

8. Country Delegation Proposals

Afghanistan – Linkage with South East Asia (Malaysia)²

1. THEME – Agriculture Value Added
2. CHALLENGE – What problem do you want to tackle in your initiative?

Thirty years ago, before the wars, Afghanistan supplied approximately 10% of the world's dried fruits. Our challenge is to regain that former position in the world by working with existing farmers to supply new processing plants that could be financed and built. Currently, there is a large supply of fruits, but during the wars, all of the processing plants were destroyed. Afghanistan has a rich history in the quality of their dried fruits and the country needs to regain this notoriety; replacing the negativity of the poppy production.

- Lack of agricultural based processors
- Increasing the cooperation among small scale farmers
- Re-develop the Afghan dried fruits brand
- Employ hundreds or thousands of currently underemployed rural workers
- Replace poppy production with high-quality fruit farms.

3. What is the BOP strategy you are using in your initiative?

Currently, all of the fresh fruits are exported to neighboring countries of Pakistan, Iran, China, and Uzbekistan. In return, Afghanistan imports the lowest quality fruits produced in those countries. With the assistance the South-South, we can support the development of a feasibility study to determine the costs and viability of re-introducing the fruit and integrated processing and marketing facilities in Afghanistan and keep the value-added production in country while also providing high quality fruit sources to the Afghan people.

4. Who are the stakeholders?

Rural farmers

Unemployed laborers and landowners

Agricultural institutions – Ministry of Agriculture and Agricultural Universities

Afghan Exporters

Afghan consumers

Global consumers

² BOP proposal on the renewal of Afghanistan's fruit processing sector using a South-South modality is attached as Annex A.

5. What is your expected impact or outcome?

Increase economic value-added for farmers
Strengthening the supply-chain
Job creation and training
Improving the image of Afghanistan for products

6. After this workshop, what are your Next Steps?

Working through South-South cooperation with technical partners like “Marditech” from Malaysia and UNDP – we will perform the following:

- Quick-needs analysis/assessment
- Technical and business plan
- Develop pilot while identifying current high-quality fruit producers

Cambodia

Theme: Financial Services

Challenge: Credit access, low interest rate, develop new forms of financial services

Strategy:

- I. Support (Create) MFI; association
 - a. Advocate to government = ceiling rate, subsidies, lowest interest rate

- II. Support business centers
 - a. Management skills training
 - b. Access to information
 - i. New model
 - ii. Business
 - iii. Finance services
 - iv. Technologies
 - c. Knowledge sharing (south-south cooperation network)

- III. Legal framework
 - a. Non income collateral
 - i. Land registration
 - ii. Land title

Stakeholders: Government, national central bank, MFIs, civil society, NGOs, donors and development partners

Impact: Upscale business, income generation, employment generation

China

- Theme:** New solutions to women empowerment in ethnic minority areas (women entrepreneurship development through reviving of ethnic minority handicraft)
- Challenge:** Gender is a key challenge facing China in attaining the MDGs, ethnic minority women are in a vulnerable position in terms of gender equality, there exists a variety of handicrafts in the ethnic minority areas which are not known to the outside world, lacks of local capacity to develop, lack of international knowledge and expertise, seed funding needed
- BOP Strategy:** Public + Private Sector + BOP Family (ethnic minority women)
- Stakeholders:**
institutions BOP family, Private Sector, Public Sector, NGOs, Consumers, Financial institutions
- Expected Outcome:** Poverty reduction, promotion of ethnic women entrepreneurship in poor areas through reviving of handicrafts, protection of culture heritage through brand development of ethnic minority handicraft, explore new solutions to migration, innovations in rural sector sustainable development
- Next Step:** Consultation with potential partners, feasibility study to identify product and locations for the pilot project, development of a project proposal

Malaysia and Indonesia – Proposed Business Model with a South-South Dimension

Theme:

Establishing farm-to-market systems for the agricultural sector in developing countries

Challenge:

The proposal is to explore opportunities to jump-start farm-to-market systems for agricultural exports built upon partnerships ranging from producers (farmers) to end-users (market-place) with the purpose of providing farmers with access to regional. It will provide employment, incomes and a larger market for BOP goods and services.

BOP Strategy:

A demand-driven approach to promoting and developing agro-based industries on a sustainable basis is being proposed in the strategy. The rural poor (farmers) are given the opportunity to be strategic partners and a crucial component in the supply chain to meet the demands of the global market. The crops grown like cassava and seaweed are food crops that will add to the supply of such food in the domestic market, which will in turn improve the nutritional status of farmers.

This entails:

- iv) Access to financing at all levels, including micro-financing;
- v) Access to skills, knowledge and new technologies;
- vi) Opportunities for entrepreneurship development in the following areas:
 - a. Land development for agricultural cultivation on a larger scale to derive economies of scale;
 - b. Infrastructure development i.e. access roads, power, water, telecommunications, etc.
 - c. Development of transport modalities i.e. from farm to factory to market.
 - d. Research and development aimed at identification, provision and planting of suitable and improved crop species.
 - e. The setting-up of processing factories with storage facilities for intermediate storage and processing as well as finished products.
 - f. The development of supporting industries i.e. packaging, printing, etc.

Stakeholders:

1. Farmers – production of agricultural produce.
2. Private sector – manufacturers of down-stream agricultural produce will be assured of consistent supply of agricultural produce (raw material) for further processing and value-add products. Masscorp (Malaysian South –South Corporation), a private sector entity comprising private sector corporations interested in investing in S-S countries have indicated interest in such partnerships.

3. Technical assistance providers – ranging from research and development of crop species, improved farm management, technological improvements for mechanization and machineries. Marditech, a private sector entity that has worked in a number of S-S countries has best practices to share.
4. International financial institutions, like UNDP – provision of seed funding to implement pilot schemes and follow-through. Further funding for the replication of a successful model.
5. Government – creation of enabling environment and commitment to ensure the success of the pilot scheme.

Expected Outcomes:

1. The proposed business model is envisaged to be an integrated and targeted approach to develop agricultural produce into sustainable industrial crops, through the integration of production and processing operations in poor rural areas that can generate poverty-alleviating benefits for poor households.
2. The expected outcome to the various stakeholders include the following:
 - a) **Farmer:**
 - Opportunity to alleviate poverty by generating employment and increasing sustainable income generation for the farmer.
 - Socio-economic development of rural areas. The merging of smallholders into a co-operative will maximize use of land, labour and transport (both collection and distribution) and mechanization. This will also lead to an increase in the commercial development of the small townships through the development of supporting industries e.g. transport and logistics, printing and packaging, food processing, etc.
 - Promote gender development as many farmers are women.
 - Build-up capacity of farmers through management and technical expertise.
 - Improved income will improve the nutritional and health status thereby improving the quality of life for the poor.
 - b) **Private Sector:**
 - An integrated approach on a larger scale will ensure consistent and competitive supply of the agricultural produce, thus warranting the channeling of resources towards improving agricultural varieties, access to improved farm management, technological improvements for mechanization and machineries.
 - Potential for market expansion resulting in higher returns on capital invested.
 - c) **Government:**
 - Potential to generate tax revenue and foreign exchange for the Government from these economic activities.
 - Multiplier effect for the rest of the economy.

d) International Financial Institutions:

- Successful model – best practices to share with other S-S countries

Next Steps:

Engage in feasibility studies/needs analysis to formulate a technical and business plan, with the view to commencing a pilot programme.

