

LIFE HAS GOT MUCH BETTER. THIS HAS BEEN MY DREAM SINCE JOINING THE PROJECT!

TARGETING THE PERSISTENT POCKETS OF POVERTY IN VIETNAM WITH A VALUE CHAIN APPROACH

EDITORIAL

The "Asia Brief" series aims to inform development practitioners and the public about innovations, results and impacts of the Swiss development cooperation in Asia. It highlights, in particular, past and present efforts to improve aid effectiveness through partnerships between Swiss agencies and local partners. Discussions and lessons learnt from these experiences are expected to further enhance our common goal of reducing inequalities and poverty in Asia.

Franziska Freiburghaus, Co-Head of the East Asia Division

The economic development of Vietnam during the past 25 years has been spectacular. The country is an extraordinary

success story of fast and continuous growth and has a record of impressive poverty reduction. According to the UNDP, 43 million people moved out of poverty in the period 1993 to 2008. However, in 2012 the poverty rate per head was still 17.2%. More than half of ethnic minority households still suffer from poverty. Targeting these persistent pockets of poverty is a challenge that requires innovative solutions. In 2013, SDC Vietnam took on this challenge.

The program Market Access for the Rural Poor through Value Chain Promotion (MARP) is a valuable example on how to increase income and living standards of rural poor in remote areas in a short period of time. At the same time, MARP strengthened the confidence, capacities and relations of key actors in value chains – farmers, processing factories, local governments – to face future challenges.

WHAT IS MARP?

The MARP program (2013–2016) aimed at reducing poverty in poor households by generating additional income and employment in selected agricultural value chains in which the poor can participate. The program targeted rural poor ethnic minority households as actors along value chains, including collectors, processors, traders, enterprises, government agencies and research institutes. The program placed particular emphasis on economic activities of women. At least half of a minimum target of 10,000 supported households were expected to be poor ethnic minorities and female headed. MARP supported four projects dealing with eight product value chains in eight different provinces in Northern Vietnam. The implementing agency SNV Vietnam supported the spice sector (star anise, cardamom, cinnamon). Oxfam developed the rattan and bamboo value chains. The Vietnam Handicraft Exporters Association (VIETCRAFT) worked on more sustainable ethnic textile value chains (hemp, silk). HELVETAS Swiss Intercooperation promoted high-quality tea (Shan tea) value chains in northern Vietnam, Laos and Myanmar.

WHAT MARP HAS ACHIEVED AND HOW

Under MARP, farmers and artisans received contracts from traders and processors as well as training to improve their product quality. Processors were supported to upgrade their production technology enabling them to produce higher quality and new products. Enterprises received advice on product branding, packaging and marketing to meet international standards. The enabling environment for business operation was improved through better government policies. All



Ethnic women making bamboo handicrafts. © Duong Thuy Nga, Oxfam Vietnam



Manager of Bac Ha Tea Factory in front of program-sponsored tealeaf drying machines.

© SDC/Christian Schoen, Mesopartner

"The MARP program is very effective. MARP supported our factory investment in new machinery, provided training in quality control and helped to develop new tea products. It also improved linkages between processors and farmers" says Mr. Pham Quang Than, Manager of Bac Ha Tea Factory in Lao Cai Province.

this has resulted in new business opportunities, and ultimately in additional income, for processors, traders and poor ethnic minority producers.

SDC has measured that MARP helped to increase the income of 15,512 households by US\$8.9 million in total or US\$575 per household over three years. This accounts for 62% of all 25,095 MARP-supported households. The remaining 38% households participated in the program for less than 2 years and should expect income increases only after program closure. 94% of supported households are ethnic minorities and 46% female headed. Thanks to rising incomes, the poverty rate of supported households dropped from 35% to 24% during that period.

Before MARP, almost half the households earned very little, less than US\$ 50/month and a few earned much more. Now, the majority has a decent income around or above the poverty line in Vietnam, and the number of households with a good income has surpassed the number of very poor households.

