

DEVELOPMENT OF THE BDS MARKET IN MINDANAO



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I. PROJECT OVERVIEW



THE PROJECT GOAL:

Contribute to sustainability of MSEs in competitive market systems by facilitating pro-poor growth

INTERVENTION CONTEXT:

Micro enterprises in the fruits and vegetables sector in remote areas stabilize economic activities and enter higher value markets through inter-firm linkages, access to a range of service that will help them meet market requirements, and strengthening the chains in which they participate.

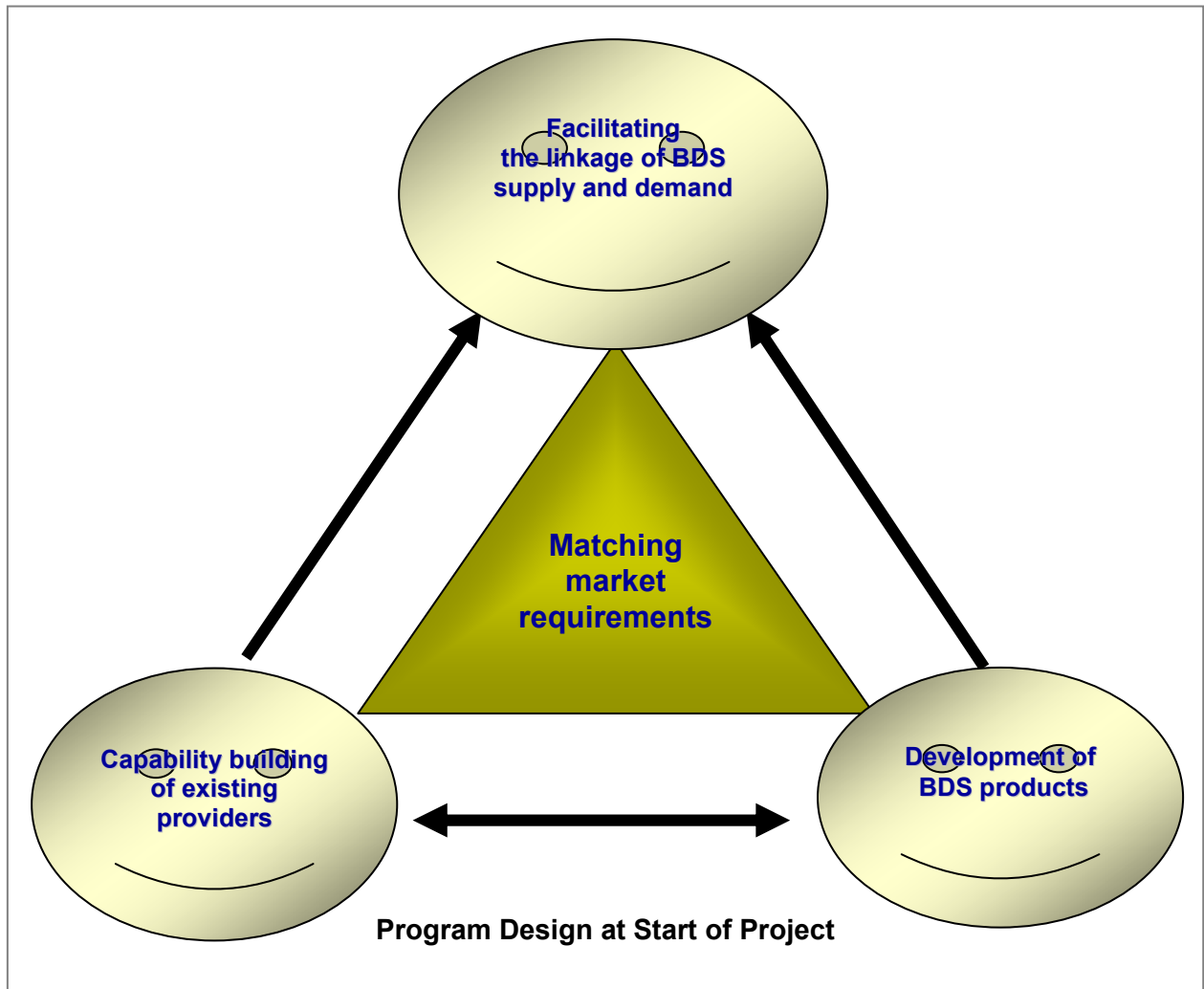
The economic challenges that many Filipinos face are magnified in Mindanao where, despite its rich natural resources, it has remained an underdeveloped economy with one of the highest poverty incidence levels. A subsector scan resulted in a decision to focus on the fruits and vegetables sector because of its potential to link many small farm households in remote areas in Southern Mindanao, CARAGA, and Northern Mindanao to growing markets for fresh and processed products in urban centers. It was assessed that the value added that would be created within the fruit and vegetable sector have greater backward linkages to the rural economy than other industries.

Assessments also indicated that the issue on improving competitiveness and value-added potentials cannot be solely addressed with the development of BDS markets but would require intervention strategies that will make entire supply chains more competitive, while ensuring broad distribution of benefits, skills, and income, at all levels. As such, the Business Development Services (BDS) program in Mindanao (2002 – 2006), funded by USAID and Swisscontact and implemented by SDCAsia, combined the strengths of: a) subsector/value chain development; and b) BDS market development.

At the start, the design of the project was focused more on developing BDS markets. However, after 6 to 8 months of implementation, the project incorporated aspects of the value chain approach in recognition of the following:

- While BDS is needed for growth, growth is also needed to develop BDS markets
- For enterprises to invest in BDS/upgrading, yields and return of investments (ROI) are needed

- Yields and ROI depend to a significant extent on competitiveness of industries and value chains in which enterprises are participating
- To increase employment generation, growth of enterprises is needed
- Many of the enterprises were in stagnant and saturated markets
- To grow enterprises, growth of value chains is needed
- Growth of value chains constrained by inefficiencies in the links and lack of capabilities of players



Aimed at increasing growth and income among rural micro enterprises in the fruits and vegetables sector, the project after 6 months of implementation started to focus its interventions towards addressing key bottlenecks to micro enterprises' inclusion in dynamic chains. The project linked rural communities with mainstream markets and improved the competitiveness of the supply chains in which they participate. This was based on the premise that as each critical link in the chain made an improvement, it improved the whole efficiency of the chain which resulted to more equitable participation in the marketplace for all players. Interventions were made in incremental steps based on a dynamic participatory analysis of the chains and markets and the consequent identification of gaps and constraints that were most crucial to enabling resource poor enterprises capture a bigger value within the chain.