Some of the agricultural produce for the pilot scheme could include:

a) Cassava

In Asia, cassava is developed mainly for human consumption. However, in selected Asian countries e.g. Thailand and Malaysia, cassava is mainly a commercial crop, playing a role in agriculture, commerce and industry. Roots are converted into an array of products – human food as fresh and processed roots, starch and flour for food and industry, and animal feed.

The success in marketing cassava chips and pellets for use as livestock feeds provides a model for transforming cassava through an industry-wide approach. Another important product of the industrialization of the cassava industry is the production of starch through cassava processing. To reduce shipping volumes, there was a shift in the product lines of cassava processing from meal and chips to pellets and chips by changing its processing systems. Chipping and drying are done on-farm or close to the farm; starch processing is done mostly in large factories. Thailand and Malaysia are examples of Asian countries that have a well-developed cassava industry where the latest techniques are used, from cultivation to intermediate processing to end users needs.

Some industrial applications of cassava products include:

- Cassava starch is wide used for food production e.g. instant noodle, cassava pearls and seasoning sauce.
- Alcohol for industrial and medical applications, liquor.
- Production of flavour enhancer (monosodium glutamate).
- Sweetener – production of glucose, fructose, lactose, substitute for sucrose in making beverages, canned fruits, etc.
- Medicine – mixed with active pharmaceutical materials to make capsules and tablets.
- It is an important material in glue production.
- In the textile industry, cassava is used in yarn sizing and material printing.
- In the paper industry for paper pressing, flattening and polishing.
- In the wood industry as good quality glue for plywood binding.
- Cassava starch can be mixed with biodegradable polymer to product packaging materials.

b) Seaweed

Seaweed is a high value crop with nutritional and medicinal value that is being successfully cultivated commercially in a number of countries, including Malaysia. Analysis of the most

successful and sustainable seaweed industries in developing countries over the last thirty years will show that most have been initiated by international buyers and processors, generally from countries with the technical know how and established markets. These developments have been market driven and, although supported by aid agencies and research institutions, the catalyst and driving forces have been the international commercial sector. Frequently these initially successful developments have led to the establishment of a viable commercial sector for exporting and processing within the developing country. Malaysia has best practices and technical knowledge to share in this regard with S-S countries.

This proposal is submitted by:

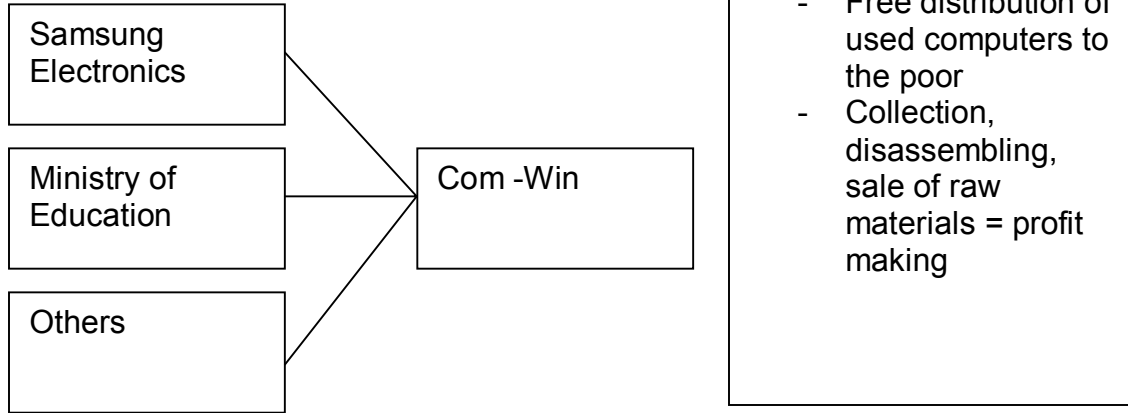
UNDP Malaysia

In cooperation with the Malaysian South-South Corporation Berhad (MASSCORP) and Marditech Corporation Sdn Bhd

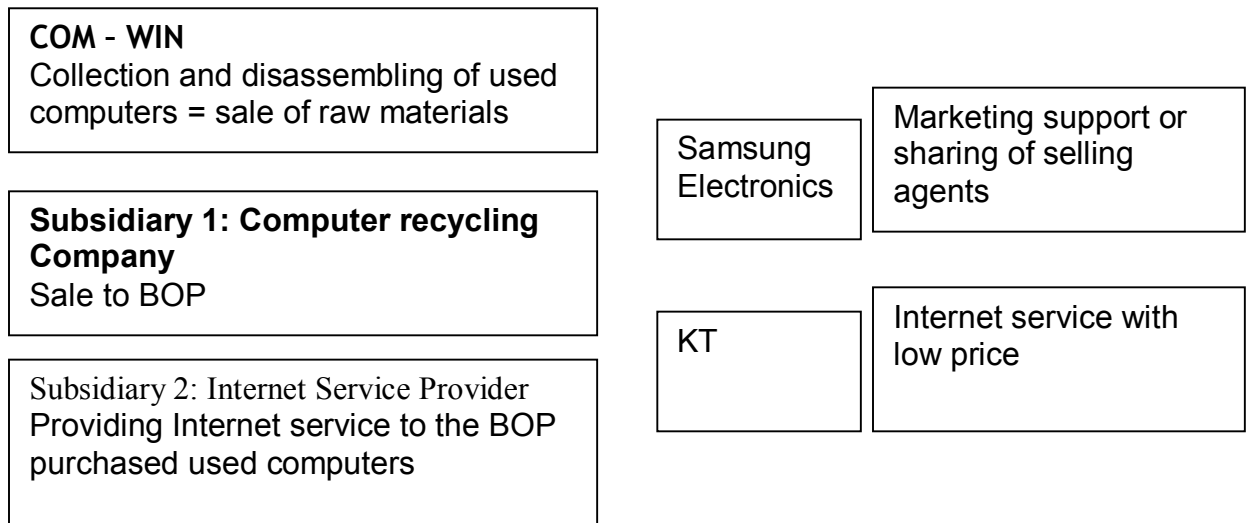
May 6, 2005

Theme: ICT Free distribution of computers to the poor

Present Stage (program proposal)



Advanced stage (Program Proposal)



³ A more detailed PowerPoint presentation including budget estimates is available.

