



STRIVE *Learning Series*

Activity Brief No. 3

STRIVE (Supporting Transformation by Reducing Insecurity and Vulnerability with Economic Strengthening) is a 6.5-year, \$16 million cooperative agreement, funded by the USAID Displaced Children and Orphans Fund, in close collaboration with the USAID Micro-enterprise Development Office. STRIVE uses market-led economic strengthening initiatives to benefit vulnerable children while aiming to fill current knowledge gaps on effective approaches to reducing the vulnerability of children and youth. STRIVE is implemented through four country-based programs in the Philippines, Afghanistan, Mozambique, and Liberia. The lessons learned from the program in each of the host countries will be evaluated with the aim of establishing best practices for similar interventions promoting sustainable, market-based approaches to poverty in developing countries. Find out more about STRIVE and the FIELD-Support LWA at www.microlinks.org/strive

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STRIVE Philippines

Background

The Supporting Transformation by Reducing Insecurity and Vulnerability with Economic Strengthening (STRIVE) program, managed by FHI 360 and funded by USAID’s Displaced Children and Orphans Fund (DCOF), was designed to build the evidence base around the links between market-driven economic strengthening approaches and the well-being of children and youth. The STRIVE Philippines project, which was implemented by Action For Enterprise (AFE), was one of four implementation projects in conflict-affected countries that aimed to improve the well-being of children through economic interventions that worked at the market or household level.

The objective of STRIVE Philippines was to improve the well-being of vulnerable households – especially for the children and youth within those households



Participants at the Training of Trainers of Paper Thread Making and Shifu Weaving, offered by lead firm TADECO in May 2012. (Photo credit: AFE)

– through a market-based approach to economic strengthening in two targeted value chains (seaweed and woven products). The project did not target children and youth directly. Rather, the causal model for STRIVE Philippines was based on the project facilitating and supporting key private sector actors (Lead Firms) in selected value chains to undertake initiatives to increase productivity and/or expand production of vulnerable producers that supply them. Through improvements in production and productivity, it was expected that producers’ income would increase and expand the overall income and economic well-being of their households. In turn, this economic strengthening would contribute to the improved well-being of children and youth within those households.

AFE employed a “light-touch” value chain facilitation approach that leveraged the initiatives of the Lead Firms and created incentives for their participation. The purpose of STRIVE Philippines interventions

was to work to improve and expand upon existing commercial relationships to promote sustainable and commercially viable solutions that are expected to benefit vulnerable households well beyond the completion of program activities. The project worked closely with a total of 12 firms or associations.

Project Results

1. More than 9,000 MSME producers and raw material suppliers in the woven products and seaweed sectors were reached.
2. Quality assurance trainings organized by Lead Firms for their producers resulted in greater income for more than 500 household producers, by reducing the percentage of their products rejected due to quality problems. It also established quality management systems within two participating Lead Firms.
3. STRIVE Philippines built Lead Firm capacity in skills upgrading, supporting trainings that introduced 450 producers to new designs and products.
4. Over \$500,000 in new Lead Firm sales were generated in the project period. LFs project the potential for further sales of \$1.2 million within the next two years.
5. Participation in a STRIVE-sponsored market linkage activity at the New York International Gift Fair assisted four participating Lead Firms to establish linkages with new buyers and to acquire critical understanding of the US market and how to better target “mid-size” importer-wholesalers as potential buyers.
6. Four Lead Firms developed completely new product lines that have been shared with their existing buyers and are currently being shown at trade shows, as a result of mentoring and training through the “Marketing, Merchandising and Product Development” Program.

Approach and Methodology

In the Philippines, the highest levels of poverty can be found in rural areas, where about half of the population lives.¹ Some of the most vulnerable groups include those living in coastal and upland regions. STRIVE Philippines viewed the lack of economic opportunities as a key underlying factor in the socio-economic problems in these regions. In order to improve access by children and youth to health, education, and other critical services, it is crucial to increase incomes of poor families beyond a subsistence level.

STRIVE Philippines collaborated with Lead Firms as part of a broader value chain and market development strategy. The approach was to select economic sectors with the greatest potential to impact poor households in the region, and work with firms within those sectors to improve opportunities for, and increase the income of, poor producers through market-based solutions. Because of their close associations with small-scale producers, lead firms are well-positioned to offer embedded services such as training on better production techniques and information about end markets and product varieties.²

Activities and Results

STRIVE Philippines focused its efforts on two sectors, seaweed and then home decor, both of which offer economic opportunities to large numbers of vulnerable households.

