

Consultancy Report for the International Labour Organisation (ILO)

Launch of studies into private business development services (BDS) markets in Viet Nam and Thailand.

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Abbreviations used in this report

BDS	Business Development Services
ILO	International Labour Organisation
IT	Information Technology
MPDF	Mekong Project Development Fund
MSE	Micro and Small Entrepreneur
SED	Small Enterprise Development
SIYB	Start and Improve Your Business
TOR	Terms of Reference
VCCI	Vietnam Chamber of Commerce and Industry

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Executive Summary

The activities detailed in this report relate to a consultancy commissioned by the ILO to initiate surveys into the private, for-profit BDS markets in Thailand and Vietnam. The studies have been commissioned for a possible case study for a regional conference which will take place in Hanoi in April 2000 organised by the Donor Committee on Small Enterprise Development. This study has been developed in response to the growing interest among the donor community in the SED opportunities inherent in supporting and stimulating private sector service provision.

A consultant with experience in private BDS markets in Africa was contracted to visit Hanoi and Bangkok for two weeks to initiate the two studies. This involved identifying local researchers and developing and testing a questionnaire for the survey. Support was provided by the ILO Bangkok office and the ILO SIYB programme hosted by the Vietnam Chamber of Commerce and Industry in Hanoi.

Researchers were identified in both countries and have been contracted to undertake the surveys. A questionnaire was developed and tested and a number of both MSEs and service providers were interviewed.

The survey methodology adopted will involve interviewing 120-150 MSEs in each country representing urban, peri-urban and rural businesses. These MSEs will be chosen from at least 4 sectors - food processing, furniture, textiles and clothing, and information technology in Thailand, and wooden furniture, textiles and clothing, ceramics and pottery, light engineering and food processing in Viet Nam. The initial survey will focus on the business to business linkages of each MSE and the services provided through these linkages. A list of services and service providers will subsequently be drawn up from the survey findings and ILO will highlight at least 20 service providers in each country which will be profiled by the local researchers.

In addition to the launch of the survey, the consultant was able to identify a number of private service providers and service delivery mechanisms which exemplify the prevalence and importance of private sector BDS to the MSE sector. These include :

- A MSE furniture marketing business linking 4 MSE manufacturers to 500 MSE retailers across Thailand. The company operates a showroom and distribution network as well as providing quality assurance and standardisation services.
- A large cargo handling company which is facilitating links between international buyers (predominantly MSEs) and market traders selling wholesale in a Bangkok textile and garment Market.
- An MSE subcontracting and marketing company for Thai textiles which links to 50 micro business weavers and 5 MSE tailors to export Thai garments. The company highlights the BDS provision to MSE subcontractors inherent in such subcontracting partnerships.
- Sales and marketing of wooden furniture through family networks of businesses in Viet Nam where, for example, an urban showroom is established by one family member to exhibit and market the products of her family's and neighbour's rural based manufacturing businesses.
- Design and quality training provided by an international buyer to a MSE garment manufacturer in Hanoi and subsequently to their rural based MSE suppliers, thus highlighting BDS provided through a buyer-producer relationship.
- BDS provision provided to village manufacturing clusters in Vietnam.
- Private training provision provided through MSE workshops.

The variety of services identified give a preliminary indication of the importance of BDS delivery which is provided outside the formal BDS buyer - BDS provider relationship. There is evidence that the formal service business markets which are common for larger enterprises form only a small proportion of BDS service provision for MSEs.

BDS delivery to MSEs is often provided by informal service providers paid on a commission basis, packaged with other services or provided as part of an ongoing business relationship. The surveys in both Thailand and Vietnam will endeavour to highlight the such private sector service delivery which, according to preliminary findings, appears to be central to MSE development and growth.

1. Background and Objectives of the Consultancy

There is growing anecdotal and some analytical evidence that highlights the fact that the most relevant and important Business Development Services (BDS) are provided almost solely by the private sector, or through private sector channels. This sector has, however, generally been ignored by development practitioners, for various reasons.

A regional conference in Hanoi in early April 2000 is now being organised by the Committee for Small Enterprise Development, to analyse the opportunities inherent in private markets for BDS in Asia. A preliminary step in developing this new approach is to collect reliable data on existing private BDS markets in a number of countries.

As part of this process, the International Labour Organisation (ILO) is initiating 2 studies into private BDS markets in Thailand and Viet Nam. This report details the initial activities in launching the 2 studies which were carried out by Gavin Anderson of FIT Uganda Ltd.

1.1 FIT Uganda Ltd.

FIT Uganda Ltd. is a Ugandan company with two and a half years of experience in researching and working to promote private, for-profit service delivery. FIT Uganda Ltd. was contracted by the ILO to initiate the survey because of the company's experience in working to developing private BDS in Uganda and the close working relationship between the company and the ILO.

1.2 Scope of the consultancy

The FIT Uganda consultant was contracted to travel to both Bangkok and Hanoi to :

- Identify local researchers who were able to carry out the studies.
- To develop the strategy and approach of the studies.
- To work with the local researchers to develop a questionnaire for the survey.
- To prepare TOR and support notes for the local researchers.

These activities would initiate the studies in the 2 countries which would be carried out once the FIT Uganda Consultant had departed. The consultant spent one week in each country and worked in collaboration with the Bangkok ILO office and the ILO, SIYB programme under the Vietnam Chamber of Commerce and Industry (VCCI).

1.3 Objectives of the Studies

The objectives of the studies which were to be initiated were :

- To evaluate the importance of the private BDS sector and to document the variety, usage by, and importance of private services in Viet Nam and Thailand.
- To identify and profile a selection of existing private service providers in each country.
- To identify specific opportunities for interventions, to strengthen private sector BDS provision in those two countries.
- To collect background data for a case study on private service provision which will clearly demonstrate the importance, diversity and profile of the existing private service sector for MSEs, and the opportunities for SED in supporting this sector.

2. Main activities undertaken under the consultancy

See annex 1 for a detailed day by day itinerary of the work.

2.1 Briefing at ILO Geneva

The consultant flew to Bangkok via Geneva to undertake two days of briefing and discussion with ILO staff and to collect relevant background documentation for the work.

- Meeting with Mr Jim Tanburn concerning the study and wider issues on the development of private BDS.
- Briefing with Mr Michael Henriques concerning the objectives and methodology of the studies.
- Meeting with Mr Taka Ueda to provide background information on Thailand and Viet Nam.

- Collection of background documentation on Viet Nam, Thailand and general private BDS work.

2.2 Thailand

The major activities undertaken for the Thai BDS study over the 7 days spent in Bangkok are detailed below.

- Presentation of the aim of the study at an ILO meeting on MSE development in Bangkok.
- Briefing with Mr. Gerry Finnegan, ILO Senior Specialist in Small Enterprise and Management Development.
- Contacting 4 Universities to identify researchers (Sasin, Thammasat, NIDA, and Assumption) see annex 2 : major Contacts and Informants.
- Contacting additional potential researchers involved in Market Research.
- Undertaking a series of informal interviews with MSEs over a 2 day period utilising a local interpreter (MSEs in Bangpoe wood working area, Boe Bae Market, Paknam Market, and Jatujak Market).
- Interviews with 3 service providers including a meeting with a service provider attending an Information Technology exhibition at the BITEC Exhibition Centre.
- Meetings with 3 prospective local research organisations and development of background information on which these organisations would tender.
- Review of 3 tenders and choice of the local researcher.
- Preparation of TOR and detailed guidelines for the study.
- One day briefing with the researcher and finalisation of budgets and contracts.
- Presentation of final documents and findings to Mr. Gerry Finnegan.

Pre organisation for Viet Nam

- Meeting with Ms. Rosemary Greve, ILO Senior Technical Adviser for Viet Nam (currently based in Bangkok) to present the objectives of the proposed Viet Nam study.
- Organisation of Visa for Viet Nam.

2.3 Viet Nam

The major activities undertaken for the Viet Nam BDS survey over 7 days are detailed below (see annex 1 for a daily breakdown of activities).

- Meeting and briefing with David Lamotte of ILO, SIYB concerning background on Viet Nam and logistics of the study.
- Meeting with 4 prospective student researchers, and briefing on the study requirements.
- Collection and reading of background materials on Viet Nam and the 'household and family' business sector.
- 2 days interviewing MSEs and developing questions for the final questionnaire.
- Developing a test questionnaire, an interview summary sheet and introductory letters for the researchers.
- Interviewing and briefing a lead researcher to co-ordinate the survey.
- Co-ordinating the testing of the questionnaire and adapting the questionnaire appropriately.
- Preparation of final budgets, TOR and guidelines for the survey.
- Meeting with Leila Webster of MPDF on the survey and the proposed conference paper for Hanoi.

2.4 Debriefing at ILO, Geneva.

A one day debriefing was undertaken in Geneva on the return journey to Uganda. The following people were contacted and briefed :

- Briefing with Mr. Jim Tanburn and finalisation of the budgets, contracts and logistics for the survey.
- Briefing with Mr. Michael Henriques and discussion on the implications of the initial findings of the work.

