

Ex-Post Evaluation 2007

**Small-Scale Industry Promotion Project
(SSIPP), Thailand**

Brief Report

gtz

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It reflects only their opinion and assessment.

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Evaluation Unit

Dag-Hammarskjöld-Weg 1-5
65760 Eschborn
Germany
Internet: <http://www.gtz.de>

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Tabular overview

The evaluation mission

Evaluation period	November 2007 – March 2008
Evaluating consulting firm	AFC Consultants International GmbH, Bonn, Germany
Evaluation team	Rolf Speit, international consultant Dr. Maitree Wasuntiwongse, national consultant

The project/programme

Title of the project according to the order	Small-Scale Industry Promotion Project (SSIPP)
Project number	95.2299.6
Overall term broken down by phases	Phase 1: 1/1997 – 12/2000 Phase 2: 1/2001 – 12/2003
Total costs	5 million EUR
Objective of the project	Development of small-scale industries in the regions is strengthened
Lead executing agency	Ministry of Industry (political partner organization).
Implementing organisations	Department of Industrial Promotion (DIP), Industrial Promotion Centres in Chiang Mai, Suphanburi and Nakhon Ratchasima; Chambers of Commerce; Federation of Thai Industries; Entrepreneur's Competency Development Association.
Other participating development organisations	Bank of Agriculture and Agricultural Cooperatives (BAAC).
Target groups	Potential and existing, male and female, operators of small businesses of the manufacturing sector as well as industrial services (offer 1998).

The rating

Overall rating <i>On a scale of 1 (very good, significantly better than expected) to 6 (project useless, or the situation has deteriorated on balance)</i>	3 (satisfactory rating, falling short of expectations, but with positive results dominant).
Individual rating	Relevance: 2; Effectiveness:3; Impact: 3; Efficiency: 2; Sustainability: 3

The object of this independent external evaluation is the Small-Scale Industry Promotion Project (SSIPP), Thailand. The evaluation was carried out by Rolf Speit (International Consultant) and Dr. Maitree Wasuntiwongse (National Consultant) on behalf of AFC Consultants International during October 2007 and January 2008. The field mission in Thailand took place from 12 to 30 November 2007.

Over the last decades, the framework conditions in Thailand were characterized by political uncertainties, a highly centralized administrative system and a constitutional reform geared towards improving institutional power checks. The Thai economy has seen substantial growth and structural change, despite all setbacks. Negative growth rates were recorded in the aftermath of the Asian crisis, which broke out in Thailand in mid 1997. As official statistics suggest, income poverty has increased temporarily in the aftermath of the Asian Crisis, but thereafter significantly decreased.

In terms of development problems, in 1997 the country was struggling with large income disparities, a lack of competitiveness of its companies in the face of globalization, a relatively centralistic governance structure, an unsustainable management of its natural resources, deficient infrastructure especially in the regions, a development gap between centre and periphery, a lack of science and technology capabilities and the absence of formal social safety nets. In 2006, 12.9% of all Thai citizens were earning an income below the national poverty line. Until the year 2007, air pollution in Bangkok has been effectively reduced, infrastructure improved markedly and strides towards developing formal social security systems (health) have been made. The other problems, however, still remain.

Small and medium enterprises (SME) play an important role as contributors to the growth of the national economy and generators of employment. 98% of all registered businesses in Thailand fall under the small and medium category. The number of informal, often micro-sized firms is reckoned to reach 2.3 million. The SME promotion structure in Thailand is scattered and comprises quite a number of actors, among them the Office of Small Enterprise Promotion (OSMEP), the Department of Industrial Promotion (DIP) (both belonging to the Ministry of Industry), the Department of Business Development (Ministry of Commerce), the Community Development Department (Ministry of Interior) and the Department of Agricultural Extension (Ministry of Agriculture). Coordination and cooperation among these actors is a problem and, by and large, private institutions still play a minor role in service delivery for SMEs.

