



# **Tools for Mending Weak and Fractured Value Chains**

## **Q and A Transcript**

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*Female 1:* Thank you, Chris. We're going to open the floor to questions. Please state your name and affiliation before asking your question.

*Audience:* Thank you for your presentation. My name is Alexandra Santillán. I'm a first-year student at George Washington University, studying International Development. I had a question about perhaps previous projects that had been in Cambodia that did focus on production. Do you think that because of the work they did, your job was a little easier linking previous jobs that were just left independent without the linking? I hope I'm clear.

*Male 2:* That's a difficult question. If they hadn't gone in there, the people probably would've starved. If they wouldn't have given pigs away, the people eventually could eat, they would've starved. If they didn't give chickens away, if they didn't do some of that basics but they could never do anything more than subsistence and it was always going to be they have a half hector of land they had a little bit of vegetables and a little bit of pigs and, eventually, all the kids leave because they can. It's not a real enterprise. I don't know if that's – so I think it helped but there's nothing sustainable about it and there's no market linkages at all so everybody was poor.

Nobody wanted to buy services from the veterinarians, there were no piglet producers, there were no fingerling producers or not many. They're all right around Phnom Penh, around the capital city but outside, in the rural areas, there wasn't much there. There wasn't anything left and I – we kind of laugh at some of these. Sorry about the EU, I don't mean to pick on them but these EU projects, they continue to do this and they're gone and they have lots of empty buildings and lots of poor people and the people don't – they don't – for some reason they can't excite the people to get involved and expand their production and get them to the market economy, and as long as they have families and more children, they have to cut smaller and smaller or they have to send the families – the children – to Phnom Penh to find jobs but if you have a farm and it doesn't take much room to have pigs and fish, you can actually have a pretty good living and send your children to a good school instead of sending them to go work in a garment factory.

*Audience:* So I'm wondering if the NGO's was told that it was you were doing this. You mentioned private sector, public sector and private sector, you know, what about the NGO's, those who are giving food or giving assistance and north business, what role did they play in all that?

*Male 2:* They're still there. They're still there. *[Laughter]* When we started in 2006, I had 2 team members and they went out and I told them what we'd like to do. I gave them the vision and they came back 2 weeks and said, "No, we can't do this." Everybody else is giving everything away.

We can't do what you want to do. We have to change our vision." I said, "Nah, we are not going to change our vision. I know this will work. Let's try it, just trust me," and they did. Now we're pretty good at writing stories and communicating and putting out videos, getting them on TV, getting them on the radio, on the radio talk shows and the NGO's will listen to these and the NGO's come and visit our leading enterprises and the leading enterprises, there's a really good one, like the feed-input suppliers, they're charging the NGO's to teach them in northern areas, so the NGO's call us, I'll put them in our trucks, I'll take them out for 2 weeks or a month, whatever it takes.

I'll offer that service to them. I said, "You can go with my team as long as you want and you can see our model," and they're copying it and they're stopping, like CARE stopped giving things away anymore, they've stopped it. They've adapted our model. World Vision is copying our model. So they're copying this model because they've seen a lot of their own failures and they've stopped giving away so much and they started following this other model where you have enterprises helping enterprises instead of donors helping themselves and giving things away.

It feels good but it doesn't have any lasting impression.

*Female 1:* We're going to take a webinar question. All right our first question is from Marcus Janelle who's an independent consultant based in Switzerland, and he actually has two questions for Curtis, and the first question is, "You say you never gave anything away but was there no pressure from donors to give things away to make progress appear sooner?" And the second part is, "You talked a

lot about the successes of the project but could you share with us something that you would say the project failed to do?"

*Male 2:* Okay, can I clarify that first one? We said we never gave anything away but the second part of that was --?

*Female 1:* But was there no pressure from the donor to give things away to make progress appear sooner?

*Male 2:* From our donor, USAID? Nope, I started the presentation telling you why I loved AID and I've always loved USAID in Cambodia because they haven't done what the other donors have done, so I can't say we haven't given things away. We've given a lot away. We've given hope away, we've given confidence away, *[laughter]* we put people on buses. We pay for the buses.