2.5 Follow up with researchers.

On return to Uganda the consultant has undertaken the following activities :

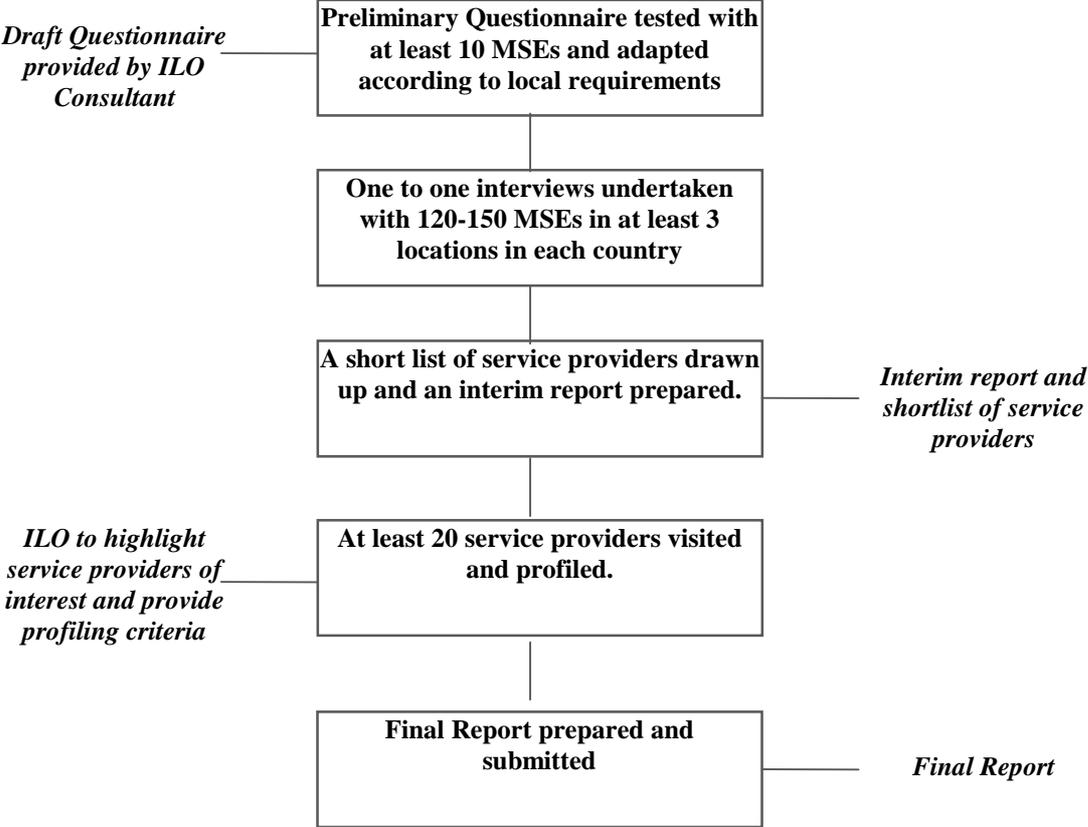
- Contacted the researchers in each country and checked on the progress of the surveys.
- Responded to requests for additional information and advice from each of the researchers.

These backstopping activities will continue until the completion of the survey.

3. Survey Methodologies Adopted

A similar survey methodology was adopted for both Thailand and Viet Nam with some differences in contracting arrangements for researchers, and sectoral focus. The approach adopted in each country is detailed in the diagram below.

Outputs



The draft questionnaire was developed in Viet Nam and tested during the consultancy. The focus of the questionnaire was to identify as many of the business to business linkages as possible and then to explore the services which come through these linkages. The concept of business to business linkages proved easier to convey than BDS, and focussing the survey purely on BDS had the danger of missing many of the more informal or unusual services provided to MSEs.

In each sector highlighted (see 3.1.2 and 3.2.2) the researchers were asked to sample MSEs involved in different aspects of the production and marketing chain e.g. manufacturers, service providers, equipment, material or component suppliers, distributors and retailers.

3.1 THAILAND

In Thailand, ILO were unable to pre-identify potential researchers before the arrival of the consultant due to time constraints. The consultant was therefore required to undertake the preliminary identification, short-listing and final choice of researchers. Due to time constraints, it was impossible to work with the Thai researchers in the field and preliminary informal interviews with MSEs in Bangkok were therefore undertaken by the consultant and a translator.

3.1.1 Choice of Researchers

Following a number of enquiries through Universities, research organisations and contacts of the ILO, Bangkok office, 3 research organisations were short-listed and asked to tender for the research contract. The 3 short-listed were a market research company, a research department of a Bangkok Business School, and a researcher from a Graduate Business School. The researcher from the graduate business school, Suvanai Tosirisuk, was finally chosen due to his understanding of the research requirements, acceptable quotation and the links which his university already has to ILO, Bangkok. The last factor was deemed important for leverage purposes in the event of any problems arising from the contract. Mr. Tosirisuk was therefore contracted as the lead researcher who would identify additional field researchers to assist with implementing the survey.

3.1.2 Sectoral and Geographic Focus

Preliminary interviews with MSEs and background data and reports indicated a number of sectors which would be of interest to the research. While some leeway was provided to the researchers in adapting the sectoral focus, the following sectors were recommended for the survey :

- A) Food Processing : chosen because of the importance of this sector in Thailand and the number of MSEs, particularly women, involved in this sector.
- B) Furniture : chosen because initial interviews with MSEs in this sector highlighted a number of interesting marketing and subcontracting linkages which should be investigated.
- C) Textiles and clothing : chosen due to the importance of the sector in Thailand, the number of MSEs at all levels involved in the sector and interesting linkages identified in initial interviews with MSEs.
- D) Information Technology and computing : chosen because it is a growing sector in Thailand. The new and high-technology aspect of this sector is also in contrast to other traditional sectors chosen and may therefore highlight new and interesting linkages.

The consultant was unable to travel outside Bangkok due to time constraints and the choice of geographic location was therefore left with the researcher. The choice was to reflect Urban (in central Bangkok), peri-urban (possibly in the outlying areas of Bangkok) and rural business environments.

3.2 VIET NAM

The ILO SIYB Programme is being hosted by the Vietnam Chamber of Commerce and Industry (VCCI) in Hanoi. The consultant was therefore given support in launching the survey by the SIYB office and the VCCI.

3.2.1 Choice of researchers

4 final year business school students had been pre-identified as potential field researchers. These students were interviewed and then tested in questioning MSEs. One student dropped out due to his inability to communicate in English. It became apparent that while the students would be able to act as field researchers, they would require a lead researcher to co-ordinate the work and prepare the interim and final reports. Mr. Hoang Phung was therefore identified as a potential lead researcher and was contracted to undertake the management and co-ordination of the survey. He has research experience, and while he is attached to VCCI, also has the flexibility to undertake freelance work. The survey is therefore being undertaken through a contract to the lead researcher who is co-ordinating the student researchers.

3.2.2 Sectoral and Geographic focus

The consultant was able to travel to one village outside Hanoi as well as locations within Hanoi to interview MSEs. While this and other background information gave some indication of possible geographic foci, some leeway was again given to the researchers to identify appropriate areas for the survey. The preliminary guidelines state that at least 5 locations should be sampled covering Urban (Hanoi), peri-urban (possibly Bat Trang, Bac Ninh and Hai Duong) and rural business (possibly Ha Tay province).

Five sectors were highlighted for the survey :

- A) Wooden Furniture : Chosen because initial interviews with MSEs in the sector highlighted a number of interesting marketing, subcontracting and distribution linkages.
- B) Textiles and clothing : Chosen because of the importance of this sector in Viet Nam, the prevalence of MSEs in this sector, and indications of interesting linkages highlighted during preliminary interviews.
- C) Ceramics and Pottery : Chosen because of the importance of the sector, the probability of marketing and export linkages and the existence of a pottery manufacturing cluster outside Hanoi.
- D) Light Engineering : Chosen because of the links into rural agriculture and the possibility of urban to rural business linkages.

E) Food Processing : Chosen because of the importance placed on this sector in Viet Nam, the prevalence of MSEs and particularly women in the sector, and the rural to urban linkages.

4. Preliminary Findings and Observations

Although the time spent in each country was short (7 days) there are a number of findings which can be noted both for the survey and possible future work in these areas.

4.1 Thailand

General

- The MSE sector in Thailand has not been recognised to the same degree as in some other parts of the world including Africa. Government business development policy has generally focussed on the formal SME (small to medium) sector and larger business and the economic contribution of MSEs appears to be under-valued.
- ILO, Bangkok has been addressing this issue through policy support and development and the economic crash of 1996 / 1997 has created an environment where the role of MSEs is now more appreciated. Government policy to MSE development is therefore improving.
- Thailand is not a focus-country for donors, although the Asian economic crisis has increased donor support to some degree. If programmes for MSE development in Thailand appear appropriate, non external-donor based funding would possibly be required.
- The lack of support and funding to the MSE sector in Thailand has resulted in 'non-distorted' MSE growth. Preliminary interviews undertaken with MSEs indicate that there is little donor culture and much independence in business.
- The preliminary interviews undertaken with MSEs indicate that Thailand is very appropriate for a survey of private BDS. A number of interesting business to business linkages were identified from a small number of interviews, and a number of service providers were subsequently interviewed (see below for details).
- The Chinese are predominant in business in Thailand as in many other Asian countries. While in many countries including businesses owned by ethnic minorities may give a false impression of the overall MSE situation, it will be inevitable that Chinese businesses will feature strongly in the survey (particularly in urban areas). In Thailand the Chinese businesses are well integrated into the society and it is in fact often difficult to differentiate between Thai and Chinese businesses due to intermarriage. For these reasons, the survey should not try to focus on, or avoid, this sector but sample both Thai and Chinese businesses.
- Thailand has a clearly defined single agricultural growing season, particularly in the North of the country. Due to the lull in agricultural activity, Bangkok's population increases significantly with seasonal migrants who come to the city. These migrants appear particularly active in the micro business sector and Northern Thais are particularly prevalent in market areas during this period.