Seaweed: Over 90,000 farmers are engaged in seaweed production in the Philippines, the majority of whom are located in Western Mindanao. For many poor people especially, who do not have access to land to produce food and other crops, the production of seaweed offers an important economic opportunity. After an unusual spike in sea-

¹ IFAD, 2009.

<http://www.ifad.org/operations/projects/regions/pi/factsheets/ph.pdf>

² “Embedded services occur when a buyer of an enterprise’s products or a seller of inputs to an enterprise also provides ‘free’ services or products as part of the transactional relationship.” See USAID Value Chain Wiki at http://microlinks.kdid.org/good-practice-center/value-chain-wiki/embedded-services/#_note-0

weed prices in 2008, the sector declined during the first year of the program in line with the worldwide economic downturn. Inventory rates of stocked seaweed increased and economic activities slowed dramatically. In addition, several regions and new seedling nurseries were damaged by various plant diseases as well as stormy weather. AFE continued supporting the initiatives of two Lead Firms in the sector, but scaled back facilitation activities in response to the lack of investment in new or improved business opportunities by seaweed firms, and assessed whether other sectors might offer better opportunities for improving the livelihoods of vulnerable households in the region.

Weaving: Recognizing that the nearby province of Cebu is a leading cluster in the home decor and housewares sector, STRIVE Philippines identified the “woven products export sector” (products made from natural materials like straw and sea grass) as an industry that had relatively strong and resilient market demand and growth potential, and engaged a significant number of women from poor, rural and vulnerable households, who were, or could become, small-scale household-based producers. AFE conducted a value chain analysis of the housewares sector and an assessment of backward linkages to small-scale production. The assessment indicated that the activity provided these women with an important source of additional income that could help reduce the vulnerability of their children. Moreover, strong incentives were in place for export companies to invest in and upgrade both new and existing producers.

STRIVE Philippines then engaged Lead Firms, most of which export woven products and have commercial incentives to support low income producers in their supply chains. Previously, Filipino exporters in the sector were able to compete primarily on innovative design and quality and sell to US-based “big-box” retail buyers (with buyer representatives in the Philippines). But competitors in Vietnam, China and elsewhere in the region can now produce similar designs with comparable materials at lower prices. In response, AFE’s facilitation efforts focused on working with Lead Firms to improve productivity of household weavers, while improving or expanding product design and market access for the firms, in order to enhance opportunities. The major areas of intervention are outlined below.

1. *Increasing Productivity of Existing Producers*

At project start, many existing rural weavers’ products were not meeting export quality standards and were therefore being rejected by Lead Firms who were unable to sell the products to their buyers. That reduced the income of both the weavers and the exporters due to inefficiencies such as waste and the inability to achieve sufficient quantities of quality product within a set time. In response, two partner Lead Firms requested support to build the capacity of their staff to improve product quality through quality control training at multiple levels: warehouse quality control staff, weaver group “leaders” or aggregators, and weavers themselves. Program facilitation activities included providing technical and cost share support to two exporters to develop a series of trainings to address quality control issues. Through the initiative, hundreds of producers, leaders and subcontractors were trained in methods to improve quality and reduce rejection rates. That led to decreased rejection rates at all levels in the exporters’ supply chains. According to a buying agent in Cebu, the percentage of rejected items in his area fell from 50% to 10% after the trainings.

Another key constraint on productivity was that producers lacked the skills to deliver the multiple and diverse products from new kinds of raw materials, which were needed to respond to demand from buyers for new products. As a result, some export companies and subcontractors had limited ability to fulfill high volume orders for products with new and unique designs, delaying production and limiting their sales. STRIVE Philippines built Lead Firm capacity in skills upgrading, providing technical and cost share support for trainings that introduced 450 producers to new designs and products.

2. *Training New Producers to Meet Market Demand*

STRIVE also facilitated training for over 1,000 new producers, in response to the requests of Lead Firms. These included weavers, collectors of quality raw materials (natural fibers), and “semi-processors” who twist fibers into rope that is then used for weaving. The project supported training for approximately 270 new raw material suppliers and semi-processors, which led to increased access to quality raw materials. Unfortunately for the new weavers, however, the global economic downturn began to affect the sales of many exporters by 2009, and sales were further affected by demand by international buyers for lower prices. As new orders

decreased and prices fell, Lead Firms reduced or in some cases eliminated orders from newly trained producers, preferring instead to give orders to existing producers.

