

The Mekong Bamboo Consortium

Concept Note V3.1

I. Summary

The project will kick start growth of the bamboo industry in Vietnam, Laos and Cambodia potentially worth USD1 billion per year and capable of creating over 600,000 new jobs in the next 10 years, primarily in poorer rural areas. This will be achieved through the creation of a collaborative platform to support the development of the sector, called the Mekong Bamboo Consortium (MBC).

The MBC's objective is to reduce poverty at scale by creating income and jobs in a pro-poor bamboo sector through working with partners both at:

- 1) local level on demonstration production, businesses and supply chain projects, and;
- 2) national and regional levels on sector wide and strategic issues of importance to all engaged in the development of the sector.

Work will be across the areas of:

- **Businesses and Markets.** Supporting businesses at all levels of the market chain by mobilising start-ups, technology and management transfer, business services and information, international and domestic business facilitation, credit lines, trade fairs;
- **Farmers and Resources:** To support smallholders to produce bamboo efficiently and competitively in the market by training, field trials and agricultural development
- **Policy and research:** Supporting government at local and national levels to create Sector Enabling Environments for business and farmers through exchange visits to China, training of officials, support to national and local policy development;
- **Coordination & management:** Ensure linkages between partners by providing staff resources to support project linkages, technical assistance and knowledge brokering

MBC is a market driven initiative designed to function effectively in a rapidly evolving market place. Its success relies on being able to respond to opportunities and threats as they emerge.

MBC differs significantly from a typical value chain project in terms of scale - it attempts to deal with a sector across a region. The project addresses one of the main criticisms of value chain approaches – impact at scale. As it is a multi-agency platform, **MBC builds replication and scaled impact into its design.**

The MBC project is based in a market strategy approach. The project's primary investment justification is based in strong market assessment of current and medium term competitiveness which shows that poor communities which grow bamboo in the region are in potentially strong competitive positions against other global producers. **Donor investment to develop the sector is therefore justified.**

The MBC will have both *Core* and *Associate* activities. The MBC Core for which the project funding is required will directly manage critical project activities, and support and coordinate the work of the Associate agencies in the three countries. Associates will mobilise their own resources on a project by project basis, and this is already happening. MBC Core will be a collaboration of government, donors and technical agencies. MBC core and each country programme will have its own steering committee with representatives from all major partners.

II. Background and Rationale

Background

In spite of the country's recent rapid economic growth, 17 million Vietnamese people still live in extreme poverty.¹ Thirty-five percent of Cambodia's 13.9 million², and 33.5% of the 6.3 million³ Laotians are below the poverty line. In addition to these 24 millions living in dire poverty there are a further estimated 20-30 million living only marginally above the poverty line. Poverty rates are the worst in upland and remote rural and ethnic communities.

In mountainous areas of Vietnam near the Laos border, in Tuong Duong and Ky Son Districts 75% and 87% respectively live below the poverty line. The causes of this deep and persistent poverty are numerous, yet a key factor has been the failure of the development process to create sustainable and relevant markets for poor rural communities. Tuong Duong and Ky Son and other similar areas are indicative of those communities that will benefit most from this project.

Since 2004, IFC Mekong Private Development Facility (MPDF) and more recently Oxfam Hong Kong (OHK) have led a pilot bamboo value chain project in Thanh Hoa province, and completed a bamboo sector feasibility study of the Mekong Region (The Study). The Study reviewed the USD 6 billion industry in China, highlighting the huge potential of bamboo as a generator of rural incomes. Although poor communities in the Mekong region have exploited bamboo as a crop for many years, the selling and processing of bamboo poles (culms) has been inefficient and markets have not grown.

Recent innovations in the bamboo sector in China were replicated in the Vietnam Pilot. This confirmed that near source pre-processing of bamboo i.e. rural businesses splitting the culm into its different parts⁴ and then sending the parts and residues into separate product chains, creates an efficient high-value industry. In this way it becomes a scaleable rural industrial model, transferring value to growers, creating viable local businesses, and leading to more widespread economic transformation. Bamboo shoots and handicrafts are also critical components in a diversified bamboo industry.

Government, donors and development agencies have committed significant funding to tackle rural poverty in the region including rural infrastructure, agriculture, livelihoods, human capital, institutional reforms, and policy and practice changes. While these may have reduced poverty in general, the evidence shows that they have been less effective in tackling more entrenched poverty issues in remote and ethnic communities. Development of integrated value chains for bamboo products, appropriate training, technology, access to capital, business development services and practical government policies are required for the poor to access markets and reduce poverty.

