

**Semi-Annual Report
July - December 2005**

**DEVELOPMENT OF BDS MARKET IN MINDANAO
USAID MIGP-BDS G/EGAD/MD-01-A-002**

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SECTION 1: SUMMARY OF MAIN ACTIVITIES

The project focuses on improving the economic activities of rural communities in the fruits and vegetables subsector, strengthening links in the value chains they participate, increasing and improving access and delivery of business and technical services throughout the chains, strengthening horizontal links among market players and promoting process and product quality standards. Project activities were focused in the following product areas: a) kaong (sugar palm)/NTFP; b) strawberry; c) mango; d) nipa palm; e) banana; and f) fresh fruits and vegetable - retail/open market.

Main activities conducted during the 2nd semester 2005 were the following:

MARKET RESEARCH/ASSESSMENT

- Study tours to progressive farms and processing plants initiated and paid primarily by the communities and their respective local government units. Project assisted in the identification of companies and places to be visited as well as introduction of the groups.
- Enterprise Management Team of the Agusan Local Government Unit trained on how to conduct a subsector assessment as part of the process of the preparation of a Provincial Enterprise Development Plan.
- Communities exposed to institutional markets and foreign buyers' requirements via participation in a trade fair. Trade fair participation was supported by the Local Government Unit to complement communities' investment. GEM also provided the mango group with a free booth during the Mango Congress.
- Selected community-based providers attended the National Fruit Congress to enhance knowledge on market trends and opportunities.
- Project arranged selling missions/sales call by community-based marketing teams to key supermarkets in Davao City. Aside from making them more conscious of the stringent market requirements as well as enhance their marketing skills, two communities were able to generate orders from the supermarkets.
- SDCAsia was selected as the most outstanding enterprise development provider by the Philippine Marketing Excellence Inc.

STRENGTHENING OF HORIZONTAL AND VERTICAL LINKAGES

- Hands-on demonstration for local government enterprise development staff on brokering marketing agreements between exporter/processing community without taking as well as on how and where to get information on market opportunities. The linkage, which was part of the training activity, also paved the rebirth of the banana community in CARAGA who for almost one year were selling to the local market at marginal prices because of the stoppage of orders from their only buyer who was dependent mainly on the China market. This also demonstrated to the lead firm in the community the disadvantages of being too dependent on one buyer and the need for continuous scouting of market opportunities and how to do these at low-cost. To date, the communities are linked to two exporters with monthly orders of two containers of first fry banana chips.

- Support to continuing organizational development process of communities via a BDS provider through socialized scheme combined with some marketing and financial services.
- Hands-on training for community leaders on simplified strategic planning and team building activities.
- Hands-on training for community-based providers on visual merchandising, customer relations, and negotiation with buyers particularly during trade fairs. Local government units and agencies provided marketing support to communities such as trade fair participation and conduct of selling missions. Many of the communities also join on their own bazaars and trade fairs especially those within their locality and province.
- Tri-media promotional support for community-based enterprises as “soft mechanism” of linking latter to buyers. To date, buyers generally seek the communities themselves especially those who have been assisted by the project during the last three years. Negotiations are handled by the traders/communities themselves. They approach the project team when they require info on buyer’s reputation and track record.

Developing Support Markets

- Billboards and tri-media press releases (program and community initiatives) on community-based providers. Community-based providers now increasingly being tapped by other cooperatives and big companies to conduct training. Project team provided guidance during the first training conducted by community-based providers to big companies and in the definition of delivery scheme (e.g., 1st day at the community plant and the subsequent days at the company’s plants). This scheme also provided the community trainers exposure on working with modern plants. The relatively big companies appreciate the community-based trainers because of their practical approaches which are in line with the learning aptitude of their workers and the generally low-cost GMP implementation.
- Together with communities, hosted study missions and orientations (LGUs, people’s organizations, individual enterprises) on common service facilities and project sites. Common service facilities managed by communities have now become model sites for community-based processing and increasingly becoming popular destinations of producers’ groups and LGUs for local study tours. City-based enterprises also use the common service facilities for production augmentation and R and D. The bigger enterprises sometimes provide additional small equipment.
- Conducted trainers’ training on dried mango processing cum GMP. Informal training and coaching on proper banana chips production cum GMP provided to community-based lead firms.
- Introduced Agusan del Sur LGU to concept of BDS market development and financial viability schemes.

Enabling Environment

- Assisted the Quality Policy Committee and the vendors association in the drafting of the following resolutions: a) incentives for TK accredited vendors in the form of ‘special window for business renewal’; b) TK implementation for the whole public market and integration in the Public Market Code; and c) TK to be part of the regular program of the City Enterprise Development unit of Panabo

LGU with the corresponding budget allocation. d) LGU has integrated the TK certified area as a tourism site to be visited by other local and foreigners visitors.

