

Building Sustainable Farmer Cooperatives in the Mekong Delta, Vietnam: Is Social Capital the Key?

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Abstract

Four farmer groups for mango production and marketing were formed in 2002 in southern Vietnam in response to government support for the creation of market oriented farmer cooperatives. The role and structure of two of these groups are considered in terms of the extent to which they have developed bonding, bridging and linking social capital. Both of the farmer groups studied have evolved in different ways, which can be explained to some extent by examining the pathways to development for the groups and the points where social capital has been mobilised, created or destroyed. The formation of optimal combinations of the various dimensions of social capital is considered necessary for the long term economic success of the groups and the communities in which they operate.

Keywords

Farmer cooperatives, social capital, Vietnam mango farmers, economic development, government support.

1. Introduction

The notion of farmer cooperatives as a tool for rural organisation has a long history in Vietnam. Whilst the term 'cooperative' was used to denote a collective organisation controlled by the state during the Socialist era, since the policy renovation of 1986 and the introduction of the Cooperative Law in 1997, the definition has been altered to embrace the International Cooperative Alliance (1995) 'Principles of Cooperation' including volunteerism and democratic member control. In recent years the Government of Vietnam has encouraged the formation of 'new-style cooperatives' as a key strategy for combating rural poverty as part of a broader rural development plan.

The formation of farmer cooperatives as a means of increasing the bargaining power of smallholders and creating the social capital necessary for rural development has received renewed support from many international development organisations (International Labour Office Cooperative Branch 2002; United Nations General Assembly 2004). Whilst private enterprise and democracy are high on the global political agenda, there is a growing awareness among policy

makers that the trend towards decentralisation and reduction of government support services to the rural sector will not succeed without a corresponding strengthening of rural institutions and voluntary social organisations (FAO 1996).

Past experience has shown that formal, top-down, large group approaches, such as state-led cooperatives promoted and financed by governments, have been unsuccessful in raising socio-economic standards of small rural producers and have often resulted in distrust of government and destruction of social capital (Chloupkova et al. 2003). Voluntary rural organisations such as farmer cooperatives have the potential to enable producers to cope with the transition process by increasing their bargaining power in the market place, building social capital necessary for development and gaining influence in the policy-making arena.

From 2001 to 2003 an AusAID Capacity Building in Agriculture and Rural Development (CARD) project was undertaken in collaboration with the University of Queensland, Curtin University of Technology and the Southern Fruit Research Institute of Vietnam (SOFRI). The project worked with mango farming communities in two provinces in Southern Vietnam, Tien Giang and Tra Vinh. The communities were assisted in the process of forming farmer cooperatives as a means of improving access to production technology and increasing market influence. After some three years' operation, the four farmer groups/cooperatives formed under the project are still functioning. Diverse cooperative structures have emerged as the groups began to undertake various commercial and non-commercial activities. The cooperatives have branched out into activities such as nursery production of mango seedlings, village farm-input supply shops, cooperative-owned mango retail shop, a micro-credit program and commercial supply contracts for fruit processing and supermarket supply.

It is generally agreed that in order to be sustainable enterprises, cooperatives must be economically successful and hence able to compete with other cooperatives and the private sector. As a business structure however, cooperatives are characterised by their dual economic and civic nature as they represent individuals who voluntarily join a social group or cooperative society, yet at the same time are part of a business unit that is registered and participates in economic activities, i.e. the cooperative enterprise (Draheim 1955 in Wolz 2000). For this reason, they are considered by many as suitable organisational structures to promote economic and social development, as decisions made by the cooperative must balance the need for profitability with the welfare of their members and the wider interests of the community (ILO 2002). Farmer cooperatives therefore represent a good unit of analysis to consider rural economic development, taking into account the importance of social interactions and social networks created within the local community of the members and between other groups and communities, government

institutions and the private sector. The concept of social capital provides a way to examine these relationships and explain the array of outcomes that may be attributed to them.

This paper will discuss the theory of social capital and its relevance to the development and sustainability of farmer cooperatives in a developing country in economic transition. The pathways of two of the four mango farmer groups/cooperatives formed during the lifespan of the project will be examined and considered in terms of the extent to which they were able to mobilise and create bonding, bridging and linking social capital at various stages of development. Their relationship with the state will also be considered in terms of the implications that this may have on economic development. The two groups that differ most significantly have been selected for the purpose of highlighting the potential differences in outcome of such a project.