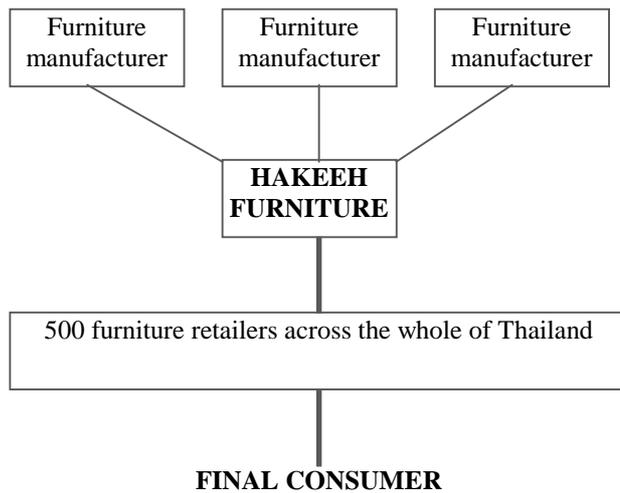
BDS Service providers in Thailand

While the objectives of the consultancy was not to identify or interview service providers, initial MSE interviews highlighted the prevalence of service provision to MSEs within Thailand and the ease of identifying such businesses. The consultant therefore managed to interview a number of service providers to provide examples for the researchers, and develop a clearer understanding of the different service provision models.

a) Marketing and distribution of wooden furniture

Hakeeh Furniture in Bangseu is a small family run business which provides a number of services to both furniture manufacturers and furniture retailers. The company acts as a market intermediary between furniture manufacturers and retailers. It operates a showroom where samples from 3 different MSE furniture producers are displayed and has a network of over 500 MSE furniture retailers to whom they supply on order (see diagram below). The company holds no furniture stock and is selling predominantly wholesale (they do sell to some end consumers but state that this market is small and they do not try to develop it).

While the company undertakes no manufacturing it does undertake some product finishing to ensure quality consistency and also subcontracts upholstery to another MSE. The company will place orders on behalf of retailers, oversee production and ensure quality, undertake final finishing and organise transportation of the final product.



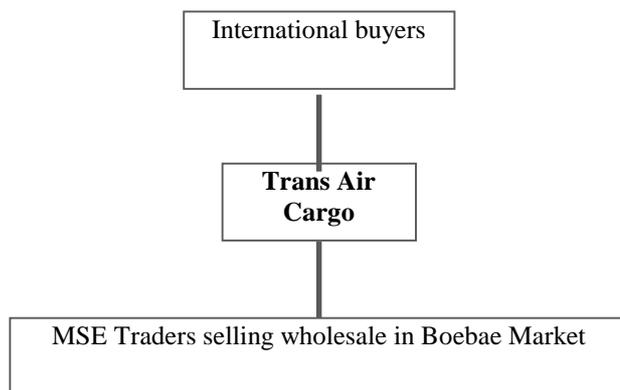
- Services provided to manufacturers
- Links to market (showroom and network of retailers.)
 - Product distribution
 - Quality control and standardisation (through finishing and design specifications)
 - Design and product development

- Services provided to retailers
- Link to suppliers
 - Quality assurance
 - Transportation
 - Product development and sampling

As such, Hakeeh furniture is a service company which is providing value-added services to a large number of MSEs. Apparently, retailers are unwilling to place orders directly with one furniture manufacturer because of lack of trust in quality and delivery deadlines. Hakeeh’s ability to subcontract orders to a number of manufacturers, while ensuring quality standards, means that delivery times, and the need to travel to Bangkok are reduced. For the manufacturer, it is unlikely that they would have the economy of scale to supply 500 retailers across the country and costs of running showrooms would be prohibitive. The situation with Hakeeh Furniture allows the MSEs to concentrate and specialise on manufacturing.

b) International market linkages for MSE market traders.

Trans Air Cargo Ltd. is a large cargo handling company in Thailand. There is little coincidence that the company has a branch at Boebae beside Bangkok’s largest wholesale textile and clothing market. The Boebae market attracts many up-country and international buyers (Including many MSEs from Africa). Trans Air is not focussed on providing services to MSEs, but is focussed on maximising the opportunities available in organising shipments of goods out of Thailand. As a result of this focus, the company has begun to offer linkage services for international buyers, many of whom are apparently MSEs. Buyers from outside the country can contact Trans Air to make orders from Boebae Market. Trans Air will handle the payments thus reducing possible logistical problems and bank charges (the buyers tend to buy from a large number of traders and direct purchasing would therefore require many bank transfers). They will organise the buying from the market and then package and send the products (see diagram below for details)



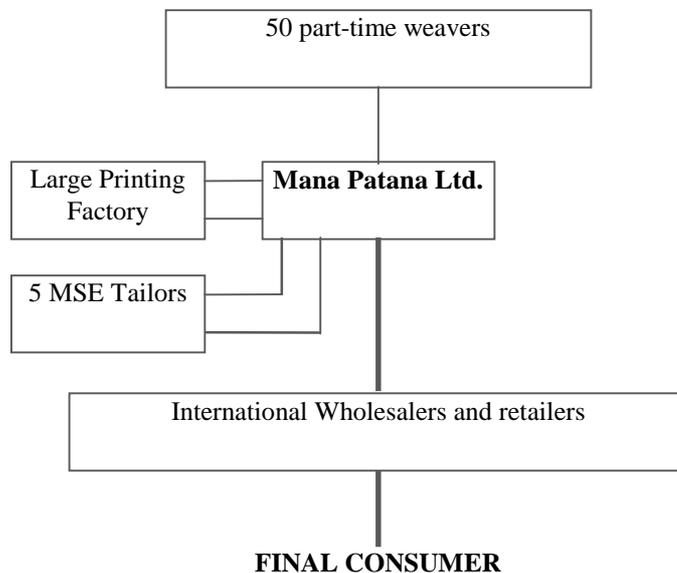
- Services provided to International Buyers
- Links to suppliers / procurement services
 - Reduction of overheads by reducing requirements to travel and bank costs.
 - Reduction of commercial transaction costs

- Services provided to MSE Traders
- Links to international market
 - Transport to international markets

c) A subcontracting and international marketing company for Thai textiles and garments

Mana Patana Ltd. specialises in the export of Thai silk textiles and garments. Even though they call themselves a manufacturer, they do not in fact manufacture any of their products but specialise in subcontracting and marketing. The company operates as a small family owned business employing 10 people in an office and showroom. The company is involved in international marketing of Thai textile products utilising the internet, international trade shows, and through a network of established buyers. The

company has a link to 50 part-time rural weavers who produce the base material for the products (treating, dyeing and weaving the raw silk into cloth). The company provides pre-finance to these weavers to purchase the raw silk and also has a part time trainer who trains in dyeing and solves production problems. Mana Patana then purchases the material which is taken for patterned printing in a large factory in Bangkok. The company then sub contracts the production of garments and products to 5 MSE tailors.



Services provided to micro business weavers

- Training and quality control
- Market

Services provided to MSE Tailors

- Links to market
- Design and product development

The Mana Patana example is typical of a subcontracting company. While the MSE tailors and micro business weavers may not feel that Mana Patana is a service provider but rather as a regular customer, the service provision inherent in this model can be identified by considering whether the links which the company provides could be achieved by the MSEs themselves. For example it is inconceivable that either the micro business weavers or tailors would be able to undertake international marketing or secure international orders. Subcontracting companies are therefore playing an intermediary and catalytic role for MSEs and a number of BDS (training, market linkages, design and product development) are provided through this arrangement.

Mana Patana, as a small business themselves, is utilising a number of services and there use of BDS should also be noted. The company uses design services, but rather than hiring a company or recruiting a full-time designer the company employs a freelance designer to undertake evening work (moonlighting). This designer works full time with a local advertising company. Interestingly a representative from the company was interviewed at a large Bangkok IT exhibition where she was seeking information on new ways of utilising internet services for international marketing. While the use of internet marketing among MSEs may be low, a subcontracting company which utilises these services will in effect be transferring the benefit of the service to all its subcontractors. In this case 50 micro business weavers and 5 tailoring businesses. The 'knock on' benefit of subcontracting companies utilising BDS should be noted for potential interventions in BDS development.

d) Component production and retailing for wood manufacturers.

Companies which manufacture and sell components to other manufacturers are common in the woodwork sector in Thailand. Mouldings, carving inlays, turned components etc. which are predominantly produced by MSEs are on sale in numerous shops around woodworking areas. Ultimately the sale of components will allow the woodwork manufacturers to streamline their activities and become more involved in assembly, thus reducing the cost of production. This should assist in overcoming competition with larger manufacturers who have an 'economy of scale' advantage over the smaller business. While this appears natural in Thailand, equivalent MSEs in Africa seldom have access to component retailers particularly those offering the variety of products available in Thailand. While probably not usually viewed as BDS, component supply can clearly be viewed as an important service within many manufacturing sectors of business.

