Independent UNIDO Country Evaluation

REPUBLIC OF SOUTH AFRICA

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

UNIDO EVALUATION GROUP

Independent Country Evaluation

Republic of South Africa

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna, 2011

Distr. GENERAL

ODG/EVA/11/R.57

April 2012

Original: English

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Acknowledgement

The evaluation team would like to acknowledge the many and diverse contributions made to this evaluation. We are particularly thankful to staff of UNIDO at Headquarters, to staff and consultants at the UNIDO Regional Office in South Africa, to officers and staff from South African government agencies and industry associations that participated in the different projects assessed, and to managers of the several companies visited as a part of the evaluation for the valuable information provided.

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Abbreviations and acronyms

AfDB	African Development Bank
AfrIPANet	African Network of Investment Promotion Agencies
AIDC	Automotive Industry Development Center
AIA	Automotive Investment Allowance
AID	Africa Industrialization Day
ANC	African National Congress
APDP	Automotive Production and Development Programme
ASEAN	Association of Southeast Asian Nations
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
AU	African Union
B-BBEE Act	Broad-based Black Economic Empowerment Act
BDS	Business Development Services
BEE	Black Economic Empowerment
BPO	Business Process Outsourcing
BUSA	Business Unity South Africa
BWG	Benchmarking Working Group
CAMI	Conference of African Ministers of Industry
CBL	Clusters and Business Linkages
CDA	Cluster Development Agent
COMESA	Common Market for East and Southern Africa
CSDP	Competitive Supplier Development Programme
CP	Cleaner Production
CSF	Country Service Framework
CSIR	Council for Scientific and Industrial Research
CTA	Chief Technical Advisor
DAFF	Departments of Agriculture, Forestry, and Fisheries
DANIDA	Danish International Development Agency
DaO	Delivering as One
DCCI	Durban Chamber of Commerce and Industry
DEA	Department of Environmental Affairs
DEAT	Department of Environment and Tourism
DICCPP	Durban Industry Climate Change Partnership Programme
DIPA	Durban Investment Promotion Agency
DME	Department of Minerals and Energy
DPE	Department of Public Enterprises
DST	Department of Science and Technology
DTI	Department of Trade and Industry
EAC	East African Community
ECOWAS	Economic Community of West African States

EE	Energy efficiency
EEA	Energy Efficiency Accord
EEDSM	Energy Efficiency and Demand Side Management
EETC	Energy Efficiency Technical Committee
EU	European Union
EIA	Environmental Impact Assessment
EMS	Energy Management Standards
EPWP	Expanded Public Works Programme
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution Strategy
GEEF	Green Energy Efficiency Fund
GF	Global Forum
GHG	Greenhouse Gas
GNI	Gross National Income
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HCFC	Hydrochlorofluorocarbons
HDI	Human Development Index
HQ	Headquarters
IDC	Industrial Development Corporation
IEE	Industrial Energy Efficiency Project
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IPAP	Industrial Policy Action Plan
IRC	International Reference Centre
IRCC	Import Rebate Credit Certificates
ISO	International Organization for Standardization
IT	Information Technology
ITAC	International Trade Administration Commission
JIPSA	Joint Initiative for Priority Skills Acquisition
JP	Joint Programme
KfW	German Development Bank
KZNTI	KwaZulu-Natal Tooling Initiative
KSEF	KZN Sustainable Energy Forum
LAA	Local Assembly Allowance
LARP	Land and Agrarian Reform Project
MDP	Market Access Development Programme
MDG	Millennium Development Goals
MDG-F	Millennium Development Goals Achievement Fund
MIDP	Motor Industry Development Programme
MOD	Miscellaneous Obligating Document