No attempt has been made to measure the social capital developed by these groups at this stage, therefore this paper presents an opportunity to initially discuss the relationships between social capital formation and the development of economically sustainable farmer cooperative enterprises in the Mekong Delta, Vietnam. Some general comments can also be made about the potential of the cooperative structure as a business form in a developing country in transition and how this structure may inhibit or promote the development of social capital necessary for sustainable, equitable and participatory development outcomes.

2. Social capital and cooperatives

One of the reasons repeatedly cited in development literature to explain why rural people in developing countries lack voice and influence in the policy making arena, is poor social and economic organisation. The lack of organisation is commonly attributed to the lack of social capital. But what is social capital, how can it be created and sustained and why is it relevant to farmer cooperatives? A recent review of the literature by Quibria (2003) shows that the concept of social capital has multifaceted interpretations and is fraught with empirical measurement and estimation problems. The concept has also been criticised for emphasising the positive nature of social capital in terms of beneficial outcomes and often failing to acknowledge the potential negative consequences (Portes and Landolt 1996). However, it is commonly acknowledged that social interactions are important in the sense that they create social networks, have the potential to build trust and values, sustain norms and culture, create community, and influence economic and social outcomes (Quibria 2003). For this reason the concept of social capital is particularly important in the context of rural development and poverty reduction.

Depending on the definition, social capital can be presented as a concept that is entirely individualistic or alternatively as an aggregate/community concept. The definitions most

commonly cited in development literature and those of most interest in relation to the development of sustainable farmer cooperatives, encompass the aggregate/community perspective of the social capital concept that suggests that social capital is the property of the group or the community as a whole (Quibria 2003). Putnam is one of the most influential authors with his definition of social capital: "Social capital refers to the features of organisation such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit" (1995, p. 67). From this perspective, it is easy to see how the development of autonomous, self-help cooperatives could be considered as potential vehicles for social capital formation.

In general, four features of social capital are considered important: relations of trust; reciprocity of exchanges; common rules, norms and sanctions; and connectedness in networks and groups (Pretty and Ward 2001). Connectedness in networks and groups can be examined on three levels: bonding, bridging and linking (Putnam 2000) and is important for developing networks within, between and beyond communities.

In a review of the implications of the concept of social capital for development theory, research and policy, Woolcock and Narayan (2000) define social capital simply as "the norms and networks that enable people to act collectively" (Woolcock and Narayan 2000, p. 226). This definition allows the focus to be placed on the sources rather than the consequences of social capital (Woolcock and Narayan 2000). Important features of social capital such as trust and norms of reciprocity, fairness and cooperation are considered as consequences of social capital which may be used as one indicator of the types and combinations of social capital present, yet not to be confused with the social capital itself (Woolcock 1998).

The community is presented as the primary unit of analysis, incorporation of different dimensions of social capital such as bonding and bridging social capital is allowed for, and the argument is made that different combinations of these dimensions are responsible for the range of outcomes attributed to social capital (Woolcock and Narayan 2000). Bonding social capital refers generally to the intra-community ties whilst bridging social capital refers to the extra-community networks. These definitions are further refined in Woolcock (2001) by explaining bonding social capital in reference to the relations between local community members such as family, close friends and neighbours and bridging in terms of relations with more distant friends, associates and colleagues. Bridging social capital is presented as a horizontal metaphor based on connections between people and groups who share similar demographic characteristics, and a vertical dimension of social capital is introduced as "linkages" or linking social capital that refers to relations that enable groups/communities to leverage resources, ideas and information from formal institutions (Woolcock 2001).

In the context of poverty reduction and economic development, the argument is put forward that as the welfare of community members changes over time, so too will the optimal combinations of bonding and bridging social capital due to the costs and benefits associated with the mix of dimensions (Woolcock and Narayan 2000). Whilst high levels of bonding social capital in a community may have significant benefits for individuals and groups in terms of support services provided, it may also restrict development by imposing a strong sense of loyalty, obligation and commitment on members that may limit their access to outside information and have other negative economic consequences (Portes and Landolt 1996). The development of other groups in the same community may also be restricted as one group may be benefiting at the expense of another.