4.2 Viet Nam

General

- Viet Nam is a communist country that has only recently legalised private enterprise. It was only at the end of 1987 that foreign business was allowed to develop in the country, and at the end of 1990 when the government declared that 'Vietnamese citizens have the freedom to do business'¹.
- A study commissioned by an international development programme (MPDF) highlighted the fact that private enterprise is still viewed in some negative light by the general Vietnamese population.
- Having stated this, it should be noted that there appears to be a clear distinction between private enterprise and household businesses. What would be designated the MSE sector is generally known in Viet Nam as the Household Business sector and both government² and the public clearly differentiate between the two.
- Even though the household business sector has been legal for less than 10 years, the sector appears to have thrived and MSE activities appear widespread and dynamic.
- Most MSEs appear to be family operated and it was seen that many business to business linkages remained within the family network. For example, a daughter would set up a showroom in an urban area to sell the products of her family's business based in the home village. This characteristic has resulted in the designation of the sector as 'household and family businesses'.
- Village based manufacturing clusters appear common in Viet Nam with whole villages given over to one type of production e.g. furniture, pottery and textile manufacturing. While some of these clusters may be a result of the previous government policy of designating villages as production centres for a specified product, many appear to be a result of a traditional skill which has been developed in one area and handed down through generations.
- As a result of Vietnam's past, it is apparently difficult to find good consultants for private sector work.
- In general terms, Viet Nam does appear an appropriate place to undertake a private BDS survey. Even though the private sector is relatively young in the country, MSEs are thriving. The family structures prevalent in business result in interesting business to business linkages which provide a number of BDS. The village manufacturing clusters encourage BDS development and a number of Vietnamese products are being marketed and exported through both formal and informal business channels.

BDS Service providers in Viet Nam

Interviews with MSEs in Viet Nam were concentrated on developing and testing a questionnaire for the survey. While a number of indicators of interesting BDS were highlighted, neither the consultant nor researchers endeavoured to undertake in-depth interviews with service providers in Viet Nam. The following notes are therefore based on indicative information collected from MSEs with a small number of very brief interviews with two service providers in the country.

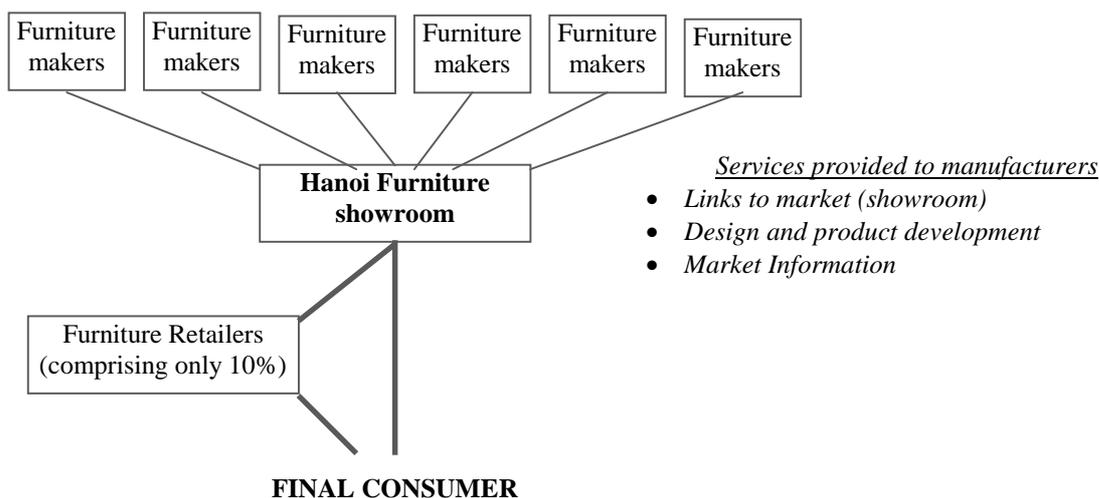
a) Sales and Marketing of wooden furniture through the family business network.

There are a number of individuals running furniture showrooms in Hanoi. Furniture is often manufactured in rural villages or towns and the showrooms appear one of the few methods which manufacturers have of accessing the urban market. These showrooms would therefore appear crucial to the manufacturing businesses. One showroom manager who was interviewed stated that she links to her home village where furniture production is the major business activity. She was encouraged to come to the town to set up the showroom and displays goods from 6 to 7 manufacturers. These manufacturers are the businesses of her family, friends and neighbours in her home village. Interestingly she also develops design ideas and provides drawings of new types of furniture which could be produced. This arrangement is appropriate since she is in touch with the market and current market demands and the link provides an appropriate channel for market information. The showroom sells predominantly retail but has a wholesale market of around 10%.

The furniture showroom highlights the fact that many BDS provided to MSEs in Viet Nam may well be provided through the family network. This system remains purely within the private sector with the showroom operating profitably, through commissions.

¹ The Private Sector in Vietnamese Industry from 1945 to present' by Dhang Phong, MPDF Private Sector Discussions Number 8, June 12 1999

² Private businesses are defined by capital levels and those which fall under the minimum level are generally referred to as household businesses. The two types of business are dealt with under different laws (decrees).



b) Textile and garment design training provided through an international buyer.

Tien Dat is a family run MSE which sells silk clothing, predominantly to a Swiss based buyer. The company produces and exports over 200kg of clothing each year and employs around 20 people (mostly family). The company purchases silk from village based weavers in Ha Dong and produces garments in their small workshop. The Swiss based buyer has a close relationship with Tien Dat and when the relationship was established, purchased a fax machine and paid for the opening of a bank account for the company. In recent years the Swiss company has sent its designer to Viet Nam to work with both Tien Dat and the Ha Dong weavers. This relationship has apparently resulted in an improvement in quality, and garment and print design.

While the Tien Dat example may be typical of many buyer-producer relationships, it highlights the importance of BDS provided through such business relationships. It also perhaps highlights the SED potential in product development, quality improvement and marketing which could be supported by promoting BDS provided by buyers and exporters.

c) BDS provision in village manufacturing clusters

The consultant managed to visit Kieu Ky Village in Bac Ninh to informally interview MSEs involved in the manufacture of traditional hand made, carved wooden furniture. The village is almost solely occupied with furniture production and a local businessperson estimated that up to 10,000 people are employed in furniture production in the area. The village is renowned for its furniture which has been produced in the area for generations.

The clustering of business obviously promotes the development of BDS companies and attracts individual formal and informal BDS providers. The village manages to sell as far afield as Cambodia and Southern Vietnam. Preliminary discussions show that the following services are among those being provided to the village :

- Component supply
- National and regional (S.E. Asia) sales agents.
- Informal (e.g. as an additional, private deal with a lorry driver) and formal transportation services.
- Market intermediaries (although usually provided by other manufacturers who take large orders and subcontract)

The prevalence of services provided both formally and informally in such a cluster should be investigated through the BDS research and at least 2 such village clusters will feature in the Viet Nam BDS study.

d) Private training of potential MSEs

The consultant came across one example of private training provision which indicates that private training does exist even though the government technical education system is well developed. Hao Son is a very small bicycle repair workshop in Hanoi which has one trainer / manager and 4 trainees. The company operates as a standard bicycle repair shop but offers well priced services because of its use of paying trainees. The trainees stay with the company for at least one year, and are apparently generally from poorer families who cannot afford more formal education. The trainees stated that they

were interested in establishing their own businesses in their home villages and the fact that capital investment in a bicycle repair business was very low appeared to be one reason why this profession was chosen.

While this is not a BDS to existing businesses, it highlights the fact that there is for-profit training within the private sector which is meeting a need which is perhaps not covered by formal and government training institutions. It is hoped that similar services utilised by existing MSEs will also be identified during the survey.

5. Conclusions and recommendations

The consultancy was successful in identifying researchers, developing and testing a questionnaire, and initiating the surveys in both countries. It was also able to highlight a number of service providers and methods of service delivery which would appear to exemplify the importance of private sector service delivery. Both Thailand and Viet Nam appear to be very appropriate countries for studies in private BDS provision due to the high level of business to business inter-linkage and support networks among MSEs.

To effectively implement the survey and draw the correct information and conclusions from the findings the following recommendations are noted :

A broad definition of BDS

As stated in the TOR for the consultancy, a broad definition of BDS should be used. It is important that the benefit to MSEs is used as the determining factor in designating which are, and which are not, BDS. A service such as component supply has not traditionally be viewed as BDS but the benefit of a developed component supply to business is clear in terms of cutting production costs, overcoming the 'economy of scale' and improving product quality through specialisation. It is therefore proposed that all services identified through the survey should be designated BDS according to the benefit to the user, rather than traditional definitions and models.

Importance of recognising BDS provided informally and packaged with other services and business relationships

Much research into BDS has focussed on the BDS provider / BDS buyer relationship. Issues arising from this concept of formal BDS provision, such as ability to pay, have often dominated much discussion on BDS and pushed development practitioners towards narrow definitions of BDS delivery. Experience in Africa has been reinforced by the initial findings in Thailand and Viet Nam and indicate that much BDS provision is provided outside this traditional buyer - provider relationship. While large formal business usually purchase BDS, MSEs are more likely to seek BDS through relationships involving commissions, e.g. sales agents, showrooms, marketing intermediaries. MSEs are also more likely to receive BDS such as training, design, market linkages, and advertising through existing business to business relationships, e.g. buyers, subcontractors, licensees. Informal BDS provision to MSEs also appears prevalent with, for example, informal traders acting as distributors and salespeople, touts acting as informal salespeople for a number of MSEs and individuals acting as agents for the businesses of friends and families.

It is very important that the study and the subsequent findings detail this type of BDS provision and avoids focussing purely on service businesses.

