

Mekong Bamboo: plans, priorities, progress

November 2008

1. What is Mekong Bamboo

Mekong Bamboo is a unique supply chain initiative and Prosperity Initiative's flagship programme.

Mekong Bamboo is a different type of supply chain initiative. It is long-term – our project cycle is to 2020; it is a collaborative project with more than 20 government agencies, development organisations, private sector companies and NGOs working together from the local level to the policy level. It is also market responsive. Mekong Bamboo is tasked with creating income and jobs from new opportunities in the bamboo sector to have a large-scale and sustainable impact on poverty in Viet Nam, Lao PDR and Cambodia.

The objective of the Mekong Bamboo Programme is to reduce poverty by generating greater income and more jobs in the bamboo sector via:

- 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 sector policies beneficial to bamboo enterprises and farmers.

We promote the competitiveness of the bamboo industry's supply chains in three sub-sectors:

- **Industrial bamboo processing** focussed on material utilisation and industry structure / mix;
- **Bamboo Handicrafts** targeting labour productivity / skills, design, marketing and supply chain organisation; and
- **Bamboo Shoots** seeking to harmonise the sub-sector's expansion of resources and processors.

2. Approach

Through our activity in the bamboo sector, our goal is to move more than 350,000 people out of poverty in the Mekong region by 2020.

The world bamboo industry has been transformed in recent years into a vibrant and growing industry targeting new products and markets. China has led these changes having introduced new processing and organisation to the industry to take it to a commercial scale well beyond its traditional roots in household handicrafts.

In the Mekong, there are realistic opportunities for the local industry to harness its assets of significant bamboo resources, an improving business environment and large workforce to adopt the best of the Chinese industries' practices and transform itself into a world leading industry.

With the growth of the industry founded on smallholder production of raw bamboo, this transformation presents an achievable opportunity to dramatically raise the incomes of bamboo farmers and workers and lifts hundreds of thousands of people sustainably out of poverty.

How?

The industry has 3 distinct sub-sectors each of which create impact in different ways:

- industrial processing
- handicrafts
- edible shoots

Around the Mekong region, the local industries in each of these sub sectors are at very different stages of development. Thus there are specific priorities for achieving poverty impact in each location and sub-sector:

- Targeted activity in distinct geographical sub-sectors (e.g. industrial processing in northern Viet Nam) that grow the industry and increase the amount of money earned by poor bamboo farmers and workers. The primary tactics are to increase the productivity and value-added in the industry (i.e. return on material and/or labour), thus creating additional income that can stimulate industry growth, provide incentives to improve the industry structure and thereby create opportunities for higher incomes to poor farmers and workers.
- Increasing the sustainability of the industry and stimulating its expansion to new locations by harnessing networks and knowledge to build an enabling environment for the sector.
- Measuring the impact on poor households and other changes in the industry so that we can continually refine and target our activities and resources.

3. Progress

Our recent study showed how 10,000 people moved out of poverty in two years in our flagship bamboo project in NW Viet Nam. We have demonstrated the potential of the Mekong bamboo sector to continue to ultimately lift more than 350,000 people out of poverty by 2020.

Around the sub-region, we are moving towards completing our work to ‘prove’ the case for large-scale poverty impact for other locations for each of the bamboo sub sectors (industrial bamboo, edible bamboo shoots and bamboo handicrafts). This is supported by strong progress in addressing knowledge and network gaps, with Mekong Bamboo having developed extensive industry knowledge and increasing networks of business, government and development actors linking China, to Viet Nam, Lao PDR and Cambodia.

A comprehensive programme of impact evaluation is being rolled-out between Oct 08 and May 09 covering the majority of the northern industrial sub-sector in Vietnam and northeast Lao PDR. This will include a follow-up survey in Thanh Hoa and baseline surveys in several other locations. Improved survey instruments and evaluation frameworks are currently being tested in Cao Bang as well as new qualitative tools for assessing direct impact on major decisions and events affecting the industry.

Further to our overall programme priorities, there are specific priorities for achieving poverty impact in each distinct geographical industry sub-sector:

- Northwest Viet Nam and Lao industrial bamboo zone - roll-out stage
- Other industrial bamboo zones - proving stage
- Lao PDR and Cambodia bamboo handicrafts - proving stage
- Northern Viet Nam bamboo shoots - proving stage

In addition to the local industries outlined above, Mekong Bamboo has begun exploration of opportunities to each poverty impacts in other local bamboo industries that will be assessed in 2009 including:

- Industrial bamboo in north west Cambodia
- Handicrafts & industrial bamboo in south and central Vietnam
- Handicrafts & industrial bamboo in south and central Lao

Industrial bamboo in Northern Vietnam

Strong progress has been made towards the 3 critical priorities¹ for achieving large-scale impact:

1. Securing **investment in larger scale, high value manufacturing factories** (including from domestic investors)

¹ The three priorities are mutually reinforcing, so progress needs to be made on each to support progress on the others.

