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## SUPPORT THE DEVELOPMENT OF MODERN BUSINESS COOPERATIVES FOR SMALL FARMERS

June 2022

SDGs:



Country:

Viet Nam

Project Code:

TCP/VIE/3702

FAO Contribution:

USD 200 000

Duration:

21 January 2020 – 31 December 2021

Contact Info:

FAO Representation in Viet Nam  
FAO-VN@fao.org

### Implementing Partner

Ministry of Agriculture and Rural Development (MARD).

### Beneficiaries

Agricultural cooperatives.

### Country Programming Framework (CPF) Outputs

CPF Priority Area 3: New rural development and sustainable poverty reduction.

CPF Output 3.2: Improved gender-equitable rural policy formulation and pilot to enhance capacities of farmers, fishers, foresters and herders' organizations and their organizations to promote productivity-led agricultural innovations and post-harvest/marketing services.

CPF Output 3.3: Enhanced competitiveness and inclusiveness of agricultural, aquatic and forest value-chains via promoted investments, business linkages, contract farming, traceability, quality certifications, branding and marketing; revised and abolished barriers and improper conditions in agri-business in order to improve the investment environment, harmonize domestic, regional and international business procedures.



### BACKGROUND

Agriculture plays a key part in Viet Nam's economy, accounting for approximately 14 percent of the country's GDP. The majority of the population lives in rural areas, with agriculture, including forestry and fisheries accounting for 44 percent of all livelihoods.

Although land consolidation policies have begun to take effect, the agriculture sector of the country remains characterized by a fragmented production and small farms. The sector has become less appealing to rural youth, who prefer to pursue higher salaries in cities, where employment opportunities and living conditions are better. Smallholder farmers suffer from little investment in the sector and experience challenges, such as limited access to agricultural knowledge and labour shortages. Regrettably, prior national programmes focused mostly on production technique adoption, with little emphasis on entrepreneurship or linking producers with market outlets.

Cooperatives have the potential to help smallholder farmers better regulate their production, add value to their products and access national and international markets. In 2019, there were an estimated 13 712 agricultural cooperatives in the country, accounting for 60 percent of all cooperatives, with a total of 6.95 million members. However, the vast majority of these cooperatives do not provide adequate services to its members and lacks the capacity to provide economies of scale, quality control and product traceability systems and financing resources. This reality severely hampers the quality of agricultural production, as well as farmers' ability to negotiate with suppliers, resulting in poor competitiveness and profit.

As a result, the establishment of modern business cooperatives has become a national priority. The Cooperative Law, which defines the creation, organisation, and operation of cooperatives and cooperative unions in all economic sectors in Viet Nam, was passed in 2012 and, in 2018, the government adopted a strategy to remodel and strengthen 15 000 agricultural cooperatives.

Following the Programmatic Dialogue with FAO in January 2019, the Ministry of Agriculture and Rural Development (MARD) formally requested FAO to pave the way for modern business-type cooperatives. Under this current project, the Vietnam Cooperative Alliance (VCA) and FAO have agreed to support cooperatives in this initiative, and partnerships with the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), the International Fund for Agricultural Development (IFAD) and the World Bank were formed to revitalise the National Socioeconomic Development Plan 2021-2025, which aims to ensure a fast and sustainable economic growth.

### IMPACT

Through the establishment of a business cooperative model based on an improved legal environment, this project improved the productive capacity, competitiveness and incomes of smallholder farmers, as well as the social cohesion of rural communities.

By linking agricultural cooperatives to suppliers, this project enables farmer to have access to better market opportunities and improved income, and therefore contributes to the second Sustainable Development Goal (SDG 2) that aims at ending hunger. By ensuring Viet Nam possesses the necessary tools to build an enhanced environment for its food value chain and boost its exportation of agrifood products, this project contributes to SDG 17 that aims at strengthening the Global Partnership for Sustainable Development.

## ACHIEVEMENT OF RESULTS

In addition to assisting in the design of an enhanced legislative framework for the cooperatives, the activities carried out under this project strengthened the capacities of cooperatives. FAO assisted MARD to perform capacity assessments of three cooperatives and establish medium-term action plans based on an in-depth evaluation of cooperatives' present business operations. The identification of gaps and needs allowed training materials to be developed and tailored to cooperative managers and members. Elements of the training materials were derived from the Bringing Organisations and Network Development to Higher Levels in the Farming Sector in Europe (BOND) project, under which cooperatives in Europe benefited from assistance in connecting and negotiating with the commercial sector.

The project established connections between three cooperatives and agrifood suppliers, assisting these cooperatives in negotiating and securing contracts. The cooperatives also received assistance with marketing, branding and packaging, while MARD benefitted from FAO's expertise in conducting a market survey of key products.