Mongolia

Theme: Driving force – ICT
Harness ICT for human development – herders; knowledge – sharing, climate, market

Challenges: IT infrastructure – low
IT literacy – low
High costs of PCs, connection, services

Strategy: Training – hardware, internet/software

Stakeholders: Government, companies (SMEs), Banks, insurance companies

Expected Outcome: Information / knowledge – widely shared

Better IT literacy

IT usage = Better life

Industry – competitiveness increased

Efficiency increased = create jobs

Next Step: Accelerate project successfully

BOP Strategy (Details) PPP

1. Training
 - a. IT literacy (e.g. school, university, companies)
 - b. Software applications (SMEs)
 - c. Specialized Courses (SMEs)

2. Low cost PCs
 - a. Government (?) negotiates international vendors
 - b. SMEs sell and make services
 - c. Tax exemptions on PCs
 - d. Financial exemptions on PCs
 - e. Financial institutions provide services (instalment, insurance)

3. ISPs
 - a. ISP companies = economies of = increased scales = lower internet cost / price

Myanmar

Theme: Agricultural Development

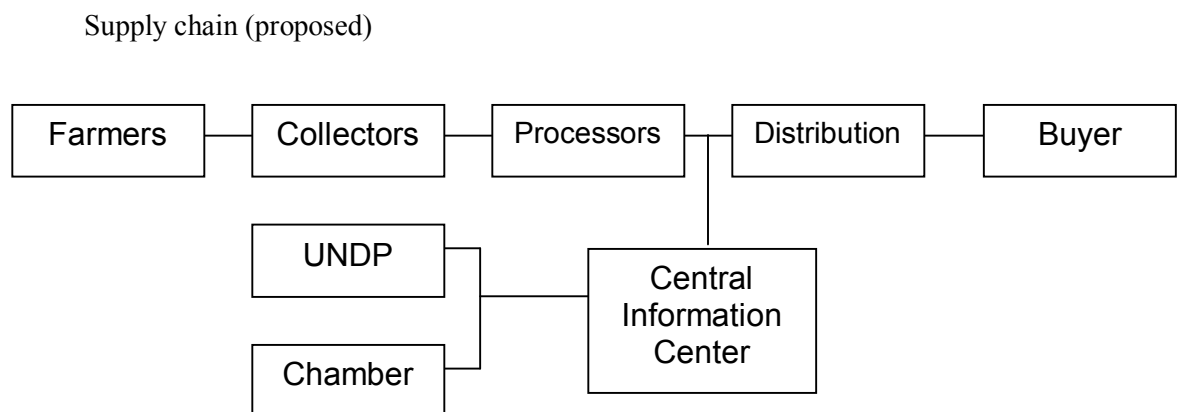
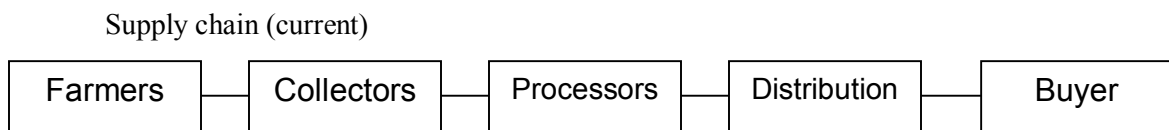
Challenge: Improvement in the supply chain, microfinancing for farmers

Strategy: Win-win for poor + private companies

Stakeholders: Chambers and Associations, UNDP, Private Companies, farmers

Expected Outcome:

- Companies gain information of international demands and supply markets
- Greater profits due to longer channels of distribution
- Greater incentive to be an entrepreneur
- Greater and more stable demand market for the poor farmers
- Microfinancing for farmers will help them plant more and improve their lives



Next Step: Set up information center for buyer/seller matching supported by UNDP, follow up with UNDP

Philippines⁴

Theme: Financial Services

BOP Initiatives:

I. Informal Sector

- a. Proposal for financing, marketing, product development, entrepreneurial skills
- b. Assistance to develop ideas and skills and be more productive.
- c. Creation of a center satellite system of production in partnership with PSD
- d. Private sector helps micro entrepreneurs with access to financing, for social preparation, capital technology, marketing and credit.
- e. Increase income of micro entrepreneurs
- f. Enable micro entrepreneurs to purchase goods
- g. Help partners (private sector) sell and develop products that are affordable to the poor

II. Industry Associations / Chamber Groups

- a. Industry Associations (SB Corporation)
 - i. Exporters group Easy access to financing
 - Christmas décor
 - Gifts / toys
 - Houseware / furniture
 - Food
 - ii. Bulk orders cannot be met because of lack of access to financing
 - iii. Facilitate easy access to capital to reach BOP (subcontractors of the exporters)
 - iv. Stakeholders include Govt financial inst, rural banks
 - v. Sustainable source of income for people in BOP (subcontractor)
 - vi. Enhance ability to accept volume order. (Lending through industry associations)
 - vii. Forge partnerships with rural banks

⁴ Two proposals from the Philippines are available (separate from this document): one from the Philippine Chamber of Commerce and Industry, and the Mindanao Business Council, and another from the Philippines Business for Social Partnership.

- b. Mindanao Chamber (Quedancor Php 35 M)
 - i. Partnership among farmers, businessmen and Local Govt Unit.
 - ii. Put up a supply value chain (farmers will have 3 incomes)
 - 1. What they do (farming) plant bananas, processing bananas
 - 2. Chamber projects (community cooperative business ventures)
 - 3. Patronage income (i.e. stocks)
 - iii. Value formation
 - iv. Operation costs (75000/ha)
 - v. Agro-industrial (with farmers / business groups partnerships)
 - c. Subcontractors
 - i. RBAP financing
- III. Social Entrepreneurship (PBSP)
- a. Non profit organization to engage in a profitable activity
 - b. Partnering with local coffee producer (Figaro) and franchising the brand and service
 - c. Proceeds will be used to fund sectors in need
 - d. Global perpetual source of funding through establishment of branches (Figaro) to other countries

PHILIPPINES – revitalizing the coffee industry; partnering with local coffee producers; franchising the brand and service

Theme: Financing, Agriculture and Enterprise Development

Challenge:

In their desire to jumpstart and sustain the vigor of the Philippine coffee industry, industry players, supply chain members and business franchises would need tremendous support. It must engage every Filipino at every level possible, whether in production, consumption or somewhere in between. Although coffee has been a staple product in the country, quality coffee has become an increasingly expensive luxury for most of Filipinos especially in the A, B and C classes, making it largely unaffordable for the lower classes. Likewise, imported beans have struck prices much lower than homegrown coffee, an alarming scenario that does not help make high quality local coffee accessible to most.

The challenge therefore is how to revive the Philippine coffee industry, making coffee accessible to the poor and encouraging more coffee producers to create small businesses and support cooperative ventures and partnerships between and among coffee growers. This can be an opportunity for

business to create business that will benefit a greater number of people at the bottom of the pyramid.

Popularizing blended coffee and coffee shops in the urbanizing and rural community areas outside the country's mega cities of Metro Manila, Cebu and Davao will generate bigger local demands for coffee beans creating an alternative market that is closer to poor coffee growers.