- Assisted communities in advocating for improved physical infrastructure support from LGU (e.g., farm-to-market roads, waste management facilities, etc.). Primarily, advocacy was built on the achievements and economic and social benefits of the collective ventures to the communities and to the province and the ways that LGU can effectively support these businesses. Soft mechanisms also were set-up such as billboards designed to inform buyers and, at the same time, build ownership of the venture among public and private stakeholders. The following LGU commitments were generated:
 - Budget allocation for road construction to mango communities from main highway
 - Budget allocation for strawberry common service facilities
 - Support for promotion activities
- Supported One Town, One Product Program of the government
 - Surigao del Norte: Nipa Palm Rhum – selected as the model One Town, One Product Program of CARAGA region
 - Digos – Davao del Sur: Mango – Year ender Best Product Quality Award (National Award)
 - Banana – Bukidnon and Agusan del Sur – facilitated take-off of program
- Facilitated the development and adoption of the Agusan del Sur Provincial Enterprise Development Plan. The PEDP framework for 2006-08 combined the strengths of: a) subsector/value chain development; and b) BDS market development. Training and coaching were also provided to enterprise management team in the preparation of business plans for public enterprises with self-financing as the overarching theme.

SECTION II: PROGRESS ON PERFORMANCE TARGETS

Assessing the Market For Goods and Services (Final Sales)		
INDICATORS	JAN – JUN 2005	JUL – DEC 2005
Market Level		
1. Annual Value of Sales (US\$)	No updated statistics	No updated statistics
Program Level		
2. Annual Value of Sales (US\$)	No updated statistics	No updated statistics

Assessing the Development of BDS Market		
INDICATORS	JAN – JUN 2005	JUL - DEC 2005
Market Level		
3. Total No. of Providers by Service		
a. Common Service cum Training Facilities	9	9
b. Big Brother/Subcontracting (Community Ent)	35	38
c. Product Dev/Production/ Quality Control	137	138
d. Good Manufacturing Practices	185	188
e. Merchandising/Distribution Services (community/micro products)	22	25
f. Agri-based Services	50	50
g. Packaging Materials	6	6
h. Quality Seal Services	19	19
i. Organizational Dev	4	5
j. Package/Label Design	1	2
k. Community-based Potable Water Delivery	1	1
l. Strawberry seedlings	1	1
Program Level		
4. Total No. of Providers Participating in Program by Service		
a. Common Service cum Training Facilities	5	5
b. Big Brother/Subcontracting	18	20
c. Production and Quality Control Processes	132	135
d. Good Manufacturing Practices	180	185
e. Merchandising/Distribution Services	8	10
f. Agri-based Services	43	43
g. Packaging Materials	2	2
h. Quality Seal Services	18	18
i. Organizational Dev	1	1
j. Package/Label Design	1	1
k. Potable Water Delivery	1	1
l. Strawberry seedlings	1	1
5. Total No. of Firms Acquiring BDS from program supported providers (multiple	2057	2539

Assessing the Development of BDS Market			
	services)		
a.	Common Service cum Training Facilities	385	651
b.	Big Brother/Subcontracting	1131	1919
c.	Production and Quality Control Processes	139	262
d.	Good Manufacturing Practices	270	365
e.	Merchandising/Distribution Services	9 collective/ 2 ind	9 collective
f.	Packaging Materials	6 collective	9 collective
g.	Agri-based Services	223	275
h.	Quality Seal Services	170	182
i.	Organizational Dev	200	9 collective
j.	Package Design	3	5
k.	Potable water delivery	100	105
l.	Strawberry seedlings	59	75
6.	Number of micro enterprises acquiring BDS from program supported providers	2057	2350
7.	Micro enterprises as % of total firms	100%	99.72%
8.	No. of woman-owned micro enterprises acquiring BDS from program supported providers (multiple services)	1195	1140
a.	Common Service cum Training Facilities	176	310
b.	Big Brother/Subcontracting	487	727
c.	Product Dev/Production/Quality Control	93	56
d.	Good Manufacturing Practices	210	240
e.	Merchandising/Distribution Services	8 collective ent	9 collective ent
f.	Packaging Materials	5 collective ent	9 collective ent
g.	Agri-based Services	141	261
h.	Quality Seal Services	142	152
i.	Organizational Dev	135	9 collective
j.	Package Design	2	2
k.	Potable water delivery	70 households (based on name of account)	75 households
l.	Strawberry seedlings	19	10
9.	Woman-owned enterprises as % of total microenterprises	58%	45%

Assessing the BDS Provider			
INDICATORS		JAN – JUN 2005	JUL – DEC 2005
12.	BDS Providers' Profitability	30 – 40%	30%
Assessing the Impact on the Micro Enterprise Client			
INDICATORS		JUL - DEC 2004	JAN – JUN 2005
13.	Annual value of sales by micro enterprises participating in program	1,209,503	1,611,879

