Strengthening community economies: strategies for decreasing dependence and stimulating local development

This article outlines a community economies approach to local development--an approach aimed at enhancing local economic diversity and community resilience without requiring outside resources. We piloted this approach through an action research partnership. Funded by AusAID and the Australian Research Council, our partners were two municipal governments and two NGOs in the central and southern Philippines (see map 1). In Jagna, Bohol, we collaborated with Bohol Initiatives on Migration and Community Development and the Jagna Municipal Government. In Linamon, Lanao del Norte, Mindanao, our partners were Unlad Kabayan Migrant Services Foundation Inc. and the Linamon Municipal Government.

Decentralisation of government in the Philippines requires municipalities to take a more pro-active approach to local development. In rural areas, many people perceive a lack of economic opportunities and frequently migrate elsewhere to look for work. The remittances these migrants send home rarely initiate productive enterprises. Remittance funds are more likely to support higher consumption levels and real estate purchases for selected households and often increase social polarization. Municipal governments must now offer people development options other than migration, taking responsibility for both creating local income-generating opportunities and finding ways to address the increasing distinctions between the migrant household 'haves' and the only-local 'have-nots.' Rural municipalities, however, receive only very small transfers from central government revenues. They also find it difficult to attract external investment or secure donor aid. In this decentralised rural context, development approaches targeting only formal markets, generating solely waged work, and forming capitalist enterprises typically require external investors or donors. Our municipal government partners do not want their development programs to rely on outside inputs as this dependence places them in a vulnerable position. Instead, they want strategies they can deploy themselves, using the minimal level of resources at hand, to initiate local economic growth.

Our project began with the idea that ***economic diversity*** is the basis upon which poor rural communities make ends meet. The sustainable livelihoods approach to development pioneered by Chambers (1997), Ellis (1998) and others has foregrounded this understanding of rural lives. Terms like occupational multiplicity and pluriactivity are used to describe the diverse livelihood practices of rural households. These multiple practices are an important way of maintaining resilience and livelihood security (Chambers 1997: 170). Development programs that ignore economic diversity can actually hinder a community's ability to deal positively with the shock of rapid change or the lack of mainstream opportunities by undermining local security and resilience. We wanted to discover what the development potential of enhancing local economic diversity might be.

We initiated our research by looking for existing diversity--mapping the multitude of economic practices and relations that sustain daily lives as assets of our two study sites. Our approach has three objectives: 1) facilitating economic diversity, 2) keeping surplus in the community and 3) creating community-based enterprises. We targeted the 'vulnerable poor', defined locally as those households with some subsistence security, but no savings. These households had cash incomes around P4000/month (less than $ US 1/day per person), well under the P 6000/month local poverty line. Our goal was to mobilise these diverse economic assets to create community enterprises without compromising the subsistence security of our participants.

1 - Mapping economic diversity

We started with a map of the diverse economy created with our NGO partners and community members. Here, we take our examples from Jagna, Bohol - a municipality of approximately 30,000 people on the Visayan island of Bohol, some 63 km away from Bohol's provincial capital of Tagbilaran. With a team of Jagnaoans and NGO representatives, we documented the transactions, forms of labour and enterprise organisation in the municipality (see Figure 1). The resulting map illustrates the rich patchwork of market and non-market exchanges, paid and unpaid labour and capitalist and non-capitalist surplus generating enterprises that work together to sustain livelihoods in many rural areas like Jagna.

Most local people are sustained by informal market and non-market exchanges, traditional unpaid labour practices performed in households and farms, occasional paid labour and infrequent interaction with capitalist enterprises. This mix of activities performs many different functions, including:

- working as an informal social safety net
- sharing social surplus across the community, making identity and culture
- offering redistributive channels for the equalisation of wealth
- performing patronage relations
- destroying or depleting the commons

It is important to recognize that some, but not all, of these diverse economic practices contribute to community resilience. Others undermine environmental stability or produce problematic patronage relations or possibly lead to exploitation and social fragmentation. We were particularly interested in the many traditional practices that circulate surplus through the community, building and reinforcing a supportive network of social relations. In Jagna's diverse economy, it is difficult for people to separate income generation and investment from their reciprocal social obligations.