MONUC	UN Mission in the Democratic Republic of the Congo
MP	Montreal Protocol
MSME	Foundation for Micro, Small, and Medium Enterprises Clusters
NAACAM	National Association of Automotive Component and Allied Manufacturers
NAAMSA	National Association of Automobile Manufacturers of South Africa
NAPM	National Association for Pharmaceutical Manufacturers (
NBI	National Business Initiative
NCPC	National Cleaner Production Centre
NEPAD	New Partnership for Africa's Development
NERSA	National Energy Regulator of South Africa
NFTN	National Foundry Technology Network
NGO	Non-Governmental Organizations
NIPF	National Industrial Policy Framework
OCHA	UN Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
OEM	Original Equipment Manufacturer
OHCHR	Office of the UN High Commissioner for Human Rights
PAA	Productive Asset Allowance
PI	Production Incentive
PMPA	Pharmaceutical Manufacturing Plan for Africa
PMU	Project Management Unit
PPPFA	Preferential Procurement Policy Framework Act
RC	Resident Coordinator
RDP	Reconstruction Development Programme
RI	Requests for Information
SAAA	South African Agri Academy
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SAGMA	Southern African Generics Medicines Association
SANAS	South African National Accreditation System
SC	Steering Committee
SECO	Swiss State Secretariat for Economic Affairs
SME	Small and medium enterprises
SOE	State Owned Enterprises
SPX	Subcontracting and Partnership Exchange Project
SSS	Service Summary Sheet
SWEEEP	Sector-specific industry support initiatives
TAP	Technology Assistance Package
TC	Technical cooperation
TISA	Trade and Investment South Africa
UK	United Kingdom
UN	United Nations
UNAIDS	Joint UN Programme on HIV/AIDS
UNDAF	United Nations Development Assistance Framework

UNDP	United Nations Development Programme
UNECDA	UN Economic Commission for Africa
UNEP	United Nations Environmental Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHABITAT	UN Human Settlements Programme
UNHCR	Office of the UN High Commissioner for Refugees
UNIC	UN Information Centre
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	UN Office on Drugs and Crime
UNIFEM	UN Development Fund for Women
URO	UNIDO Regional Office
USAID	United States Agency for International Development
USD	United States Dollars
WAPMA	West African Pharmaceutical Manufacturers Association
WFP	World Food Programme
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation
WHO	World Health Organization
ZAR	South African Rands

Glossary of evaluation-related terms

Term	Definition
Baseline	The situation, prior to an intervention, against which progress can be assessed.
Effect	Intended or unintended change due directly or indirectly to an intervention.
Effectiveness	The extent to which the objectives of a development intervention were or are expected to be achieved.
Efficiency	A measure of how economically inputs (through activities) are converted into outputs.
Impact	Positive and negative, intended and non-intended, directly and indirectly, long term effects produced by a development intervention.
Indicator	Quantitative or qualitative factors that provide a means to measure the changes caused by an intervention.
Intervention	An external action to assist a national effort to achieve specific development goals.
Lessons learned	Generalizations based on evaluation experiences that abstract from specific to broader circumstances.
Logframe (logical framework approach)	Management tool used to guide the planning, implementation and evaluation of an intervention. System based on MBO (management by objectives) also called RBM (results based management) principles.
Outcomes	The achieved or likely effects of an intervention's outputs.
Outputs	The products in terms of physical and human capacities that result from an intervention.
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donor's policies.
Risks	Factors, normally outside the scope of an intervention, which may affect the achievement of an intervention's objectives.
Sustainability	The continuation of benefits from an intervention, after the development assistance has been completed
Target groups	The specific individuals or organizations for whose benefit an intervention is undertaken.

Executive Summary

Scope, objectives and methodology

This Independent Evaluation report presents an assessment of UNIDO activities in South Africa since the country joined UNIDO in 2000, with particular attention to four projects or project groups (Industrial Energy Efficiency, Subcontracting and Partnership Exchange, Automotive Supplier Development, and Establishment of the National Cleaner Production Centre) that account for approximately 90 % of the total budget and expenditures of UNIDO's portfolio in the country. The evaluation also addresses the functioning of the UNIDO Regional Office (URO) in Pretoria and its influence in UNIDO activities in the country, the strategic positioning of UNIDO, and its participation in the activities of the UN system in South Africa. The main objective of the evaluation has been to assess the relevance, effectiveness, efficiency, impact and sustainability of UNIDO projects, in order to make recommendations that help improve the design and implementation of UNIDO's technical cooperation.