We buy lunches, right, when people come together because they can sit at the table and they can talk and that's a good investment but we don't buy fishing poles and we don't buy nets and we don't buy those kind of things so we haven't had any pressure from USAID to give things away that I can remember. As far as failures, I can think of a couple failures. We had a business training modules and we hired somebody who had a lot of Cambodian experience to develop these business training modules and we tried to sell them to people who had incentive to provide better business training. MFI's had the incentive to have better business people out there. Banks had incentive.

Even input suppliers but because the input suppliers and the banks, they don't quite understand business training either. It's difficult for them to provide the training when they don't really understand it themselves so they have to back up the supply chain to get this. We never got this accomplished so that was one of our failures and one of the failures, one of the first project, we had a microfinance component on the very first project, on the first three years and we kind of gave it up because money wasn't a problem. There's plenty of money out there. There was plenty of money in Cambodia and the worst thing we could do was get involved between the enterprise and the MFI or the bank and we were told not to do that because then the *entrepreneur* or the borrow would always blame it on USAID or a project if they fail but there was plenty of money there but the biggest problem was – is the banks didn't trust anyone

because they didn't have the skills and they didn't have the capacity and they were high-risk, so once they had the skills and they could produce and sell through the market and have a regular income, they found money right away. They had people borrowing \$5,000.00 and \$10,000.00 to raise pigs and fish, so that was a failure but it wasn't a failure on our part.

It was a failure on the concept that we have to have microfinance. We have to push it ourselves and we didn't. We kind of took it hands-off and it worked. The focus was reducing the risk to the banks and we did that.

*Female 1:*

All right and we have another question and this is from Dzinzna Durviskajic from the FIRMA Project, who's joining us from Bosnia, and her question is, "The Cambodia Project highlighted that one of the core elements of their approach is relationship-building. However it is an approach that requires time and often is in conflict with project-cycle and needs to provide measureable results in limited timeframes. What are the most effective tools that the Cambodia team has identified that reach sustainability and meet project-cycle goals?"

*Male 2:*

Relationships is what it's all about, right? That's what the whole project is about is relationships. I'm not sure I caught all the question but the tools we use – the one – the tools that I've presented here today are sustainable. From the very beginning just pulling people into a room and getting them to discuss problems on their own and helping them have that revelation that they all suffer the same problem, they suddenly had a relationship with each that they didn't have for 30 years living in the village and we had a mission director come out and say – they asked a women – a room full of women, like this, about this size, about 30 people, and the mission director says, "What has MSME done for you?" And one –by-one, and "Why haven't – why didn't you come together as an association before this project?" And, one-by-one, these women stood up and said, "You know, I never had anything to talk about with these people but – and I only raised a pig, I only had 1 or 2 pigs and now I've got 60 pigs," and the other one said, "Well, I've got 600 pigs and now I see an advantage to talking to my neighbors here." So it's all about relationships and then, on a broader scale, the government had all kinds of monopolies for market functions because it was command control economy, so they sold trader licenses, they sold slaughterhouse licenses, they sold transport licenses.

We broke that monopoly just by introducing more people to more traders and to more slaughterhouses and there was no way to enforce all these licenses. They gave away too many away and we knew it so we just kind of forced it and allowed people to meet, have relationships with new traders, new slaughterhouses, new transporters. It was all about that relationship because once they have that telephone number and they have met that person, the hardest thing for a Cambodian is to have a conversation with somebody but if you can get into a room and make it easy for them so they don't have to talk about politics, they don't have to talk about anything, they just gradually feel comfortable with each other, they'll develop that relationship so those meetings that we had, those business forums, the cross-provincial trips, that was great one. They get into a truck – they get into bus, 20 of them, they don't talk at all for the first half a day and by the time you take them overnight, we put them in a hotel. They have to eat dinner together. We keep them together.

By the time you're done, they're all talking to each other. They've all shared each other's phone numbers. They all realize that your cousin is a friend of my other cousins and – because it's a small country and they all – those barriers break down.

*Female 1:*

We started a little bit late today so we're probably only going to take two more questions and then we'll close but you can continue informal discussion afterwards.

*Audience:*

Hi I'm Andrea Urban, Independent Consultant and fellow Iowan. I have a question about USAID performance indicators that may have been in your original RFP or were part of your Performance and Monitoring Plan that they requested of you and – yes, and my question is did you find any of them unreasonable? And the reason that I ask is I see a lot of RFP's coming out of USAID for Value Chain and Competitiveness projects and when you're faced with an economy or population of 5 million and you're requested to, in 3 years, increase jobs by 50,000 and make firms more competitive, that's a little bit of an oxymoron in many cases and I'm wondering, in the case of your project, were any of the performance indicators from AID, did you find them unreasonable or not making sense in terms of what you were trying to do?