2 - Strategies for building a community economy

If we viewed this local economy as a site of lack, we might seek to harness outside resources to increase formal market activity and waged employment, perhaps by attracting capitalist enterprise to the municipality. Seeing this economy as replete with potential, our project followed another trajectory. After mapping these economic practices, we initiated conversations about ways of strengthening a '***community economy***.' The community economy is a subset of diverse economic practices, relations and ethical agreements that ensure people can meet their needs, maintain acceptable minimum levels of consumption, circulate and reinvest their surplus locally, and sustain a commons (see Gibson-Graham 2006:86–88). Our aim was to strengthen local resilience by facilitating diversity--creating conditions under which diverse community economic practices such as cooperatives, state enterprises, and community-based enterprises could proliferate. Our project asked: ***how could we build on aspects of the economic diversity we mapped to strengthen the local community economy in the face of decentralisation and expectations that local government take charge of development?***

By identifying diverse economic practices as local assets, we were able to initiate discussions about how to expand on these strengths to meet local needs. This is very different from the familiar approach of focussing on needs and resorting to inputs from outside to meet them. Our local research partners agreed that many of their diverse economic practices enacted an ethos of 'sharing' and 'equity' that was a vital and distinctive part of their local culture. Few, however, had thought about such forms and practices as having any potential for development. They were curious, and sceptical, as to how they could use these ethics and practices as a starting point for local development. Together we asked how we might strengthen economic diversity in ways that would produce most benefit to the community, meaning the majority of local people. We did not want to promote interventions that would eliminate diversity (by stamping out certain economic practices), or promote only one pathway to development, or produce the potential for more social polarisation in the community. Instead, our discussions questioned the ethical underpinnings of the practices in the diverse economy map, so that we could together identify practices with potential to build a more resilient community economy.

We organised groups of interested local people to study the feasibility of particular enterprise ideas. In Jagna, enterprise groups explored dressmaking, producing ginger tea, making *nata de coco* (a local coconut confectionary), and setting up a hauling service--all ideas people had identified as building on the strengths of their natural and social environment. Many of our group members had previously been involved in several failed microcredit programs, so they were hesitant to take on loans immediately. Instead, they began their market feasibility studies and production testing by donating their own volunteer labour and resources. The coconut group members, for example, donated their own coconuts and sugar and used household equipment to start *nata* production. These donations enacted the traditional practice of *bayanihan* – where people give labour, food, firewood and other necessary inputs to prepare for weddings and religious festivals. All the groups went on to use or incorporate principles from other traditional practices in their operations including:

- *Hungus* - different households exchange labour to ensure enough labour for planting and harvest.

- *Dajong* – people provide mortuary assistance in the form of cash, goods, or services to the family of the deceased.

- *Gala'* – fund raising through holding a benefit dance

In forming group enterprises, we used the following strategies:

1. **Begin with people's assets first.** This strategy allowed us to target funds more efficiently. Our groups started production free from debt, so the money they made immediately became income for members, rather than debt repayment. This minimized funding inputs and ensured funds went to support production, rather than supporting household needs. Diversion of enterprise funds to medical expenses and school fees had led to the failure of microcredit initiatives in Jagna.
2. **Produce for niches in the local market.** This strategy provided immediate feedback on the feasibility of the enterprises. By starting small and local, groups kept their input requirements low, while giving themselves time to learn business and technical skills on the job. They did not have to start selling immediately to meet debt repayments. In the case of the hauling service, the group quickly discovered that their idea was not feasible. While the members were disappointed, they were also relieved that they had not taken on any debt. In completing their feasibility and market studies and learning financial management skills, they had learned a very useful business lesson: when **not** to invest.
3. **Start production part-time.** This strategy enabled people to maintain (rather than replacing) their other livelihood activities, thus supplementing their household's subsistence base. Many of our group members wanted to continue with part-time employment, rather than scaling up to full-time production. They could not afford to give up other subsistence activities that provided alternative forms of income, such as food, or activities that sustained important social relations, such as those with their extended kin and church groups.

Many of our participants initially joined the enterprise groups to access 'training' or 'funds', but then planned to leave the group to go into business on their own. Soon, however, they discovered that group enterprises had advantages in comparison to individual and household businesses. Although participants sometimes complained about the frequency of meetings and activities, they were impressed by the potential profits created through collective production and marketing. They also enjoyed the camaraderie and found group participation increased their confidence while broadening their social networks.

