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# PATHWAYS OUT OF POVERTY CASE STUDY

## CREATING WEALTH IN INNER-CITY COMMUNITIES IN KINGSTON, JAMAICA<sup>1</sup>

### INTRODUCTION

The prevailing development paradigm tends to see the solution to urban poverty as indirect—requiring more “effective” policing; medium- to long-term investment in improving educational opportunities; devising strategies for reducing crime; and interventions for learning better “values and attitudes.” In 2008, in response to the SEEP Network’s global call for proposals for the development of urban value chains, The Competitiveness Company (CC), a Jamaican NGO, was awarded the “*Building a Bridge to a World of Opportunities: Developing a Jamaican Ornamental Fish Urban Value Chain*” project. In 2011, funded by USAID, the “*Collaborate to Prosper: Microenterprise Development in Jamaica through Value Chains and Clusters*” follow-on project built on earlier work. These projects do not fit within the prevailing paradigm concerning urban poverty. They focus directly on income-generating prospects within inner-city communities in Jamaica (Kingston, St. Andrew and St. Catherine). They focus on the engagement of the poor as creators of wealth in a global value chain, and on facilitating success in a viable, alternative pathway out of poverty that rivals opportunities offered in the drug trade, crime and gang culture.

In 2008, Kingston’s homicide rate was 92 per 100,000, although in the poorest communities<sup>2</sup> murder rates have been recorded as high as 1,000 per 100,000. While the current Jamaica Survey of Living Conditions shows that 17.6 percent of Jamaicans are living below the poverty line, 60 percent of those living in poverty (defined as a lack of basic human needs such as health care, food, clothing and shelter) are below the age of 25. Further, high rates of unemployment (11.8 percent in the general population and 31 percent among those under 30) exacerbate the problem of crime (38 percent of which occurs in inner-city communities, with 98 percent of arrests being of young males from these communities). These circumstances have a corrosive effect on the elements necessary to provide pathways out of poverty: education, investment, access to decent work, supportive family life and, in the country at large, social cohesion.

In 2008, the project began working in the ornamental fish value chain, identifying opportunities to increase the competitiveness of the industry while leveraging the talents and interest of the urban poor. The industry was shifting from primarily domestic market channels to more lucrative export market channels that had more stringent quality and quantity requirements. While focusing on upgrading throughout the chain and creating stronger horizontal and vertical linkages between stakeholders, CC also paid particular attention to behavior change and facilitating engagements where established fish farmers and urban poor could break down cultural barriers and effectively cooperate to compete. CC worked with 400 men and women with initial average incomes of US\$4.50/day. Over the course of the project, incomes increased by an average of 54 percent for the male population (the bulk of participants), and considerably higher among women.

Three important criteria justified the selection of the ornamental fish (also known as ‘pet fish’) value chain, based on the project goal of increasing economic opportunities for young men from inner-city communities. First, there were buoyant and accessible local and international markets: aquarium-keeping is one of the most popular hobbies worldwide. Consistent growth is attributed to the availability of reasonably priced tropical fish and improved and simplified systems for raising and maintaining them. Ornamental fish can be produced in Jamaica to meet international standards. Jamaica’s climate and

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<sup>2</sup> UNICEF (2008, March 5-6). Report of the Multi-Country Consultation on Reducing the Impact of Small Arms and Light Weapons on Children and Their Communities – What Works?

the availability of high-quality water enable the development of an industry that can offer farm-grown supplies throughout the year. Further, daily flights into Florida with travel times not exceeding two hours allow ornamental fish from Jamaica to be transported quickly and to arrive healthy. Second, there is a reasonably supportive local business environment. Third, the project frequently found young men from inner-city communities who, through their own entrepreneurship, sold goldfish in plastic bags on street corners. This was inspiring and suggested that there was potential for the development of an ornamental fish industry in Jamaica. Members of the project team talked with several of the young men on “the corners” to validate their willingness to work together and with the project, their readiness to approach microfinance institutions for credit to upgrade their operations, and their interest in learning more about the export market. The guiding principle was not to impose development views, but to support the young men to create wealth for themselves and their communities.

