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The Philippines, one of the so-called developing countries in Southeast Asia, is, like its neighboring countries in the region, under the strong economic influence of foreign countries such as Japan, U.S., Europe, Taiwan and South Korea, especially in the manufacturing sectors. Automobile manufacturing in the Philippines, for example, is monopolized by Japanese and Korean corporations and that of electric appliances by Japanese, U.S., Korean and Taiwanese companies as in other major manufacturing sectors. These foreign or foreign-affiliated corporations saturate the local market and even export products abroad in their worldwide corporate strategy.

Yet one cannot dismiss the significance of cottage, small and medium-scale industries (CSMIs) in the Philippines as they are the most numerous of manufacturing establishments and employ more than 40 percent of the labor force in the manufacturing sector. Since they can be started with a small amount of capital, they are characterized by easy entry in the business and provide employment opportunities for the populace at low cost. Therefore, they form a vast cluster of the informal sector supporting the national economy from the bottom.

The present Philippine Government under President Fidel V. Ramos seems to favor large investment particularly from abroad in the name of "international competitiveness" as stated in the Medium-Term Philippine Development Plan (MTPDP) 1993–98 and its underlying Grand Development Scheme of Philippines 2000. Yet, CSMIs have a potential for the development of the national economy of the country and their growth should be integrated with the planning for economic development.

This article intends to survey CSMIs in the Philippines and the present government assistance programs for these industries, and to analyze the relation between the economic development program and the industries focusing on the MTPDP 1993–98.

Profile of CSMIs in the Philippines

The Small and Medium-Scale Enterprises Development Council (SMED Council), a coordinating body composed of government agencies assisting these industries, defines the scale of industries as follows. Micro industries are those with a total asset of P100,000 and below, employing less than five workers. Cottage industries have assets from 100,000 to P1,000,000, employing less than ten workers. Small industries from P1,000,000 to P10,000,000 and 10–99 workers. Medium industries from P10,000,000 to P40,000,000 and 100–199 workers (SMED Council Resolution No. 1, Nov. 6, 1992; see table 1). In this article, micro industries are included in the classification of cottage industries unless specified. These enterprises are mostly on a micro, cottage or small-scale level relying on family members and relatives or employing less than twenty workers. There are indeed a variety of industries which fall in this category in the country (see table 2).

CSMIs share 98.7 percent of the total number of business establishments, and provide 43.3 percent of the total employment in the country. In a Philippine economy where the so-called informal sector plays a significant role, CSMIs sustain the life of the majority of the people. At present the unemployment and underemployment rate combined reaches almost 20–30 percent of the total workforce, but half of the employed forces are located in CSMIs signaling their contribution to the economy. Even in terms of value added and total sales, the real figures can be much higher as many micro and cottage industries are excluded from the statistics.

Table 1. Industrial Classification Based on the Total Assets and the Number of Employees in the Philippines.

	Classification of Total Assets	No. of Employees
Micro	P100,00 and below	1–4
Cottage	P100,000–1 million (M)	1–9
Small-scale	1–10 M	10–99
Medium-scale	10–40 M	100–199
Large-scale	more than 40 M	200 plus

Table 2. Number of Manufacturing Establishments, by Industry Group, By Employment Size, 1988

Industry Group	Cottage Less than 10	Small 10–99	Medium 100–199	Large 200 Plus	Total	% of Total
Food	31,335	1,864	83	147	33,429	42.51
Beverage	887	52	8	40	987	1.25
Tobacco	5	10	7	14	36	0.05
Textiles	1,370	343	64	86	1,863	2.37
Wearing Apparel except footwear	12,737	1,074	100	127	14,038	17.85
Leather and leather products	237	789	9	5	329	0.42
Footwear except rubber, plastic or wood	1,819	311	11	3	2,144	2.73
Wood & cork products, except furniture	2,147	465	51	62	2,725	3.46
Furniture & fixtures except primarily of metal	4,197	477	34	47	4,755	6.05
Paper & paper products	161	123	16	21	321	0.41
Printing, publishing & allied industries	1,630	493	25	10	2,158	2.74
Industrial chemicals	43	78	20	11	152	0.19
Other chemical products	136	207	47	26	416	0.53
Petroleum refineries	2	–	–	4	6	0.007
Miscellaneous products of petroleum and coal	1	16	–	–	17	0.02
Rubber products	271	114	18	25	428	0.54
Plastic products	114	219	35	15	383	0.49
Pottery, china & earthenware	730	31	2	8	771	0.98
Glass & glass products	30	19	3	7	59	0.08
Cement	3	1	1	15	20	0.03
Non-metallic mineral products	1,916	245	15	7	2,183	2.78
Iron & steel basic industries	65	82	22	18	187	0.24
Non-ferrous metal basic industries	64	27	1	2	94	0.12
Fabricated metal products except machinery & equipt. & furniture & fixture of metal	6,130	342	28	18	6,518	8.29