3. Market Linkages (International Buyers Visits, Trade Shows, and Strategy Development)

Many home décor/woven product producers (and exporters) were receiving less consistent orders due to the economic downturn, as well as growing competition from other countries driving down prices, and therefore sales. As a result, Lead Firms requested support from STRIVE to identify new buyers and markets. Program facilitation activities included supporting pre-identified buyers (with a strong interest in purchasing from the Lead Firms) who would visit them and their showrooms in the Philippines. This led to over \$40,000 in increased sales, with ongoing sales expected into the future.

AFE also supported five exporting companies to attract new mid-size buyers through participation in international trade shows, a standard venue for engaging new and existing customers. In 2011, four firms participated in the New York International Gift Fair, the largest home furnishing trade show in the US, and one participated in the Ambiente trade show in Frankfurt, Germany, which is one of the largest home accents trade shows in the world. In New York, STRIVE Philippines introduced Lead Firms to US-based wholesale distributors and created a space above the showroom floors, where the Lead Firms could present their samples to distributors and discuss sales.

A complementary intervention was to support a trip to Cebu by Mark Phillips of the Phillips Collection, a US-based import-wholesale company that sells furniture and decorative home accessories to retail shops across the US, in late 2011. Mr. Phillips visited Cebu and saw the showrooms of four Filipino export companies that participated in the STRIVE-supported market linkage activity at the New York Gift show. During his visit, the buyer selected numerous products for both development and sale. In addition, samples will be exhibited at upcoming trade events in which the Phillips Collection participates, providing valuable visibility among potential buyers. Phillips told AFE that his trip to Cebu jumpstarted new and sustainable business relationships.



Participants learning “twisting” techniques at training in Bgy. Odiong (Photo credit: AFE)

A related initiative was to support Lead Firms to develop new designs and product lines to attract new and existing buyers. Program facilitation activities included the development of a four-month “Marketing, Merchandising and Product Development Program,” beginning in January 2012, to increase competitiveness and market access. The program included workshops on “US Market Trends,” “Product Development,” and “Approaching Your Customers.” In addition, four firms received eight days of intensive one-on-one mentoring with international product design and merchandising experts. Four firms have developed completely new product lines that have been shared with their existing buyers and are currently being shown at trade shows. It is anticipated that increased sales will lead to growth in the firms’ purchases from producers, which will in turn create additional income for vulnerable households.

As a result of market linkage initiatives, Lead Firms reported generating almost \$500,000 in sales and making important contacts with new and existing buyers.

Performance Monitoring and Evaluation

By the end of 2009, AFE had signed Memoranda of Understanding (MOUs) with three woven product firms and worked closely with six others through July 2012. The evaluation findings are based largely on the four firms with which AFE worked for

multiple years, as more time generally means greater opportunity for change for producer households. Research questions were designed to address if and how STRIVE Philippines' interventions with Lead Firms in selected value chains affected producers and their families.

The major learning questions posed by STRIVE, therefore, were:

- What were the outcomes for participating production households (HHs)?
- What were the outcomes for children/youth within the participant households?

In order to understand why, how, and how much of outcomes were achieved by the project at the household and child level, the research team used a deep dive case study approach with qualitative and quantitative tools, including household surveys, key informant interviews, focus groups discussions with all value chain actors, plus participatory rapid appraisals with children, as well as project monitoring data. After exploring opportunities to examine a counterfactual with AFE, the possibilities were deemed not feasible due to a combination of AFE's value chain approach and Lead Firms' preference for flexibility.

Using monitoring and evaluation data without a control group means that no definitive attribution of impact can be made to AFE's intervention. Findings are therefore limited to statements about changes in outcomes among beneficiaries. They are based on non-experimental mixed-method evaluation using key informant interviews with different perspectives and experience to increase validity, and multiple rounds of both quantitative and qualitative research. Secondary data were used to identify relevant trends in the study population and the multiple methods and rounds allowed for triangulation.

Findings From Woven Products Sector

In order to put the findings in context, it helps to understand the nature of poverty in the Philippines. Despite overall growth figures in the first decade of the 21st century, poverty remains intransigent in rural areas, with "three out of every four poor persons found in rural areas." This same decade found inequality increases in rural areas.

Between 2006 and 2009 there was a rapid increase of approximately 26 percent in food inflation, which

has put a strain on the budgets of individuals and families living on fixed incomes. Workers in the woven products industry who were affected by this project reported that their income from weaving largely goes to supplementary food and their children's education.

