

M4P Regional Technical Assistance Summary - Making Markets Work Better for the Poor (M4P) in Vietnam, Laos and Cambodia

Purpose:

To bring the opportunities presented by the power and efficiency of the market closer to the lives of the poor.

Dates:

Project commenced implementation in October 2003, with the first event being the inception workshop in Hanoi. Activities in Laos and Cambodia continued until mid-2005 and the activities in Vietnam will continue until end December 2007. The project has been extended until the end of 2007 in order to complete ongoing work and publications and to ensure good preparation for, and smooth transition to, the second phase of the project (M4P2) which will commence in January 2008.

Funding:

The \$2.4 million project was cofinanced by ADB, the UK Department for International Development (DFID) and ADBI. During implementation, additional co-financing was obtained from AusAID and the ADB Poverty Reduction Fund bringing the total cost of the RETA to \$2.9 million. The RETA also entered into a number of joint funding arrangements with the International Finance Corporation (IFC) Mekong Private Sector Development Facility (MPDF) and Centre de coopération internationale en recherche agronomique pour le développement (CIRAD).

History & Environment:

Vietnam achieved remarkable economic and social progress during the 1990s, essentially halving poverty between 1990 and 2000. Building on previous high levels of human capital and social development, the progress was largely the result of a shift towards a more market-oriented economy, particularly in the agriculture sector, coupled with more equitable distribution of assets (land) and macroeconomic stability. As a transition economy, the country is characterized by a strong sense of history, independence, and resoluteness. The transition from a centrally planned to a market-oriented economy to date has been through a mixture of part good policy, part sheer necessity, and part finding ways around structural impediments such as weaknesses in certain policy areas and

opaqueness in the public administration system.

Vietnam is moving from a stage where broad-brush market-oriented reforms were initially required, to a situation where more focused and deeper reforms are now needed in specific areas. Notably, the efficiency of resource allocation in the non-agriculture sectors must be improved to generate the needed employment through the development of a domestic private sector. This will require the further development of land, labor, and financial institutions and knowledge markets.

Cambodia and Lao PDR while at different levels in their transition to market orientation, have been making steady progress in their pursuit of reforms. These issues and risk factors are also relevant and applicable to these two transition economies. There is, therefore, now a unique opportunity to consolidate the emphasis on market-based and pro-poor growth in CLV, as broadly outlined in their respective national poverty reduction strategies, such as in CPRGS in the case of Vietnam. This is by fostering applied research and analysis; taking stock of recent pilot experiences, both in-country and best practices abroad; and translating the findings into concrete recommendations for a next round of more specific market-oriented reforms and improved design of ODA operations. To achieve these objectives, it is necessary that the research, policy analysis, and diagnostic work be (i) linked to specific government priorities and ODA initiatives; (ii) perceived as unbiased and of technically high standards; (iii) developed in close cooperation with local institutions; and (iv) disseminated through a variety of appropriate channels, thereby contributing to the development debate and policy-making process.

Driver of programme, positioning & timing:

Vietnam has made rapid strides towards a market based economy in just two decades since the Doi Moi reforms began. Vietnam obtained World Trade Organisation membership in 2006 and is on course to become a middle income country in the near future. As the joint Donor Report 2006 "Aiming High" notes 'Going from dire poverty to middle-income status over such a short time may sound

overly ambitious. But the country's track record allows for optimism, even while recognizing that the task will be demanding'. ADB, DFID and other donors are committed to supporting the Government of Vietnam national Socio-Economic Development Plan 2006-10.

Making Markets Work Better for the Poor was a new and timely concept in this rapidly changing context from state led to market led economy. Vietnam experience re-confirms that many of the poor people want to, and do seize emerging opportunities to further their economic status, diversify their risks and to improve household consumption. This was a fresh concept when the dominant paradigm focused on large scale private sector. M4P managed to raise awareness about pro-poor growth amongst researchers, private business, development partners, NGOs and policy makers and highlighted the large potential for poor people to participate in markets as producers, asset owners (such as land), workers and consumers.

Governance:

M4P implementation has been guided by an advisory committee (AC), with a project coordinator based in ADB Vietnam Resident Mission (VRM) under the supervision of a senior VRM staff member and with the VRM country director serving as the project director. The AC's members include the country directors of Vietnam, Cambodia and Laos resident missions of ADB, ADB staff selected from the knowledge departments and sector divisions as appropriate, a DFID representative, and an ADBI representative.

Management:

ADB has been the Executing Agency for the project, with VRM responsible for overall RETA management and for the Viet Nam-related project activities, while the Cambodia and Lao PDR resident missions, in coordination with ADBI, have been responsible for the Cambodia and Lao PDR-related activities, respectively.

The project implementation was managed day-to-day by a project management team recruited individually by ADB. The team included a project coordinator, subject matter specialist, economists, communication staff and support staff. In addition, resource persons were contracted on a short term basis in order to provide specific inputs to the project and/or mentoring to local research teams.

Approaches:

The approach taken by the project has been to fund local organizations to undertake a number of

analytical studies and research papers on priority operational and policy issues linked to market development and their interactions for poverty reduction. This has resulted in partnerships being developed with more than 30 local organizations and has contributed to an overall stronger local capacity to analyze and develop policies for pro-poor growth. In addition, the project has aimed to develop stronger research networks for exchange of knowledge products and policy debate; enhanced policy dialogue between government and other stakeholders and increased awareness about issues surrounding making markets work better for the poor.

