

IMPACT SHEET: Sustainable and Equitable Shrimp Production and Value Chain Development in Vietnam (SusV)

SUSTAINABLE SHRIMP VALUE CHAIN DEVELOPMENT



Fostering sustainable economic prosperity and poverty reduction in Vietnam through improving social and environmental impacts of shrimp production and processing



CHALLENGE

Vietnam shrimp production provides livelihoods for over a million people, particularly small-scale producers (SSP), who account for more than 80% of Vietnam's shrimp production force. However, the booming of Vietnam's shrimp industry, which strongly relies on saline water ecology, has been associated to serious social and environmental effects, including: unstable and risky livelihood of the SSPs, fragmented and inefficient supply chain, unsustainable use and sharing of resources, lack of corporate responsibility on labour, dispersion of chemicals and nutrients, high and inefficient energy consumption, environmental pollution and climate change. The financial industry has also been unable to effectively support the sector's development with incentive measures and tools; on the other hand, it has used defensive measures for risk management.

PROJECT BACKGROUND

The EU SWITCH-Asia funded project "Sustainable and Equitable Shrimp Production and Value Chain development in Vietnam" (SUSV) was designed to promote sustainable economic growth and poverty alleviation in Vietnam through reducing the negative impacts from the shrimp aquaculture, processing and contributing to the sectorial transformation toward more sustainable and responsible business. The project was implemented in 4 years from 2016 to 2020 by Oxfam in partnership with the International Collaborating Centre for Aquaculture and Fisheries Sustainability (ICAFIS). Soc Trang, Bac Lieu and Ca Mau provinces, which together account for 93% of shrimp farming area and 84.4% of production of Vietnam, were the areas targeted by this initiative.

PROJECT OBJECTIVES

The project aims to address the social and environmental impacts of shrimp production and processing through the adoption of sustainable and resource efficient consumption and production practices, the implementation of responsible compliance standards, as well as a value chain financing scheme in the shrimp sector.

Specific objectives include:

- Facilitate the adoption and practice of a participatory social impact assessment (p-SIA) and biodiversity environmental impact assessment (B-EIA) of the Aquaculture Stewardship Council (ASC) standard by small-scale shrimp producers and the corporate social

responsibility (CSR) standards by processing enterprises to minimise the social and environmental footprint of commercial shrimp aquaculture;

- Support Vietnamese small-scale shrimp producers and shrimp processing enterprises to have access to adequate finance and improved production efficiency;
- Empower small-scale shrimp producers in negotiations with other actors in the value chain;
- Advocate for Government's credit policies that target the development of shrimp value chain, aquaculture and sustainable consumption and production.

TARGET GROUPS

- 25,000 staff (70% female) of 30 shrimp processing enterprises;
- 600 small-scale shrimp producers (420 male and 180 female);
- 40 bank staffs;
- 40 staff of local government and agriculture agencies.

PROJECT ACTIVITIES

Shrimp SSPs complied with the p-SIA and B-EIA standards of ASC and Vietnam Good Aquaculture Practice - VietGAP and 30 SME shrimp processors adopt CSR norms

The project supported the development of guidelines on p-SI, B-EIA and CSR and provided capacity development for shrimp SSPs and processing enterprises on their standards compliance. It also assisted the auditing of the practices by the SSPs and processing enterprises with support from third-party accredited auditing firms.

Shrimp producers and processing enterprises improved management practices and technologies leading to more efficient production and a better utilization of available natural resources

The project conducted life cycle analysis on the shrimp value chain, developed demonstrations on improved technologies and management practices in production and processing for learning and sharing, and provided capacity development for local trainers through TOTs and for SSPs and enterprises. These activities facilitated the investment and adoption of improved technologies and management practices for efficient and optimal use of resources.

Shrimp producers and processing enterprises gained access to loans under Government's credit policies on value chain development and sustainable aquaculture promotion and from other external sources

The project provided technical assistance (TA) and capacity support to SSPs and shrimp producer cooperatives on business plan development with a sustainable consumption and production (SCP) approach and to processing enterprises to further the chance to access to loans for investment. The TA also brokered and facilitated the partnership and co-investment on renewable energies in the shrimp sector between value chain actors and the technological enterprises, such as solar power, biogas power.

