Inclusive Value Chain Development: Reaching the Very Poor in the Philippine Mariculture Industry

Presentation Transcript

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Presenters

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Female: Good morning, everyone. Thank you so much for coming, and I'm sorry for the technical challenges we had earlier. Since we're starting a bit late, I'm just going to have Dr. Jeanne Downing introduce the presenters. Thank you.

Female: Good morning, everybody. I'm really excited to have Anna Cuny − she has a new name, Garloch – and Marian Boquiren, from the Philippines, and they're going to be talking about inclusive value chain development, and I think that we've invested in value chain development and the value chain approach for a decade now, and one of the challenges has been how do we reach down to the poor? How do we include at least the economically active? I think we're also, and Anna has been very much involved, in work on Pathways Out of Poverty, that works with the very poor using approaches that are other than the value chain, but inclusive value chain development is about how can value chain efforts reach down to the economically poor? So, I think we're really looking forward this morning to Anna beginning the conversation. Again, she's led a lot of the work on the Pathways Out of Poverty, and Marian Boquiren is a field person who's done some extremely creative work on value chain development, and will give us some of her firsthand experience in including the very poor. I'll turn it over to Anna to start.

Female: Thanks, Jeanne. So, we wanted to start the discussion today with a bit of a provocative question just to get our juices flowing. Given all of the physical, the social, the economic, the behavioral qualities that distinguish the very poor from just your average, poor farmer, as Jeanne was introducing, can we really work with the very poor as market development practitioners and still deliver on our economic growth promises to facilitate truly systemic, truly transformative change? Is that a zero sum proposition? Can we really do both of those things? We wanted to start off with this because we wanted to recognize that there are tensions involved in doing inclusive value chain development, and I think as people in the value chain development world, that's something that we've really wrestled with in recent years in the context of Feed the Future, in the context of doing more with less, of greater accountability in the results that we present to USAID, and the impact that we claim from our projects.

I have found, at least, that many people have surprisingly very strong opinions kind of on both sides of this question, or on the push towards more inclusive value chain development, going beyond just the general goal of reducing poverty, which I think we all certainly embrace as an element of our value chain development work, but peeling back the layers a little bit and asking, "What types of poor people? How poor are they? In what ways are we reaching them? How sustainable is that impact? How narrow is that impact?" There's no clear cut, one-size-fits-all context answer, of course – came to the wrong seminar for that – but there are some insights and programs, strategies that have emerged in recent years − one of them certainly is Marian's, and we're very lucky to have her joining us today – that's starting to change this conversation from one of I think being kind of a zero sum proposition to one that recognizes that there is innovation and there are opportunities for those two goals to be mutually supportive.

So, to start, in thinking about the very poor in the context of a market system, there are a number of characteristics that are common amongst the very poor that we have to be cognizant of in program designs because it often precludes them from either participating in the growth that's being created in a program, or in attracting the attention of private sector. Compared to those who are less poor, the very poor tend to have fewer productive assets, which is sort of obvious to all of us, but they also tend to have fewer relationships with people that are upwardly mobile, and if you think about how that might affect their ability to sustain market linkages or participate in groups that allow them to aggregate or take advantage bulk purchasing. They also have a reduced ability to take on the monetary, the time, some of the social risks that are associated and required with upgrading into market opportunities.

The incentive of, "If you do this, you'll make more money," which we often rely on to drive behavior change, is often not going to be as effective with the very poor, for whom, because of their vulnerability, risk mitigation and increasing social capital is often a greater driver of behavior. All these things, they're certainly not exclusive to being very poor, of course, but they are often more pronounced constraints and more difficult to overcome for the very poor. This last one, that they play diverse economic roles often means that we overlook them in our systems' view, even though they are part of a market system, simply because they're playing roles that we are ourselves are sometimes less familiar with or less used to working with.

So, if you look at this very generic value chain system map that we've all seen many times before, and think about the value chains that you currently work in, whether that's maze or export pineapple or coffee, where are the very poor in that system, what functions do they play, and how are our activities reaching them? For most of us, regardless of where our direct interventions are targeted, we often tend to focus on accumulating impact at the producer level, and there's obviously a lot of reasons for that. But the very poor are more prominent as laborers, as service providers, as consumers, even, and, in addition, even while the very poor, and certainly in some value chains, they're not as prominent in these roles, but they're often part of an interconnected system, such as transportation, for example, that does affect the competitiveness of the target chain.