Finally, based on an examination of existing policies, this FAO project made recommendations for improving the enabling business environment for cooperatives, pointing out the current limitations. Since the European Union–Vietnam Free Trade Agreement (EVFTA) entered into force in 2020, this study is particularly important, as it offers guidance for the national strategy for increasing agrifood exports to the European Union market.

## IMPLEMENTATION OF WORK PLAN AND BUDGET

Although all of the project's activities were completed, certain trainings and workshops were cancelled due to the COVID-19 pandemic and related measures restricting public gatherings and travel. Nonetheless, some of these trainings were carried out thanks to a no-cost extension of the project. In accordance with MARD, unutilised resources were consequently re-allocated to perform an analysis of the EVFTA's prospects for increasing agrifood exports to the European Union market.

## FOLLOW-UP FOR GOVERNMENT ATTENTION

The integration of the conclusions and recommendations from the analysis of current cooperative policies into a policy framework is critical for a more impactful revision of the cooperative policies. Furthermore, continuous capacity-building support, notably through knowledge dissemination thanks to the pool of master trainers, is essential to securing the adoption of a new business model by other cooperatives in the country.

## SUSTAINABILITY

### 1. Capacity development

During this project, two four-day trainings for 42 cooperative managers (13 of whom were women) and one three-day training for 42 cooperative members (7 of whom were women) were conducted. Ten master trainers were also trained, resulting in the creation of a pool of master trainers who can train and assist cooperatives after the project's end, in particular in developing the cooperatives' capacity to access markets. In addition, three cooperatives benefited from capacity development workshops to acquire skills on medium-term planning, market analysis, branding and marketing and negotiations with the private sector in order to enhance and expand their businesses sustainably.

### 2. Gender equality

Women participated in the project training for cooperative managers, cooperative members and master trainers.

### 3. Economic sustainability

This project contributes to improving smallholder farmer incomes and rural community economies by connecting cooperatives with shops and thereby establishing market opportunities and product outlets.



## DOCUMENTS AND OUTREACH PRODUCTS

### Documents

- ❑ **Institute for Policy and Strategy for Agriculture and Rural Development.** December 2021. *Cooperative policy analysis and policy brief.* 18 pp.
- ❑ **Institute for Policy and Strategy for Agriculture and Rural Development.** December 2021. *Market study report.* 32 pp.

### Outreach material

- ❑ **Institute for Policy and Strategy for Agriculture and Rural Development.** Cooperative training materials.

## ACHIEVEMENT OF RESULTS - LOGICAL FRAMEWORK

<b>Expected Impact</b>	<b>Improved productive capacity, competitiveness, income and social cohesion of smallholder rural communities through the introduction of a business cooperative model</b>		
<b>Outcome</b>	Well-structured, registered, functioning and competitive business cooperative model established, facilitated by improved legal/policy and business frameworks on cooperatives and inter-sectoral coordination		
	<b>Indicator</b>	Types and number of policy/legal/regulatory processes supported to facilitate an enabling environment for cooperatives (especially among the poor).	
	<b>Baseline</b>	0	
	<b>End Target</b>	3	
	<b>Comments and follow-up action to be taken</b>	Further follow-up is required to translate the project outputs, including policy analysis report and policy brief for cooperative development, into the on-going revision of cooperative law and policies.	
<b>Output 1</b>			
	Improved enabling environment to facilitate the development of inclusive business cooperatives		
	<b>Indicators</b>	<b>Target</b>	<b>Achieved</b>
	Number of policy/strategy and legal/regulatory documents for potential scale-up of new-type cooperatives.	1	Yes
<b>Baseline</b>	0		
<b>Comments</b>	The project supported MARD in conducting an analysis of existing policies for cooperative development and provided recommendations to improve the environment for a sustainable development of the cooperatives. In the context of the newly signed EVFTA, the project also supported MARD to conduct a study of EVFTA's challenges and benefits to agricultural cooperatives, which will then be used to inform MARD's strategy for boosting export of agrifood products to the European Union market.		
<b>Activity 1.1</b>	<b>Identify and analyse existing cooperative legislation and policies and the enabling factors</b>		
	<b>Achieved</b>	Yes	
	<b>Comments</b>	During the project, a policy analysis report and a policy brief were produced. These documents allowed for existing cooperative policies to be mapped out, current limitations to be analysed and recommendations for developing cooperatives to be provided.	
<b>Activity 1.2</b>	<b>Consult with stakeholders for policy/legal framework improvements</b>		
	<b>Achieved</b>	Yes	
	<b>Comments</b>	A provincial consultation workshop was organized to present and consult on the preliminary findings of the policy analysis. A total of 50 representatives from MARD (the Department of Cooperatives and Rural Development and the Institute for Policy and Strategy for Agriculture and Rural Development), the Department of Agriculture and Rural Developments (Tay Ninh Province, Binh Duong Province, Dong Nai Province, Long An Province, Ben Tre Province, Ba Ria Vung Tau Province, Ho Chi Minh City), cooperatives and the private sector attended the workshop.	

