

FCM International

CASE STUDY

**Municipal Partners for Economic
Development Program**

POVERTY REDUCTION THROUGH INTEGRATED SMALL ENTERPRISE DEVELOPMENT (PRISED)

**A Case Study on Local Economic
Development in Vietnam**

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The Federation of Canadian Municipalities' (FCM) Municipal Partners for Economic Development (MPED) is a five-year program (2010-15) designed to support sustainable and equitable economic development in seven developing countries in Asia, Africa and the Americas. The program partners and direct beneficiaries are local governments and local government associations (LGAs) from these seven countries. MPED is undertaken with the financial support of the Government of Canada provided through the Canadian International Development Agency (CIDA). In Asia, the program is active in Vietnam and Cambodia. MPED also supports the engagement of program partners in regional (i.e. within Asia) knowledge sharing, global policy development, and program coordination, with an emphasis on economic development, environmental sustainability and gender equality.

By strategically concentrating resources on local-level "demonstration projects", MPED allows partners to develop new evidence-based models and practices for effective municipal management and economic development. The resulting knowledge and data give partners (in particular LGAs) the wherewithal to influence national policy development and replicate local successes.

This Vietnamese case study has been identified and documented within the MPED framework by the Association of Cities of Vietnam (ACVN), supported by FCM through CIDA funding. The intention is to share ideas with Cambodian and Vietnamese municipalities—as well as other stakeholders in the decentralization and local economic development (LED) effort—and to provide them with new ways to support LED. Its aim is to propose ideas that work, and to question the practices underlying these models with a view to triggering the discussions required to adapt and transfer these experiences to other contexts.

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CASE STUDY: POVERTY REDUCTION THROUGH INTEGRATED SMALL ENTERPRISE DEVELOPMENT (PRISED)

■ 1. Background

The Government of Vietnam has been publicly committed to tackling the issue of sustainable poverty reduction since 2002, when it approved the “Overall Strategy for Integrated Growth and Poverty Reduction” policy. Integral to this approach has been the concept of stimulating the growth of micro- and small enterprises, since they have a recognized potential to create jobs and increase personal and family incomes. Over this same period of time, the government has enacted legislation and put in place regulations to create a more favourable framework for the development and growth of small and medium-sized enterprises (SMEs).¹

However, the very implementation of these laws, decrees and regulations creates barriers that prevent local economic development (LED) initiatives from reaching their full potential. Challenges include a lack of available and relevant training, of competent and experienced technical advisors and consultants, of access to capital, information and technology, and of a supportive regulatory environment. In addition, there are communications difficulties between local governments and enterprises, as well as problems with the interaction between employers and employees over workplace conditions and opportunities for women.

Micro- and small enterprises — including household businesses (MSEs) — comprise a significant part of Vietnam’s business activity and play an important role in poverty reduction through job creation and

¹The Enterprise Laws of 1999 and 2005, as well as Decrees No.88/2003/ND-CP on the structure and operation of associations, and 236/2006/QĐ-TTg, which fed into the SME Development Plan 2006-10.

²Start and Improve Your Business Programme (SIYB) and Small Enterprise Development in the Greater Mekong Sub-Region Project.

increased incomes. Consequently, Vietnam’s future development and prosperity require strategies that build on this reality. The design of the PRISED program is based on previous International Labour Organisation (ILO) work in Vietnam (which focused on the improvement and development of MSEs), as well as the efforts of the Vietnam Chamber of Commerce and Industry (VCCI) to promote a more conducive business environment.²

■ 2. The Project

PRISED was set up from 2005–2009 to address the issues and challenges facing MSEs in a number of areas. As a pilot project, it was initially designed to be implemented in four provinces — Thanh Hoa, Quang Ngai, Binh Phuoc and Tra Vinh — with a view to identifying best or instructive practices, as well as a variety of approaches adapted to local and provincial urban and rural situations.

This multi-stakeholder project was supported by the Swedish International Development Agency (SIDA), ILO’s Vietnam office (ILO-V) and VCCI. The main objectives of PRISED were to stimulate local economic growth, create employment and reduce poverty. This was to take place in four to six designated provinces, mainly by supporting the development of micro- and small businesses. As gender equality in the market economy was an issue, PRISED targeted gender-neutral business niches.