Our challenge is to find the opportunities where those objectives overlap, where including the very poor in our program design is, in fact, an integral part of the value chain competitiveness strategy, and I think this is not only where the management of projects will really have the most invested in pushing this type of approach, but also where we will see the most sustainable and sort of owned-by-the-system change. So, how do we find opportunities for the poor to contribute to competitiveness and make it an integrated part of our program? In its final year, as Jeanne alluded to, the AMAP project, which many of you are familiar with, looked at this question of Pathways Out of Poverty and how value chain development could be more inclusive. A number of program design and implementation strategies came out of that, many of these drawing on some of the work around graduation pilots and some of these larger, public investment programs such as the _______ in Ethiopia, which is this large scale, public investment program in moving large numbers of its population out of poverty. This draws, as I mentioned, on some of that thinking, but we also try to be realistic about what's possible in the context of a market development program.

One strategy that a program may adopt is just to take a more poverty-sensitive value chain approach, so similar in some ways to applying a gender lens, for example. So, this would entail something like consulting a poverty expert during the value chain analyses, involving them during work planning, in the competitiveness strategies that stakeholders are putting together. It also might involve just sitting down with a team for half a day or something and recognizing the poverty characteristics of who is and who is not going to be reached and able to participate in the growth that comes from that program, understanding why that is, and then brainstorming around if there are activities that a program can facilitate or support that addresses some of these constraints to participation. I think that, alone, is a big step forward for a lot of our projects, and certainly a very realistic goal.

This approach also means that managers and donors have to be aware that from time to time, the rigor of some of the principles of the value chain approach, like facilitation or self-selection, may need to be adapted, certainly not abandoned. Those are really, obviously, very critical elements that we believe lead to sustainable change, but there may need to be some level of adaption. Sequencing or time-bound phased in and out activities is also something that people may want to consider. So, for example, starting in year one with introducing access to savings groups and small MFIs to a community, building resiliency and familiarity with commercial commitments before moving into full-on value chain development. In thinking about interventions and making these growth opportunities more inclusive, many people will integrate elements of push-or-pull strategies, which is a phrase I think we've all heard of more and more recently.

So, push strategies focus on building capacity so that the very poor are able to begin to invest in livelihood streams and access markets, such as through building household assets, improving social protection, or strengthening capacity to manage risks, such as through savings groups. Pull strategies, on the other hand, focus on addressing constraints in market structures and institutions to better pull people in, such as by reducing barriers to entry, or buying down the risk of private sector engagement in a community or in a type of service, for example. You'll see I've also included knowledge management on here, which is challenging but certainly an absolutely critical element of this. So, another much more intensive approach is a Pathways Out of Poverty approach. This relies on a more strongly articulated and operationalized vision for transitions out of pathway, or to a lower degree of poverty, integrate sequencing, and it's supported by very robust, often resource-intensive knowledge management and causal logic systems.

The SDCAsia is a very good example of something that I think kind of draws on both of these strategies, and Marian has some really interesting examples of typical pathways and trajectories that people in her program followed as they became more economically active and resilient over the course of the program, so keep an eye out for those at the end of her presentation. I think they're really interesting. With that, I'm gonna turn it over to Marian, who's joining us from the Philippines, and she's gonna talk us through a specific case in the mariculture industry in the Philippines. I hope this provided a good overview and some food for thought. I'm gonna come back at the very end and just mention a few resources and places to continue this conversation and share some of the learning that's coming from your own organizations. Marian?

Female: Yes?

Okay. Thank you, Anna, for the overview. Good morning, everyone. As mentioned by Anna, I will be sharing our experience in facilitating the gainful participation of the very poor in the mariculture industry, but first, let me give you an overview of the project. The project was implemented by Strategic Development Cooperation - Asia. It was funded ICCO/Kerk en Actie Netherlands, and counterpart funding from SDCAsia, with most of the funds raised via work contracts from ACDI-VOCA and DAI. The project ran for three years and officially ended last May 31. Our target groups consisted of households in six coastal villages in southern Mindanao, Philippines. The majority were fisher folk and were doing odd jobs on an intermittent basis. On a good day, a fisherfolk can catch 1 to 2 kilos of fish which provided just barely enough income to buy a kilo of rice. On a bad day, they gathered shells or clams to eat or sell. The coastal communities are made up of various migrant and Muslim groups.

Root causes of poverty in coastal communities include seasonal variation of livelihood returns. Second is the dependence on natural resources for subsistence, the overuse of these resources, the lack of information to make better decisions, and, lastly, the social and economic power imbalances and marginalization. On the other hand, the mariculture industry, particularly the milkfish value chain, faced the following constraints: first is the unstable supply of good quality fingerlings (fingerlings are the baby fishes), then the weak compliance to good aquaculture practices which led to low productivity, poor post-harvest facilities, and then, of course trust issues. Basically, at the start of the project, grow-out cage investors did not want to hire local people. Another constraint was the lack of value addition. Fish were mainly sold fresh within Davao. When there is an abundant supply of fish from the wild, the price of milkfish decreased significantly.