The methodology applied included the review of documentation and information about UNIDO activities in South Africa, about the country economic, social and policy context, interviews with project managers at UNIDO Headquarters, and interviews with stakeholders and beneficiaries (companies) in South Africa carried out between 12 and 23 September 2011. The evaluation team was composed of Mr. Octavio Damiani, independent international evaluation expert and team leader, Ms. Jay Aniruth, independent national evaluation expert, and Mr. Johannes Dobinger from UNIDO's independent evaluation group.

Technical cooperation

UNIDO has implemented 12 projects or project groups[1] in South Africa since the country joined UNIDO in 2000. These projects have had a total budget of USD 12.46 million and total expenditures of about USD 9.66 million. Projects in the "Energy and the Environment" thematic area account for 52.8% of the budget and 47.7% of the expenditures, while projects in the "Poverty Reduction through Productive Activities" area represent 28.5% of the budget and 30.3% of the expenditures and those in the "Trade Capacity Building" account for 18.7% of the budget and 22.0% of the expenditures. Eight projects or project groups were ongoing at the time of the evaluation, with a total budget of about USD 10.08 million and expenditures of USD 7.29 million, which represent 81% of the total budget and 75% of the total expenditures in all UNIDO projects implemented since the start of operations. These figures indicate that the portfolio has been growing significantly over the years, with a large proportion being approved within the last three to five years.

[1] Each project group includes a single project with different project numbers due to different funding sources, or different phases of a particular project.

The performance of UNIDO projects has been good, in particular in terms of relevance and ownership, which have been assessed as high or medium in most projects. However, project objectives were sometimes not coherent among themselves. In particular, the evaluation identified a lack of coherence between targeting SMEs - which was part of the objectives of several projects - and other proposed project objectives. An example is the Industrial Energy Efficiency (IEE) Project, which aims at maximum energy savings that can be achieved mainly among large firms, not SMEs. Another example is the Automotive component supplier development programme, which proposes as one of its outcomes to promote the provision of commercially viable technical assistance services to automotive industry suppliers. Achieving this objective would require charging fees that have shown to be higher than what SMEs are able to pay.

Effectiveness, efficiency, and impact have been acceptable (medium on an average) in the majority of projects and sustainability has in general been rated as good or medium. The thematic areas of UNIDO projects in South Africa relate directly with recognized areas of expertise of UNIDO, such as the introduction of cleaner production and energy efficiency at the industrial level and private sector development.

Overall, UNIDO cooperation has been most effective in terms of capacity building. The South Africa National Cleaner Production Centre (NCPC), the cooperation with the Automotive Industry Development Center (AIDC), and the strengthening of the Durban Energy Office are cases in point. Also the Subcontracting and Partnership Exchange Project (SPX) and benchmarking initiatives are likely to lead to lasting capacity building.
Good effectiveness was observed in the field of policy advice. Those projects that included policy components made effective contributions, for example to introduce a national energy management standard or the support of the KwaZulu-Natal (KZN) Sustainable Energy Forum.

These good evaluation results can be explained by the following factors:

a) Strong counterpart government institutions that participated actively in the formulation of projects and made sure that they responded to government policies and priorities.

b) Low relative weight of foreign donors in the funding of UNIDO projects, with the largest proportion of funding coming from the South African Government. This made UNIDO responsive to the priorities of government counterparts and government agencies were more involved in implementation.

c) The active role in project implementation of government agencies, such as the NCPC, contributed to the creation of institutional capacities and to higher sustainability of results.