2. Persuade and support (similar to (a) above) **existing primary processing SMEs to develop a diversity of pre-processing operations which lead to overall higher utilization of the raw material and therefore efficiency across the industry**
3. Proving a **viable commercial scale system for sustainable exploitation of raw material**

Changes in the local industry are likely to be stepwise rather than gradual both for major investment and shifts in the industry to more sustainable resource exploitation. In Priorities 1 & 3 but momentum is building, importantly through an increasing alignment of interests from both the private and public sector. (See Annex for details).

Priority 1 is currently the most immediate constraint as the absence of more high value processors suppresses the interest of small SMEs to upgrade their business. Priority 2, may be achieved more gradually but is likely to be accelerated by progress in attracting major investments. Priority 3 has longer lead times for impact, but as a result, it is critical that practical progress is made on this in the coming year so that large and small investors can invest with confidence.

Good progress in the last 12 months has significantly increased the likelihood of being able to trigger a sustained doubling or tripling of farm gate bamboo prices in coming years. As such the likelihood of the local industry lifting 150,000-250,000 people sustainably out of poverty is now an important step closer.

This progress has been made despite deteriorating market conditions. However, there is still real risk to the timetable for achieving large-scale impact in the event of further deterioration of market conditions, in particular through its impact on new major investments. We are seeking to partially mitigate this by:

- working with several different larger and medium size companies, focusing on both domestic and export markets
- developing good connections with 4 different investment funds and financiers, with available capital and interest in the industry in the region
- targeting specific products with significant early margin potential, to increase the attractiveness and likely success of the investments.

Operationally in 2009, a key focus will be the roll-out of the **integrated Northern Industrial Sub-Sector** intervention covering the majority of the industry in northern Vietnam focusing on the 3 priorities above. This will be complemented by the delivery of a comprehensive programme of impact evaluation, including household and industry survey in multiple locations that represent the majority of this sub sector.

Industrial Bamboo in North Eastern Laos

The engine for growth of the industry in Houaphan will be the neighbouring industry in northern Vietnam. The local industry will therefore benefit from progress on the 3 priorities above.

However in Houaphan, the industry is only at its very earliest stages of development and there are some important differences from VN which must be tackled to enable the industry to achieve large scale local poverty impact. At present, farmers have little or no control of bamboo resource and therefore they are unable to benefit from any growth in the industry. Strong progress during the inception phase completed in Oct 08 has built consensus with local authorities and business around the following key priorities:

- a) **Improving household access and usage rights to bamboo resource:** through piloting community forest management plans, land allocation or quota allocation and farmer awareness rising. This is the most essential step to ensure poor households benefit from growing demand and prices of bamboo. Without it, the industry can have only minimal poverty impact.
- b) **Raising farmer interest and capacity to exploit market opportunities for bamboo,** through village level demonstration of smallholder bamboo plantation and intercropping,
- c) **Reducing trade barriers to improve the connection of the local industry to the industry in northern Vietnam.** Activities are likely to include: testing of improved export, trade and investment procedures; improving investment promotion and support services; facilitating increased buying from VN businesses through awareness raising and initial trade facilitation with local authorities.

This is necessary to provide the nascent local industry with the necessary market access that can fuel the growth of the industry.

- d) Developing a consensus among local authorities and stakeholder around a **coherent strategy to develop the industry.**

The successful building of agreement and commitment to the priorities above has been a critical first step before the more substantive priorities outlined above can be tackled. It is an important part of the foundation for the industries future development and poverty impact.

Bamboo Handicrafts in Laos and Cambodia

The next phase of this work is to prove the potential of handicraft interventions. Supply chain projects are now in field-testing of interventions and household scale technology in preparation for implementing the pilots from Jan 09 following completion of baseline impact evaluation surveys, in the following locations:

1. Champasak , Laos
2. Vientiane Province, Laos
3. Kampong Chhnang, Cambodia

The priority for 2009 is “proving” the opportunities identified in the local sub-sector by increasing productivity, consistency and organisation of women household producers and also beginning to improve the bamboo resource situation in the three provinces. Productivity and consistency improvements will be achieved through introduction of simple appropriate technologies (bamboo splitting machines and preservation techniques) and selected skills training with household producers. In combination these will raise daily production rates and hence incomes. A second priority will be the improvement in the resource base will take a number of years to be seen but are essential if the income gains from raised productivity are to be sustained and lead to lasting poverty impacts. An important output from this will be enriched data and understanding of the sub-sector and opportunities for future interventions to achieve larger scale poverty impacts.