Strategy:

As part of the Business and MDG Poverty agenda, PBSP facilitates the implementation of Figaro's Social Entrepreneurship pilot program as a strategy to unleash entrepreneurship among small coffee growers in the countryside where majority of the country's poor come from.

Figaro has committed to support local coffee farmers and revive the *barako* (*Cafea Liberica*) coffee blended from indigenous coffee beans. Its vision of leadership is to revitalize the Philippine coffee industry (Philippines having been the 3rd biggest coffee producer in the world) by way of promoting the local *barako* variety which is synonymous with Philippine culture.

The working class and the rural farmers deserve access to quality and affordable coffee. Furthermore, coffee, being the second most-traded commodity in the world, also possesses a very high potential in small-business entrepreneurship in the country. With this in mind, the Figaro Foundation Corporation wishes to launch the Gising!* Campaign, a cooperative marketing and franchising project that **brings business opportunities to small coffee growers and their cooperatives** in selected coffee-growing provinces. Through this project, **high quality Philippine coffee will be made available at much affordable prices** and its celebrated glory will be brought back to where coffee was first grown and brewed.

Objectives of the Project

1. To jumpstart the business initiative of small entrepreneurial cooperatives in selected coffee-growing provinces
2. To complement efforts in reviving the local coffee industry and in promoting and supporting Philippine tourism
3. To wake everyone up to high quality coffee, Philippine brand

The GISING Pilot Project Components/Implementation Strategy

The GISING Project will be piloted in Silang, Cavite. Silang is the province's last town before Tagaytay city, well known to local and foreign tourists for its cool weather, mountain range and majestic view of Taal Volcano and Taal Lake.

As the gateway to Tagaytay City, Silang has started benefiting from the bustling tourism industry in the area. While the local fruit industry in Silang and other municipalities surrounding Tagaytay

* Gising! is the Filipino term for *Wake Up!*. In this project, *Wake Up! (Gising!)* literally means reviving the Philippine coffee industry.

City have benefited from local tourism, the local coffee industry and small coffee growers are yet to benefit from it.

The establishment of few high-end coffee shops in Silang does not bring business for local coffee growers since most of them import their supply of coffee beans. Furthermore, these high-end coffee shops target tourists and sell coffee at prices ranging from 60 to 120 pesos per cup, which the local populace, including farmers and wage earners, cannot afford.

Store Lay-Out and Design

The store structure is deliberate in its desire to spice up the familiar nipa hut cum sari-sari store feel. The store will be constructed with native inexpensive but sturdy materials to create a Filipiniana look, a unique touch of the Filipino's flair for art and trimmings. The design will allow for room to sell other products and condiments, with a seating area that is casual, indiscriminate yet very friendly.

Store Mechanics

Coffee

The store will literally greet its clientele with the reason to wake up to a wonderful brew. It will showcase coffee from the local producers, such as the small coffee ventures from the nearby municipalities of Amadeo, Tagaytay, Indang and Mendez. There will be special brews featured to tickle drinkers to exploring their palate and finding a favorite blend. Traditional brews will be served, as well as special coffee concoctions made available to the novice and to the curious coffee drinkers. Prices per cup of the regular brew of the day will be at an affordable **15 pesos (\$0.30)**.

Sweets and Pastries

A feature menu of native delicacies, traditionally coupling coffee will be one of the store's come-on. Accredited local suppliers of suman, bibingka, puto (variants of rice cake), buko (coconut) pie, cassava cake and other staple town kakanins (native delicacies) will be served. As well, an expanded menu of familiar locally produced pastries such as egg pie, leche flan, pastilles de leche, will be made available. Other companies and even dairy farmers' cooperatives can help communities produce these milk-based pastries by investing, training and ensuring a steady supply of milk and other ingredients.

Other Merchandise

GISING![®] is expected to promote a sense of belongingness and ownership of the store among the people who live around it. The food, the coffee, the strategy, are all familiar and easy, very much close to the locals' hearts. The stores therefore may be used as vehicles to bring people together. A **concomitant campaign of provincial pride** can also match the project, with the stores **selling their own city-products such as souvenirs of a province's more popular 'pasalubongs' and small gifts and special collectors' items** such as mugs, t-shirts, caps, pens, etc. this can develop into a series of merchandise once many other Gising store sites are determined.

Store Operations

Staff

The host municipality, through the Coffee Farmer's Cooperative, will lend the staff to the Gising store, further hiring on a need-basis. Store management will be left to the cooperative designate and shall be overseen by Figaro Foundation.

Training

The Figaro Foundation owns and manages two of the Figaro Coffee Company stores thus possesses the experience for overall store management. Through the Figaro Foundation, the preliminary training of the staff and crew (baristas) will be taken care of. It will provide access to the Figaro Coffee Company's expertise in the industry through training for the cooperative's staff, or hired personnel. A continued learning and retraining module could likewise be generated for the future of Gising.

Stakeholders:

Adhering to the principles of Unleashing Entrepreneurship, Figaro Foundation realizes that important benefits can only be obtained by fostering effective public-private partnerships. Hence, the proposed project involves various stakeholders in different sectors, which function in distinct and unique roles.

1. Figaro Foundation Corporation

- As the owner of the 'pilot' project – oversees implementation
- Provide the expertise; ensure brand and service quality through staff trainings; store management, infrastructure, etc.

2. Company investor

- Can be part of the store's suppliers – e.g. milk manufacturers, dairy farmers' cooperatives, etc.

3. Local Government Unit

- Assist in securing necessary business permits and other documentary requirements
- Provide local incentives
- Promote the initiative as part of its efforts in promoting local tourism and entrepreneurship

4. National Coffee Development Board (NCDB)

- Provide policy support and incentives to coffee growers and coffee shop owners
- Assist in securing franchising agreements with local coffee producers' cooperatives

5. Land Bank of the Philippines

- Provide loans to accredited coffee growers' cooperatives for coffee farms rehabilitation and production

6. UNDP

- Provide a start-up endowment fund which coffee growers' cooperatives can draw from to invest in GISING![®] coffee shops
- Provide financial support for the implementation of piloting stage

7. PBSP

- Organize and/or strengthen coffee growers' cooperatives in terms of financial management, organized coffee production and membership development
- Train coffee farmers on coffee production and rehabilitation
- Document Figaro's experience in implementing the piloting of the program and promote the concept of unleashing entrepreneurship to other company adopters
- Administer the endowment fund in behalf of UN

8. Coffee Farmer's Cooperatives

- Supply coffee beans on a sustained basis
- Co-manage and co-own GISING![®] coffee shops with Figaro

9. Local bakeries, small food entrepreneurs

- Supply native delicacies and pastries

Expected Outcome:

The pilot project will serve as a new business model using the principles of Unleashing Entrepreneurship. Through the project, the following are the targeted outcomes:

- Revitalized the local coffee industry
- Coffee is made accessible to the poor (with an affordable price of P15/cup)
- Created job opportunities
- Created small businesses (suppliers of native kakanins, etc.)
- Upgraded skills of coffee farmers
- Established cooperatives co-owning and co-managing coffee shop

Sustainability Plan:

Since this is a pilot project, the output will be documented to serve as a model for the creation of other similar business ventures. Business possibilities are not limited to coffee industries, thus can be implemented for other products and/or services.