Small-scale shrimp producer groups were strengthened and had enhanced responsible production practices with equitable benefits sharing

The project built the capacities of SSP shrimp groups and cooperatives in workplan development, analytical knowledge and skills for improved understanding of the market information and the supply chain. The shrimp groups and cooperatives were also supported to have direct negotiations and dialogues with their business partners.

Government's credit policy was revised to facilitate value chain finance in the shrimp sector

The project also conducted a study on access to finance in the shrimp value chain, facilitated multi-stakeholder consultations and dialogue process among actors and the commercial banks, developed code of conduct and criteria for value chain finance, and capacitated banking staff on the financing scheme.

PROJECT ACHIEVEMENTS

- All 30 targeted shrimp cooperatives applied the p-SIA and B-EIA standards of the ASC. Nearly 2,500 shrimp SSPs were capacitated on p-SIA and B-EIA. This contributes to shift the perspective/way of working of SSPs in adopting and complying with sustainable international standard. And more importantly, the application in practice could reduce the negatively social and environmental impact from the shrimp farming.
- The project enhanced the capacity of all targeted 30 shrimp processing enterprises on CSR. 18 have already improved CSR practices in the processing facilities with focus on work safety, payment, social insurance, interactive feedback mechanism for workers, and specific benefits for female workers. Some shrimp processing enterprises supported by the project even went beyond CSR requirements. Soc Trang Seafood JSC had set up

kindergarten for taking care of kids for workers. South Vina Shrimp JSC operated a system to support two-way interactive feedback mechanism between workers and employers.

- 1,212 shrimp SSPs (accumulated in four years) made changes and applied improved management practices for optimal use of energy and resources for cost reduction. It is estimated that 24,000 SSPs applied improved water and disease management practices and 50,000 SSPs improved aeration system for optimal use of energy and reduced production cost. These improvements help reduce the losses caused by high death rate of shrimp and the cost of electricity for the aeration equipment on the farm.
- 110 value chain linkages (including 82 with processing enterprises and 28 with input enterprises) were developed with 30 shrimp cooperatives on cleaner and responsible production and sustainable standards. 20 cooperatives have received investments from their partner enterprises. Some partner enterprises also contribute to their associated cooperatives' trust funds as bonuses. Total financial investment from partners enterprises reached almost EUR 1 million in 4 years.
- 4 processing enterprises and 5 SSPs have invested into solar power as alternative and combined energy. 9 SSPs have invested into biogas electricity facilities (using residue and waste from shrimp farming) and 354 SSPs installed solar power light in their farms. The use of renewable energy as alternative and combined energy source reduced the production cost for processing enterprises and farming households, managed better the waste and residue from farming, and reduced the GHG emissions to the environment. These achievements created an opportunity for learning and replication at scale towards renewable energy transition not only for the shrimp value chain but also for seafood sector in general.
- The first-ever code of conduct and criteria for value chain financing scheme in the shrimp sector was developed, contributing to the amended Decree 116/2018/ND-CP in 2018 on Credit Policy for Agriculture and Rural Development which considered the Action's value chain finance inputs. Even though the policy change could not yet facilitate the value chain financing in practice specifically in the shrimp sector and the project areas, it is fundamental groundwork for future application in the agricultural sector in general in the near future.
- The Action also contributed to the Decision 79/QĐ-TTg on National Action Plan for the Development of the Shrimp Industry through to 2025 dated on 18 January 2018 by providing inputs and research study to Directory of Fisheries and Institute of Policy and Strategy for Agriculture and Rural Development.

- 753 shrimp SSPs (accumulated in four years) could have more financial resources to invest in shrimp sustainable production thanks to the readjustment in approaching more diverse financial access and support from partner enterprises, commercial banks, and the cooperative trust funds. Among these SSPs, 420 could access to the cooperative funds which are set for loans to poorer members and those who get loss in production and hit by climate change.