The Opportunity

The growing USD 7 billion global bamboo market holds significant opportunity for rural communities with the potential to grow bamboo. Rapid bamboo market growth is fuelled by increasing international and domestic demand for bamboo products such as flooring, building products, furniture, charcoal, bamboo shoots, homewares, paper and pulp and new products such as fibre, clothing and activated carbon. The Study and the

¹ World Bank, *Vietnam Development Report 2004*, <http://www.worldbank.org.vn>

² Tim Conway, How the Poverty Line and Poverty Rate are Calculated, *Cambodia the World Bank Newsletter*, Volume 3, Number 12, December 2005, <http://siteresources.worldbank.org>.

³ Lao's People Democratic Republic, *Sixth National Socio-Economic Development Plan (2006-2010)*, <http://www.unlao.org>

⁴ Mekong Bamboo Sector Feasibility Study

Pilot show that this growing demand can be viably exploited to benefit large numbers of marginalised poor in an economically sustainable manner.

There is strong evidence from China that the bamboo sector can be a pioneering industry for widespread poverty reduction and economic development⁵. Impact is not limited to those within the sector; bamboo can be an engine for growth for the development of a vibrant local economy. As the first trial to replicate the success of China's bamboo industry, this initiative will test a model to be leveraged for large scale poverty reduction in other regions.

III. Project Objectives

Overall objective

The objective is to target poverty by creating income and jobs in the bamboo sector by:

- establishing diversified, demand driven bamboo processing industries;
- expanding and intensifying bamboo production by small scale farmers to meet demand from the expanding processing industries,
- establishing an sector enabling operating environment for enterprises and farmers.

Evidence from the world's leading bamboo sector in China demonstrates that the attention and support to the parallel development of these three objectives is necessary. The programme will continue to expand its relationships with Chinese partners to maximise learning and exchange.

Measurable outcomes

	3 years	6 years	10 years
Outcomes	USD 300m p.a. sector output 0.5 million jobs (FTE)	USD 450m p.a. output 0.65 million jobs (FTE)	USD 1 billion p.a. output 1 million jobs (FTE)

Notes on the Attribution of Impact: A bamboo sector already exists in the region, however, without this project it is likely that the structure, rate and scale growth would not maximise efficiencies in production or benefits to the poor. For example there are plans in Vietnam to use bamboo for low value paper processing which will create little employment or farmer income. Each hectare of bamboo under this model produces only 0.2 Full Time Employees (FTE) and 400USD/ha p.a. compared to 0.4FTE and approx 800USD/ha under an improved model.

Anticipated impacts

The study analysis indicates that in a mature regional bamboo sector with the optimal mix of handicraft/shoots/industrial processing the following would be achievable:

Bamboo Sub-sector	Overall impact	Pro-poor financial impact \$m	Impact scale Total financial output \$m	Job creation FTE (000's)	Gender bias of impact % of FTEs women	Rural bias of impact % of rural FTEs	Environmental Impact
Handicrafts	*****	266	336	920	60%	95%	*****
Bamboo shoots	***	111	136	16	30%	100%	****
Industrial Processing	*****	532	716	296	45%	62%	***

(* =Low/negative, ***** = high/positive)

⁵ Ruiz Perez and Belcher (2001). A comparison of bamboo production systems in six counties in China; in Fu Maoyi, Ruiz Perez and Yang, *Socio-economic, marketing and policy of the bamboo sector in China*, Beijing, China Forestry Publishing House,

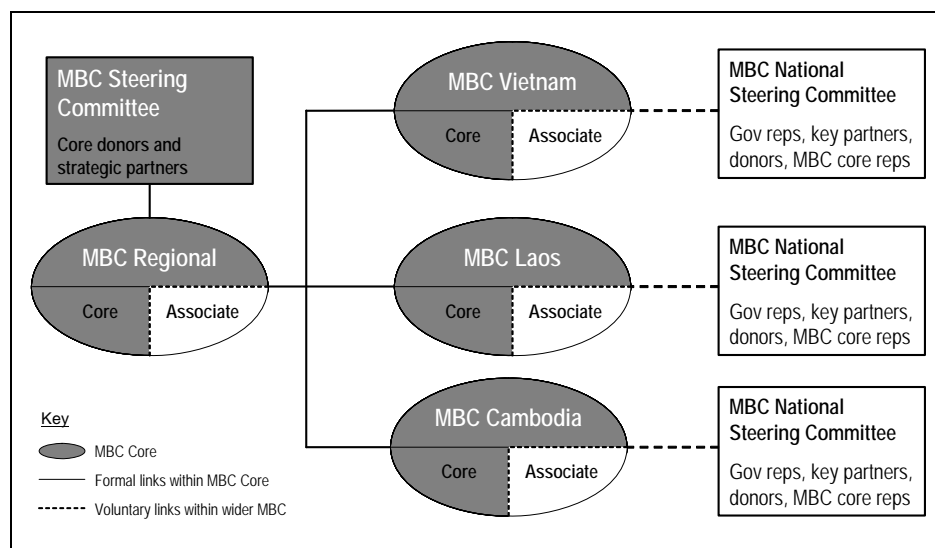
Notes:

- (a) The rural/pro-poor impact both financial and employment generated is a substantial percentage of the total because material and labour are the two largest cost components and both are predominantly at the origin of the supply chain, particularly if near source pre-processing is developed.
- (b) Handicrafts are highly labour intensive but use very little volume of raw material, hence the high impact per hectare. However the total number of hectares required to meet the demand for this sub-sector is relatively small.
- (c) Industrial processing comprises a mixture of; premium (flooring/furniture), medium value (chopsticks, mats & blinds) and low value bulk (paper & charcoal).

IV. MBC Structure and Organisation

The MBC will be split between *Core* and *Associate* activities. The MBC Core will directly manage critical project activities, and support and coordinate the work of the associate agencies in the three countries. MBC Core will be a collaboration of government, donors, technical agencies and others with a dedicated project team responsible for the management of Core activities. Both the overall MBC and each country programme will have its own steering committee with representatives from all major partners. The roles and responsibilities of each of the partners (Core and Associate) along with the governance framework for MBC will be covered by Memoranda of Understanding (MoUs).

Figure 1: MBC Management Structure



MBC Core Donors and Strategic Partners

These are currently expected to be:

- **SDC** – Acting as a core donor
- **Irish Aid** – Acting as a core donor
- **Oxfam Hong Kong** – co-champion of MBC development to date
- **IFC –MPDF** – co-champion of MBC development to date
- **GRET** are the implementing agency for the Lead pilot and will be the primary technical agency for the Farmers and Resource Development activities.
- **International Network for Bamboo and Rattan (INBAR)** is the lead international organization dedicated to developing the bamboo and rattan sectors bamboo and rattan. They will act as non-executive advisors to the MBC.

- Other donors are currently in discussion with MBC partners

Associates

Associate numbers continue to grow from those who are already engaged with activities.

<ul style="list-style-type: none"> • Winrock International (Vietnam) • SNV (Laos, Vietnam, Cambodia) • GTZ (Laos, Cambodia) • Oxfam America (Cambodia) • World Bank (Gender Programme) 	<ul style="list-style-type: none"> • Oxfam GB (Vietnam, Cambodia) • Madox Jolie Pitt Project (Cambodia) • Enterprise Development Consultants (Laos) • CIAT Small-Scale Agro-enterprise Development in the Uplands of Laos and Vietnam Project (SADU) • AusAid (RUDEP – Vietnam) • HADEVA (Vietnam)
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Government

Activities are planned in up to 16 provinces in the region, and local government partners are relevant in each case from a range of departments and ministries. National level collaboration is currently ongoing with in all three countries.

V. Activities and Implementation

Mekong Bamboo Consortium activities will be organised around three country programmes to reflect differing priorities in each country. A regional programme will coordinate linkages and lead common tasks. Each country programme will address co-ordination and management, policy, strategy & research, markets & processing industries, resources and farming activities.

