CASE STUDY

CARE'S TSUNAMI RESPONSE PROGRAM: SUPPORTING POST-DISASTER RECOVERY WITH A VALUE CHAIN APPROACH FOR HIGHLY-MARGINALIZED COMMUNITIES

A MARKET ENGAGEMENT INNOVATIONS AND IMPACTS CASE STUDY

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Table of Contents

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This CARE Market Engagement Innovations and Impacts Case Study features the experience of CARE's multi-year Tsunami Response Program (TRP) , which was launched in response to the devastating tsunami that hit the east coast of India in 2004. The case study documents TRP's progression from immediate, humanitarian relief and short-term rehabilitation efforts to long-term economic development interventions focused on rebuilding the livelihoods of marginalized coastal communities. The case focuses explicitely on a value chain approach applied in the smallholder salt sector through which CARE improved smallholder productivity, processing capacity, and ability to mitigate risks while also enhancing market linkages and improving overall resilience in the chain. This case study provides practitioners and donors with an illustration of the potential for a value chain approach to reduce poverty and and social exclusion in a challenging, post-disaster environment.

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INTRODUCTION

The Indian Ocean tsunami of December, 2004, brought devastation and death to the shores of India. Coastal communities throughout the country were unprepared for the wave of water that reached up to 3,000 meters inland. The disaster killed more than 12,000 people in India alone, 75% of them women and children. In total, it ravaged the lives of 2.5 million survivors.[1] The states of Tamil Nadu and Andhra Pradesh suffered the worst loss of human life and physical damage as the tsunami destroyed local economies and the livelihoods of hundreds of thousands of people. Local agricultural and fishery industries were devastated, piling an economic emergency on top of the natural disaster.[2]

The immediate response from the government, civil society and the global community focused on the fishing communities, which exhibited the most visible damage. Many non-fishing coastal communities, however, went largely unnoticed despite their equally desperate need for relief and development. Paradoxically, those communities that faced the most extreme poverty and had the weakest social institutions before the tsunami were also those most often overlooked by relief efforts.[3] This case study summarizes CARE's response to the tsunami from the perspective of economic recovery efforts in these underserved communities. The case chronicles CARE's progression from immediate, short-term response to longer term development efforts for traditionally marginalized communities in this post-disaster environment.

CARE in India at the Time of the 2004 Indian Ocean Tsunami

With the exception of Chennai and a few smaller cities, the coastal regions of South India are largely rural, and most incomes are earned through agriculture or marine-based activities such as fishing and salt production. Roughly 65% of rural tsunami survivors worked in fisheries-related jobs before the event. Most others relied on small-scale agriculture and occasional, unskilled wage labor opportunities for their livelihoods.[4] CARE has been operating in India since 1950 and was working at the time in eleven of the poorest states to foster social inclusion and collective action, enhance community resilience and break down systemic barriers to poverty reduction and women's empowerment. In the wake of the tsunami, CARE launched the Tsunami Response Program (TRP) to restore and rebuild lost livelihoods in the most severely affected communities. TRP was a holistic, multi-year effort rolled out in three phases, progressing from humanitarian relief to short-term livelihood rehabilitation and, ultimately, sector-specific interventions to enable longer-term economic recovery.[5]

THREE PHASES OF TSUNAMI RESPONSE PROGRAM

PHASE I	PHASE II	PHASE III
Broad relief efforts along the coasts of Tamil Nadu, Andhra Pradesh, and the Territory of Pondicherry	Cash-for-work projects in 200 villages of Tamil Nadu and Adhra Pradesh	Sustained engagement in five districts: Nagapattinam, Cuddalore, Kanyakumari, Nellore/Prakasam, Guntur/Krishna

The following section of this case outlines this progression with an emphasis on market engagement as a strategy for improving the livelihoods of the most vulnerable. The case focused most intensively on CARE India's work in the salt sector of Andhra Pradesh during Phase III of TRP to illustrate the potential for a value chain approach to build resilience and enhance livelihoods in a post-disaster environment.

Phases I and II: Immediate Response and Short-Term Livelihoods Support

In the immediate aftermath of the tsunami, CARE provided direct aid to the hardest hit communities throughout southern India. Distribution of water, sanitation supplies and emergency shelters was concentrated along the coast of Tamil Nadu, where loss of life and housing was the worst, as well as in the Territory of Pondicherry and Andhra Pradesh. In all, CARE provided non-food relief to 20,000 households and built 550 temporary shelters along the Indian Ocean coast.[6]

