

MANAGING THE TRANSITION FROM FARMERS' GROUPS TO AGRICULTURAL COOPERATIVES IN LAO PDR

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OBJECTIVES

- To capitalize the experience of pilot projects conducted by governmental agencies and development projects with farmers' groups,
- To learn from both successes and failures of past initiatives in developing farmer's organizations, cooperative models,
- To provide guidelines for the development of a policy and regulatory environment that is conducive to a modern cooperative movement in Lao PDR



METHODS

- Literature review (25 projects)
- Interviews of resource persons (16 persons)
- Field survey in ABB-UNODC Project, Xam Neua district, Hua Phan province (next presentation)
- Data analysis and reporting
- Six months period from Nov 2007 to April 2008



HISTORY OF COOPERATIVES IN LAO PDR

- Prior to 1975
 - Credit cooperatives
 - Lao Saving and Loan Associations
- 1975 – 1983
 - all associations dissolved, cooperative law and decrees canceled
 - four mass organizations:
 - Lao Front for National Construction
 - Lao Women Union
 - Youth Union
 - Lao Federation of Trade Union
 - State agricultural cooperatives, 'sahakorn', created by pooling together farmers' production mean



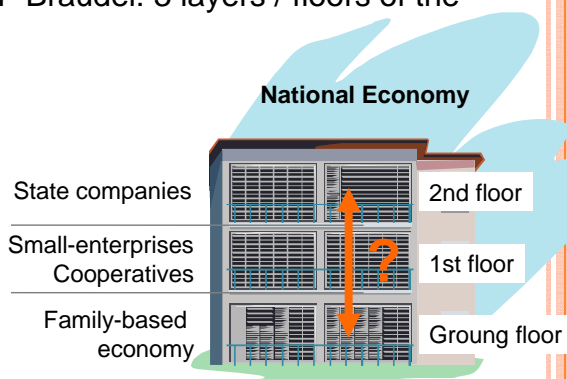
HISTORY OF COOPERATIVES IN LAO PDR

- 1986 - New Economic Mechanisms
 - State-cooperatives dismantled
 - Production means returned to former members or sold
 - Incentive to create farmers' groups
- Status in 2008
 - Many projects and donors support the GoL in its endeavor to promote a new cooperative movement
 - National workshops in 2000, 2007 provided guidelines
 - Decree on cooperatives drafted in 2005 (Ministry of Industry and Commerce)
 - Decree of agricultural cooperatives not promulgated yet
 - A decree passed in 1996 on credit cooperatives but only 1 registered
 - No legal framework for agricultural cooperatives



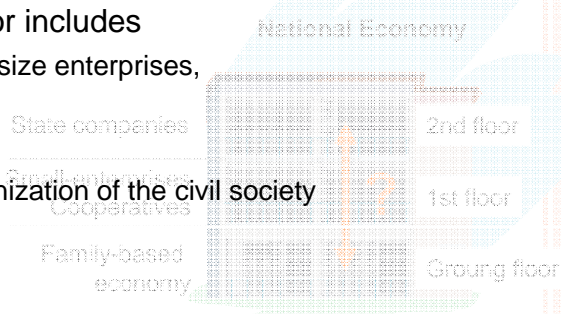
WHY MODERN COOPERATIVES ARE NEEDED?

- Economic theory of F Braudel: 3 layers / floors of the national economy



WHY MODERN COOPERATIVES ARE NEEDED?

- Economic theory of F Braudel: 3 layers / floors of the national economy
- The missing first floor includes
 - Small and medium size enterprises,
 - Associations,
 - Cooperatives
 - Other forms of organization of the civil society



WHY MODERN COOPERATIVES ARE NEEDED?

- Economic theory of F Braudel: 3 layers / floors of the national economy
- Emergence of the 1st floor of the economy promoted par the GoL as part of a poverty reduction strategy:
 - to engage all components of the society into the development process,
 - to redistribute to the whole population the benefits of the country opening to the global economy.
- There is a risk of losing control over these new forms of power if the transition is not managed properly.
 - May be the reason why transformation of farmers' groups into formal cooperatives or farmers' associations has seen only slow and limited progress, so far.



