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Helping Accelerate Poverty Reduction in Asia and the Pacific

C-BIRD: CONNECTING THE PRIVATE SECTOR AND THE RURAL POOR

Technical Assistance (TA) 4575: Cambodia Business Initiative in Rural Development (C-BIRD)¹ attempts to forge development cooperation between and among government, the private sector, and the rural poor through innovative partnerships to help combat poverty in Cambodia.

Around 91% of Cambodia's poor live in the rural areas,² most are rice farmers who practice subsistence agriculture. Over 85% of the land under cultivation is in lowland rain-fed rice fields that produce an average of only 1.3 tons per hectare. Food security and malnutrition are widespread because of low rice productivity.

Cambodia's rural poor are faced with the problems of limited options for agricultural diversification, shortage of key agricultural inputs (fertilizer, improved seed, water access, credit, etc.), a limited domestic market, and very poor rural infrastructure.

On the other hand, despite the fact that the Cambodian private sector is relatively young, it generates an incredible 80% of the country's gross domestic product (GDP). The growth of the private sector³ over the past decade has been remarkable in light of many constraints and, over time, it has proven that private investment can create jobs at wage levels that could reduce poverty.

Equipped with appropriate information, up-to-date technologies, and enough entrepreneurial skills (product development, promotion and marketing, forecasting, business finance management, risk management, etc.), the private sector finds solutions, maximizes revenues and reduces possible losses.

Empowering the rural poor with the same entrepreneurial skills and related resources could dramatically transform Cambodia's rural poverty landscape. It would revitalize rural productivity, and increase incomes, purchasing power, and demand for consumer goods—spurring economic activity.

The private sector can play a vital role in empowering poor rural communities.

Forging Development Cooperation

C-BIRD draws lessons from the Thailand Business Initiative in Rural Development (TBIRD). TBIRD was initiated in 1986 to facilitate companies to sponsor Thai rural villages or communities and help them develop business skills to improve income levels and local living standards. TBIRD's success in harnessing private

sector knowledge and skills to accelerate and sustain rural development in Thailand prompted the Asian Development Bank (ADB) to initiate a similar program in Cambodia.

TA 4575: C-BIRD has three major components:

(a) **Situation analysis**—four studies were made and used to inform various possible options for the institutionalizing C-BIRD activities: 1) a mapping study on similar C-BIRD/TBIRD type of projects internationally, highlighting rural-urban linkages and exploring the role of corporate social responsibility (CSR); 2) an overview documenting the C-BIRD experience in Cambodia and an analysis of poverty and gender issues in Cambodia as they relate to C-BIRD; 3) lessons learned from the Thai model and the implications on C-BIRD; and, 4) a survey of nongovernment organizations (NGOs) in Cambodia on their interest in C-BIRD.

Among the key findings were:

- Trisectoral (state, private sector and civil society) initiatives on rural poverty in other countries (similar to C-BIRD/TBIRD) are very few;
- The World Bank's Cambodia Productivity and Investment Climate Survey in 2003 shows that the top priorities of private companies in Cambodia involved governance, the rule of law, and corruption. Unless these issues are addressed, the private sector is less likely to invest in C-BIRD type projects;
- Most businesses are concentrated in Cambodia's urban centers and are less interested in rural development issues;
- There are no existing public policies and institutions promoting and supporting business partnership between private companies and rural communities;
- National poverty strategies tend to view rural people as aid recipients and not as potential resources for business;
- Donors, for the most part, have promoted poverty alleviation through funding NGOs and assisting in project design;

- Most NGOs and aid agencies in Cambodia have few existing partnerships with the private sector.

(b) **Catalyzing partnerships**—C-BIRD’s success and sustainability depend on the strong and fruitful partnerships forged among its stakeholders (businesses, NGOs, government, donors, and rural villages).