PRISED was initially delivered directly by ILO-V in cooperation with VCCI. In Phase 2, however, VCCI took over implementation of the project, in line with



Son Thi Anh Hong, vice chair of Tra Vinh Province, at the “gender equality and occupation opportunity for the youth” workshop.

the stated objective of building national capacity with technical support from ILO-V. This also took into account the potential for simpler technical assistance (TA) delivery mechanisms through VCCI offices, rather than going through an international agency.³ SIDA funding for PRISED amounted to US\$ 4.5 million over four years.

■ 3. The Approach

PRISED was a demand-led LED strategy, which relied on the active participation of local and provincial partners to support a bottom-up planning approach. The project had a different format in each geographic area, depending on what raw materials were available and which businesses used these resources. However, the LED projects shared common characteristics, which included identifying and tackling barriers to the effective functioning of the value chain.

This LED value chain development strategy started at the base by upgrading micro-enterprises in one specific economic sub-sector, for example fish processing. This integrated approach identified constraints at the enterprise level — as well as within the overall environment for business — and attempted to remove them. It connected local producers with traders and processors, and then further up the line with wholesalers and retailers at various levels, i.e. provincial, national and, on occasion, international. Other stakeholders were actively involved such as business service providers, government regulatory authorities and policy makers, as well as international organizations.

PRISED included numerous LED characteristics such as local engagement, capacity building and partnership development, as well as an emphasis on promoting dialogue between key stakeholders. There were typically four steps involved. First, preliminary research was carried out to produce an overview of the various sub-sectors in a designated province, and criteria to select sub-sectors. Next, key business and government stakeholders took part in a dialogue at the provincial level to select one or more sub-sectors for additional in-depth study. The third stage involved analysing the people and goods, as well as the value-added possibilities and the local and national contexts with regards to the value chain barriers and other constraints. Finally, actual interventions were defined and the projects designed.

³ILO Evaluation Summaries, PRISED Project, p 1.

⁴ILO Evaluation, PRISED Project, p 1.

⁵LED in Vietnam, ILO LED Story # 2, March 2007, p 3.

Throughout this development process, capacity was built by stressing the use of dialogue to reach decisions in a participatory manner. A mid-term ILO evaluation of the first two years of PRISED experience stated that it had been “successfully introduced.”⁴

PRISED’s integrated approach was unique in that it resulted in diverse and flexible implementation strategies in each of the four selected provinces. These strategies reflected each of the provinces’ particular needs and priorities.

A variety of tools and products were used and adapted to meet the different requirements of each province; the interventions were then selected according to the provincial context, capacities and priorities. Therefore, while the focus of work in Quang Ngai Province was on business and value chain development, in Binh Phuoc, it was on media work, and value chain and policy dialogues between local authorities and entrepreneurs. In Tra Vinh, efforts were focused on social marketing and media initiatives, while in Thanh Hoa, attention was paid to business association development and social marketing.

The project had four high level planned outputs: reducing poverty and creating jobs by improving the local economy and business environment at the provincial level, strengthening business development service markets in the provinces, improving MSEs’ access to knowledge, information and services by

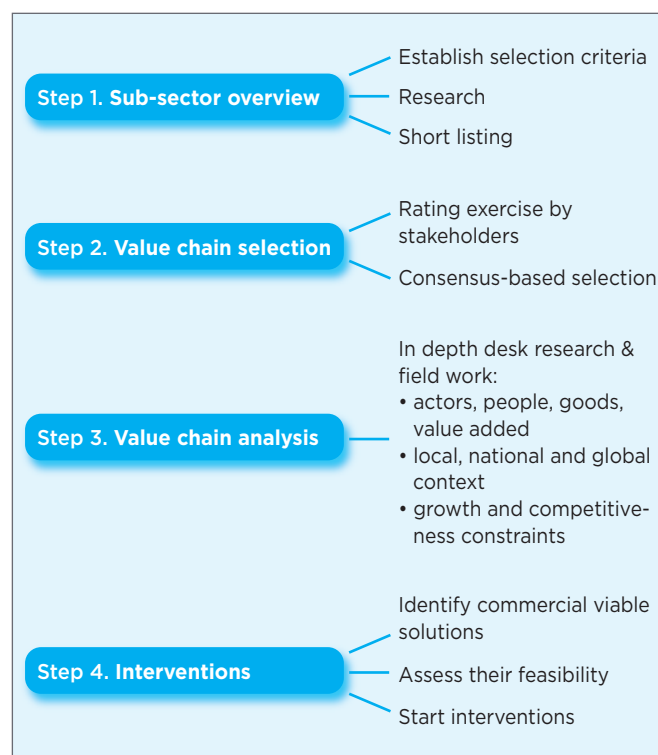


Figure 1: Value Chain Approach⁵

stimulating the mass media, and building national capacity to provide training and support in the areas of LED, policy reform, private-public partnerships and managing small business associations.⁶