Through extensive relief work with coastal communities in the first three months of TFP, CARE staff members identified the affected areas where basic needs had been met, but where livelihood activity remained seriously disrupted. In these regions—particularly those in Andhra Pradesh—human losses were relatively minor but the destruction of infrastructure, farmland and other productive assets caused economic activity to grind to a halt. The transition from Phase I of TRP to Phase II was rapid and underway as early as April 2005. CARE focused on instituting cash-for-work projects to provide skills training and generate income for marginalized populations in 200 villages. The interventions also conducted basic environmental restoration activities, including replanting mangrove forests, restoring cultivated land and clearing irrigation canals. Phase II ran for two years, benefitting over 20,000 households.[7]

TSUNAMI IMPACTS ON THE SOCIALLY MARGINALIZED

Despite the abolishment of the caste system in India, many rural communities suffer from its institutional legacy. Dalits, traditionally known as untouchables, have historically been discriminated against in access to public services. Many in these communities have little education and some are not part of any formal economy. Women Dalits are typically further socially and culturally marginalized.

During the tsunami relief process, many Dalits faced both institutional barriers to support and outright discrimination. Reports indicated that some Dalits were prevented from accessing food and other aid, or that entire Dalit towns were ignored by relief efforts.* Likewise, Irulas, members of a semi-nomadic tribal community spread across South India, were often overlooked, likely because their whereabouts before the tsunami were not well known or documented. While there is no evidence of deliberate and systematic exclusion, it is clear that there were needs left unmet by official relief efforts.

CARE India targeted many types of marginalized communities throughout TRP, including Dalits, tribal members, and women. As the program entered Phase III, identifying opportunities for these specific groups to engage in and benefit from markets became a key pillar of the initiative's effort to increase community and economic resilience.

*The State and Civil Society in Disaster Response, Tata Institute, 2005Source: www.feedthefuture.gov/commitment.html

During this period, CARE's knowledge of coastal economies and the impacted communities grew immensely. An analysis of the underlying causes of poverty in the region pointed to three core issues: unequal power relations, failure of governance and failure of markets.[8] Combined, these constraints severely limited the livelihood opportunities of the poorest and most vulnerable households — a longstanding reality exacerbated by the tsunami. From an economic perspective, these poverty drivers curtailed access among the poor to financial services, land, agricultural inputs, information and many market opportunities. Poor women were doubly marginalized by restrictions on their ability to own land and other productive assets and norms that constrained women's role in decision making at all levels of society. As CARE transitioned to the third phase of TRP, a core priority was working to overcome these traditional challenges in order to increase the resilience of the most vulnerable.

Phase III: Supporting Long-Term Economic Recovery

Phase III of the Tsunami Response Program focused on a range of market-based solutions including applying a value chain approach to enhance sector performance and improve the participation of highly-vulnerable populations in niche market opportunities. The initiatives were tailored to particular communities or vulnerable groups and aimed to increase access to inputs, financial services, employment and market information while also building participants' capacity to negotiate with other market actors. Focus was also placed on value addition, reducing vulnerability to shocks and natural disasters and reducing caste- and gender-based discrimination. CARE's approach to selecting economic opportunities to support relied on judging them against the following criteria:

- **Financial benefits for the poor.** Vulnerable groups should be involved as direct stakeholders in production, processing, or trading activities.

  CARE identified sectors in which vulnerable communities were integrated throughout the value chain. Sectors relying on labor-intensive technologies were also selected as a means of generating and sustaining employment.

- **Income diversification.** Interventions should promote alternative employment for communities that are particularly vulnerable to shocks and disasters.

  In addition to the tsunami, the coastal regions of east India have been wracked by droughts, cyclones and monsoons and many predict that these natural disasters will only intensify as climate change worsens. CARE strove to identify economic opportunities that would enable households to decrease their vulnerability to these shocks by diversifying their income sources.

- **Scalability and replicability.** Interventions should facilitate change at key points along the value chain to create sustainable and scalable improvements that will benefit targeted communities and others like them.

  When facilitating market linkages, CARE strove to tailor interventions to the local context, but using or developing models that could be applied widely.

- **Social inclusion.** Economic activities should promise social as well as financial returns.

  Vulnerable and marginalized groups were targeted, including women, but were engaged in economic activities that crossed traditional social boundaries in deliberate efforts to advance integration, social cohesion and security.

Balancing these criteria, CARE — in consultation with the targeted communities and other stakeholders — ultimately settled on a range of interventions that held the greatest apparent potential to meet multiple goals. Strategically, CARE applied a variety of market engagement approaches to take advantage of these, ranging from direct support to individual groups in improving their use of technology or production practices to a more systemic approach, intervening at multiple points within a targeted value chain. The following summary of CARE's work in the salt sector in Andhra Pradesh represents a particularly successful effort that applied a value chain lens and yielded sustainable benefits for tsunami survivors.