## **STATE OF THE VALUE CHAIN AT PROJECT START-UP**

When the program began in 2008, the value chain (primarily serving domestic market channels) consisted of about 300 farmers, 90 percent of whom were inner-city farmers. Production was uncoordinated, so that most farmers raised the same species and sold them at the same size and price, leading to unproductive competition. The typical backyard farmer sourced “vats” from the city dump in the form of discarded baths, refrigerators and washing machines. These farmers supplied the approximately 20 pet shops in Kingston. The pet shops complained about the lack of variety, the small sizes of the fish, unreliable delivery schedules and poor customer service. The farmers complained about the extent of the pet shops’ mark-ups, low prices and unfavorable credit terms. The local consumers were also dissatisfied with the limited range of available fish. There was minimal structured local or export marketing, underdeveloped market channels and dysfunctional relationships within the chain. The few farmers who exported did so through personal connections with friends and/or family abroad (mainly in the U.S.), with little attention paid to identifying high-demand species. There was a rudimentary input supply market, with pet shops supplying the majority of feed, medicines and equipment in small quantities and thus for high prices. Most services (extension, training, regulatory) were provided by the state and limited as a result of budgetary constraints. The backyard farmers’ levels of education did not allow them to access the science and technology behind fish rearing. In addition, because of the rudimentary hardware used (detritus from the city dump), achieving and maintaining sanitation and disease-free standards was inordinately difficult. Access to appropriate funding to establish proper fish production facilities presented a monumental hurdle to the development of the industry. There were few microfinancing facilities available, and of those that were, the need for producing business plans and the collateral requirements made them generally inaccessible to the poor and undereducated.

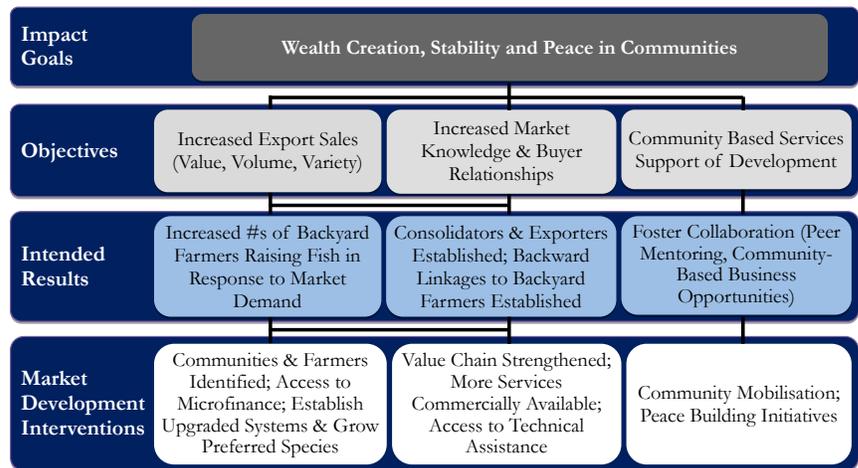
## **APPROACH**

To ensure that all program activities would be market driven and follow the value chain development approach, the program began with a detailed study of the local and international markets. The main objectives of the market research were to estimate the size, value and structure of the ornamental fish industry locally and globally, identifying current and potential demand as well as key support networks (like input suppliers for fish food and supplies, transport, storage, logistics, technical assistance, financial services). The study also identified gaps in the value chain and other possible value chain opportunities, such as growing aquatic plants.

The project hypothesis was that by attempting to integrate persons who have suffered economic and social exclusions into a global value chain, multidimensional change would need to occur. The challenge was to find effective approaches to breaking through entrenched marginalization and discourage prevalent behaviors that were unlikely to meet the strict demands of raising and exporting a highly perishable product into international markets. It became clear that the project had to foster discipline (on-time meeting attendance), reliability (keeping commitments to take agreed steps), collaboration (readiness to work on establishing each others’ farms, share knowledge and market jointly) and maturity to learn new skills and practice new behaviors (non-aggression, mutually supportive actions).

Adhering to best market development practices, the project designed intervention plans with clear causal chains. The key components were: (1) strengthening local market linkages; (2) improving access to tailored financing through strengthening

relations with microfinance institutions; (3) improving access to inputs through joint procurement services; (4) farmer clustering and technical service provision; (5) export market linkages; and (6) consolidator development. The decision was taken to implement the plans in the above sequence, since this seemed to logically culminate in productive networks and lead to the project's objectives of having approximately 400 young men (300 plus 100 new farmers) in inner-city communities earning stable, non-marginal incomes from exports. In addition



to these steps, the program development framework included complementary initiatives in life-skills building, behavior change and anti-violence strategies, which were important accompaniments to the value chain development initiatives. During the course of implementation it became clear that more time and emphasis was needed on developing the capacity for positive collaboration, and so cluster methodologies (working with groups of related enterprises and their supporting agencies) were introduced into the primarily market-led value chain framework. Further, after a few too many arguments among participants, the project developed screening tools and strategies to assess character in participant selection.