Major Challenges:

- **Government Ownership.** M4P is implemented by ADB and does not have a single partner within the Vietnamese government system. In addition, the project is physically located within the ADB Vietnam Resident Mission. These factors, combined with the relatively innovative (at the time) nature of the TA subject meant that in many ways, achieving "ownership" of the project within government was challenging. However, the project was able to partner with more than 30 different local institutions, and generate a lot of interest within government organizations in implementing the second phase.
- **Broad Agenda.** The first phase of M4P has covered an extremely wide range of market types that influence the poor. These include land markets, labor markets, commodity markets and service markets. In addition, M4P has introduced a number of new concepts and techniques to the Vietnamese context, and has also been active in investment project design. This broad agenda has enabled widespread partnerships and the undertaking of wide ranging research topics. However, it has also meant that the depth of research effort in each area has been somewhat limited.
- **Timescales to demonstrate M4P.** Policy influence (both directly and indirectly) through undertaking research activities necessarily takes time. Recognising this longer timeframe and reconciling it with the expectations of finding agencies and other stakeholders has been a challenge of M4P1.

Strengths:

- **Networks and capacity development.** Over the course of implementation the number of collaborative bids for research (as opposed to

those from single institutions) increased dramatically. This shows greater cross institute collaboration and cooperation. The presentations of their findings have shown high levels of interest. Attendance at M4P week in 2006 was over 400 over the week – a 75% increase on a similar event in 2005. Analysis of the attendees shows that the largest growth has come from researchers, Government officials and staff of NGOs. The project website remains a strong distribution channel, with 325,000 visitors to date.

- **Knowledge products.** M4P has helped develop and adapt two methodological tools which are expected to be useful to Vietnamese researchers interested in market development and poverty reduction. These are (a) Value Chain Development for the Poor and (b) Participatory Market Assessment (PMA). In Value Chain Development, M4P has collaborated with experts from SNV and Wageningen University (Netherlands), ILO/SIDA, CIRAD (France) University of Technology, Sydney and Macquarie University (Australia) to produce a draft handbook. To capitalize on extensive research on participatory markets and livelihoods assessments (PMA) supported by M4P, the project collaborated with the Institute of Labor and Social Science (ILSSA) to develop a methodology for analyzing the interactions between the poor and markets.

- **Introduction of new approaches.** M4P introduced two approaches that are relatively new in Vietnam and appear to have a lot of resonance. These are (i) market opportunities at the Base of the Pyramid. M4P in corporation with the Vietnam Chamber of Commerce and Industry (VCCI) has jointly promoted a series of workshops on opportunities for private firms to buy from and sell to the poor at the "Base of the Pyramid". The second approach is the application of Public Private Partnerships (PPP) for infrastructure service provision for the poor. A series of PPP events were co-hosted with MPI. Both of these areas are amongst the most popular on the M4P website.

- **Private Sector Leverage.** M4P involvement in supporting smallholder participation in the bamboo supply chain in Thanh Hoa province provides a powerful example of how systemic changes in the way markets function can provide substantial benefits to the rural poor. M4P has collaborated

with a number of partners involved in the production of bamboo flooring for export. These include IKEA (a global home furnishings retailer), The Bamboo Factory ((TBF), a French-invested factory that manufactures the flooring for IKEA), GRET and IDE (international NGOs) and MPDF, a multidonor private sector development facility under the management of the IFC. M4P's area of interest has been on improving the benefits that accrue to poor rural producers from greater participation in the bamboo supply chain.

- **Policy Development.** M4P research on Contract Farming involved members of the Department of Cooperatives and Rural Development (MARD) in the research team. The officials involved in the study have indicated that working on this research study has provided them with very valuable information for redrafting official policy on contract farming. The street vending sub-project is working very closely with the People's Committee of Hanoi and the People's Committees of various districts within Hanoi to discuss the themes on food retailing, food safety and security and "zone of tolerance" for street vendors.

Key lessons:

- Country ownership of M4P activities could be strengthened by (a) moving from a regional to a country specific technical assistance project (b) moving the project's implementation responsibilities to credible and effective Vietnamese entities and (c) establishing a local Management Board to provide strategic oversight. Stronger country ownership is likely to result in stronger links with Government policy making and implementation;

- More direct and measurable impacts on poor men and women can be achieved by sharper focus of the scope of TA activities and by supporting more practical action-oriented activities that are directly linked to Government investment projects and programs - including those financed by ADB. Vietnamese experience suggests that successful actions on the ground can have a powerful effect on policy change;

- M4P research found that in many cases in market development there are specific bottlenecks that prevent poor men and women from participating in market opportunities.

- The links that were established between the private sector and M4P1 (e.g. between IKEA

and bamboo farmer groups) were highly effective and replicable.

- The M4P approach of working jointly with other donors (e.g. with MPDF, International Fund for Agricultural Development (IFAD), AusAID, SNV, and CIRAD) was an area of strength.

Reports available:

- Various studies including 18 substantive research reports, 19 discussion papers, 17 briefings and 12 bulletins on the participation of the poor in a range of factor, commodity and service markets as well as an Output to purpose Review. Full publications in Vietnamese and English available at www.markets4poor.org

Reviews available:

Output to purpose review.