Support to the local researchers

The researchers contracted in both countries are not from SED backgrounds but have experience in market research. This choice was deliberate to avoid stereotyping BDS into traditional SED models. The researchers are therefore not aware of the concepts behind private BDS and may not easily be able to identify interesting or new BDS provision or models. It is therefore recommended that ILO provide support to the researchers in analysing the survey findings and identifying BDS providers whom should be followed-up and profiled. This support could be provided through e-mail.

Presenting the findings

Many of the linkages identified are ones which are taken for granted in South East Asia, it is therefore important that the findings are presented in a way which is not seen as 'stating the obvious'. This should not be difficult in that little analysis appears to have been undertaken in assessing BDS delivery to MSEs which are provided through business to business linkages such as subcontracting arrangements etc. The research should evaluate the importance of BDS delivery which come through these relationships and methods of enhancing this service delivery and as such the work will be taking a fresh look at linkages which have perhaps not be adequately analysed to-date.

Annexes

Annex 1 : Schedule for the consultancy

Annex 2 : Terms of Reference

Annex 3 : List of informants and contacts

Annex 4 : Developed Questionnaire

Annex 5 : Interview Summary Sheet

Annex 6 : Guidelines for the study in Thailand.

Annex 7 : Guidelines for the study in Viet Nam.

Annex 8 : TOR for the Thailand Study

Annex 9 : TOR for the Viet Nam Study

Annex 1 :

Schedule for the consultancy

Sunday 24 th October	Flight from Entebbe to Geneva.
Monday 25 th October	Briefing at ILO on the mission and final preparation
Tuesday 26 th October	a.m. : Final preparation at ILO p.m. : Flight from Geneva to Bangkok
Wednesday 27 th October	a.m. : Arrive in Bangkok p.m. : attend ILO MSE workshop and present about the BDS survey.
Thursday 28 th October	a.m. : Briefing with Gerry Finnegan, Senior Adviser for the ILO. Contact Universities for researcher contacts Briefing with Jan Orsini, UN rural and Urban development expert
Friday 29 th October	a.m. : Developing test questions for the survey Follow up on University contacts p.m. : Contacting market research companies Organising an interpreter
Saturday 30 th October	a.m. Interviewing MSEs in Bangkok p.m. Interviewing MSEs in Bangkok Meeting with Suvanai Tosirisuk, Researcher.
Sunday 31 st October	a.m. Interviewing MSEs in Bangkok p.m. Interviewing MSEs in Bangkok
Monday 1 st November	a.m. Meeting with Dr. Pramote Suppapanya, Assumption University. Meeting with Intergrated Business Group Writing of TOR and preliminary study guidelines pm Writing of TOR and preliminary study guidelines
Tuesday 2 nd November	a.m. Choice of the researcher for the study and revision of budgets. Meeting with Rosemary Greve. pm Preparation of documentation for ILO and study Finalisation of budgets, TOR and guidelines.
Wednesday 3 rd November	a.m. Briefing with Suvanai Tosirisuk p.m. Flight to Hanoi, Viet Nam.
Thursday 4 th November	a.m. Meeting and Briefing with David lamotte of ILO/SIYB Meeting with 4 prospective student researchers. p.m. reading of background materials preparation of introductory letters for the researchers.
Friday 5 th November	a.m. Interviewing MSEs in Hanoi with the student researchers p.m. Interviewing MSEs in Hanoi with the student researchers
Saturday 6 th November	a.m. Interviewing MSEs outside Hanoi with the student researchers p.m. Meeting with David Lamotte Preparation of notes on interviews.
Sunday 7 th November	a.m. Development of test questionnaire p.m. Development of test questionnaire
Monday 8 th November	a.m. Meeting with student researchers Meeting with prospective lead researcher. p.m. Preparation of TOR and survey guidelines

Tuesday 9 th November	a.m.	Finalisation of survey timeframes and budgets.
	p.m.	Briefing with lead researcher Developing the Interview summary sheet
Wednesday 10 th November	a.m.	Meeting with lead and student researchers Refining the questionnaire
	p.m.	and finalising paperwork Meeting with Leila Webster, MPDF. Flying to Geneva
Thursday 11 th November :	a.m	Debriefing with Jim Tanburn, ILO.
	p.m.	Debriefing with Michael Henriques
Friday 12 th November :	a.m./p.m.	Fly Geneva to Entebbe

Tuesday 16th and Tuesday 23rd : Preparation of final report

Annex 2 :

Launch of studies of private Business Development Services (BDS) markets in Thailand and Viet Nam

Terms of Reference

Background

There is growing anecdotal, and some analytical³, evidence that highlights the fact that the most relevant and important Business Development Services (BDS) for MSEs are provided almost solely by the private sector, or through private channels. This sector has, however, generally been ignored by development practitioners, for various reasons. A regional conference is now being organised by the Committee of Donor Agencies for Small Enterprise Development, to analyse the opportunities inherent in private markets for BDS in Asia. A preliminary step in developing this new approach is to collect reliable data on existing private BDS markets in a number of countries. The work described in these TOR will launch this data collection exercise in two countries, Thailand and Viet Nam.

Scope of the studies

For the sake of these studies, BDS are defined rather broadly, to include (for example) advisory and information services through informal networks, material sourcing and marketing services on commission, equipment hire companies, office service bureaux, transport companies, mass media, sub-contracting, etc. In terms of BDS providers, only private providers will be included; no providers with any income originating from any public-sector or philanthropic source (donor, government, NGO etc.) will be included; all of the income of every provider studied should be generated through (or as part of) commercial transactions of some kind. Similarly, no providers with non-profit constitutions will be included (parastatal, NGO etc.), however their income is derived.

Objectives

The objective of the work to be carried out under this contract is to launch studies of private BDS markets in Thailand and Viet Nam. The objectives of the studies are:

- To evaluate the importance of the private BDS sector and to document the variety, usage by, and importance of private services to MSEs in Viet Nam and Thailand.
- To identify and profile a selection of existing private service providers in Vietnam and Thailand.
- To identify specific opportunities for intervention, to strengthen private-sector BDS provision in those two countries.
- To prepare a case study on private service provision which will clearly demonstrate the importance, diversity and profile of the existing private service sector for MSEs, and the opportunities for SED in supporting this sector.

Methodology

In each country, the fieldwork will be carried out by local consultants, in the following three stages:

- Preliminary interviews with a small number of MSEs will take place to develop and test a semi-structured questionnaire that will focus on all business linkages and sources of business support.

³ One example of research in this area is the Bangladesh based study by Peter van Bussel detailed in ' Business support and the importance of the business network', Small Enterprise Development journal, Vol 9 No. 3.

- A representative sample of urban, peri-urban and rural MSEs will be chosen in each country and interviewed using the developed semi- structured questionnaire.
- As a result of these interviews, private service providers will be identified and a representative sample will be interviewed and profiled.

Activities under this contract

- 1) ILO staff in Thailand and Vietnam will pre-identify, as far as possible, local consultants who will be able to carry out the field research; the international consultant will provide guidance in this process
- 2) The international consultant will travel to Thailand and Viet Nam, and will interview the local consultants pre-identified, as above; he may also conduct an additional search for suitable local consultants, if required. He will then select the consultants who will undertake the field work
- 3) The international consultant, in collaboration with at least one of the local consultants, will interview a sample of at least 10 MSEs in each country, analysing linkages to other businesses, sources of information, methods of selling and marketing, sources of equipment etc.
- 4) As a result of the preliminary interviews a semi-structured questionnaire will be developed and the major lines of questioning and sectoral focus established.
- 5) TOR will be prepared by the International consultant for the studies to be undertaken by the local consultants.

Activities under separate contracts

Under separate contracts, the local consultants in each country will then interview at least 100 MSEs in at least 3 locations which effectively represent urban, peri-urban and rural business. The developed semi-structured questionnaire will be utilised during one to one interviews. In each country, the local consultants will also identify private service providers and interview a cross section of at least 20 to establish a clear profile of the business or individual. The final data will be collated by the local consultants in each country and detailed in a final research report. The local consultants will be required to not only analyse the data but evaluate the relative importance of the services identified, the potential SED impact of supporting this sector, and highlight specific opportunities for private sector service development. A final case study based on the two reports will be prepared for the April 2000 BDS Conference.

Outputs under this contract

- The international consultant will prepare a final report on the visits to each country, including the semi structured questionnaire and TOR for the local consultants. (at least 15 pages of single spaced text with annexes)

Annex 3

Major Contacts and Informants

Geneva

Mr Jim Tanburn	ILO, Geneva
Mr. Michael Henriques	ILO, Geneva
Mr. Taka Ueda	ILO, Geneva
	ILO, Geneva

Thailand

Mr. Gerry Finnegan	ILO, Bangkok
Mr. Simon White	ILO Consultant on MSE development
Mr. Jan Orsini	UN, Bangkok - Population and Rural and Urban development division.
Dr. Somsak Tambunlertchai	Faculty of Economics, Thammasat University.
Mr Buarat Srinil	Associate Professor, Thammasat University
Mr. Bancha Chumchaivate	Researcher, Sasin Graduate Institute of Business Administration
Dr. Dararatt Anantanasuwong	School of Development Economics, NIDA
Mr. Suvanai Tosirisuk	Assistant Professor, Graduate School of Business Administration, NIDA.
Dr. Pramote Suppapanya,	Director, Business Research Division, Assumption University.
Ms. Lakkana Srisawat	Integrated Business Group Ltd.
Mr. Sadamsit Sangsayan	Integrated Business Group Ltd.
Ms. Kanogkarn Sathitanakorn	MSE, Mana Patna Ltd (Thai Silk exporters).
The owners	MSE, Hakeeh Furniture, Bangseu
Mr. Surasak Tulayawarases	Chong Charoen, garment manufacturers and wholesalers.
Mr. Voravuth Suthijailak	Sales Executive, Trans Air Cargo Co.Ltd., Boebae Branch.
Ms. Rosemary Greve	ILO senior Technical Adviser for Vietnam (currently based in Bangkok)

MSEs in Bang Poe woodworking area.