Table 2 *continued*

Industry Group	Cottage Less than 10	Small 10–99	Medium 100–199	Large 200 Plus	Total	% of Total
Mfr. of machinery & equipt. except electrical	1,387	414	20	8	1,829	2.33
Electrical machinery, apparatus, appliances & supplies	70	124	25	58	277	0.35
Transport equipment	321	165	8	19	513	0.65
Professional scientific & measuring & controlling photographic & optical instruments	5	7	1	3	16	0.02
Repair of furniture & fixture of metal	40	28	2	–	70	0.09
Other Mfg. industries	1,593	269	27	22	1,911	2.43
Total	69,446	7,678	683	328	78,635	100.0

According to the Institute for Small-Scale Industries at the University of the Philippines (UP-ISSI), CSMIs can be classified into four basic types by line of business. Product enterprises include those which perform the whole range of processes required to convert raw materials into the final product. The products manufactured do not have to undergo prior or further processing by other firms. Processing enterprises perform one or more mainly simple operations in the total manufacturing process from raw materials to final product. The operations can be initial operations on raw materials (e.g. milling, corrugating, sawing, refining) or final operations (e.g. finishing, assembling, packing, binding). These include operations which require traditional skill or precision work like embroidering, testing, wood carving.

Subcontracting enterprises undertake subcontracting work for other enterprises, usually in terms of manufacturing components or supplies or doing specialized operations (e.g. galvanizing). Service enterprises are engaged in servicing, repair and the manufacture of custom-made products. Printing shops and machine shops fall in this category (UP-ISSI 1988, 14–15).

As UP-ISSI itself admits, the first two categories overlap with each other. These overlaps could be classified into three. These are independent product enterprises which perform the whole range of processes required to convert raw materials into the final product without any subcontracting arrangement. Metalcraft industry which manufacture agricultural tools like sickles, scythes and bolos, knives and scissors from scrap metals and *bagoong* (fish paste) and *patis* (fish sauce) manufacturers which make the products from fish, shrimp and salt fall in this category. Also included are subcontracting processing enterprises which perform one or more mainly simple operations in the total manufacturing process from raw materials to the final product under contract with other bigger enterprises. Many garment and embroidery firms fit in (Aldana 1989), and also service enterprises which are engaged in servicing, repair and the manufacture of custom-made products.

The advantages of CSMIs are:

1. *Creation of employment and economic opportunities at low capital investments.* They can be started with a small capital which is within the reach of the lower class and thus provide economic opportunities for many prospective producers and workers. In the bagoong business in Balayan, Batangas, some manufacturers, before starting backyard manufacturing, accumulated capital by peddling the fish in neighboring provinces or by working in Saudi Arabia as a contract worker for four years (Satake 1989; 1990).

2. *Labor intensiveness.* Since it is generally on a low level, technology used in the industries is labor intensive, absorbing the unemployed and underemployed. In the cutlery industry in Apalit, Pampanga, Bauan, Batangas, and Tabaco, Albay, the manufacturers depend on manual forging unlike in agricultural implements workshops in Carmona, Cavite or in Japan where the process has been mechanized. In the bagoong and patis industry as well as the lambanog (distilled coconut wine) industry, bottling is plied by hand.

3. *Regional dispersal of industries.* The presence of industries in the countryside provide off-farm employment and income opportunities, possibly stemming the flow of the population from the provinces to the already congested cities. More than fifty metalcraft shops in Apalit, Pampanga and about forty scissors manufacturers in Tabaco, Albay, are both situated outside Metro Manila. The latter is a twelve-hour bus ride from Manila and provides employment opportunities for the local labor force, particularly for out-of-school youth who find

it difficult to get employed in the large scale industries which demand a diploma at least from high school.

4. *Generation of foreign exchange.* Exporting products which rely on local materials saves and earns foreign exchange. Export of woven cloth, wood products, leather and food items like bagoong and patis has contributed to the dollar earnings of the country. However, some industries have failed to secure indigenous materials, like Barong Tagalog hand embroidery industries which import *jusi* cloth (silk) from China, while rattan craft industries import rattan (Reyes and Miralao 1984, 37; Aguilar and Miralao 1985, 223). In the footwear industry, manufacturers have to import leather because local tanneries cannot provide high quality leather by volume (Lamberte and Jose 1988, 12–13). In these industries, local raw materials should be secured either by replanting rattan and "Phil silk" or developing the local tannery industry so that precious foreign exchange will not flow out of the country in the importation.