SALT PRODUCTION

As the third largest producer in the world, India generates 15 million tons of salt annually for both domestic and international markets.[9] In Andhra Pradesh, much of the low-lying coastal areas are dedicated to salt production and were devastated by the tsunami. The result on large-scale enterprises that dominate the sector was significant but the disaster had particularly negative impacts on the estimated 100,000 poor people who depend on salt cultivation and semi-skilled wage labor opportunities for their livelihoods. These salt producers are typically highly marginalized, living below $1.25 per day and uneducated or illiterate. Most had few options for other employment following the tsunami.

Recognizing both the plight of salt producers and the opportunities for an improved small-scale salt sector to increase livelihood stability among not only those with whom CARE was working directly but also the broader smallholder segment of the value chain, CARE chose to intervene.

THE SMALLHOLDER SALT PRODUCTION PROCESS

Prakasam District, which sits along the southern coast of the state of Andhra Pradesh, is the largest salt-producing district in the state with nearly 6,500 acres in cultivation each year.[10] While 45% of this land is leased out to large salt production companies[11], more than 90% of the remaining land is leased to smallholders who cultivate less than 2.5 acres each.[12] In all, 5,000 people — mostly men — lease these small plots of land, harvesting salt alongside their wives and older children. Women share equally in the work, though typically under the direction of husbands or male relatives. They are rarely paid laborers earning their own income directly.

Red dots illustrate salt producing areas of Andhra Pradesh.

Each fall, the salt producers build square or rectangular salt pans, or shallow pools, in low-lying land just a few miles from the Bay of Bengal. They then pump brackish water up from the ground to fill the pans and throughout the winter and spring the water slowly evaporates, exposing crystallized rock salt. The process is repeated over and over throughout the season, enabling multiple salt harvests. Producers spend most of their days from November until June standing in salty water while they rake the pans to speed up evaporation and collect the rock salt.

The operation is cash intensive, requiring an investment of between $300 - $600 per acre per season to cover the cost of preparing the land, pumping ground water, and transporting the finished product to buyers.[13] Credit is

a critical but largely unavailable resource from formal financial institutions, leading smallholders to rely instead on local money lenders who charge annual interest rates of anywhere between 60 and 120 percent.

As spring turns to summer and the production season ends, monsoon rains roll in from the coast washing out salt pans and diluting any pans that have not yet fully evaporated. A lack of access to storage drives smallholders to sell their salt as soon as it is dried throughout the season, restricting smallholder capacity to bulk and/or store their salt in order to increase their sales prices. Combined, the high credit requirements of small scale salt production have left many producers in persistent debt cycles. Many work all season just to make enough income to pay off existing debts and have few options.

The sector also creates opportunities for some support service providers, particularly transporters – a role often filled by the most vulnerable women who work as head load vendors, carrying salt in sacks from producers in the pans to meet buyers closer to the main roads or in local markets. The vendors are sometimes hired by producers who have sales agreements with large industrial buyers. Typically, however, the head load vendor's work is ad hoc and consists of them buying as much stock as they can afford or carry and then peddling this door-to-door or in small quantities to industrial buyers who purchase 80 percent of the salt produced in the district.

THE IMPACT OF THE 2004 TSUNAMI

The 2004 tsunami landed at the peak of the salt production season, washing away harvested salt, submerging equipment and destroying nearly 75 percent of the salt pans in Andhra Pradesh.[14] The impact on the 2004/2005 salt season was substantial and left some producers with no revenue at all in 2005. Despite a massive international aid effort, many producers fell below the radar and received little relief from the government, particularly when compared to that provided to fishers and agricultural producers.[15]

The salt producers were not the only ones overlooked in the relief process—in fact much has been written about groups that were neglected by the initial response.[16] Accurate population data for low-income communities was sparse, which made it difficult for local and state governments to estimate the total number of survivors. And, the definition of who was affected was misleading. Those with physical damage to their homes or property were the first to be compensated, while the many people whose livelihoods were damaged were less visible and compensation or support for them was slower to materialize.[17] Added to this, a twist of fate has long left smallholder salt producers somewhat invisible to the local government. A colonial legacy has led the industry to be overseen by the national government, which has sold or leased large tracts of land to large-scale land owners who, in turn, rent this to smallholders for production. So, while state governments regulate and control agriculture and fisheries and were well-positioned to coordinate relief, the salt sector had no local advocate or aid administrator.[18] Some salt harvesters were ultimately compensated by the central government, but only for about 10 percent of their estimated losses.[19]

As CARE's interventions in Phase I and II progressed, these anomalies came into focus — as did other challenges facing salt producers in Prakasam. In addition to a lack of access to formal financial services and chronic indebtedness, small scale salt producers were also often beholden to their landlords with whom they typically did not have formal agreements putting them at perpetual risk of eviction in times of crisis — a frequent occurrence. The challenges were further compounded by poor infrastructure and transportation systems and policies that set electricity prices for the small scale producers at industrial rates.

