



Local Economic Development in Viet Nam



International
Labour
Organization

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Value the value chains

The experience in Viet Nam shows that value chain development is a promising way to go about Local Economic Development. It builds on rooted economic activities, local resources, dialogue and cooperation among a wide range of stakeholders. Value chain development tackles constraints at the enterprise level as well as in the business environment. As such, this integrated approach contributes to local economic growth and job creation.

Value chain development is a means to upgrade micro enterprises in a specific sub-sector. Cacao, embroidery, rattan and fish sauce are just a few examples of the many activities involving a chain of micro enterprises in Viet Nam. Each Province excels in one or more sub-sectors. The chains are made up by raw material suppliers, producers or processors, traders, wholesalers / exporters and retailers. As such, value chains are rooted within the territory, locally owned and managed and entail mobilization of local resources and competitive advantages.

The chain performance depends on individual business skills but also on the availability of relevant business services,

administrative regulations as well as international quality standards. So, besides the micro-enterprises, value chains involve a broad range of stakeholders, including business service providers, policy makers and international organizations. Dialogue and close cooperation amongst all of them is vital to develop the value chain.

Box 1

What is a value chain?

A value chain is the full range of activities, which are required to bring a product or service from conception to final consumers. Value is added to a preliminary product through a combination of other resources such as tools, manpower, knowledge, and skills.

Project facts

Project title:
Poverty Reduction through Integrated Small Enterprise Development (PRISED)

Starting date:
August 2005

End date:
January 2009

Donor:
Swedish International Development Agency

Implementation:
ILO Hanoi

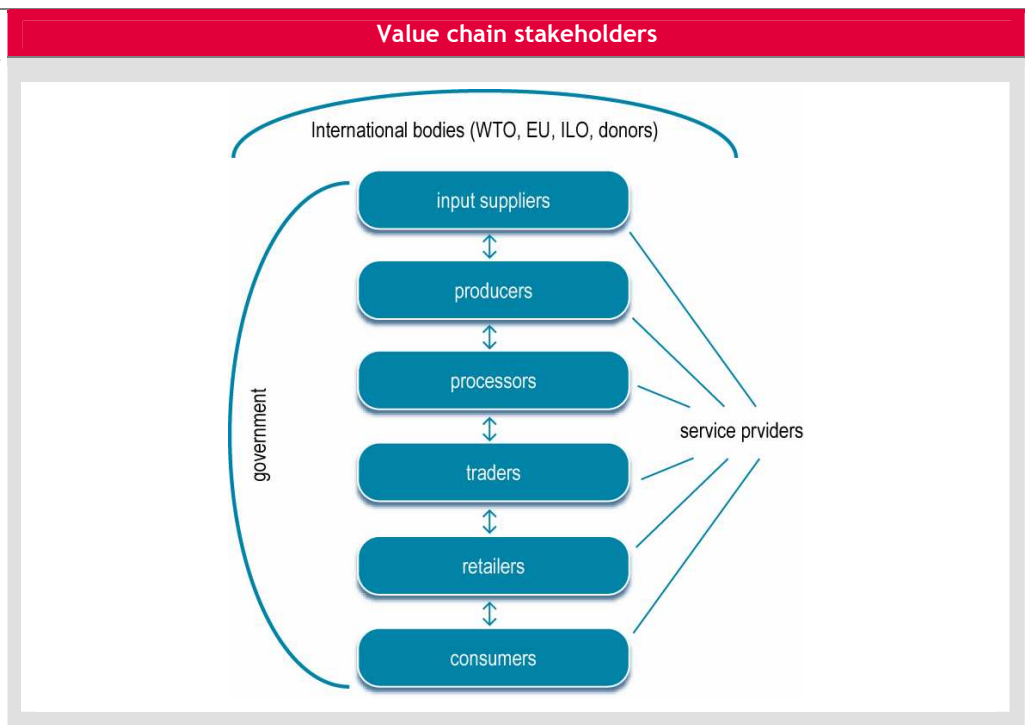
Partners:
Viet Nam Chamber of Commerce and Industry (VCCI)

Location:
Provinces of Thanh Hoa (North-Central), Quang Ngai (Central), Binh Phuoc (South), Tra Vinh (Mekong Delta) and two more in 2007

