

## **Guidelines for value chain development and linking farmers to markets in the uplands of Vietnam**

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## ABSTRACT

*Value chain development involving small holders is currently promoted as a mechanism for promoting rural development generally, harnessing market forces for improving the livelihood of the poor. There is a growing trend for agricultural development projects to incorporate market linkages, in order to avoid the pitfalls of development efforts driven primarily by technology transfer, production increase or unsustainable institutions propped up by project structures. The market provides a solid basis for economic growth and thus a substantial prop for development. Nonetheless, there remain many challenges for linking poor farmers to markets and ensuring that the resulting changes retain a pro-poor orientation. These challenges are acute in a country like Vietnam, undergoing profound economic and social transitions. This is particularly the case in the upland regions, where the terrain, remoteness, ethnic diversity, unstable marketing networks, lack of support policy and socio-economic disadvantage pose so many additional challenges for poor farmers. The interplay of market forces and the development aims of government agencies and NGOs are not necessarily arranged on a common course. In the face of rapidly accumulating experience with these phenomena around the world and growing expertise within Vietnam, this paper provides a review of international and Vietnam based experiences, focused on the uplands. The paper centres on a set of research questions designed to support an Australian Centre for International Agricultural Research project implemented in 2009 in the north-west highlands of Vietnam. The project deals mostly with ethnic minorities. The review is augmented by an analysis of project participants' experience with linking poor farmers to markets in Vietnam. Can value chains shaped by pro-poor intervention achieve poverty reduction and sustainable development when the results are dependent on market outcomes? What are the alternative approaches for linking poor farmers to markets? What factors contribute to the success or failure of these alternative approaches? What common and upland Vietnam specific experience with pro-poor value chain development can guide projects to improve market linkages for the uplands of North-West Vietnam? What are the policies necessary from local government to support value chain development? The paper addresses these questions and reveals evidence of corporate social responsibility in the emergent properties of agricultural value chains.*

## BACKGROUND

Value chain development involving small holders is currently promoted as a mechanism for promoting rural development generally, harnessing market forces for improving the livelihood of the poor. There is a growing trend for agricultural development projects to incorporate market linkages, in order to avoid the pitfalls of development efforts driven primarily by technology transfer, production increase or unsustainable institutions propped up by project structures. This approach is consistent with the Making Markets Work Better for the Poor (M4P) approach to developing market systems so that they function more effectively, sustainably and beneficially for poor people. According to Gibson (2009), the approach provides guidance in both understanding the poor in market systems (analysis) and in intervening to bring change (action). Linking farmers to markets assumes the development of long-term business relationships, rather than support for *ad hoc* sales (Shepherd, 2007; Moustier et al. 2003). These relationships can develop as value chains, where the focus of the whole chain is on creating value in the eyes of the customer or final consumer, and where the chain acts as a competitive entity in the market. In this paper, we will concentrate on linking farmers to markets through the development of value chains. Value chains apply to differentiated products where quality and continued innovation are essential for competitiveness in high-value and quality-conscious market segments. Formal contracting systems and rather structured and well-developed forms of collective action at farmer level are typical features of agricultural value chains. These institutional arrangements may also be present in agricultural supply chains, but in the case of value chains they are a characteristic condition. Without these features, the system cannot achieve the level of coordination, collaboration, partnership and market-orientation that is the basis of chain optimization and continued market-oriented innovation.

The market provides a solid basis for economic growth and thus a substantial prop for development. Castella et al. (2006) acknowledge the positive impact of Vietnam's economic liberalisation process in 1986, which enabled farmers to be more responsive to market incentives which helped enhance economic growth and decrease poverty. However, pro-poor policies that are not also pro-market are most likely to fail (Berdegué et al. 2008). There are many challenges in linking poor farmers to markets and ensuring that the resulting changes retain a pro-poor orientation. The challenges are acute in a country like Vietnam, undergoing profound economic and social transitions. This is particularly the case in the upland regions, where the terrain, remoteness, ethnic diversity, unstable marketing networks, lack of supporting policy and socio-economic disadvantage pose so many additional challenges for poor farmers. There are long lists of problems identified in the literature and elaborated by farmers and those that work with them. Alther et al. (2002) illustrate how upland farmers have limited livelihood options because they are difficult to reach, isolated from infrastructures, markets, and administrations. Additionally, Shanks (2002) highlights the low rate of innovation adoption by farmers in mountainous areas, who only access generic messages that are not relevant to their diverse agro-ecological conditions. Other difficulties include the limited horizons of the participants, isolation from markets and infrastructure, lack of information, lack of willingness by traders to invest in production, the small quantities traded and irregular supply, invoicing and tax requirements, historical mistrust of cooperatives, lack of knowledge, capital and risk taking ability, limited options, low negotiation and