CARE'S RESPONSE

In response to these constraints, CARE staff worked with market participants to identify opportunities for limited investments to yield sustainable, market-led changes in the sector. Eventually, the project set out to overcome three key barriers: a lack of access to formal credit, failing or non-existent infrastructure and weak and insufficient marketing efforts. In addition, the partners prioritized both institution-building and capacity-building among producers to ensure participants would be able to improve their market linkages.

With this vision in mind, CARE and a partner NGO — SARDS — began working with four coastal villages in mid-2007 that were particularly affected by the tsunami. The intervention began by working in four areas:

FORMATION OF COMMON RESOURCE GROUPS (CRGS)

CARE and SARDS started by helping salt producers to formalize mixed-sex 'Community Resource Groups' in order to increase efficiency and enable them to share resources and information. Group formation was enabled by existing, loosely organized producer coalitions that shared some production costs, particularly those for procuring and fueling expensive water pumps. In the first year, 368 men and women were organized into 36 CRGs, each of which elected a leader and participated in technical and business trainings provided by CARE. The CRGs were encouraged to start group savings using a self-help group model widely practiced throughout rural India. In order to enable viral replication, the CRG structure was deliberately simple.

PROVISION OF TECHNICAL TRAINING

In order to improve salt pan design and management, CARE built a ten-acre model salt pan and used it to conduct technical trainings for CRG members. Using a farmer field school approach, 482 producers were trained in year one in techniques capable of reducing batch production time from an average of 24 days to 15 days. While not all producers fully incorporated the practices they learned, many made small modifications like testing for salinity, which shortened the production cycle and increased profitability.

ENGAGING SALT SOCIETIES AND TRADE GROUPS

Building on the CRG structure, CARE worked with producers to strengthen pre-existing organizing bodies to meet other specific needs. Village-level cooperative societies — Salt Societies — that had traditionally helped arrange land leases were strengthened to take on road maintenance and other basic, village-level infrastructure needs. In addition, SARDS and CARE helped salt workers in eight villages organize themselves into two district-wide trade groups: one for 725 salt producers and another for 640 female head-load vendors. Using an official, state-defined structure, CARE helped launch the two Mutually Aided Cooperative Societies (MACS), which aimed to disseminate market information and best practices and increase the collective bargaining power of their members.

ENHANCING ACCESS TO FINANCE

Despite a government-mandated differential interest rate for smallholders that requires banks to provide one percent of their financing to poor and marginalized borrowers, producers were consistently unable to access credit from the formal sector. In order to break smallholder reliance on money lenders, who both charged high interest and frequently forced unfavorable buy-back agreements on their borrowers, CARE focused intensively on working with formal financial institutions to develop and roll out new products tailored to the needs of salt producers.

In 2008, for instance, CARE facilitated a contract between one branch of the Indian Overseas Bank (IOB) and the salt producer MACS. By December, the IOB agreed to disburse loans at 4 percent interest to 171 salt producers for the 2005/2006 production season (compared to 10-15 percent typically offered on loans of this size). Initial loans totaled nearly $56,000, or $300 per borrower. The transaction represented the first time any of the MACS members had accessed credit from a formal financial institution. Following initial repayment rates of 100 percent, IOB continued lending to these producers on an ongoing basis.

As CARE, SARDS and the producers made progress along these four parallel tracks, new opportunities and challenges emerged, leading to the development of two additional strategies for strengthening the sector.

ADDING VALUE AND CREATING JOBS

Even when production was good, salt producers in Prakasam were stuck at the very bottom of the value chain. They produced raw rock salt and sold it very cheaply—primarily to industrial processors who sorted, ground and sometimes iodized the product before marketing it around the country and abroad. CARE and CRG leaders saw an opportuntity for marginalized producers to take on some of this work, which would ensure them a higher price and create jobs while also supporting local economic development.

To pilot the concept, CARE worked with the producers to purchase three grinding machines that would enable them to manufacture a fine salt powder. The machines were installed in villages around Prakasam district, each managed by a different group of stakeholders in order to assess potential benefits. One unit was operated by the salt producer MACS, the second by the head-loader MACS and the third by a CRG of salt pan producers.

SARDS and CARE trained the producers and vendors in use of the machines and worked with them to develop basic business plans for their operation. Training focused on management of the unit, bookkeeping, stock maintenance, developing market linkages and creating business plans and saw rapid results.

NANCHAREDDY'S STORY

One of the salt workers who encouraged CARE to help them invest in processing was Nanchareddy, who typically works 1.5 acres of land each year. In the past, his work was similar to that of many of his peers—he harvested salt, relying on good weather to secure his income for the year. After the tsunami he wondered how he could recover and provide for his family. Like many, he borrowed from money lenders to get through 2005.