## THE CHALLENGES OF IMPLEMENTATION

In the course of implementing the project, the apparently logical intervention sequence did not stand the test of the dynamic changes that were taking place in both the local and international environments. For example, the dramatic decline in the Jamaican economy that resulted from the recession in developed country markets led to a nearly 50 percent reduction in domestic demand for ornamental fish. At the same time, the international market showed little or no slowing of demand. As a consequence, it became necessary to change the focus of the interventions from prioritizing domestic market linkages to export market linkages. This also meant that consolidator/exporter development that had been planned for the latter part of the program had to be brought forward. Importantly, the linear implementation approach had to yield to a much more flexible approach, driven by changing realities. For example, once the focus shifted to export markets, the productive capacity of the farmers had to be improved. This had a multi-fold impact: their farming systems needed to be upgraded; the species that they grew had to be changed to meet the requests of international buyers; and the availability of export packaging then had to be approached with urgency. In addition to these issues, the situation with gangs in Kingston became even more grave than had been the case when the program began, resulting in the declaration of a state of public emergency for several months and the team's inability to enter some of the communities in which it was working.

Due to the state of inter-community tension, the project decided to have a social partner organization that was adept at working in the communities and had approaches to mobilization that the project team did not. The social partner's approach involved getting the agreement of the 'area leaders', setting up a loudspeaker in a community and inviting whomever wished to perform (sing, dance, act). More than 90 percent of those who came forward were young men and so they engaged them, driven by performance. The project team, however, was requiring them to use tape measures to see who had a backyard big enough to take the model unit; report on who had legal connections to the power supply; who had Taxpayer Registration Numbers; and who could find a parson, policeman or some 'upstanding' citizen to give them a character reference, as was required by the microfinance institution. This was so alien to the local partner that they felt it undermined their 'street credibility.' The outcome was that the social and the technical partners were unable to continue working together. The project instead engaged a field supervisor with excellent interpersonal skills to spend a lot of time in the communities and work directly with community-based organizations, which incidentally increased female participation.

## DATA COLLECTION AND RESULTS

In January 2010, the project compiled a 60-question survey. Data was collected on annual net income, annual sales of enterprises, annual costs of production, the number of workers each new farmer has, average annual wage each new farmer pays workers, whether the person has borrowed funds from a financial institution before, number of homicides in the community annually (based on police records), and the number of residents in the community. USAID's Poverty Assessment Tool was also administered to look at multiple dimensions of poverty, including assets, sanitation and housing. However, the questions made the Jamaicans irritated and embarrassed, especially questions about toilet facilities, ownership of appliances and other possessions. The study was also perceived as dated since it asked about VCRs and cassette players. The study surveyed 70 people: 40 ornamental fish farmers with whom the project worked as the 'participant' group, and 30 farmers who served as the 'control' group. A second survey was conducted of these groups in early 2011. Attention was paid to monitoring changes in behaviors throughout the value chain, especially among the farmers, which could increase economic returns. The variables tracked included adoption of new production technologies, new customer-focused behaviors, greater motivation to be successful, use of more readily available information, and improved product quality, attributable to better practices. Given the goal of community-level change, the program was particularly interested in social capital indicators, including: reduction in violent crime in target communities, as determined from police records; strengthened networks, as evident in peer relations not mediated by the program; higher levels of participation in community-level activities, indicated by regular and timely attendance at meetings and completion of agreed tasks; improved resiliency, expressed as 'bouncing back' from common business-related and personal set-backs; and an improved sense of personal agency, expressed through accomplishing tasks that require interaction with businesses, people and organizations outside of common community spaces.

Within one year, participants had higher net annual incomes than non-participant farmers, ranging from 54 percent among men to 343 percent among women and median income of new farmers was substantially higher than that of non-participants. Participant group members also had, on average, higher social status than control group members, as measured by the percentage of them borrowing from a financial institution (an indicator of greater social inclusion). Forty-five percent of the participant group had borrowed from a financial institution, compared to 24 percent of the control group; and 33 percent of existing farmers were from inner-city communities, compared to 79 percent and 93 percent of new male and female farmers, respectively.

## ORGANIC LEARNING AND ADAPTATION

**Joint Procurement:** Listening to the farmers revealed that there were elements of the production system that had not been fully understood at the program design stage that were important to the viability of the farms. Most critical among these were the high costs of electricity and feed. Negotiating joint procurement of imported low energy pumps enabled the project to build a linkage with a local supplier who already supplied inputs to the farmers. Instead of depending on small and irregular demand, the project guaranteed the purchase of a minimum quantity of the energy-efficient pumps, giving the supplier the confidence to import them and the scale needed to sell at a lower cost (approximately 46 percent less). These new pumps consumed 60 percent less electricity than the older ones. The project also identified a source of feed internationally. The farmers established direct relations with the supplier and the cost of feed was reduced by 40 percent.