Experience from the developing world, particularly in the context of state led farmer cooperative movements, has shown that high levels of bonding social capital manifested in local organisations and informal groups is insufficient for economic prosperity. It is only through the mobilisation of this capital to expand networks thus developing bridging and perhaps most importantly, linking social capital to gain access to formal institutions such as banks, insurance agencies and the courts, that enhanced welfare benefits and economic development can proceed (Woolcock 2001).

Much like smallholder farmers who join a cooperative, poor entrepreneurs are initially dependent on their stock of bonding social capital through their relations with immediate neighbours, friends and family for provision of credit, insurance and support (Woolcock and Narayan 2000). However, as the business expands, they need to develop bridging social capital to enable access to product and factor markets and linking social capital to access business associations, government-funded training programs and other institutions.

Based on the argument of Granovetter (1995), economic development can thus be considered to take place through a social mechanism of 'coupling and decoupling' when individuals or groups are able to draw initially on the benefits of close community relationships, then use these relationships to gain the skills needed to transcend the community and join the economic mainstream. However, the shift in strength and direction of social ties as economic exchange increases in complexity is a highly problematic transition. This transition is considered to be of particular importance to understanding the prospects for medium term-economic growth and governance in developing economies (Woolcock 1998). This is especially the case for countries where poverty alleviation strategies centring on the formation of small groups such as microfinance, agricultural and environmental management programs are becoming increasingly

popular (Woolcock 1998). Vietnam's renewed support for farmer cooperatives as part of a poverty reduction and rural development plan clearly fall into this category.

Equally important for understanding the prospects for development in a given society is the nature of state-society relationships and how they have evolved over time. Social capital formation does not occur in a political vacuum but rather "in the context of a particular history and regulatory framework that can strengthen or undermine the capacity of independent groups in civil society to organise their own collective interest" (Woolcock 1998, p. 176).

In the context of social capital theory and implications for development, the dilemma of top-down versus bottom-up development approaches is also considered, with the need to combine the two approaches by forging sustainable social relations connecting top-down resources and bottom-up capacity building (Woolcock 1998). Thus development outcomes are shaped by the extent to which social dilemmas at the micro and macro level are resolved through the development of optimal combinations of bonding, bridging and linking social capital within and between both levels. However, optimal combinations of social capital do not automatically emerge at a particular moment in time. Different intervention strategies are likely to be required for different combinations of governance and social capital in order to achieve positive and lasting results (Woolcock and Narayan 2000).

The definition of social capital and discussion of concepts related to development theory progressively refined in Woolcock (1998), Woolcock and Narayan (2000) and Woolcock (2001) is particularly useful when seeking insight into the role and influence of social capital on the outcomes of development projects. The conceptual framework presented has been used as a starting point for distinguishing the different forms of social capital created through diverse project interventions and examining the changing combinations of these dimensions as development proceeds. One such example is provided in a review of soil conservation groups in the Philippines (Cramb 2004). The following section will consider the relationship between social capital and cooperative enterprise development as a result of the CARD project and ongoing government support. The combinations of bonding, bridging and linking social capital for two of the original four groups will be considered as member welfare changes and the organisations develop.

3. AusAID CARD Project in the Mekong Delta, Vietnam

The Mekong Delta region of Southern Vietnam is an important area for fruit production and has grown rapidly over past decades to become the largest producer of tropical fruit for domestic consumption. In September 2001, a two-year project funded under the AusAID CARD program

began with the broad aim of “Improving the production and marketing of the fruit industry in Tien Giang and Tra Vinh Provinces”. This was to be achieved by working with mango farmers to establish four farmer groups that would promote the benefits of horizontal grower alliances.

In common with many farmers in developing countries working independently on small farms, fruit growers in the Mekong Delta produce small quantities of variable quality with high input costs, making their products uncompetitive and resulting in low farmer incomes. Limited access to technical production information and training inhibits productivity gains. The lack of transparent market price data mean the majority of farmers are subject to price setting by first level fruit collectors. In an effort to counter these problems, the national Ministry of Agriculture and Rural Development (MARD) expressed a desire that the provincial Departments of Agriculture and Rural Development (DARD) and the Southern Fruit Research Institute (SOFRI) trial voluntary farmer groups/cooperatives as a means of improving the livelihoods of individual farmers and farming communities.

