

## **Market Access for Farmer Organizations' Project, Bokeo Province, Laos**



### **Final Evaluation Report**

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## **Executive Summary**

### **Introduction**

This report presents the findings from an evaluation of VECO's Market Access for Farmer Organizations. The project was implemented in Bokeo province between March 2007 and September 2010. Project expenditure amounted to EUR 367,000.

The Market Access Project aimed to improve livelihoods in a universe of 75 villages through improved access to markets and an increase in the value of agricultural production. This was to be achieved through the development of farmer group enterprises involved in the provision of production, post-harvest, processing and marketing services to local farming communities. The project worked in five different chains, including maize and tea, the focal points for this evaluation.

### **The maize chain**

#### Background

Maize is the main export crop in Bokeo. Cultivation has expanded considerably in recent years, particularly along the border with Thailand, the main market. The sub-sector is undergoing significant structural change following investment in local silos.

Temporary protectionist measures from Thailand have had very negative impacts on the incomes of farmers and traders. Complaints about excessive bureaucracy, unofficial fees along the export chain, and confusing and unpredictable policies and regulations are common.

Exclusive purchasing rights over small maize production areas are allocated to traders and farmer groups; in return these must provide production and marketing services within allocated areas. The regime is open to rent-seeking and exploitative practices by monopsonistic agents.

#### Project interventions

The project facilitated the formation of maize marketing groups, provided training and other capacity development services, co-funded group investments, and promoted the development of umbrella organizations that could play a role in policy dialogue.

Ten maize marketing groups, with a total membership of 109 farmers, were formed. Wealthier individuals, preferably with some previous business experience, were targeted. Groups have a small and relatively homogeneous membership, which is conducive to consensual business decisions, effective coordination of activities, and successful resolution of conflicts.

Group membership is heavily skewed towards men, an outcome that reflects existing gender roles in production and marketing. Local party officials have taken on leadership positions in many groups, but there is no evidence that this has undermined their operation. In some cases it

facilitated interaction with the government bureaucracy.

Group members invested US\$110,000 in collective assets. Average contributions varied across groups, from a minimum of US\$330 to a maximum of US\$2,000. Collective investments allowed groups to take on service provision and marketing roles and to diversify business portfolios, thereby having significant impacts beyond the maize chain.

Support to the provincial Chamber of Commerce was phased out after one year due to intractable governance problems. The idea to support to the establishment of a maize association was soon abandoned, after a feasibility study concluded that some basic conditions were missing.

### Direct and indirect impacts

Maize group enterprises were targeted as income generation vehicles for members and local farming households. These groups service more than 1,000 maize farming households in 49 villages. Groups with a diversified business portfolio are also servicing other households.

While the farmers interviewed were reluctant to disclose profit data, perhaps due to the presence of government staff, they were generally satisfied with the profits accruing from collective action and plan to continue working together as an enterprise.

Determining what a no-project scenario would look like entails a fair amount of speculation. In some areas wealthier farmers would have taken on some of the roles currently performed by marketing groups; in other areas outside traders would have secured purchasing rights. It is unlikely, however that local farmers would be as well serviced in such scenarios.

Current impacts would be short-lived were maize groups to collapse after project withdrawal. This is an unlikely scenario: most groups are developing competitive advantages and delivering tangible benefits to their membership.

## **The tea chain**

### Background

The Market Access Project supported the formation of a tea processing group in Man Meung, a remote and poor village cluster. There is a large, high-altitude forest with very ancient tea trees, but it takes many hours to walk to the area. The resource remains largely unexploited. Lower lying teas are more accessible. Small amounts are harvested, mainly by women, albeit on an irregular basis.

When the project agreed to intervene, two outside companies had monopsonistic purchasing rights. Both left the area in 2009, following a temporary crash in the Chinese market. Access to the ancient tea forest was a major reason behind investment by one of the companies: quality ancient teas fetch huge premiums in China and western markets.

### Project interventions

The tea group, composed of five men and one woman, and chaired by the village leader, co-invested in processing and storage sheds. The group also became involved in rice and palm fruit marketing activities, and this enabled members to cooperate in a context where tea processing activities were either on hold or carried out on an irregular basis.

The project spent much time mediating a dialogue between the group and local authorities on the re-allocation of tea purchasing rights. In late 2009 the group was finally granted the right to purchase and process local tea. Group members received training in administration, record keeping and business plan development. They also joined study tours and benefited from a series of market awareness and market linkage activities.

### Direct and indirect impacts

So far the group has had negligible impact on local incomes. In 2010 it sold 280 kilograms of green tea, mainly to local and visiting government officials, for about US\$2,500. Payment to farmers amounted to less than US\$1,000.

It is reasonable to assume that impacts will increase over time. Recent changes in leaf procurement and processing practices have improved product quality, enhancing the group's ability to take advantage of market opportunities. A recent trial order from a business selling specialty products from Bokeo, and current negotiations with a Chinese trader operating in a neighboring province, are encouraging developments.

### **Capacity of farmer organizations to influence chain outcomes**

Groups are delivering critical production and post-harvest services to local farming communities. This outcome is linked to the granting of marketing and export licenses, collective and individual ownership of strategic assets, and capacity to mobilize working capital, both internally and from buyers and banks. At least three groups plan to continue investing in collective assets.

Maize marketing groups are able to target different market channels. Groups with drying yards are particularly well placed to add value to local maize and take advantage of off-season marketing opportunities. But in order to do so, they need training on storage technologies and information on intra-annual price variations.

Several groups are evolving as highly diversified enterprises, developing businesses that have the potential to enhance group profitability and resilience to production and market shocks. Some marketing activities are not subject to monopsonistic regulations, an indication that groups can compete in an open market environment, without government protection.

Organized farmers have developed improved capacity to navigate through existing regulations, channel specific concerns to the relevant authorities, access government services, and influence

local government decisions. On their own, however, groups have limited ability to influence the design and implementation of provincial and national policies.

### **Position of farmers and their organizations in the chain**

Marketing groups have positioned themselves well within the maize chain, channeling their grain to local silos or selling to Thai traders across the river. The silo channel is becoming increasingly dominant. Silos incur lower transaction costs when exporting to Thailand and are able to sell directly to large animal feed factories. Silos are also well positioned to export to China.

While significant impacts in the tea chain are yet to materialize, farmers in the Meung cluster now have a local platform for accessing markets.

### **Relevance and effectiveness of chain intervention strategies**

A strategic focus on locally embedded farmer group enterprises filled an important gap in local maize marketing systems dominated by outside agents. The targeting of local business elites had positive impacts on group sustainability and allowed the project to reach large numbers of resource-poor farming households. Still, VECO could have considered extending capacity development activities and co-funding modalities to small maize production groups.

Group membership was heavily skewed towards men. It is difficult to see how the project could have changed this outcome. Excessive interference in group formation processes would have undermined their participatory, member-driven nature, with potential negative impacts on group cohesion and performance. More interventionist approaches would have been justified where women are traditionally responsible for the activities developed, as in the case of peanut processing and broom-making groups.

Co-funding of group investments was crucial for the success of interventions in the maize chain. But in line with good practices, the project did not subsidize operational costs: such subsidies would have distorted the incentives for participation in group ventures, masked the true viability of group activities, and weakened the very incentives for innovation and upgrading.

The project faced a very challenging context in the tea chain. The processing group still lacks the capacity to search for buyers and it is unclear whether it can meet the requirements of niche markets. In-depth research of regional markets might have led to the identification of promising channels and potential buyers. In addition, the project could have worked in more tea growing villages. On the other hand, the team had less than three years to implement interventions in many different areas and chains. Activities had to be prioritized. This may also explain why no consideration was given to the development of a high-value, ancient tea chain.

### **Contribution of advocacy actions**

Efforts to promote umbrella organizations that could represent producers and other stakeholders aimed to generate systemic change in the relationship between economic agents and policy

makers. These objectives were not achieved due to an adverse institutional context.

A more diverse advocacy strategy, encompassing research on strategic issues, such as local marketing regulations and cross-border trade with Thailand, could and should have been pursued. The findings could have been used to inform and influence policy. Pro-reform stakeholder coalitions could have been identified and targeted.

In the tea chain, the establishment of a processing business with some investment from local farmers created a situation where it was difficult for local authorities not to recognize its rights over local tea resources.

### **Effectiveness and efficiency of staffing structures and partnerships**

VECO Laos staff was recruited within Bokeo, a province characterized by acute skill gaps. Reliance on local human resources was extended to training initiatives. It is difficult to argue with the rationale of this strategy in terms of cost, stability of the project team, and development of local capacities. The project did manage to access useful research and analysis through partnerships, but still lacked critical capacity in these areas, which may explain why it failed to undertake strategic research for advocacy and develop a high-value, ancient tea chain.

### **Lessons and Recommendations**

Impressive results were achieved in a challenging context, characterized by remoteness, high poverty levels, limited staff and financial resources, and short intervention timeframes. Project results were the more impressive given the typically high rates of failure in donor-funded, cooperative development initiatives.

The Market Access Project provided many examples of good practice and a rich menu of lessons. Examples of good practice in group formation, group development interventions, and group subsidization are discussed. Recommendations for selection of chains, targeting of groups for leveraged impacts, entry points for intervention, gender mainstreaming, monitoring of group development processes, design of advocacy strategies, project resourcing and timeframes, and partnerships are presented.

## **Acknowledgments**

Special thanks are due to Stuart Ling, the former Country Director of VECO Laos. Stuart compiled the documentation for the evaluation, organized the fieldwork, provided interpretation during field interviews, made a series of follow-up calls for collection of missing data, and spent long hours answering a wide range of questions from the evaluation team.

I would also like to thank all the farmers, traders and government officials that joined fieldwork activities. Their hospitality, willingness to engage in lengthy discussions, and frankness are much appreciated.

## **Acronyms**

CIAT	International Center for Tropical Agriculture
LEAP	Lao Extension and Project
NAFRI	National Agriculture and Forestry Research Institute
NTFPs	Non-timber forest products
PAFO	Provincial Agricultural and Forestry Office
URDP	Uplands Research and Development Project

# 1 Introduction

## 1.1 Background

This report presents findings from an evaluation of the Market Access for Farmer Organizations' Project. Implemented by VECO Laos with funding from the Belgian Government and private donors, the project worked in three districts of Bokeo province, in northwest Laos, along the border with Thailand and Myanmar. The evaluation was conducted in January 2011, three months after project closure.

### Location of Bokeo province



The project was implemented from March 2007 to September 2010. Total expenditure amounted to EUR 367,000. The project team was recruited within Bokeo; some field staff was seconded from district agricultural offices. Reliance on locally recruited staff was only possible because the team was supervised by an expatriate with considerable knowledge of the Lao language. Command of English was not a requirement for joining the project.

The overall objective of the Market Access Project was to improve livelihoods in a universe of 75 villages through better access to markets and an increase in the value of local agricultural production. This was to be achieved through the formation and development of farmer group enterprises involved in the provision of production, post-harvest, processing and marketing services to local farming communities.

The maize, tea and peanut chains were the main target chains. They were chosen following a community selection process that included participatory assessments of local resources and market opportunities. Fish and grass brooms were added to the chain portfolio in 2009 as part of

a strategy to support the marketing of specialty products, known in Laos as ODOP (One District, One Product).

The Market Access Project worked with 15 group enterprises across the five target chains (see Table 1). Two other groups, one with several crop interests and another specialized in the production of bio-fertilizer, were also supported, alongside one household feed processing enterprise and two small maize seed growers.

**Table 1 Group and individual enterprises supported by VECO**

	Maize marketing	Tea processing	Peanut processing	Fish processing	Broom making	Other	<b>Total</b>
Group enterprises	10	1	2	1	1	2	<b>17</b>
Individual enterprises	0	0	0	0	0	3	<b>3</b>
<b>Total</b>	<b>10</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>20</b>

Ten of the 17 group enterprises supported by the project were involved in maize marketing. The maize chain was therefore an obvious focal point for the evaluation. Despite having worked with only one tea group, VECO decided that it would be interesting to also assess interventions in the tea chain due to the significant differences with the maize chain.