In the piloting stage, the profits generated from the business will be coursed through the Figaro Foundation, which will be used to fund more capability building programs for farmers, baristas, etc. However, the return of investment, will also be used to fund similar social-entrepreneurial ventures to ensure sustainability of funds and programs.

**“Promotion of Economic Growth with Social Equity Through
Chamber-Initiated Community-Based Business Ventures”**

by

Philippine Chamber of Commerce and Industry

EXECUTIVE SUMMARY

Social inequity remains to be a critical problem in the Philippines as one-third (1/3) of the population live below the poverty line and over thirteen percent (13%) are in absolute or extreme poverty. Social inequity, however, can be addressed by opening opportunities for participation of the Bottom of the Pyramid (BOP) in economic activities, making business work for the poor. Given this, the role of micro, small and medium enterprises (MSMEs) becomes very critical as they represent the vast majority (99.6 %) of the country’s business establishments.

Actual business projects that will generate economic growth, jobs and livelihood for the BOP can significantly increase the purchasing power of the poor and make available to them low cost and quality products, thereby improving their standard of living.

The Philippine Chamber of Commerce and Industry -- the country’s biggest organization of business enterprises, local chambers and trade/industry associations -- is aggressively pursuing its advocacy for business growth with social equity by initiating specific business projects that are community-based and focused on the BOP. Central to this initiative is the creation of active partnership and working relationships among the private sector, public sector (local and national government) and other community stakeholders.

Towards this direction, PCCI institutionalized performance-monitoring (scorecard system) in the year 2002 and direction-setting (roadmapping) in 2003. It has also adopted One. Global. Filipino as its overall slogan since 2003 – highlighting the need for unity, global competitiveness and pride as a people. Last year, PCCI adopted “Beyond Business” as a sub-theme to stress the private sector’s role in ensuring not only economic growth but general socioeconomic well-being of communities as well.

“Promotion of Economic Growth with Social Equity Through Chamber-Initiated Community-Based Business Ventures” shall be PCCI’s anchor initiative to put in place specific business projects that would help uplift the plight of the BOP as participants or as consumers of low-cost and quality products that would be made available. This approach to MSME development is consistent with UN’s “Unleashing Entrepreneurship” and UNDP’s “BOP” thrusts -- workers will become part of the business (sharing the benefits of the enterprise/corporation) and business will work for them.

Mindanao is the first among PCCI’s five geographical areas, that is ready to pilot specific community-based business ventures covering the following products: banana, cassava, coconut and seaweeds. This area will then spearhead the generation of templates that will serve as models for private sector-initiated and community-based business ventures for other areas.

PCCI shall extensively promote the “BOP” approach countrywide, bringing together the various stakeholders in all levels of government and the society, towards economic reform and social transformation. This joint effort with UNDP shall allow stakeholders to unleash entrepreneurship, make business work for the poor and achieve the common goal of socioeconomic stability.

“Mindanao...Delivering on the Promise: Building Businesses with the Poor”

by

Mindanao Business Council

EXECUTIVE SUMMARY

At present, many communities in Mindanao suffer from a high degree of deprivation and inequality that has bred and sustained the Moro uprising. Trade and industry, tourism, livelihood and practically all sectors of the business community have been negatively affected by this continuing problem, without which Mindanao would be able to progress, given the tremendous natural resources available in the area and the ideal weather year round.

The challenge of attaining a more peaceful and productive environment that will restore the viability of Mindanao, while utilizing its home-grown produce, is the task that the Mindanao Business Council has taken on as its primary thrust. Towards this direction, MBC shall undertake projects envisioned to develop community-based economic activities involving highly-marketable and high-value products in Mindanao, such as bananas, seaweed, coconut, and cassava.

To uplift the economic and living conditions of the farmers and their respective communities, MBC is engaged in a continuing effort to develop these crops in Mindanao. This leaning towards the agriculture sector is based on the fact that farming continues to be the main livelihood of the Mindanaons. Yet, despite the vast resources in terms of fertile land and seas, many farmers and fisherfolks still live well below the poverty line.

This effort of MBC is expected to help emancipate the poor farmers from poverty through sustainable development of their farmlands and coastal areas.

While the proposed project directly provides for better livelihood for the beneficiaries, particularly the Bottom of the Pyramid (BOP), development of farmlands and coastal areas will likewise open up significant opportunities for employment in the target communities. With the multiplier effect, increased entrepreneurial activities within the communities and even in their peripheries will likewise be expected as soon as these business ventures are operationalized. Augmenting household income will lead to increased purchasing power, contributing to increased aggregate income for the communities or barangays.

In addition, the very concept of sustainable and responsible farming methods that the project will employ introduces to the community the significant impact of environmentally-sound agriculture, and raises their level of awareness on environmental protection. Once provided with the necessary assistance, local farmers' groups may develop their own capability to run and manage their farms and market their produce with optimum returns.

The sustainability of these economic activities and their benefits to the BOP shall contribute significantly to poverty alleviation and the attainment of peace and prosperity in Mindanao.

Business exchange between the Philippines -- Mongolia

During the workshop, Systema Computer Solutions Corp. of the Philippines and a Mongolian software company called Siticom Co., Ltd managed to establish a business linkage. Systema has shown what a Small and Medium Enterprise (SME) Information Technology company can develop for major Japanese companies and for major Philippine government agencies given the appropriate technology and training.

One of the issues the two companies discussed was the means to develop systems that benefit and empower the poor using appropriate third world technologies. For example, being able to search and apply for jobs using mobile phones is an important enabler for the poor in countries with poor land lines and telecommunication infrastructure. The second issue was the need for agencies like UNDP, World Bank, ADB, etc. to provide software development projects to SME IT companies that touch the lives of the poor using appropriate third world technologies.

Thailand, Vietnam⁵ and Laos⁶

Theme: Agriculture

Challenge: Increasing farm households income at BOP

Strategy: Develop innovative contract modalities to fill the gap / link between small farms and large processors. (Link to regional and global market)

Stakeholders: Small holders, farm families at the BOP, large processors

Expected Outcome: Higher income for farm families, higher profit for processors

- Next Step: - Identifying specific products in each country suitable for contract farming
- Identify large processors potentially interested
 - Identify small farm households potentially interested
 - Facilitate the formulation / negotiation of mutually beneficial innovative contracts

⁵ Proposal for Viet Nam is attached as Annex B.

⁶ Additional proposals for Laos are attached as Annex C.