With CARE's help, Nanchareddy was able to rebuild his salt pans and he became a leader of one of the Common Resource Groups. He also developed an interest in the new techniques used in the model salt pans, encouraged others to adopt them, and reaped higher profits than usual in 2007 thanks to practices that helped him save money on inputs.

However, Nanchareddy wondered about ways for producers to earn even more from their salt and he worked with CARE to explore the idea of acquiring processing units. He then helped secure agreements from potential refined salt buyers and eventually became the manager of one of the processing units run by his CRG.

Now Nanchareddy plays a leadership role in his community. He has helped many others build livelihood security and has negotiated sales agreements with some large salt buyers. "Previously we were just farmers," he said. "But now we can bargain for ourselves and we control many parts of the salt chain."

MITIGATING RISK THROUGH MICRO-INSURANCE

The improved pan construction, management practices and organization of the sector supported by TRP measurably enhanced the resilience of the value chain. In 2007, Cyclone Nargis devastated the salt flats, but this time, instead of losing a whole production season the CRGs organized to repair their pans in a matter of weeks so they could resume production later that season.

Yet, in follow-up conversations with salt producers, many expressed a desire for some form of safety net. Salt is produced in regions that are witness to frequent natural disasters—especially cyclones and floods, which have been increasing. It became apparent that what the producers needed was protection against losses caused by unusual and extreme weather events. A weather-based index insurance program would provide this type of coverage—but nothing like it was available in India at the time.

In response to the concerns of the CRGs, CARE began working with insurers to create an appropriate product for this unique sector. There was no suitable insurance product for small scale salt producers available and convincing established insurers to develop one was a challenge. Insurers were apprehensive about insuring salt production

INDEX-BASED INSURANCE

Index-based insurance has been introduced in recent years in multiple countries, but typically via relatively small pilot initiatives. The practice is particularly useful for smallholder farmers because it allows them to hedge against weather-based risks—in the case of salt producers in India, excessive rains or flooding—and it is a potentially attractive concept for insurance companies as it promises to keep premiums and servicing costs low.

The innovation in index-based insurance is the means by which payouts are triggered. In contrast to traditional insurance, index-based insurance sets rates based on the probability that a particular weather-related event will strike a given region or district — rather than any particular individual. Based on this probability, premium rates are set and policies offered for subscription. Then, if the insured-against event does take place, payments are made to all policy holders regardless of their actual losses. The product therefore has the potential to significantly diminish the cost of offering insurance to geographically spread out, low income populations. It is, however, a highly-complex process to ensure adequate data is available on a cost-effective basis to enable insurers to offer the product profitably.

because of high risks and the low capacity of small scale producers to pay sufficient premiums for traditional products. In response, CARE focused on developing a weather-based index product that would be appropriate for small scale salt producers and economically viable for insurers.

Engaging Weather Risk Management Services, an insurance intermediary specializing in index-based insurance, CARE and MACS representatives designed a first-of-its-kind insurance product. The policy was indexed against local rainfall and flood levels using government-collected data for each village. Once the product was designed, Weather Risk identified two insurance companies, ICICI Lombard Insurance and IFFCO TOKIO that agreed to pilot the product on a limited basis for the 2009 season. Nearly 700 producers in three towns subscribed, each paying the USD $17 premium up front. In return, subscribers were assured a payout if a qualifying event occurred. As a safeguard for both producers and insurance companies, CARE agreed to continue providing technical assistance to salt producers with a view to improving their practices and reducing the likelihood that their pans would be washed out.

RESULTS

Overall, CARE impacted approximately 23,000 families through the salt sector initiative. More than 7,000 smallholders became involved in some kind of organizational structure—whether directly facilitated by CARE and SARDS or as a result of viral replication. Improved access to finance led to income increases of at least 20 percent among participating producers and workers engaged in value addition through small scale processing dramatically improved their incomes as illustrated by a 65 percent increase in monthly income among women's MACS members in two years, from USD 32 to 54.

Overall, results can be measured in five core areas:

PRODUCTION

Producers who took part in technical training have seen an increase in yields of 20 to 33 percent and a reduction in input and investment costs of around 30 percent. Yield gains represent growth from roughly 800 bags per acre to nearly 1,100 bags per acre since 2004. Importantly, those increases have been recorded in a period that saw not only the 2004 tsunami, but also cyclones in both 2007 and 2010. This continued increase in yields indicates that producers are experiencing both real improvements in their sales and increased resilience to occasional shocks and disruptions.