## 1.2 Objectives of the evaluation

This evaluation was commissioned by VECO Belgium as part of its reflection and learning agenda (see the Terms of Reference in Annex 1). The main objective was to distil lessons that could inform VECO's strategies, partnerships and interventions in other countries of Asia and in Africa, in the context of its 2011-2013 development program. VECO was particularly interested in a reflection around chain intervention and group development strategies, advocacy activities, and project structures and partnerships.

VECO's country program in Laos was closed down in December 2010. However, some work will continue through MHP, a local non-government organization established by former project staff. It is hoped that the evaluation will inform the work of this new organization.

## 1.3 Evaluation team

The evaluation was led by an external consultant who had also led the project's mid-term review. He was joined by Stuart Ling, VECO's former country director in Laos. Stuart compiled the background documentation and project data, organized the fieldwork, provided interpretation during all field discussions and interviews, and carried out a number of telephone calls to local government officers and group leaders for collection of additional primary data. Finally, Stuart acted as an invaluable key informant, engaging in multiple discussions with the evaluation team.

One staff from the Ministry of Agriculture and Forestry, one staff from the Provincial Agriculture and Forestry Office and one staff from the Provincial Department of Planning joined the evaluation team. They participated in all fieldwork activities, worked with the Team Leader for preparation of a powerpoint summarizing key evaluation findings, and made a presentation at a provincial feedback workshop, held on the last day of the mission.

In each district the team was accompanied by former project officers working for district government agencies. While their main role was to secure appointments with farmer groups, their presence helped clarify some issues related to the implementation of project activities.

#### **1.4 Evaluation process and methodology**

The consultant spent 10 days in Bokeo province collecting primary data from key informants, preparing a summary of findings, and participating in a feedback workshop with selected stakeholders (see the evaluation schedule in Annex 3). Project documents and selected grey literature were reviewed and an analysis of project data carried out prior to and after the fieldwork (see Annex 4 for a list of references).

Five and a half days were allocated to field discussions and interviews. The rest of the time was spent in debriefing sessions and discussions with Stuart Ling, collecting primary data over the phone, drafting a summary of findings for VECO headquarters, working with other team members in a presentation for a provincial workshop, and participating in this event.

Focus discussions were conducted with farmer group members (see Table 2). Five maize marketing groups, two maize producer groups, the tea processing group, a fish processing group, and a bio-fertilizer processing group were visited. While the last two groups were not active in the maize or tea chain, their inclusion in the sample enabled the evaluation team to gain a broader perspective of project achievements and challenges.

**Table 2 Focus group discussions**

	<b>Marketing groups</b>	<b>Producer groups</b>	<b>Total</b>
Maize chain	5	2	7
Tea chain	1	-	1
Other chains	2	-	2
<b>Total</b>	<b>8</b>	<b>2</b>	<b>10</b>

Semi-structured interviews were carried out with three private enterprises, namely one maize silo owner, one large maize trader, and a German expatriate involved in the marketing of several “ethnic minority” products from Bokeo, including tea (see Table 3). Five government officials were also interviewed: these interviews were not confined to activities and results in the maize and tea chains, covering other areas of project intervention as well.

**Table 3 Other key informants**

	<b>Private enterprises</b>	<b>Government officers</b>	<b>Former VECO staff</b>	<b>Total</b>
Maize chain	2	-	-	<b>2</b>
Tea chain	1	-	-	<b>1</b>
Project activities	-	6	1	<b>7</b>
<b>Total</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>10</b>

Direct observation methods were employed during the visits to groups and private enterprises. Facilities were visited to observe the state of processing equipment and other assets, as well as the range and quality of products under storage. Samples of fish products and tea were inspected to assess the quality of presentation and gain insights into marketing capacity and strategies.

### **1.5 Report structure**

The report is organized in five sections. The context for intervention in the maize and tea chains is presented after this introduction, in sections 2 and 3 respectively, alongside a description of key interventions and an analysis of direct and indirect impacts. Section 4 focuses on a series of questions raised by VECO, namely the capacity of farmer organizations to influence chain outcomes, the project's contribution to strengthening farmers' positioning in the chain, the relevance and effectiveness of chain and advocacy interventions, and the appropriateness of staffing structures and partnerships. Strengths and good practices in each of these areas are highlighted alongside weaknesses and challenges. Key lessons are presented in Section 5 and linked to recommendations.

Complementary information is included in annex. The first annex presents the Terms of Reference for the evaluation. Annex 2 lists the evaluation team members. Information regarding the fieldwork schedule and key informants is shown in Annex 3. References are listed in Annex 4.

## **2 Interventions, Outcomes and Impacts in the Maize Chain**

### **2.1 Context**

Maize is the main export crop in Bokeo province. Cultivation has expanded considerably in recent years, particularly along the river, on the border with Thailand. While nearly all production is sold across the border and channeled to the Thai animal feed industry, in recent years part of the harvest has been exported to China through Luang Namtha province.

The recent establishment of two silos (a third is under construction) represents a significant change in the structure of the local maize sub-sector. The number of market intermediaries along the maize chain has been reduced, transaction costs at the export stage lowered, and the share of the ex-milling price retained within Bokeo increased as a result of these investments. Investment in silo capacity has also enhanced the ability of the maize sub-sector to target the Chinese market, either to take advantage of favorable price differentials or in response to discretionary protectionist policies by the Thai government, such as the imposition of temporary bans or the introduction of extraordinary tariffs on maize imports.

In Bokeo individuals, companies or farmer groups are given exclusive purchasing rights over small maize production areas, usually within a cluster of two to five villages. In exchange, these agents must provide production services within the allocated area and purchase the local harvest. At a minimum, monopsonistic agents must supply hybrid seed on credit, with its cost and perhaps some interest being deducted upon the sale of the crop. The sale of fertilizer on credit is also common; land preparation services and the supply of herbicides less so.

The policy of allocating specific production areas to contracting agents was already in place in early 2009, at the time of the project's mid-term review, but was not as widely and rigorously implemented as currently. Monopsonistic regulations were being strictly enforced in all the areas visited during the fieldwork.

There are good intentions behind government's efforts to regulate input and output marketing activities at the village level. The current policy aims to ensure that maize farmers have adequate access to inputs and input credit, as well as product markets. It is not unreasonable to assume that, in an unregulated environment, farmers in more remote areas would have poorer access to input and output markets. Traders would be reluctant to invest in maize production and provide credit for fear that at harvest time farmers would sell their crop to other buyers offering a marginally higher price, a practice commonly known as side-selling or strategic default.

However, current policy does reflect an excessive pessimism within government about the ability of market mechanisms to deliver benefits to farmers (and a generally optimistic stance towards the merits of government intervention). This is not surprising in a country with a strong central planning tradition and still at an early stage in the transition towards a market economy. Yet, in neighboring Vietnam, maize marketing systems developed with limited state interference. While

local Vietnamese traders (collectors) do not engage in structured contract farming relations with maize growers, they often provide some level of input credit, being paid in cash or in kind at the time of harvest. Farmers may sell to other buyers and are not legally obliged to rely on the same service providers season after season. The experience of Vietnam shows that maize farmers can enjoy reasonable access to input and output markets in a fairly liberalized market environment.

In Bokeo the basic conditions for successful commercialization of maize production are already in place in the areas along the border with Thailand. In these areas there is no obvious need for continued micro-management of local marketing systems: they meet the basic requirements in terms of production levels, population densities, physical access conditions, and poverty rates. The situation in more remote areas merits more careful consideration.

The fact that farmers in Bokeo do not have the right to sell to anyone but the authorized buyer is particularly costly when the agent in question is exploiting his or her monopsonistic position to offer poor services to farmers, charge them high prices for inputs, pay low prices for their crop, or a combination of these. The policy also creates plenty of opportunities for rent-seeking by well-connected individuals, who may gain exclusive marketing rights on account of their influence over local government officers and perhaps the payment of bribes. While complaints from farmers and local officials may result in the re-allocation of purchasing rights, monopsonies are not subject to any periodic assessment. There is therefore too much room for discretionary decisions from local government structures. Ideally, the allocation of maize trading licenses, and any decisions about who gets such rights and over which areas, should be based on a formal and independent review system.

There are other flaws in the design and implementation of existing maize concession systems. Often monopsony areas are allocated taking into consideration administrative (i.e. *kumban*<sup>1</sup>) borders rather than geographical and market realities and the business strategy and capacity of the marketing agents in question. Moreover, those granted maize purchasing licenses also gain exclusive rights over non-timber forest products (NTFPs) in the area. This is a source of potential problems, as some of the agents applying for maize marketing licenses may do so in order to access NTFPs, not because they are particularly interested in the maize business and committed to their local supply base.

Finally, it should be noted that maize is not a natural choice for contract farming. First, this is not a very demanding crop in terms of cultivation techniques and external input requirements, the implication being that farmers' need for technical advice and input credit is not as high as for many other crops. Second, because maize growers tend to have spot market options, contracts are not an essential for market access. Finally, traders and processing enterprises can procure maize with the required quality through spot market purchases, and therefore do not really need to coordinate crop planting and cultivation activities with farmers.

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<sup>1</sup> Kumban is the administrative level above village and below district. It normally comprises a cluster of four to six villages.

## 2.2 Chain interventions

### 2.2.1 Group formation

The Market Access Project supported the formation of ten maize marketing groups.<sup>2</sup> Initial interventions focused on the facilitation of participatory group formation processes, including vision setting, selection of members, issuing of shares, election of leaders and members of the management board, agreement on group rules, and allocation of roles and responsibilities. The project facilitated these processes without interfering excessively in internal group dynamics: its role was to inform, not dictate, group choices.

Yet there was an explicit strategy to target wealthier individuals within local communities, preferably with some previous business experience. Only those with the capacity to contribute financially to group investments could become members. The reasoning was that groups could only take on an active role in local production and marketing systems if they had the capacity to invest and service large numbers of farmers.

In January 2011 the ten maize marketing groups had a membership of 109 farmers (see Table 4). Eight groups had between six and ten members. One had 24 members and another 26 members. Small membership reflects to a large extent the fact that few individuals within the communities targeted had the financial capacity to contribute to collective investments. In addition, group shareholders were understandably reluctant to expand membership due to the advantages of small groups in terms of internal cohesion and efficiency: it is much easier to develop a common vision, take consensual investment and other business decisions, coordinate production and marketing activities, minimize free-riding and solve conflicts when just a few individuals are acting collectively as an enterprise.

#### **Case study 1 Expanding membership: the experience of the Namphuk group**

The experience of the bio-fertilizer group in Namphuk provides interesting insights as to the reasons why groups may be cautious about expanding membership. The group has five members. All but one are of old age. The group is doing very well but cannot currently meet all the orders. While members are well aware that an increase in membership would enable them to expand production, they will only accept new shareholders if confident that these have the same level of commitment to the enterprise, will not cause internal frictions, and can contribute financially to planned investments.

**Source:** Fieldwork data

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<sup>2</sup> Initially the project also worked with an existing group of wealthy farmers from Ban Dan, by far the largest maize production area in Bokeo. This group is not included in the analysis because support by the project was soon phased out. VECO considered that project interventions in an area such as Ban Dan would have had limited impact because local production and marketing activities were already well developed. Ban Dan also had much lower poverty rates than the other areas targeted by the project.