Timor Leste

Proposal for
“Financial Services for Reactivation of Vanilla Industry in the Rural Poor Areas”

Country Office	Timor-Leste	
Project Title	Financial Services for Reactivation of Vanilla Industry in the Rural Poor Areas	
Service Line	SL. 1.3.	
Requested Amount		
Name of Contact Point(s)	Jose DRF Abel, Programme Officer, PRCD Unit, UNDP	Rui Gomes, Chief of PRCD Unit, UNDP
Relevant Country Programme Outcome and Annual Target for 2005	Country Programme Outcome: Outcome 7: Increased livelihood opportunities in local poor communities. (SL 1.3) Local poverty initiatives including microfinance.	Annual Target for 2005: 60 communities benefiting from initiatives enhancing their capacity out of poverty, such as creation of community groups, skills training, microfinance schemes and basic social infrastructure grants.
Current status of project	New project	
Execution modality	DEX	
Descriptive paragraphs	<p>Background</p> <p>Timor-Leste is the poorest country in the region. While its National Development Plan (NDP) addresses the importance of reducing poverty and promoting economic growth, the progress has been very slow since its independence in 2002. 41% of the population lives under the poverty line and the poverty gap is 11.9%. As in other developing countries, poverty is much higher in rural (46%) than urban (26%) areas.</p> <p>When one looks at employment situation of Timor-Leste, high unemployment rate and underemployment are the big concerns. Agriculture is the primary economic activity in Timor-Leste and about 80% of the population engages in agriculture activities. However, underemployment is a serious problem in the agriculture sector; the agriculture activity only accounts for about 26 percent of Gross domestic Product (GDP). In addition, high unemployment rate persists and the employment situation has worsened lately largely due to the downsizing of the UN personnel and other aid workers. 16,000 youth enter labour market every year, swelling the ranks of the unemployed. Unemployment rate of the youth is estimated to be 15%.</p> <p>It is therefore imperative to develop agriculture as a thriving sector to absorb labour forces and to maximise the potential for commercial development and economic growth in the rural area where about 75% of</p>	

Timor-Leste's population lives. In addition, agriculture should be developed, thus, assisting rural communities to improve their standard of living and reducing their vulnerability. The Sector Investment Plan (SIP) of Agriculture, which defines development goals specific to each sector, sets a goal of 6% growth in agriculture sector. In the SIP, one of the immediate sector objectives includes "Encourage the development of agriculture-based industries by the private sector".

Focus of the Proposal

The purpose of the project is to provide the rural poor with income generation opportunities through reactivation of the organic vanilla industry in partnership with microfinance institutions (MFIs) and the private sector. This partnership will not only facilitate access to market and access to financial services but also turn the rural poor to be more productive entrepreneurs which actively seek profit generation opportunities. Government Ministries will strengthen this partnership by providing technical assistance through extension facilities located in districts. The key ministries include Ministry of Agriculture, Forestry, and Fisheries as well as Secretariat of State for Trade and Industry.

UNDP will play a matchmaking role to bring opportunities where operational alliances among rural communities, private companies, local and national governments, and financial institutions work together. UNDP will also explore opportunities for the South-South cooperation. Further, the project will link to three ongoing UNDP programmes in Timor-Leste: Skills and Training for Gainful Employment Programme (STAGE), Ainaro Manatuto Community Activation Programme (AMCAP), and Oecusse Community Activation Programme (OCAP). STAGE aims to contribute to the reduction of the poverty and facilitate economic growth through providing the rural poor with the access to financial services. AMCAP and OCAP aims to enhance livelihood opportunities for rural poor communities through agricultural development and provision of financial services.

Key Objectives and Activities

- (i) To increase income generation opportunities of the rural poor through reactivation of the organic vanilla industry and provision of technical assistance to enhance their capacities in growing, processing, and marketing vanilla;
- (ii) To increase vanilla farmers' access to micro-credit through MFIs;
- (iii) To facilitate and connect the vanilla industry to the domestic and foreign market through private companies' marketing network.

The expected outcome of this project is profit generated by three concerned actors: vanilla farmers, MFIs, and private companies. Most importantly, it will provide the rural poor at the bottom of pyramid (BOP) with opportunities to improve their livelihood. The success indicators will

	<p>include the amount of profit generated through this project and benefit should be shared among all three concerned parties, particularly the rural poor.</p> <p>The success of this project will contribute to achieving the objectives of the National Development Plan (NDP): to reduce poverty in all sectors and to promote economic growth which are in line with the Millennium Development Goals. The success will be also catalytic in achieving one of the agriculture sector investment plan (SIP), “Encourage the development of agriculture-based industries by the private sector”.</p> <p>Initial idea of this project was formulated during the workshop in Manila for “Unleashing Entrepreneurship” in consultation among the conference participants of UNDP, MFI, and the private sector in Timor-Leste.</p>
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Annex A: BOP PROPOSAL ON THE REVIVAL OF AFGHANISTAN'S FRUIT PROCESSING SECTOR USING A SOUTH-SOUTH MODALITY

1. INTRODUCTION

Afghanistan is one of the world's poorest countries. Many years of war and political instability have left the country in ruins and dependent on foreign aid. Much of the population continues to suffer from shortages of housing, clean water, electricity, medical care and jobs. Growing political stability and continued international commitment to Afghan reconstruction create an optimistic outlook for improvements to the Afghan economy in 2005.

The GDP of Afghanistan in 2002-2003 was USD 4 billion. The per capita GDP is USD 180-190 based on a population of 22 million. The GDP growth rate is 28.6% (2002-2003 estimate) and the purchasing parity power is USD 19 billion (2002 estimate).

Reviving economic activities in traditional areas where the country has had a comparative advantage will be important not only to reviving the sustainable livelihoods of thousands of farmers but providing employment for the unemployed, underemployed and women and improving income levels and access to a better nutritional status, health, education and other basic services.

Malaysia has successfully managed and up-scaled its agriculture sector and value added of agro-based industries in the past 30 years and is well positioned to assist Afghanistan to revive its dried fruit industry.

2. STATE OF THE ECONOMY

The main source of income is in agriculture. The major agriculture products are opium, wheat, fruits, nuts, mutton, sheepskin and lambskin. The replacement of the opium trade which account for one-third of GDP is one of the major policy changes for the economy over the long term.

Thirty years ago, before the war, Afghanistan supplied approximately 10% of the world's dried fruits. The challenge now is to regain that former position in the world by working with existing farmers to supply fruits to new processing plants that could be financed and built. Currently there is a large supply of fruits, but there is no processing plant because during the wars, all of the processing plants were destroyed.

3. THE PROPOSAL

To revive Afghanistan's fruit processing sector through the Rapid Appraisal Method

3.1 Project Description

Rapid Appraisal is a method of capturing the essential pattern of the subject matter in a shortest possible duration, utilizing secondary published data and in-situ discussion and observation. It characteristically relies on small multidisciplinary teams that employ a range of methodological tools and techniques specifically selected to enhance understanding of rural conditions in their natural context, with particular emphasis on tapping the knowledge of local inhabitants and combining the knowledge with modern scientific expertise but minimizing prior assumptions. Findings from the Rapid Appraisal will be a major input in the report. It will identify the strengths and weaknesses of the sector and recommends plan of action. Feasibility studies on potential fruits

and processing plants with the required financing will be formulated for the operation of commercial fruit farms and processing plants.

