

Building on Local Initiative and Local Potentials in LED

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Context of Our Work in Vietnam



Strong Focus on Private Sector Development

- Private sector increasing priority, as Government recognizes its key role for pro-poor growth (shift in attitude)
- SME and private sector synonymous:
 - Most private companies small and quite young
 - Differential treatment of SOE and private sector still key problem
- Significant improvements in business environment for domestic private sector, resulting in rapid increase in number of private companies
- Implementation in many provinces lagging behind

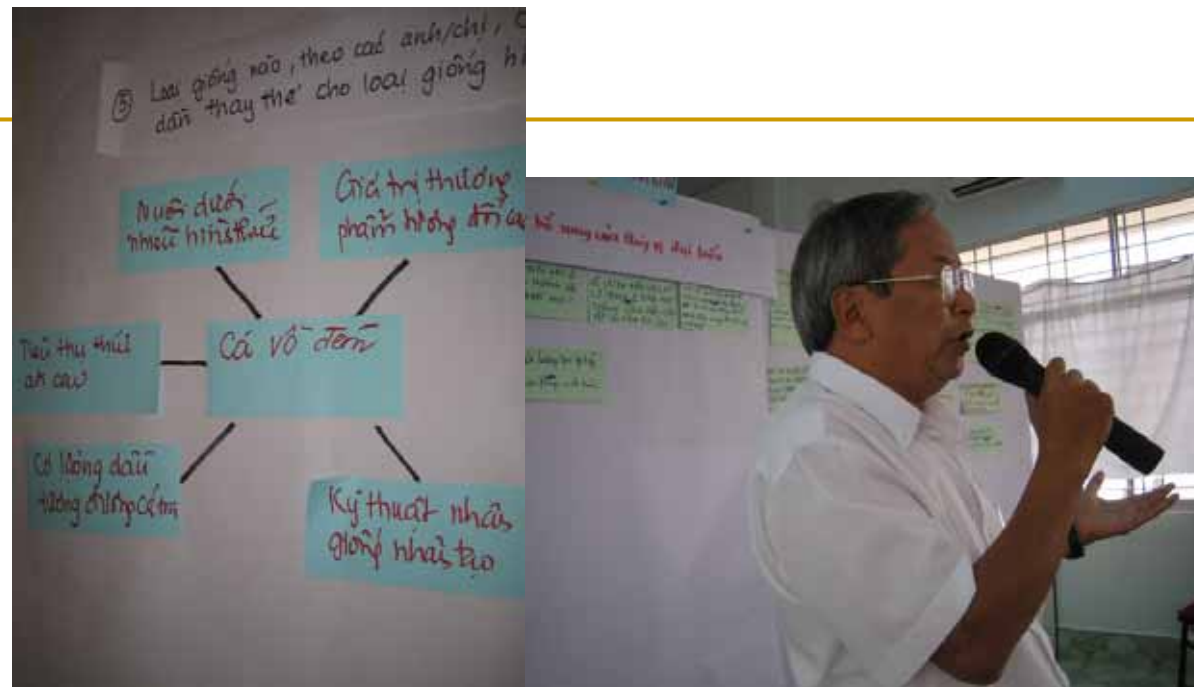
In Vietnam, the most important factor for SME development = the business environment for the private sector

Challenges for Local Economic Development

- Increasing need but also scope for local governments to govern local economic development
- Significant differences in governance, and accordingly in growth performance between provinces
- Comparative research shows key factor is business/private sector oriented attitude, proactiveness of local Gov't
- Local governments have to assume a completely new role – create favourable preconditions for private sector (instead of controlling private sector, or investing in SOE)

Strengthening local governance and attitude of local Governments, giving them the tools for assuming a pro-private sector role, can make a significant difference