**Table 4 Membership of maize group enterprises**

Group enterprise	District	No. members		No. women	Ethnicity of members	Members' location (No. villages)
		1 <sup>st</sup> year	Late 2010			
Namkha Leu cluster	Meung	7	6	0	Lao	1
Nam Nyu cluster	Meung	7	6	1	Akha (3); Khmu (1); Hmong (1) Lao (1)	4
Phadam cluster	Meung	24	7	0	Lao (5); Lahu (1); Akha (1)	3
Phonethong cluster	Houaysay	29	26	2	Lao (24); Lantan (2)	4
Pakngao cluster	Houaysay	15	24	3	Lao (23); Khmu (1)	2
Sidoneyeng cluster	Thonpheung	11	10	1	Lao	1
Koh Sang cluster	Thonpheung	5	6	0	Yao	2
Sidonekhoun cluster	Thonpheung	7	7	0	Lao	1
Mom cluster	Thonpheung	6	8	0	Lao	1
That village	Thonpheung	6	9	0	Hmong	1
<b>Total</b>		<b>117</b>	<b>109</b>	<b>7</b>		<b>20</b>

**Source:** Project and fieldwork data

Eight of the ten maize marketing groups have retained a relatively stable membership (see Table 4). This is an indication that current members are relatively satisfied with current and/or expected benefits from collective action, therefore remaining committed to the enterprise. One group in Pakngao experienced a significant expansion in membership and continues to perform well. Membership of the Phadam group was reduced from 24 to seven individuals, the reasons being twofold: in 2008 this group incurred significant financial losses due to the flooding of local peanut farms; in addition, only seven members were in agreement as to the future direction of the enterprise.

All the farmers that joined the group enterprises were recruited locally. Membership of the ten maize groups was drawn from 20 villages (see Table 4). In five cases all the shareholders lived in the same location. In two cases they came from four different villages. Having members living in different locations can facilitate decentralized service provision but increases communication and coordination costs. Different groups dealt with this challenge in different ways. In one case (Pakngao) all the elected members of the management board, which has executive responsibilities and needs to meet on a fairly regular basis, come from the same village.

The groups are fairly homogeneous in terms of ethnic composition (see Table 4). This is known to reduce the scope for internal conflicts. It is unsurprising therefore that one Yao farmer from Koh Sang decided to leave the Sydoneyeng group, where all the other members belonged to the Lao ethnicity, and form his own group with five other farmers from his own community (and ethnic group).

Membership is heavily skewed towards men: only seven women own shares in the ten maize marketing groups; six groups have no female member (see Table 4). This largely reflects existing gender roles in maize production and marketing: women rarely operate tractors or shelling equipment, for example.

Community leaders were actively involved in group formation processes and many did become shareholders, often taking on leadership roles within the enterprises. It was difficult to avoid such a situation in a country with a communist political system where party structures play a strong role in community affairs. There is no evidence, however, that the involvement of local party officials disrupted or undermined group development processes. All the groups visited appear to be managed democratically and reflect the interests and aspirations of members. This may be due to the fact that the participation of local leaders was framed within a well-thought and well implemented approach to group formation. In several cases group enterprises are even benefiting from having local leaders within their structures, as this facilitates interaction with the government bureaucracy.

### **2.2.2 Co-funding of group investments**

The co-funding of group investments was a central element in the whole intervention strategy. Co-funding of strategic assets was regarded as a critical for instigating collective action and

giving a sense of purpose and direction to maize cooperative enterprises, enabling them to take on effective service provision and marketing roles.

Groups had to submit business plans with a good justification for the proposed investments before being entitled to any co-funding from the project. This led to the purchase of one tractor, one large shelling machine and two trucks, as well as the construction of nine storage sheds and three drying yards (see Table 5). Approximately US\$110,000 of members' savings were mobilized in the process. The average shareholder contribution varied across the ten groups, from a minimum of US\$330 to a maximum of US\$2,000.

VECO's financial contribution varied from 20 percent and 70 percent of the value of the assets. Subsidization levels took into consideration the perceived financial capacity of group members, the cost of the assets purchased, and the timing of the investment. More generous subsidies were granted during the early stages of group development.

Investment in collective assets enabled maize groups to diversify their business portfolio, thereby having an impact well beyond the maize chain. Common storage facilities are used to store rice, NTFPs, peanuts, soybeans and other crops, not just maize. Trucks are used to transport a wide range of agricultural products. One group used the tractor purchased with project co-funding to open-up paddy land.

### **2.2.3 Group development**

The Market Access Project implemented some capacity development interventions. Study tours to Thailand were organized to improve farmers' understanding of opportunities in the maize chain and expose them to the idea of developing bio-fertilizer processing businesses.<sup>3</sup> Management and business skills were strengthened through training in administration, record keeping, and business plan development. Organizational and management capacities were also enhanced through exposure visits to the strongest groups.

### **2.2.4 Policy advocacy**

Maize production and marketing activities in Bokeo are highly regulated. Policy and regulatory decisions in Thailand also have significant impacts upon the performance of the maize sector in the province. In 2008 the Thai government imposed a temporary ban on maize imports. Recently it imposed extraordinary import tariffs. More generally, maize trading and processing enterprises complain about excessive bureaucracy, unofficial fees along the export chain, and the confusing and unpredictable nature of policies and regulations. The rules of the game are always changing.

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<sup>3</sup> One maize marketing group and two other group enterprises supported by the project are currently involved in the production of bio-fertilizer. One is already developing this as a very successful business, whereas the other two are still at the piloting stage.

**Table 5 Co-funded investments**

<b>Group enterprise</b>	<b>Assets co-funded by VEEO</b>	<b>Group contribution (US\$)</b>	<b>Average member contribution (US\$)</b>
Namkha Leu cluster	Storage shed; shelling equipment; drying yard	8,300	1,390
Nam Nyu cluster	Storage shed; tractor	21,000	3,500
Phadam cluster	Storage shed; bio-fertilizer processing shed; bio-fertilizer pelleter	2,300	330
Phonethong cluster	Storage shed; drying yard	5,650	217
Pakngao cluster	Tractor; truck	32,000	1,300
Sidoneyeng cluster	2 storage sheds	6,650	665
Koh Sang cluster	Truck	9,300	1,300
Sidonekhoun cluster	Storage shed	3,500	500
Mom cluster	Storage shed	4,650	650
That village	Storage shed; drying yard	18,000	2,000
<b>Total</b>		<b>111,350</b>	

**Source:** Project and fieldwork data

It was in this context that VECO targeted the provincial Chamber of Commerce for capacity development. The main objective was to enhance its ability to act as an umbrella organization that could represent maize chain stakeholders in policy dialogue. The Chamber of Commerce was also seen as a potential channel for provision of market information and other services. It soon became apparent, however, that the chamber would be unable to reach the required level of organization and professionalism to perform these functions effectively. The organization had a small membership of 25 enterprises, drawn from a range of economic activities, and an annual budget of just US\$500. Conflicts between members were common.

By mid-2009 the Market Access Project shifted its focus to the establishment of a provincial maize association. Several workshops and meetings were organized to discuss the idea. A feasibility study was commissioned in partnership with the Lao Extension for Agriculture Project, or LEAP (Senyavong, 2010). The study concluded that the basic conditions for establishment of an association were missing. Most critically, potential members lacked a common vision and could not see much benefit from an umbrella body. They were unwilling to devote the amount of time and allocate the level of funds necessary for running the organization.

While the association could potentially help traders and farmer groups deal with the necessary export procedures, few are now selling maize directly across the border, preferring instead to channel the crop to the new local silos. Furthermore, in Ban Dan, the main maize production area, farmers and traders already had what they consider a satisfactory informal export system and therefore did not see a need for external intervention or support. Coordination of activities was also regarded as costly, especially by those located far from the provincial capital.

Given this context, the Market Access Project decided not to pursue the idea. The project would have had to take on a leading role in mobilization of members and funding of associative activities. This would have been inappropriate and counter-productive. There was also a danger that the association would strengthen vested interests in the maintenance of existing monopsonistic regulations, rather than act as a reform-minded body where producers' interests would also be well represented.

## **2.3 Income and livelihood impacts**

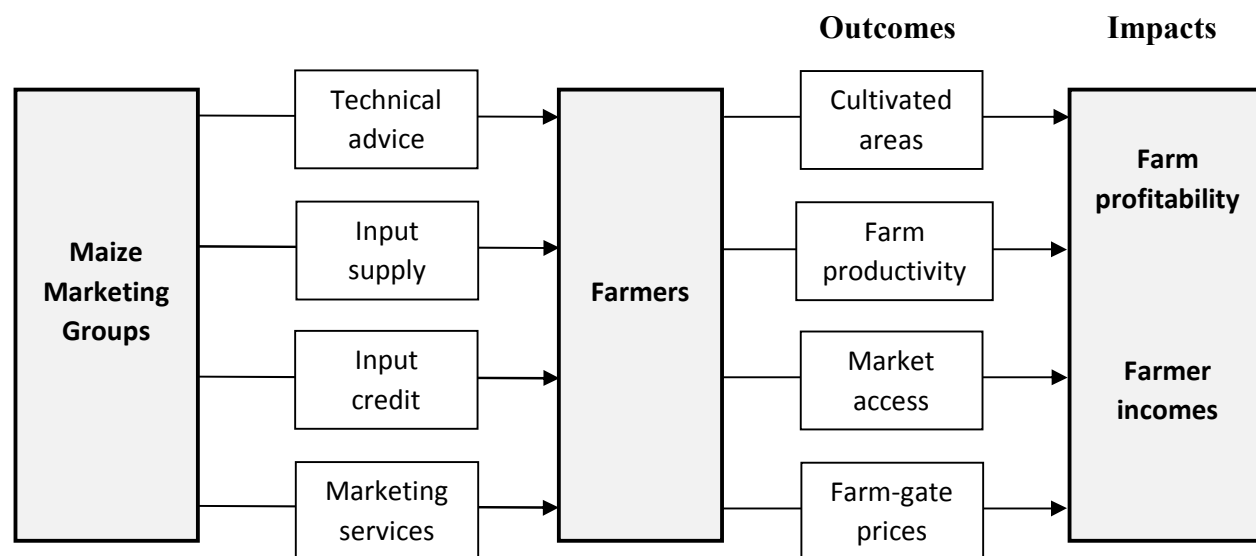
### **2.3.1 Introductory remarks**

This section provides a qualitative assessment of income impacts. It is assumed that any increase in household incomes has positive impacts on local livelihoods, although these will ultimately depend on how additional income is used. The evaluation team was not in a position to determine intra-household dynamics and allocation of resources, and therefore could not assess the links between income impacts and livelihood trajectories for men, women, boys and girls. This would have required a study on gender relations within specific local and ethnic contexts.

Project impacts must be judged within a group sustainability framework, using counterfactual (without project) scenarios. Moreover, it is important to distinguish between direct and indirect

impacts. Group enterprises were targeted not only as a vehicle for generating income to their membership, but more importantly, as a means to bring about wider socio-economic change. Ultimately, the project must be judged in terms of the ability of farmer group enterprises to generate positive income and livelihood impacts in the local area.

**Diagram 1 Indirect outcome and impact trajectories**



### 2.3.2 Direct impacts

Current and future profits provide the best measure of direct impacts. Unfortunately, the evaluation team was not able to collect profitability data, so the analysis presented is at best incomplete. Project records did not include profit data, a gap that had already been identified during the mid-term review. The evaluation team did discuss profitability issues during the group visits, but members were reluctant to provide exact figures. The fact that groups have to pay income taxes may explain their reluctance to disclose profits in the presence of government staff.

Despite these limitations, it is possible to make some inferences about group profitability. The group members interviewed were generally satisfied with the level of profits accruing from collective business activities. It is highly unlikely that they would have had access to current income opportunities without project interventions. In some areas, like Sidonekhoun or Nam Nyu, perhaps some shareholders would have been in a position to secure monopsonistic rights individually or through cooperation, but would not have had the same level of operational capacity. Unsurprisingly, the group members interviewed plan to continue working together.

During the field visits only the shareholders of the Namkha Leu group expressed some concern over the profitability of their enterprise, a situation that was attributed to a decision by the district authorities to withdraw their purchasing maize (and NTFP) purchasing rights in a large area. However, members were confident that the group would soon return to profitability. In 2010 the

group contracted an outside agent to build a local feeder road that will enable the development of 400 hectares for maize cultivation.

### **2.3.3 Indirect impacts**

Indirect impacts depend on the outreach of maize marketing groups (see Table 7). The ten groups are providing production and marketing services to more than 1,000 maize farming households in 49 villages. Six groups service between five and seven villages; one group operates in two villages while another is confined to one large village. All but one of the areas targeted comprise a variety of ethnic groups. According to project survey data, in 2007 one in three households in these areas was living in absolute poverty.