Stabilizing and Expanding the Markets of products from communities

How to enable the Mindanao Subsectors and VCs to participate in bigger and more lucrative markets

How to link MSEs to growing markets when they don't meet the minimum requirements for quantity, quality, and reliability? Nor do they trust the city people ... Or know the world beyond the mountains.

How to encourage VC players to work with indigenous people on a stable, long-term, and equitable basis given the rooted mistrusts and not so good experiences

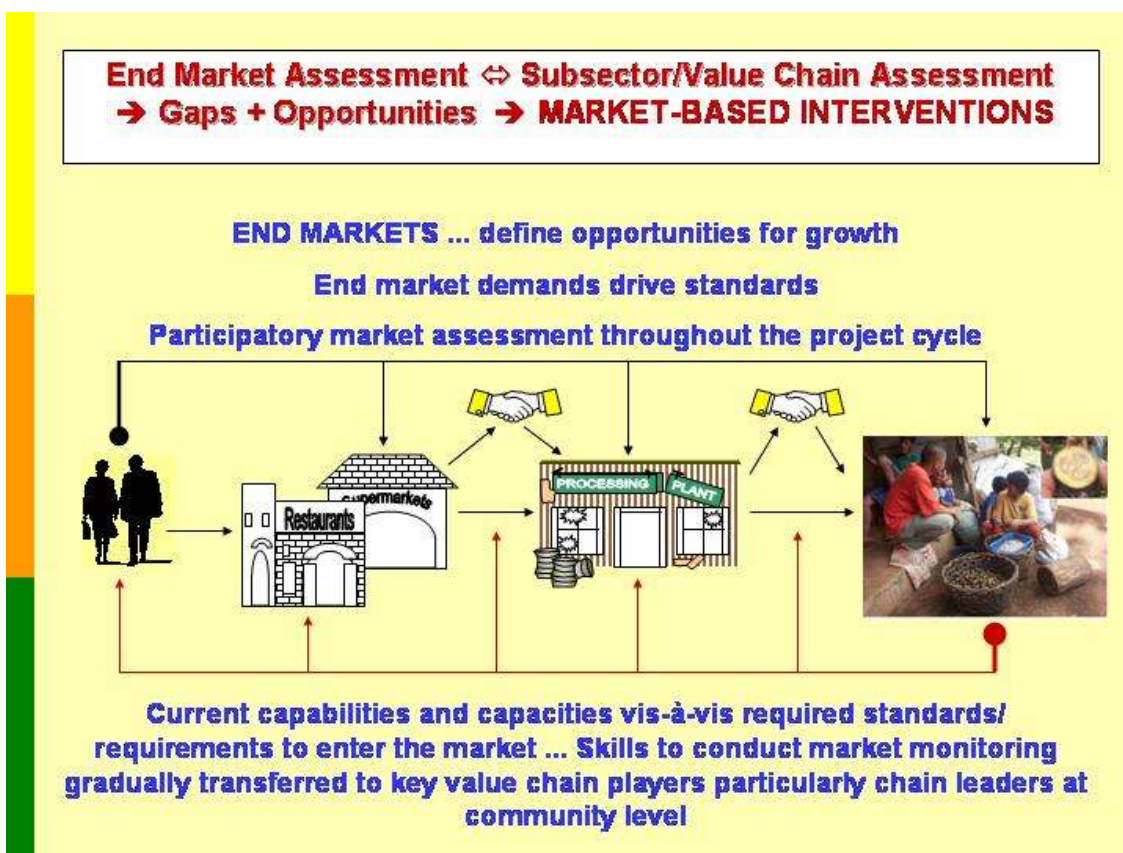
Given the atomistic nature of the fruits and vegetables sector characterized by low efficiency, a highly asymmetric distribution of information and market power between downstream and upstream players, and a few lead firms also in need of upgrading to effectively lead the product and market diversification process, the project adopted twin intervention strategic orientations: a) development of services and providers relevant to the whole sector; and b) competitiveness development of specific chains based on market and resource opportunities available to the area/community with a particular focus on promoting compliance to food safety and quality standards in order to ensure competitive access to markets outside the locality. The project worked in the following mix of chains to demonstrate the benefits of working in collaboration to improve consumer value, diversification and value added production:¹

| KAONG: EMPOWERING MARGINALIZED INDIGENOUS COMMUNITIES IN THE MARKETS | |
|--|--|
| <p>Status at Start of Project</p> <ul style="list-style-type: none"> • Raw Kaong to Traders • Semi Processed Kaong to Public Market | <p>Situation at End of Project</p> <ul style="list-style-type: none"> • Semi-Processed Kaong via Traders to Davao Processors selling to food chains and supermarkets • Semi-Processed Kaong via Traders to Exporters • Semi-Processed Kaong via traders to Manila processors and other buyers • Kaong Vinegar to local retail outlets <p>Communities replicated systems to other NTFP and crops</p> |
| MANGO: MOVING UP AND TAKING ON NEW FUNCTIONS IN THE CHAIN | |