5. *Nurturing of entrepreneurial talents.* Industries can serve as nursery and training ground for entrepreneurial and management talent. Some big business people learned their entrepreneurial skills from running modest scale business (UP-ISSI 1989, 2–4). Some rattancraft manufacturers in Cebu and hat and mat weaving entrepreneurs in Aklan were able to enlarge their trade through their commercial networks with Manila dealers (Aguilar and Miralao 1985; Rutten 1990). Also, Rufina Patis, the largest patis manufacturer in the country based in Metro Manila, began its business as a backyard business at the onset of this century. Tentay Patis, another large-scale manufacturer, did so more than forty years ago. The fact that these enterprises expanded from a meager business prove that through running a small enterprise, the owner/managers have the capacity to expand their business through their experiences.

6. *Establishing industrial linkages.* Salt and earthen jars *(tapayan)* used in bagoong and patis production come from local manufacturers. In the blacksmithing industry, sickles, scythes and machetes are processed from scrap metals available in junk shops, and charcoal is produced at adjacent localities (Satake 1993, 71–72). At the stores in local markets, these agricultural tools are mostly sold to farmers and peasants to be used in harvesting palay and sugarcane, thus supporting the agricultural sector. Although some industries mentioned earlier depend on imported materials, their use of locally-made inputs to supply other sectors with necessary products solidi-

fies the industrial backward and forward linkages among domestic industries.

The competitive disadvantages of the industries are the following (UP-ISSI 1988, 14):

1. *Handicap in obtaining credit and capital.* As seen in table 3 (Fabella 1988, 79), commercial banks and other financial institutions are unwilling to offer loans for these sectors owing to loan-processing cost compared to the profit. It is said that commercial banks, for example, do not in practice grant loans that are lower than P1 million (Yu 1994, 94). In many cases, therefore, the CSMIs turn to relatives and friends who do not charge interest, or worse, to private money lenders, often called "5-6" (five-six) who charge a 20-percent monthly interest.

Table 3. Loans of Commercial Banks for Small and Medium Scale Industries (SMSI) Compared to all the Loans (in million pesos)

Year	For SMMIs (A)	All loans (B)	Proportion (%) (A / B x 100))
1981	39.50	247,975	0.01
1982	50.32	276,633	0.01
1983	103.88	309,910	0.03
1984	327.34	25,699	1.27
1985	374.61	26,804	1.40

2. *Lack of bargaining power.* In procuring inputs and selling products, the small entrepreneurs cannot influence the market price since they buy and sell in a relatively small quantity and often fall prey to middlemen who dictate the buying price from the manufacturers. These middlemen provide cash-stricken manufacturers with cash advance or raw materials so that the latter can purchase raw materials or process them. The manufacturers, it could be argued, can continue their business with the help of the middlemen in this patron-client relationship, yet the middlemen decide the price of the finished products, putting the manufacturers at a disadvantage and leaving them no choice but to follow the price dictated by the middlemen (Satake 1994).[1]

3. *Uneconomical scale.* Unlike big-scale manufacturers, CSMIs cannot benefit from the scale of economies in purchasing raw materials,

production, delivery of products and marketing. The principle is that the bigger the volume, the smaller the cost of production, purchasing, transportation and marketing per unit of items. This is also why metalcraft and bagoong manufacturers have tried to organize themselves (Satake 1993; 1990).

Government Programs for CSMIs. The government's concerted assistance program for CSMIs started in 1963 when the National Cottage Industries Development Authority (NACIDA) was established under the Diosdado Macapagal Administration to integrate government assistance for cottage industries particularly in rural areas. By accelerating the growth of these industries, it was claimed, regional development would be achieved and the unemployment problem solved. The cottage industries, once registered with the agency, were able to avail themselves of tax exemption and financial and technological assistance. The agency even had its own training center for the industries and in coordination with the National Development Company (NDC), helped the industries secure cheap raw material (NACIDA 1983; Raralio 1984).

Under the government of Ferdinand Marcos (1972–86), specifically in the late 1970s and early 1980s, NACIDA attempted to help the industries through various programs. In 1981, the agency started to assist KKK (Kilusang Kabuhayan at Kaunlaran [Movement for Livelihood and Progress]), a flagship finance program of the Marcos administration for light industries and livelihood projects. The agency monitored the borrowing entrepreneurs and repayment (Gatmaitan 1987). This project was funded by the International Bank for Reconstruction and Development (IBRD-World Bank). Unfortunately, by 1985 it ceased operation because of low repayment rates (Tecson et al. 1989, 377). When NACIDA was still existent, there was an overlapping of functions and programs among government agencies intended to assist the cottage industries. Because of this, plus its inefficiency, NACIDA was abolished in 1987 by then President Corazon Aquino (1986–92) who supposedly perceived corruption and ineffectiveness in the agency as remnants of the deposed Marcos regime. Thereafter, the sole agency catering to small and medium industries has been Bureau of Small and Medium Business Development (BSMBD) which first commenced as the Bureau of Small and Medium Industries in 1974 and later changed its name to BSMBD.