In most cases, the number of maize growing households serviced has remained relatively stable. One group expanded its maize supply base considerably, whereas two other saw a very significant reduction in the number of contract growers. But at least in one of these cases (Sydoneyeng) the reduction in the number of maize farmers serviced was a very positive development, reflecting a diversification of group activities and local farming systems.

Determining what a no-project scenario would look like entails a fair amount of speculation. In some areas wealthier farmers with some marketing experience may have taken on roles currently performed by “project groups”, while in other areas outside traders would have secured purchasing rights and taken advantage of marketing opportunities. In most areas, however, it is unlikely that maize growers would be as well serviced as currently, more so in poorer and more remote locations, where service provision is more challenging and farmers are generally regarded as less credit-worthy. As importantly, there is evidence that the local presence of group enterprises has giving farmers the confidence to invest in maize cultivation and expand production areas. The evaluation team is in no position, however, to speculate whether farmers would have purchased seed and fertilizer for a higher cost and sold their maize crop for a lower price in a context where group enterprises had not been established.

Clearly, the impacts of collective action are greatest in areas where groups are delivering land clearing and land preparation services; renting shelling equipment to farmers rather than shelling the maize themselves; and supporting diversification processes through the provision of production services for a range of existing or new crops (see Table 6).

The fact that the impacts from the establishment of maize marketing groups extend well beyond the maize chain cannot be overemphasized. And it should be noted that in many areas of activity – such as the supply of compost, the clearing of land for rice cultivation, the marketing of rice, the contracting of farmers for cultivation of pumpkin and cucumbers, and the promotion of peanut or soybean – groups are not protected by monopsonistic regulations. These developments are a strong indication that some group enterprises can indeed compete in an open market environment, without government protection.

**Table 6 Outreach of maize marketing groups**

<b>Group enterprise</b>	<b>No. villages</b>	<b>Ethnic groups</b>	<b>No. households</b>	<b>Household poverty rate (%)</b>	<b>No. maize farmers serviced during first year</b>	<b>No. maize farmers serviced in 2010*</b>
Namkha Leu cluster	3	Lao, White Lahu Lahu Shi, Yao	175	32	20	70
Nam Nyu cluster	7	Lao, Khmu, Black Lahu Lahu Shi, Akha Hmong, Nyouan	438	24	89	86
Phadam cluster	5	Lao, Akha, Lahu	310	48	89	45
Phonethong cluster	7	Lao, Lantan, Yao, Khmu	532	4**	n.a.	216
Pakngao cluster	4	Lao, Hmong Khmu	436	10	87	150 (+ shelling in 2 other villages)
Sidoneyeng cluster	7	Lao, White Lahu Black Lahu	510	47	280	15
Koh Sang cluster	6	Lao, Black Lahu Lahu Shi, Yao	590	38	n.a.	198
Sidonekhoun cluster	2	Lao, Black Lahu	152	6	85	80
Mom cluster	7	Lao, Akha	480	10	120	120
That village	1	Hmong	204	32	n.a.	156
<b>Total</b>	<b>49</b>		<b>3,827</b>	<b>32</b>	<b>n.a.</b>	<b>1,136</b>

\* Approximate figures

\*\* Government (rather than project) estimates

**Sources:** Project data and fieldwork data

**Table 7 Diversification of maize group enterprises**

<b>Group enterprise</b>	<b>Business portfolio (excluding maize marketing)</b>
Namkha Leu cluster	Dry-season rice: delivery of inputs and input credit Wet-season rice: marketing Sugar palm fruit: marketing
Nam Nyu cluster	Clearing of paddy land; marketing of wet-season rice; marketing of sugar palm fruit and resin. Dry-season rice: input delivery, marketing
Phadam cluster	Irrigated rice: supply seeds, marketing of rice Testing of bio-fertilizer production and marketing
Phonethong cluster	Marketing of broom grass and sugar palm fruit
Pakngao cluster	Marketing of broom grass, sugar palm fruits and black rice Soybeans: input delivery, input credit, extension and marketing Peanuts: Delivery of inputs and input credit, marketing of peanuts Dry-season rice: input delivery, input credit and marketing (pipeline) Sesame: trial season (pipeline) Tubers: trial season (pipeline)
Sidoneyeng cluster	Agent for three Chinese investors developing contract farming in the area (bananas, pumpkin, cucumbers) Marketing of black rice and sugar palm fruit Peanuts: input delivery, input credit and crop marketing
Koh Sang	Rice: delivery of inputs and input credit and marketing of the crop Broom grass: marketing
Sidonekhoun cluster	No activities outside the maize chain
Mom cluster	Marketing of NTFPs and rice
That village	No activities outside the maize chain

**Source:** Fieldwork data (January 2010)

### 2.3.4 Sustainability of impacts

The impacts achieved would be short-lived were the maize marketing groups to collapse after the project. This is an unlikely scenario. Generally, the groups are delivering tangible benefits to their membership. As importantly, most groups are developing as cohesive, well-functioning and competitive enterprises.

Internal factors – quality of leadership, group capacity, levels of trust between members, and reliance of internal resources for operations and new investments – are generally conducive to group sustainability. Yet, however important they may be, suitable internal conditions cannot guarantee the success and sustainability of group ventures. External factors also play a critical role. For example, temporary protectionist measures by the Thai authorities can have very negative impacts on group profitability. Some decisions by local authorities can have similar effects. To use the example of the Namkha Leu group, a decision to withdraw purchasing rights over a large maize production area had a very negative impact on the profitability of the enterprise. The group is adapting to this shock by opening-up new areas for maize cultivation, but it is unclear whether it will still be in operation in five or six years, when the construction of a new dam will force villagers to relocate to other areas.

#### **Case study 2 External factors and group sustainability: the case of the Nam Tin Neua group**

The experience of the fish processing group in Nam Tin Neua, a village located next to a large lake, illustrates the critical importance of external factors for group performance and sustainability. Formed in late 2009, towards the end of the project, the group has seven male and two female members, all Khmu, an ethnic minority that traditionally relied on hunting and gathering activities as the main source of livelihoods. One of the women is the cashier; the other is responsible for fish processing activities.

The evaluation team was very impressed with the level of group organization, its record-keeping practices, its capacity to mobilize internal savings for investment in a processing shed, a fridge and a small truck, and its ability to develop a wide range of fish products, in line with local demand. Such outcomes were achieved in a very short period of time. Despite all these favorable conditions, the group is not making a profit because of a sudden and unexpected reduction in local fish stocks, a consequence of a pronounced drought in the first six months of 2010. Members do not know whether fish stocks will ever recover. They would like to assess the viability of fish farming but currently lack the necessary experience and technical know-how. The group is also planning to apply for a license to trade local maize and NTFPs. Members feel they have invested too much in the enterprise and cannot just give up.

**Source:** fieldwork data

### 3 Interventions, Outcomes and Impacts in the Tea Chain

#### 3.1 Context

Meung is a remote district with high levels of poverty and illiteracy. Lahu, the largest group in the area, is one of the poorest minorities in northern Laos. Until recently, the district could not be accessed by road during the rainy season, an eight-hour journey by river being the only transportation option. Physical access has improved with the upgrading of a dirt road linking Meung to the provincial capital, three years ago.

In late 2007 the Market Access Project started working with farmers in the Man Meung village cluster for the selection of target chains. Tea was then chosen because all six villages in the cluster had access to a large tea area and farmers were eager to develop this resource.<sup>4</sup> This provided the basis for the establishment of a tea processing and marketing group.

Meung has a large, high-altitude ancient tea forest. Farmers in the target village cluster and surrounding settlements need to walk at least eight hours just to reach the forest. High-quality ancient teas fetch very high prices in China and western markets<sup>5</sup>, but it is not yet known whether local ancient varieties have the intrinsic properties valued in the high-premium market segments. The resource remains largely unexploited, and this explains why farmers have cut many old trees, whose high branches are difficult to reach.

Lower-lying, more accessible production areas include younger natural (or wild) teas as well as domesticated (or planted) teas. In some villages farmers have been planting seedlings produced from seed gathered in natural tea and domesticated tea areas. Seedling survival rates are low as farmers are unaware of the methods for producing enrichment planting material from cuttings. Small amounts of tea are harvested from lower-lying areas, mainly by women, but on a limited and irregular basis due to poor linkages with outside markets. The tea trees are neither pruned nor fertilized, and no pesticides are used. In a regional context where conventional teas typically have excessive levels of pesticide residues, this provides a potential source of product differentiation.

In 2009 the National Agricultural and forestry Research Institute (NAFRI) sent some local tea samples abroad for chemical analysis. The results suggest that the tea from Meung is of comparable quality to some varieties of Pu'er mountain tea (traditionally grown in Yunnan province of China) and therefore has some marketing potential (URDP, 2009). Unfortunately, the source consulted does not indicate the exact type of local tea sent for testing. Was it ancient tea from the remote forest, was it younger wild tea, or was it recently planted tea? Likewise, the source does not specify whether Meung tea can be compared to medium-quality or high-quality

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<sup>4</sup> Two other clusters in Meung, comprising ten villages, also have access to tea resources.

<sup>5</sup> For example, Rishi, a market leader in specialty, organic fair trade teas retails its selected ancient teas in the United States for about US\$100 a kilogram.

Pu'er tea varieties. These distinctions are important to understand the true marketability of local tea.

When the Market Access Project decided to intervene in the tea chain, one Chinese company based in Luang Namtha province (Minggui) and one company belonging to a Lao businessman from Oudomxay and three Chinese investors (Saengphaet) had purchasing rights over all the tea in Meung. Minggui set-up a camp for the purchase of older forest tea and was planning to use it as the future basis for an eco-tourism operation. Saengphet rented a drying wok to selected farmers in the area, who purchased raw leaf and processed it on behalf of the company. In some villages the company purchased raw leaf. The two investors purchased small amounts of tea during the first two years<sup>6</sup>, but ceased activity in early 2009, following a temporary crash in the Chinese tea market. In 2007 and early 2008, when market conditions were good, one kilogram of raw leaf was being purchased for about US\$ 0.5.

## **3.2 Chain interventions**

### **3.2.1 Group formation**

The Man Meung tea processing group was formed in early 2008. This group is part of a larger, much less structured collective enterprise, but the tea processing and marketing business is developed independently. Group formation processes were similar to those followed in other project areas. The tea sub-group comprises five men and one woman. All members come from Phonesavang, a village with 31 Akha households. The group is chaired by the village leader, an influential and respected man who has never been to school. Group membership has not changed over the past three years.

### **3.2.2 Co-funding of group investments**

The six shareholders initially invested in one processing shed. The shed cost about US\$3,000. Thirty percent of the investment came from group members; the remaining seventy percent was funded by the project. In addition, the group received a frying wok and a gas stove from the project.

The project's generous subsidization strategy reflected the resource constraints faced by group shareholders, the challenges posed by remoteness, and the fact that at the time the group was not in a position to market local tea due to the presence of two companies with concessionary rights. Members could not undertake significant investments in such a context.

Members of the tea processing group also cooperated with six other local farmers for the construction of a common storage shed. Forty-eight percent of the investment, or \$3,240, came from farmers; the project provided an additional US\$3,560. At the time of the visit the group had some 20 tons of rice in its store and was waiting for a lifting of the government ban on rice

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<sup>6</sup> Saengphet purchased 800 kilograms of dry leaf in 2007 and 400-500 kilograms in 2008.

marketing to sell the crop.<sup>7</sup> A 10-ton truck belonging to the group leader is sometimes used for transporting rice. During the visit the evaluation team could also observe group members assembling and packaging sugar palm nuts for sale to an outside trader. The marketing of rice, sugar palm fruit and other NTFPs has enabled group members to work together as a joint enterprise in a context where tea processing activities were either on hold or carried out on an irregular basis.

