



Blacksmith Alfredo Tabada, Sr., tends to a fire heating up the blades he crafts into machetes and other tools in his workshop in Carigara, Philippines. *Laura Elizabeth Pohl for CRS.*

# Support to the local tool market post-Typhoon Haiyan

## PROGRAM CONTEXT

*Super Typhoon Haiyan struck Leyte and Eastern Samar in the Philippines in November 2013. CRS responded by initiating a program in 2014 to support the livelihoods recovery of 5,250 agriculture-based households. The Livelihood Early Recovery Support to Agricultural Households Affected by Typhoon Yolanda program, funded by Disasters Emergency Committee (DEC) and the Catholic Agency for Overseas Development (CAFOD), gave people access to agricultural inputs and training on short-term crop production to reestablish agricultural production. CRS also helped local blacksmiths restore the local market for agricultural tools—a form of indirect support to production.*

## WHAT MARKET SUPPORT WAS PROVIDED

CRS PROVIDED \$230 CASH GRANTS TO BLACKSMITHS POST-TYPHOON HAIYAN FOR THE PURPOSE OF INVESTING IN ASSETS TO RESTART TOOL PRODUCTION BUSINESSES.

## WHAT IMPACT IT HAD

- PROGRAM BENEFICIARIES GAINED ACCESS TO PREFERRED PRODUCTS AT LOCAL MARKETS. BLACKSMITHS SUPPORTED BY THE PROJECT PROVIDED 88% OF SUNDANGS (LOCAL MACHETES) PURCHASED IN CRS-SPONSORED INPUT FAIRS.
- BLACKSMITHS ADAPTED THE TYPES AND QUALITY OF TOOLS PRODUCED BASED ON FARMER REQUESTS.
- BLACKSMITHS REPORTED INCREASED BUSINESS KNOWLEDGE AND CAPACITY DUE TO THE PROGRAM.



Fred Tabada (left) and his father, Alfredo Tabada, Sr. (right), both blacksmiths, pose for a picture holding machetes inside Alfredo's workshop. *Laura Elizabeth Pohl for CRS.*

## IMPORTANCE OF MARKET SUPPORT

One challenge to recovery was a lack of accessible and affordable agricultural inputs for farmers, such as tools, seeds and fertilizer. These inputs were previously sourced through formal supply channels from nearby urban centers including Tacloban, Borongon, Guiuan, and Cebu. However, damage by the typhoon to shops, supply routes, warehouses, stocks, and transportation networks hindered vendors from meeting the demand for inputs. These market disruptions created critical pitfalls in the recovery process.

Demand for tools for clearing land, planting, and pruning was high; but tools such as sundangs and bolos (smaller machetes) were difficult to find and had doubled in price due to low supply.

As CRS mapped out the supply chains for seeds, tools, and other inputs, staff identified a strong consumer preference for locally produced tools over imported tools. Agricultural tools had been produced in several nearby towns, including Guiuan in Eastern Samar and Carigara in Leyte. These areas are known for high quality bolos and sundangs. The blacksmiths in these towns had lost virtually all business assets, such as grinders and other capital equipment, to the typhoon, and were finding it difficult to restart production. In order to promote agricultural recovery, CRS provided direct support to the blacksmiths, as the market intermediaries, to help them provide tools to beneficiaries and other community members at reasonable prices.

## HOW IT WORKED

CRS provided \$230 cash grants to five blacksmiths to promote tool production. Blacksmiths chose between a direct cash transfer (cash provided in-person) or a transfer through a remittance agency. CRS allowed participating blacksmiths to spend the grant on whatever inputs were necessary to restart their businesses. In return, participating blacksmiths agreed to produce at least 300 tools each, and agreed to make these tools available for sale at CRS-sponsored agricultural input fairs. (This production requirement was identified as a limitation and later removed from the program.) During fairs, program beneficiaries were provided with vouchers to buy agricultural inputs, including seeds and tools. Blacksmiths thus benefited from the cash grant, as well as increased sales from vouchers.