14.	Micro enterprise client satisfaction	About 70% reported increased income/ stable sales	Big companies availing of services of community-based providers reported that training services are very good
a.	Common Service cum Training Facilities	100% repeat clients	100% repeat clients
b.	Big Brother/Subcontracting System	100% repeat clients	100% repeat clients
c.	Basic Production Processes/GMP	Referral	Referral

SECTION III: IMPLEMENTATION ISSUES

- It takes some time before LGUs are able to concretely translate commitments into actions (especially those requiring financial outlay) because of bureaucracy and the lengthy approval process. Likewise, changing the mindset of LGUs especially with regards to public investment priorities involve effecting a paradigm shift which require extensive knowledge and skills upgrading.

SECTION IV: PROGRESS ON LEARNING AGENDA

A. Strategies for Integrating Poor into Mainstream Market

- For the poor to improve their share of the value chain, they need to perform more functions (technical and business) in the supply of products to consumers. Ability of the poor to perform these added functions depends on their access to supporting markets and on whether self-managed collective initiatives can be developed. Community-based BDS system has demonstrated its relevance and importance to reduce the gaps between the poor and the mainstream market players, by contributing to a better and more consistent self-confidence of the micros. Aside from enabling communities to develop capacity and capability to meet market requirements, the community-based providers are also being tapped by big companies to provide training for their own workers or to assist in improving their production systems to be more consistent with the local areas.
- Field visits to a big companies opens more opportunities for micro entrepreneurs to understand how the market system works and leads the economic development of a geographic area or value chain
- Policies, laws, and regulations related to enterprise/economic development to the extent possible should be framed with explicit recognition and supportive of the informal economy since most of the players in the rural area operate in this sector.
- Food insecurity is a major constraint to market participation. As such, in many cases, it is important to first stabilize livelihood activities while simultaneously gradually improve their readiness for participation to bigger markets. Reduction of the risk via product diversification as a means of sustainability in a long term has demonstrated to be a key strategy. Likewise, it promotes a mindset for their own development and consequently linkage with the mainstream markets

B. Strategies for Reaching Downmarkets

- Willingness to pay in cash or in-kind for the services developed and transferred to the poor only can be reached if its impact can be measured via increasing on their sales and incomes
- The Provincial Government can assist in mitigating the dependency of poors on BDS provided and financed by the government by assisting in creating better market conditions. It can also have an important part to play in ensuring that legislative framework allows for competition in the service market while providing appropriate safeguards at various levels.
- In cases where the LGU decides to take a direct provision role either through its public enterprises or line agencies, the rationale for such action should be clear and, at the outset, there should be an explicit plan for sustainability. Experience indicates that it is important that a public enterprise or a business development service offered by the provincial government through its line offices at the outset has to be established and operated in a business-like manner. Likewise, a public enterprise that is more inclined towards the social approach would have difficulties in effecting a transactional relationship with their target clients and in fully adopting the business-like principles.
- In many instances, the local governments take a lead role in the delivery of services on the basis that there is there is a wider "public good" character to these (e.g., the poor in particular will be excluded if government does not provide directly). However, some caution has to be made with this rationale. Many of these relatively, publicly-funded support services have experienced pronounced financial constraints and inability to increase depth and breadth of outreach. It is common for service delivery

to become dependent on external aid or government funding and to collapse when funding dries up. This has increased rather than reduced the dependency of marginalized communities.

- For public enterprises designed to serve the needs of the poor in the absence of private sector providers, a gradual shift to private-public ownership model with the enterprises operating as autonomous entities may improve potentials for sustainability. Mixed models of service delivery based on different forms of public-private relationship may be adopted.
- In the Philippine context, the LGU can do a great service in promoting enterprise development if it can effectively facilitate the formation of collectively groups. Local governments, however, often need technical assistance in order to offer a demand-oriented and efficient service to rural entrepreneurs

C. Strategies for Developing Embedded Services

- With the recent turn of events where community-based providers are also providing BDS to their buyers and big companies, the scheme shifts into an 'un-embedded mechanisms' with the corresponding payment for their services have to be made.
- Generally, BDS system at the micro level starts via an embedded mechanism. But as enterprises start to earn better incomes, the system gradually evolves into a fee-based mechanism (either in cash or in kind).

D. Effective Market Facilitation

- A common understanding and agreement on a participatory economic development planning process for any specific geographic area can align the different players involved in the value chains to work together seeking for a better life conditions for their entire populace.
- Public-Private partnership would tend to be more effective and visible when both becomes more market-oriented and market-driven. Market-driven analysis and planning process have to be more widely promoted and applied.
- Assistance in helping LGU clarify their roles particularly in the field of BDS is one way of addressing market failures. Likewise, enabling local players for lobbying activities at the policy level has significantly helped in promoting a better business environment.