The Task Force that was created to support C-BIRD’s implementation provides concrete evidence of the TA’s success in promoting development cooperation. TA 4575 brought together a diverse group from Cambodia’s major business associations, various ministries, the NGO sector, and interested donor agencies to establish the C-BIRD Public-Private Partnership Task Force.

Chaired by H.E. Lu Lay Sreng, Deputy Prime Minister and Minister of Rural Development, the overall role of the Task Force was to steer the C-BIRD initiative through the 12-month period of the TA, to provide overall guidance on policy and institutional issues, and to assist in developing “pilot” partnerships.

Concept papers of four potential C-BIRD projects were developed under the TA. All projects were discussed in detail with private sector partners who have agreed in principle to play a leading role in their implementation. The production of the business guidebook will proceed immediately with the firm involvement of the Association of Bankers in Cambodia. Other projects will be developed in due course. The four projects are:

- “Building Partnerships to Deepen the Garment Supply Chain” – a cotton-growing project for textile production. It involves the provision of funds by the banking sector to cotton-growing farmers.
- “Creating Village Workshops and Income Generating Opportunities” – a garment remnant utilization project with partnership among villagers, selected garment factories, the Garment Manufacturers Association in Cambodia, microfinance institutions, ADB, and other donor agencies.
- “Promoting Understanding of Business for Rural Communities” – development of a business guidebook for rural communities with the Association of Bankers in Cambodia at the forefront.
- “Building Partnerships and Dignity for People Living with AIDS” – establishment of micro-credit fund for people living with HIV/AIDS. The partners are people living with HIV/AIDS, Phnom Penh Chamber of Commerce, selected companies with interest in CSR, NGOs, and ADB.

(c) **Strategy and program to establish and scale up C-BIRD activities**—TA 4575 provides the operational framework for institutionalizing a C-BIRD mechanism. The recommendation is to set up the C-BIRD Foundation as an institution with an NGO character and status. The institution would play a critical role as facilitator and mobilizer between the two main partners—the rural communities and business associations—with inputs from additional support groups: government agencies, NGOs, and donors.

The C-BIRD Foundation’s organizational structure, governance strategy and framework, and an initial business plan were

developed under the TA. Moreover, a set of guiding principles was crafted to govern the foundation’s development cooperation undertakings. The formation of the C-BIRD Foundation will be expedited under an extension to the main TA project with a view to final establishment in early 2007.

Partnering for Rural Development and Community Empowerment

C-BIRD has generated high expectations among Cambodia’s development actors. Most are unanimous in viewing C-BIRD as a crucial mechanism for rural poverty reduction. C-BIRD is expected to be explicitly accepted by the government as a significant pillar of the rural poverty alleviation strategy. Among the rural poor, the expectation is that C-BIRD will be the appropriate vehicle for developing village-based entrepreneurial skills and engaging in sustainable income-generating activities. The government, NGOs, donor agencies, and the private sector expect C-BIRD to be a key player in stimulating greater interest in and understanding of CSR in Cambodia.

TA 4575, through C-BIRD, has contributed to multisectoral partnerships to promote business know-how and establish appropriate business activities that rural communities own and manage. This represents a significant step to rural development and community empowerment.

TA 4575 has demonstrated that the private sector has a crucial role to play in reducing poverty among Cambodia’s rural poor.

Endnotes

- ¹ TA 4575: Cambodia Business Initiative in Rural Development (CBIRD) is a \$150,000 technical assistance from the Poverty Reduction Fund. The Ministry of Rural Development (MRD) is the Executing Agency. TA approval d is April 2005. The extended completion date is November 2006.
- ² World Bank. *Cambodia—Poverty Assessment 2004*. Washington.
- ³ Industrial base has grown exponentially from a very low base in recent years, with the share of industrial output—i.e. mining, manufacturing, electricity, gas and water—and construction increasing from 15.2% to 21.9% of GDP between 1997 and 2001. Manufacturing output increased from 10.2% to 15.7% of GDP during the same period, due largely to rapid growth in garments industry. (Cambodia National Data Resource, Ministry of Commerce, 2006).

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