

Replicable Models for Village Enterprise Development

Village Enterprise Development Concept

All the other different activities that UDP implements from road opening, rehabilitation & maintenance, sustainable agricultural production, resource management, rural development planning & extension services, and rural finance services would create an environment that would make available some of the basic conditions for the eventual development of a village enterprise. The UDP's concept of a village enterprise entrenched from the need to increase the income of the upland farmers and from the necessity of consolidating the crops produced by individual farmers to achieve a volume that would enhance their competitive advantage & would allow negotiation for higher prices & institutionalization of market.

As a concept the village enterprise development program would call for the establishment of producers or processors group to work as the marketing arm of the communities. The producers group should internally generate capital from among the members and may borrow **additional capital from the Finance Service Center (FSC)**. Use of products in lieu of cash or cashless generation of capital among members of the producers groups in almost all of the village enterprises has been a common practice.

The village enterprise concept is open as to the form of organization that the producers group should adopt. Community participation and decision is what the concept requires in the process of organizing to ensure ownership and maximum cooperation from among the members. At present, majority of the producers groups have adopted the cooperative form of organization though some remains as association operating like cooperatives. Based on experience, the cooperative form of organization would set the schemes in internal generation of capital and the eventual distribution of net income and patronage refund. These schemes being clear to the members would encourage greater participation.

Development Approach & Strategy

To initiate the development of the farmer entrepreneurs, UDP implemented the Entrefarm Training, which is anchored on real experiential learning activities in the farm and appropriately designed to match the education level of the farmers to ensure higher comprehension and absorption of the new knowledge. It is a must that CEFENET Accredited Institution and trainers should handle this training program to ensure quality service.

Through these five days training activities, the farmers are provided with the basic know how and tools for enterprise development & management. Leaders from among the producers groups or UBAs are identified as participants

for this training. They in turn would echo and implement the new learnings when they get back to their communities. Evaluation activities to validate whether the entrefarm training approach is effective in transferring entrepreneurial skills and knowledge is part of the entire process for this approach.

As a strategy to intensify the development of village enterprises, UDP adopted the 'Business Development Service' (BDS) approach of servicing the barangays. In the BDS approach UDP works with institutions that act as service providers. Services include the diagnosis of the enterprise and the Upland Barangay Associations (UBA), preparation of business plans and operations manual, organizational development, and coaching services and initial operationalization of the enterprise. In all of the services required from the BDS providers, maximum participation of the communities from all of the sitios covered by the Programme is a must.

The BDS providers are required to immerse in the community an enterprise development expert during the entire engagement period. Monitoring of the activities would be based on the agreed schedules of major activities. A deeper validation process would involve setting up of basic success indicators and actual visits and interviews of the farmer entrepreneurs in the barangays.

To facilitate exchange of good practices and successful business operational concepts, the Programme embarked on exchange visits among barangays with common products and similar business approaches. A community producing banana (latondan) from South Cotabato for example would visit another community producing the same product in Compostela Valley.

Major Factors for Sustainable Village Enterprise

While there are several players that would be actually involved in the development of village enterprise in the upland, it is significant to note that based on UDP experience, the sustainability of any village enterprise would not rely on any of the development players. It would be also of great advantage and would instigate **self-determination when the community is given autonomy** and the development players would be just relegated at the back to provide supports only when needed. A village enterprise in the upland at most will need the **basic infrastructure** like an all-weather road to transport their goods and communication facilities to contact with their buyers.

Most importantly, the farmers must have the **products** that could be consolidated for marketing purposes. There should be sustained backward linkages with **environmentally acceptable upland farming practices**. Consolidation would mean greater volume of products that can be sold in the market at a given time. It would afford the producers more leverage to bargain for better price and other market arrangements, as having the volume would mean greater control over supply of the products. Having the right product in terms of

quality and farm production practices, say vegetables that are free from chemicals would be a premium that can be also used to negotiate for higher price in the market.

Given the products the next most important factor that would greatly ensure sustainability of the enterprise is the existence of **medium to long-range market agreements** with win-win arrangements with buyers. Based on the UDP experience, the common situation for all of the existing village enterprises that have sustained is the existence of buyers that readily absorb the products of the barangays.

The market arrangements diverge among the different village enterprises. There are village enterprise that have maintained consolidation centers and market arrangements is from the barangay consolidation center to bigger consolidation centers in the Cities or from the barangay consolidation center to wholesalers in the public markets of other cities & municipalities. Another village enterprise markets its produce, more specifically its banana through an existing marketing contract with an export oriented banana chip processor.

One market arrangement that is also distinct with all the others is the 'Maligang' experience where the market consolidator has created additional employment opportunities due to the initial processing requirements of the buyer for the abaca strips. The producer group has also expanded its raw material sources because of the increasing volume for the product as required by the export-oriented buyer.

With the products consolidation as the concept of the enterprise and market arrangement as critical factor for sustainability should be a **sound management of inventories & finances** by the producers groups. The village enterprises that have sustained its operations have laid down its policies and procedures as reference in its daily operations. Policies and procedures have been formed with the participation of the group members. It has maintained an organization where there is active participation of both members and officials in all of the endeavors of the organization.

Maximum **transparency** in all of the transactions of the group is a common trait in all of the village enterprises. It would be significant to note that there are producers groups who have sustained its organization through the **leadership** of credible pillars within the organization and there are those who have sustained through the strong leadership of just one person but with strong supports from the members.

Better price and higher income for the farmers are the primary benefits targeted for all of the village enterprises developed in the upland communities.