*Male 2:*

Honestly only one and that was the MFI-related one where had and I forget where it is now because it was 2005-2008 but it was like ensure that so many loans were made through microenterprise. Well, that wasn't a good idea so we negotiated that – around that. If there were any PMP indicators that we didn't like, we would negotiate with them and AID was, again, they were a great partner. They'd been a great partner. We would negotiate that around but we – and we worked around the microfinance one by saying, "Well, you know, our studies show that most credit comes from input suppliers and neighbors and not from MFI's because they charge 35 percent but the local input supplier will give people credit for 6 months for little or nothing, and they're all friends, you know? They have to live with each other, so they pay each other back, so except for that one, I've never had onerous PMP's. We haven't had that.

Some are worded funny but we've been able to work through it.

*Female 1:*

So we're going to take one more question. I've seen a lot of hands come up so if you don't get a chance to ask your question, please do go to the MicroLINKS website and post your question there, on the Event Page, Curtis' event page, and he'll, hopefully, be kind enough to respond, just for one day, to those questions, okay?

*Audience:*

Hi, Lakshmi Sivalingam. Thank you for the wonderful presentation. I just have a question about the firms that you've been engaging with. How many of them were existing firms that you decided to increase competitiveness with versus engaging in new households to start engaging in new activities that you were promoting through the project and then, in the case, the second question is when working with the marginalized communities, resources can often be scarce so in the case of livestock, where increased production means increased access to resources, such as land, how did the project respond to that? Specifically looking at swine and I think swine, like goats, can be seen as ATM machines by the poorest communities and so increased production could mean increased access to land as a requirement so how did the project respond to those needs?

Thanks.

*Male 2:*

They're good questions. How many were existing and how many were new? Well, Marina, I think they're all new, because we couldn't – I'm not joking – we went out there for a week and walked in fields and we would ask people, "Is anybody here raising cows or pigs?" And they'd say, "Oh yeah, right over there, that woman over there." We'd walk for a mile and a half and some woman would be attending two or three cows in her field. She was the big producer of cattle in the community so I would say almost all of them were small.

I'd say 95 percent were new. They went from subsistence to markets and 5 percent were there and they've gotten even larger, those companies, I mean it's – not guys but those companies, 30 percent are run by women, and, right, so I say "guys" in a funny way so I'd say most of them are there. On the marginalized communities, you're right. It's difficult to help marginalized communities. We did a Poverty Assessment but that didn't come until the second year.

It wasn't in the first year. It wasn't a requirement. They didn't rate many of the firms as poorest-of-the-poor because most of our firms did have land, most of the families we worked with, firms, meaning families but what we see now is people are renting. People are encouraged and they see their neighbors making money. They're willing now to go rent land.

We're seeing a lot of rental. They'll go and rent land and set up fishponds and swine farms, so marginalized communities are very tough. If you don't have any land and no hope, it's very difficult and confidence, so I don't – that's a difficult – we – again we had this \$150,000.00 of prime money, and we couldn't get the marginalized and the Value Chain enterprises, the family enterprises, we couldn't get them to work with the marginalized people. They just would not work. They didn't want them in their farms, they didn't want them in their brick-and-tile factories, they had no interest, so we actually had to set up businesses for them.

We gave them \$100.00 and we set them in a business. They had \$100.00 to do whatever they wanted with them. Most of them bought carts and learned how to make something so they could sell it and make money and feed themselves, that's the best we could do for the \$150,000.00.

Male 1:

Thanks very much Curtis and Amy and for everybody who asked questions. I just wanted to kind of close with a comment and then ask Curtis to answer one question that was asked but I don't think was really answered but was as good question but, first of all, a number of people have mentioned and some of the people of the webinar had mentioned that it takes time, and I want to clarify that on this particular project, USAID and DAI, we did have the gift of time, this really – there was, initially, a 2.5-year project, and then a 4-5-year project, and that's a big challenge for Value Chain programming because if you take a facilitation approach it starts slow and builds because relationships, as Curtis said, really are the key and I think if this had just been a 3 or 4-year project and we were doing this presentation 3 years ago, the results would've been really pretty different and it would've been much more speculative, you know, like, "Oh, well, is this really working? You know now really the input suppliers are the ones who are driving things forward and it's in their interest to find profitable family farms that they can sell to and that's' really what's driving a lot of this, now but we did have the gift of time and we also had the benefit of a long relationship between Curtis and many of the USAID staff and so they had a common vision just the same way that the project staff, because they'd been together so long, had a common vision and that's critically important as well. We've had other projects where maybe a cottar comes in who hasn't worked with this sort of project before and they say, "Well, what are you doing?! You're just, like, having a bunch of meetings, you know?"