Present government programs for CSMIs can be classified into three categories, i.e. the Kalakalan 20 Program (RA 6810), the Magna Carta for Small Enterprises (RA 6977) and various other programs. The

Kalakalan 20 Law was signed by President Aquino in December 1989, and took effect in March 1990. Targeted beneficiaries are called CBBEs (Countryside and Barangay Business Enterprises) which employ less than twenty workers and whose total asset must be less than P500,000. This corresponds to Cottage and Small Scale industries in the definition of BSMBD earlier cited. This law intended to let the underground economy, especially manufacturing sectors, surface by providing various tax exemptions. Once registered with city or municipal offices, CBBEs could avail themselves of tax exemptions including building permit fees, specific tax, value-added tax, income tax and other taxes or fees that are, or may be, imposed by the national or local government units. The registration ended in December 1994. It was also noted that the target enterprises were called Countryside and Barangay Business Enterprises which excluded those in Metro Manila and other highly urbanized cities as determined by DTI in consultation with the Department of Interior Local Government. As the implementing guidelines for the law states, it tried to release the potential of the countryside (Public Information Task Force 1990). The number of registrants since its inauguration was 2,437 from 14 March 1990 to 31 December 1990, 2,660 in 1991, 902 in 1992 and 278 in 1993.

Although the number of registrants surged a bit, as the program proceeded in the second year the registration rate went down. As of 28 February 1994, only 6,277 out of 58,537 potential registrants registered under the program and percent registration per region on the average was only 11 percent. This low figure indicates the slow progress of the law's implementation (Lahoz 1994, 3). Many sources, as well as the respondents of interviews, cite the following reasons behind the low turnout (15–17; Sartre 1992, 15). The unwillingness of Local Government Units (LGU)s like cities and municipal offices to implement the program was one of the main reasons. LGUs were afraid of losing revenue income if CBBEs would be tax-exempted. So, they did not propagate the program to the targeted beneficiaries. In fact, Angeles, Mandaue, Butuan and Iloilo requested exemption from the law because they felt Kalakalan 20 was detrimental to their income generating efforts (Lahoz 1994, 3). As the author went around the country, he noticed that many city and municipal treasurers had accepted applications for the registration, but did not disseminate the information to the business enterprises. The author never encountered city or municipal officials visiting the entrepreneurs to inform them of the scheme.

Though implementation responsibility rested with the LGUs, the DTI should have disseminated information on the program because it was the DTI that conceptualized the program and because it is the job of the DTI to attend to industries of any scale. Although many sources only point to the negligence of LGUs, some municipal treasurers claimed the DTI also should have promoted the program. It seemed that both the DTI and the LGUs blamed each other, evading their own responsibilities and hampering the implementation of the law. Some DTI officials said that DTI provincial offices are understaffed and overworked, which might be true, but the government should have installed DTI staff members to promote and monitor the program.

Many micro, cottage scale entrepreneurs neither heard of nor knew about the program. Some cutlery item manufacturers in Tabaco, Albay said that it was already the last year of registration when they learned about the program in August 1994. They wondered how come they learned about the legislature only then. A bagoong manufacturer in Lingayen, Pangasinan also stated that she heard about the program on April 1994 and wondered why she had not been informed either by the Bureau of Internal Revenue or the Municipal treasurer while she was faithfully paying taxes.

Some sources blame the low awareness of manufactures, but the question is why so many targeted beneficiaries were left unaware of the program. Was it their fault that they were not informed? Many micro scale entrepreneurs cannot afford to purchase "quality" newspapers to keep track of what the government is doing especially in the rural areas where the many CBBEs are situated, and where national newspapers have a limited circulation. It is the task of the government, both national and local, to disseminate the information as much as possible.

Based on the provincial breakdown of registrants, it is observed that in some provinces the registrants numbered a lot while in others the figure is low. This is probably because the number of targeted business establishments varies from one province to the other as seen in table 4. Yet, there seems little interrelation between the number of business establishments and the registrants. Presumably, in some provinces, the DTI or Congressmen or some local business association might have been active in propagating the program.

Although the registrants were exempted from the major tax payment, they still had to pay the registration fee (P250) and in the succeeding years the annual fee, the amount of which depends on the asset size. For entrepreneurs of more than P100,000, the incentive seemed attractive, as once registered, they would pay less. But for those with small net worth of below P50,000, the registration proved more costly (Lahoz 1994, 13).[2] In fact, a cutlery item manufacturer in Tabaco, Albay said it makes no difference to him whether he would be registered with the program or not, although he knew about it, hinting at the unattractiveness of the scheme (Interview, September 1994).