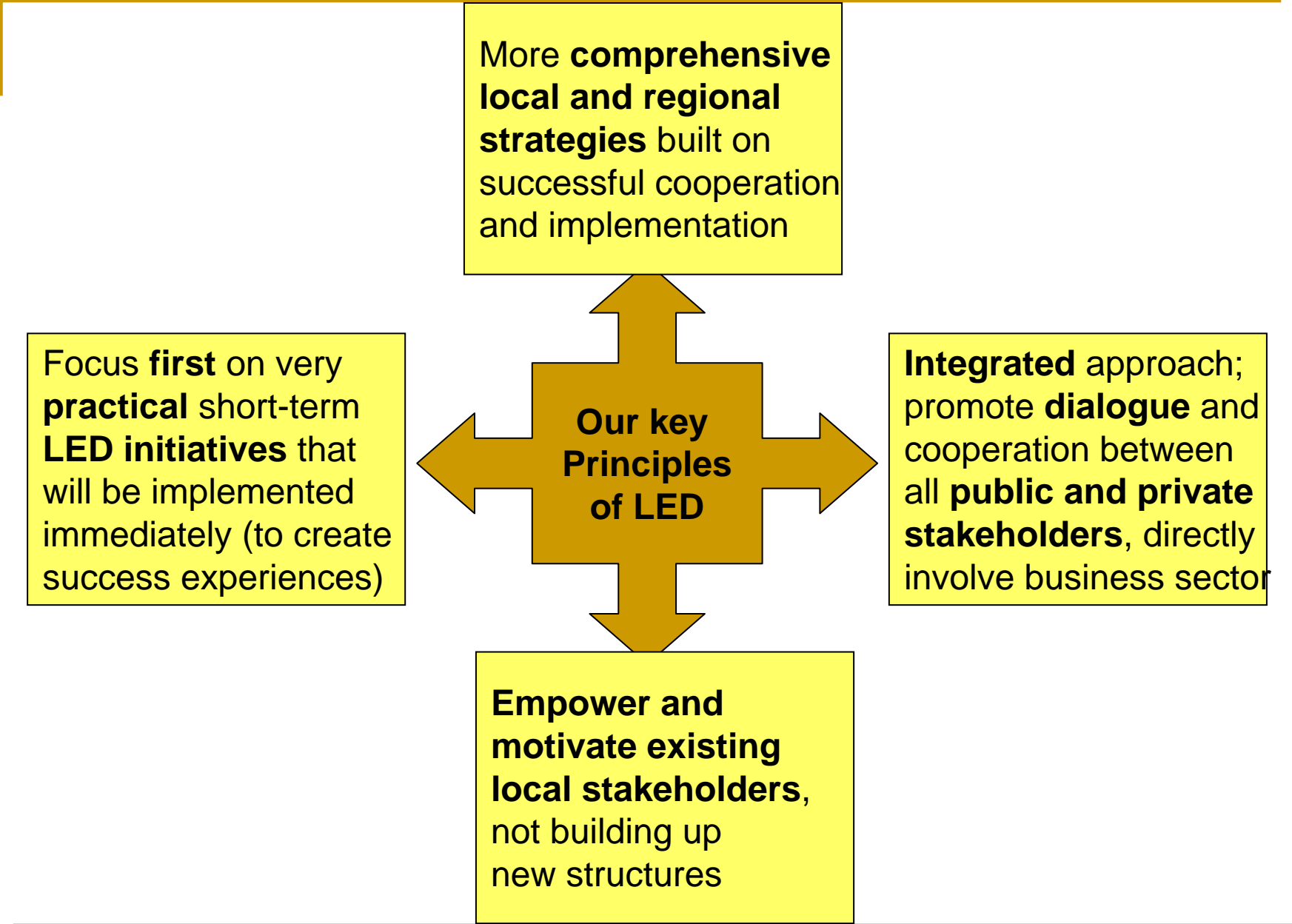
Our Approach – what are We Doing?