MSEs in Boe Bae Textile and clothing market.

MSEs in Paknam Seafood Market

MSEs in Jatujak Market.

Viet Nam

Mr David Lamotte	ILO SIYB Programme, Chief technical Adviser.
Ms. Leila Webster	Business Support Services Manager, Mekong Project Development Facility (MPDF)
Mr. Huy	Manager, Vietnam Chamber of Commerce and Industry.
Mr. Hoang Anh Dung	Vietnam Chamber of Commerce and Industry.
Mr. Pham Thars Duc	Student researcher
Ms. Nhung Chi Kim Ciung	Student Researcher
Ms. Do Chu Crang	Student Researcher
Mr. Nguyen Tiem Sy	Student Researcher
Mr. Dung	MSE, Tien Dat Tailors.

MSEs in Giang Vo Street woodworking area.

MSEs in Thai Phien Street involved in motorcycle repair and component sales.

MSEs in Kieu Ky Village, Bac Ninh involved in furniture production

Annex 4 : Developed Questionnaire

Study of private Business Development Services (BDS) in Viet Nam

Draft Questionnaire

4th November 1999

1. Business Details

1.1 Name of interviewee :

1.2 Position of interviewee :

1.3 Company address and location:

.....

1.4 Telephone : Fax :

1.5 Other contact details :

1.6 Date company established :

1.7 Sector of business* :

1.8 Type of business : Manufacturer Supplier
 Retailer Marketing and subcontracting
 Wholesaler

Other (specify) :

Notes on business activities

1.8 Business Premises* : No premises
 Market stall
 Temporary building
 Formal shop, workshop or office

1.9 Number of people who work in the business : Full time :
 (not including subcontractors) Part time :

1.10 Additional notes on business activities

2. Business Inputs : Stock, raw material, component and equipment inputs

2.1 What do you purchase for your business :

	What and how often do you purchase these?
Stock (finished products)	
Raw materials	
Components (parts)	
Equipment	

2.2 Have you ever received any of the following from your suppliers ? :

	Please describe
Advertising materials (posters, signs, display cabinets etc.)	
Training from a regular supplier	
Training with the purchase of machinery or equipment.	
Information on markets or new business opportunities.	
Any other support for your business from suppliers	

2.3 Are you a licensed agent for any other company ? Yes(*go to 2.3.1*) No (*go to 2.4*)

2.3.1 What products ?

2.3.2 What support does the licensee provide to assist in selling the product?

.....

2.4 Have you ever utilised any buyers from outside your business to buy products, components, stock etc.? (e.g. To purchase from outside Vietnam, or purchase from up-country locations, or to find a rare component or piece of equipment.)

Yes (*please describe*) No (*go to 3*)

.....

3. Transport and travel

3.1 Do you use the services of any transport company to bring raw materials, stock or components to your business?

Yes (please describe) No (go to 3.2)

.....

3.2 What are the methods you use to transport your products to the market?

.....

3.3 Do you travel more than 100 Km for business purposes?

Yes (go to 3.3.1) No (go to 4)

3.3.1 For what reasons?

.....

3.3.2 What methods do you use to find business contacts in these places ?.....

.....

3.3.3 have you ever used the services of travel agent for business travel?

Yes No (go to 4)

If yes, please describe the services they offer businesspeople :

.....

.....

4.Sub-contracting

4.1 Does any company place bulk orders with you?

Yes (go to 4.1.1) No (go to 4.2)

4.1.1 What are the orders for :

	please describe
Final Products	
Semi-finished products / components	
Other	

4.1.2 Do any of these companies provide you with the design for the products?

Yes (please describe) No

Describe how the designs are given to the company (drawings, one to one explanation etc.).

.....

4.1.3 Have any of these companies provided you with training? Yes (please describe) No

.....

4.2 Do you sub-contract any work to other companies? Yes (go to 4.2.1) No (go to 5)

4.2.1 Please describe what is subcontracted and why you do this?

.....

4.2.2 Do you provide any training or other supports to these companies ?

Yes (please describe) No

.....

5.Product design and development. (only for manufacturers or product or subcontracting companies - if food processing businesses replace product design with recipes)

5.1 Do any of the designs of your products come from the following sources :

	Importance (1=most important)	description (if required)
Own design or traditional designs.		
Seeing other products locally		
Media, including catalogues, TV, books.		
Retail customers		
Business customers (those purchasing in bulk)		
Other		

5.2 Have you ever received any designs from other companies? Yes (please describe) No

.....

5.2 Have you ever used the services of a designer ? Yes(*please describe*) No

.....

6.Training

6.1 Have you, or your staff ever used the following for training

	Please describe
A friend or acquaintance who is in business	
A private training company	
A partner company (e.g. an agent, subcontractor etc.)	
Any other business based training	

6.2 Are you aware of any of the above sources for training? Yes(*please describe*) No

.....

7. Business Information

7.1 Which are the most important sources of information on :

	Markets for your products/services	New business laws	new business ideas	New product design
Family and friends				
Other businesspeople				
Customers				
General media - radio, TV and newspapers.				
Business associations / support organisations				
Other (please specify)				

7.2 Are you aware of any publications, radio or television programmes which are particularly interesting and useful to your type of household business?

Yes (please detail) No

.....

8. Equipment and machinery

8.1 Do you rent or hire any machines, tools or equipment from other businesses (including vehicles) ?

Yes (please detail) No

.....

8.2 Do you send anything to be processed by another business ?

Yes (please detail) No

.....

8.3 If you have a problem with a piece of your machinery or equipment which you were unable to solve yourself, what would you do?

.....

9. Office and management support.

9.1 Do you use any of the following services for your business:

	Please describe
Accountant book keeping	
External fax or telephone lines i.e. at another business location.	
E-mail or internet	

9.2 When are you most likely to seek advice on a business issue from the following :

	Notes
Family	
Business acquaintances	
Government	
An accountant	

9.3 are there any other people from whom you would seek advice ?

Yes (*please detail*)

No

.....

.....

.....

.....

10. Markets and links to customers

10.1 What different methods do you use to find new customers?.....

.....

.....

.....

10.2 Do you sell wholesale to any of the following businesspeople? :

	Please give details
Retailers	
Wholesalers (those supplying other companies)	
Other manufacturers (what do they do with the products?)	
Individual traders and transporters	

(i.e. roaming vendors)	
Any other type of businesses	

10.3 Are there any traders who purchase your products and transport them more than 100km to sell?

Yes (*please detail*) No

.....

10.4 Are you aware of any company which displays your product in a showroom (a place where samples are displayed and purchases are made through orders)?

Yes (*please detail*) No

.....

10.5 If your customer is unable to visit your business directly, what are the ways in which orders could be placed by them?.....

.....

10.6 Have you ever tried to find new customers in any of the following ways?

	Description
Advertised in the press (newspapers, TV or radio)	
Exhibited at an exhibition?	
Used salespeople on a commission basis	
Used any other method of attracting or finding new customers	

11. Most important business Relationships

(Interviewer should explain some of the business to business linkages which have been identified through the questionnaire).

11.1 are there any business to business links which have been missed? If yes, please detail.

.....
.....
.....
.....

11.2 What are your most valued business contacts and links?

Most important	
Second most important	
Third most important	

11.3 Any other comments or suggestions

Signed by the businessperson.

.....
Name Date Signature

Name and signature of interviewer :

Annex 5 : Interview Summary Sheet

Study of private Business Development Services (BDS) in Viet Nam

Summary of Interview

To be completed by the interviewer as soon after each interview as possible

1. Details of the interview

1.1 Interviewer : Date of interview :

1.2 Sector of business:

1.3 Number of employees : Full time : Part time :

1.4 Type of business premises :

1.5 Location of the business :

Urban town or semi-urban rural

2. Note all business to business linkages.

	List of types of businesses	Note of anything of particular interest (e.g. combination of services, unusual service type)
Suppliers / procurement.		
Transport and travel services		
Sub contracting arrangements		
Design and Product Development		
Training		

Business Information		
Access to or repair of equipment and machinery		
Office and management support		
Links to customers and markets		
Any other links		

3. Most important business links (according to the interviewee) :

First :

Second :

Third :

4. Additional notes and comments on the interview

Annex 6 : Guidelines for the study in Thailand.

Study of private Business Development Services (BDS) markets in Thailand

Guidelines for the Study

Draft - 2nd November 1999

1. Adaptation of the informal questionnaire.

- ILO will provide and draft informal questionnaire to the local consultant.
- The local consultant will translate the questionnaire.
- This informal questionnaire will be tested with preliminary interviews and then adapted to suit the local requirements.