Table 4. Number of Manufacturing Establishments By Region, 1988*

Region	Cottage	Small	Medium	Large	Total	% Region
NCR	10,908	3,792	437	429	15,566	19.3
I	7,759	131	6	11	7,907	10.0
CAR	1,264	51	5	8	1,328	1.6
II	3,042	134	8	11	3,195	4.0
III	6,989	747	26	54	7,816	9.9
IV	11,124	906	67	112	12,209	15.5
V	3,318	159	6	3	3,486	4.4
VI	5,686	268	12	26	5,992	7.6
VII	3,573	660	56	81	4,370	5.5
VIII	2,261	71	1	7	2,340	2.9
IX	2,082	124	9	10	2,225	2.8
X	3,192	224	19	31	3,466	4.4
XI	5,199	293	21	32	5,545	7.0
XII	3,048	118	10	13	3,189	4.0

*Using Employment Size Definition. CSME Definition by Number of Employment: Cottage 1–9, Small 10–99, Medium 100–199, Large 200 Plus.

The registration ceased in December 1994 and, depending on the reaction of congress, there is a possibility that the program might be revived. It should be revised and renewed because some, if not all, registrants were able to expand their operation by taking advantage of the tax exemption (Interview, DTI, Region IV, March 1994). Also, in Tabaco, Albay, some manufacturers availed themselves of the program because they wanted to secure loans from banks (Interview, Municipal office of Tabaco, August 1994). It was not certain if they obtained the loan from banks, but as long as there were benefits, why should it be abolished together?

RA 6977 known as the Magna Carta for Small Enterprises (SES) was signed by then President Aquino on 24 January 1991, and took effect thereafter to complement Kalakalan 20 which did not provide any financial assistance.

Under the Magna Carta, the Small and Medium Enterprises Development (SMED) Council was established to integrate the government programs for the SEs. SMED Council is composed of the Director General of NEDA, Secretaries of DA, DOLE, DENR, DOST, Chairman of SBGFC and three representatives from the private sector.[3] This council holds meetings, discusses the issues related to small and medium scale industries and recommends policies to promote the industries. According to the law, the council is tasked to formulate a comprehensive small and medium enterprise development plan, and to recommend to the President measures to rationalize and integrate, under a unified institutional framework, all government programs for the said enterprises. Yet, as of August 1995, these measures were still under study (Interview at BSMBD). Also, although the law stipulates that the President is empowered to establish a small and medium enterprise promotion body that will formulate and implement, coordinate and monitor all non-financing assistance for the enterprises, such a body had not then been established (ibid.).

The Small Business Guarantee and Finance Corporation (SBGFC) was established under the Magna Carta to facilitate loans for Small enterprises through the guarantee scheme. As of August 1994, the corporation guaranteed the amount of around P600M for 633 accounts (entrepreneurs) in fifty-two provinces. The average loan size is P885,000, ninety-four participating financial institutions, 3610 beneficiaries with 6565 employment and a generated additional income of P238M. In total, 845M of investments was harnessed by the guarantee scheme. After two years of operation, the staff said the beneficiaries are grateful to the corporation and the trend is upbeat (Interview at SBGFC, August 1994).

As stated earlier, these sectors can hardly secure loans from banks, especially private ones, because of the risk of default and transaction cost. So it is true that the corporation has been contributing to the expansion of loan opportunities for SEs. However, although the corporation aims to assist both cottage and small scale industries, as Section 3 of the Magna Carta states, all enterprises with total assets of five million pesos and below shall be called small enterprises. The average asset size of the benefited enterprises is P5 million suggesting that they are mostly small scale industries, not micro and cottage industries which have been most neglected by the government and private banks.[4]

The Magna Carta mandates the government as well as private financial institutions to allocate 5 to 10 percent of all the loan portfolio to be financed to SEs. If they do not allocate the credit resources, they have to buy the promissory note from SBGFC at low interest. The Banko Sentral ng Pilipinas (BSP) monitors the compliance of each financial institution. Some other banks have joined similar schemes through TLRC (Technology and Livelihood Resources Center), another government agency. As of 31 March 1994, financial institutions set aside 11.63 percent or a total of P37.38B out of the loan portfolio of P321.346B through SBGFC. The net eligible loans provided to SEs amounted to P32.0B or 9.96 percent of the loan portfolio of P321.34B. This is, according to a BSMBD official, more than what was expected and is indeed much higher compared to the middle of 1980s (see table 4). Yet, as mentioned earlier, the tendency is that while small enterprises are getting more financial support from financial institutions, which itself is worth appraisal, micro and cottage industries, the core target of Kalakalan 20 with the highest numbers among business establishments, are still virtually abandoned. While one could claim that small industries should be assisted first so that the effect will trickle down to cottage and micro ones, there should be more thrust in the government assistance for these industries.[5]

The experiences of NGOs might help. *Sangsikap* Foundation, an NGO helping the livelihood and entrepreneur project in Metro Manila follows the group approach. In its loan scheme, a borrower can avail himself of loans only if all the members of his or her group are faithfully repaying the loans. Also the NGO initially lends small amounts to a beneficiary and gradually increases the amount after prompt repayment of the preceding loans, reducing the risk of the NGO for first-time borrowers. Beneficiaries slowly build their confidence in handling loans and in expanding the scale of their businesses. The anticipation of higher loans encourages quick repayment and good loan performance. Moreover, the activity includes an education component like confidence building and values formation. It also encourages community organization (Yu 1994, 25–46).