3 - Learning the advantages of community enterprises

As the enterprises started up, we asked group members to reflect on their experiences as participants and share their learning with us. Here are some of the lessons they identified:

- **Pooling labour, resources, and knowledges.** By working together, people found they could draw on a much wider range of resources, labour inputs, and skills than any one household could muster.
- **Accommodating changes in membership.** Over time, some people did leave the groups and new members joined, as would be the case with less formal economic groups. These changes in membership did not, however, threaten the viability of the enterprise as they might with household enterprise supported by microcredit, which has a more limited supply of labour and resources to sustain it.
- **Flexibility and strengthening social networks.** Group work allowed households to manage their workloads while engaging in multiple obligations. For example, in the ginger group, when one member was sick or could not attend production, their family members or other group members stepped into their role. This practice reflects the principles of *hungus*, where different households exchange labour to ensure enough labour for agricultural tasks. This kind of exchange brought neighbouring households closer together.
- **Recognizing interdependence.** Traditional *hungus* groups provided the initial model of a 'flat structure' for our enterprises. During the start-up period, all members were equally responsible for inputs such as labour, time, and resources. This encouraged equitable decision-making and participation within the group and fostered appreciation for interdependence. By building appreciation for task specialisation and interdependency, this flat structure and the benefits of group work discouraged individuals from leaving to set up competing enterprises.
- **Embracing broader social goals.** As community enterprises, our groups embraced broader goals than simply generating cash income for members. As part of the production of their ginger tea, for example, the members of the ginger group provided lunch and snacks, as well as saving a percentage of profits in an emergency fund for members.
- **Mobilizing patronage relations.** The group nature of these enterprises obliged government, NGO, and community members to support their activities because the income produced benefited a number of families. For example, to help the dressmakers raise enough money for their first production of graduation gowns, the schools - their first client - gave them half of the payment upfront as a deposit, even though they had not yet seen a finished product. Local councils offered the use of local halls to the ginger and coconut groups for processing and included the groups for consideration for funding, infrastructure, and technical assistance in their 3 year plans. Enterprises run by single households would not find such community support.
- **Fostering a committed market.** People in the wider community were eager to support local products and the recirculation of social surplus. For example, neighbours and priests at the local church bought up any ginger tea made until a regular market was established. This is a different consumer attitude to the jealousy and resentment that meet some family businesses in small rural towns.

- **The potential to scale up quickly.** With more members, a wider resource base and marketing network, and external support, community enterprises could scale up faster, generating more surplus than individual small business. For instance, the *nata* producers discovered that they could organise group productions and recruit new members to take advantage of peak demand periods - Christmas and the Municipal Fiesta - in a way that was not be possible for individual producers. This is different from the investment of remittances or the results of microcredit lending, which individual borrowers/investors often use to set up small enterprises – usually local transport and small stores - that are unlikely to expand and employ more people.
- **Supporting economic diversity.** These group enterprises generated a social surplus that serviced community needs more directly than could profits from individual or household businesses. This is an advantage in a community like Jagna where income generation is not separable from people's reciprocal social obligations. For example, the dressmakers donated some of their earliest profits to the family of a member who had passed away – the traditional practice of *dajong***.** Funds generated through microcredit used in such ways represent a failure of the micro-credit interventions, indicating 'irrational' practices or 'bad' social capital. However, from a community economy perspective, this recirculation of surplus is the way people invest in a social safety net and build resilience. Their thinking is 'while development programs may not always be around to assist in times of economic crisis, neighbours and kin will be' and they invest accordingly. The same pressure to share surplus falls on individual family businesses, but group arrangements allow members to negotiate and meet these obligations more easily, placing fewer constraints on the viability of their nascent enterprise.

Conclusion:

Our approach attempted to strengthen economic diversity to produce the most benefit to local people and in ways that fit with existing economic practices and logics. Although these enterprise groups are only 2 years old, the evidence so far suggests that they are sustainable and have already increased participants' household incomes by an average of 20%, without sacrificing the range of existing livelihood options available to them. Fostering group enterprises, rather than encouraging individual and household entrepreneurship, allows people to negotiate their continued participation in the social networks that build community resilience.

References

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