PROCESSING

MACS leveraged USD 33,000 in credit and grants to purchase three refining units and increase capacity for small scale processing. Each unit cost USD 11,000 and was purchased with a USD 1,650 grant from CARE, USD 3,000 from CRGs and MACS, and the balance in loans from locally operating NGOs. While the investment was substantial, so were the promised returns—a bag of processed salt is worth at least double the same quantity of raw salt. In 15 months, one unit processed 22,000 bags of refined salt, generating sales of USD 62,000 and USD 10,000 in profits. The funds were used to pay off loans and invest in infrastructure — including building a storage shed and a salt drying platform and improving roads to the salt fields. The unit generated employment opportunities and earnings of more than USD 76 per month for five families continuously for ten months. More importantly, these earnings were in addition to their production incomes, since processing happens during the off-season when most families are not otherwise working.

Thus far, the processing has proven to be profitable and sustainable. The units are run efficiently by the CRGs and MACS, the members service the machines and replacement parts are available locally. This experiment has also demonstrated the potential for small scale processing to enable low-income producers to move up the value chain and capture greater returns for their labor.

FINANCIAL SERVICES

As a result of the savings schemes and formal financial sector linkages, dependence on money lenders has decreased throughout the targeted regions. In 2010, SARDS and CARE received a verbal agreement from the Indian Overseas Bank stating that, on the strength of producers' repayment during TRP, the bank would extend the same line of credit to at least 300 more producers in the region—more than doubling the number of loans

provided to salt producers in Andhra Pradesh and bringing the total amount of annual loans to more than $153,000. The bank is now talking with other branches in the region, encouraging them to enter into similar financing agreements with salt producers in Prakasam and other districts.

INSURANCE

Despite abnormally high rainfall throughout 2009—the first season of index-based coverage—the policy failed to pay-out, causing a backlash among producers and badly damaging producer trust in insurance companies. For insurers too, the first effort to support small scale salt producer products led to some disenchantment. Despite making a profit on the 2009 season, ICICI Lombard declined to provide the product again in 2010 as they were unable to find a reinsurance partner. IFFCO TOKIO was, however, willing to negotiate for a second season and CARE worked closely them to make this a success.

In order to rebuild producer confidence, CARE and SARDS worked extensively with producers to get their input on product attributes, educate them on the use of insurance, and focused more intensively on the development of weather-based index insurance products. Ultimately, 400 producers were able to subscribe to an index-based insurance product in advance of the 2010 season. The decision was a wise one as, in May 2010 Cyclone Laila hit the Andhra Pradesh coast, once again destroying salt pans throughout Prakasam district and depleting stocks of harvested salt. Though pay-outs were lower than some producers expected—about $100 per acre—the policy did indeed provide the promised returns.

INSTITUTIONS AND CAPACITY BUILDING

One of the greatest successes of the salt intervention has been the formation of strong workers' associations with 861 producers organized into 79 CRGs. The groups govern themselves, resolve disputes, invest in training and improved working conditions, and provide a platform for group savings. Roughly 1,200 individuals have now joined these MACS, which negotiate for more competitive input prices as well as sales contracts. The MACS have been recognized by state-level policy-makers for their effective advocacy campaign for preferential electricity rates for small scale producers. Beyond this, the MACS have taken over many of the facilitation roles that CARE and SARDS played at the start of the intervention. MACS have begun entering into negotiations with IOB to increase the number of available bank loans and MACS producer representatives played a key role in disseminating information about the updated insurance policy in 2010.

LESSONS LEARNED

Throughout the life of the TRP, CARE and CARE's partners have learned much about how to integrate immediate relief with longer-term recovery and development priorities. The salt sector intervention featured here illustrates one example of CARE's economic interventions in the most heavily impacted states. The following are some of the key lessons taken from this intervention and others since the Indian Ocean Tsunami of 2004.

1. BUILD ON EXISTING INSTITUTIONS

One of the great strengths of the CRGs and MACS was that the groups already existed. Producers have been informally organizing themselves into groups of 10 to 15 members for as long as they have been pumping ground water. Because the pumps themselves and the diesel fuel required to operate them are expensive, producers need to pool resources in order to make salt production economically worthwhile. The institutions CARE supported were, therefore, familiar concepts to the producers who had already implicitly bought in to the ideas of joint investment and pursuing the benefits of aggregating supply and demand. This existing informal network of groups represented a strategic opportunity to enhance, rather than supplant or grow institutions from the ground up.

Similarly, CARE avoided introducing a new set of activities or altering participants' livelihoods. Instead, TRP worked in a familiar sector, on the very thing in which participants already had a stake. By working with participants to make their existing economic activity more effective and to give workers more control over their external environment, the project — and the producers — mitigated the risk of potential failure.

2. BE FLEXIBLE AND RESPOND TO MARKET DYNAMICS

The six-year course the Tsunami Response Program would take was not entirely clear at its outset. CARE's strategy evolved from disaster response to longer-term development through an iterative learning, piloting and scaling process. Through this process, CARE was able to develop a deep understanding of affected areas enabling a high degree of responsiveness both to the communities targeted by the project and to emerging and evolving post-disaster market opportunities.