LESSONS LEARNED

- The sustainable standard requirement and compliance are very significant to the global supply chain. Good and consistent implementation of these standards (such as ASC, Best Aquaculture Practice – BAP, organic) could help sustain the vertical linkage between producers and enterprises at the upstream of the value chain.
- The strong structure and leadership capacity of the producer cooperatives are important to both sustained horizontal and vertical value chain. Since the majority of the shrimp producers are small-scale with limited management capacity, assistance should be provided to cooperatives with not more than 30 memberships to ensure effective management. The cooperative management board should include young members who are active, enthusiastic and innovative. Furthermore, the cooperatives with geographical proximity should join force to improve their collective negotiation power as well as ensure consistent supply in quantity and quality.
- Indigenous knowledge in production is important, particularly the resilience to climate change. Shrimp-rice rotated farming system is a significant example of adaptiveness to the increasing climate change.
- Capacity development for SSPs requires a balance of theory and practice training. In-class training is often less effective. Instead, on-farm training and farmer field school could motivate the participation of producers and improve the uptake of knowledge. Since the 4th year of the Action, Oxfam and ICAFIS employed the on-farm and farmer field school approaches and they substantially improved the effectiveness and incentive for SSPs.
- Policy advocacy and issuance of supportive policies are important to scale and sustain the impact. However, involvement of related stakeholders in both development and implementation of the policy in practice is critical. The change in policy on credit contributed by this project is an example. It could not be made when the commercial banks were not willing to release the loans due to their strict risk management mechanism.

CHALLENGES

During the project's implementation, there were several challenges.

- Most of the renewable energy enterprises lacked financial capacity for investment on demonstrating and marketing. Attractive credit services from financial institutions were lacking as well as practical supportive policy to promote renewable energy specifically in the shrimp sector. The co-investment and benefit sharing mechanism among investors and users is limited. Furthermore, the service users, particularly shrimp SSPs are not yet convinced of the benefits of renewable energy like solar power. The service suppliers also need to build trust among service users by improving their supply capacity. Due to these constraints, the project had significant difficulty on facilitating the transition to renewable energy and energy efficiency in the shrimp sector. The lack of a piloting model of renewable energy in the sector in the country also demoted the incentive of both processing enterprises and producers.
- Strict risk management measures by the commercial banks in Vietnam limits the implementation of the value chain finance. Even though the project could support the development of code of conduct and criteria for value chain finance for the bank and the shrimp actors as well as contribute to the amended policy encouraging loans to small-scale producers under value chain partnership, the commercial banks were hesitant to join the initiative.
- Shrimp value chain is perceived as risky business due to high death rate of shrimps ranging from 30 to 70%. The high death rate is due to the unsustainable farming practices and increasing climate change impact in the region. This was very challenging to facilitate a specific loan program for shrimp production.
- Climate change impact, particularly in the Mekong River Delta, has been more visible over time. It not only caused loss in shrimp production, but also disrupted the value chain partnership and the supply chain.
- The coronavirus outbreak started in China in mid-January 2020, and rapidly China imposed strict measures to contain the spread of the virus. The Vietnam shrimp sector has experienced immediate negative impacts since China, a major market, imposed temporary and partial closure of import. The disruption of supply chain had demoted both shrimp enterprises and producers and caused the slowdown of the Action implementation. At that moment, the ongoing work of the Action on renewable energy promotion and value chain finance was highly affected.



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The project has substantially contributed to the transformation of the shrimp aquaculture toward a more sustainable and responsible industry in Vietnam. Almost 2,500 small-scale producers and 30 processing enterprises have adjusted their business practices to become more environmentally friendly, socially responsible and resource efficient.



Long-term project sustainability

Through the support of Vietnam Government policies on sustainable economic development and increasing requirements on responsible production and business, sustainable shrimp production has been prioritized as one of the key strategic sectors to foster export and to promote sustainable development in Vietnam. The project's interventions have been implemented in a systemic manner and may leverage long-term impacts at scale in the whole sector.

Furthermore, the project's contribution to policy changes in sustainable and resilient shrimp farming practices (e.g. shrimp-rice rotating system) and access to finance under the value chain scheme, may trigger the engagement of stakeholders and boost the development of a more shrimp advanced value chain.