"You're just bringing people together and giving them lunch. You call that project?!" *[Laughter]* It's kind of a struggle to get everybody on the same page and take the leap of faith that a good stretch of time requires and we really appreciate the partnership that we've had with USAID and the amazing staff and team that Curtis has built up on the MSME project. Amy asked a really good question, which was about vulnerable populations and getting them to invest in new things and then, sometimes, something bad happens, and I know that you actually just experienced this in Cambodia where there was devastating flooding in October at a time I happened to be there, so I got my feet a little wet but what did happen with some of the fish famers, in particular, because that was – some of them, I mean, you could see where their ponds have been overwhelmed.

Male 2:

Well, if I get one last comment, that's first of all, anyone who's listening or here in the audience, is invited to come out between now and July 30<sup>th</sup>, July 31<sup>st</sup> and go with my team. You don't have to listen to me, I won't go with you. You go with my team. You can talk to the *entrepreneurs*, you can talk to the government guys, you can get their viewpoint so you don't have to listen to this set presentation. I welcome you.

Just give me a couple weeks' notice and we'll make room for you on our activities. I'm serious. I may be opening myself up to a lot of visitors but that's okay. *[Laughter]* That's okay. We'll welcome it because we believe in this and my team – if you think I'm excited about this, my team is really excited and they'll sell it better than I do.

Cambodia had their 30-year flood or 50-year flood this last winter or this early spring and almost big areas of our fish farmers had entire populations of fish washed out, you know, just flooded away, which was a big problem because a lotta people were catching their fish down in the Mekong Delta and so the fish price actually went down but they lost about \$1.5 million – one community lost \$1.5 million alone, and – but they came together as a group, as a community, and helped each other and they restocked and they rebuilt their ponds but they came together as a community where before they would've been individuals going it alone and now they cooperate. The government also helped them out by giving them – they have government fish hatcheries so they gave them – government has been very aware of what we're doing. They're very proud of what the aquaculture that's happened because they're really promoting that so they actually gave discounted fees service to the aquaculture companies to restock. The pigs prices went way down because everybody dumped their pigs as fast as they could because of disease problems and because the land was disappearing and you can keep so many pigs in your house but they've restocked and that's – it was actually a very – the flooding actually only impacted a fairly – it wasn't like it was in Thailand. It was quite much better and it didn't affect quite as many people but the communities actually helped themselves.

These associations and the cooperatives, they came together. They had some money because most of them had had savings groups and some of these savings groups that are just 2 years old had \$90,000.00 and \$100,000.00 in them already. I didn't get into that part but one of the reasons that we believe that

they association's cooperatives are sustainable is we've – they've started these savings groups and they used the interest in these savings groups to buy services for the members so they put people on buses and they take them down and go to these other big facilities and buy piglets and buy hybrid sows and they go to the fingerling producers and buy truckloads of fingerlings and bring them back on their own without us so it's been very beneficial that way, and the poorest in the community are helped just as well as the rich, as long as they're a part of this association, and these communities are quite whole. Does that answer the question?

*Male 1:*

That was great. That was great. I mean and I just think again, you know, timing, I think, maybe played a role here. I mean at the point that the flood happened, the aquiculture was already sort of a proven money-generator and it's fast-churn, which is good for vulnerable populations, these three cycles and so I think the immediate reaction was, "Let's get back in business." That was the immediate reaction and then they pulled together to do so, so we're certainly trying to incorporate those lessons in the other Feed the Future programs we're working with, in Liberia, for example, which is another case of very big subsidy culture and how to change that kind of behavior, and work with the risk apprehension that's present in the marketplace for very good reason, so the challenges continue.

Thank you so much everyone for coming. We really appreciate it. *[Applause]*

*[End of Audio]*