### **3.2.3 Policy advocacy**

During the first 18 months of intervention the market Access Project spent much time and effort mediating a dialogue between the tea processing group and local authorities with a view to have the restrictions on the marketing of local tea lifted, at least in and around the members' own village. It was only in late 2009, however, that local authorities finally agreed to grant marketing rights to the tea processing group, once it became evident that the two outside companies had no long-term commitment to the development of local tea resources and no other companies had expressed an interest in taking over such role.

### **3.2.4 Group development**

As in the case of maize groups, members of the tea processing group were trained in administration, record keeping, and the development of business plans. During the initial stages of group formation they were also taken on a study tour to Phongsali and Oudomxay to learn about tea production, processing and marketing. Later on they visited a tea producing Akha village in Thailand.

### **3.2.5 Market linkage development**

Market awareness and linkage initiatives intensified during the final year. The Market Access project facilitated participation in a fair trade event in Vientiane and two agricultural fairs in Bokeo province. These events provided opportunities for promoting the group's tea, establishing contacts with and getting feedback from potential buyers, and learning about the marketing of other teas. Participation in these events was accompanied by the delivery of advisory services, with an emphasis on the need for improving product quality, a key for market access condition.

The project also linked the tea group to premium buyers. Product samples were sent for a blind tasting event in Vientiane for forest teas from northern Laos, organized by NAFRI and CARE. The event gathered tea experts from reputed foreign companies interested in identified promising wild and ancient teas from Laos. The product sample from the Man Meung group received a low score, a result that was certainly influenced by the fact that members rushed to collect the fresh tea, resulting in a very mixed leaf quality, and processed it using wood instead of charcoal,

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<sup>7</sup> Although questionable from a market development perspective, temporary bans on rice sales are imposed to prevent a situation where poor households sell excessive amounts of rice soon after harvest, having to buy it later in the season for much higher prices.

against the recommendation of VECO<sup>8</sup>. Tea processed with wood has a smoky taste, which is not appreciated by consumers.

Very recently the group was linked to a German expatriate who is starting to market natural and organic honey from Meung district in hotels and shops in Vientiane. This entrepreneur wants to sell a range of local, non-timber forest products and is potentially interested in including tea in his portfolio. An initial consignment of approximately 50 kilograms was sold as part of an initial market trial.

### **3.3 Income and livelihood impacts**

So far the tea group has had negligible impacts on local incomes. In 2010 it sold 280 kilograms of dried tea, equivalent to 1.4 tons of fresh tea leaves. This contrasts with a potential annual harvest of 20 to 30 tons of fresh leaves just in Phonesavang village. Most tea was sold to local and visiting government officials. Very small volumes were sold during visits to Xieng Kok, in the Mekong, or across the river to Myanmar. Sales revenues amounted to some US\$2,500, with farmers receiving about US\$1,000 as payment for their fresh leaf supplies.

It is reasonable to assume that impacts will increase over time and that these may benefit women disproportionately due to their active involvement in harvesting activities. After a very slow start, the group has gradually developed a strong sense that it can only attract buyers if it invests in product quality. A decision to restrict procurement activities to one or two-tip leaves, rather than two or three-tip leaves, as in the past, and to pay a premium that justifies the additional effort from farmers during harvest, was a very encouraging initial step. The acquisition of a gas stove was another critical step in the right direction, as it solved the smokiness problem that occurs when wood is used to fry the leaves. The group would now like to buy a drying oven but is reluctant to do so until the demand for their tea picks up.

While the group still lacks critical business and negotiation skills, it is now much better positioned to take advantage of marketing opportunities than one or two years ago. A recent trial order from a new, expat-owned business specializing in the marketing of specialty products from Bokeo is an encouraging development. This has the potential to develop into a small but interesting market channel. However, this linkage can only be sustained if the group demonstrates the capacity to effectively coordinate product deliveries with the new buyer and is able to consistently meet his quality and volume requirements.

More encouragingly, a Chinese trader operating in the neighboring Luang Namtha province, on the border with China, has recently bought three kilograms from the group for a reasonable price (US\$10 per kilogram) to assess its quality and whether to start purchasing regularly from the group. His feedback was favorable and the two parties are now discussing possible terms of a contract. The group has demanded that partial advanced payments are part of any future business arrangements.

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<sup>8</sup> At the time the group did not yet have a gas stove.

It is too early to predict whether the group will be sustainable. This is a likely outcome if tea sales increase. If not, all will depend on the level of members' satisfaction with the profits from other collective activities, such as the marketing of rice and sugar palm fruit. There are some advantages in continuing marketing these products as a group, as this enables members to pool working capital resources and share risk.

## 4 Key Evaluation Questions

### 4.1 Capacity of farmer organizations to influence chain outcomes

#### 4.1.1 Strengths and good practices

##### Organizational and management capacity

The Market Access Project was instrumental in enabling groups to evolve into fairly well-managed enterprises. Targeting strategies ensured that members' profile was consistent with the challenges ahead. Groups were formed by a small, capable and fairly homogeneous membership. Shareholders came from the upper strata of local communities, knew each other well, and had much in common in terms of gender and ethnicity. In a few cases some members had previous experience of working together, although in a less structured and strategic way than at present.

Project facilitation and training activities also played a role. Groups received useful guidance on how to structure themselves and set-up proper financial management systems. According to an audit carried out in the final project stages, three maize groups had very good support documentation, appropriate internal control systems and accurate budgets, and relied extensively on financial reports as a management tool. Six maize groups were given a medium score in terms of their internal financial management practices. Only one received a low score.

The tea group, in turn, operates in a fairly informal way, with no rigid management system. This makes some sense in a context where marketed volumes are still low and market channels fairly unsophisticated. Informality minimizes transaction costs without necessarily compromising transparency and efficiency. But such systems only work in contexts where groups are small and members live close to and trust each other.

##### Service provision capacity (production and post-harvest spheres)

Groups are delivering a range of production and post-harvest services to local farming communities. All maize marketing groups supply hybrid seed on credit. Most also provide fertilizer on credit. A few supply land clearing and land preparation services. In some areas farmers rent shelling equipment from the group. Technical advice is sometimes provided as an embedded service.

Service provision is directly linked to asset ownership (see Table 8). All groups took advantage of opportunities for accessing project co-funding and using assets owned by individual shareholders. Five maize groups benefit from joint or individual ownership of tractors. Nine have access to small pick-up trucks. Eight have common storage facilities. Five are using group- or individually-owned shellers. Encouragingly, at least three groups plan to continue investing in collective assets, such as tractors, small trucks, shellers and storage facilities.

**Table 8 Asset ownership by maize marketing groups (for provision of production and post-harvest services)**

Group enterprise	Tractor	Small truck/ pick-up	Shelling equipment	Drying yard	Investments in the pipeline
Namkha Leu cluster	No	✓ <sup>1</sup>	✓	✓	
Nam Nyu cluster	✓	✓ <sup>1</sup>	✓ <sup>1</sup>	No	
Phadam cluster	No	No	No	No	
Phonethong cluster	No	✓ <sup>1</sup>	Soon	✓	tractor; small sheller
Pakngao cluster	✓	✓ <sup>1</sup>	✓	No	small truck
Sidoneyeng cluster	✓ <sup>1</sup>	✓ <sup>1</sup>	No	No	
Koh Sang cluster	No	✓ <sup>1</sup>	✓ <sup>1</sup>	No	land to build a storage shed; big sheller
Sidonekhoun cluster	✓ <sup>1</sup>	✓ <sup>1</sup>	No	No	
Mom cluster	No	✓ <sup>1</sup>	No	No	
That village	✓ <sup>1</sup>	✓ <sup>1</sup>	✓ <sup>1</sup>	✓	

<sup>1</sup> Privately owned but used by the group

**Source:** Project and fieldwork data

Groups need working capital in order to deliver production services and purchase crops. All mobilize financial resources from members. Some receive in-kind credit from buyers. A couple has in the past accessed bank loans for working capital purposes.

#### Value addition and marketing capacity

The ability of groups to take advantage of marketing opportunities is influenced by location (see Table 9). Those in more distant and difficult to access areas are at a disadvantage. While remoteness is posing some challenges in the case of the tea processing group, all maize marketing groups have managed to develop effective linkages with downstream buyers. These groups are generally able to target different market channels. All the five groups visited have experience in dealing with different buyers and are well aware of the different domestic and export market channels. They also have good access to spot market information, and can therefore take informed decisions about which channel to target.

Value addition and marketing capacity are also linked to the ownership of certain key assets (see tables 8 and 9). The three groups with drying yards are particularly well placed: during the dry season they can supply shelled grain with low moisture content, which fetch higher prices; they could also store maize for some months in order to take advantage of higher off-season prices. Eight groups have storage sheds, being in a position to hold on to their stocks for short periods while organizing transportation, negotiating with buyers, or waiting for spot market prices to rise. Five have large trucks, and therefore do not need to hire transportation.

Maize and tea groups have licenses from PAFO, the Provincial Agricultural and Forestry Office (see Table 9). Seven currently own export licenses from the provincial Department of Trade; five have a license from the Finance Department; another will soon apply for this document. Groups need an agricultural license in order to purchase maize within specified areas and market it within the province. This document also gives the licensee monopsonistic rights over local NTFPs. An export license is required for the export of maize and NTFPs. A license from the Department of Finance is not necessary for crop marketing but advantageous in that licensed groups only have to pay income tax twice a year, rather than for every transaction, and are exempted from import taxes on equipment, such as tractors or shellers.

#### Diversification capacity

Many groups are developing as highly diversified enterprises (see Table 6), taking advantage of joint investments in assets such as tractors, storage sheds and trucks, and opportunities for collective action. Diversification processes show that groups are able to move towards more complex agribusiness ventures that have potential to enhance profitability and resilience to production and market shocks. Two groups are particularly impressive in their diversification drive: the one in Sydoneyeng has been mediating between three Chinese companies and local farmers for the cultivation of bananas, pumpkins and cucumbers under contract; the Pakngao group has plans to pilot commercial production of sesame and a new tuber crop.

**Table 9 Value addition and marketing capacity of maize marketing groups**

Group enterprise	Physical access to markets	Storage shed	Drying floor	Large truck	Marketing experience	Trading and other licenses		
						Agriculture	Trade	Finance
Namkha Leu cluster	Poor	✓	✓	No	Medium	✓	submitted	No
Nam Nyu cluster	Poor	✓	No	No	Good	✓	submitted	n.a.
Phadam cluster	Poor	✓	No	No	Medium	✓	No	No
Phonethong cluster	Good	✓	✓	✓ <sup>1</sup>	Good	✓	✓	✓
Pakngao cluster	Good	No	No	✓	Good	✓	✓	✓
Sidoneyeng cluster	Medium/Good	✓	No	✓ <sup>1</sup>	Good	✓	✓	✓
Koh Sang cluster	Good	No	No	✓	Medium	✓	✓	Plan
Sidonekhoun cluster	Good	✓	No	No	Medium	✓	✓	✓
Mom cluster	Medium	✓	No	No	Good	✓	✓	✓
That village	Medium	✓	✓	✓ <sup>1</sup>	Good	✓	✓	No

<sup>1</sup> Individually owned but used by the group

## 4.1.2 Challenges and weaknesses

### Financial management

Financial audits should have been carried out earlier in the intervention cycle. While the initiative was very useful in instigating some reflection within participating groups, an opportunity to work with members for further strengthening of financial management practices was lost because the audit was conducted just before the end of the project.

### Seasonal storage

Maize groups with drying yards and storage facilities are, in theory, well positioned to take advantage of seasonal storage opportunities. In practice, however, they have poor knowledge of storage technologies, face difficulties in assessing the likely profitability and risks of inter-seasonal storage, and experience working capital constraints. These groups could have benefited from training on storage technologies and information on intra-annual price variations.

### Advocacy capacity

Organized farmers have developed improved capacity to navigate through existing regulations, channel specific concerns to the relevant authorities, access government services, and influence government decisions, for example regarding the allocation of monopsonistic purchasing rights. On their own, however, groups have limited ability to influence the design and implementation of provincial and national policies.