organisational skills and inappropriate policies for the promotion of agribusiness. At present, agricultural market chains in Vietnam are typically short, with low opportunity costs for labour, a competitive trading environment and minimal value adding. The distribution of marketing margins is often inequitable, resulting in low prices for farmers and persistent poverty in highland areas. There is a trend to higher levels of concentration, but still a great deal of informal and small scale activity in the upland areas. Value chains are a rare exception in Vietnam. It is not surprising, therefore, that domestic and export agricultural chains in Vietnam have generally performed poorly as far as quality is concerned. They tend to be cost-efficient, but are failing to deliver the quality required in high-value market segments. The difficulties in establishing safe vegetable chains or the fact that key agricultural exports are sold in the world market at discounted prices are two manifestations of this problem.

The interplay of market forces and the development aims of government agencies and NGOs are not necessarily arranged on a common course. In the face of rapidly accumulating experience with these phenomena around the world and growing expertise within Vietnam, this paper provides a review of international and Vietnam based experiences, focused on the uplands. The paper centres on a set of research questions designed to support an Australian Centre for International Agricultural Research (ACIAR) project implemented in the north-west highlands of Vietnam in 2009. Workshop results capturing the experience of project partners and an analytical framework for selected case studies are also included in the paper. At the time of writing, the project was in a diagnostic phase, consisting of information gathering, relationship building and rapid value chain analysis.

There is wide consensus that linking farmers to markets is important and that interventions to assist smallholders and agribusiness firms may be designed to achieve pro-poor impacts. The intention should not be taken as a blanket recommendation for all such efforts however. There is a danger that much investment may be misguided, limited to local impacts, that other actors in supply chains may be intentionally or unintentionally displaced, or that the consumers are forgotten in the design of interventions to promote producer interests. Economic analysis of the efficiency and equity impacts of supply chain interventions is scant (Tanburg 2008). Few of the government, donor agency and NGO staff designing interventions spare the effort to consider such matters, working on the basis that by promoting the interests of poor farmers they are headed in the right direction.

Evidence collected in the north-west uplands of Vietnam by Minot et al. (2006) shows that yield increases have been the most important source of income growth, especially for the poor. Their results highlight the pro-poor impact of yield-increasing investments and they conclude that increasing the provision of extension services could be a worthwhile strategy for improvement. This might be argued to have been the approach that has driven pro-poor development work in agriculture for many years. Yet there are strong concerns that production oriented investments are also at risk of wasting strategic research and investment funds and of imposing costly failure on the poor. Despite the wealth of evidence concerning the limitations of the technology transfer paradigm in development, it remains an enduring mindset in many branches of government and donor agencies. Extension services require transformational changes to become effective in promoting enterprise development, with greater attention to

marketing research and assessments of the profitability of new crops or expanded production (Shanks and Turk 2002). Minot et al. (2006) also recognise that greater attention is required to marketing and profitability, in conjunction with the investment in yield enhancement. Berdegué et al. (2008) in a wide and penetrating review, observe that no proven methodologies or replicable models for linking poor farmers to markets exist as this is a relatively new field. There is much still to be learned and a relative lack of monitoring to evaluate the performance of donor interventions in this area.

## **RESEARCH QUESTIONS**

### **Can value chains shaped by pro-poor intervention achieve poverty reduction and sustainable development, when the results are dependent on market outcomes?**

Although much of the work in linking farmers to markets is not couched in terms of value chain development, there is a clear weight of opinion that interventions to build market linkages can have an impact on poverty reduction and sustainable development. However, there are some concerns for the sustainability of many arrangements once project support is withdrawn. Experience specifically with value chain creation and forging market linkages, shows the need for greater proactivity on the part of governments and donors in the design and management of their interventions. Berdegué et al. (2008) call for the recognition of the legitimacy of *regoverning agricultural markets* and point out that both pro-poor and pro-market stances are fully compatible. Nonetheless, it is important to analyse whether market forces and the aims of government, development agencies and NGOs are aligned on a common course in the design and management of particular pro-poor interventions. The analysis should be mindful of the possibility raised by Shepherd (2007) that arrangements to link farmers to markets may simply be replacing one group of farmers with a target group of beneficiaries.

As illustrated by the two case studies included in this paper, there is much scope in the uplands of Vietnam for interventions that address the numerous barriers that constrain the participation of poor households and communities in markets and that limit the benefits that they can enjoy from market participation. Opportunities exist for external interventions to reduce the extent of market failure and to lower the high transaction costs and risks associated with product chains that are important to the uplands or have the potential to develop in such areas. There is also scope for partnering with key agribusiness firms operating in the uplands or planning to develop their business in these areas. Such interventions can address key enterprise weaknesses that limit their competitiveness and that of resource-poor farmers they do business with. These interventions can enhance the competitiveness of upland communities, while also generating benefits to upstream and downstream enterprises. Such market outcomes are pro-poor.