Prior to beginning the project, little consideration was given to the historical context of farmer cooperatives in Southern Vietnam and the possibility that farmers might hold negative attitudes towards working together. Given that varying combinations of social capital dimensions are considered necessary for building sustainable farmer cooperatives and that social capital formation occurs in the context of a particular history and regulatory framework (Woolcock 1998), this could perhaps be considered an oversight. Communist regimes particularly in Central and Eastern European countries have been criticised for destroying the stocks of social capital through heavy state intervention that forced people to participate in certain activities such as state-run cooperatives, at the same time restricting entrepreneurship and voluntary organisation into social groups (Chloupkova et al. 2003; Paldam and Svendsen 2000).

The collectivisation of agriculture in Vietnam began in 1955 and ended with a commitment to agricultural reform in 1981. By 1979, 97 per cent of farming households in the North were involved in state-run cooperatives that continued to decline in production output (Tran 1998). The household economy remained unacknowledged officially yet co-operators focussed on cultivating their private plots for food and income. By 1980 the country fell into a period of severe food shortages. Forced co-operation stripped producers of any decision-making power as cooperatives had to follow the instructions of central plans. The lack of equitable rewards for individual contribution provided a strong disincentive for increasing output or improving efficiency (Kirsch 1997). The collectivisation movement could be considered to have potentially deteriorated stocks of social capital in rural communities in the North. The centrally controlled, highly complex bureaucratic cooperative management systems and lack of economic incentive for producers

lead to notable accounts of peasant resistance to cooperative participation and distrust towards formal institutions (Fforde and Paine 1987).

Following reunification of the country in 1976, policy was put forward to introduce collectivisation of agriculture in the South and Central regions. However, having previously had access to agricultural land outside of a centrally-run, collectivised cooperative system and past exposure to a market economy, farmers in the South strongly opposed the formation of large-scale cooperatives with only 0.2 per cent of farming households in the Mekong Delta enlisted by 1978 (Tran 1998). Introduction of the collectivisation policy in this case saw the formation of cooperatives often created on paper only, whilst producers continued to farm individually (Wolz 2000). Given the refusal of Southern farmers to be enlisted in the cooperative/collectivisation movement post reunification, some consideration of past attitudes towards state-led farmer cooperatives and how they may influence existing attitudes towards the government's renewed interest in 'new-style' voluntary, autonomous cooperatives is perhaps warranted.

Whilst it would be easy to assume that negative memories of past state-run 'cooperatives' would inhibit the formation of 'new-style' voluntary farmer cooperatives, it is not necessarily that simple. Southern Vietnam has a long and relatively successful history of mutual help groups. Whilst collective ownership was an important element of the Northern economy, mutual help groups played a significant role in the South under French rule as a way of enabling rural people to manage their affairs (Kirsch 1997). Some 80 per cent of all agricultural farm households were involved in mutual help groups, and while only 750 of the official agricultural cooperatives were active in 1985, informal and semi-formal mutual help groups continued to work successfully on a voluntary basis (Kirsch 1997). Similarly, introduction of reformed policy such as the Land Law in 1993 that formalised the role of the household as the main unit of agricultural production and provided official land use rights, and the Cooperative Law in 1997 that recognises cooperatives as legally distinct, independent business entities, have gone a long way towards rebuilding trust with farmers. These factors need to be taken into account when considering the outcomes of the CARD project.

Case Studies

Tien Giang province is located 70km southwest of Ho Chi Minh City (HCMC) and is well known as one of the most productive fruit growing areas in the Delta. Conversely, Tra Vinh province is located 200 kilometres southwest of HCMC and is one of the poorest provinces in the Delta. Initially, the project focussed on improving the productivity of mangoes in the area by providing training in best-practice grower techniques. Over a period of five months, a series of workshops were held in two districts of each province with all interested community members invited to

attend. Local government, farmers' association representatives and provincial DARD staff were also encouraged to attend.