For example, two groups in Meung district had their requests for export licenses turned down. Both plan to re-apply but are still unaware of the reasons why their initial application was rejected. These groups lack the necessary contacts within the Department of Trade and have poor understanding of bureaucratic procedures. While the problems experienced seem to be linked to a temporary re-organization of trade licensing systems, it is clear that both the project and district authorities failed to accompany the process and provide the necessary guidance and feedback.

#### **Case study 3 Collective action and advocacy: the case of the Namkha Leu group**

The Namkha Leu group illustrates the advantages but also the limitations of collective action in enabling farmers to influence local government decisions in a highly interventionist context. In 2010, after a series of consultations, the group succeeded in convincing local authorities to waive taxes on the construction of a local road by an outside contractor. At the same time, the group was unable to obtain an export license and saw its maize monopsony area reduced. Two villages, including the largest in the cluster, were re-allocated to a trader from Houaysay who, allegedly, was mainly interested in accessing the local palm fruit harvest. Group members complained that the trader is delivering poor services to local maize growers. They suspect that he managed to influence local authorities because of his connections and bribes.

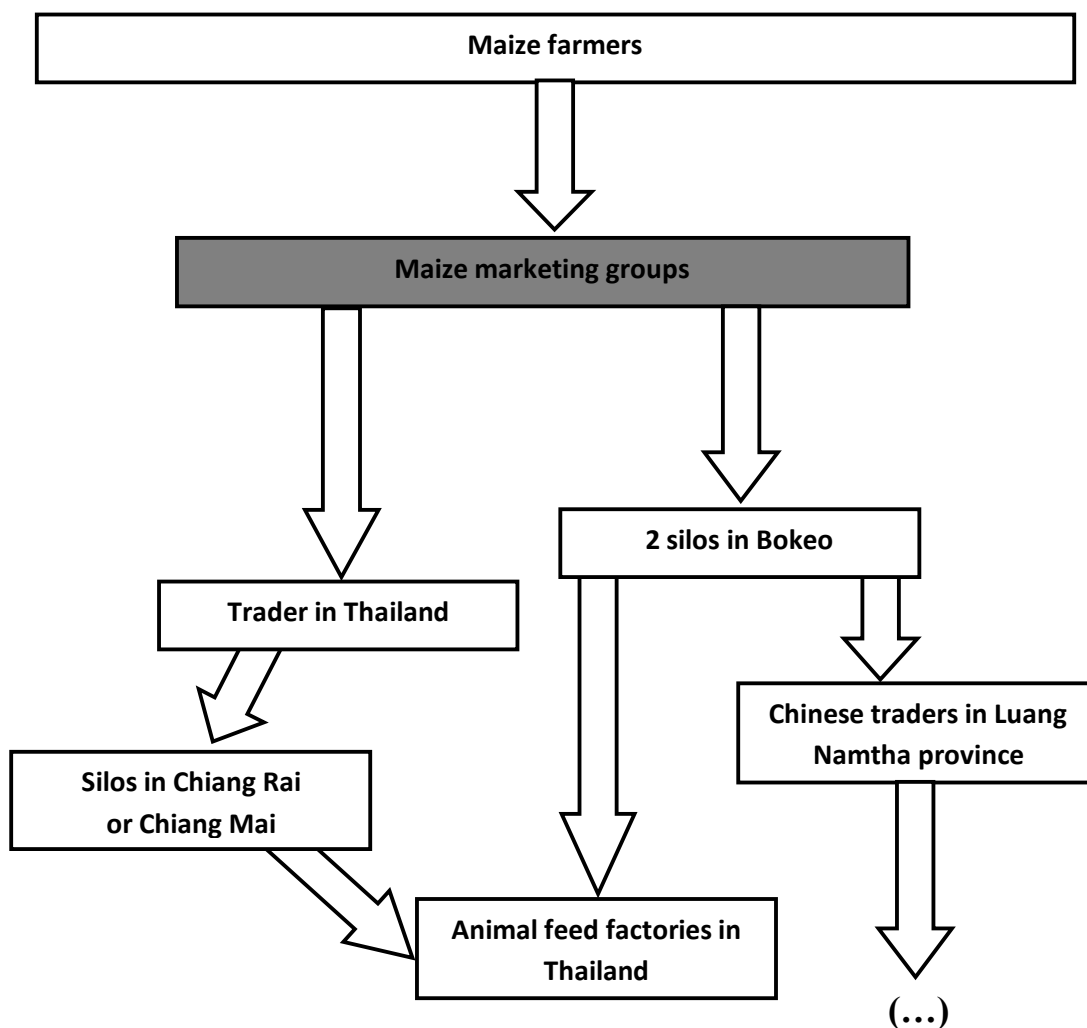
**Source:** fieldwork data

## 4.2 Position of farmers and their organizations in the chain

### 4.2.1 Maize chain

Maize marketing groups have managed to position themselves well within the maize chain: they either channel their grain to local silos or sell to Thai traders across the river (see the diagram below). In 2010, three of the five maize marketing groups visited sold their stocks to the new silo in Ban Dan. One exported to Thailand using the license of an outside agent that had been contracted to open a local road. Another sold to a Thai trader that had provided input credit.

**Diagram 1 Position of group enterprises within the maize chain**



The ability of groups to choose between different market channels can be largely attributed to project intervention strategies, particularly the targeting of the most capable and entrepreneurial farmers within local communities and the co-funding of group investments. Selection of market channel will then depend on the location of maize farms, the prices paid by local silos, and whether groups are accessing input credit from Thai traders.

For some groups, selling to a Thai trader is an attractive proposition because of proximity to the border. Being indebted to Thai traders may also act as insurance against possible import bans: in such situations the Thai partner will find ways of getting the maize across the border in order to recoup loans. On the other hand, when selling to a local silo, a group does not have to deal with any export documentation. Nor does it incur the risks associated with unofficial cross-border transactions or discretionary and difficult to predict actions by the Lao and Thai border authorities. The group just needs to organize transportation to the silo facilities.

The silo channel is becoming increasingly dominant, a trend that will be reinforced with the establishment of one new silo in Thonpheung district. While market power will be increasingly concentrated in the hands of a few local silo owners, they will have to pay attractive prices if they are to compete with each other and ensure adequate utilization of processing facilities.

There are clear advantages associated with maize exports by silos. These enterprises have the scale required to deal with export procedures and the technology that allows them to meet the quality and other requirements of large animal feed factories in Thailand. Smaller traders and farmer groups simply lack the resources to invest in proper drying facilities and therefore cannot aspire to sell directly to animal feed factories across the border. Silos are also well positioned to export to China, although this is a longer chain because silo owners do not want to deal with complex and unclear procedures at the Chinese border. Language is another barrier.

#### **4.2.2 Tea chain**

Tea farmers in Meung remain weakly positioned in terms of market access. A decision by local authorities to grant monopsonistic rights to two outside companies proved very damaging, as the chosen partners lacked the capacity to develop effective and sustainable linkages to the Chinese market. At the same time the system in place crowded-out traditional middlemen operating along the Mekong River. At least one such trader stopped collecting tea from the area following the establishment of the monopsonies. The problems were compounded by a severe deterioration of market conditions: falling prices meant that traders had little interest in venturing into remote areas supplying a poor-quality product, such as Meung.

Despite all the challenges, farmers in Man Meung now have a local platform for accessing markets. Group members are finally aware of the critical importance of quality for market access, and this has led to important changes in fresh leaf procurement strategies and significant improvements in tea processing practices. While local and visiting government staff still account for most sales, the group has recently sold a small consignment for Vientiane markets on a trial basis and may soon start supplying a Chinese trader.

## **4.3 Relevance and effectiveness of chain intervention strategies**

### **4.3.1 Strengths and good practices**

#### Focus on local enterprise development

A strategic focus on locally embedded, farmer-led group enterprises filled an important gap in marketing systems, which were previously dominated by outside agents, especially in the least developed areas. Local enterprises are more likely to have a long-term commitment to the areas where they operate and are potentially more accountable to local clientele, as illustrated by the experience in the tea chain. Their local presence can also be advantageous in terms of the range and frequency of services provided. In many areas benefits are being felt across several product chains, not just maize: many marketing groups are providing new platforms for diversification of local farming systems and household incomes.

#### Targeting strategies

The targeting of local business elites was a sensible strategic choice from a cost-effectiveness perspective. This strategy allowed a project with limited resources to reach, in just three years, a large number of resource-poor farming households. The potential for leveraged (indirect) impacts would have been largely lost if the project had instead opted to target poorer sections of local communities for membership in group marketing enterprises. It is difficult to see how resource-poor farmers would have been able, within three or less years, to develop the capacity required for successful operation of local monopsonies.

#### Co-funding strategies

Co-funding of group investments also played a critical role in the overall success of chain interventions. The mid-term review had raised concerns over the possibility that some groups had been formed mainly as a vehicle for accessing subsidies, rather than from a realization that collective action might enable access to new income generation opportunities. If that was the case, there was a strong likelihood that the groups would disintegrate once the subsidies were phased-out.

It seems that these fears were unjustified. Using the example of the maize chain, it is difficult to see how more than 100 farmers would have been able to take on active roles in the production and marketing spheres without access to co-funding opportunities. Moreover, the important rule that groups need to rely on their own internal resources in order to succeed was respected: members had to mobilize their own resources in order to access investment subsidies. And, in line with good practices, the project did not subsidize operational costs. Subsidies to operations distort the incentives for participation in group ventures, mask the true viability of group activities, and weaken the very incentives for innovation and upgrading.

### 4.3.2 Challenges and weaknesses

#### The tea chain

The context for intervention in the tea chain was particularly challenging. First, the Man Meung group could only start marketing dry tea in late 2009, which left the Market Access Project with less than one year to work effectively on product quality upgrading and market linkage development processes. Second, the group was located in an area with poor connections to outside markets, its members had limited experience in processing and marketing tea, and they all lacked critical business and negotiation skills. Finally, traders had become much more selective in their choice of procurement zones after the market crash in late 2008: production areas with difficult physical access and a poor-quality product, such as Nam Meung, were left with few or no buyers.

The tea processing group still lacks the capacity to search for buyers, passively waiting for clients to come to the village to buy tea. A prospective buyer from Vientiane who got acquainted with the group's tea during a fair trade event in the capital did phone the chairman twice to discuss possible business opportunities, but the two could not communicate effectively due to language barriers; the Chairman then lost the prospective buyer's phone number and hence could not contact her to resume discussions. Failure to collect and process high-quality samples for the tea tasting event in Vientiane also signaled a lack of business acumen.

Despite having facilitated a series of relevant market linkage activities, in line with the recommendations from the mid-term review, the Market Access Project failed to conduct in-depth research on regional markets. This might have led to the identification of promising channels and potential buyers, a critical step towards addressing the main problem faced by local farmers: weak linkages to buyers. Moreover, the group might have taken a more pro-active marketing stance if given more intensive coaching, although one must recognize the difficulties in changing entrepreneurial mindsets and attitudes within a short period.

In addition, greater emphasis on the transfer of critical technical know-how (e.g. propagation methods and tea management and harvesting practices) would have been justified given the impact that production practices have on productivity and product quality. Such type of intervention would have enhanced the ability of local tea farmers to take advantage of marketing opportunities and compete in the market place. Finally, an expansion in geographical coverage within Meung district and the targeting of a second tea processing group should have been considered for greater impact.

All these intervention gaps or weaknesses are understandable given the project's overloaded agenda. The project team had less than three years to implement chain development activities, in many different areas and product chains, and with a large number of groups. And as mentioned, in the tea chain the team had less than one year to implement product upgrading and market linkage interventions. Activities had to be prioritized.

Time and staff constraints may explain why no consideration was given to the opportunity for developing a high-value chain for ancient forest tea. An inventory of local tea resources and a rigorous evaluation of the intrinsic qualities of local varieties and different processing methods, in partnership with selected foreign and reputed companies, would be a first necessary step. Partner companies would need to have proven experience in the marketing of premium specialty teas, including certified organic and teas from unique origins produced by socio-economically disadvantaged groups. The involvement of such companies would have enabled a proper assessment of the marketability of Meung teas, while providing opportunities for investment promotion. Confirmation of interest from a lead firm would then need to be followed by the identification of a locally based enterprise with the capacity to invest or co-invest in the right processing facilities and meet strict quality requirements. The project would have been well positioned to facilitate such processes.