The main obstacles faced by projects were delays in decision-making and procurement due to centralized management - more specifically the concentration of decision-making in project managers based at UNIDO's Headquarters - and some specific implementation problems like difficulties to recruit and retain qualified Chief Technical Advisors (CTAs).
Mixed evidence has been found in terms of effectiveness at the enterprise level. One of the core barriers was that some projects faced difficulties in attracting interest among

their target beneficiaries. This led in some cases to a drift away from Small and Medium Enterprises (SMEs) towards larger companies. In addition, projects focused less than expected on SMEs - a priority sector for the South African Government due to its capacity to generate employment. Although the Project Documents of most projects included SMEs among their expected beneficiaries, the evidence collected by the evaluation suggests that they have mainly benefited larger companies.

In terms of sustainability, the Automotive supplier development programme and the activities of the Generic drugs project in South Africa were found to face some challenges. In the former, the services provided under the project have not proved yet to be useful for the industry, so it is difficult to predict that firms would be willing to pay for these services once the project is completed. In the case of the Generic drugs project, the sustainability of the Southern African Generics Medicines Association (SAGMA) created with the support of the project is still difficult to predict due to a low membership and the need to generate activities that benefit members, so that they are willing to pay membership fees.

Global Forum activities

Global Forum (GF) activities have been a relevant and important area of UNIDO work in South Africa. Many of the GF activities have been implemented in partnership with the Government of South Africa, which is coherent with the aim of the Government of being recognized as an important contributor to the UN system in the provision of global and regional public goods and its interest in developing a relationship with the UN system not only as a recipient of Official Development Assistance (ODA), but also as an important contributor to UN mandates regionally and globally.

Positive examples include the Conference of African Ministers of Industry (CAMI)/CEOs Forum in 2008, the Durban participation in the COP 16 – Mexico City partnership in 2010, the International Conference on Local Pharmaceutical Production in Africa, the Energy Ministers Conference, and the project on “Greening COP 17” in 2011. Furthermore, the introduction of energy management standards through the energy efficiency project can be regarded as an important element of UNIDO’s GF function to promote such standards world-wide.

While it is difficult to assess the impact of GF activities in South Africa, it can be safely concluded that they are likely to contribute to institutional and policy outcomes, especially in the environment and energy thematic area.

UNIDO Regional Office

The work of the UNIDO Regional Office (URO) in South Africa was assessed positively, in light of the very limited human resources and funds that it had available, and the general context of difficulties and the relatively limited role of the UN system in the country. The tasks that it performed best were the relationship with the Government, the identification of opportunities for new Technical Cooperation (TC) projects, and the administration of local procurement and payments through the Imprest account. UNIDO is

viewed positively by other international cooperation agencies working in South Africa, especially in its relationship with government counterparts. This is also shown by the fact that UNIDO is hosted by the Department of Trade and Industry (DTI), which allows for daily interaction. Recent activities of the URO at the level of the South African Development Community (SADC) suggest that there is a potential for UNIDO to assist economic regional integration activities, focused on capacity building that allow the countries under the URO to cope with industrial issues in the integration process.

In contrast, the weakest functions were the monitoring of- and implementation support to TC projects. The most important constraints identified to the effectiveness of the URO include: (i) very limited availability of human resources to service South Africa and nine other countries, especially considering the growth in the number of projects during the last few years, (ii) the increase in the workload related with local procurement and the processing of payments through the Imprest account; (iii) IT problems that create obstacles to a more decentralized project management, including mainly the fact that Agresso does not work properly in the URO;(iv) the lack of a good integration of local staff in implementation of HQ managed projects, due to the lack of clear responsibilities, communication, and budget management; (v) synergies among projects not exploited; and (vi) lack of monitoring and reporting at the country level, which hampers the possibility of a better steering of the UNIDO programme and the proactive interaction with the Government.
With regard to the latter issue it should be noted that a Country Service Framework (CSF) was prepared in 2002 to guide UNIDO cooperation in SA. However, SA Government was only marginally involved and never approved the CSF; thus it did not serve its purpose as a vehicle for steering, coordination and monitoring of UNIDO activities in the country.