¹ Highlights of the 'mini projects' are presented in the Annexes

| | |
|---|--|
| <p>Status at Start of Project</p> <ul style="list-style-type: none"> • Fresh Mango to Traders (at peak season, prices below break even point) | <p>Situation at End of Project</p> <ul style="list-style-type: none"> • Community-based processing and marketing cum training for dried fruits and puree making use of processed grade fruits from growers in the communities and elsewhere. Products sold to direct consumers/retail outlets/traders/processors • Selected 2005 Best Product Quality (National) – Puree Category • Adopted by province as the base and center for their One Town, One Product program |
| <p>STRAWBERRY: MANAGING AND REDUCING RISKS OF SMALL HOLDERS</p> | |
| <p>Status at Start of Project</p> <ul style="list-style-type: none"> • Fresh and Processed Strawberry sold at roadside stalls • Strawberries – low yield harvest – ‘plants sleeping’ (as communities described their situation) | <p>Situation at End of Project</p> <ul style="list-style-type: none"> • Good quality seedlings sold to other communities • Seedlings supplied to DOLE • Fresh strawberry to city retail outlets • Processed strawberry to city retail outlets |
| <p>FRESH FRUITS AND VEGETABLES: UPGRADING OF VENDORS-FARMERS VIA QUALITY SEAL (TATAK KALIDAD PROGRAM)</p> | |
| <p>Status at Start of Project</p> <ul style="list-style-type: none"> • The need to balance legitimate quality and safety concerns of consumers with the need to maximize the trading opportunities/ profit margins for small farmers and vendors whose only distribution channel is the public market • Fear of public market players losing share to supermarkets (fresh produce section). The need to improve overall competitiveness of public markets so as to be able to provide farmers and vendors ready and viable locations to sell their products. For the enterprising poor, a stall in the public market offers low cost opportunities to start an enterprise and earn income. | <p>Situation at End of Project</p> <ul style="list-style-type: none"> • Basic food safety and quality standards practiced by public market players resulting to improved image, customer retention, and margins • Entry of fresh fruits and vegetables to supermarket |
| <p>NIPA PALM RHUM: DIVERSIFYING MARKETS FOR COMMUNITY- WIDE PRODUCT</p> | |
| <p>Status at Start of Project</p> <ul style="list-style-type: none"> • Nipa rhum sold within locality at low margins | <p>Situation at End of Project</p> <ul style="list-style-type: none"> • Nipa palm rhum sold both retail and wholesale to neighboring provinces at better margins • Model One Town One Product program in the region |

II. INCREMENTAL PARTICIPATORY MARKET RESEARCH IN PROJECT DESIGN AND IMPLEMENTATION



In order to design the project, SDCAsia gathered basic quantitative information on the fruits and vegetable sectors as well as substantial qualitative information on poor producers and other market players, relationships in the subsectors, final markets and support services. Starting point in defining the interventions was the analysis of end market requirements. End market requirements served as the reference point for identifying skills gaps and in the design of interventions. Knowing what the market wants led to a better understanding of what interventions are needed by enterprises to match market requirements. Likewise, end market analysis provided an indication on which channels are the most practical and feasible for target groups to penetrate particularly in terms of improvements and upgrading required vis-à-vis market requirements vis-à-vis resources accessible and available.

Understanding the links, culture, and dynamics ... and entry points for intervention

- Involved info gathering and understanding of the following:
 - Nature of the markets and the value chain and how the semi-processors are currently served by them; the structure, the different players and their dynamics vis-à-vis conditions of the semi-processors
 - Indigenous culture and trading system including governance structure
- Based on info gathered, the team worked through the following set of steps:
 - Identification and selection of best route/s to promote gainful participation of semi-processors in the growing kaong market
 - Selection of links that need to be established and/or strengthened vis-à-vis the route/ways identified above
 - For links selected, identified critical constraints and opportunities as well as the requirements or standards that should be met
 - Assessment of how constraints and opportunities may be addressed and the players involved including resources and existing initiatives
 - Identification of initial core set of players that program would work with --- entry

points/champions

Keeping the peace and calm ... laying the groundwork for improvements

- Feedback gathering from among the players involved: changes, satisfaction, new issues/constraints/opportunities, next steps
- Discussion of feedback with players concerned and, whenever, necessary finding win-win solutions.

Tracking the market ... identifying opportunities and its implications to target groups

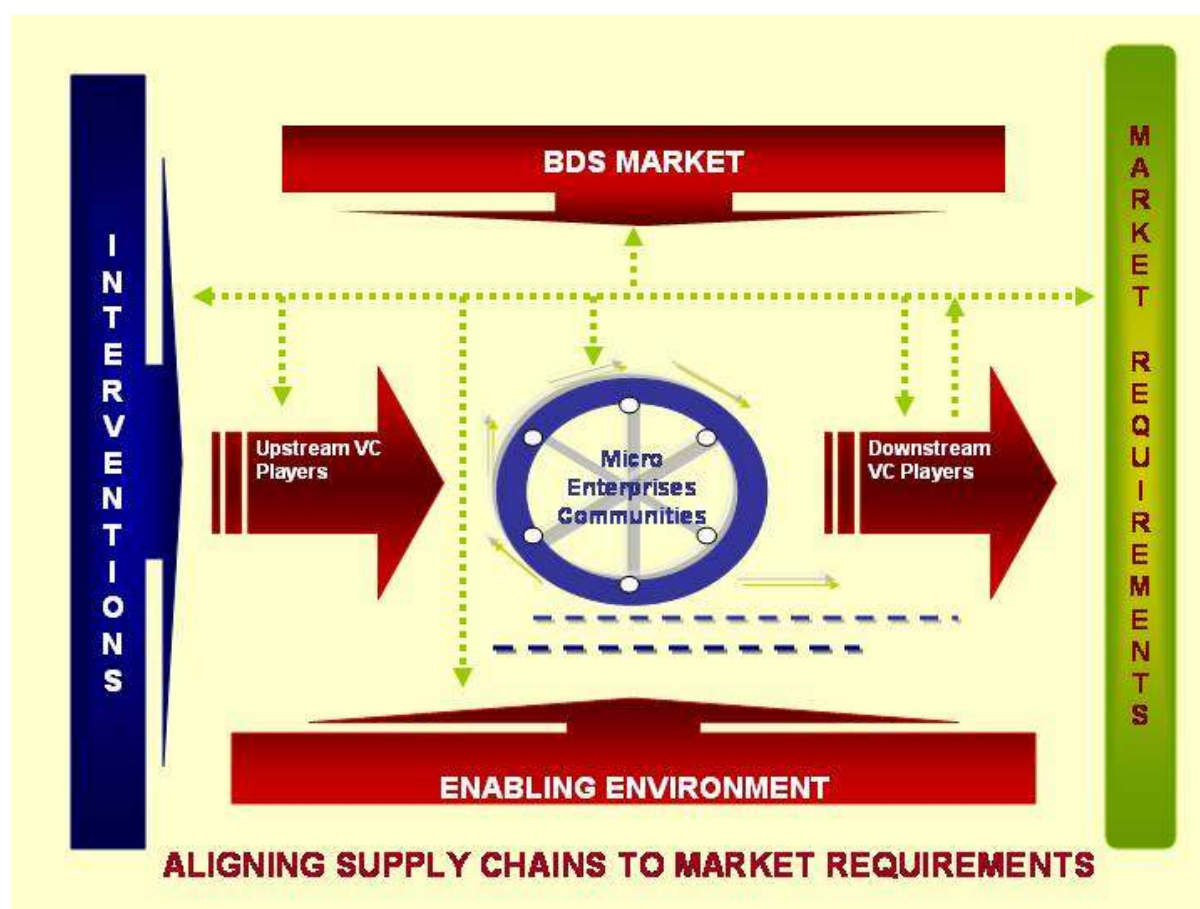
- Tracking of market movements as well as other events that would affect the sector
- Identification of potential opportunities and niches where communities can be competitive
- Info sharing with relevant stakeholders, getting their perspectives, and discussions on how to move forward