The first round of project workshops were conducted jointly by Australian team members and SOFRI extension personnel with the aim of informing the community about the project, at the same time providing much needed technical advice. Workshops were generally half-day sessions with training, farm visits and discussions of specific production problems, followed by an informal lunch held in the local community hall or People's Committee building. These sessions were well attended with between 50 and 280 participants in any one district. Evaluation of the district workshops was overwhelmingly positive with farmers identifying that access to technical production information and sharing of knowledge and production experience with other growers as key benefits. The opportunity to have SOFRI extension personnel and foreign 'experts' come out to the villages and visit growers' farms was especially appreciated with farmers vowing to implement the training they had received. Knowing that further workshops were likely, a sense of mutual obligation was instilled in the participants to follow through on promises.

Follow-up technical training workshops were conducted over subsequent months by SOFRI extension staff to retain the interest of the communities. The overriding aim of these workshops was to identify potential farmers in each district with similar needs who would be interested in ultimately forming a farmer group. During this time, relationships amongst farmers and between SOFRI extension staff and the participants developed as membership stabilised. By March 2002, farmers were asked to officially register as members of an informal farmer/pre-cooperative group (*to hop tac*). This structure can be registered and approved by the Village People's Committee, but is not recognised as a legal business entity. All four groups were formed voluntarily by interested farmers. At no time were farmers obliged to join and it was made clear to them that they are able to withdraw freely from the farmer group/cooperative at any time. The groups formed from this stage onwards can be considered as a means of having mobilised and generated varying levels and combinations of bonding, bridging and linking social capital.

Bonding social capital was created through the initial formation of the four groups. Two groups of new mango farmers with common interest in solving production problems at a local level were formed, as well as two groups of established mango farmers interested in both production and improved marketing of their fruit. This capital was then mobilised to different extents to develop bridging and linking social capital as the groups sought out alternative business opportunities and new customers for their fruit. Further linking social capital was developed with SOFRI and other state agencies as three of the four groups decided to formalise their organisation and register as officially recognised cooperative businesses under law (*hop tac xa*). The two groups that will be

considered in more detail are the officially registered Hoa Hung Cat Hoa Loc Cooperative in Tien Giang province and the informal Binh Phu farmer group in Tra Vinh province.

Tien Giang Province

As mentioned earlier, Tien Giang is known as one of the most productive fruit growing areas in the delta. The provincial government of Tien Giang in conjunction with SOFRI demonstrated strong support for the farmer groups from the beginning of the project and later with an expressed desire that the cooperative groups must succeed so as to provide an example of market-oriented cooperative production and marketing. Due to the vested interest in cooperative formation and the implementation of the AusAID project intervention, there was little danger that the two cooperatives in this province would lack linking social capital with government agencies. From the outset, the project was considered a high priority for DARD and was carefully monitored as part of a preliminary strategy to promote voluntary farmer cooperatives. A provincial Cooperative Union was established during the lifespan of the project and continues to provide strong support and training to the groups and other newly registered cooperatives. Following formation, the two farmer groups in this province were guided through the process of registration to become legally recognised cooperative entities, free to conduct business activities and access tax benefits and government support services associated with the cooperative form under law.

Hoa Hung Cooperative

The Hoa Hung Cat Hoa Loc cooperative in Cai Be district is undoubtedly the most economically successful of the four groups. Officially registered in October, 2002 it was initially made up of 36 established mango growers who purchased shares for 300,000 VND (~US\$19) each. Growers from this commune are well known throughout the region for producing premium variety Cat Hoa Loc mangoes.

In the first season of operation, the cooperative generated an income of 35 million VND (~US\$2230). This income was predominantly gained through signing of a supply contract with a Japanese company to deliver fruit to a state-owned processing plant for the production of frozen mango slices for export. The Japanese company was introduced to the cooperative through government trade officials and their linkages with the Cooperative Union and provincial DARD. In order to fill the contract, the cooperative began to take on the role of a wholesaler and fruit was bought from both members and non-members in local and surrounding communities with a guaranteed price of 10 per cent higher than current market price. Farmers were reportedly very happy with this arrangement as the cooperative provided a market for smaller, lower class fresh fruit for processing.

During this season the cooperative also opened a small retail mango shop close to the members' village to sell three classes of high quality, boxed and branded fresh fruit direct to consumers. Various other plans were discussed such as the opening of a chemical supply shop in the village. As of July 2004, the membership sat at 52 with a share value of 700 000 VND (~US\$45) and second season income of 97 million VND (~US\$6178). The Japanese contract was entering into a third season of operation and plans for direct supply of fresh fruit to the Metro supermarket chain in HCMC were being negotiated with the help of the Cooperative Union. At that time, membership was closed, however there was increasing demand from local and regional farmers for further membership openings to become available.