### **What are the alternative approaches for linking poor farmers to markets?**

There are many possible approaches to linking poor farmers to markets. By concentrating on the creation of value chains, we reduce the choice set by focusing on chain characteristics that are designed for business success. Nonetheless, there remains a complex array of design choices for strategic interventions targeting value chains. Whilst

various models are cited as case studies of success, there is limited broad analysis and the challenge of extracting a set of design principles remains.

Many authors consider that collective action is a powerful influence on the success of pro-poor market linkage projects (e.g. Berdegué et al. 2008; Shepherd 2007). The observations are founded on studies across many countries and organisations. The evidence is supported by the work of the M4P group in Vietnam, which recognises the importance of organizing small farmers through collective action, on the grounds that whilst the agricultural sector will inevitably modernize and commercialize, the bulk of agricultural production in the foreseeable future will continue to be undertaken by smallholders. Collective action enables small farmers to increase their purchasing power to access inputs and to achieve increased economies of scale during production and commercialization (Moustier et al. 2003). The M4P project in Vietnam found that collective action for improving the livelihood of the poor required enhancing the capacity of its members and leadership and increasing the legal recognition of the multiple forms that collective action groups could take (Central Institute for Economic Management 2006; Anh et al. 2007).

Pham et al. (2009) propose that contract farming arrangements could be a promising approach. However, Shepherd (2007) cautions that whilst contracts offer potential, they are limited in situations where there is lack of recourse to public authority for contractual enforcement or resolution of disputes. Sometimes spot market transactions make much more sense for all actors in the chain. In other circumstances vertical integration is a more efficient and effective arrangement for agribusiness. Contract farming offers promising opportunities, but should not be regarded as a panacea that is appropriate in all contexts.

A range of approaches that might be taken in linking farmers to markets, through value chains is shown in Table 1. These strategies were identified in workshops to design the value chain interventions for the ACIAR project. The various strategies are not mutually exclusive and they may intersect over various design dimensions. The range of strategies provides a palette for detailed design work as the project progresses. Given that such interventions are often the product of government planning, there is a danger that the central planning involved is at odds with market forces or dangerously out of touch. This may be evident in the fixity of planning, the emphasis on budgets, or the lack of capacity of staff to undertake the facilitative and mentoring roles required to support innovation and foster entrepreneurship.

**Table 1: Strategies for improving market linkages through value chains**

<b>New value chain formation</b>
<b>Upgrading existing chains</b>
<b>Organisation of producers through collective action</b>
<b>Contract farming</b>
<b>Public-private partnerships</b>
<b>Value chain analysis as basis for advocacy for poor farmers</b>
<b>Production improvements to attract linkages, including economies of scale or scope</b>
<b>Chain management (chain captaincy or championship), facilitation and mentoring</b>

**Area based or product focused approaches**  
**Processing, marketing and promotion of products to attract poor farmers to profitable enterprise**  
**Information provision for consumers and chain members**  
**Capacity building and training**  
**Credit provision or design of financial instruments to support market arrangements**  
**Linking to high value and niche markets (Fair Trade and Consumer Supported Agriculture)**

The options could be further detailed in terms of the specific types of linkages entailed, particularly with respect to the actors in the chain, the institutions involved and the specific financial arrangements at play. Perhaps it is more important to recognise the variety of design choices available, and the necessity for careful analysis of each of the variable dimensions of the design and the fit to the specific situation. One of the key findings of Castella (2006) was that there was a need for institutional capacity building to empower extension agents in dealing with the diversity of partners and modes of partnership that were actually operating and possible.

#### **What factors contribute to the success or failure of these alternative approaches?**

Various limitations are ascribed to interventions promoting market linkages, including the attitude of government, donor agencies and NGOs to the private sector, the limited abilities of staff in market related activities relative to the private sector, unsustainable service provision and tight constrictions on acceptable expenditure for funding agencies (Berdegue 2008, Kindness and Gordon 2002, Shepherd 2007). Subsidies to support market linkages usually lead to problems when farmers have to meet the full costs when external assistance ends. They also distort targeting and mask the true profitability of investments. In some cases, it can be argued that subsidies are a source of unfair competition. When linked to input provision, subsidies undermine embryonic private distribution networks, thereby eroding rather than enhancing market development.

Historical experience with old style cooperatives in Vietnam will profoundly affect farmers' attitudes to collective action, as will concerns for management experience, market risk and other factors (Russell and Rankin 2005; Shanks and Turk 2002). Farmers incur costs from group formation and farmer groups in Vietnam may not function according to democratic principles aligned with market activity. Groups that retain the influence of central planning have limited chances of success in linking to markets. It is important to think beyond collective action in designing pro-poor interventions for linking farmers to markets and we should also recognise that the formation of farmer groups is not always necessary for achieving this goal.