The overall approach to the design and development of PRISED is instructive for practitioners. The approach was intentionally coordinated and involved a conscious selection of the level of intervention; this is a key factor in ensuring effective implementation, efficiency, sustainability and impact of a TA project.⁷ The project focused its interventions on the provincial level, especially on the legislative and regulatory environment. Donors reached consensus on the choice of the intervention level, which built coordination and cooperation. The project's focus on poverty reduction was consistent with the national government's decision to address the issue in a comprehensive, integrated and strategic way. In addition, the integrated development process ensured that PRISED was developed and implemented flexibly and adjusted for diversity.

■ 4. Commendable Local Economic Development Experiences

To illustrate the variety of PRISED projects, several examples of LED experiences have been summarized. They demonstrate the range of specific provincial circumstances and how PRISED managed to adapt to them while keeping within the overall project objectives. They have been termed *instructive practices* by the program, as they represent helpful knowledge that may be useful to others.

Example # 1: Business Environment Improvement in Binh Phuoc Province

Located in north-west Cambodia, Binh Phuoc Province has a population of 874,941 spread across 6,800 square kilometres. SME entrepreneurs comprise 95% of the business community, which was badly hit by the 2008 economic crisis.

Background

A key component of this project's LED approach was to enhance multi-sector dialogue in order to create a more supportive environment for SMEs and the potential for public-private partnerships. PRISED created an effective platform for dialogue between public authorities and local businesses, enabling them

to identify barriers, formulate plans and strategies, and track results. In Binh Phuoc Province, a dialogue was created around the use of the Provincial Competitiveness Index (PCI). It was an accepted methodology for ranking provinces and cities in terms of how well local governments developed an enabling business environment. The process of dialogue between small business and local or provincial authorities led to commitments to plan and implement actions on pressing issues. The discussion topics included business registration procedures, investment, real estate, taxes and customs rules, market development, as well as workplace issues such as labour safety and working conditions for women.

Process

In 2006, the PCI ranked Binh Phuoc Province far behind its neighbouring provinces. In response to this ranking, the Provincial People's Committee — supported by PRISED and VCCI — brought together 100 participants from provincial agencies, the media, as well as the business community and its associations, to dialogue. The chair of the Provincial Peoples Committee presided over the dialogue, the primary purpose of which was to build understanding, share information and improve the province's PCI ranking. A decision was made to create an action plan, and a task force was established to visit other provinces to identify best practices. A budget was allocated to implement improvements — for example, providing training to create an enabling business environment — and to find ways to enhance public-private relationships. Task force members were assigned tasks and were responsible for reporting the progress made against the plan. Feedback and reports from the business community were also gathered through a common e-mail account. In March, 2009, the chair of the Peoples Committee approved a plan to support MSEs; in that year, the province's PCI ranking jumped from 52 to 37, out of 73 participating provinces.

Lessons

Some of the main reasons for the successful outcome include a significant leadership commitment from the provincial government and the business community, an interactive and open dialogue process, senior level participation, and the use of mass media to share information. PRISED supported the interactive dialogue process and the movement towards a commitment to concrete actions and decisions. The project identified or developed tools to reinforce the dialogue process, and assisted the stakeholders to strengthen their participation and advocacy, as well as to share their knowledge.

⁶Ibid, Best Practices, p 10.

⁷Ibid, Best Practices, p 11.

Example # 2: Developing Small Business Associations in Quang Ngai Province

Quang Ngai is a coastal province in central Vietnam. It has a population of 1.2 million people spread over 5,100 square kilometres. One-third of its citizens are fishermen, and many more depend upon the fishing industry, which has an annual output of 85–90,000 tons.

Background

Part of this project's LED strategy included developing the capacity of small business associations to provide services to their members and improve the business environment. Using dialogue to help the associations advocate effectively on behalf of their members with governments and other interest groups was a capacity-building approach. Activities included helping establish new groups and supporting existing organizations through leadership development, management skills training, and enhanced service provision to members.