Mariculture, when designed to allow for low ecological impact and maximum community involvement and benefits, can contribute to turning the tide of dwindling fish stocks and collapsing livelihoods. Our intervention approach was built around the theme "turning constraints in the mariculture industry into livelihood opportunities for coastal poor". Our main thrust was to enable the coastal poor take on critical value chain or support market functions, thereby strengthening the industry and, at the same time, providing livelihood opportunities. On a regular basis, we monitored the capacity of the industry to absorb new entrants. Employment and enterprise creation activities were done in phases to align these with growth trends, market absorption, and carrying capacity of ecosystems.

Likewise, our interventions were aligned to the needs of target groups, starting, of course, with their need for cash for daily food. Interventions were primarily targeted towards those links in the chain that trigger employment and livelihood opportunities for the coastal poor. In the milkfish industry for instance, job creation depended heavily in the number of grow-out cages. As such, we focused at the onset on creating a conducive environment for cage investors parallel to building linkages with fish traders and facilitated the incremental establishment of the necessary infrastructure and support services. This is where majority of the target groups are engaged in.

At the start of the project, we worked with the more progressive members of the community to champion the change process, more or less as "pilots." At the end of the project, the very poor comprised 85 percent of the target groups, with the majority Muslim. To promote the participation of the very poor, we held competitions on skills related to mariculture opportunities as an entry point to promote self-enrollment in skills training. These competitions usually attracted the very poor since these afforded them with opportunities to stand out in the community and earn small prizes.

The project also conducted regular livelihood and business orientations targeting the very poor. Initially, these were meetings for the micro-franchise packages offered by the project. However, we discontinued with the micro-franchising in Year 2 mainly due to low repayment rates, cheating, and the high cost of transactions. Looking back at it now, perhaps, microfranchising for live production was not appropriate and we did not have the necessary infrastructure then and had limited budget to work with actors who set the standards.

The training modules were developed together with the target groups as well as industry actors who set the standards. The project then trained value chain providers to ensure alignment with the learning aptitude of target groups. Services are generally delivered via coaching, embedded services, government extension services, and apprenticeship programs in collaboration with vocational and polytechnic schools.

Based on our experiences, there is a fundamental need to increasingly integrate behavior change interventions in value chain development projects and to be sensitive about the role that extreme poverty can sometimes play in reinforcing behaviors that can have negative effects or impact on the individual's ability to move out of poverty. For example, due to the daily challenge that very poor face in almost all aspects of their daily life, their mindsets have adapted to sub-optimal conditions that undermine good performance.

With regards to technology upgrading, the introduction of new or improved technology per se in mariculture industry does not automatically yield benefits to the poor since many of them do not own cages or farms. The benefits to the poor from new or improved technology lie in its employment generation potential. As such, in addition to assessing the contribution of new technology in increasing profitability of operations, consideration was also made on its effect on employment generation. Implementation of Good Aquaculture Practices, for example, increased the demand for the following services: weaving and installation of nets, net lifting and cleaning, water and fish sampling, cage repair, and maintenance of outriggers.

With regards to access to tools and equipment needed by coastal poor to pursue livelihood opportunities, this was facilitated via common service facilities co-funded by the private sector, primarily the mariculture association, the local government, and the project. These facilities are self-financing. For the post-harvest facilities, for example, traders and growers pay every time they use the facilities in addition to the service fees for the harvesters and the sorters. The target groups also contributed in the setting up of common service facilities in the form of labor. For small equipment such as outriggers (US$ 1,200) which are crucial for caretakers, these are provided by employers (cage owners). It is also to the interest of cage owners to provide an outrigger as this is used for transport of feeds and other materials. We had higher success of engaging value chain players in asset transfer initiatives and provision of safety nets to the poor by promoting this through the context of business gains and growth rather than as purely charity-driven initiatives. Likewise, willingness and incentives of private firms to contribute to the provision of safety nets depend to a significant extent on the degree of competition that the firms are facing.

Now, with regards to social capital, it would seem that social capital is most important for coastal poor on positive trajectories or those who are moving out of poverty. Social capital is an important buffer against downward mobility. As the poor go up the ladder, the more important it becomes for them to be part of production and economic networks to access more opportunities. In the case of the harvesters, for example, for instance, it was through exposure to other players in the chain that they were able to diversify into other activities, such as becoming intermediaries between traders of fingerlings and the cage investors. For the poor to participate in networks consisting primarily of non-poor, it is important that they have something attractive to offer.