3.2 Project Objectives

The project aims to utilize Malaysian expertise and private corporations to assist Afghan farmers to re-position themselves the world market for dried fruits. Objectives of the project are:

- i. To analyze the structure of Afghanistan's fruits production and the fruit processing facilities (including technological levels) vis a vis government's vision, policy and initiatives.
- ii. To study the set-up of present support services and their delivery systems to farmers and farming community; packers and fruit processors, particularly:
 - a. Financing and credit management options
 - b. The generation and dissemination of farming, post-harvest and processing technologies
 - c. The supply of agricultural inputs such as machines, implements, fertilizers and chemicals
 - d. The distribution and marketing system for the produce and products
- iii. To recommend framework and strategies to commercialize fruits production and fruit processing as initiatives to promote employment, increase income, reduce poverty, reduce the importation of food and increase tax earnings and foreign exchange from exports.

3.3 Activities

To implement the above project, the key activities are as follows:

Rapid Appraisal of Afghanistan's Fruit Farms and Processing Plants

(10-Day visit to Afghanistan by agricultural/agro-based experts)

- Conduct discussion with relevant government departments and agencies responsible for the development of Afghanistan's fruit farms and fruit processing plants, government policies, incentives and action plans
- Conduct interviews with relevant private sector personnel involved in the supply of inputs as well as the marketers and distributors of produce from the farms and fruit processing plants and ascertain the problems faced, levels of assistance required and potential areas for improvement
- Visit financial institutions, international organizations and other relevant funding institutions for sources of funding and other relevant information.
- Collection of information and secondary data regarding Afghanistan's fruit farms (production, yield, cost of agricultural inputs including labour and capital, harvesting and marketing costs, output prices at various marketing levels); post-harvest activities (storage, packing, transportation, and their related costs); market structure, conduct and performance
- Rapid appraisal of the fruit farm and fruits processing plants, the marketing framework and financing (domestic and international)
- Undertake feasibility study on potential fruit farms and processing plants

3.4 The study Output

- Analysis of government policies, incentives and action plan with regards to the revival of the domestic fruit production and the fruit processing plants
- Analysis of Afghanistan's fruit farms (production, yield, production areas), marketing structure (cost, pricing structure and marketing channels), post-harvest technology and fruit processing plants (technological levels and size of operation)
- Analysis of support services delivery system, including research and development and financing (domestic and foreign)
- Recommendation of programme and framework to promote the commercialization of fruit farms and fruit processing plants with particular attention towards uplifting the livelihood and income of the poor.

4. THE EXPECTED OUTCOME

The expected outcome from the project is an expanded Afghan's economy. The fruit supply chain will be strengthened. There will be value added activities for farmers and jobs creation i.e. the employment of hundreds or thousands of currently underemployed rural workers. The technical competency within the agriculture sector will be enhanced, the image of Afghanistan as an exporter of agricultural produce will be improved. Domestic consumers will benefit from the expanded supplies of dried fruit, thereby reducing imports of food. The expanded purchasing power resulting from job and wealth creation will provide opportunities for the development of BOP markets among the lower segments of the population and opportunities for entrepreneurship to be unleashed, including among the women.

5. BUDGET CONSIDERATION

The proposed budget for a team to undertake the feasibility study is \$ 50,000. Details can be submitted if required.

UNDP Malaysia/UNDP Afghanistan
Working in cooperation with
Marditech Sdn Bhd.
May 6 2005

Annex B: Proposed Project (Viet Nam): Effective contract farming through public-private partnership mechanism

1. Rationale

Vietnam is still, to a large extent, an agriculture-based country, with the majority of the poor living in rural areas. One of the ways to achieve quicker poverty reduction is to create more rural-based enterprises, and assist farmers in generating more income in their home village.

Vietnam farmers produce a variety of industrial crops, to supply raw materials to food-processing companies, and many such companies base their workshops in rural area to tap on this advantage. Ironically, while farmers often cannot sell their industrial crops or products, food-processing companies face a shortage of raw-materials (the same type of crops produced by farmers) to work at full capacity.

The government's strategy for poverty reduction emphasizes the need of networking the producers of industrial crops (such as sugar cane, cotton, tea, fruits, etc.) with food-processing enterprises, through mutual benefit business contracts. Such cooperation will help to ensure harmonization of benefits between enterprises and farmers, because manufacturers will have more stable raw-material supply, and farmers can have a stable market for their products.

However, in reality, farmers often break the contract, and sell their products in other markets, when the market price becomes higher than in the contract. Farmers tend not to be aware of the commitment made in signing a legally binding contract, and enterprises cannot sue for violating such a contract. As a result, farmers will not receive support from enterprises in subsequent crop seasons, and may lose their opportunity to derive more income.

2. The theme of the proposed project: Effective contract farming

Challenge

Contract farming is a relatively new development in Vietnam. However, there is an increasing application of contract farming system among agriculture-based industry (particular processing) firms and smallholder farmers.

Findings from studies on contact farming in Vietnam identify that key issues for the success of contract farming system in Vietnam in future are:

- Clear and strong relationship between participants
- Participants in the contracting system should be well organized
- Contracts farming is not suitable for all products and situations
- Contracts should be made in appropriate form.

The contracting relationship should be seen as a partnership between the participants, rather than as a competitive relationship or a relationship where one party exploits the other. Only by building a high level of trust and interaction between parties to a contract will the relationship be successful. This type of partnership arrangement can frequently extend beyond a purely business relationship to include social interactions and social relationship.

Partnerships are also important in regard to external organizations, such as local authorities, management boards, and mass organizations. Strong links can help facilitate and improve contracting arrangement

4. Stakeholders

The pilot effective contract farming aims to support all three main stakeholders -- the local government, business and farmers -- in establishing an effective mechanism to nurture and strengthen this network.

5. Strategy

To begin with, the project will select 1 or 2 provinces. This province(s) should have strong leadership commitment, and currently be at second tier of economic development. If the model works well, it could be replicated in other provinces in a second phase.

The public-private partnership's focus will entail establishing effective partnership mechanisms between private enterprise and farmers in order to mobilize potential entrepreneurial opportunities in rural areas, and enhance the productive capacity of domestic enterprises for income generation, and thereby assist many poor farmers to pass beyond the poverty line.

The strategy is:

- Share knowledge on successful contract farming cases to draw lessons learned for designing and establishing workable contract model.
- Assist the local government to establish a legal framework which helps to balance the interests of the enterprise and the farmers. Essentially, the mechanism should ensure the compliance of business contract by both business and farmers.
- Assist and encourage local enterprises to collaborate with farmers by supplying seed, fertiliser, and technology to, and buying back the products from, farmers.