In terms of the positive factors affecting success, the promotion of trust amongst chain members is highly rated in the literature (Bryceson, 2006). So too are the willingness to exchange information, flexibility in approaches, farmer involvement in negotiations and a definite agribusiness and entrepreneurial orientation. According to Berdegue et al. (2008), successful approaches share the characteristics of having: collaborative arrangements between trained and organized farmers; a receptive business sector; and conducive public policies and programmes. They use case study evidence to

show that such arrangements are mostly supported by specialized partnership facilitators. They also stress the importance of creating links to the financial services, given that these links are clearly lacking in market access interventions. It is also necessary that extension services be upgraded by the provision of marketing information and by upgrading the marketing and facilitative skills of extension officers.

### **What common experience and what local experience with pro-poor value chain development can guide projects to improve market linkages for the uplands of North-West Vietnam?**

It is well accepted that development work should follow a learning approach, not a blueprint. Experience has shown that, in general, interventions have succeeded because they were responsive to beneficiary needs at a particular time and place, and built around a strong program to make them work. Korten (1980) describes this as the 'fit' between the program design, beneficiary needs and the capacities of the assisting organisation. This approach is often seen as problematic to research and extension institutions and funding bodies, because it is perceived to be more difficult to scale up (ie. scaling up a process, rather than a technology). It requires more human resources and time than conventional technology transfer approaches. This becomes even more difficult when talking about 'scaling up' within agri-food systems, and not just scaling up of changes, for example, in farming practices. It is not yet clear whether linkage projects are replicable and up-scalable. Ways of replicating tried and trusted approaches at lower cost, in order to benefit a greater number of farmers, do not yet seem to have been developed. Realistic cost figures could promote dialogue on whether such activities can be widely replicated.

Another issue is whether or not project activities and learning continue after funding has ceased. Leaving farmers and their groups to look after themselves becomes easier if a clear exit strategy has been worked out. Opinions are divided on the time frame necessary to have a high chance of sustainability. Some NGOs have attempted interventions of two or three years while others believe that the process requires up to ten years. Donor funding usually means that the time of exit is set by the donor, not by the circumstances, with possibly negative consequences (Shepherd, 2007).

Berdegúe et al. (2008) suggest that it is not necessary to have farmer organisations develop or own value chains. Their case studies indicate that donor interventions are commonly inefficient in that they misinterpret the role of specialized companies within value-chains, fall into the trap of thinking that the most effective entry point for intervention is at the farmers' level; and fail to recognise that value-chains cannot be built by outside agents but must be built around private sector initiatives.

### **What are the policies necessary from local government to support value chain development?**

Moustier et al. (2003) identified a number of levers of change in the public realm associated with market linkages, including the provision of market information services. Policy should be guided by service provision for farmers and advisory services, not subsidised production. Shepherd (2007) stresses the need for a suitable enabling environment to promote successful linkages. This requires the freedom for the private sector to function in a competitive way and incentives for investment. That situation is



created by good monetary policies, taxation and tariff structures and good governance. Shepherd further identifies areas in which governments can provide an effective enabling environment as including regulations relating to pesticide use, food standards, seed quality and provision of arrangements to certify quality and geographic origin.

## **CASE STUDIES**

For the analysis of case study experience, it is difficult to systematically categorise the alternative mechanisms that might be employed for linking poor farmers to markets. The various options described in case studies normally differ across a range of dimensions, defying simple typologies. In this paper we have adapted a framework for the analysis of aid delivery devised by Russell et al. (1997), taking into account the dimensions of scope and history, actors and institutions, content and financing. This framework allows for the systematic analysis of interventions highlighting critical points of contrast and efficacy. Case studies are presented in terms of the experience of two agencies working in Vietnam with extensive experience in value chains and market linkages for the poor. These cases are described separately in the following sections and contrasted in terms of the key dimensions of strategic intervention in Table 2. The points of contrast and the similarities provide insight that may inform other situations for the reader.

### **Small scale agro-enterprise development in the uplands of Vietnam (SADU) experience.**

SADU is a research for development project implemented by the International Centre for Tropical Agriculture (CIAT), with funding from the Swiss Agency for Development and Cooperation (SDC). The project aims to improve the livelihoods of ethnic minorities and other resource-poor upland farming households through better integration in and improved performance of selected product chains. SADU follows an area-based approach, whereby interventions are designed to ensure that income benefits flow to the target areas and target beneficiaries. The uplands of Vietnam and ethnic minorities have benefited from market opportunities to a much lesser extent than the lowlands and the Kinh majority, and it was felt that targeted approaches had a role to play in redressing such imbalances.