For example, as well as the project staff felt they understood salt producers, CARE and SARDS staff could not have anticipated the salt workers' willingness or capacity to take on small scale processing at the project's outset. As program participants saw their basic needs met, their incomes stabilize and the infrastructure restored under the first two TRP phases, however, producer perspectives changed. And, when CRG representatives introduced the idea of small scale processing, CARE modified the project plan to accommodate this new potential activity stream. TRP's intensive efforts to support improved access to insurance similarly represented a departure from the initial plan, pursued in response to clear demand among producers.

By focusing on two fundamental objectives of the project—increasing livelihood security and decreasing vulnerability—CARE and group leaders were able to judge when an innovative and outside-the-box initiative was worth pursuing.

3. DEVELOPING MARKET-BASED SOLUTIONS

Long-lasting market linkages are a key to successful market engagement and poverty reduction. One of the ongoing questions in TRP was how CARE could achieve this while also serving some of the poorest and most marginalized members of Indian society. In the salt sector, CARE focused on empowering community-identified leaders to identify and foster their own relationships with salt buyers and input suppliers. Similarly, in CARE's interactions with financial institutions, TRP took a lead role in the negotiations and product development and both insurance companies and bank lenders provided their services commercially, without subsidy.

One concern is whether these commercial arrangements will be strong enough to endure without CARE acting as a third party negotiator. Encouraging signs come from the MACS representatives, who have begun taking a role in facilitating these relationships. CARE expects that MACS will institutionalize many of the roles formally played by TRP but only time will tell how sustainable the TRP exit strategy is.

4. TAKE A MULTI-DIMENSIONAL APPROACH

Through an analysis of the salt value chain, CARE staff identified constraints to effective market functioning at various levels. Salt producers lacked financial services, transportation and physical infrastructure; they negotiated with many buyers in a fragmented marketplace; and they competed with one another, rather than using their collective market share to their advantage. In working simultaneously on all of these constraints, CARE was able to enhance the impact of the sector-wide intervention.

As discussed above, promoting financial services was a strong component of the work, and one that participants readily adopted. Credit by itself would only have reduced debt payments for individual producers and without stronger organizational structures, the producers would have been unlikely to pool their loans and invest in common goods such as access roads and salt drying and storage facilities. Likewise, without simultaneous investments in strengthening groups and building technical capacity, the female vendors would not have used bank loans to invest in a processing facility to add value to their labor.

5. DESIGN TO OVERCOME BARRIERS TO WOMEN'S PARTICIPATION AND BENEFITS

Supporting women's empowerment and achieving gender equity are core focal points of CARE India's work. In the salt sector, CARE identified an opportunity to strengthen women's economic roles and income and, through this, support a longer term transition to equity and empowerment. In many regards, TRP demonstrated that women participants could be effective market actors—the women's MACS has negotiated favorable sales terms with large buyers and increased their incomes 65 percent. Despite this, and clear gains in women's knowledge, ability to organize and lead and general access to higher-value market opportunities, participating women did not report significant changes in household or community relationships. The fundamental structures that govern women's social lives persist even as changes are emerging in their economic lives, representing an ongoing challenge.