Figure 2: Phase 2 Programme Structure showing outputs

	Vietnam	Laos	Cambodia	Regional	Key Focus
Co-ordination & management	<ul style="list-style-type: none"> • VN dev. aid coordination and promotion. • VN networks • Project & policy co-ordination 	<ul style="list-style-type: none"> • Laos dev. aid coordination & promotion. • Laos networks • Project & policy co-ordination 	<ul style="list-style-type: none"> • Local dev. aid coordination and promotion. • Local networks. • Project & policy coordination 	<ul style="list-style-type: none"> • Regional dev. aid coordination and promotion. • International & regional networks 	<ul style="list-style-type: none"> • Pro-active leadership of: <ul style="list-style-type: none"> • Project and policy coordination. • Development aid coordination. • Network facilitation
Policy, strategy & research	<ul style="list-style-type: none"> • National strategy & development plan • Provincial dev. plans • BEE / farmer policy 	<ul style="list-style-type: none"> • Local sector development plans • BEE • Farmer & forestry policies 	<ul style="list-style-type: none"> • BEE • Land use / farmer context • Integration into local development plans 	<ul style="list-style-type: none"> • Regional & int'l trade promotion. • Impact monitoring • Knowledge sharing 	<ul style="list-style-type: none"> • National & local policies & planning to stimulate the parallel growth of: <ul style="list-style-type: none"> • markets & industries • farmers & resources
Markets & processing industries	<ul style="list-style-type: none"> • Investment promotion • Technology & mgt dissemination • Value chain pilots • Market access • Access to finance 	<ul style="list-style-type: none"> • Investment promotion • Technology & mgt dissemination • Value chain pilots • Market access • Access to finance 	<ul style="list-style-type: none"> • Small enterprise focus • Upgrading handicraft, shoots & fishgear sectors • Market research (e.g. Thai baskets) • Access to finance 	<ul style="list-style-type: none"> • Market Research • Technology adaptation • Standards development • FDI promotion 	<ul style="list-style-type: none"> • Development of 3 distinct industry groups: <ul style="list-style-type: none"> • Handicrafts • Industrial processing • Bamboo shoots
Resources & farmers	<ul style="list-style-type: none"> • Awareness promotion • Farmer extension & support • Production pilots and trial 	<ul style="list-style-type: none"> • Awareness promotion • Farmer extension & support • Production pilots and trial 	<ul style="list-style-type: none"> • Link to community forestry plans • Farmer extension & support 	<ul style="list-style-type: none"> • Knowledge sharing • Resource planning coordination 	<ul style="list-style-type: none"> • Intensification and expansion of bamboo production to meet expected future demand for commercial species.
Management Board	Government, MPDF, Oxfam, Key donors & Implementing partners	Government, MPDF, Oxfam, Key donors & Implementing partners	Government, MPDF, Oxfam, Key donors & Implementing partners	MPDF, Oxfam, Key donors & Regional partners	

VI. Monitoring and Evaluation

MBC will use a **business discipline of information management**. As a market driven initiative MBC operations will be based on timely, mission critical management information at several levels to evaluate and respond to developments in the market, project impacts and activities. Monitoring and evaluation will be approached in a way similar to the requirements for management and strategic information of a business with multiple operations in different locations and markets.

MBC Core will have a full time dedicated senior staff member leading the M&E activities. These staff will lead the detailed design and delivery of M&E for MBC Core as well as supporting the design and implementation of M&E systems within associate projects. This information-centric function will underpin the development of a regional community of practice in the sector.

VII. Budget

The estimated annual budget for MBC Core for the period from 2007 – 2009 is approx. USD2,550,000 per annum.

<i>Item</i>	<i>USD</i>
<i>MBC Core Staff & Related Costs</i>	<i>895,000</i>
<i>MBC Core - Sector Level Activities</i>	<i>781,000</i>
<i>Lead Pilots (in house - MBC Core)</i>	<i>621,000</i>
<i>Office Expenses</i>	<i>219,000</i>
<i>Travel & Accommodation</i>	<i>34,000</i>
<i>Total</i>	<i>2,550,000</i>

VIII. Risks

The two main risks are:

1. Failure to ensure consistent, sustained commitment by local and national governments to the development of the sector: This is the single biggest risk to the programme. Mitigation strategies include:

- **Working directly with provincial as well as national authorities.** Engagement with several provincial authorities will reduce the concentration risk. Priority will be given to provinces that with strong commitment.
- **Early engagement of authorities** in the planning and design of the programme has been an explicit strategy since the start of the Phase 1 feasibility study. This will continue to be a focus for all stages, especially around supply chain pilots.
- **Alignment with Government's development policies** minimises the risk of obstruction to bamboo-related initiatives.

2. Failure to ensure consistent, sustained commitment from the MBC partners: This is a critical risk due to the long time horizon of MBC. Mitigation strategies include:

- **Establishment of partnerships with a small number of strategic partners** that share a common vision and commitment.
 - **Formalisation of the partnerships and management structures** through the establishment of MOUs and co-ordinated oversight within MBC supported by long term financial commitment from key partners.
 - **Prioritisation of 'quick win' activities** to demonstrate early successes, build momentum and reinforce commitment during the early stages of the programme.
-