Objectives:
Stimulate local economic growth, create decent employment and reduce poverty in rural areas of six provinces in the country, mainly through supporting micro and small enterprises

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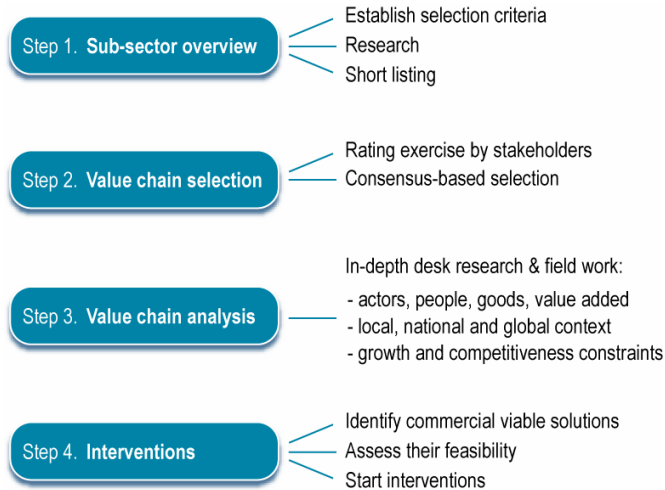
Four steps compose the PRISED value chain approach. At first, an **overview of sub-sectors** in the Province was developed. At this stage selection criteria were established, preliminary research was undertaken and sub-sectors were short-listed. The criteria to select sub-sectors included:

- (potential) Large number of market actors
- Nature of the market actors: size of the businesses, number of female workers, organization, geography, potential involvement of the poor
- Available forward/backward linkages
- Available or potential business linkages
- Estimation of market potential

- Available financial schemes
- Government and agency support in place

Secondly, outcomes of the overview and the short list were discussed in a workshop with key provincial stakeholders. The outcome of the workshop was a consensus-based **selection** of one or more sub-sectors to analyze. The third step consisted of the actual **analysis** involving in-depth research and fieldwork concerning the actors, people, goods and value added involved. Also, the local, national and global contexts were considered as well as the growth and competitiveness constraints. The fourth step was made up of the identification of commercial viable solutions that could be supported by PRISED in terms of time, costs

Value chain approach



and project focus and the start the **interventions**. Graph 2 captures this 4-step approach. Ideally, the approach until the very start of the interventions should take 12 weeks.

Dialogue among key stakeholders is recurrent throughout the process and decisions are taken in a participatory way.



Black squid processing

The value chain analysis in Quang Ngai Province learned that the fish sauce sector suffered from growth and competitiveness constraints related to:

- a) Production and techniques, for instance the lack of technical skills to produce a quality product in terms of taste and color
- b) Market access and demand, e.g. debts of buyers resulting in late payments and hence a lack of credit
- c) Input supply, e.g. no structural cooperation with input suppliers
- d) Business services, e.g. lack of transportation services
- e) Organization, e.g. no cooperation between processors to increase sales
- f) Infrastructure, e.g. no clean water



Interventions that were proposed by PRISED included amongst others: technical skills training to improve the quality of the fish sauce; support cooperation between small scale processors through associations or marketing groups; and establish links between input suppliers with fish sauce producers

Lessons learned

Reaching the poor

Value chain analysis needs to be purposely focused on the poor if the gains are intended to benefit them most.

Build confidence and knowledge

The value chain approach requires time and investments to familiarize project staff, partners and stakeholders with the methodology. In particular, confidence needs to be built in order to obtain solid information and cooperation. Information sessions, training courses, on the job

training of local consultants and validation workshops are means to build confidence and knowledge. For PRISED this turned out to be worthwhile investment as local ownership has increased quickly and inventive suggestions for business development have been made.

Cross borders

As value chains do not stop at borders flexibility is required in projects with target areas that coincide with administrative entities (e.g. provinces or districts). Ideally, such projects should have the mandate to allocate funds for value chain development outside their target areas.

Link to national and international levels

Value chains have strong local roots but are equally embedded in the national policy framework and subject to changes in global trade. It is necessary to take these national and international dimensions into account when developing value chains.

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