The **Small-scale Industry Promotion Project (SSIPP)** in Thailand began as a follow-up to preceding projects in January 1997. Its first phase lasted until December 2000. A second

phase followed, and by December 2003 the project was finally terminated. The German contribution to the overall costs of the project totalled approximately 5 million EUR. It included the deployment of four foreign long-term experts in phase 1 and three in phase 2. The Ministry of Industry was the political partner organization. The main implementing agencies were the “Department for Industrial Promotion” (DIP) and several “Industrial Promotion Centres” (IPC), the Department’s executive branches at regional level. In the second phase, this set-up of implementing agencies was complemented by a number of other governmental, parastatal and private providers of services relevant for the business community as well as GTZ. Start-up businesses as well as existing micro, small and medium enterprises in three regions outside the greater Bangkok area, namely the Northern, Northeastern and Western Regions, were the final target groups.

Conceptually, SSIPP attempted to take account of the striking disparity in development between the greater Bangkok area and the peripheral regions. The project identified the promotion of underutilized entrepreneurial potential as a strategy for diminishing the spatial development gap in the country. The core tool for unleashing these potentials was entrepreneurship training. SSIPP disseminated the CEFE (Competency-based Economics through Formation of Entrepreneurs) methodology, incorporating it as a core program into DIP, its regional branches and other institutions. In the second phase, SSIPP also initiated the creation of regional networks of public and private suppliers of “business development services” (BDS) in order to provide services in a more market and demand oriented fashion. Another key element of the concept was policy advice: The project attempted to feed successful experiences back into SME-policies and promotion plans designed by the DIP.

During its term, SSIPP implemented (among others) the following key **activities**:

- ❑ According to estimates around 500 professionals of several public and private institutions were trained as trainers in the CEFE-methodology.
- ❑ According to project reports, 10.500 potential and existing entrepreneurs were trained in CEFE–courses, out of which 47% were females.
- ❑ During 1999 and 2002, the Bank of Agriculture and Agricultural Cooperatives (BAAC) trained 3.000 of its staff members in the CEFE–methodology in order to familiarize them with the business logic of off-farm activities. The Bank also trained tens of thousands of its clients spread in farming communities all around the country.
- ❑ Under the auspices of SSIPP, Participatory Appraisals of Competitive Advantage (PACA), a methodology for kick-starting processes of local and regional economic development,

were undertaken in three areas of the country. Apart from this, facilitators were capacitated in the approach.

- ❑ The project also inspired the introduction of three networks of BDS–providers in Chiang Mai, Suphanburi and Korat.
- ❑ As an offspring of the networks, the IPC in Chiang Mai established a one-stop-service centre which is harbouring all service providers under one roof. Other services included an innovation project in Chiang Mai (newsletter, exhibitions) and some business matching activities.

Concerning **capacity development**, the evaluation revealed that all institutions involved in SSIPP made progress, though at different degrees. Branch managers and staff of business development units of BAAC became familiarized with the rationale of off-farm activities and lending for on-farm activities became more market-oriented. Some freelance trainers market their CEFE-capacities successfully and the Industrial Promotion Center (IPC) in Chiang Mai turned into a nationwide model. However, other IPCs and DIP itself are not making effective use of the capacities. The Entrepreneurs' Competency Development Association (ECDA), an organization comprising CEFE–trainers and established at the initiative of the project, appears to have lost its role as an effective BDS. With the exception of Chiang Mai, the energy and innovative spirit lies with the private stakeholders, not with the public.

Regarding **relevance**, it has become clear that SSIPP's objectives were geared towards addressing key development problems and coinciding with the development priorities of Thai governments as well as the German side. The project also coincided largely with the sustainable development paradigm, such as the multi-level approach and process-orientation. However, a closer look at the concept reveals that it was only partially adequate for pursuing its objectives. Entrepreneurship promotion and BDS–development alone are not sufficient for narrowing the development gulf between the centre and the periphery. This would have required a territorial and not a sector-based approach, such as Local and Regional Economic Development (LRED), developed by GTZ and other donors in the first years of the new millennium. After the Asian Crisis had been overcome, SSIPP's concept would have necessitated a reorientation towards rural groups in order to impact – even indirectly – on poverty alleviation.