Project contributions to Climate Change Mitigation and SDGs



The project contributed to the achievement [SDG1](#) on poverty reduction and [SDG3](#) on improving well-being and good health through reducing the social and environmental impacts of shrimp production and processing. It also contributed to the achievement of [SDG5](#), [SDG8](#) and [SDG10](#) by empowering female shrimp SSPs through women-led business initiatives, improving their negotiation skills, and encouraging private enterprises to comply with CSR.

Moreover, the capacities of SSPs and processing enterprises have been strengthened to respond to the challenges posed by climate change ([SDG13](#)) through environmentally-friendly farming practices. Shrimp-rice rotating farming, for example, may help SSPs adapt to the increasingly severe impacts of climate change, particularly salinity intrusion and drought in the Mekong River Delta in Vietnam.

Most importantly, the project contributed to the achievement of [SDG12](#), supporting Vietnam's transition to renewable energy. Initiatives promoted the use of solar power and biogas as alternative sources of energy. The use of improved technologies and farming practices will also contribute to the reduction of GHG emissions.

Impacts at a Glance

Economic Impact	<ul style="list-style-type: none"> • 964 shrimp small-scale producers of 17 cooperatives enjoyed increase income by 5 to 7% due to sustainable standard compliance e.g. ASC, BAP • 136 shrimp small-scale producers gained additional income from new business activities on shrimp by-products and seafood secondary products • 22 processing enterprises increased income 5 to 10% due to their compliance with ASC, CSR, BAP • 30 input enterprises (feed, breed, probiotic) sustained value chain partnerships and expanded their markets
Environmental Impact	<ul style="list-style-type: none"> • More than 50,000 small-scale producers adjusted their aeration system on shrimp farms contributing to reduction of electricity use and production efficiency • More than 24,000 small-scale producers applied improved water and disease management practices that could result in reduction of negative impact of shrimp farming on the environment • Over 5,000 ha of shrimp farming was ensured environmental sustainability due to the compliance with B-EIA and application of sustainable farming practices • Almost 30 processing enterprises improved their waste management system through the Action's support on implementation of CSR • 4 processing enterprises and 5 small-scale producers set up solar power facilities, over 100 shrimp farmers installed solar lamps on farms, and 9 small-scale producers developed biogas electricity model for better energy efficiency and waste management
Social Impact	<ul style="list-style-type: none"> • 15,000 workers in the shrimp processing enterprises enjoyed improved working conditions and safety • 110 women actively participated in the shrimp value-added product businesses
Climate Benefits	<ul style="list-style-type: none"> • 3,000 small-scale producers improved awareness and capacity in climate change resilient farming practices, including shrimp-rice rotating practice, 2-phase and 3-phase farming systems, shrimp intercropping with tilapia and carp • 2,000 ha of shrimp farming was practised with shrimp-rice rotating system
Value Chain Finance	<ul style="list-style-type: none"> • A set of code of conduct and assessment criteria on value chain finance was developed by the Action is being used by Vietnam Banking Strategy Institute • 753 small-scale producers could access to loans for investment in sustainable shrimp aquaculture from external sources and out of them 420 could access to cooperative trust fund • 3 enterprises could access loans by the commercial banks under the value chain financing scheme
Target Group Engagement	<ul style="list-style-type: none"> • 30 shrimp processing enterprises were capacitated and practised socially responsible policy at workplace and improved sourcing of sustainable products • 964 shrimp small-scale producers applied socially and environmentally farming practices (ASC and BAP standards)
Policy Development	<ul style="list-style-type: none"> • Contributed to amended Decree 116/2018/ND-CP on credit support to agriculture and rural development • Contributed to the development of Decision 79/QD-TTg on National Action Plan for the Development of the Shrimp Industry through to 2025 • Contributed to Decision 445/QD-TTG on piloting and rolling out improved cooperative model in the Mekong Delta of Vietnam from which 12 out of 30 Action supported cooperatives received the assistance • Contributed to the amended Law on Fisheries in 2017 through providing opportunity where National Assembly members had direct consultation with the shrimp small-scale producers
Europe-Asia Cooperation	<ul style="list-style-type: none"> • Substantially supported the European Asian Aquaculture Technology and Innovation Platform (EURASTIP) multi-stakeholder dialogue in the aquaculture community within South East Asia and between South East Asia and the EU • Supported the implementation of Responsible Business project jointly managed by ILO and OECD



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