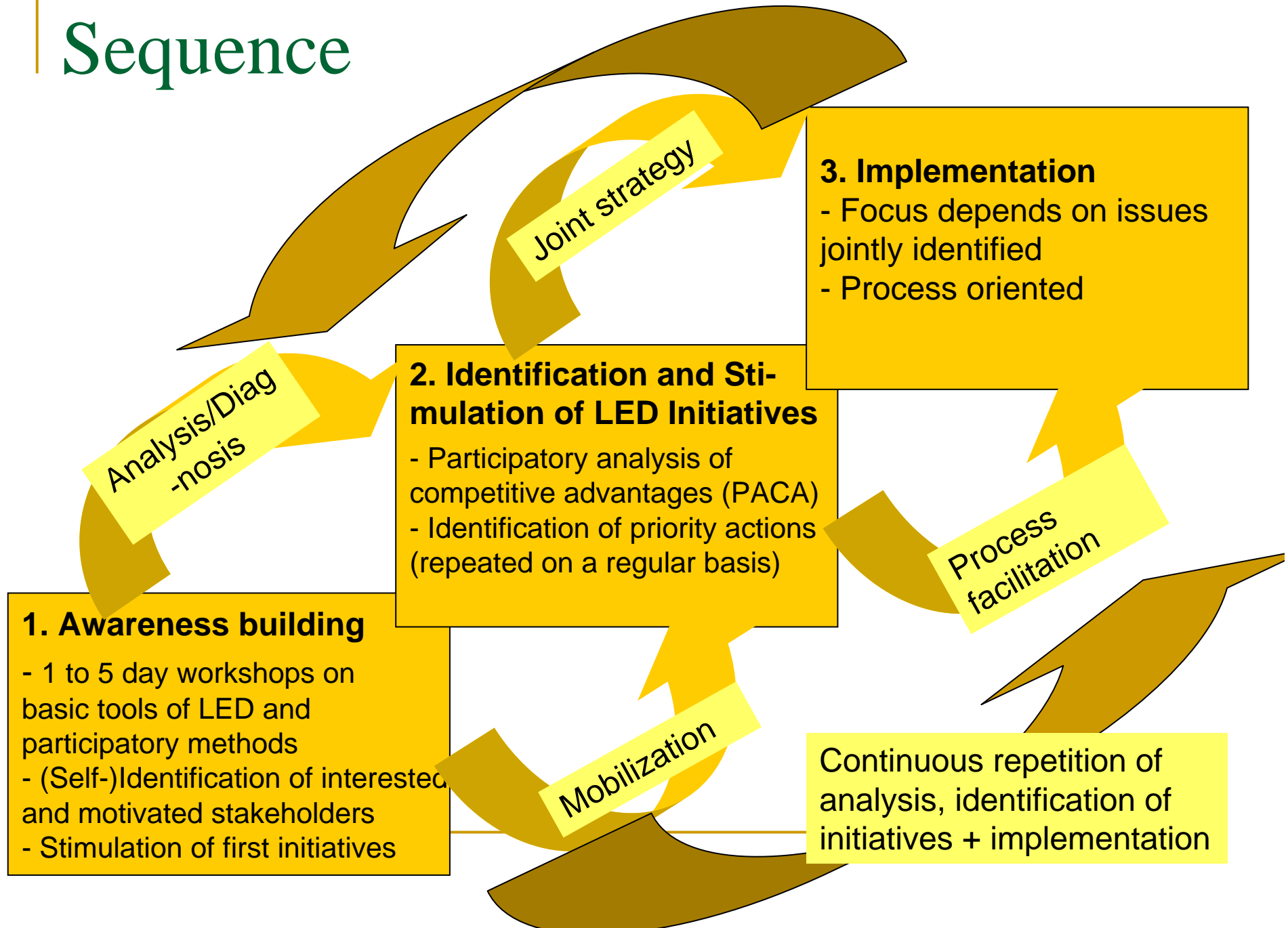
Where do we Stand?

- Finalizing long-term SME Promotion Project (11/1994-04/2005)
- Preparing new SME Promotion Programme (LED = one of 4 components), to start in 03/2005
- LED awareness and introduction activities have started from 05/2003