<b>Output 2</b>	Strengthened farmer groups and cooperatives through capacity building for effective organizational/ administrative management, production and marketing		
	Indicators	Target	Achieved
	Type and number of pilot cooperatives established.	2	Yes
<b>Baseline</b>	0		
<b>Comments</b>	The project supported three cooperatives to develop a common vision and an action plan, based on the results of the capacity assessment and market survey. The project also trained 42 cooperative managers and members, 13 of whom were women.		
<b>Activity 2.1</b>	Conduct a survey to develop a profile of relevant farmer groups and similar		
	Achieved	Yes	
	Comments	The project supported the MARD in conducting a capacity assessment of the three target cooperatives. The assessment identified gaps and needs for capacity building of cooperative managers and members. It also informed the development of medium-term development plans of the cooperatives, as well as the development of training materials, to strengthen the capacities of cooperative managers and members.	
<b>Activity 2.2</b>	Develop a common vision and action plan for enhanced organizational performance (governance structures, leadership, management, inclusion, gender equality, etc.), based on comparative advantage (in terms of technical know-how and production resources)		
	Achieved	Yes	
	Comments	Based on results of the capacity assessment and market survey, the project supported three cooperatives to develop medium-term action plans that elaborate an analysis of cooperatives' current business operations (organizational structure, managers, members, capital, etc.), opportunities and challenges, medium-term vision, missions and action plans.	
<b>Activity 2.3</b>	Organize trainings on cooperative values and principles, and to improve organizational governance, business and financial management, and negotiation, based on identified needs, in order to realize more inclusive and efficient performance		
	Achieved	Yes	
	Comments	<p>Based on the capacity assessment, the project developed training materials for cooperative managers and members consisting of six modules:</p> <ul style="list-style-type: none"> <li>– nature, values and principles of cooperatives, legal regulations on cooperatives;</li> <li>– cooperative management (administrative, financial, and operational management);</li> <li>– development of a medium-term business plan for the cooperative;</li> <li>– value chain and linked value chain;</li> <li>– brand development and production management according to quality standards; and</li> <li>– policies related to cooperative development in Viet Nam. Some training sessions (such as sessions on cooperative governance, leadership and conflict management) were adapted from the BOND project materials.</li> </ul> <p>Under the project, two four-day trainings were conducted with 42 cooperative managers (13 women). Due to the COVID-19 pandemic, the project held one three-day training with 42 cooperative members (including 7 women). In order to build the capacity of the DARD of the Tay Ninh Province to continue to support the cooperatives, the project provided two trainings of master trainers to ten DARD officials (including three women).</p> <p>It was not possible to organize a study visit of successful cooperative models due to COVID-19 and social distancing requirements. The project had to cancel this activity.</p>	
<b>Activity 2.4</b>	Capacity building for cooperative members, private sector and banks		
	Achieved	Partially	
	Comments	The COVID-19 pandemic and related travel and gathering restrictions made the follow-up coaching for selected cooperatives very difficult; it was therefore mostly carried out online. The pandemic also caused serious impact on cooperative business operation and thus limited the opportunities for the project to support the cooperatives develop and monitor their business.	

<b>Output 3</b>	Business development for cooperatives by linking them to market opportunities (through direct input/commodity marketing, linking cooperatives with credit/banking services)		
	<b>Indicators</b>	<b>Target</b>	<b>Achieved</b>
	Number of deals between cooperatives and market actors, service providers, credit/banking services, as well as their clients.	At least two contracts per cooperative for two most important commodities and input supplies each season.	Yes
<b>Baseline</b>	0		
<b>Comments</b>	The project facilitated support to all three selected cooperatives to sign contracts with agrifood suppliers to market products (including durians from Bau Don cooperative, snakeheads and turtles (Trionychidae) from Phuoc Ninh cooperative and custard apple from Thanh Tan cooperative) and with suppliers of inputs.		
<b>Activity 3.1</b>	Facilitate market and financial capacity analysis		
	<b>Achieved</b>	Yes	
	<b>Comments</b>	The project supported MARD in conducting a market survey of key products (durian, custard apple, snakehead and turtle) for the selected cooperatives.	
<b>Activity 3.2</b>	Create market linkages between the cooperatives and private or public sector entities, and provide financing for rural cooperatives		
	<b>Achieved</b>	Yes	
	<b>Comments</b>	The project linked cooperatives with agrifood suppliers and supported them in negotiating and signing contract with suppliers. The project also supported the cooperatives in marketing (through website), branding and packaging.	

**Partnerships and Outreach**

For more information, please contact: [Reporting@fao.org](mailto:Reporting@fao.org)

**Food and Agriculture Organization of the United Nations**

Viale delle Terme di Caracalla  
00153 Rome, Italy