As the project started, the project team continued to build its understanding of market dynamics and key market relationships. Throughout implementation, SDCAsia gathered information and feedback from the market players involved in the project, including changes they had made, satisfaction with the changes and new issues, constraints and opportunities. SDCAsia conducted frequent feedback sessions with market players to help find win-win market solutions that will help poor producers and other market players. The team also regularly tracked changes in the market and gathered information on a few key quantitative indicators that helped the organization understand the impact of the project on the subsectors and poor producers. The qualitative information, together with key quantitative indicators, helped the team both improve the effectiveness of the project and in the continuous identification of new opportunities and niches where the products of indigenous communities could be competitive. Project staff regularly shared information gathered with market players to get their perspectives and discuss how to move forward.

All of the above were done with the involvement of the market players themselves as a means of teaching and gradually transferring to them the concept of incremental market research and transparent information flow. The community-based providers particularly the marketing intermediaries were taught on how to read market signals and the possible sources of information that are accessible to them.



III. INTERVENTIONS



A. Strengthening of Horizontal Linkages and Supply Chain Governance

Strengthening of horizontal linkages and strongly linking the household-based enterprises in the communities to common objective/s have been the platform used to promote better control and access over raw materials, increase their production capacity through consolidation, and improve their position in financial/marketing negotiations. In each area, activities were anchored on cooperatives or associations as focal points for coordinating business development service delivery, team building/organizational development, advocacy, and production or consolidation. All enterprises/households (members/non-members) in the area are welcome to become suppliers as long as they meet the quality standards. Only members though get dividend at the end of the year. In most cases, the cooperatives or associations are linked to a trader (usually the acknowledged chain leader at the community level). The decision to link cooperatives via intermediaries was premised on the fact that they have the experience in dealing with relatively bigger enterprises and the 'city people', the basic minimum infrastructure, some market and technical know-how, and transaction costs would be low and/or can be spread out to the other products that they carry. Organizational development support extended by the project via the cooperatives focused on infusing the business orientation and helping both the individual household enterprises and the trader/s see the entire supply chain rather than focusing on only their part of the chain so as to align their perception for better collaboration and partnership. The annual community cultural competition conducted by the project also enhanced their appreciation of the importance of collaboration and cooperation to foster innovation and better compliance with competition theme criteria (*the analogy for market requirements*).

Efforts towards promotion of shared responsibility, collective efficiency and cooperation among micro enterprises in the communities can be summarized as follows:

1. Strengthening and/or formation of collective groups with a particular emphasis on running the community-based enterprise as a business guided by a business plan and operating under mainstream market conditions and not as a 'time-bounded livelihood project'.
2. Establishment of process and quality standards that define the basis of participation of players in the community. The standards and norms were set by the key players in the community that were trained by specialists and with inputs from the buyers. Extensive pre-planning and coordination were required up and down the entire chain (particularly at the community supply chain level) to get a consensus and effect key standards and control processes as part of laying the groundwork for the formation of an efficient value chain. Project team provided strategic and technical inputs throughout the whole process.
3. Promotion of benefits of meeting quality standards among the different players. Campaign is primarily directed to the village consolidators/assemblers since they are the nearest to suppliers in terms of location and influence.
4. Strengthening of capabilities and capacities of marketing intermediaries in good manufacturing practices and quality control processes both for them to have the capacity to promote compliance and provide mentoring/training to their suppliers so as to provide equitable opportunities for everybody to participate in the business.
5. Development of BDS delivery systems (built on local practices) including operationalization support to ensure the access of community players to the necessary services vis-à-vis standard requirements
6. Promoting the compliance of the standards via various levels of marketing intermediaries. This is anchored to a great extent on a strong "chain leader"/trader in the community (usually this is the main or central buying agent in the community). The explicit acceptance of the chain leader is very important to facilitate supply chain collaboration and high trust relationships.

Campaigns on product quality standards compliance and acquisition of the necessary skills to comply with standards were anchored primarily on economic benefits and returns and being part of a wider movement to promote their communities as producers of quality products. To ensure wider acceptance of the system and, consequently, get the participation of the different players, the project worked first with a select group of enterprises respected by the community. Peer influence continues to be useful in stimulating quality compliance especially in indigenous communities.

As communities became accustomed to the standards, emphasis of awareness campaign is gradually shifted from "premium price incentive for good quality products" to "compliance to quality standards and market requirements as the basis for gainful participation in business". Aside from supporting the communities' drive towards consolidating their image in the market as source of quality products, the shift was in recognition of the following: a) price incentive was a good entry point but there are limits on the prices that the market can bear and support; b) to avoid potential situations where BDS acquisition becomes a justification for



uncompetitive prices/unreasonable price increment; c) many of the community-based buyers during the recent months started enforcing automatic rejection of products that did not meet quality standards. Parallel to this shift in the campaign was also ensuring that the processors have access to acquire the necessary skills by bringing the relevant services to their areas.

The program continuously encouraged government and the consumers to recognize changes implemented by the micro enterprises. Aside from income, pride and recognition are important to the micro enterprises. Recognition and public/consumer interests attracted more enterprises to participate in the program. In the Binaton community, for example, the household semi-processors are proud of the fact that they are now known as “suppliers of high quality semi-processed kaong” and this makes them more conscientious in implementing quality control based on the standards jointly formulated by trainers and the project. The Best Product Quality award won by the San Roque community for their mango puree was a source of pride for the whole province (congratulation streamers in strategic locations, parade, etc.) and provided a challenge for the other areas. It also was a catalyst for the local government to improve the road going to San Roque. As the community puts it, their quality products placed their small municipality in the consciousness of people.

Gradually, traders and the communities have started to realize the rewards of managing performance and quality along their supply chain. As one kaong trader puts it, “90 percent of the time, I only accept and pay for clean seeds that have been pre-processed well. Sometimes, however, I relent and accept discolored, poor-quality kaong in consideration of the farmers’ effort. It would be uncharitable to turn them away after they have carried kilos and kilos of seeds on their back or head for hours,” the trader explained. “I just tell them how to do it better and make sure they understand that next time, I won’t accept poor-quality seeds.”