During this short period of operation from October 2002 to July 2004, the cooperative grew from a simple farmer organisation focussed on improving production techniques and access to technical and market information for members, to a relatively complex business operation engaged in retailing, branding, wholesaling and supply contracts for processing. Communication between the democratically elected management board and the farmer members decreased as business activities expanded. There was declining involvement of members in decision-making and no dividends were returned to shareholders in the study period to this point. Regardless, strong local level government support continued with much guidance given to linking the cooperative management board to emerging business opportunities. Throughout the province this cooperative has been promoted as a success story and touted as a replicable cooperative model capable of achieving economic success for members and local communities.

In terms of economic development, there is no doubt that this cooperative has delivered increased financial rewards to all members involved and some minor flow-on effects to other community members through access to cooperative services. However, whether it can and should be promoted as a replicable cooperative model for rural development is debatable. Consideration should be given to the social interactions involved as the cooperative moves through the social mechanism of 'coupling and decoupling' as advised by Granovetter (1995).

Bonding social capital was created through the initial formation of the farmer group by interested farmers in the Hoa Hung hamlet. This dimension of social capital was strengthened through the decision to move towards closed membership. Limited bridging social capital was created in both local and more distant farming communities through the involvement of non-members in the wholesale functions of the cooperative. At one point, there was potential for further development of bridging social capital as the HCMC Farmers' Club was interested in working with the cooperative. However, this occurred not long after the cooperative had established and fear of losing management control to a larger, more experienced organisation meant that Hoa Hung

declined the offer. Extensive linking social capital was developed through the official registration of the cooperative and strong relationship with the provincial DARD and Cooperative Union. Mobilisation of this stock can be seen as the cooperative is now involved with various external business partners including exporters, processors and supermarkets with whom they have had no previous contact with, or access to as individual farmers.

As mentioned in the discussion of social capital theory, social capital formation is not without costs. Whilst initial formation of the farmer group and registration of the cooperative may be considered an expression of the bonding social capital existing in the Hoa Hung community, the decision to renege on the open membership principle has inevitably had some negative effects on these stocks. Although the bonding social capital in the group may have been enhanced, at what cost to the broader community has this been achieved? The cooperative now consists of a relatively small group of farmers who are benefiting financially and are likely to continue to do so by excluding others from joining. The cooperative structure has been transformed into a hybrid-corporate structure where the priority is to maximise returns to shareholders. As the business grows, share prices increase and act as a further barrier to participation. While membership remains closed, even those interested farmers who are prepared to subscribe shares have been turned away for fear of decreasing the benefits to the existing members. Not surprisingly, resentment towards the 'model cooperative' builds with resultant impacts on attitudes of trust towards officially registered cooperative structures. Although local farmers may be receiving higher prices for low quality fruit, the gains are considered minimal compared to those obtainable through membership.

The cooperative's unwillingness to share business information with other groups and engage in activities that could generate substantial bridging social capital further isolates them from the community and increases the negative consequences and elitism associated with a high stock of bonding and linking social capital. While on one level, high bonding social capital is evident within the cooperative through the stable membership and commitment to a closed organisation, these stocks are being eroded internally by the management board, through poor communication with members and lack of transparency in decision-making. As the degree of linking social capital increases between the management board, local government agencies and external customers, the integrity of the bonding social capital within the cooperative comes under threat as members begin to feel disenfranchised.

The Hoa Hung Cat Hoa Loc cooperative is a clear example of a development outcome whereby the nature and extent of social interactions between a community and government institutions have shaped economic performance. The social dilemmas at the micro and macro level remain

unresolved as a result of sub-optimal combinations of bonding, bridging and linking social capital within and between both levels. It highlights the dilemmas facing social capital research and policy in the context of development as conditions need to be identified that mobilise the positive aspects of bonding social in a way that creates bridging and linking social capital without destroying the integrity of the original bonding social capital (Woolcock and Narayan 2000).