HOW SHOULD MODERN COOPERATIVES LOOK LIKE?

- Many definitions for modern cooperatives
 - a self-help group building economic capital out of the strength of its social capital
 - a voluntary, autonomous, members-owned and members-managed enterprises
- Avoid confusion with former State-cooperatives
- Avoid confusion with farmers' groups
 - Cooperatives operate within the framework of cooperative law which is enacted by the Government and are registered legal entities
 - Groups are individual clusters of interested members which operate as small businesses. Groups are not legal entities and have no organizational structure.



HOW DOES THE FIRST FLOOR LOOK LIKE NOW IN LAO PDR?

- Micro & small enterprises registered as private businesses
- Mass organizations, especially the Lao Women Union
- Farmers groups not recognized as legal entities or registered as private companies (VECO-Bokeo)
- Credit Cooperative for Promotion of Small Producers (CCSP) is the only cooperative officially registered under a Decree on micro-credit cooperatives of 1996



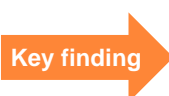
A TYPOLOGY OF FARMERS' GROUPS

- Integrated Community Development
 - Interest groups formed for extension and training purposes
 - Infrastructure development (e.g. roads, irrigation) - PRF
 - Support by credit – savings activities



A TYPOLOGY OF FARMERS' GROUPS

- Integrated Community Development
- Credit – Savings Groups
 - A large range of microfinance schemes have been tested
 - solidarity groups, self-help groups,
 - village banks,
 - cooperatives/credit unions, savings and credit associations,
 - revolving loan funds/village funds
 - Microfinance services provided by:
 - projects 33%
 - mass organizations 25%
 - line government agencies 23%
 - banks 19%



The credit and more generally capital mobilization is central to the emergence and sustainability of farmers' groups



A TYPOLOGY OF FARMERS' GROUPS

- Integrated Community Development
- Credit – Savings Groups
- Marketing – Processing Groups
 - lessons from integrated rural development projects, which often ended producing goods that could not be marketed
 - projects implemented to strengthen local business support services (*Lao Farmers Products, Friends of the Upland Farmers, SADU, VECO-Bokeo, etc.*)
 - increasing and diversifying income,
 - improving product quality,
 - adding value to raw products through intermediate processing
 - 2004 - alliance for “Linking Farmers to Markets” engaged in:
 - knowledge capitalization,
 - collective learning



MAIN LESSONS FROM FARMERS' GROUPS

- Agro-enterprise approach has to work with the whole 'market chain' through local stakeholder interest groups rather than focusing on the producers only,
- Cooperative action is needed within farmers' groups to respond to market demands in terms of volume and for quality.
- Farmers' groups should open to the outside world:
 - other village communities in the case of area-based development (e.g. SADU approach),
 - other actors of the market chains (e.g. traders, processors),
 - other commodities and/or niche markets (e.g. Lao Farmers Products).



BUILDING ECONOMIC CAPITAL OUT OF THE STRENGTH OF SOCIAL CAPITAL

- Transition from family business to agro-enterprise requires:
 - empowering individuals in the initial stage their interactions with other actors,
 - providing a supportive business environment (e.g. tax exemptions, market niches, contract farming monitoring and reinforcement mechanisms, protection against illegal traders)
- Transition from farmers' groups to cooperatives
 - Mobilizing capital for investment in agribusiness
 - Credit and savings for accessible – rich areas (urban or suburban)
 - Grants for the poor – remote areas (non monetary economies)
 - Right proportion of social mix in cooperatives
 - Rich and poor tend to exclude themselves from credit schemes
 - Large range of microfinance options should be proposed



BUILDING ECONOMIC CAPITAL OUT OF THE STRENGTH OF SOCIAL CAPITAL (CONTINUED)