We are thus still in the preparation and pilot implementation phase



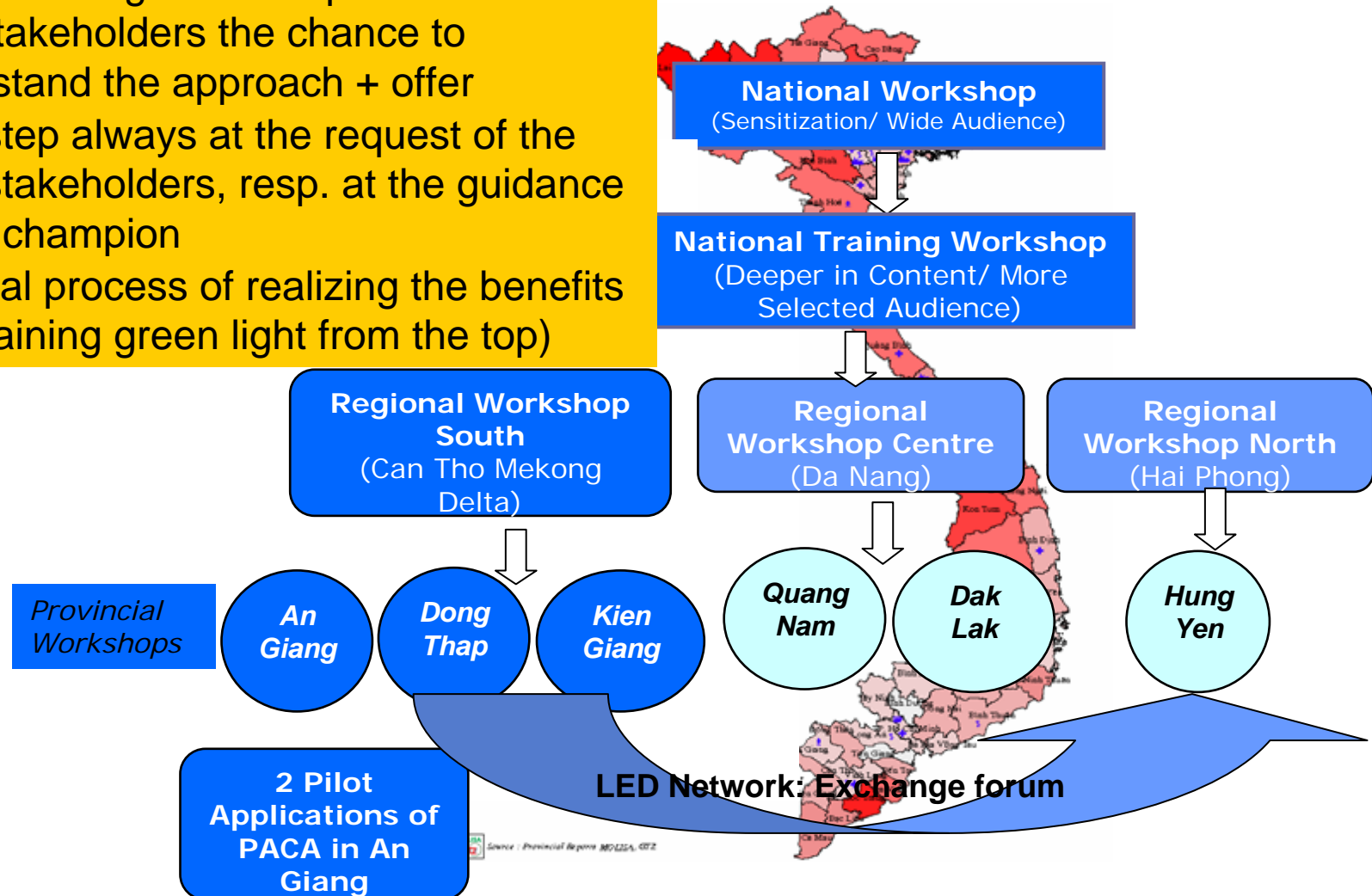
Sequence



Main principles

- Step by step approach: move from national to regional and provincial level – give stakeholders the chance to understand the approach + offer
- Next step always at the request of the local stakeholders, resp. at the guidance of our champion
- Gradual process of realizing the benefits (+ obtaining green light from the top)

Sequence



Some Results

Ms. Minh, KITRA (Kien Giang Province Trade and Investment Promotion Agency)