The effectiveness of collaboration among supply chain actors at the community level, as well as their consequent collective adherence to product standards, depends on shared goals and mutual interests. The best trigger for closer collaboration and cooperation has been the pursuit of markets outside the locality and increased income including perceived sharing of benefits.

B. Development of Localized Capacity for Learning and Innovation through Inter-firm Cooperation and Community-based BDS System



With majority of the household enterprises located in remote upland areas and in recognition of the fact that companies/contractors are more inclined to take on the tasks of “educating” their

subcontractors if they have already reached a certain performance level of capacity and capability to enter vertical relationships., the program pursued the build-up of an indigenous community-based capacity to deliver and provide BDS. The BDS system is built on existing trade/marketing structure to facilitate the flow of services and learning to all players in the community supply chain. Under the system, a pool of trainers consisting of “enterprising leaders” and marketing intermediaries in the communities are tapped and trained to deliver training services and handle typical technical and business concerns of household-based enterprises. Information from buyers and/or contractors are usually relayed via the chain leader in the community who in turn disseminates these to the pool of trainers. The cooperative organizes the training for the micro enterprises (members and non-members) and also operates the common service cum marketing facilities.

The first activity conducted under this strategy was the promotion and development of embedded services, which involved the identification and understanding of the following:

- who influence and control people’s access to markets (at the community level)
- how do they influence and control people’s access to markets
- ways on how to improve capability and capacity so that their influence and control can be used to yield positive benefits for micro enterprises and the improvement of the chain in general without eroding their profit margins

In many cases, intermediaries at the community level were already providing some forms of BDS to their network of suppliers. The challenge was how to motivate these intermediaries to improve their capacities and capabilities in order to provide sufficient support to their suppliers as a means of improving both their incomes.

BDS development and delivery via business linkages was and continue to be presented in the context of improvement of the whole business operations (e.g., better quality semi-processed kaong translates to less re-processing and sorting activities and, consequently savings; better quality semi-processed means improved quality final products and, consequently, premium prices). Likewise, careful calculations were made to ensure that service delivery did not undermine profitability of business operations of both the enterprise-based providers and the micro enterprises. In collaboration with providers, project continuously finds ways to keep service delivery costs low and to implement cost-preventive measures.

Project’s entry point was the introduction and delivery of services aimed at stabilizing economic activities and gradually moved towards promoting product differentiation primarily anchored on production of premium quality products following Good Manufacturing Practices and eco-friendly and socially responsible processes. All services related to introduction of new skills and technology follow the “Learning/ Training – Application/Mentoring – Income/Sales – Feedback/Coaching” cycle. The objective is to allow micro enterprises to immediately apply new skills and experience tangible benefits of training. Likewise, immediate feedback particularly during the

Search for model micro entrepreneur ongoing

A non-government organization initiated a search for the model micro entrepreneur of the year in the fruit and vegetable sector in Panabo city.

Manny Quisol, project administrator of the Strategic Development Cooperation in Asia (SDCAAsia) said fruit and vegetable consumers in Panabo City can now be assured the products they are buying are of the highest quality when they buy fruit and vegetable products with the *Tatak Kalidad* (TK) seal.

The TK seal will serve as a passport to quality products for consumers in Panabo public market. SDCAAsia dubbed the program as the *Tatak Kalidad Aduna Kay Seguridad* Promotion Activity.

To be accredited for the contest, a micro entrepreneur must be an active and recognized member of the Panabo Micro entrepreneurs Cooperative (fruit and vegetable sub-sector), be accredited with the *Tatak Kalidad* (TK), and must buy a minimum of 500 stickers per month for the duration of the competition until the grand finals in March this year.

The micro entrepreneurs will

BY RAQUEL C. BAGNOI, Reporter

be judged on the basis of visibility of the TK stickers on the product display, application of the TK standards with regards to product, premises and practices, adherence to the policies and guidelines of the cooperative, and monitoring of sales and income.

Quisol said 40 percent of the scoring will be based from the accrediting team, 40 percent from the consumer’s group, and 20 percent from the market management. He added that after the January winners are announced, scores will revert back to zero. January winners are ineligible to win the major awards for the February judging but may still get a shot at the special prizes. He added that after the February winners are announced, scores will revert back to zero. For the March grand finals, all accredited TK vendors are eligible to join the competition as long as they meet the requirements.

Interested micro entrepreneurs of the Fruits and Vegetable subsector

can contact Pastor Alex Salcedo at the TK Center for more details. January winners will be announced in February while February winners will be announced on March 1. The grand winners for the Ultimate Micro entrepreneurs of Panabo 2005 will also be announced on March.

At stake for January and February competition are four awards for “Best TK store of the month” for stall owner and *laray* for fruits, and stall owner and *laray* for vegetables respectively.

There will also be consolation prizes for the two runners-up per category, a People’s Choice Award for the friendliest micro entrepreneur and a special award for the cleanest stall.

Awards at stake for the grand finals in March are: Model TK Store of the Year, 1st and 2nd runners-up, four separate awards each for Best in Product display, Best in fruits stall owner and fruit’s *laray*, and vegetable stall owner and *laray* respectively, People’s Choice Award for the Friendliest/Most Courteous Vendor, and a Microentrepreneur’s Choice Award for the Best Trainer of the Year.

early phases of project implementation aided the project team in the further development of the services. Likewise, project teams also solicited the involvement of buyers and various market players during the development phase of training modules so as to ensure that these are aligned to market standards and requirements and, thus, accelerate the build-up of capacity of indigenous communities to gainfully participate in more lucrative and bigger markets.



At the start, the program took the lead in the development of the service content with inputs from the community intermediaries cum providers and the buyers. Nowadays, variations and modifications are already the initiatives of the community providers based on info they have gathered from their buyers and/or discussions among themselves.

