

NPRS-PRF

Helping Accelerate Poverty Reduction in Asia and the Pacific

SUPPORTING PRO-POOR MARKET DEVELOPMENT IN VIET NAM AND THE GREATER MEKONG SUBREGION

A regional technical assistance (RETA), covering three countries in the Greater Mekong Subregion (GMS) was undertaken to deepen the understanding of the links between growth, poverty reduction and the functioning of markets.

The poor are excluded from the commercial markets for various reasons: they live in remote rural areas without links to the outside market; they do not have productive skills and resources such as capital, land, credit, etc.; and not enough funds to afford commodities being sold. Market is either absent or too narrow for them to participate. Improving the operations of the market to enable the poor to participate will eventually help alleviate their poverty.

Markets, when they work, can be an efficient mechanism for the exchange, coordination, and allocation of resources, goods, and services in an economy. Well-functioning markets that support competition and lower the costs of doing business provide incentives for trade and investment, and hence, growth and poverty reduction. Markets are the main “transmission mechanisms” between growth in the wider economy and the lives of the poor.¹

For markets to work better for poor people, they need to facilitate the access of the poor to assets, and enable them to use these assets to generate livelihoods and to reduce vulnerability. To do this—i.e., for markets to become pro-poor—markets must become progressively more developed and accessible to the poor.²

Cambodia, Lao People’s Democratic Republic (PDR), and Viet Nam are countries that are shifting from centrally planned economic systems to a more market-oriented economy. The effective functioning of markets is critical to achieving growth and poverty reduction in these countries, which have begun to make considerable progress in poverty reduction through market liberalization and opening their economies to external trade and investment.

Viet Nam achieved remarkable economic and social progress during the 1990s, essentially halving poverty between 1990 and 2000. Progress was mainly the result of a shift toward

market orientation—particularly in the agriculture—coupled with a more equitable distribution of assets (land) and macroeconomic stability. Cambodia and Lao PDR meanwhile have been making steady progress in their pursuit of market reforms.³

Making Markets Work Better for the Poor (M4P) Project

To deepen the understanding of the links between growth, poverty reduction and the functioning of markets, the Asian Development Bank (ADB) approved a regional project (cofinanced by the Government of the United Kingdom and the Asian Development Bank Institute) covering the transition economies of Cambodia, Lao PDR, and Viet Nam, entitled Making Markets Work Better for the Poor⁴ (M4P).

The project is rooted in the M4P approach, which aims to accelerate pro-poor growth by improving outcomes that matter to the poor. It focuses on changing the structure and characteristics of markets to increase participation by the poor on terms that are of benefit to them.⁵

The M4P project has, to date, produced about 60 publications covering a wide range of pro-poor market-related policy issues in Cambodia, Lao PDR, and Viet Nam which are downloadable from the project website, www.market4poor.org.

Enhancing Policy Studies and Advocacy Work for M4P

While the M4P project developed vital studies in the covered countries, additional activities were needed to increase the depth of research studies undertaken and to increase the effectiveness of information dissemination, policy discussion, and impact of the project.

ADB's Poverty Reduction Cooperation Fund (PRF) provided additional funding for regional technical assistance (RETA) 6113 (Making Markets Work Better for the Poor) or referred to as the M4P project. The increased funding through PRF allowed for increased effectiveness of policy advocacy and targeted communication at the local level.

The additional funding for the TA was intended to fund follow-up studies and strengthen existing research work. The studies that were conducted are summarized in the table.⁶

Collective Action, Cooperatives, and Poverty Reduction Study	A strong corollary to the research on contract farming systems, an extremely useful addition to the policy debate on cooperative development, and would be particularly useful to the Ministry of Agriculture and Rural Development (MARD) as it continues to find effective ways to implement the cooperative law in the rural settings.
Market-based Approaches to Service Delivery	Focuses on developing effective pro-poor markets for service delivery. This initiative was divided into two separate sub-activities: i) Study on Making Markets Work at the Base of the Pyramid – this study looked at the poor as potential suppliers and consumers of services for mainstream market players. ii) Public-private partnerships for service delivery – formed the basis for ongoing work and will become one pillar of the second phase of M4P.
Case Studies and Best Practice Handbook for Contract Farming	A compilation of the case studies on successful pro-poor contract farming in Viet Nam and analysis of underlying reasons for success and failure of various contract-farming activities. It also makes recommendations to increase the chances of success of future activities.
Urban Development and Vulnerability	These two studies were combined in a single follow-up study of rural labor markets in the context of rapid urbanization and industrialization in Viet Nam.
Rural Labor Markets Study	
SME (small and medium enterprises) Clustering and Poverty Study	A follow-on from results achieved and methodologies developed in the earlier phase of M4P. Discusses the impact of cluster development of SME on poverty. ⁷
Participatory Market Assessment (PMA) Central Region	Investigates the linkages between markets and livelihoods. Done with the Institute for Labor Science and Social Affairs (ILSSA) and the People's Committee of Dak Nong Province.