- “Formerly, LED follow guidelines from the central level, propose unrealistic targets, and don’t mobilize the local resources.”
- “The “Stone Soup” metaphor helps us approach LED more flexibly and comprehensively. We learn that LED requires a high level of cooperation.”
- “Other than comparative advantages, competitive advantages is created rather than available or inherited.”
- Initiative in Kien Giang province to apply LED and PACA approaches to analysis of touristic potentials

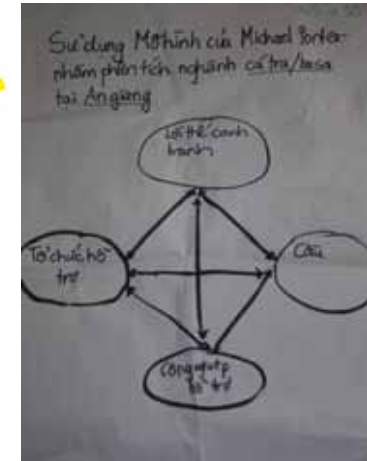


Dong Thap Province: Follow-up initiatives without any project support:

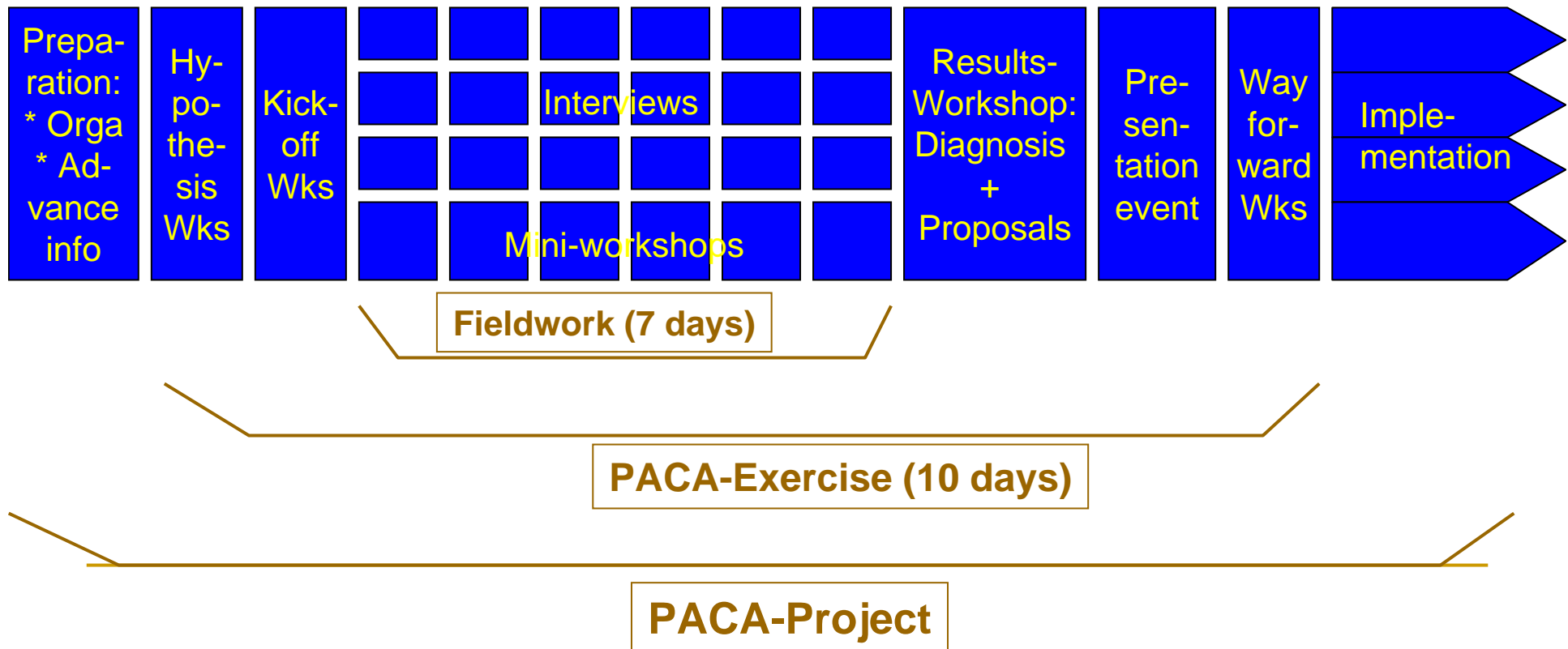
- Two analyses of potentials of local craft villages and processing industry using some PACA tools (mini-workshops and interview techniques).
- Proposal and approval of project obtained directly from leaders of local authority in the presentation event, with funding of USD 25.000 from local budget on “Research and application of PACA for making policies and approaches of economic development in Dong Thap”.