In turn, government, being target-(disbursement-) oriented, tends to flush money down on beneficiaries even without providing adequate social preparation (95). Incidentally, SBGFC is composed of five divisions: Account Management, Marketing, Evaluation, Monetary and Collection. Being a financial arm of the Magna Carta, the function is focused on financial management of the business. But confidence building and values formation as well as know-how on basic business management are necessary. Without these, the business operation will oft-times flunk and entrepreneurs will fail to repay whatever financial assistance they have received. So, education on these matters should be accompanied by financial aid. Attending seminars on values formation and business management should be a precondition for releasing the loan.[6]

There are various government programs for the CSMIs in the country. These range from financial, technological, marketing, loan guarantee to training assistance. Although there is some coordination between and among government agencies and the government has made efforts to integrate the programs as in the establishment of an SMED Council, close coordination is still lacking.[7] One representative case is the dilemma metalcraft manufacturers face in their mechanization effort. Many agricultural tool manufacturers in Bauan, Batangas and Apalit, Pampanga, and cutlery item manufacturers in Tabaco, Albay have been approached by the MIRDC, which has encouraged them to introduce the mechanized forging method. These micro/cottage manufacturers, however, cannot afford to purchase the machine individually. So, in Apalit and Tabaco, producers associations have been informed about the aim of mechanization, but without success. Also, the MIRDC is promoting the use of high carbon steel bars, better quality raw material for manufacturing scissors and sickles in Tabaco, Albay and Bauan, Batangas. Yet, the manufacturers complain about the higher price of the material compared to low quality material like reinforcement bars (Interviews with manufacturers in Tabaco and Bauan, August and September 1994). In these instances, the technological assistance should have been backed up by financial programs.

The lack of information dissemination is not limited to the implementation of Kalakalan 20. In fact, many of the programs are unknown to the targeted enterprises. Considering the strenuous efforts of public officials, more information propagation should be done on such occasions as registration with Kalakalan 20. The BSMBD is not accessible to countryside entrepreneurs. It has an office only in Makati, Metro Manila, compared to NACIDA which had regional offices around the country. Therefore, it is suggested that BSMBD provincial or regional offices be established in each DTI regional or provincial office. Or, it is advised, some specialized staff for CSMIs be appointed in regional or provincial DTI offices to relieve overburdening among the DTI staff. Other government facilities/agencies are also mostly concentrated in Metro Manila. So, there is a crucial need to set up provincial or at least regional branches of financial institutions and management and technical training centers.

In January 1993, the Ramos administration publicized the Medium-Term Philippine Development Plan (MTPDP) 1993–1998 and the President delivered a speech entitled "Philippines 2000: Our Development Strategy." According to the Philippines 2000 scheme, in a drive to make the Philippines a newly-industrializing country (NIC) by the end of this century, national per capita income should rise to at least US$1000, the economy should grow at least 6–8 percent annually, incidence of poverty should decline to 30 percent from the present 50 percent by 1998, the end year of Ramos's presidency. Guided by these goals, the MTPDP for 1993–1998 took up the twin themes of international competitiveness and people empowerment. The underlying concept is that export orientation of the economy shall enlarge the pie and people empowerment shall both help enlarge the pie and divide it more equitably (NEDA 1993, Ramos 1993).[8]

Unlike the MTPDPs under the prior administrations of Marcos and Aquino, the MTPDP did not make specific reference to the development of micro, cottage, small and medium scale industries. The priority is growth of export industries to generate foreign exchange, employment and regional development. The MTPDP aims to identify and prioritize regional growth centers and growth networks/cores using the following criteria: marketability, strategic location, ecosystem implication, minimum infrastructure requirement and food security, and to develop regional growth centers through the implementation of the Regional Agri-Industrial Centers (NEDA 1993, 3–14).

Yet, there is no reference to micro, cottage, and small scale industries unlike the MTPDP of 1987–1992 which clearly is aimed at regional development through the growth of MCS industries (NEDA 1986, 153). This concept in the previous MTPDP was realized in Kalakalan 20 and the Magna Carta for Small Enterprises. Still, the MTPDP 1993–1998 identifies ten goods as having strong competitive potential. These are animal feed ingredients, cutflowers, livestock and poultry, fresh and processed fruits, fish and processed vegetables, garments, electronics (hardware and software), gifts, toys and housewares, fishery and marine products, metal engineering products (NEDA 1993, 3–15). The underlined could be products of CSMIs, but, the plan just aims to promote and strengthen community organizations and cooperatives to help build the social infrastructure needed to facilitate access to production input, optimize marketing of products and mobilization of rural credit and savings. This is very general and, compared to more detailed programs for export promotion, lacks specification reflecting where the policy priority is laid.