## RESULTS

Blacksmiths met the demand for locally produced tools, which enabled program participants to resume agriculture activities. A combination of factors led to the successful implementation of the program.

### SUCCESSFUL USE OF CASH GRANTS

The cash grants were intended to jumpstart agricultural tool production by enabling blacksmiths to rebuild production capacity. Key informant interviews with participating blacksmiths indicated that most funds were used to purchase raw materials, reestablish workspace, repair equipment, and provide transportation to the blacksmith to acquire needed inputs. CRS staff did not note any evidence of misused funds.

### INCREASED INCOMES FOR LOCAL BLACKSMITHS

Blacksmiths derived significant business through participation in agricultural input fairs. Tools were the third-most purchased commodity at the fairs and, by comprising 70% of all sales, had the highest overall sale value. Post-program feedback by blacksmiths indicated that at least 50% of their business following the typhoon came from CRS fairs. Their businesses had expanded outside of the fairs because people needed these tools for recovery in addition to regular seasonal demand.

### EXPANSION CAPACITY OF THE LOCAL MARKET

The local market was able to support blacksmith activities at scale and within the necessary timeline. While blacksmiths noted that raw materials had become more expensive and took longer than normal to procure, they were able to meet the



Bolos are sold by local blacksmiths at agriculture fairs to meet the high demand by coconut farmers effected by Typhoon Haiyan. *Jennifer Hardy/CRS.*

demands set by local communities. Blacksmiths participated in all of the agricultural input fairs, and were able to sell tools in each of the fairs. Ultimately, this is evidence that blacksmiths were able to navigate the post-typhoon market environment effectively with the conditional cash grant.

### TOTAL TOOL SALES IN AGRICULTURAL INPUT FAIRS

TOOLS	SALES VALUE (PHP)	% OF SALES PER ITEM	QUANTITY SOLD	% COMPARED TO ALL SALES
<b>Sundang (machete)</b>	<b>435,250</b>	<b>40%</b>	<b>592</b>	<b>22%</b>
<b>Bolo (small machete)</b>	<b>221,350</b>	<b>20%</b>	<b>638</b>	<b>24%</b>
<b>Tinamban (sickle)</b>	<b>76,950</b>	<b>7%</b>	<b>128</b>	<b>5%</b>
<b>Rake</b>	<b>52,940</b>	<b>5%</b>	<b>149</b>	<b>6%</b>
<b>Total Sales</b>	<b>1,081,640</b>		<b>2,659</b>	

\* Totals reflect additional tools not included in this table



Vouchers allow farmers to individually select and purchase a variety of products sold by local vendors. *Jennifer Hardy/CRS.*

## ADDITIONAL BENEFITS OF CASH GRANTS

While the cash grants were intended to support increased tool supply in the market, blacksmiths reported additional positive outcomes, including:

- **Ability to invest in equipment needed to furnish tools.** The cash grant reestablished key productive assets for blacksmiths, through which future, longer-term business goals can be met and expanded. Blacksmiths reported that the ability to invest in equipment was an important benefit of the cash grant.
- **Business expansion.** Blacksmiths reported that they were able to expand their own business sales and operations due to participation in the fairs, and new relationships with consumers and the community.
- **Capacity building.** Blacksmiths reported an improvement in their time management skills, planning for production cycles, and documentation for transparent operations.
- **Increase in business capital.** Higher profits were a benefit due to both the cash grants and voucher fairs.
- **Better understanding of customer needs and demand.** Constant interaction with consumers in the voucher fairs allowed blacksmiths to tailor tool production to the specific needs of consumers, thereby increasing value and creating competitiveness with other tool vendors.