SADU has developed various chain pilots in partnership with government agencies and the private sector. These pilots aimed to demonstrate the scope for delivering pro-poor impacts that are both sustainable and scalable through simple and low-cost interventions. Hence, chain interventions had the dual purpose of improving local livelihoods while at the same time validating approaches and good practice principles with wide applicability. SADU adopted very diverse intervention strategies in very different product chains, thereby providing a rich collection of experiences.

Valuable lessons on collective action for market access have also been learnt. The experience of small, informal banana marketing groups formed by women from the Paco ethnic minority confirmed that collective action can be an effective vehicle for disadvantaged farmers in remote locations to undertake the necessary market-oriented investments and develop effective and efficient linkages with urban wholesalers. Yet, experience also showed that it takes several years for such groups to mature to a point where they can prosper without requiring continued training, advisory and market linkage

services from an external agency. Donor expectations and project timeframes are often inconsistent with the long-term nature of group development processes.

In a cluster of remote upland communes, there was an urgent need to develop linkages to outside markets for chayote shoots, a high-value vegetable crop that was being piloted by a coalition of local government agencies. This was successfully achieved through the development of a well-coordinated network of ethnic minority farmers that took over trading functions and was linked to transporters in the lowlands, buyers in the provincial capital and Hanoi, and distant input agents. This collection network proved superior to farmer groups in their ability to service a large number of growers and meet daily orders from urban wholesalers. This network is undergoing rapid growth without external assistance in response to a rapid expansion of cultivated areas.

Experience in the persimmon chain brought to light the difficulties in mobilizing traders to support complex technical innovations at farm level when marketing systems are characterized by high levels of informality and unstable, opportunistic networks. Yet, by exposing farmers to marketing opportunities and by linking them to sources of technical expertise, SADU acted as a catalyst for investment in a new, non-astringent variety that enjoys very favourable market prospects. Hundreds of farmers are also adopting critical improvements in orchard management practices with a view to access quality-conscious urban markets. The fact that many farmers are supplying grafting wood and providing top-working and advisory services is fuelling scaling-up processes. While SADU targeted individual growers in selected clusters, there is now a favourable context for group marketing strategies that can improve access to critical external inputs and enable efficient delivery of minimum volumes of standardized-quality fruit to urban buyers.

Interventions that targeted district and commune workshops for the commercialization of simple cassava slicing and harvesting technologies also validated the merits of working with strategic service providers. Simple harvesting cassava technologies have been mainstreamed in the initial target district and are now being promoted in other districts and other provinces of Vietnam by traders and starch factories. Significant labour-saving impacts are being achieved as a result.

SADU faced a number of challenges associated with the socio-economic landscape in project areas, including a very incipient and conservative agro-enterprise sector, unstable marketing networks, and limited ability of farm and non-farm enterprises to take risks and invest. The fact that local agricultural extension services are very weak and interventions by government and other projects highly subsidised also posed considerable challenges. Finally, there were challenges associated with the limited duration of SADU interventions and their area-based nature. It takes time to generate sustainable, pro-poor innovation at scale in the uplands, but most SADU-facilitated processes were developed within a two- to three-year timeframe. The fact that SADU had to generate impacts in particular districts limited the ability of the project to target wider geographical areas and develop chain interventions and partnerships with agribusiness firms that had potential to generate systemic change and benefit large numbers of resource-poor farmers, but would by-pass the areas targeted.

Despite such challenges, the experience of SADU confirms that it is possible to support pro-poor and sustainable chain upgrading processes in disadvantaged areas, such as the uplands of Vietnam, through simple and low-cost interventions. The project

experience also validates the applicability of various, good practice chain upgrading principles in such areas. These are discussed below.

First, the framing of interventions within win-win logics and the active involvement of agribusiness enterprises are essential for achieving sustainable and scalable impacts at the farm level. Government agencies and development projects often fail to recognise these success factors.

Second, chain development interventions must address the causes (not the symptoms) of high transaction costs and market failure if they are to succeed. There is much scope for projects to improve information flows along the chain, strengthen demand for business development services, develop the capacity of critical service providers, enhance horizontal and vertical coordination in the chain, and facilitate trust between chain actors. In contrast, interventionist strategies that involve direct delivery of private goods and services and subsidisation of enterprise investments and operations are likely to fail. Direct provision undermines embryonic, market-based systems. Direct subsidies distort the targeting of innovators, make it hard to ascertain whether change processes are being artificially initiated and sustained, confer an unfair advantage to particular enterprises at the expense of competitors, and undermine the very incentives for change and upgrading that are embedded in competitive processes.