Although electronics and garments are two top export products presently, why only ten commodities have been selected is a matter of question. What about furniture, basketry, and others which in the past have garnered foreign exchange?

Seeing the lack of measures for people empowerment, the Trade Union Congress of the Philippines (TUCP), a moderate nationwide labor organization, suggests alternative programs as a possible list of critical programs:

Program	Sub-Programs
Employment Creation -	Unemployment Support System
	Rural Industrialization
Poverty Alleviation	Mass Housing/Urban Land Reform
	Micro-Enterprise Development
Industrialization	Backward Linkage Development
	Special Industrial Zones
	Rural Factories Development

TUCP also says Local Entrepreneurship/Resource Development-Investment incentives for small business that parallel BOI type incentives for giant corporations should be established, e.g. special zones for small factories (1993, 85). It further states that trickle-down economics is not the appropriate development approach. Substantial changes must be made to start development at the bottom (83).

One can wonder why these kinds of programs are not written in the plan which stresses international competitiveness. In fact, CSMIs have been contributing to foreign exchange earnings either through subcontracting to large scale industries or as independent production enterprises like furniture, handicraft and fish sauce industries. In achieving people empowerment, one cannot dismiss the role of CSMIs as they compose more than 90 percent of business establishments in the country and generate 45 percent of employment in the manufacturing sector. Export-led industrialization must be accompanied by its backward linkage formation with local, small and medium scale industries and the growth of CSMIs which might be adversely affected by large-scale industries and the import liberalization promoted in the MTPDP (NEDA 1993, 2–12). CSMIs can also play an important role in achieving the goal of NIChood by the year 2000 and development of CSMIs should be well integrated in the development strategy.

Conclusion and Recommendations

The independent productive, subcontracting processing and service industries of CSMIs should be developed. If grown fully, the independent productive industries could boost employment and earn foreign exchange upon reaching the export stage. Mostly utilizing local resources, these industries could generate foreign exchange without losing it in the raw materials importation.

The subcontracting processing CSMIs could also supply more parts and input for domestic large-scale industries when they improve technological standards. These industries have been under subcontracting arrangements with mostly foreign affiliated large scale industries as in the garment industries which signify the dependent structure of the Philippine economy (Aldana 1989) .

Yet, if the large-scale enterprises of Philippine capital increase in number and they subcontract with CSMIs of Philippine nationals, industrial linkages among Philippine enterprises will be solidified. In this regard, what Claro Recto and Renato Constantino called nationalist industrialization including the growth of both local small and large enterprises is quite urgent (Constantino 1979, 1983). Also, as the economy booms, the service industries of CSMIs will also have more orders and thus make more profit.

How can the CSMIs in the Philippines be developed? First, Government programs should be integrated and suitable to the needs of the targeted beneficiaries as already discussed. Secondly, the programs should be accessible to entrepreneurs by disseminating information more extensively and setting up training/technological/management centers in either the provincial or the regional level. More drastic action should be undertaken like restructuring the national budget to improve the programs. Some programs and agencies might be streamlined through integration. Then, the issue of foreign and domestic debt payment of the government comes in as it is up to its neck with P35 billion foreign debts plus domestic debts serviced by 30 percent of the national budget annually. Government negotiations with foreign banks and lending agencies such as the IMF and the World Bank for rescheduling of the payment is noted in this connection. Yet, a so called debt cap measure aiming to limit the debt payment to a certain percentage of export earnings has been rejected in congress. Hence, owing to the shortage of local funds, many programs for CSMIs are funded by foreign governments and world finance institutions. Yet, considering the debts to be accumulated in the borrowings, it is recommended that more domestic capital be collected by recovering massive amounts lost to tax evasion, implementing progressive taxes and increasing taxes on luxuries and lands.[10]

Also, manufacturers themselves should form producers associations or cooperatives to secure cheaper and better raw materials and to establish direct contacts with the buyers, evading middlemen. As seen earlier, efforts in this direction have been made in metalcraft and food processing industries, and government back-up like providing cheaper and better raw material and financing will motivate them to organize themselves much further.

Regarding the low wages of employees, it seems that CSMIs have survived by relying on low wages of employees and obstructing technological and management innovations. Since they lack the capital and have to compete with low prices, the wage level tends to be kept low resulting in the poor social welfare condition of the workers. Most workers are not covered by the Social Security System (SSS) unlike the formal sector employees in large scale firms (Interview, Tabaco and Bauan, August, September 1994). Furthermore, the minimum wage law is not observed, as in most shops a piece rate system is adopted dragging the wage level below minimum wage. This is a vicious cycle, and government should implement the minimum wage law regardless of the scale of business after it raises the wage standard, as the mininum wage per se is quite low. In addition, entrepreneurs should be obliged to pay the SSS deposits for their workers. This will pressure industries to innovate management and production and also to organize producers' associations.[11] Some claim that in these industries an equity issue cannot be raised, but, cost cutting in management and raw material purchase and production as well as collective efforts supported by government agencies will help eradicate the vicious cycle. The question is how long the workers have to wait until their rights as workers will be guaranteed.