2. Interviewing MSEs

2.1 Interview Sample

- Between 100 to 150 micro and small enterprises (MSEs) will be interviewed.
- For the purpose of this survey an MSE is defined as a business which employs 20 or fewer people, and includes informal, non registered individual businesspeople with no employees (e.g. market vendors with no business premises).
- The MSEs will be chosen from 3 different locations representing Urban (central Bangkok), peri – urban (outlying areas of Bangkok or a smaller town) and rural business situations.
- The MSEs will be involved in at least 3 sectors of business. Suggested sub-sectors for Thailand are :
 - 1) Furniture
 - 2) Textiles and garments
 - 3) Food processing
 - 4) IT-Information Technology.
- These sectors have been suggested following a preliminary analysis which highlighted interesting business linkages in these areas. Additional business sectors can be suggested by the local consultant but should be agreed by ILO.
- At least one third of the MSEs interviewed should be involved in production and manufacturing activities.

2.2 Interviewing Methodology

- The focus of the interview will be to identify business to business linkages to MSEs and the services which are provided through these linkages (see annex 1 for a list of possible business to business services)
- The interviews with MSEs must be undertaken on a one to one basis (face to face) with each entrepreneur.
- The interviews will utilize the informal questionnaire as a guide for questioning but a flexible and investigative approach to following up information leads must be taken.

3 Preparation of the interim report

- The local consultant will complete an interim report on completion of the MSE surveys.
- This report will include collated information on the number and type of MSEs interviewed, and provide a list and short description of the business service providers identified (see annex 1 for examples).
- This report should be at least 5 pages of single spaced main text.
- Two hard copies and a disk copy of the report will be submitted to ILO, EASMAT (see 6.1 below).

4 Profiling of service providers

- ILO will highlight at least 20 service providers identified in the interim report, which are of interest to the project. This list will be forwarded to the local consultants.
- ILO will provide guidelines to the local researchers for the required service provider profiles.
- The local consultants will interview and profile at least 20 of the highlighted service providers.

5 Final reporting.

- The local consultant will prepare a final research report detailing the research procedures and findings.
- This report will be at least 20 pages of single spaced text with annexes.

- The report will include detailed information on the initial MSE sample and research, profiles of the service providers and an evaluation of the relative importance of the various services, and the potential impact for small enterprise development in strengthening and enhancing these services.
- Wherever possible, the local researcher will highlight areas where there is potential and need to enhance and develop the services provided.
- Two hard copies and a disk copy of the final report will be submitted to ILO, EASMAT (see 6.1 below).

6 Contracting, contact and Technical Support

6.1 Contracting

- The local consultant will sign a contract with the ILO EASMAT (East Asia Multidisciplinary Advisory Team).
- The contact at EASMAT is Mr. Gerry Finnegan, Senior Specialist in Small Enterprise and Management Development, 10th Floor, UN Building, Rajdamnern Nok Avenue, PO Box 2-349 Rajdamnern, Bangkok 10200. Telephone : 2881791, Fax : 2801995, E-mail : **Error! Bookmark not defined.**
- Mr. Gerry Finnegan will oversee the progress of the survey and the local consultants will be required to submit all reports to Mr. Finnegan.

6.1 Technical support to the research

- Technical advice and support will be available to the local consultants from Gavin Anderson, FIT Uganda Ltd. (this company has experience of similar research in Africa). Support would be provided via e-mail (**Error! Bookmark not defined.**)

Service Areas of Interest

This list is a guide and is not comprehensive. The research should identify any for-profit, non-financial service offered to micro and small enterprises, MSEs (from 1-20 person businesses), including those not listed below.

- Stock, raw material, component and equipment supply and any associated service e.g. training provided with the purchase of machinery.
- Procurement services.
- Information services – TV, radio, newspapers, trade magazines, Internet, informal information channels (family, social and professional networks) etc.
- Services which provide access to machinery and equipment e.g. hiring services, machining facility providers, jobbing shops (where specific processes are subcontracted)
- Accountancy and financial advisory services.
- Administration support services e.g. shared fax, phone and copying services, Internet providers.
- Training services – both formally offered and offered through on-the-job attachments.
- Sales services e.g. commission based selling, showrooms, exhibition organisers, market operators, provision of point-of-sales products etc.
- Advertising and marketing services e.g. graphics, advertising media etc.
- Transport and distribution services.
- Product design and development services.
- Business travel services e.g. business focussed tour operators and guides, business introduction and linking services etc.
- Subcontracting services – businesses that are involved in finding markets and subcontracting work to MSEs.

Etc.

These services could be provided in many ways including:

- 1) **By individuals on a part time or casual basis**
- 2) **By service businesses** (those purely or partly focussed on service provision) including those who are not specifically targeting MSEs e.g. media companies.
- 3) **As an additional service with a purchase package** e.g. training with the purchase of equipment.
- 4) **As a form of retail development** e.g. point of sales equipment and displays provided to retailers, or training of retailers by suppliers.

As part of a business relationship or partnership e.g. training of MSE subcontractors, support to MSE agents.

Annex 7 : Guidelines and Workplan for the study in Viet Nam.

Study of private Business Development Services (BDS) providers in Vietnam

Guidelines and workplan

November 8th 1999

Methodology (see attachment 1 for a full workplan)

Step 1	Test the draft questionnaire by interviewing at least 6 household businesses	By Wednesday 10 th November
Step 2	Adapt the questionnaire as required.	By Wednesday 10 th November
Step 3	Implement the questionnaire with 70-80 household businesses (approximately 20 days work)	By 28 th November
Step 4	Meeting with David Lamotte to discuss preliminary findings	Week beginning 29 th November
Step 5	Implement the questionnaire with the final household businesses (target of 150 included in the survey)	By 12 th December
Step 6	Presentation of the interim report	By the 20 th December
Step 7	20 service providers interviewed and profiled	By the 14 th January
Step 8	Presentation of the final report	By the 21 st of January

Guidelines for the Study

1. Adaptation of the questionnaire.

- A questionnaire will be provided to the local researchers by ILO.
- This questionnaire has been tested and adapted, but further adaptation may be required as the work continues. The local researchers should consult with ILO on any major changes in the questionnaire.

2. Interviewing household and family businesses

2.1 Interview Sample

- 150 household and family businesses will be interviewed.
- For the purpose of this survey a household and family business is defined as a business which employs 20 or fewer people, and includes informal, non registered individual businesspeople with no employees (e.g. market vendors with no business premises).
- The sample must represent a cross section of this size of enterprise.
- The household and family businesses will be chosen from at least 5 different locations representing Urban (Hanoi), peri – urban (possibly including Bat Trang, Bac Ninh and Hai Duong) and rural business (possibly Ha Tay province).
- The household and family businesses will be involved in at least 3 sectors of business. Suggested sub-sectors for the Vietnam study are :
 - 1) Wooden furniture
 - 2) Textiles and garments
 - 3) Food processing
 - 4) Ceramics and pottery
 - 5) Light Engineering (metalwork)

- These sectors have been suggested following a preliminary analysis which highlighted interesting business linkages in these areas.
- At least one third of the MSEs interviewed should be involved in production and manufacturing activities.

2.2 Interviewing Methodology

- The focus of the interview will be to identify business to business linkages to household and family businesses and the services which are provided through these linkages (see annex 2 for a list of possible business to business services)
- The interviews with MSEs must be undertaken on a one to one basis (face to face) with each entrepreneur.
- The interviewers will utilize the questionnaire to identify the business to business linkages, but where necessary additional questions should be asked to clarify the role of private service providers.
- The interviewers will complete the questionnaire. This can be done in Vietnamese if necessary.
- The interviewers will complete a summary form for each interview. This should be completed in English, or translated into English.
- The researchers should organize a meeting with Mr. David Lamotte after 70 to 80 interviews have been completed. The progress of the work will be reviewed and any necessary changes made.

3. **Preparation of the interim report**

- The team leader will complete an interim report on completion of the household and family business interviews.
- This report will include collated information on the number and type of household and family businesses interviewed, and provide a list and short description of the business service providers identified (see annex 2 for examples).
- This report should be at least 5 pages of single spaced main text.
- Two hard copies and a disk copy of the report will be submitted to ILO, SIYB Programme, Hanoi

4. **Profiling of service providers**

- ILO will highlight at least 20 service providers identified in the interim report, which are of interest to the project. This list will be forwarded to the local consultants.
- ILO will provide guidelines to the local researchers for the required service provider profiles.
- The local consultants will interview and profile at least 20 of the highlighted service providers.

5. **Final reporting.**

- The team leader will prepare a final research report detailing the research procedures and findings.
- This report will be at least 20 pages of single spaced text with annexes.
- The report will include detailed information on the household and family businesses interviewed, profiles of the service providers and an evaluation of the relative importance of the various services, and the potential impact for enterprise development in strengthening and enhancing these services.
- Wherever possible, the local researcher will highlight areas where there is potential and need to enhance and develop the services provided.
- Two hard copies and a disk copy of the final report will be submitted to ILO, SIYB Programme, Hanoi

6. **Contracting, contact and Technical Support**

6.1 Contracting

- The team leader will sign a contract with the ILO.
- The team leader will then be responsible for the implementation of the study and will co-ordinate the field researchers (see annex 3 - Project management)

Attachment 1 - Draft work Plan

	November											December														January					
	10	12	14	16	18	20	22	24	26	28	30	2	4	6	8	10	12	14	16	18	20	22	24	26	28	30	1	3	5	7	
1) Test questionnaire	█																														
2) Adapt questionnaire	█																														
3) Interview first 70 -80 businesses		█	█	█	█	█	█	█	█																						
4) Interim meeting									█																						
5) Interview final businesses										█	█	█	█	█	█	█															
6) Prepare interim report																	█	█	█	█											
7) Interview service providers																						█	█	█	█			█	█	█	█

	January											February														March					
	9	11	13	15	17	19	21	23	25	27	29	31	2	4	6	8	10	12	14	16	18	20	22	24	26	28	1	3	5	7	
7) Interview service providers	█	█	█																												
8) Write Final report				█	█	█	█																								

Study of private Business Development Services (BDS) markets in Viet Nam

Service Areas of Interest

November 1999

This list is a guide and is not comprehensive. The research should identify any for-profit, non-financial service offered to household and family businesses, including those not listed below.