Such a development attracts attention and creates interest. 19% of supported households only started dealing with MARP value chain products during program life. The increased knowledge and higher income of neighbours and rela-



MARP-supported Cinnamon farmer in Northern Vietnam.

© SDC [from movie]

"If we cultivate cinnamon well, it will help us economically. Cinnamon can be a solution to our hardships. For all of us in the family our lives depend on cinnamon."

tives has attracted more farmers and artisans to the program value chains. They were eager to reap the same benefits.

Typically, malnutrition, poor education and low access to sanitation reduce opportunities for ethnic minority children. Thanks to recent income increases ethnic minority households spend significantly more on food and education today than they did before MARP. In this way, MARP contributed to improved nutrition and education and hence to better opportunities for the next generation of ethnic minorities.

An initial investment by SDC of US\$4.8 million created an additional value of US\$8.9 million generated by farmers and weavers. This translates into an impres-



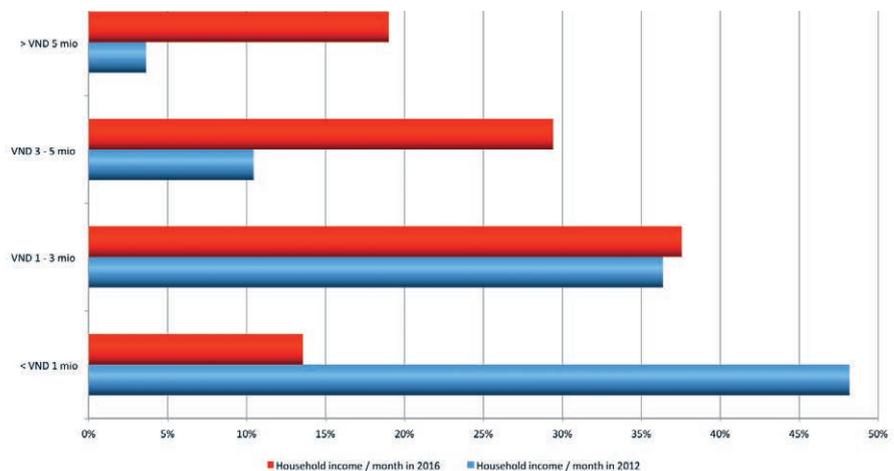
Better opportunities for the next generation: Shan tea grower Vang Thi Thuc and her son.

© SDC [from movie]

"The contractual agreement I got from the tea company brought many changes to our lives. Before I learnt new fertilisation techniques, my income was around \$50 to \$100 a month. After applying the new knowledge, my income increased to \$250 to \$300 a month. With this additional income I can pay for my son to go to school. I have expanded my family assets by buying pigs and chickens. Life has got much better. This has been my dream since joining the project", says Vang Thi Thuc, a Shan tea grower participating in MARP.

sive rate of return of 1.86. In other words, for each US dollar invested, the final beneficiaries gained an accumulated income increase of US\$1.86 over three years. This number does not yet include income and employment increases in processing enterprises and in trading, nor does it include likely future increases in income of all actors involved due to advanced skills and more competitive value chains.

HOUSEHOLD INCOME PER MONTH



Moving into higher-income categories between 2012 to 2016 (VND 22,100 = US\$ 1)

Source: Evaluation Survey (221 respondents)

THE MARP MODEL

How were all these achievements made possible? The answer lies in the unique features of the MARP model.

Clear selection focus

In early 2013, through a competitive call for proposals SDC looked for agriculture, agroforestry and handicraft value chains, which are largely understood by the applying implementers. This increased the chance of implementing support activities immediately without spending too much time on research. This again was a pre-condition for a three-year development program to deliver the expected results during its lifetime.