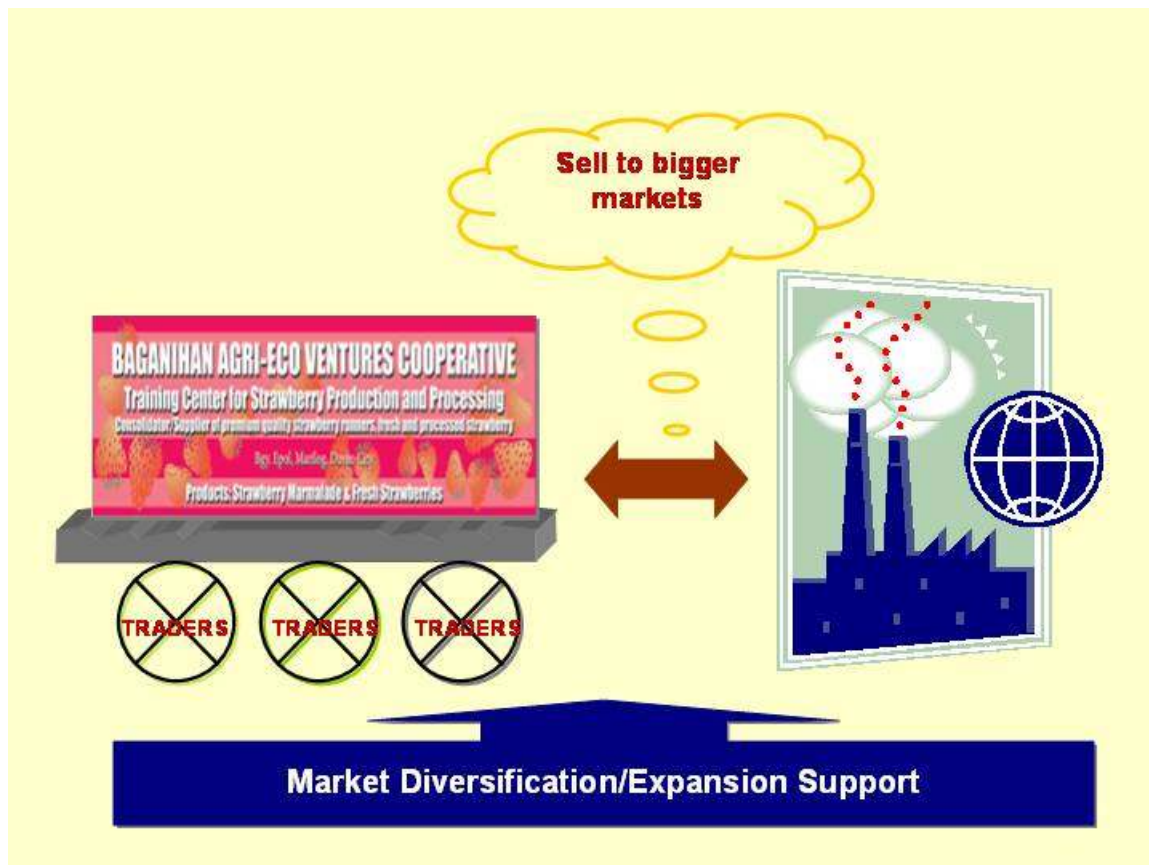
The project also provided the following development support to value-chain based providers: a) technical training; b) didactic training (done more informally through feedback and coaching); c) assistance in making their work sites GMP compliant where household semi-processors can also work. Likewise, they are also provided with opportunities to work with young consultants (new graduates/graduating students) to enhance their theoretical background which, at the same time, provide the young consultants the field experience.

Parallel to building the capacity of actors in the chain to provide services to their groups of suppliers and peers, the project also provided technical assistance in the development and operationalization of service delivery financial sustainability schemes. To make services affordable to the micro enterprises, knowledge and skills upgrading forms of BDS including marketing services are paid via mark-ups while tangible services (e.g., use of common service facilities, raw materials) are paid in cash or in kind with various payment schemes. Payment schemes are linked to marketing/market access, where costs of many of the services are covered from mark-ups, which are more acceptable and affordable to the enterprises rather than up-front fees. Simultaneously, via association and community meetings, payment schemes (e.g., retention of one peso for every kilo of kaong sold to cover training expenses) are discussed so that enterprises are made aware that they are paying for the services and should be discerning users of these services. Parallel to this, standards for participation in the business were defined in a participatory manner and its acceptance and implementation promoted primarily by chain leaders.

During the last two years, the community-based trainers/providers were increasingly providing training to groups outside of their areas. A development that was not expected by the project team was for lead firms/big companies in Davao including multinationals to hire the community-based providers to conduct training for their workers. Likewise, local government units have started to tap the services of these providers to conduct training for other communities in the areas.

C. Integrating Communities to Mainstream Markets through Vertical Linkages Induced by Market Forces

Linkage and close partnership with a mainstream business can jumpstart the development process, reduce the costs of bringing the products to the markets, and act as a catalyst in improving the efficiency of the supply chain (particularly at the community level). Progression of events during Year 1 of project implementation, however, showed that mainstream businesses were more inclined to take on the tasks of “educating” their subcontractors if they have already reached a certain performance level of capacity and capability to enter vertical relationships. Mainstream businesses work with communities and invest in their development only if they are convinced that: a) this will promote their trade/improve their sales (demonstration of this is a very effective motivating factor); b) there is a potential for long-term relationship; and c) the communities are trustworthy and loyal. As such, to lay the groundwork for market forces induced vertical linkages, the project undertook the following:



1. Improvement of community's offer and position in the market: Made communities attractive partners by strengthening horizontal linkages and facilitating their access to services that would enable them to meet basic minimum requirements/ standards of processors (see A and B).
2. Market Development: Assisted traders/intermediaries/processors to expand and diversify markets including capacity and capability to meet market requirements in order to create opportunities for production supply base expansion.