Expected outcome:

- Private enterprises engaging in working with farmers gain profit and have stable raw material supply
- Farmers have improved livelihood and more income
- Local authority get better performance rating as it has facilitated more job creation and better life for a large part of its constituencies, the farmers

6. Next steps

- Identify the enterprise, champion in this area.
- Depict and understand in detail the current state of cooperation between the enterprise and the farmers.
- Work with the local government to develop a legal framework for enforcing compliance of the business contract between farmers and the enterprise.
- Assist the enterprise in establishing cashew nut pre-processing mini-workshops in the farmers' village. The pre-processed products will then be supplied to the enterprise for

- refining. This helps to increase income for the poor farmers, and improve the quality of raw material inputs for the enterprise.
- Work with the commune authority to establish an association of cashew nut growers to run a micro-credit scheme, funded from the Government's fund for poverty reduction.
 - Support a research institute to identify and supply good-quality seeds to the province.

Annex C: Additional proposals for Laos

Proposal #1: Facilitate Innovative Contract Modalities Linking Small Holder Farms to Higher Value-added Global Markets

Most people at the bottom of the pyramid in Laos are on small holder farms, largely producing at an impoverished subsistence level. Small holder farm households are understandably unwilling and often unable to specialize in higher value added crops because of the risks of specialization (including price risk), lack of access to basic information and knowledge on producing quality products at standards needed by the market place, and uncertainty over the availability of buyers come harvest time. On the other side, processors are unwilling to purchase produce from small holder farms because of high transactions costs in dealing with many uncoordinated small holder farms, and the often below standard quality of the produce.

One possible solution to converting such missing markets into well functioning markets is the use of innovative contracts between large processors (including foreign processors), and many small holder farm households (perhaps with a cooperative or association acting as intermediary to help organize and coordinate small holder farms). Large processors might find it profitable to provide basic inputs and knowledge on techniques and quality standards to small holder farm households in return for an agreed volume of production of a high end specialty product. Similarly, small holder farmers may be willing to specialize in higher value added specialty varieties in return for a guaranteed minimum price and buyer come harvest time.

Notably, innovative contract farming could provide the stepping stone and additional income needed for many small holder farm families to emerge from poverty, and eventually begin investing savings in more profitable non-farm and off-farm activities.

Therefore, this proposal is aimed at exploring which types of specialty crops suitable to small holder agricultural conditions in Laos might be in demand by large processors; identifying large processors and small holder farms that might have a strong interest in collaborating in such a venture; and the development of an innovative contract system that would be fair and mutually profitable for both small holder farms and large processors.

Available research on contract farming suggests that the potential for such contract farming is greater for products that are more differentiated and specialized, and may work less well for undifferentiated products. Moreover, a one size fits all approach to contract farming is not likely to succeed. Contract farming systems have to be tailored to local conditions, allow for a degree of flexibility in the case of unexpected events, and ensure that all sides to the contract face sufficient incentives to engage in a long term partnership.

Given weak contract enforcement institutions in Laos, incentives would need to be structured such that small holder farms don't by-pass the agreed large processor(s) if world prices rise significantly above the agreed minimum price; and such that the large processor don't renege on the agreement if

world prices fall significantly below the agreed minimum price. Such risks could be reduced by allowing for a price formula that would share the benefits/losses of any significant departure of world prices from the agreed minimum price; and by allowing the small holder farmers to gradually build up an equity stake in the large processor (either by allocating to farmer equity a small share of crop revenues or a share of any price increase above the agreed minimum price).

Small holder farm families need to feel like long-term stakeholders in the organizational arrangement, either like employees of the organization or owners/shareholders of the organization.

Product groups worth exploring for contract farming in Laos may include specialty varieties of rice, high quality cotton varieties, coffee, livestock, and wood products.

Funding would be needed for a pre-feasibility study to determine the potentially most suitable cash crops given soil and climactic conditions in areas populated by small holder plots in Laos; identifying large processors of the selected products interested in participating in such an innovative scheme; identifying a critical mass of farm households interested in participating; and facilitating the formulation/negotiation of an innovative contract that is profitable to both large processors and small holder family farms. Funding in the range of \$25,000 to \$40,000 should be sufficient for the related pre-feasibility study.

Assurances of a reliable high quality product by small holder farm families would also provide the assurances needed for further developing an e-trading system within the sub-region. (Hence this proposal could link up well with the proposal by participants from the Myanmar who proposed the development of an e-trading board/website, which would otherwise be more difficult given uncertainties about information asymmetries and quality of the product on offer on such a trading board.)

Proposal #2: Strengthen Selected BMOs to Catalyze the Development of Public Private Partnerships and Convert Malfunctioning Markets into Well Functioning Markets

Laos is still in transition from the former central planning system. As a result, the voice of the domestic private sector remains quite weak and diffuse. Reducing information asymmetries and closing gaps in understanding between the state and the domestic private business sector in Laos will be essential to effective progress. This will require strengthening the capacity of the private business sector to clearly articulate its practical needs in a coherent and coordinated manner, while at the same time proposing practical solutions.

In this context, effective Business Member Organizations (BMOs) such as well functioning chambers of commerce and business associations can play an essential role in developing common understandings on priority needs for their members, and channeling such priority needs and proposals for practical solutions to their respective government counterparts (at the central and/or provincial level).

Recently the Government of Laos has initiated actions to increase the independence of existing BMOs in the country. This may open up an opportunity for developing the voice of the private business sector. Therefore, this proposal would attempt to identify and strengthen selected BMOs in sectors with high valued added product groups and commitment for affecting positive change for their members and potential members. The demonstration effect of a few successful BMOs in affecting positive change could serve to catalyze broader and more meaningful partnerships between the public and private sectors.

Catalytic funding would be provided to selected BMOs to better determine the practical needs of businesses in their respective sectors through consultations, practical surveys and practical problem solving research. This would provide the basis for initiating a more meaningful dialogue and partnership with government for the further improvement of the business environment both generally and in specific sectors, facilitate employment generation and poverty reduction, help broaden and deepen the tax base, and help develop the country as a whole.

Funding for a pre-feasibility study would be needed to determine those BMOs with the greatest potential and commitment to affecting positive change for their members and potential members.

Proposal #3: Support the Development of a More Effective Business Registration System to Convert Missing Entrepreneurs into Successful Entrepreneurs;

The need for a more transparent and less costly business registration system in Laos has been singled out as important by some observers in the country. It takes some 198 days to start a business in Laos (including 132 days to obtain a license), the second longest waiting time of some 145 countries surveyed by the IFC. While the official cost of opening a business appears reasonable at an average of \$62 (including \$48 for a license) or 18.5% of average gross national income per capita, the long waiting time may reflect much higher costs including through the practice of paying “conventions”.

This proposal would seek to further explore the scope for the formulation and effective implementation of a Lao customized “Enterprise Law” based on the experience and overwhelming success to date of the Enterprise Law in Vietnam over the past several years. Key players in the success of the Enterprise Law in Vietnam could be invited to help the Government of Laos better determine the scope and potential for a successful Enterprise Law in Laos.