UNIDO and the Delivering as One process

The participation of UNIDO in the UN Country Team has been influenced by obstacles related both to the functioning of the UN system in South Africa and to the views prevalent at UNIDO of the UN reform process.

UNIDO tended to do well in South Africa in the application of some of the principles of the Paris Declaration –such as alignment with government policies - but worse in some others in which UNIDO officers were more skeptical, including the use of country systems and procedures (for financial management, procurement, auditing, results framework, and monitoring) and harmonization (common arrangements at country level with other UN agencies and donors for planning, funding, disbursement, monitoring, evaluation, and reporting to the Government). These views contributed to giving low priority to the participation of UNIDO in UN Country Team meetings and other joint activities.

Main recommendations[2]

On the design of a new cooperation framework and new projects in South Africa

a) UNIDO should prepare a new country programme that defines the objectives of UNIDO's activities in the country, focusing on issues in which UNIDO has recognized experience and expertise. However, and in contrast to the experience with the CSF, the new cooperation framework should have the following characteristics: (i) it should be prepared jointly with the government main counterparts; (ii) it should focus on supporting the Government in the implementation of its industrial policies and strategies; (iii) it should incorporate mutually agreed Global Forum activities; and (iv) it should define clear indicators and mechanisms for joint monitoring and evaluation.

b) SMEs have been a priority in government policies since the end of apartheid, as a way of reducing the very high unemployment rates, especially among the black population. Wherever possible, UNIDO projects should increase their focus on SMEs.

On project implementation

a) Wherever feasible, Project Management Units (whenever they exist) and international and local consultants hired by UNIDO to work for different projects in South Africa should be based at the premises of government counterparts rather than at the URO, in order to increase ownership and potential for capacity building. However, in some cases the need to strengthen the field office through project staff might be warranted.

b) Project implementation should be decentralized, including the transferring of management to the URO whenever possible. However, the required human resources and capacities need to be kept in mind, as it has been proposed for the Industrial Energy Efficiency Project with the transfer to the URO of a specialized UNIDO project manager.

c) UNIDO projects should make use of South African procurement systems and involve government counterparts in the implementation of project activities as much as possible, in line with the principles of the Paris Declaration and the recommendations of the Joint Evaluation of the Role and Contribution of the UN System in the Republic of South Africa.

d) To enable use of country procurement systems, UNIDO should develop and carry out standard capacity assessments of partner agencies.

On project monitoring and evaluation

a) Each project should include a monitoring system based on its logical framework and results-based indicators. Project documents should include a budget for monitoring and the contracting during project implementation of a specialized person in charge of collecting the necessary information. If this was not possible, one person in the URO

[2] For a full list of recommendations refer to chapter 6 of the report.

should be tasked with the monitoring of several projects. The costs of the latter could be shared among the projects under implementation.

b) UNIDO should improve significantly the reporting and communication to the Government and donors on the progress and results of each of its projects. Reporting should be based on the agreed results-based indicators, and it should include workshops to discuss results and recommendations for improvement.

On the UNIDO Regional Office

a) Strengthen the URO's availability of human resources, preparing a staffing plan that responds to new demands of a more decentralized implementation. This would include at least one additional administrative position and one additional professional staff to manage the expanding portfolio, in particular in the private sector development area (e.g. SPX, automotive, clusters).

b) Improve the flow of information within the URO office and with counterparts and donors by establishing a country-level monitoring and reporting every six months and organizing meetings with counterparts and UNIDO staff to present and discuss the progress in the implementation of different projects.

e) To enable decentralized project management, UNIDO should provide training to local staff on the use of Agresso/SAP and should solve the problems with the remote functioning of Agresso/SAP by assigning an IT staff to solve the problem on the ground.