Process

Products from the fisheries industry (such as dried fish and fish sauce) in Quang Ngai Province were usually processed in numerous small factories with little capacity to grow their production or markets. PRISED gave technical support to these enterprises by providing training courses to enhance management capacity, processing skills, storage methods, and marketing and promotion. In addition, study tours were organized to provinces in southern Vietnam to study high quality fish processing. Entrepreneurs were given assistance to participate in trade fairs and exhibitions in order to promote their products, establish brand names and expand markets. Mass media campaigns on radio and television were used to sell products, and included a “business initiatives” contest to encourage youth entrepreneurship. Additional jobs were created and women employed as a result of the business expansion.⁸ PRISED also encouraged the development of a fisheries processing association. The Quang Ngai Fish Processing Business Association was set up with help from the provincial Fishery Promotion Centre, which received support from the project. Its membership was selected from 45 of the highest quality producers, based upon production capacity and quality/food safety criteria.

⁸Ibid, Best Practices, ILO, p 24.

⁹Decision # 125/QĐ-HN, Ibid, ACVN draft case, p 5.

Lessons

Setting up small business associations can help grow the local economy and strengthen the role of the private sector. Dialogue is an important part of this development process. Training inputs are a necessary support to building the capacity of these associations, and can be an effective external support if adapted to the provincial conditions. Formal recognition of small business associations — such as that awarded in Quang Ngai by the Provincial Department of Agriculture and Rural Areas to the Quang Ngai Fish Processing Business Association — is an important milestone.⁹

Example # 3: Capacity Building for Small Business in Tra Vinh Province

Located in the Mekong Delta Region of Vietnam, Tra Vinh Province has a population of approximately one million spread over an area of 2,200 square kilometres. The province has a diverse ethnic mix, including 30% of Khmer origin. Divided by many rivers and canals, travel in the area can be time-consuming.

Background

PRISED demonstrated its ability to adapt to varying provincial conditions by using the radio to deliver business training in Tra Vinh Province, thus overcoming problems caused by the province's difficult terrain. The Provincial People's Committee agreed to have the radio and television station facilities upgraded to facilitate assistance from the project.



Le Van Huong, vice director of Tra Vinh Province's Department of Planning and Investment, presents excellence awards to students at the “Business Consultancy on Radio” training course in 2009.

Support was made available in the form of technical consulting assistance (domestic and external) to improve the quality and capacity of the facilities, as well as the sustainability of the programming.

Process

Broadcasts included agricultural product news, talk shows on business issues, and radio call-in hotlines, with titles like *Learning Business on Radio* and *Business Consultancy on Radio*. Enterprise owners and household business entrepreneurs enrolled in the courses; 353 came from Tra Vinh alone. These hour-long programs were divided roughly into two parts: the first half was a recorded lecture, followed by a call-in with discussion and questions. In 2008, the success of the program led to rebroadcasting, in 2009, with an extended but similar format. Response to the program was extremely positive: 88% of learners indicated that the content was applicable to their business, 72% reported they had developed new business ideas, and 50% said they had learned about management, calculating costs, and business planning and efficiency. The radio program also reached listeners in surrounding provinces.¹⁰

Lessons

The use of media to promote LED activities needs to be well planned, interactive in nature and competently delivered. In regions where travel and communications are difficult, the media can be extremely useful as an engagement and learning tool. Diversity and depth of content are important; in Vietnam, the media can be used to engage youth to become active in developing small businesses. Other approaches such as broadcasting plays or short news features attracted a diverse group of small business listeners. Before implementing media initiatives, professional preparations were undertaken to assess local conditions and market requirements for each province. PRISED carefully selected partners, methods and program content, and linked the work with other project activities such as social marketing, training and market information sharing. The experience in Tra Vinh was replicated in other provinces, including Quang Ngai and Binh Phuoc.

Example # 4: Gender and LED in the Provinces

Background

The important role played by women in small business operations was demonstrated in Tra Vinh Province, where it was reported that the majority of the micro-

businesses were run by women. Small business accounted for 70% of all business activity in the province.¹¹ PRISED integrated gender into all activities; in most provinces, one of the project partners was the Women's Association.

Process

In Tra Vinh Province, many female entrepreneurs were unable to attend training courses due to the nature of their employment, in cafes or bars, for example. PRISED supported the Women's Union to organize training courses and workshops to increase women's understanding of leadership and gender issues. Where women could not attend courses, the Women's Union encouraged them to apply for business training on provincial radio; the Union then sent staff to give further instruction where interest had been demonstrated. In Quang Ngai Province, the Women's Association developed a "gender and business" program on provincial television to improve the understanding of local government officials, entrepreneurs and the wider community. In both provinces, a program called *Get Ahead* held workshops to share the experiences of women in business.