This raises a series of questions when considering the development of the Hoa Hung Cat Hoa Loc cooperative. How much bonding and linking social capital is too much and at what expense to the autonomy of the cooperative, its members and the broader community? At what point does the cooperative cease to act as a cooperative and begin acting as a company as a result of changing combinations of the dimensions of social capital? What impact will local government support for this 'model cooperative' have on other communities in the province and their willingness to form informal farmer groups and cooperatives? The Binh Phu farmer group provides a stark contrast to the project outcome discussed above.

Tra Vinh Province

Located 200 kilometres Southwest of HCMC, Tra Vinh is one of the poorest provinces in the Mekong Delta with 19 per cent of households classified as poor by the Vietnamese government and a large ethnic population including 30 per cent Khmer (Buong 2003). Education levels are of the lowest in the Mekong Delta. Unlike Tien Giang, poor soils and the lack of irrigation infrastructure, makes cultivation particularly difficult. Provincial government support was also weaker, with little involvement in the CARD project from DARD staff, no active Cooperative Union and poor government extension support. However, the grassroots Farmers' Association was particularly supportive of cooperative development with dedicated extension personnel to aid with monitoring, training and support activities. Lower quality mango varieties, greater distance to market and lack of local research and extension services puts this province at a significant disadvantage. Whilst the Binh Phu farmer group undoubtedly exhibits the highest levels of bonding and bridging social capital of the four groups, it appears that restricted development of linking social capital has inhibited the pace of economic development. Again it is a good example of how the right combinations of all three dimensions of social capital are necessary for sustainable rural development outcomes.

Binh Phu Farmer Group

The Binh Phu farmer group was established in March 2002 and consisted of 12 members. Under Cooperative Law, it was recognised as a pre-cooperative/informal farmer group founded by individuals interested in working together to achieve mutual benefits (Cuong 2001). It was not recognised as a legal business entity and hence members did not subscribe share capital. All

members were of Khmer origin, largely subsistence farmers and the group was the most vulnerable of the four to external shocks. They were new mango growers with no prior experience in fruit tree production. The focus of the group initially was to develop technical production knowledge to care for the 3.2 hectares of mango seedlings donated as part of the project.

Due to the dire financial circumstances of the group, from the beginning of the project the group has received 300,000 VND (~US\$19) a month for a communal farmer group fund. The group held monthly meetings to share production experiences and make an action plan for the following month. At each meeting members contributed 5000VND (US\$0.32) each to the group fund. Over time the fund has developed to the point where they were able to lend 500,000 VND (US\$~32) to members for up to three months interest free. As of July 2004, all members had borrowed the money at least once and had repaid the money on time with significant benefits evident. Most members had used the loan to buy fish or pigs and each time the loan was given out, the group leader checked to make sure the money has been spent accordingly. The limited funds available were sufficient to allow all members to borrow relatively frequently from the group fund. As a community, they also actively practiced a mutual labour exchange system with a points scheme similar to that originally introduced into Northern Vietnam at the beginning of the collectivisation movement in the late 1950s (Tran 1998).

The group decided to diversify into fish fattening and mushroom production to spread risk and generate income while they waited for the mango trees to mature. Some training was provided to establish these activities by the local People's Committee and other international donor programs who heard about the group through the Tra Vinh Farmers' Association. Communication was open, financial management transparent and the commitment of the members to improving their current socio-economic status was clear. Any training provided was gratefully received and implemented rapidly. During the project a strong relationship was developed with the President of the Tra Vinh Farmers' association. The Binh Phu farmer group was regularly invited to visit local communities in their province and share their experiences of operating a farmer group. They helped establish a 'sister' farmer group in the same village who are interested in growing citrus. Members from each group regularly attend the monthly meetings of the other group to share knowledge and show their support for one another. As of July 2004, membership to the Binh Phu farmer group was closed on the basis of concerns that increasing membership rapidly would make management more complex and would be likely to restrict members' access to vital group services such as the interest-free loans from the cooperative fund. They plan to consider allowing more farmers to join in the future, but want to firstly gain more experience operating as a small group.

As demonstrated above, high stocks of bonding social capital existing in the community prior to project commencement have been mobilised through the formation of the farmer group, and further enhanced through the microcredit program developed by the farmers themselves. Minimal, short-term financial contributions from the project and regular contributions from the farmers themselves has instilled a sense of mutual obligation that has enabled the group to run an effective microcredit program by relying on the high endowments of bonding social capital within the group. This program, further supported by ongoing technical production training and sharing of production experience amongst farmers, has delivered significant benefits to the farmers involved and the local community in which they operate.