A local association established by former project staff will continue interventions in the tea chain. This provides an opportunity to address some of the weaknesses and take advantage of some of the opportunities mentioned above. The need for further product upgrading and market linkages merits serious consideration. Possible strategies for commercializing ancient tea should also be considered.

#### Targeting strategies

While the targeting of wealthier, more dynamic and capable farmers was a very sensible strategy, the project could have considered extending capacity development activities and co-funding modalities to small groups of producers. The benefits would have justified the mobilization of additional staff and financial resources. The purchase of shelling equipment and other small investments by groups of 10 to 30 farmers would have enabled resource-poor farmers to capture some of the value addition that is currently appropriated by marketing groups. Moreover, enhanced production and post-harvest capabilities across wider sections of local farming communities would have strengthened the conditions for liberalization of marketing systems.

#### Gender mainstreaming

Group membership is heavily skewed towards men. It is difficult to see how the Market Access Project could have significantly influenced female participation in maize marketing groups due to existing gender roles in maize production and marketing. In the case of the tea group, gender imbalances reflected local attitudes towards business, still a male-dominated activity.

Excessive interference in the selection of shareholders would have undermined the participatory, member-driven nature of group formation processes, with potential negative impacts on group cohesion and performance. This is not to say, however, that external agencies should never intervene in member selection processes with a view to influence women's participation. The Namphuk peanut processing group is one such case. A more interventionist approach would have been justified by the fact that women, not men, are traditionally involved in the processing of peanut snacks.

#### **Case study 4 Integrating gender within group formation: the case of the Namphuk group**

All nine members of the peanut processing group in Namphuk were men, although it was their wives who produced the peanut snacks, a very labor-intensive task. This was a profitable activity but the women eventually lost interest and the group collapsed. Lack of transparency in the management of group finances also played a role in the events.

Given this context, the Market Access Project should have targeted women from the very onset and only agreed to support the peanut processing group if the majority of members were women.

**Source:** fieldwork data

## **4.4 Contribution of advocacy actions**

### **4.4.1 Strengths and good practices**

Efforts to promote umbrella organizations that could represent stakeholders in the maize chain and provide a range of useful services to members should be commended. Success would have generated systemic change in the relationship between economic agents and policy makers.

Unfortunately, the context for intervention was too adverse. Government was keen to see economic agents organized in representative bodies, but regarded such organizations as vehicles for greater influence or control over the actions of members, rather than legitimate partners for policy design. Marketing agents, in turn, failed to identify common areas of interest and were unwilling to devote the amount of time and allocate the level of funds necessary for establishing and running a maize association.

In the case of the tea chain, the project argued continuously for the right of local farmers to become involved in processing and marketing activities, initially with little success. However, by instigating the establishment of a tea processing business with some investment from local farmers, the project did create a situation where it was difficult for local authorities to disregard such rights in the Man Meung area.

### **4.4.2 Challenges and weaknesses**

In hindsight, it is clear that VECO was too optimistic about the interest and ability of marketing groups and other maize chain stakeholders to cooperate with each other in the policy dialogue arena. VECO should have foreseen this possibility, as indicated in the mid-term review, and pursued a more diverse advocacy strategy: more specifically, research on strategic issues should have been conducted and the findings used to inform and influence local and national policy. Pro-reform stakeholder coalitions within government and the private sector could have been targeted in that context.

Two important areas for research and advocacy were identified during the evaluation:

- Design and implementation of local marketing regulations. In-depth case studies of local monopsonies would have provided useful elements for rethinking the design and implementation of local monopsonies. Even in a context where government may have been unwilling to phase-out current regulations, the project could have argued for regular and independent reviews of local monopsonies as the basis for periodic re-allocation of purchasing rights. A reform of the current system along these lines would have reduced the scope for nepotistic decision-making, while introducing performance incentives and sanctions (i.e. some rationality) into the system.
- Cross-border trade with Thailand. Detailed studies on import regulations in Thailand and the effects of the 2008 ban on maize imports would have been useful to national agencies with responsibilities in regional and bilateral trade negotiations. A study on Lao export regulations could have informed a dialogue around the necessary streamlining of procedures.

In addition, the Market Access Project could have monitored group licensing processes more closely. This would have allowed the project to assess whether licensing regulations were a relevant area for advocacy and whether the groups involved in licensing processes needed any kind of support.

#### **4.5 Effectiveness and efficiency of staffing structures and partnerships**

##### **4.5.1 Strengths and good practices**

The Market Access Project was located in a province characterized by acute skill gaps. VECO could have hired a team with some experience in local livelihood and value chain development from Vientiane, but opted instead to recruit locally, have some staff seconded from district agricultural offices, and develop their capacity through on-the-job training and participation in selected courses. Reliance on local human resources was extended to capacity development interventions, with local government officers being coached to deliver training to farmer group enterprises.

It is difficult to argue with the rationale of this strategy in terms of staff costs and the development of local human resources. In hindsight, the strategy also ensured the stability of the team, in contrast to many development organizations and projects in the capital, which experience high rates of staff turnover. At the end of the project most office and field staff were integrated (or re-integrated) within local government structures. Some formed a local association. Both developments create a favorable context for continued support to marketing group enterprises beyond the project lifetime.

Still, the recruitment of a foreign advisor with value chain development experience would have strengthened project capacities. This option was never considered, however, due to its budgetary implications.

The Market Access Project managed to overcome some skill and financial constraints through partnerships with selected organizations and projects. The International Center for Tropical Agriculture (CIAT) funded and carried out the mid-term review as part of a learning alliance with VECO. LEAP funded a study to assess the feasibility of a provincial maize association, as well as some case studies of maize marketing groups (Foppes and Bhoupa, 2007; Fullbrook, 2008). Case studies of maize marketing groups supported by the project were also carried out in the context of a study commissioned by the Joint Sub-Working Group on Farmers and Agribusiness (Gebert, 2010). A study on tea development in Meung was conducted by NAFRI, as part of the Swedish-funded, Upland Research for Development Project, or URDP (NAFRI, 2009).

#### **4.5.2 Challenges and weaknesses**

As mentioned, the project team lacked some critical analytical and research capacity. This may explain why the Market Access Project did not venture into research for advocacy activities or the development of a high-value, ancient tea chain in Meung. There was also limited documentation of outcomes, impacts and lessons, which might have been useful to value chain development practitioners in Laos and VECO more generally. Finally, the standard of the training provided to groups was not always adequate. Some of these weaknesses had already been highlighted during the mid-term review.

## 5 Lessons and Recommendations

### 5.1 Introduction

The Market Access Project achieved impressive results in a challenging context, characterized by remoteness, high poverty and illiteracy levels, limited staff and financial resources, and short intervention timeframes. The results attained were the more impressive given the typically high rates of failure in group enterprise development initiatives<sup>9</sup> and the fact that no project staff had previous experience in the development of local enterprises. This weakness was partly compensated by a good understanding of local contexts and a fair amount of common sense in the design and implementation of interventions.

The Market Access Project therefore provides a rich menu of lessons, not only for VECO but also for other organizations working in the field of rural development. Some key lessons are discussed in this section and linked to recommendations.

### 5.2 Lessons and recommendations

#### Chain selection

Value chains differ in their ability to deliver pro-poor impacts at scale. The maize chain in Bokeo offered opportunities for significant impacts because large numbers of households were or could become involved in maize cultivation. Other targeted chains had lower scaling-up and scaling-out potential due to the small size of local markets (the case of peanut snacks and brooms) or the geographical specificity of natural resources (the case of tea). But projects may still want to target some lower-impact chains in order to take advantage of opportunities for value addition and inclusion of women.

Participatory processes may demand a flexible approach to chain selection. For example, the project under review decided to support fish processing, broom-making and bio-fertilizer production, as well as seed production and animal feed processing, in response to articulated demand from farmers. These chains were added to the project's portfolio during the second year.

Unexpected developments may also justify some flexibility in the choice of target chains. VECO was working with many groups that were diversifying their business portfolios to an extent that had not been initially anticipated. The project could have considered supporting these processes in view of their potential contribution to the development of target enterprises and the potential impacts on local incomes and livelihoods. Projects need to continuously refine their intervention portfolio if they are to take advantage of unforeseen but promising developments.

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<sup>9</sup> Large amounts of donor resources are allocated to farmer cooperative enterprises in Southeast Asia and other parts of the developing world. Yet, these enterprises are often unsustainable, collapsing once project support is phased-out. A combination of factors contribute to this outcome, including inadequate assessment of the rationale for cooperation prior to intervention, unrealistic expectations about the ability of groups to compete with traders, inappropriate targeting strategies, poor design and implementation of group formation processes, ill-considered subsidization strategies, and an inability to identify and address group weaknesses.

### Potential of farmer group enterprises to deliver leveraged impacts

The potential of farmer group enterprises to deliver benefits to local communities depends on the range and quality of services provided to non-members and the product volumes handled. Small peanut processing or broom-making groups can add significant value to local resources and generate considerable income benefits to members, but their wider impacts are fairly small due to the limited volumes processed.

A decision to work with farmers' groups should be informed by their potential to generate impacts beyond their membership. In some contexts groups may offer good opportunities for achieving scaled impacts; in other contexts different entry points for intervention may prove superior from a cost-effectiveness and sustainability perspective.

### Facilitation of market linkages versus interventions in the production and other spheres

As demonstrated by the experience of VECO Laos, farmers often require much more than organizational support, market information and mediation services in order to develop improved and sustainable linkages to markets. In the maize chain, access to finance and the resulting investment in strategic assets played an essential role. In other target chains, including tea, an upgrading of product quality was a pre-condition for successful development of market linkages. Regulatory issues were critical in both the maize chain and the tea chain.

Consequently, external agencies need to analyze market access requirements carefully before designing value chain interventions. In most cases multi-faceted intervention strategies will be required. Technical interventions will often be indispensable. This is overlooked by many agencies and projects working to improve access to markets by the poor.

### Group formation processes

The initial stages of group formation will significantly influence the subsequent performance of collective enterprises, particularly the ability of members to develop a common vision, take consensual business decisions, coordinate activities effectively and efficiently, minimize free-riding, and solve conflicts.

In the project under review, much time was spent facilitating group formation processes to ensure that farmers had a good understanding of the rationale for cooperation, the challenges they would be facing, and the type of membership necessary for the success of the collective enterprise. Significant time was also spent working with group members on a common vision and the organization and management of the enterprise. This time was well spent: projects should resist the temptation to rush through the initial, critical stages of group formation.

In line with good practice, these processes were farmer-led. Projects should avoid interfering excessively in the composition of group enterprises and their rules. Such decisions should be left to those who are best placed to determine how the enterprise should be run and by whom, i.e. group members. The role of projects is to inform, not dictate, choices.

The profile of members should be in line with the complexities and financing requirements of the enterprise. In the case of the Market Access Project, group members came from wealthier households, often with some previous business experience. This was a consequence of the need for joint investments and the positioning of groups as local service providers. A small, fairly homogeneous membership was also conducive to the development of well-functioning group enterprises: shareholders knew each other well and had much in common in terms of gender and ethnicity.

#### Group development interventions

Support interventions should be tailored to the specific needs of group enterprises. One single approach is unlikely to succeed when groups enjoy different opportunities or experience different constraints and weaknesses. In project areas, tea and peanut groups needed training to master processing technologies and improve product quality, and facilitation services for market linkage development. Members of the fish group also required some technical training during an initial phase, but were able to market their production successfully without project assistance. The maize groups needed access to investment funds but were more than capable of targeting different markets without outside facilitation.

#### Group subsidization strategies

Group subsidization strategies should be carefully considered. Many farmer groups are formed mainly as a vehicle for accessing external subsidies, not as a strategy to address common problems and take advantage of business opportunities that could not be accessed individually. Such groups tend to collapse once external support is withdrawn.