Additional key requirements for project selection were: economic potential of products, traditionally familiar to farmers, raw material accessible to poor, ethnic minority farmers, the expectation of a speedy impact on market access and income increase and implementers versed in business management and entrepreneurial skills.

Targeting three major outputs

Each MARP value chain project focused on three different areas: increasing product

quality and quantity, strengthening linkages between value chain actors and to final markets and improving the enabling environment. Only a successful combination of all three outputs leads to a sustainable increase of the income of poor households.

"Without MARP, in many provinces long-term development plans for non-timber forest products like spices, bamboo and rattan would not be available. Also the ministry level would understand less about the economic and technical issues of those products" says Dr Phan Van Thang, Director of the Non-timber Forest Product Research Centre, highlighting the improved enabling environment.

Partnering with enterprises and government agencies

In the MARP program the implementing agencies acted as initial value chain facilitators. MARP provided technical, business and investment support to enterprises and government partners in order to reach the final beneficiaries. Utilising this support, enterprises reached out to new markets and gave technical training to their suppliers, the poor ethnic minority households. Private and public project partners have gained the capacity, skills and confidence to take over this facilitation role in future.

Lean program management structures

On all levels, management structures needed to be lean in order to save costs and time, to decentralise decision-making and to spend more resources on interventions than on administration. Administrative tasks were partly shifted to partners in the value chains. SDC remained in charge of program monitoring and evaluation and continuously tracked the progress made.



Opening of the first spice processing factory in the North of Vietnam – an important advance step of spice sector development.

© Nguyen Hai Ha, SDC Hanoi

LESSONS LEARNT

LESSON LEARNT 1:

Offer business skills to partner enterprises

Ownership structures of partner enterprises in value chains strongly influence innovation capacity and readiness for change. MARP has learned that private businesses are more committed to change and innovation than state-owned enterprises.

Enterprises as partners of development programs need to have proper business skills. Therefore the implementing agencies need to be able to offer business consultancy skills and entrepreneurial experience.

LESSON LEARNT 2:

Getting the support of local government

To reach a large number of beneficiaries, value chain products with high importance for local government need to be selected. Local government is in charge of creating a supportive business environment, including regulations on land usage, taxation and trading as well as provision of infrastructure. In order to receive local government support, the products promoted need to be on its priority list or have a good chance of getting there early in program life.

LESSON LEARNT 3:

Tailor-made interventions

A program should avoid designing standard interventions for different value chains. Interventions need to be tailor made and context specific. Different value chains show differences in business skills and ownership structures of enterprises, in experiences of how to reach markets, in the layers of traders involved, in capacities of supplying farmers and in the nature of the products. It is important to recognise and design interventions that can make a real impact.

LESSONS LEARNT 4:

Be aware of natural risks

The design of agriculture and agroforestry projects needs to consider risks related to climate, weather and pests. Possible risk mitigation measures need to be defined upfront to be able to respond quickly if any such risks actually occur. In early 2016, two spice value chains (star anise and cardamom) were battling with external factors (frost, insect attacks) that are threatening the productivity and even the very existence of the spice plants.

UPSCALING THE MARP MODEL

The MARP model itself is possibly the most important lesson learnt. Many features of the program worked well and their combination made it possible to achieve the desired results. In the future, the MARP model could be further improved, by putting even more emphasis on business management support for value chain enterprises and by involving domestic and international buyers as implementing partners to achieve a more sustainable value chain development. By applying such a refined MARP model, other poor ethnic minority households in Vietnam could benefit by raising their income and improving the quality of their lives.



Dao women picking Shantea in Ha Giang.

© Dominic Smith, Helvetas Swiss Intercooperation, Vietnam

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Editor

Swiss Agency for
Development and Cooperation SDC
East Asia Division
Freiburgstrasse 130, CH-3003 Bern
Tel.: +41 58 462 35 17
eastasia@eda.admin.ch
www.sdc.admin.ch

More information

www.eda.admin.ch/vietnam
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