Third, diversified stakeholder approaches are superior to strategies that involve one or few actors. The participation of multiple actors within and across stakeholder categories can engender complementary and cumulative effects, increase outreach, and reduce the unfair competition problems associated with more targeted, narrower approaches.

Fourth, successful interventions are typically characterized by a fair degree of pragmatism and gradualism. Multiple and diverse entry points for intervention, based on a careful and realistic assessment of opportunities for innovation, are usually preferable to strategies that are based on one single chain upgrading model, informed by an idealized view of farmers' positioning within marketing systems. Simple and carefully sequenced interventions that recognise the gradual and cumulative nature of innovation processes and the limitations associated with relatively short project timeframes are also much more likely to succeed than overly ambitious strategies aimed at generating big leaps forward. The latter usually require heavy subsidisation and are unlikely to be sustained once the intervention is pushed-out.

Fifth, flexibility and opportunism must be embedded within intervention processes if these are to succeed. It is virtually impossible for opportunity-driven, impact-oriented projects to fully anticipate from the very onset future intervention portfolios and the exact strategies that will be pursued to address the constraints and to enable access to the opportunities identified during the intervention cycle. Furthermore, intervention strategies will need to be continuously refined in view of the actions of agribusiness and other stakeholders and changes in the overall market environment. Rigid logical frameworks and planning procedures must therefore be avoided.

Finally, chain development initiatives need to be guided by the principles of competitiveness and value. Interventions must be informed by an understanding of competition in the market place, the structure and nature of demand, and market trends. Competing chains should be used as benchmarks. Emphasis must be given to the key drivers of competitiveness, such as product quality and trust-based vertical coordination

arrangements. These principles can be applied to traditional chains that lack the sophistication of value chains but offer great potential for pro-poor impacts at scale.

### **Centre for Agrarian Systems Research and Development (CASRAD) experience**

CASRAD experience emphasises relevance of the Farmer Field School and Farmer Business School approaches and collective action. The principles guiding CASRAD lie in the integration of institutional and technological change in the design of value chain interventions, based on added value through quality improvement and local competitive advantages; capacity building through action research; and the promotion of win-win relationships. This is a holistic approach to value chain intervention, preceded by high quality value chain diagnostic studies (Rapid Value Chain Appraisal). The methodology has also been strengthened by the strong systems approaches developed by the Centre over ten years of experience in Vietnam. CASRAD's approach to pro-poor development programs has evolved through livelihood diversification, using tools linking participatory extension or Farmer Field Schools (van de Fliert et al. 2007), to value chain development combining technological and institutional innovations. This holistic approach is aimed at evolving the *Farmer Business School* as a tool for chain development. CASRAD pays much attention to how to help the poor and smallholders to access markets through product quality improvement, point of weakness of most agricultural supply chains in Vietnam. This is the way to for poor farmers to add value based on the comparative advantage of the biodiversity and climatic variability in Vietnam across regions. Collective action by farmers plays a crucial role in supplying quality chains and supermarkets in Vietnam, mostly because of its role in the development and promotion of quality food. In order to provide quality for the consumer, CASRAD had conducted action-research with value chain stakeholders to promote cooperation between stakeholders. The action-research that enables sustainable value chain development by CASRAD follows the nine steps outlined below:

1. Rapid value chain appraisal, particularly participatory value chain prioritizing and identification the competitive advantages of local products.
2. Consumer and retailer preferences and quality assessment by degustation workshop.
3. Promoting producer organizations, cooperative or associations based on small groups with voluntary participation.
4. Building technical protocols based on both market demand and producer innovations by participatory methods.
5. Capacity building through Farmer Business Schools and market information services for producers and local traders.
6. Information and building stakeholder networks through consumer-trader-producer meetings based on long-term relationships with win-win objective.
7. Building low cost, quality guarantee system combining internal and external control, with minimum certification if needed.
8. Labelling the quality product, market promotion and property right protection.
9. Building collective input services and business development services.

These steps need time for realization. The duration of the intervention depends also on the bio-cycle of products. This approach has been applied successfully not only in the Red River Delta, but also gradually applied in the northern mountainous provinces, working with seedless persimmon in Bac Kan, Mong beef in Cao Bang, Hoa Vang sticky rice in Hai Duong, Thieu litchi in Hai Duong and other diverse projects. This experience has been integrated in the design of further value chain interventions and serves as a resource in building different modules for Farmer Business Schools.