With regard to **effectiveness**, the project produced a number of positive outcomes at the level of existing entrepreneurs. Training graduates made use of the management tools and know-how provided to a large extent. A significant share of them expanded their companies, introduced new products and services and improved management. The CEFE–trainings also

strengthened the personalities of the participants and inspired them to create “alumni” networks. The cooperation with BAAC in the field of promoting the CEFE–methodology proved to be effective. At the institutional level, the project was less effective. With the exception of Chiang Mai, the idea of demand-oriented service delivery and promotion of a vibrant BDS–market with private players in the forefront did not really take off. This was caused by a governance structure and culture that does not reward autonomous initiatives at the sub-national level but continues to be very much “top-down”. With regard to the achievement of its objectives and results, the project has partially been successful.

Concerning **impact**, SSIPP had been remarkably successful at the level of existing entrepreneurs in terms of expansion of fixed assets, increase in turnover and employment generation. The available information suggests that the promotion of start-up businesses generated less impact. Though the development gulf between Bangkok and the three target regions was not narrowed during the last decade, the more peripheral areas were at least in a position to grow, by and large, at the same pace as the capital. Income poverty incidence fell in all areas, though at varying degrees. However, the number of businesses SSIPP reached out at was too small to being considered a decisive factor in this regard. The impact of the project on BAAC’s clients could not be properly assessed. However, there are indications that impact with this group of people was significant.

With respect to **efficiency**, SSIPP’s cost/output ratio compares favourably with that of similar projects in the South East Asian region. This is due to an enormous increase in output during the second phase, which was even achieved with fewer resources as in the first phase. The efficiency gain can mainly be attributed to the paradigm shift guiding the second phase (wider multi-stakeholder base, local anchoring of the approach, mobilization of demand in the regions). Efficiency could have been higher if less international LTE had been seconded to the project and national experts recruited instead.

Sustainability of impact at the level of the target group is very high. This is due to the inherent qualities of the CEFE–methodology. At the level of the implementing agencies, CEFE is still practised by a community of freelance and university–based trainers, who displayed outstandingly high commitment to the methodology. DIP is far less committed. It continues to run entrepreneurship trainings but does not reward the use of the methodology. It is likely that, in the end, less resource demanding, but also less effective methods will dominate the market and CEFE fade away. With regard to the networks, only the one in Chiang Mai is still operating in full swing. The governance and administrative environment did not prove to be conducive for decentralized initiatives, notwithstanding their effectiveness.

With the exception of efficiency and relevance, which are rated as positive, all criteria achieved the satisfactory mark. The overall rating is therefore equally satisfactory.

The **overall conclusion** is that SSIPP was a comparatively efficient project that made a significant and lasting impact at the level of the final target group. Limitations in outreach and conceptual flaws prevented it from impacting more tangibly on the economic development of partner regions and, thus, narrow the development gap between centre and periphery. At the institutional level, it inspired the creation of a network of BDS–providers in Chiang Mai which, until today, serves as a shining example of an efficient and outcome-oriented partnership between public and private institutions. Still, this has remained an exception and, in general, modes of service delivery for SMEs in Thailand continue to be government-driven and supply-oriented.

Key **recommendations** are:

- ❑ Programmes targeting the economic development of regions need to follow tailor-made strategies and use flexible tool sets instead of tying themselves to two instruments (CEFE and BDS-market development)
- ❑ German development policy papers need to explore more specifically the links between poverty alleviation and private sector development
- ❑ GTZ should not “forget” about CEFE but promote the dissemination of the methodology as a tool for entrepreneurship development within comprehensive economic development programmes instead
- ❑ DIP should consider promoting actively the use of CEFE as standard methodology for its sub-contractors
- ❑ DIP and OSMEP might reflect about the usefulness of creating networks of BDS – providers in regions other than Chiang Mai. In doing so, it would be of great use to capitalize on the experiences of stakeholders in Chiang Mai
- ❑ ECDA should consider becoming more active in product, brand and market development of CEFE within Thailand.