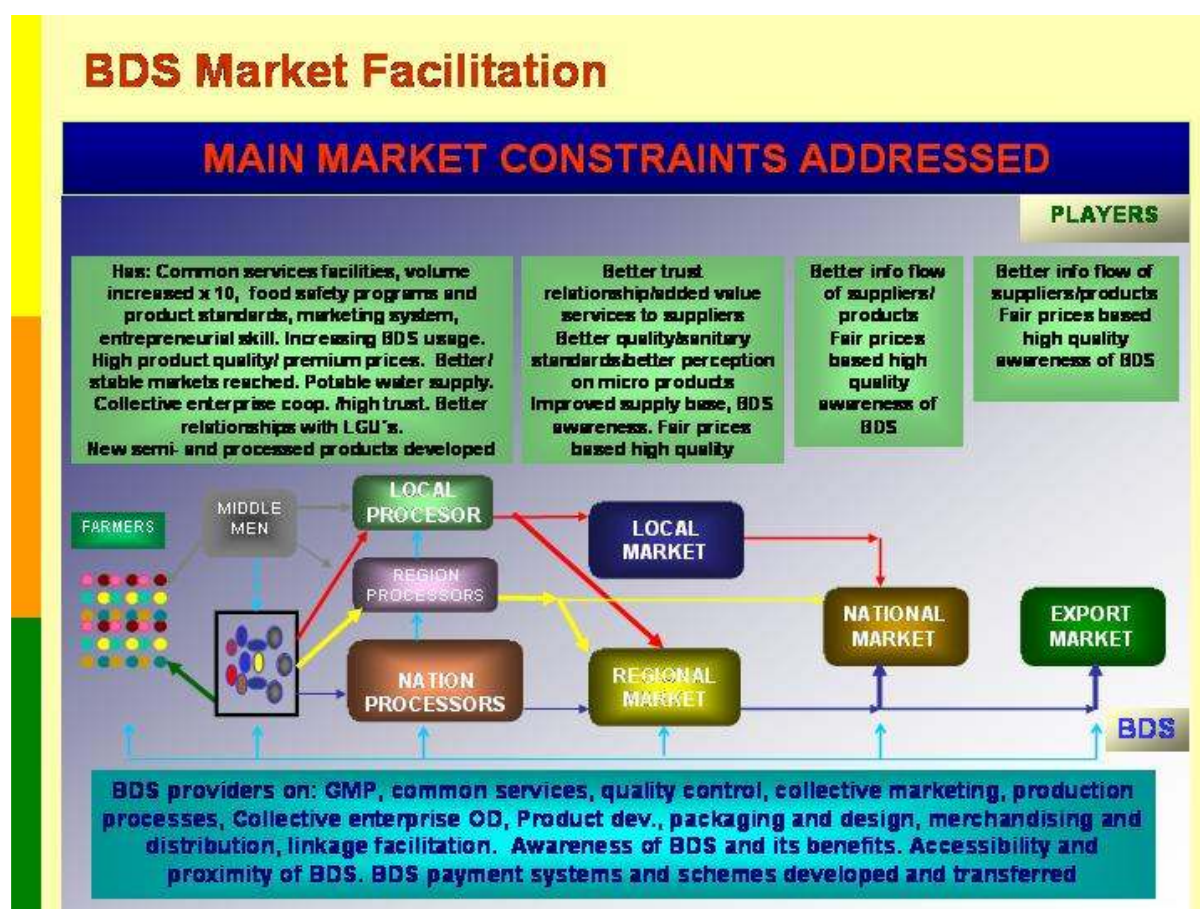
Market development and linkage support are provided primarily with the objectives of: a) expanding markets of the different links; b) ensuring the continuous flow of orders to the communities; c) providing the impetus or motivation for the various players to closely work with each other; and d) encouraging chain upgrading and optimization triggered by market demand.

3. Demonstration of Benefits: Quick pilot with a "market leader" or "influential well respected" processor that working with communities result to improved profitability and reliable suppliers.
4. Promotion of communities: Tri-media promotion of changes/improvements made by the communities including participation in trade fairs as well as conduct of activities (such as product launching, socials, etc.) where communities and buyers meet in a more natural/informal setting.

The entry of more buyers both from Davao and Manila provided the communities more choices, and hence, more power in the market. This brought us to a new situation where we have to 'teach' the community intermediaries on how to use this 'power' in a positive way --- in creating win-win long term transactions, ethical trading relationships, customer loyalty and retention.

With linkages induced by market forces rather than direct matching, the responsibilities lie with the two parties rather than with the program. It helped a lot though if the first few mainstream buyers of the micro enterprises are somebody known and well-established in the industry in order to create an "impact", peer influence, and credibility.

D. Development of Support Markets



Although the food processing is a priority sector in Southern Mindanao, support services were relatively weak and almost non-existent except for government assistance programs. For instance, the state university started the 4-year food technology courses only in 1999 with majority of the first batch of graduates opting to work in fast food chain of stores (Jollibee/McDonalds), academe, and government agencies. GMP training offered by government agencies is generally generic and more oriented towards operations of big companies. There were one or two food technologists who do some sideline work with SMEs primarily in the conduct of nutritional analysis and some product development work. There were no practicing packaging designers in the area such that government programs rely on the services of Manila-based designers.

Aside from the development of community-based providers who are providing various services from farm to processing, the program implemented the following:

1. Young Consultants Training Program (YCTP)

YCTP was launched in response to the lack of food technologists who are oriented to micro and small enterprises and who pursue BDS delivery as their 'bread and butter'. This was implemented in cooperation with 4 universities with food technology courses. The YCTP had the following objectives:

- To reinforce skills and provide practical training to 3rd year and fourth year food technology students with potentials to become service providers in the food processing industry (particularly micro and small enterprises).
- To expose the apprentice to the needs of community-based production and the food industry as a whole.

- To create awareness among graduating food technologists that there is a potentially big market for their services among micro and small enterprises provided that they have the right services and affordable/flexible payment schemes
- To initiate the formation of alliances between community-based providers/common service facilities operators and the apprentices in order to improve the capability and capacity of these local providers/centers.
- To expose community-based and micro enterprises to the benefits of working with specialized providers such as food technologists

The YCTP was divided into 4 phases, namely: a) preparatory training and orientation; b) field work in community-based enterprises; c) performance and learning evaluation and assessment; and d) plenary and exhibit of outputs. Aside from providing the graduating students with field-based knowledge and skills, the program also provided opportunities for the graduating students to rediscover their roots. For many of the graduating students, exposure to the communities increased their appreciation of the richness of the Mindanao culture and resources.

After graduation from the YCTP, the 28 participants were all hired by food companies in different areas in Mindanao. SDCAsia received inquiries from as far as Indonesia for food technologists who have undergone the YCTP. SDCAsia continues to implement the YCTP and, to date, 8 of the 13 “new graduates” have already been employed by companies.

2. Set-up and development of stand-alone providers

The project supported the development of stand-alone providers for a range of services: a) reselling of packaging materials in smaller volume; b) package design; c) product development; d) marketing/product consolidation; e) organizational development; and f) enterprise development/management with basic literacy and numeracy skills integrated. Project support was focused on the development of the services.