Macro as well as micro policies for the CSMIs are required. It is a great wonder why CSMIs were not given due attention in the MTPDP, a basic constituent for national economic development. Yet, even if it was not acknowledged in the development planning, various government and NGO activities to assist the CSMIs will continue, as they are so much a part of the economy. The efforts of government agencies and NGOs as well as entrepreneurs, it is hoped, will bear fruit breaking the vicious cycle of stagnancy of CSMIs.

Notes

1. Scissor producers in Tabaco, Albay and metalcraft manufacturers in Apalit, Pampanga have long wanted to be liberated from their dependence on middlemen, and have attempted to form producers' associations and cooperatives. They have tried to deal directly with large volume buyers like supermarkets and government agencies, doing away with middlemen/traders. The producers in Tabaco, for instance, planned to sell metalcraft products like shears and shovels and others directly to the Department of Environment and Natural Resources (DENR) and the Department of Agriculture (DA), but because of government unwillingness to deal directly with the manufacturers, and for unknown reasons, these efforts have been unsuccessful.

2. The tax exemption excludes tax and duty-free importation of equipment and raw material which was contained in the incentives by NACIDA. Incidentally, tax and duty-free importation of equipment is provided for BOI registered, mainly large-scale corporations, including Foreign corporations under the Omnibus Investments Code of 1987, at least up to the end of 1994 (*Inquirer* 1994).

The program should lower or abolish the annual fee for the registrants. Also, the incentives should include tax and duty-free importation of equipment and raw material to be used exclusively for manufacturing purposes of the registrants. The registrants should be given access to various government programs upon registration as NACIDA did for its registrants. This will motivate more CBBEs to register and integrate government programs. Registrants should be referred to NGO programs as well. The registration should be made in the DTI provincial offices because, as seen earlier, LGUs are unwilling to implement the program. This will entail the dispatch of a specialized staff on the program or establishment of BSMBD provincial offices in each DTI provincial office. With these revisions, the program could bring about better results getting more "underground economy" out in the surface and accelerate their growth.

3. The three are the Director of PCCI, President of Cebu Garments Association and Managing Director of Northern Mindanao Development Bank.

4. A branch of the Development Bank of the Philippines (DBP) in Albay backed out from the scheme because an entrepreneur failed to repay the loan to the bank. The problem is that the banks follow the usual procedure in dealing with the borrowers, so that even if the borrower assumes that he or she is eligible for the loan, the banks dismiss their loan application (Interview at the DTI Albay, August 1994).

5. In this connection, the government is also providing financial aid to conduit organizations, NGOs that will release the loan to micro and cottage industries. These are the Micro Enterprise Development Program and *Tulong Sa Tao* (Help for the People) Program. Yet, in the former program, the repayment rate was rather low reflecting the political influence of congressmen, i.e., politicians work for the approval of the loan for certain NGOs to gain favor and votes from the people. Also, some NGOs and manufacturers presume the loan as dole-out also resulting in the flow repayment rate (interview, BSMBD, September 1994).

6. An SBGFC official claimed that they scrutinized the previous loan program of the government, especially those that failed like NACIDA, KKK and Masagana 99 and learned lessons so that their program will succeed. There had been five cases of default among the clients of SBGFC as of September 1994, not a big number yet (Interview at SBGFC).

7. Metal Industries Research and Development Center (MIRDC) of DOST and National Manpower and Youth Council (NYMC) of DOLE were jointly holding the training of smithing (Interview at MIRDC, 31 August 1994).

8. Although it might be ambitious, some people in DTI circles welcome the scheme as vision and goal setting that motivates people to work for the united national goal (Interview, SBGFC and DTI Albay, August 1994).

9. To say the least, people's empowerment in economy is realized through fair, equal income distribution and proper social welfare programs by the government. To teach the people to be strong and self-reliant without strictly implementing income distribution measures like agrarian reform, progressive tax and social welfare programs is too harsh for the low-income people and irresponsible on the part of the government. Income distribution measures and social welfare are pre-conditions for people empowerment. MTPDP 1993–1998 seems to reflect the logic of the well-off, not of the low income populous which comprise 40 percent of the population.

10. With regard to the controversial Expanded Value Added Tax, taking into account the impact on the low-income family, direct tax imposition like progressive income tax will be fairer: getting more fund from the "haves" not from the "not haves."

11. Rather than pursuing policies to keep earnings of workers below established minimum wage levels, efforts directed at reducing other sources of inefficiencies may prove more productive in the longer term. These include inefficiencies in raw material supplies, taxes and interest rate systems and the implementation of government funding and support programs (Reyes and Miralao 1984, 38).

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