The CASRAD experience with pro-poor value chain development in Vietnam is summarised in Table 2, showing critical characteristics in comparison with the SADU experience. A variety of market arrangements have been explored by CASRAD, including building long-term relationships between farmer organizations and stakeholders, contract selling, linking farmer groups to consumers, and spot market transactions. The favoured form of social organization supporting the CASRAD interventions are collective action involving cooperatives or farmers' associations, usually started on a base of small, self-help groups or collaborative groups, with flexibility according to the nature of the products and regions. Capacity building to support collective action involves innovative technologies, managerial, organizational and marketing skills. Local traders are also encouraged to participate in the farmer organizations as marketing agents and to share benefits with producers. The main means of engaging with stakeholders is through exposing the farmers to market information and showing them the potential for upgrading the chain. This serves as the means of motivating farmers to change. Attraction of consumer and traders is through the capacity to produce and deliver consistent quality produce. The focus of engagement is on the consolidation of the role of farmer in the chain to maintain the pro-poor orientation. Local government has a vital role in the creation of favourable supporting policies.

A supportive market information system involves access to national marketing information, production of supporting materials and creation of local farmer and trading networks. Feedback from consumers about product quality is vital input to the system. Chain development is through training producers and other stakeholders in marketing, management and leadership skills. The steps involved in promoting value chains are outlined above. The provision of advisory services by CASRAD is an accelerating influence on chain development. The content of the interventions is open, although there is growing interest in the conduct of Farmer Business Schools and in support for farmer organizations in CASRAD's work.

Market research is a vital component of the value chain interventions and it is recommended that the scope of this research be continuously expanded to examine wider domestic and even international opportunities. Financing should involve some government investment for key infrastructure and also the establishment of funds for value chain development based on farmer's organizations and farmers' contributions. There is an important role for interventions in helping farmers to negotiate input credit services and mobilizing trader investment in chains. The key factors of success with pro-poor chain development identified by CASRAD are in the importance of good market and value chain appraisal as a preliminary step; a focus on product quality enhancement; the value of collective action and the need for farmer organizations to be based on voluntary membership and good leadership. For research into value chain development, CASRAD experience suggests that researchers need to be motivated and patient and that

the work must be programmed according to appropriate timeframes. All too often, there is a tendency to underestimate the preparation required for successful chain development. The main challenges lie in lack of specific solutions for problems identified, unfeasible solutions proposed, and in the diffuse efforts engendered by donor interests and funding, there are also issues relating to lack of certification authorities and high costs for certification, lack of infrastructure in remote areas, lack of technological solutions or very high costs to implement solutions, and lack of business services in large markets for promoting local products.

**Table 2: SADU and CASRAD experience with pro-poor agribusiness chain development in Vietnam.**

<b>Characteristics</b>	<b>SADU experience and approach</b>	<b>CASRAD experience and approach</b>
<b>Aim</b>	Supporting pro-poor innovation in chains.	Market access for agricultural value chains
<b>Principles</b>	Facilitative, non-subsidised and participatory approaches. Win-win relationships, competitiveness and creating value as guiding principles. Benchmarking along chains.	Integration of institutional and technological change in design of interventions, capacity building through action research.
<b>Actors and institutions</b>	Work with whoever is relevant. Agents of change often those further up the chain involved in processing and selling to consumers.	Emphasis on the producer through vertical and horizontal linkages and stakeholder coordination.
<i>Market arrangements</i>	Contracts and pricing arrangements	Multiple marketing arrangements.
<i>Social organisation</i>	Group marketing and formal collective action often not the most effective or a necessary step.	Promote collective action.
<i>Entry and engagement</i>	Expose people to marketing opportunities. Supporting services to enable innovation in place. Trigger innovation by exposure (market visits).	Expose the farmer to market information and potential for upgrading the chain.
<i>Policy support</i>	Provincial and district agencies support mobilisation of farmers, provision of inputs, post harvest and production training.	Cooperation between the central agencies and local government to create a favourable policy environment. CASRAD contributes to central policy.
<i>Information systems</i>	Promote communication flows between sellers and suppliers and providing manuals to support understanding.	Establishing a supporting market information system
<i>Chain development</i>	Traders and collectors tend to lead this process. Multilateralism and multi-stakeholders important - target extension, service provider and policy makers. Develop systemic perspectives.	Train producers and other stakeholders in marketing, management and leadership skills.
<b>Scope and history</b>	Design is conditioned by the time frame available. Address weaknesses and strengthen linkages along the chain for impacts at scale. Geographical scale a critical consideration.	Intervention focusing on specific and local products with action research approaches. Sequencing of projects and integrating experience is crucial for