Subsidies to operations should be avoided as they distort the incentives for collective action, mask the true financial viability of group activities, and weaken the incentives for innovation. In contrast, as illustrated by the experience of the Market Access Project, partial subsidization of investments can act as a catalyst for innovation, encourage mobilization of members' savings, and enhance the ability of groups to compete in the market place.

#### Monitoring of group development processes

Group development processes should be monitored on a regular basis so that any weaknesses and problems can be promptly identified and addressed. Taking the Market Access Project as an example, failure to assist two maize marketing groups in their application for export licenses can be attributed to weaknesses in monitoring systems.

Financial audits provide an excellent tool for monitoring financial management practices at group level, but should be carried out well before the end of the project to allow for timely identification of weaknesses and necessary interventions.

## Targeting

While farming communities certainly benefit from having capable marketing enterprises operating in their areas, pro-poor impacts can be enhanced through complementary interventions at the farm level. For example, greater poverty reduction and rural development impacts would have been achieved if small producer groups had been eligible to capacity development and co-funding support from the Market Access Project.

## Gender mainstreaming

Value chain development projects should take gender issues into account from the onset. The role of women as producers, traders or processors should be considered during the chain selection and intervention design phases. Moreover, women should be explicitly targeted for participation in project activities, such as meetings, trainings and learning visits. In certain value chains they can be specifically targeted for income generation activities. Finally, monitoring systems should incorporate gender indicators so that outcomes can be disaggregated across gender groups, and interventions fine-tuned taking gender dynamics into account.

At the same time, value chain development projects should be aware of their own limitations in changing gender relations and outcomes. These projects operate within specific cultural contexts, often characterized by entrenched gender roles in the production and marketing spheres and pre-determined resource distribution processes at the household level. Carefully designed value chain interventions may contribute to changing power relations between gender groups, but on their own are unlikely to have major, systemic impacts. Organizations with ambitious gender equity agendas will have to consider other type of interventions in order to achieve their objectives.

## Advocacy strategies

Advocacy is a difficult area for intervention. Results depend on the willingness of government to engage in a regular and genuine dialogue with economic agents and incorporate their views in the design and implementation of policies and regulations. At the same time, economic agents must have the capacity to articulate well-informed perspectives on key issues.

Projects may need to develop diversified advocacy strategies in their attempt to change the terms of the relationship between policy stakeholders and influence policy dialogue. The project under review targeted the development of umbrella organizations that could represent maize chain stakeholders, a strategic but very challenging area of intervention, but failed to undertake critical research with potential to inform policy thinking and action.

## Project resources and timeframe

Clearly, the resources and timeframe of a project should be in line with its goals and objectives. Recruiting staff and consultants with the right expertise can be particularly expensive. While the resources available to the Market Access Project did enable it to intervene in the maize chain successfully, additional funding would have allowed for direct targeting of maize producer

groups, critical research for advocacy, and more ambitious interventions in the tea chain. In addition, more time would have been necessary for effective targeting of policy processes and impacts at some scale in chains other than maize.

### Partnerships

Projects can address some expertise gaps and overcome some financial constraints through partnerships. The Market Access Project made good use of partnerships with a series of organizations in Laos to carry out relevant studies and access useful analysis.

## Annex 1 Terms of Reference

### Evaluation of Market Access for Farmer Organizations' Project (2007–2010)

#### 1. Introduction

Coming to the end of the 2008-2010 programme, Vredeseilanden wants to organise an external evaluation in a limited number of countries and a limited numbers of value chains. It was decided not to organise an in-depth evaluation in every country in preparation of the formulation of the 2011-13 programme. The evaluation period would have covered a rather short period (1.5 years) and it was felt that the different VECOs could rely on the outputs of the ongoing monitoring process (PLAs) and additional specific inquiries/studies to take informed decisions.

Instead, the General Council of October 2009 agreed to organise a more focused learning-oriented evaluation for a specific number of countries and value chains. The aim of this TOR is to provide a framework for each of the evaluations in the selected countries. It contains the common elements of the evaluation for each country although each VECO is free to add elements in scope, foci or evaluation questions to suit their (learning) needs.

#### 2. Evaluation objectives, scope and foci

The general objective of the evaluation is *to generate an in-depth learning-oriented assessment which provide insights in the results, progress and performance of VECOs SACD programme in order to improve VECOs strategies, partnerships and interventions (for the respective chains) as well as to generate some overall lessons and recommendations for the global SACD programme of Vredeseilanden.*

The evaluation mainly focuses on objective 1 and covers 2 value chains per country. In order to foster learning, it is recommended to select (at least) one of the more challenging value chains. In addition, a general assessment is done for objective 2 (on 1 advocacy theme).

#### **Specific evaluation questions**

The following evaluation questions will guide the evaluation for each of the selected countries. They are the *common* evaluation questions. However, each country can formulate additional evaluation questions in line with their own information and learning needs.

#### *For objective 1 (Max two chains):*

Question 1: To what extent has the programme contributed to an improved income and improved livelihood of male and female family farmers? (Including gender aspect)

*(Note that this refers to the common objective indicators and the baseline livelihood analysis)*

Question 2: To what extent has the programme contributed to the strengthening of the position of farmers and/or their organisations in the chain?

*(Note that this refers to the common objective indicators (logframe) and the baseline chain analysis/livelihood analysis)*

Question 3: How far did farmer organisations enhance their technical, organisational and institutional *capacity* to increase their influence in the chain?

*(Note that this refers to the common result indicators for FOs (logframe) and their respective progress markers)*

Question 4: Are the chain intervention strategies the most relevant and effective to strengthen the chain, to improve the position of farmers and to increase farmers' income?

Question 5: Are the support strategies and (organisational) structures of VECO effective and efficient to carry out the over-all chain interventions and to strengthen the partners (esp. FOs)? Is there sufficient synergy with other actors to support the chain intervention strategies and partners?

*(Note that this refers to the 'strategy maps' or 'type of activities' of VECO)*

#### Objective 2 (1 theme/policy)

Question 6: To what extent did the advocacy actions contribute to an improved institutional policy environment/framework for a specific value chain or sector?

### **Main points of analysis**

For each of the evaluation issues/questions, the assessment results in a formulation of the:

- Strengths and/or good practices
- Weaknesses, challenges and/or pitfalls
- Recommendations to VECO

### **3. Evaluation process/approach**

#### Evaluation process

The evaluation process should in the first place be a useful learning process for the respective VECOs. This implies a process which leads to evaluation findings that are helpful for improving VECO's programme (*product use* of the evaluation). Furthermore, in line with the principles of the PLA system, the process of being engaged in the evaluation process is in itself – apart from the evaluation findings – seen as a crucial and useful experience (*process use* of the evaluation), for example by creating a common understanding, fostering evaluative thinking, enhancing ownership, strengthening program interventions, ....

### Evaluation team

It is opted to hire an external evaluator to lead the evaluation. However, it is recommended that this evaluator heads an *evaluation team* which consists ideally of the external evaluator, 1-2 VECO staff, relevant VECO partners, representative farmers, 1 VECO HO staff member, 1 external specialist (e.g. chain or commodity specialist), and 1 peer actor (e.g. other NGO staff).

To enhance the ‘process use’ of the evaluation, VECO staff and respective partner staff are, as far as possible, actively involved in the preparation, implementation and final stages of the evaluation process.

It might also be considered to appoint a note-taker in the team to ensure good records (written, audio, video, pictures, ...) of the different steps of the evaluation process.

### Profile of external evaluator

Besides the fact that the evaluator should be familiar with the field of chain development, the context of the country/region, the realities of international development and the concepts/practice of organisational learning in NGOs, it is crucial that that the external evaluator is able to lead/facilitate a participatory learning-oriented evaluation process with a variety of stakeholders.

During the General Council, participants opted for hiring a *local* external evaluator.

### Methods of inquiry

Possible methods of inquiry: field trips, focus group discussions, interviews, peer-to-peer discussions (with e.g. actors in the field /chain), feedback sessions, round table discussion, guided self-assessment, document analysis, ...

### Timeframe

As the evaluation findings are directly useful for the end of year monitoring of 2010 and the planning process for 2011, it is suggested to finalise the evaluation report by 30 November 2010. The evaluation findings will also be presented and discussed during the General Council of January 2011.

## **4. Intended use of evaluation findings**

The intended uses of the evaluation findings are as follows:

- The evaluation findings will be used to improve VECO’s strategies, partnerships and interventions for the respective chains or advocacy programmes and can be directly used to further fine-tune the 2011-2013 programme and the action plan for 2011;
- The evaluation findings can be used for (parts) of the 2010 Annual Report. The evaluation report will be added as an annex to the AR 2010;

- The overall lessons and recommendations relevant for all programmes of Vredeseilanden will be presented during the General Council of January 2010 to inform/adjust Vredeseilanden global policies and strategies;
- The evaluation findings will be shared/presented to DGOS and can be taken up during the ‘policy dialogue’ in 2010;
- Illustrative stories, pictures and other documentation resulting from the evaluation process can be used for publications and external communication.

## **5. Report**

### Report format

It is suggested to use a common structure for the evaluation report ‘(compiled by the external evaluator) for each VECO. A maximum of 30 pages for the entire report (excl. annexes) is suggested.

### Proposed structure

- 1 Introduction
  - 1.1 Background
  - 1.2 Evaluation objectives
- 2 Evaluation process & methodology
  - 2.1 Evaluation team
  - 2.2 Evaluation process/methodology (incl. overview activities + participants)
- 3 Evaluation findings & recommendations
  - 3.1 Question 1
    - 3.1.1 Strengths and/or good practices
    - 3.1.2 Weaknesses, challenges and/or pitfalls
    - 3.1.3 Recommendations to VECO
  - 3.2 Question 2
    - 3.2.1 Strengths and/or good practices
    - 3.2.2 Weaknesses, challenges and/or pitfalls
    - 3.2.3 Recommendations to VECO
  - 3.3 (...)
- 4 Final conclusions & recommendations

### Remarks

- In part 3 (evaluation findings and recommendations), the evaluation findings are presented per question and not per chain. This implies that the evaluation findings of the two chains are formulated under the respective question.
- Interesting illustrative stories, quotes and/or pictures should be attached/included to the report

## Annex 2 Evaluation Team

<b>Team members</b>	<b>Position</b>
Tiago Wandschneider	Team Leader, Independent Consultant
Stuart Ling	Former Country Director, VECO Laos
Samlan Paseutkhamla	Deputy Head of International Cooperation, Ministry of Agriculture and Forestry
Mr. Keophitoon	Deputy Head of Extension, Provincial Agriculture and Forestry Office
Mr. Somphone	Provincial Department of Finance

### Annex 3 Evaluation Schedule and Key Informants

Day	Interviews / Activities
7/01/2011	Arrival in Houaysay Debriefing with Stuart Ling, former VECO Country Representative Planning of fieldwork
8/01	Tea processing and marketing Group, Man Meung Cluster
9/01	Meeting with Head of Meung District Agricultural Office Visit to maize producer group, Na Ngam village, Namkha Leu cluster Maize marketing group, Houanamkha cluster
10/01	Bio-fertilizer processing and marketing group, Namphuk Interview with Mrs. Davilao, owner of maize silo
11/01	Meeting with Dpt. Governor, Dir. Trade and Dir. Planning, Houaysay district Fish processing and marketing group, Nam Tin Neua village Maize marketing group, Phonethong cluster
12/01	Maize marketing group, Sidoneyeng cluster Maize marketing group, Sidonekhoun Visit to Li Hang silo Interview with future maize silo owner, Homyen
13/01	Interview with Governor and Director of Agriculture, Thonpeung district Maize producer group, Donengem village, Pakngao cluster Maize marketing group, Pakngao cluster Interview with Frank , owner of business marketing specialty products from Bokeo
14/01	Discussion with Stuart Ling Preparation of presentation
15/01	Preparation of presentation Report writing
16/01	Report writing
17/01	Workshop

## Annex 4 List of References

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