The completed studies formed the basis for in-depth policy discussions and other advocacy activities. Among these were:

- i) Participatory Markets and Livelihood Assessment (PMA) Workshop,
- ii) National Workshop on Collective Action,
- iii) Workshop: Public-Private Partnerships to Deliver Infrastructure Services,
- iv) PMA Writeshop

- v.) Collective Action Final Workshop,
- vi.) Base of Pyramid (BOP) Workshops,
- vii.) Supermarket Follow-up: Upgrading Street Vending in Hanoi and Ho Chi Minh City, and
- viii.) M4P Week 2006.

The reports for all these workshops are available at www.markets4poor.org. In addition, two practical handbooks based on M4P research were prepared and released (*Making Value Chains Work Better for the Poor* and *Methodology for Analyzing Interactions between the Poor and Markets*). The latter handbook aims to provide local development practitioners with an easy-to-follow set of tools for markets and livelihoods analysis with a focus on poverty reduction.

The RETA contributed to pro-poor market development. The researches made and the advocacy activities funded by PRF broadened the scope and deepened the understanding of the functioning of markets and their link with economic growth and poverty reduction. It is hoped that with continuous advocacy for market reforms, the poor will eventually find themselves substantially participating and benefiting from the markets.

Endnotes

- ¹ United Kingdom Department for International Development (DFID). 2005. Making Market Systems Work Better for the Poor (M4P): An Introduction to the Concept. Discussion paper prepared for the ADB-DFID "Learning Event." February. Manila: ADB Headquarters. Available: www.dfid.gov.uk/news/files/trade_news/adb-workshop-conceptualapproaches.pdf
- ² Available: www.its.caltech.edu/~e105/readings/IDEMarkets.pdf
- ³ Asian Development Bank (ADB). 2003. *Proposed Technical Assistance for Making Markets Work Better for the Poor*. June.
- ⁴ On 2 July 2003, ADB approved \$2.4 million for M4P. The RETA is cofinanced by the Government of the United Kingdom for project activities in Viet Nam and by ADB for parallel activities in Cambodia and the Lao People's Democratic Republic (Lao PDR). ADB is the executing agency. Additional \$33,600 funds came from AusAID. The project started in November 2003 and was completed in December 2007. It aims to initiate reforms to make markets more effective and more inclusive as a means of achieving growth and large-scale poverty reduction.
- ⁵ Available: www.dfid.gov.uk/news/files/trade_news/adb-workshop-makingmarkets.pdf
- ⁶ Status Report on RETA 6113: Making Markets Work Better for the Poor. 26 October 2007.
- ⁷ The topics from this study were included in the cooperation between International Fund for Agricultural Development (IFAD) and M4P to design two IFAD investment project worth \$60 million. These are the Improving Market Participation of the Poor (IMPP) Program in Tra Vinh and Ha Tinh and the upcoming Market Access for the Poor program in Cao Bang and Ben Tre Provinces.

This case study was written by Social Development Direct (RETA Consultant) under the Regional TA 6270: Facilitating Knowledge Management for Pro-Poor Policies and Projects with inputs from Kanokpan Lao-Araya, Project Officer of RETA 6113, and Sonomi Tanaka, Senior Social Development Specialist, ADB. The views and assessments contained herein do not necessarily reflect the views of ADB or its Board of Directors or the governments they represent. ADB does not guarantee the accuracy of the data and accepts no responsibility for any consequences of their use.

For any queries, contact:

NPRS-PRF Secretariat
nprs-prf@adb.org