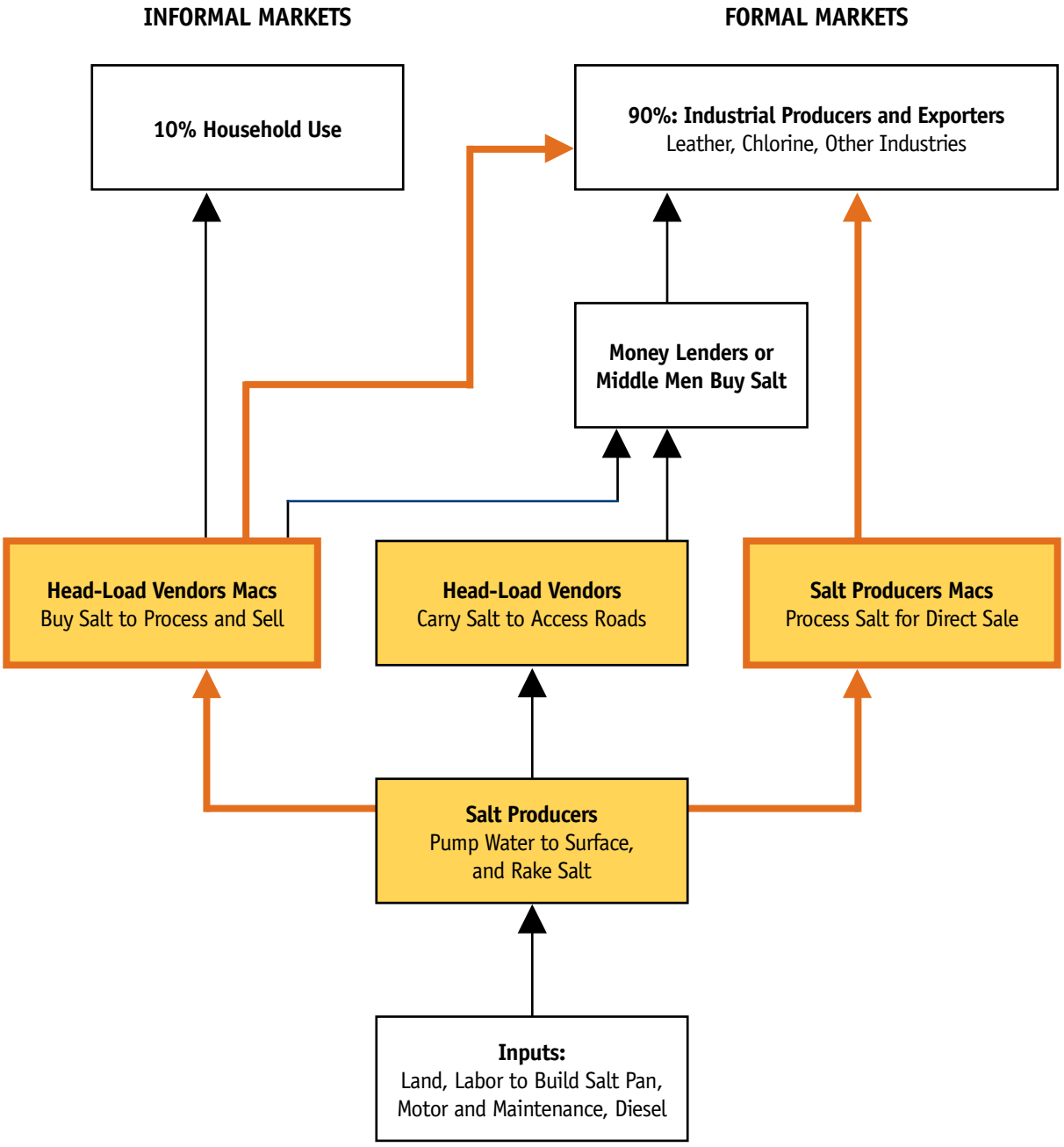
THE ROAD AHEAD

While CARE's work in the salt sector has involved only a limited number of participants, the impact of the work has implications beyond the borders of Prakasam District. Financial institutions and insurers have increased their service offering to small scale salt producers. CARE sees this as an effective model to be replicated in other areas of the country. Similarly, the introduction of small scale processing capacity and enterprise opportunities represents a key potential strategy being explored by CARE India, including through a current initiative in the cashew sector with support from the Walmart Foundation, among others.

Having recently established a national Economic Development Strategy, CARE India's work will increasingly focus on market-based solutions to poverty reduction in even the poorest states. As this strategy moves ahead, the lessons learned by the Tsunami Response Program will continually inform CARE's progress.

Annex: Salt Sector Value Chain Diagram

SALT SECTOR VALUE CHAIN DIAGRAM



The orange lines indicate market opportunities resulting from CARE's intervention. Improved organization, marketing and the introduction of salt processing allowed smallholders to to develop direct relationships with large-scale salt buyers while also bolstering the business of head-load vendors.

END NOTES

[1] The State and Civil Society in Disaster Response, Tata Institute, 2005, p. 5.
[2] Ministry of Home Affairs Report, Government of India, 2005.
[3] The State and Civil Society, p. 20.
[4] Baseline Study of CARE India's Tsunami Response Programme in Tamil Nadu and Andhra Pradesh, ORG Centre for Social Research, 2007, p. 22.
[5] TRP also included a focus on psychosocial support, which is not addressed in this case study.
[6] CARE Response to Tsunami in South India, November 2009.
[7] CARE Response.
[8] Livelihood Approach Paper 2007-2009, CARE India.
[9] Uncommon Salt, p. 1.
[10] Ode to Salt, 2007, p. 10.
[11] Uncommon Salt, p. 10.
[12] Ode to Salt, p. 7.
[13] Ode to Salt, p. 8.
[14] Baseline Study, p. 84.
[15] The State and Civil Society.
[16] The State and Civil Society.
[17] The State and Civil Society, p. 27.
[18] Uncommon Salt, p. 8.
[19] Ode to Salt, p. 5.

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“Previously we were just farmers. But now we can bargain for ourselves and we control many parts of the salt chain.”

Nanchareddy
Common Resource Group Leader

Defending dignity.
Fighting poverty.

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