- Stock, raw material, component and equipment supply and any associated service e.g. training provided with the purchase of machinery.
- Procurement services.
- Information services – TV, radio, newspapers, trade magazines, Internet, informal information channels (family, social and professional networks) etc.
- Services which provide access to machinery and equipment e.g. hiring services, machining facility providers, jobbing shops (where specific processes are subcontracted)
- Accountancy and financial advisory services.
- Administration support services e.g. shared fax, phone and copying services, Internet providers.
- Training services – both formally offered and offered through on-the-job attachments.
- Sales services e.g. commission based selling, showrooms, exhibition organisers, market operators, provision of point-of-sales products etc.
- Advertising and marketing services e.g. graphics, advertising media etc.
- Transport and distribution services.
- Product design and development services.
- Business travel services e.g. business focussed tour operators and guides, business introduction and linking services etc.
- Subcontracting services – businesses that are involved in finding markets and subcontracting work to household and family businesses.

Etc.

These services could be provided in many ways including:

- 1) **By individuals on a part time or casual basis**
- 2) **By service businesses** (those purely or partly focussed on service provision) including those who are not specifically targeting household and family businesses e.g. media companies.
- 3) **As an additional service with a purchase package** e.g. training with the purchase of equipment.
- 4) **As a form of retail development** e.g. point of sales equipment and displays provided to retailers, or training of retailers by suppliers.
- 5) **As part of a business relationship or partnership** e.g. training of household business subcontractors, support to household business agents.

Study of private BDS providers in Viet Nam

Project Management

The team leader for the Viet Nam study will be required:

- 1) To read the background notes on the study and fully familiarise themselves with the methodology and aims of the study.
- 2) To sign the contract with the ILO.
- 3) To receive and administer the funds for the survey and provide a full breakdown of the expenses.
- 4) To oversee the student field workers and ensure that the work is carried out according to the terms of reference and survey guidelines.
- 5) To maintain contact with ILO international and national staff and provide updates on the activities as and when required.
- 6) To write and submit the interim and final reports.

To undertake any necessary fieldwork.

Annex 8 : TOR for the Thailand Study

Study of private Business Development Services (BDS) markets in Thailand

Terms of Reference

Methodology

The fieldwork will be carried out by the local consultants, in the following stages:

- A representative sample of urban, peri-urban and rural MSEs will be chosen in each country and interviewed using the developed semi-structured questionnaire. For the purpose of the survey MSEs are defined as businesses with less than 20 employees and will include informal, one person companies.
- As a result of these interviews, private service providers will be identified and a representative sample will be interviewed and profiled. These service providers can be of any size, from informal micro-businesses to large international companies, and located in any area of Thailand.

Activities under this contract

- 1) The local consultants will test and adapt an informal questionnaire, which will be provided by ILO.
- 2) The local consultants will interview at least 100 MSEs in at least 3 locations which effectively represent urban, peri-urban and rural business. The developed semi-structured questionnaire will be utilised during one to one interviews. At least one third of the MSEs interviewed will be manufacturer or producers of products.
- 3) The local consultants will analyse the findings of the interviews, prepare a short interim report and draw up a list of identified private service providers. This list will be submitted to ILO.
- 4) ILO will highlight the service providers of particular interest and the local consultant will subsequently interview at least 20 of the identified service providers to establish a clear profile of the business or individual.
- 5) The local consultants will collate the data and prepare a final research report. This report will include an analysis of the data, and evaluation of the relative importance of the services identified, and the potential impact on MSEs of supporting and enhancing private service provision to MSEs.

Outputs under this contract

- An interim report including a list of identified private service providers highlighted during the MSE survey (at least 5 pages of single spaced text).
- A final research report (at least 20 pages of single spaced text with annexes).

Timeframe

- The interim report will be submitted by December 3rd
- The final report will be submitted by the end of December.

Background

There is growing anecdotal, and some analytical⁴, evidence that highlights the fact that the most relevant and important Business Development Services (BDS) for MSEs are provided almost solely by the private sector, or through private channels. This sector has, however, generally been ignored by business development practitioners, for various reasons. A regional conference is now being organised by the Committee of Donor Agencies for Small Enterprise Development, to analyse the opportunities inherent in private markets for BDS in Asia. A preliminary step in developing this new approach is to collect reliable data on existing private BDS markets in a number of countries. The work described in these TOR is to undertake this data collection exercise in Thailand.

Scope of the studies

For the sake of these studies, BDS are defined rather broadly, to include (for example) advisory and information services through informal networks, material sourcing and marketing services on commission, equipment hire companies, office service bureaux, transport companies, mass media, sub-contracting, etc. In terms of BDS providers, only private providers will be included; no providers with any income originating from any public-sector or philanthropic source (donor, government, NGO etc.) will be included; all of the income of every provider studied should be generated through (or as part of) commercial transactions of some kind. Similarly, no providers with non-profit constitutions will be included (parastatal, NGO etc.), however their income is derived.

Objectives

The objectives of the study are:

- To evaluate the importance of the private BDS sector and to document the variety, usage by, and importance of private services to MSEs in Thailand.
- To identify and profile a selection of existing private service providers in Thailand.
- To identify specific opportunities for interventions, to strengthen private-sector BDS provision in Thailand.
- To prepare a case study on private service provision which will clearly demonstrate the importance, diversity and profile of the existing private service sector for MSEs, and the opportunities for SED (small enterprise development) in supporting this sector.

⁴ One example of research in this area is the Bangladesh based study by Peter van Bussel detailed in ' Business support and the importance of the business network', Small Enterprise Development journal, Vol 9 No. 3.

Annex 9 : TOR for the Viet Nam Study

Study of private Business Development Services (BDS) markets in Viet Nam

Terms of Reference

Methodology

The fieldwork will be carried out by the local consultants, in the following stages:

- A representative sample of Vietnamese urban, peri-urban and rural MSEs will be chosen and interviewed using the developed semi-structured questionnaire. For the purpose of the survey MSEs are defined as businesses with less than 20 employees and will include informal, one person companies.
- As a result of these interviews, private service providers will be identified and a representative sample will be interviewed and profiled. These service providers can be of any size, from informal micro-businesses to large international companies, and located in any area of Vietnam.

Activities under this contract

- 1) The local consultants will identify and interview at least 150 MSEs in at least 5 locations which effectively represent urban, peri-urban and rural business. The developed semi-structured questionnaire will be utilised during one to one interviews. At least one third of the MSEs interviewed will be manufacturers or producers of products.
- 2) The local consultants will analyse the findings of the interviews, prepare a short interim report and draw up a list of identified private service providers. This list will be submitted to the ILO.
- 3) ILO will highlight the service providers of particular interest and the local consultant will subsequently interview at least 20 of the identified service providers to establish a clear profile of the business or individual.
- 4) The local consultants will collate the data and prepare a final research report. This report will include an analysis of the data, and evaluation of the relative importance of the services identified, and the potential impact on MSEs of supporting and enhancing private service provision to MSEs.

Outputs under this contract

- An interim report including a list of identified private service providers highlighted during the MSE survey (at least 5 pages of single spaced text).
- A final research report (at least 20 pages of single spaced text with annexes).

Timeframe

- The interim report will be submitted by December 20th
- The final report will be submitted by the 31st of December.

Background

There is growing anecdotal, and some analytical⁵, evidence that highlights the fact that the most relevant and important Business Development Services (BDS) for MSEs are provided almost solely by the private sector, or through private channels. This sector has, however, generally been ignored by business development practitioners, for various reasons. A regional conference is now being organised by the Committee of Donor Agencies for Small Enterprise Development, to analyse the opportunities inherent in private markets for BDS in Asia. A preliminary step in developing this new approach is to collect reliable data on existing private BDS markets in a number of countries. The work described in these TOR is to undertake this data collection exercise in Vietnam.

Scope of the studies

For the sake of these studies, BDS are defined rather broadly, to include (for example) advisory and information services through informal networks, material sourcing and marketing services on commission, equipment hire companies, office service bureaux, transport companies, mass media, sub-contracting, etc. In terms of BDS providers, only private providers will be included; no providers with any income originating from any public-sector or philanthropic source (donor, government, NGO etc.) will be included; all of the income of every provider studied should be generated through (or as part of) commercial transactions of some kind. Similarly, no providers with non-profit constitutions will be included (parastatal, NGO etc.), however their income is derived.

Objectives

The objectives of the study are:

- To evaluate the importance of the private BDS sector and to document the variety, usage by, and importance of private services to MSEs in Viet Nam.
- To identify and profile a selection of existing private service providers in Viet Nam.
- To identify specific opportunities for interventions, to strengthen private-sector BDS provision in Viet Nam.

To prepare a case study on private service provision which will clearly demonstrate the importance, diversity and profile of the existing private service sector for MSEs, and the opportunities for SED (small enterprise development) in supporting this sector.

⁵ One example of research in this area is the Bangladesh based study by Peter van Bussel detailed in ' Business support and the importance of the business network', Small Enterprise Development journal, Vol 9 No. 3.