition around the time of the final exams. Also, parents still have to pay for uniforms, school supplies, books, and all sorts of miscellaneous fees collected by teachers.

The NCEE (National College Entrance Examinations) was abolished in 1994, although national testing is being reintroduced. There were methodological problems with the administration of achievement tests (they were not statistically standardized, were only administered to a subsample, etc.).

2.6 Intergenerational Transfers: Land or Education?

Given that children do not seem interested in farming, education appears to be the basic form of wealth transfers to the next generation. Landed parents said that they would give land to their children if they were interested in farming, but in most cases the children preferred to have non-agricultural jobs and no longer live in the locality. Rather than give the children land outright, however, parents are holding on to their land. They said that the children could sell their land and divide the proceeds. It is also possible that parents want to maintain control of the land to avoid land fragmentation should their children lose the land through mortgage default. I was surprised that Mr. S., who had the most land among the farmers we interviewed, had children who did not finish high school. Were children expected to work on the farm at the expense of schooling? Or did children feel that the farm could sustain them, so they were not interested in education? In the qualitative study, we may want to ask children (adolescents) themselves about their aspirations and reasons for continuing/not continuing school.

For landless parents, education is their only way of passing wealth to the next generation. Landless workers said they would work hard (*maningkamot*) so that they could send children to school. But there seems to be quite a great deal of variability in landless workers' ability to do so. We see patterns of early drop-out, early marriage, and high fertility in some of the next generation, as well as those who continue on to college, using scholarships or working to put oneself through school. In the qualitative study, it might be important to look at these alternative trajectories among the landless youth.

We may need to refine these questions by looking at the timing of transfers around the time of marriage, and also examine whether other types of transfers were made (e.g. assets, house establishment expenses).

2.7 Changes in Diets

Not surprisingly, landed households reported greater improvements in diets than did landless households. Landed households said they now ate rice on a more regular basis

(or a rice-corn mix), and ate fish and meat. The landless households ate corn, dried fish, and fish paste, with occasional fresh fish on market days (*tabo*). I expect that we will get a lot more detail in the quantitative survey food consumption section.

3. Cagayan de Oro, February 5-7, 2003

We returned to Cagayan de Oro on February 5. Howdy Bouis returned to Manila while I stayed behind to work with our Xavier University colleagues. We reviewed the old questionnaires and coding guides, discussed the questions to be fielded in the qualitative study, and discussed financial arrangements with RIMCU's business manager, Marilou Tabor. I was pleased to find out that Linda Burton is visiting the US this June and invited her to spend a few days at IFPRI to work with the team. I returned to Manila on February 7.

4. Manila, February 10, 2003

I returned to the ADB on February 10 to meet with Joseph Hunt, Kowsar Chaudhury and Leah Gutierrez to discuss possible funding sources at the ADB. I also spoke with Fermin Adriano, a consultant at the World Bank, regarding the possibility of approaching the WB's resident mission for additional funds.

Appendix A: List of Persons Visited

1. Asian Development Bank

From the Southeast Asia Department: Muhammad A. Mannan, Director, Agriculture, Environment, and Natural Resources Division; Sununtar Setboonsarng, Poverty Reduction Specialist, Agriculture, Environment, and Natural Resources Division; Kowsar P. Chowdhury, Education Specialist, Social Sectors Division

Leah Gutierrez, Project Economist, Social Sectors Division, South Asia Department
Joseph Hunt, Senior Economist, Education, Health, & Population (East)

2. USAID, Manila

Joseph S. Ryan, Jr., Chief, Office of Economic Development and Governance
Gil Dy-Liaco, Development Assistance Specialist, Program Resources Management Office

3. Philippine Institute for Development Studies

Gilbert M. Llanto, Vice-President
Mario Feranil, Director, Research Services Department
Jennifer Liguton, Director for Research Information

4. University of the Philippines School of Economics

Emmanuel Esguerra, Associate Professor

5. Research Institute for Mindanao Culture, Xavier University

Erlinda Montillo-Burton, Director
Chona Echavez, Demographer
Marilou Tabor, Business Manager
Beethoven Morales, Lourdes Wong, Mediatrix Palma, and Dodong Obial: RIMCU staff and affiliates

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