**Cluster Development:** Conscious of the peril of creating situations of rent (excessive profits) in working separately with the individual links in the value chain, the project used cluster methodologies. This required bringing together people from across the value chain to agree on strategies for going forward. The first meeting was an unqualified disaster. People walked out, with others vowing to have nothing to do with them again. Middle class farmers in the room articulated their disdain for inner-city farmers more vigorously than expected. They asserted that the program was wasting its time in working with poor farmers who were 'only looking for handouts' and did 'not have the discipline' to meet international markets requirements. They also said explicitly that any international funding that was available would be better spent developing their more advanced operations first and then the inner-city farmers could be encouraged to upgrade their operations, perhaps becoming their suppliers. The project had hoped to encourage the larger farmers to see a common interest in the development of the backyard operations. Yet after the results of that first meeting, the project reframed the cluster approach to

emphasize geographic concentrations. This was also difficult, given the inter-community strife where people from one community faced possible death for crossing into another community. One farmer was even killed because he was perceived by the gang leader to have transferred his loyalty. Nevertheless, the cluster process ultimately helped build a sense of common purpose, reduced input costs, and encouraged many people to cross the boundaries of their communities.

**The Role of Trust in Cooperating to Compete:** It became apparent that explicit attention needed to be paid to building trust within and among ‘new’ and ‘old’ farmers. A few of the larger, more established farmers realized that collaboration had the potential to improve their own operations. They also realized that the program could assist with better market opportunities through naming buyers in specific international markets who were ready to place orders at agreed prices and volumes. Gradually, these farmers began to reach out to the inner-city farmers and the project personnel since on their own they were unlikely to have the volumes to meet export demand. To build trust, based on the view that trust is a learned response from repeated opportunities to build relationships, the project held regular cluster meetings, training sessions and other opportunities to gather. In addition, the program established a mentor system, contracting knowledgeable farmers, both inner-city and later a few middle-class ones, to help set up urban operations. Because of so much unmet market demand, they realized that an expansion in the number of farmers would enhance, rather than threaten, their capacity to meet export demand. When the consulting contracts were over, the advanced farmers continued to work across class lines with the farmers whom they had come to know and whose success they desired. One of the middle class farmer-consultant-mentor said: “I am fully onboard. I am determined to play my part in silencing those naysayers.”

**From Microfinance to Grants:** The original intention was to work closely with MFIs to provide credit to participating farmers. Every indication was that the enterprises could be sufficiently profitable to service loans. The plan was to strengthen the financial services component of the value chain so that micro-credit facilities would be available at reasonable rates, terms and conditions, but this approach had very limited success. Although the project helped write business plans and screen applicants, MFIs were not accustomed to processing the number of loan facilities generated and were reluctant to risk significant amounts of their loan portfolios in new enterprises. In addition, the prospective borrowers still had to produce collateral, even if this consisted of appliances and furniture for which they could demonstrate ownership. The people with whom the project worked were, in large measure, unable to meet these requirements. Fortunately, a new stream of funding became available through USAID, making grants available to partly fund the establishment of new operations. Finding commercial sources of funding for the development of the enterprises of the poor continues to be the biggest hurdle faced by the project. Staff continues to work closely with the most responsive of the MFIs in search of more inclusive products or terms, while working with the farmers to help them graduate to meeting the requirements of the MFIs.

**Relationship with the Public Sector:** The program’s development goals were closely aligned with the policies of the public sector. The Ministry of Agriculture and Fisheries established an ornamental fish sub-division, tasked with providing training to prospective farmers, but the rate at which the program was generating demand for training far outstripped the division’s capacity to train. Through a capacity building agreement with SEEP, an international trainer was hired with strong competencies and existing curricula in training ornamental fish farmers. This arrangement included access to the intellectual property rights to use the material for future training. The trainer trained farmers at various levels and conducted a training of trainers for continued training; the trainers are also able to act as extension agents to new farmers.

**Increasingly Interventionist Strategies:** The program was designed on the basis of value chain and market development frameworks and practice. During the course of program delivery, other frameworks such as clusters were introduced. Effective implementation and achievement of overall project goals in the context of greatly underserved communities and historically disadvantaged persons required a more pragmatic approach in response to unanticipated outcomes in several instances. CC had hoped to take a fairly pure market development approach in which it facilitated the attainment of project goals, rather than becoming actively involved in the implementation of activities, but found that the value chain was not sufficiently dynamic to enable the achievement of initiatives through its own efforts. Further, the young people with whom CC were working were unable to find funding, access markets, achieve operational efficiencies and upgrade their operations without the project’s active intervention.