Extensive bridging social capital has also been generated through the involvement of the group with the Tra Vinh Farmers' Association and surrounding communities. Although the decision was made to close membership, unlike Hoa Hung, they are in full support of helping other small farmers to form their own groups and openly share their experiences. Again however the negative effects of strong bonding social capital are apparent. The group was not interested in registering as a formal cooperative at this stage and therefore had limited their ability to create the linking social capital required to access associated benefits and services provided to officially registered cooperatives under law. This stock of bonding social capital can also put a high level of obligation and commitment on the members involved and may present obstacles to further advancement, especially for more ambitious members (Woolcock 1999). In the short-term this may not be a problem, but has the potential to affect the long-term economic prosperity of the group.

The development of the Binh Phu farmer group has been much more conservative than that of the Hoa Hung cooperative, yet appears to have had a more positive outcome on the community as a whole as a result of the combinations of social capital present. Whilst on one hand they lack the higher level linking social capital required for rapid development as a cooperative business, on the other hand by remaining as an informal farmer group, they have managed to retain the autonomy of the group and integrity of the bonding social capital both within the group and the community. Both of these groups raise some interesting questions about the types of informal vs. formal group structures that may best contribute to positive development outcomes in this context.

4. The Cooperative Form and Social Capital

Although cooperatives were not designed as tools of poverty reduction, historically they have been a means by which groups of people could gain economic advantages that individually they could not achieve (Birchall 2003). The principles on which cooperatives are based highlight a

desire for democratic control by members, equitable return of surpluses and a desire to share these benefits with other people in similar circumstances through the open membership principle. However, the cooperative form the world over is considered by many to be facing a period of crisis: crisis of ideology, crisis of capital, crisis of credibility or crisis of management (Taimni 1997).

Traditionally, as a business structure it appears to work best when allowed to operate free from outside interference as a small, member-owned business with a high level of member participation in management and strong focus on providing simple services to members. For this reason, as seen in the CARD project outcomes, cooperatives have the potential to play an important role as a means of empowering small farmers in developing countries to improve their economic situation collectively, in a way that they would be unable to do so individually. However, taking into account the experiences of cooperatives in the developed world and discussions of social capital and economic development from Woolcock some key concerns can be raised about the suitability of the emerging cooperative structures in Vietnam as part of a rural development strategy.

Clearly, voluntary farmer cooperatives have the ability to mobilise bonding social capital within a community. However, as the cooperative develops, linking social capital is required for business expansion and the bonding social capital appears to come under threat as the focus shifts from providing member-oriented services. From this dilemma we are left with a number of questions that serve as pointers for further research. Do the generally accepted cooperative principles and internal member focus restrict the organisation's ability to develop bridging and linking social capital? Is it therefore the role of the state or donors to intervene and provide those linkages to help guide the cooperative through this phase, or should the emphasis lie in training cooperative managers to seek out the linkages themselves? Are cooperatives in this context simply an intermediate structure that results from a combination of high bonding social capital and low bridging and linking capital? Will the successful cooperatives inevitably become companies, as greater bridging and especially linking social capital is developed and bonding social capital destroyed? Is there a way in which cooperatives can adapt to a point where optimal combinations of all forms of capital are available, or do the principles and attitudes of the members towards cooperatives inherently prohibit this from occurring?

5. Conclusion

The two case studies presented in this paper serve to illustrate how the different forms of social capital have contributed to the evolution of the farmer group structures developed as part of the AusAID CARD project. The Hoa Hung Cat Hoa Loc Cooperative, whilst an economic success

story for the province, has been unable to sustain such rapid development without some negative consequences associated with sub-optimal combinations of bonding, bridging and linking social capital. The Binh Phu farmer group is a modest example of the development benefits obtainable through the mobilisation of bonding social capital existing in a community and the creation of bridging social capital. The complexities associated with the shifts in strength and direction of social ties as these structures develop has also been highlighted. Further monitoring of social capital dimensions in emerging cooperative structures is required to better understand the impact of implementing such a rural development strategy in Vietnam.

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