		dealing with project limitations and transfer of skills to local stakeholders vital to scaling out.
<b>Content</b> <i>Market research</i>	Open, non-prescriptive and flexible approach to content. Any intervention needs careful market analysis	Open, but oriented around capacity building. Vital component of value chain development
<b>Financing</b>  <i>Pro-poor orientation</i>	Unsubsidised Budgeting should not lock project to logframe  Need a pro-poor stance and continually evaluate in terms of impact.	Co-invest with farmers and promote capital investment in collective funds.  Farmer's organization must include both poor and richer farmers
<b>Determinants of success</b>	Pragmatism and realism, keep partners informed, openness to private sector and agribusiness orientation. Look for leverage. Flexibility in programme design, funding mechanisms and implementation procedures. Long term processes, especially in remote areas.	Good market and value chain appraisal; focus on quality enhancement; farmer organizations based on voluntary membership and good leadership; researchers need to be motivated and patient; work to appropriate timeframes.
<b>Challenges</b>	Incipient and conservative local agro-enterprise sector in the uplands generally.	Lack of specific solutions for problems identified, unfeasible solutions proposed, diffuse efforts.
<b>Corporate social responsibility</b>	In-built in the market mechanism.	Sustainable local product value chains combine profitability, cultural conservation and environmentally sound activities. Reinforcing farmers' organizations will promote mutual and social capital at the community level. Agribusiness firms develop strategies where the benefits and risks sharing with poor farmer will be the model for entrepreneurship in future



## CONCLUSIONS

Working for the development of value chains as an approach to pro-poor development has important implications. The challenges are much greater than is the case for working on supply chains. Longer intervention time frames and more human and financial resources may be required to create sustainable value chains. Agricultural value chains are typically driven and coordinated by large, innovative leading firms located at very strategic junctions within the chain. These points are typically very close to end users or consumers, and this gives them an ability to drive market-oriented innovation. Government and donor driven interventions may not benefit from this vantage point and they may not be equipped with the knowledge, skills or attitudes to achieve the entrepreneurial aims. Working through the private sector is not usually a strong point for government staff, NGOs or donor agencies. Evidence suggests that Value chains can deliver very significant benefits to participants and enhance their resilience to market shocks. Projects may support leading firms to establish or improve the functioning of value chains, for example by supporting innovative vertical coordination arrangements, but the ultimate success of the intervention depends largely on the leading firm. Success in supporting the emergence of value chains can provide useful benchmarks for other firms and help to scale out the impact of the intervention. However, it seems likely that in remote and resource-poor contexts, the development of supply chains may provide greater scope for impacts at scale.

The case literature and case studies examined provide some answers to the research questions posed in this paper. Value chains shaped by pro-poor intervention and subject to market outcomes can achieve benefits of sustained development and poverty reduction under certain conditions. A range of approaches have been identified, as have factors contributing to either failure or success. It is apparent that no particular models or categorisations of these characteristics of failure and success have been formulated. This is partly a result of the complexity entailed in the categorization of development interventions, and partly a result of the critical role of context in the analysis of each situation. The case studies are provided to allow the reader to gauge the value of particular experience for related situations and to establish some points of contrast in approaches. Specific experience relating to mountainous areas of Vietnam has been examined and general guidelines for an enabling policy environment established. In a distillation of this experience, we offer a set of 12 guiding principles for pro-poor value chain development in the uplands of north-west Vietnam in the Table 3.

**Table 3: 12 Principles for Pro-poor Value Chain Development in NW Vietnam**

**Employ a systems (holistic) approach**  
**Invest heavily in capacity building**  
**Use participatory approaches**  
**Develop upstream and downstream linkages**  
**Establish sustainable relationships between actors in chains and partnerships in research**  
**Concentrate on the private sector, recognising that groups can be part of the picture**  
**Promote win-win situations with agribusiness, customers and consumers**  
**Promote value creation and sharing**

**Know your competitors****Recognise potential for scaling up or scaling out****Flexibility and responsiveness on the part of facilitators****Promote sustainability and profitability and the policy environment to support these goals.**

Is there evidence of corporate social responsibility in the evolution of these chains? This is an interesting point, when all that is required of us as good citizens is to seek maximum utility and strive for maximum profits in a competitive environment. Competitive markets should themselves give rise to win-win situations for producers and consumers. Consumer interest is high on the list of desired outcomes for society and we should recognise that promoting producer revenues can sometimes occur at the expense of consumers through market imperfections and interventions. In Vietnam, we may find that collective action will help to promote corporate social responsibility, especially with the backing of the mass organisations (Women's Union, Veterans Union, Youth Union and others). These organisations assist in providing loans, organize social activities, and assist poor members. Their involvement with farming communities may be a mechanism for ensuring social responsibility, or they may simply operate as a form of socio-political control. Nonetheless, they do serve as a means for channelling social and cultural change through to government and have the potential for influencing policy. In the dynamic situation confronting the development of market linkages in north-west Vietnam, there is potential for evolving chains to meet broader goals of corporate social responsibility, but the increasing burden on the intervention means even greater risk of failure. The institutional framework to support this direction is by no means in place.

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