(2) Identification and Stimulation of LED Initiatives

- Preparation of an action-oriented diagnostic of the local economy
- Motivation of local stakeholders to take an active role in an LED initiative
- Set of tools for
 - Rapid diagnostic of the competitive advantages and disadvantages of a locality (e.g. based on Michael Porter)
 - Visualization
 - To prioritize actions



Steps in a PACA Process



What Have We Done so far with PACA?

Training of PACA facilitators

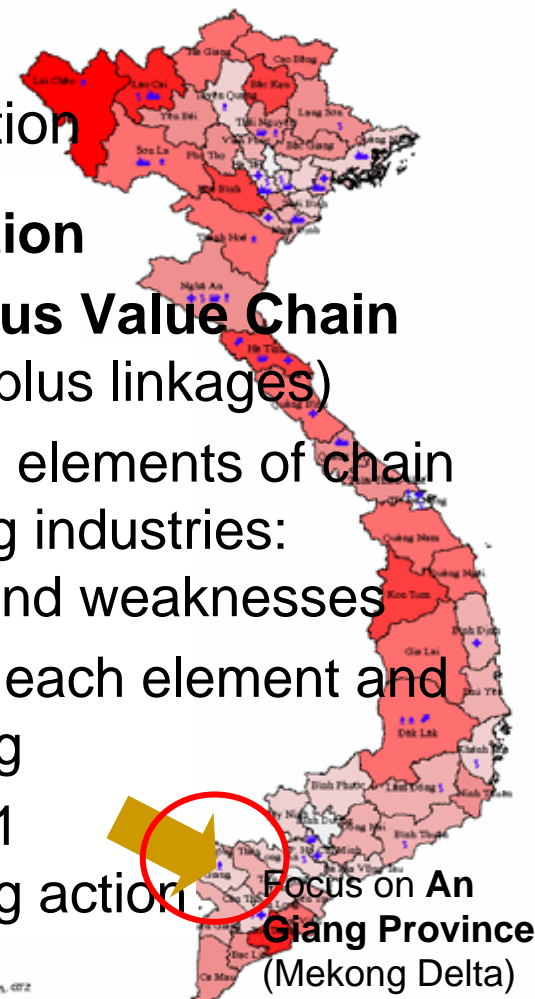
- Trained 25 persons for 5 days in basic PACA tools
- PACA-Team is a mix of local stakeholders and facilitators/consultants
- About 8 can participate in one PACA application

Pilot application

- in **Chau Doc District** (District of An Giang Province)
- Identified and analyzed 3 priority sectors: strengths and weaknesses
- Joint identification of actions (short-, medium-, long-term)
- Prioritized 3 actions, with champions identified

Pilot application

- in **Pangasius Value Chain** (An Giang plus linkages)
- Analyzed 6 elements of chain +supporting industries: strengths and weaknesses
- Actions for each element and crosscutting
- Prioritized 1 crosscutting action



Some Results so far

(few weeks after running the PACA)

Chau Doc District:

- A set of proposals for practical activities (short-, medium-, and long-term)
- 3 concrete projects for implementation: (business ethics, training for tourism staff, information seminar for fish farmers)
- Study tour to Malaysia and Thailand (1 week after PACA)
- First foreign investment projects under discussion
- Investor visit to Chau Doc planned
- High level of awareness of local authorities and some key stakeholders
- A forum for action created

3-	2	2+	12
3	3	2	7
2	2	2	8
3	3	3	22

Pangasius Fish Value Chain:

- A diagnostic and mapping of the fish value chain
- A set of proposals for practical activities
 - to strengthen the cooperation along the fish value chain
 - to stimulate the competitiveness of companies
 - to create new business opportunities
- Local stakeholders have a clearer idea about the linkages in fish production
- Presentation at National Basa fish Conference

What's Next?