Reported results of the gender approach used in PRISED include women being better informed about business, the Women's Union developing a team of trainers and increasing their capacity to implement other poverty reduction projects in the province, and the Women's Union increasing their credibility by developing an action plan.

Lessons

To reach women in business is a unique challenge that requires specific outreach activities and programs tailored to their needs. A clear strategy is required



Tra Vinh Province Women's Union organized a business start up training course for women.

¹⁰Ibid, Best Practices, ILO, p 30.

¹¹Ibid, ACVN, p 7.

to integrate gender into all aspects of project planning, monitoring/evaluation and implementation. Building the capacity of women's organizations in business is essential for replication and sustainable development.

Example # 5: Communicating for Workplace Safety in Thanh Hoa Province

Located in the northern Central Region of Vietnam, 150 kilometres north of Hanoi, Thanh Hoa Province has a population of approximately 3.4 million spread over an area of 11,100 square kilometres. The province is known for its stone quarrying and processing industry, which employs thousands.

Background

A key LED element in the development of effective small business practices is the attention paid to working conditions and workplace safety. Developing countries are often faced with difficult choices and trade-offs when labour issues arise. Small entrepreneurs need continuous income, and the lack of effective regulations and employee awareness can lead to hazardous working conditions. Such was the case in Thanh Hoa, where exploitation of marble and stone resources had created dangerous working conditions for workers, their families and, in some cases, their communities. In 2008, several serious mine disasters caused the national government to enact regulations to increase workers health and safety, and gave stakeholders a determination to advocate for change.

Process

In conjunction with the local authorities, PRISED undertook research into the working environment of local enterprises with the aim of planning a strategy to improve working conditions. A social marketing campaign was implemented to improve workers' awareness of labour safety and change the risky behaviour that characterized the industrial practices of stone exploitation enterprises and their employees.

The project focused its efforts on the most affected areas such as Dong Son and Ha Trung. Working with local partners, PRISED organized labour safety seminars that attracted hundreds of participants, including business owners, union staff, labour safety

advocates, government officials and workers. This social marketing initiative included the production and distribution of flyers, handbooks, banners, slogans and a promotional logo. The documents were carefully designed to be informative, easy to recognize, understand and remember, and were used to support program implementation. To reach the target groups, an innovative mobile marketing group was created to take information directly to the enterprise sites. A media campaign featured participatory street theatre, which involved many local residents and officials, and plain language documents to inform local people. Several short documentaries were produced and broadcast on local radio and television. A representative group of labour, business and government stakeholders took part in a live radio and television program.

A report¹² indicated that the social marketing campaign had positive results, and quickly reached 44% coverage, enhancing awareness of labour safety issues by 11% in one year (2009). It also stated that 74% of people interviewed by an independent firm reported that the working environment and labour safety had improved in their workplace.

Lessons

A targeted social media campaign can be effective if it is designed to communicate in plain language using a range of tools and approaches. Working closely with interested local authorities and directly affected stakeholders maximizes the potential effectiveness of a communications initiative. Strategic interventions to create awareness can change behaviour and improve conditions for effective LED work.



"Gender equality and occupation opportunity for the youth" workshop with students from Tra Vinh University.

¹²Ibid Best Practices, ILO, p 26.

5. CONCLUSIONS

PRISED was successfully implemented as a result of a number of effective strategies. At a high level, its execution was in line with stated national goals and involved senior leaders in government to provide leadership and demonstrate commitment to stakeholders. The project consistently sought to build capacity at all levels. Its implementation favoured a bottom-up approach, which enabled local stakeholders to create awareness of the issues, feel ownership of the process and, in some cases, clearly change behaviours.

Strong communications were constantly used to promote effective development; project tools and instruments were flexible enough to meet unique project needs. Messaging was carefully planned and designed for plain language and content. Interactive and participatory approaches were blended into the campaigns and events.

Project strategies were adapted to meet the diverse needs of the four targeted provinces and their different conditions. In all provinces, the crosscutting theme of gender within LED was key. PRISED built on its integrated approach to development, and its engagement of key national, provincial and local stakeholders. It delivered technical assistance (TA) and training to build capacity and competency so that many activities continue to happen without the need for outside donor resources — a potentially sustainable outcome.