The project also took advantage of festivals and social events as venues for players to socialize in informal settings and discuss issues that affect their business and the industry. Through the promotion of supportive relationships within the context of mutual gains to offer rice subsidies to caretakers to ensure that they would be able to eat three square meals a day and focus on their tasks, rather than worrying about the next meal or being tempted to cheat on cage owners who usually just visit once or twice a month. Caretakers, on the other hand, are motivated to attend trainings to improve yield when it became a standard practice to offer fixed salary plus incentives based on harvest results. Similarly, fish sorters strive to be fair so as to gain the trust of traders and cage growers. This is important for repeat engagements.

Now let us look at the trajectory. The trajectory that you see now is for those who chose to be engaged in logistic services. From the graph, one can see that they start in one job that has the lowest entry barrier and then gradually they took on jobs that require higher level skills but without necessarily leaving their first job. More or less, about 50 percent were contented at this stage, more or less, with two stable sources of income. The more progressive ones expand by offering wide range of services to their existing clients. They form friendships with various suppliers and offer to broker negotiations between their existing clients and suppliers. The common causes of descent back to former condition include cheating, job negligence, and quarrel with peers.

On the other hand, women tend to diversify into livelihood activities outside of the mariculture sector. They usually go into Avon dealerships or set up food stalls. Women believe that building an income source outside of the mariculture sector mitigates the risk of them going back to their former conditions, given that mariculture is also prone to natural calamities. These women are working for the first time, and perhaps this is the reason they are afraid to take risks. Men, on the other hand, diversify income by acquiring skills that will enable them to provide a wide range or package of services to the same clientele.

Enterprises engaged in fingerlings production are linked to traders. These traders cover the cost of harvesting and transporting using their own equipment, including payment of labor force recruited within the community and trained by the project. The project also assisted traders in upgrading their skills and in promoting the use of hatchery-bred—these are the very baby fishes—which at the start of the project was thought to be inferior to wild fish. In crafting strategies to improve competitiveness, consideration was made towards making it more “pro-poor,” which entailed understanding the structure of rewards for participation. Assisting firms to move into differentiated products or premium markets helped improve their capability to offer better income and working conditions to the poor. In this project, for example, we supported the gradual transition to an all-natural farming system to reduce costs and environmental degradation while strengthening the area’s unique selling position as a supplier of all-natural milkfish.

This is the end of my presentation. Thank you so much for the opportunity to be part of this breakfast seminar. Anna will now provide you with info on the various resources on this topic.

Female: Thanks, Marian. I'm sorry that the connection was just a little bit bad. I hope that everyone was able to absorb most of that. I just wanted to let you know that Marian and a colleague of hers wrote up a fuller case about their project and this particular issue of working in the mariculture industry with a focus on the diversity of jobs in some of the poorest communities in Mindanao. It's available on Microlinks. If you search, the name of the paper is *Improving the Employability of the Poor While Strengthening the Mariculture Industry*. It's also accessible at this link here, this Microlinks link on this slide. There are a number of other resources that were produced during AMAP's initiative around Pathways Out of Poverty. All of them are available at this link. So, Marian's case was one of eight case studies. There are seven more, which you can access here. There's a shorter briefing paper.

There is a tool synthesis, which is something I think is a really valuable tool. Ben Fowler prepared this, where he went out and scanned the market of what other organizations that typically work with the very poor, relief organizations, people that are doing work in food security, and what sort of tools that they often use that are very standard and commonly-accepted tools, a range of complexity, a range of research intensiveness that are associated with them, but that are just sort of not in our world view because that's not the population that we typically work with, and he gave a synthesis of each of those tools, as well as some suggestion for how value chain development practitioners might adapt those tools. There's information about the complexity and sort of the resources that are associated with each of those.

Another place you might want to check out is STEP UP, which stands for Strengthening the Economic Potential of the Ultra Poor. It's a new initiative that is just being launched, actually, by SEEP, and, while it's focused on the ultra poor, they're really making a concerted effort to involve people in the value chain community, and I think there will be a lot of learning that comes out of that in the next couple of years, and it's a great forum to share what's going on in your own organizations. There is also, as many of you may be aware, USAID and Microenterprise Development Office recently released the TIME APS, which stands for Toward Inclusive Markets Everywhere. I don't believe that those have been awarded yet, but it's meant to be sort of pilot programs that are looking at this intersection of inclusive value chain development. There's a strong learning agenda that's associated with those, so keep an eye out for learning that's coming from those in the future. With that, I guess we'll turn it over to questions from the community.