- Accompanying the implementation of the first initiatives
 - Focus on accompanying/providing facilitators, both local and from outside
 - Implementation (incl. costs) by local stakeholders
 - Generating further initiatives/way forward workshops
 - Further exposure/training of local stakeholders
 - Exchange of experience between provinces
 - Localize the LED sensitization training to outreach more provinces
 - Developing more long-term and comprehensive strategies and initiatives
 - Cooperation with other donors to develop a comprehensive joint approach
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Key Lessons Learnt so Far



Main Focus of the Approach

- Aim is empowering and motivating local stakeholders to take initiative
- Giving them basic tools for action at the local level
- Further strengthen the mentality and attitude change

- Focus on practical approaches which can create immediate results, and thus create momentum for continued initiative
- Focus on strengths instead of on weaknesses

- Don't create new structures, but build capacity of, stimulate linkages and cooperation of existing ones
- PACA does not require sophisticated structures
- All proposals should be implementable with local funds

Commitment and Strengthening of Local Champions

- The commitment of local stakeholders = key success factor
 - For us commitment and demand #1 criterion for deciding on interventions
- A lot depends on individuals who carry the initiative forward
 - Institutional responsibilities must be taken into account, but individual commitment is more essential
 - Need to back up these champions (training, study tours, etc.)
- Our approach and inputs thus guided by the orientation given to us by the champions, thus mainly demand-oriented
 - Interventions are too complex for an outside project to take the lead, but close follow-up is necessary
 - National personnel crucial for this demand orientation

Some examples for Champions



Mr. Dung, Director of VCCI (Chamber) Can Tho for Mekong Delta

- Has led, guided and structured, over almost two years, the overall process conducted in the Mekong Delta
- Kept contact with local Govts, advised them + generated their interest
- Has been the primary engine and the supporter behind almost all initiatives

Mr. Duc, PACA facilitator/outside consultant

- Initiated important business contacts to potential Malaysian investors
- Initiated study tour to Malaysia and Thailand 1 week after training
- Has planned to create a joint venture in An Giang province to follow up the business opportunities

Entrepreneurs for PACA projects

- Director of “Ben Da – Nui Sam” Resort to host the training for service staffs from hotels and restaurant
- Manager of “Su Goddess Pagoda” to host the propaganda program for “business ethics” to tourism enterprises

Ms. Dep, Vice Director of DPI An Giang

- Guided and followed the 2 PACA applications in An Giang
- Has taken the job of lobbying the PPC to support the innovation in participatory planning and be more open for foreign investors

Contribution to Development Objectives – who are the Target Groups?

- LED is an integrated and comprehensive approach
- It must be business-oriented and build on economic potentials
- Involving larger/international companies is crucial; we involve them systematically through development partnerships

- Thus, a narrow and exclusive focus on SME, on poor groups, would be counterproductive
- Other GTZ experiences show that minimum requirements (economic potentials, commitment) must be given

- Focus on local/provincial development contributes to broad-based and sustainable growth (in comparison to SOE + FDI), and thus to poverty alleviation
- Linkages strengthen involvement of small and rural producers

Outlook—on the Bright and the Critical Side

- Focus on stimulating the initiatives, LED process is rather revolutionary and innovative
 - Moving from academic terms to facts and actions create motivation
 - The collaboration among the stakeholders, if successfully created, will strengthen local confidence for further actions
 - Once the snow ball starts rolling, it will roll over and get bigger...
 - We just need to steer it to the right destination!
 - PACA is just one, but very effective tool for LED
 - There is no automatism of implementation after PACA, how to provide systematic follow-up
 - Development and integration into more long-term and strategic approaches necessary
 - What are minimum requirements (institutions, support systems), how to involve very poor groups?
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Thanks a lot for your attention

For more info:
GTZ LED Toolkit:
www.wiram.de

PACA/Mesopartner:
www.paca-online.de
www.mesopartner.com

GTZ SME Promotion Project in Vietnam:
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