Bamboo Shoots in Northern Vietnam

The first bamboo shoots supply chain intervention is currently active in Phu Tho and Yen Bai Provinces, Vietnam, as part of the combined project with HADEVA (also covering the Industrial sub-sector above). The total scale of potential poverty impact from the shoots industry is more limited than the other two bamboo sub-sector due to smaller end markets, with scope for 10,000 – 15,000 household (50,000 – 75,000 people) to benefit. However, within those communities engaged in the industry the impact potential is very high: under current market conditions and production costs, a typical poor farming household cultivating little more than 1/3ha with household labour would achieve household income above the poverty line within 4 years of planting without any other income source. Income would be expected to grow by a further 30% in year 5. As such, Mekong bamboo is trying to establish a small but viable shoots industry. The immediate, mutually reinforcing priorities are:

1. Attract investors into shoots processing factories who can access to developed markets, including foreign investors (Japanese, Taiwanese), processors in Vietnam (SME and foreign-owned) and international traders (including overseas Vietnamese)
2. Improve supply base of export quality raw shoots, through the following activities
 - Increase productivity by promoting good plantation and harvesting practices, training and awareness raising.
 - Reduce entry costs for farmers by supporting the set up of local nurseries to reduce seedling prices and promote intercropping of annual crops with new bamboo plantations
 - Facilitate linkages between farmers and processing companies and provide information on quality/safety requirements of high developed markets
 - Support new plantation to reach the required minimum combined scale to attract processors

Progress is being made on both of these priorities with a number of overseas investor visits facilitated and being followed-up. At the same time work has begun to establish local farmer owned nurseries and promote good cultivation practices of export quality raw shoots. However, realistic timeframes to see sizable impact



must allow for an initial period of 2-4 years to build momentum in the sector followed by another 4 years before household incomes rise out of poverty from new planting.

APPENDIX: Transforming Sectors

We need to find ways to reach large numbers of poor people more efficiently – to impact poverty at scale. Prosperity Initiative believes that industry systems are themselves a tangible and practical system for analysis and intervention to achieve this goal.

Our work in the Northwest Viet Nam industrial bamboo sub sector confirms the importance of investing adequate resources to proving the mass poverty impact potential of a sector. Lighter value-chain analysis and rapid appraisals have their place, but a deeper understanding is needed to justify heavy development investment and is part of a strategy to target large numbers of poor. This gives confidence that results can be achieved once analysis turns to action.

This process also demonstrates to our investors that industry systems that support the poor can be enhanced by helping those throughout the industry system. Change can come about by helping private firms innovate and take risks to prove a business case, and by building skills of government actors to understand the comparative poverty and development potential of different sectors and investments. Development experience shows that directing activities only to the poorest of the poor can be expensive per individual beneficiary and such activity will struggle to target mass poverty.

Our project cycle to develop pro-poor industries and ensure poverty impact outcomes is a **long-term strategic approach**, moving through the stages outlined below. We prove the business case for our partners to move the debate from short-term returns that may not be sustainable to the longer-term mission of having a lasting and large-scale impact on poverty.



Identifying the Potential We undertake detailed and sophisticated analysis of whole industry systems from farmers and workers up to the global level. We identify in this process local, national and regional agents of change both public and private that are likely to champion innovation and change in the system. This industry analysis maps jobs and income to the potential effect on poor people’s livelihoods. This identification stage takes between 6 – 12 months and has several steps, starting with pre- screening activity to identify potential.

Proving the Potential We working with change leaders in the system (e.g. progressive businesses and policy leaders) to prove business cases, to implement pilots to address the key constraints and to demonstrate with strong field data the poverty impact case. This critical stage could take between 1 and 2 years to complete as a vital part of our methodology is to be able to measure the impact of targeted interventions on poverty with sufficient confidence to justify further and future investment.

Roll Out This stage is expected to take 5 – 15 years and we implement scaled, efficient, targeted programmes with mechanisms for facilitating industry change processes, knowledge and business networks and new industry and venture partnerships as a means for taking pilots and exemplary practice to scale. Programme prioritisation is driven by the principle of demonstrated efficiency in having large-scale poverty impact (i.e. income and jobs for the poor) and ultimately the sustained impact on poverty at the household level that these jobs and income create. This stage includes exit strategies and capacity building to ensure sustainability.

Exit We achieve sustained poverty impact through our partnership and institution building model. Our justification for taking activities to roll out stage includes the ability to engage effectively with appropriate partners and businesses that will inherit and build on the experience of a Prosperity Initiative partnership. We will begin exit and transition strategy planning early in the roll out stage. Crucially, we will also measure ongoing poverty impact after we exit from particular sectors and initiatives.