- What level of social capital to build upon at village level?
 - To what extent the “village communities” can support the emergence of cooperatives?
 - Disruptions in social capital is often observed in resettled villages or mixed villages,
 - Projects can build upon the village community if it really exists as a social capital to be tapped.
- Leadership: horizontal and vertical integration
 - Success of farmers' groups is directly related to the charisma and character of the leaders,
 - Capacity to connect people
 - vertically (administrations, banks, traders, etc.)
 - horizontally (between members and with other villages communities and groups)

BUILDING ECONOMIC CAPITAL OUT OF THE STRENGTH OF SOCIAL CAPITAL (CONTINUED)

- Learning pathways from group to cooperative
 - change in scale of operations should induce changes in governance system,
 - shift from building up a *bigger group* to building up a *complex network*
- Capacity building and empowerment
 - Changing paradigm -> need for business minded people not administrators / support the emergence of a new generation of independent, private entrepreneurs
 - Flexible, adaptive methodologies and approaches require:
 - openness to learn
 - coordination mechanisms for monitoring and capitalizing experiences in Lao-PDR and international level.
 - institution such as a “Cooperative Resource Center” to support networking activities and exchanges



SUMMARY OF KEY FINDINGS AND POLICY IMPLICATIONS

- Cooperatives, like communities, are not static institutions but are constantly reshaping themselves according to internal and external forces of change,
- Collective learning process involved in the emergence of cooperatives depends on local leadership, history, initial cohesion of the group, growth pace, etc.
- Instead of designing and applying a fixed model for future cooperatives, more efficient & cost effective:
 - to provide a supportive policy & business environment,
 - to enable long term support mechanisms,
 - to monitor and capitalize experiences



THANK YOU FOR YOUR CONTRIBUTION...	Inter- viewed	Report review
ADB - NAFES - Watershed Management Project (Nam Ngum) / 2003-2011	x	
ADB - UNODC - Shifting Cultivation Stabilization Project, Hua Phan Province	x	
AFD - PDDP – Rural Development Project of Phongsaly District	x	
AFD - PCADR-PASS – Maize producer groups in the southern districts of Sayabouri Province		x
AFD - PCADR-PAB - Coffee Producer’s Association in the Boloven		x
CARE Laos - Poverty Alleviation in Remote Upland Areas (PARUA)		x
CCSP - Cooperative Credit for Small Production - Lao Farmer Products –Cooperative Fund	x	
CIDSE Laos - Community Development Program	x	
DGRV - German foundation of Raiffaisen Banks – Regional Programme on Cooperatives	x	
EC – Micro-Projects Development through Local Communities (MDLC)		x
FAO - NAFES - Food Security Project / 2003-2008	x	
FAO - NAFRI - Marketing System Development for Non-Wood Forest Products / 2004-2006	x	
Friends of the Upland Farmer, Luang Nam Tha Province		x
GTZ – RDMA –Integrated Rural Development in Mountainous Areas of Northern Lao PDR		x
HEIFER International - NAFRI – Livestock Project 2005-2008	x	
IFAD - NAFES - Smallholder Development Project / 2001-2010	x	
IUCN – NAFRI – NTFP Sustainable Utilization of NTFP, case study Oudomxay province		x
JICA – FORCOM – Forest Management and Community Support Project / 2004-2009		x
MRC - NAFRI - The Fisheries Management and Governance Project - 2005-2006	x	
SDC – NAFRI/CIAT - Small scale agro-enterprise in the uplands of Laos and Vietnam (SADU)	x	
VECO - Market Access for Farmer Extension Groups in Bokeo Province	x	
WB – FINNIDA - NAFES - SUFORD - Service Using Forest and Rural Development / 2003-2008	x	
WB - NAFES - Agriculture and Development Project (ADP) / 2002-2006	x	
WB - Poverty Reduction Fund Project	x	
WWF - NAFES - Sustainable Rattan Harvest and Production Project / 2006-2008	x	

THANK YOU FOR YOUR ATTENTION...