Evidence suggests that the quality control training provided the biggest social return on investment at the household and child level with an additional \$50/year spent on each child in a weaving household following training and subsequent improvement of accepted products. In addition, Lead Firms mostly report a positive view of prospects and some increased sales following trade shows and linkages made through the STRIVE program. Such increases may result in additional work for producers and raw material suppliers, the backbone of the industry.

While some of the findings were positive, the large training efforts of the biggest Lead Firms do not appear to have resulted in discernible changes for producer households. It is possible that the increase in available labor spread out the work. While it may have provided additional work for some new producers in the short-term, absent an increase in sales in the long run, no changes were reported by those households.

In conclusion, findings were mixed across activities engaged in by AFE and Lead Firms, with modest improvement on household and child well-being as a result of the quality control training, and improvements at the firm level. Major lessons include: 1) need for faster and shorter feedback loops in value chain M&E; 2) create a stronger causal model from which value chain intervention activities are designed; 3) more effectively use existing data to select value chains and predict the likely beneficiaries, and 4) further research to unpack household decision making.

Lessons Learned

Feedback Loops in Monitoring

STRIVE offers a good example of the value of including households and children in the project monitoring system. While the evaluation examined change across value chain actors through information gathering at all levels of the value chain, the monitoring system relied on Lead Firm reporting. The data provided by Lead Firms was at an agree-

gate level, because firms were not collecting procurement information for subsets of people within their chain, such as subcontractors, leaders, producers or raw material suppliers.

These data would have been highly valuable in tracking change over time and in understanding the origin of change. Such a database, if it included what interventions each person or group participated in, would have allowed for comparisons and a potential control or comparison group with which to measure change. The resulting outcomes might then have been attributable to project activities. It also would have provided shorter and faster feedback loops. This information might have alerted STRIVE earlier to the difficulties with the new weaver training, for example, and that it was not effective in changing household income and child well-being. Gathering such information is not part of normal Lead Firm operations, so it would require dedicated project resources would need to be dedicated directly.

Tip 1: Create faster and shorter feedback loops with detailed (disaggregated) monitoring at multiple levels of the value chain.

Implementers work creatively with firms and others in the value chain to create systems through which the project obtains useful information that is not perceived as unnecessary to the people collecting, providing and storing information. The first step is to discuss what positive change would look like with participants across the value chain. This process may also reduce the number of indicators for the project, thus limiting data collection, to likely positive and potential negative (what to watch out for) indicators of change.

Creating a Strong Causal Model

Our understanding of how to design pro-poor value chain interventions has grown in the last five years. Many activities are now designed with a greater understanding of the vulnerabilities and potential of the vulnerable population that we want to reach, how they may be integrated into a value chain and how the nature of the value chain itself (stability, governance structure, price points, etc.) affects the likelihood of positive impact for this population. While a "light touch" may be desirable in terms of the technical assistance facilitation, recent advice suggests that vulnerable populations require men-

toring and an intervention that is tailored to their aspirations.³ Mentors may be identified from within the community, or from Lead Firms, or they may be part of a program's technical assistance, at least in the short-term.

Tip 2: Use current thinking including a well-articulated business plan and project causal model to appropriately integrate vulnerable populations into value chains.

Research to Unpack Decision-making within the Household

The final lesson may be common across STRIVE projects. While evidence supports the link between household economic well-being and child well-being, little is understood about how household economic improvements translate to improvements for children's health, nutrition and education. Evidence is needed to examine some hypotheses, like the role of gender and decision-making regarding financial choices, and the role of time. In the Philippines, women said they would spend up to half of the "extra" income on children, while men were half as likely to spend more on children. This suggests that how financial decisions are made - jointly or with one or the other gender with more influence - could make a difference for child outcomes. More research is needed to understand the link between value chain interventions, improved household economic well-being and how that may translate into improved child well-being.

³ See Integrating the Very Poor into Value Chains Field Guide:

[http://agrilinks.org/sites/default/files/resource/files/Field%20Guide%20FINAL%20with%20bleed%2010.17%20\(1\).pdf](http://agrilinks.org/sites/default/files/resource/files/Field%20Guide%20FINAL%20with%20bleed%2010.17%20(1).pdf)

and the model presented in the Agricultural Value Chain Finance: Tools and Lessons also includes mentoring: <http://www.fao.org/docrep/017/i0846e/i0846e.pdf>.

STRIVE Liberia's ACE program implemented by ACDI/VOCA increased its presence among farmers after learning that mentoring was needed