The community-based/value chain based providers developed under the project are also recognized now as ‘trainors’ by the industry and the government. They are among the preferred training provider by companies for their workers.

| PROGRAM SUPPORTED PROVIDERS AND SERVICES | | | | | | | | |
|--|------------------|------------------|------|---------|-----------------------------|---------------|-------------------------|----------------------------|
| SERVICES | FORMAL PROVIDERS | | | | VALUE CHAIN BASED PROVIDERS | | | |
| | Government | Private Ind/Inst | NGOs | Academe | Local Mktg Intermediaries | Producers /Co | Distributors /Retailers | Enterprise Groups /Network |
| Common Service cum Training Facilities | | | | | | x | | x |
| Big Brother/ Subcontracting | | x | | | | x | x | |
| Product Development | | x | | x | | x | x | x |
| Production and Quality Control Processes | x | x | | x | x | x | x | x |
| Good Manufacturing Practices | x | x | | x | x | x | | x |
| Merchandising/Distribution Services | | x | | | x | x | x | x |
| Good Agricultural Practices | | | | x | x | x | | x |
| Packaging Materials/Other Inputs | | x | | | | x | x | |
| Collective Enterprise Development | | | x | | | | | x |

E. Promotion of a Better Business Environment

Regular coordination was conducted by the project with local government units to ensure the alignment of services with regulatory and food safety requirements. Through project organized events, government agencies were provided opportunities to share and explain to the communities and enterprises the various regulatory requirements and assistance programs. These forums also provided the government agencies insights on project approaches and results, which translated to official support to and recognition of the development efforts being undertaken by the poor/communities as well as better and equitable delivery of public goods (e.g., farm to market roads, common service facilities, etc.). Through dissemination of program results, market-based development approaches were gradually being accepted and embraced by various players and stakeholders including local government units.

The project facilitated the entry of communities into the mainstream system by advocating for their representation in the different meso and macro level committees and organizations in the processed food industry. As collective enterprises operating under mainstream market standards, the semi-processors have gained the recognition and respect of the industry and the public sector.

IV. RESULTS AND IMPACT

A. Outcomes and Results

Systemic Changes

- Rural producers' widespread compliance with GMP standards increasing the competitiveness of the sector
- Providers innovating new services/delivery and payment schemes, in addition to those directly introduced by the project, and replicating services from one food crop to another including other aspects of community needs such as potable water. Community-based providers gradually being integrated in the BDS market as their services and effectiveness are recognized by local government units and big companies particularly for training delivery to associations and to workers of processing firms.
- Improved coordination and relationships among players which allow increased learning, improved information flow, and better distribution of benefits (from trade) particularly among the indigenous communities
- Market resilience: food processing and trading firms are able to reach new markets in Manila and other key cities that were previously closed or inaccessible to them making them less dependent on local markets and giving them improved ability to cope up with unforeseen market shocks and slowdown.

Short-Term Results

- Strengthened the supply chain of different levels of intermediaries
- Household enterprises' average product rejection rates decreased from 40% to 5%
- Communities reported receiving higher prices due to improved quality of their semi-processed products
- From seasonal orders to year round production and regular orders

| INDICATORS | MARCH 2005 |
|--|-------------------|
| Market Level | |
| Assessing the Development of BDS Market | |
| 1. Total No. of Providers by Service | |
| a. Common Service cum Training Facilities | 9 |
| b. Big Brother/Subcontracting (Community Ent) | 38 |
| c. Product Dev/Production/ Quality Control | 138 |
| d. Good Manufacturing Practices | 188 |
| e. Merchandising/Distribution Services (community/micro products) | 25 |
| f. Agri-based Services | 50 |
| g. Packaging Materials | 6 |
| h. Quality Seal Services | 19 |
| i. Organizational Dev | 5 |
| j. Package/Label Design | 2 |
| k. Community-based Potable Water Delivery | 1 |
| l. Strawberry seedlings | 1 |
| Program Level | |
| 2 Total No. of Providers Participating in Program | |
| a. Common Service cum Training Facilities | 5 |
| b. Big Brother/Subcontracting | 20 |
| c. Production and Quality Control Processes | 135 |
| d. Good Manufacturing Practices | 185 |
| e. Merchandising/Distribution Services | 10 |
| f. Agri-based Services | 43 |
| g. Packaging Materials | 2 |
| h. Quality Seal Services | 18 |
| i. Organizational Dev | 1 |
| j. Package/Label Design | 1 |
| k. Potable Water Delivery | 1 |
| l. Strawberry seedlings | 1 |
| 3. Total No. of Firms Acquiring BDS from program supported providers | 5,274 |
| 4. Number of micro enterprises acquiring BDS from program supported providers | 5,155 |
| 5. Micro enterprises as % of total firms | 98% |
| 6. No. of woman-owned micro enterprises acquiring BDS from program supported providers (multiple services) | 2,614 |
| 7. Woman-owned enterprises as % of total microenterprises | 49.9% |
| Assessing the BDS Provider | |
| 8. BDS Providers' Profitability | 30% |
| Assessing the Impact on the Micro Enterprise Client | |
| 9.. Average percentage increase of sales/income of micro enterprises participating in the program (baseline vis-à-vis end of project) | 36% |
| Significant increases were reported by enterprises/communities where interventions were more inclined towards value chain development. | |
| Kaong Community | 363% |

| INDICATORS | MARCH 2005 |
|--------------------|------------|
| Strawberry | 61% |
| Gigaquit Nipa Palm | 355% |
| Tatak Kalidad | 150% |
| Processed Mangoes | 88% |

B. Progress in Improving Lives of Communities

The program provided the communities the triple bottom line of profit, people, and planet. The business idea will improve living standards and reduce poverty in communities through:

Income stability: Whole-year round production and trading particularly among communities covered under the territorial –supply chain development.

Increased income and profitability. On the average, gross household income of communities under the territorial-supply chain development increased by 217 %. With improved production processes and access to common service facilities, productivity increased and percentage of rejects decreased from 40% to 5%. Likewise, transaction costs decreased significantly.

Added value production. The transition from raw material supplier to semi-processing/processing activities enabled communities to capture a bigger value within the chain.

Improved access to resources for growth: Communities have now access to skills knowledge and resources facilitated by development of indigenous capacity for support services delivery anchored on market-based mechanisms to ensure its financial viability. The bigger enterprises are also able to provide training to their workers via hiring of community-based providers.

Biodiversity conservation. Improved consciousness among communities of the need for biodiversity conservation, which is vital to livelihood security.

Preservation cum profitable use of indigenous processes. Recognition of richness of indigenous knowledge, which is important in perpetuating self-empowerment

Better control and access over resources and markets through collective strength.