## CHALLENGES

### PRICE VARIABILITY OF TOOLS

The combination of cash grants for blacksmiths and repayment of those blacksmiths using vouchers proved to link consumers with producers in an efficient and transparent manner; yet some reports indicate that tool costs in the vendor fairs were higher than market prices. One survey revealed that 44% of beneficiaries felt that tools sold in the fairs were more expensive than market prices. CRS confirmed that in the market, bolos were available for 200–250 Philippine Pesos (Php), which fell in the middle range of bolos sold by blacksmiths in the fairs (130–550 Php). CRS staff noted that while blacksmiths' tool prices were higher, their products were considered to be of very high quality by the beneficiaries. Blacksmiths also funded their own transportation to fairs in Samar, which likely contributed to price variation.

### INITIAL PARTICIPATION IN CASH PROGRAMS

CRS staff observed that vendors were initially hesitant to participate in fairs due to various factors:

- Unfamiliarity with a voucher system
- The need to incur additional costs, such as new staff and transportation
- No guarantee that they would generate enough profits to cover their expenses

These factors probably discouraged some vendors who were concerned about meeting profit margins. However, after several fairs, the vendors were able to adapt their supply to the demand of the beneficiaries. Voucher invoices demonstrated that blacksmiths offered primarily bolos and sundangs during the first fairs, but then expanded to selling shovels, rakes, axes, and other tools.

Another limitation of the program is the exclusion of some blacksmiths with a smaller production capacity, who could not commit to CRS' initial requirement of producing 300 tools.

## WHAT WE LEARNED

**Providing support to markets early in the recovery phase is key.** Capable, resourceful and motivated blacksmiths were able to supply the market with tools, thus connecting agricultural households with much-needed, high-quality tools that met local preferences. Blacksmiths' own livelihoods were restored in the process, and there were further unanticipated benefits for the blacksmith businesses.



CRS vouchers are used to purchase goods by local blacksmiths participating in the program. *Jennifer Hardy/CRS.*

The CRS program itself was also more effective due to market support activities, as CRS would not have been able to procure locally preferred tools for the beneficiary population otherwise.

**Market-based programs provide access to locally preferred products.** Local community members considered the personal pride of possessing a quality *sundang* to be as important as the tool's utility in agricultural work. While CRS had originally considered importing tools to meet the high demand, CRS staff determined that communities placed strong confidence in the capabilities of local blacksmiths and preferred to purchase from them. Market support thus enabled people to access their preferred products.

**Conditionality of any grant must be carefully analyzed.** Initial grants were conditional on the production of 300 tools for sale at the voucher fair, or the blacksmiths would have to repay the cash grant. After blacksmiths expressed concern that they would be unable to meet the terms of the conditional grant, CRS removed the requirement and continued with unconditional grants. While vendors met expectations nonetheless, the initial requirement excluded smaller vendors who would have otherwise been able to take part in the program. Thus, conditionality should take into account the size and capacity of vendors, if the program wants to support small-scale vendors.



A local farmer uses tools purchased with vouchers from a CRS sponsored agriculture fair in April 2014. *Jennifer Hardy/CRS.*

**Tying market support to a voucher program may stimulate purchases of higher-value products.**

Data from assessments and consultation indicated that beneficiaries prioritized their voucher spending to acquire tools first, with seeds and other items following. Beneficiary feedback noted that this trend reflected the high value they placed on local tools. In the post-Haiyan context, demand for tools was so high that they would have likely been purchased readily in local markets even if CRS had not provided vouchers. However, it was noted that vouchers created an immediate demand for tools, and thus an immediate market for project-supported blacksmiths. This lesson was noted for future programs where market support activities are targeted at high-value products and there is a need to stimulate demand.

**New loan solutions may be needed in the future.**

Blacksmiths initially requested loans, which could not be provided due to CRS' internal operational policies. As an alternative, CRS provided direct cash transfers to blacksmiths for their varied needs. Future cash-based programs should consider alternative methods capital support, such as microfinancing and microcredit options, depending on context, staff capacity, and local financial service providers. Market support schemes also offer opportunities for impact investment.

**Programs should be flexible enough to change modalities midcourse.**

Blacksmith grants were not part of CRS' initial program but, upon further needs and market assessments, it became clear that market support was a good strategy. CRS worked with the donor to ensure that this support could be provided within the terms of the program.