Main recommendations on specific ongoing projects[3]

Automotive component supplier development programme

a) Focus the second phase of the programme on 2nd and 3rd tier suppliers and SME, which are the beneficiaries proposed by the Project Document and the ones that will benefit most from the programme activities, as they usually face more problems and competitiveness challenges and have more difficulties to access adequate training and technical assistance.

b) Improve the integration of the two key components of the programme – benchmarking and technical assistance – by i) making better use of benchmarking studies as a basis for defining the key features of technical assistance to be provided to client companies and ii) equipping advisors with standardized diagnostic tools to define the assistance to suppliers, so that the quality of the services provided depend less on the individual industrial advisors.

[3] For the full list of project-related recommendations refer to Annex A, "project assessments"

Subcontracting and Partnership Exchange Programme

a) Target firms that are able and willing to use the benchmarking tool effectively and consider charging a fee for the benchmarking service, so that better alignment is reached with the Automotive component supplier development programme, which charges fees for benchmarking services.

b) Control quality of benchmarking service delivered by industry associations: consider conducting random company surveys that focus on the quality of the benchmarking process as well as the quality of the development interventions identified in the benchmarking report.

c) Send opportunity alerts to relevant associations/companies only. The current generic opportunity alerts contribute to the general company fatigue.

Industrial Energy Efficiency Improvement in South Africa

a) Demo cases need to be established also for smaller sized firms.

b) An urgent solution for the problem of local procurement and recruitment of local consultants needs to be found; the evaluation team recommends a long-term solution using the CSIR/NCPC instead of managing this through UNIDO (for example through a subcontract to CSIR/NCPC).

c) The project M&E system should be strengthened, using performance indicators linked to project objectives and targets. For these indicators baseline information should be collected at company level so that effectiveness of trainings and audits can be reported on. The M&E system should also distinguish between trained consultants and company staff.

d) Project reporting should be improved, with more detailed information on project activities and outputs being made available to all project stakeholders (including the donor). Information should be collected based on results and indicators specified in the project document.

e) The number of energy audit quick scans (500) should be reduced. The corresponding savings should be used to offer more comprehensive packages for energy efficiency “upgrading” on a subsidized basis.

Lessons learnt

The experience in South Africa may provide interesting lessons on how UNIDO might approach its work in upper middle income countries with conditions similar to South Africa, including in particular stronger government counterparts, higher capacity to finance projects, and less role of foreign donors in the financing of projects. This experience suggests the need for UNIDO to establish a partnership based on a stronger role of the Government in the preparation of strategies and project documents, project implementation and management, and monitoring and evaluation of results. New methodologies would be required for: (i) preparing a cooperation framework that defines the objectives of UNIDO activities in South Africa, the main areas in which it will operate (also including GF activities), and the possible specific projects; (ii) monitoring and evaluating the agreed results-based indicators; (iii) reporting and communicating on the progress and results obtained; (iv) ensuring a high participation of government counterparts-host institutions in project implementation and an increasing use of procurement systems; and (v) focusing UNIDO's contribution in activities that add value based on UNIDO's experience and methodologies in different thematic areas, rather than as a mere contractor.

1

Introduction and background

1.1. Introduction

This report presents evidence, findings, conclusions and recommendations of the independent evaluation of UNIDO's operations in South Africa.[4] It analyzes the effectiveness, efficiency, impact, and sustainability of UNIDO projects, examining the result chains, processes, context, and causality, in order to identify the key factors explaining the observed results. The evaluation also addresses other important operational and strategic issues, including the functioning of the UNIDO Regional Office (URO) in Pretoria, which covers 10 of the 14 countries of the Southern African Development Community (SADC) region, and the strategic positioning of UNIDO in the country.

1.2. UNIDO in South Africa

Since South Africa joined UNIDO in 2000, 12 projects or project groups[5] have been implemented in the country, with a budget of USD 12.46 million and total expenditures of about USD 9.66 million.[6] Projects in the "Energy and the Environment" thematic area account for 52.8 % of the budget and 47.7 % of the expenditures, while projects in the "Poverty Reduction through Productive Activities" area represent 28.5 % of the budget and 30.3 % of the expenditures and those in the "Trade Capacity Building" account for 18.7% of the budget and 22.0% of the expenditures. Four projects or project groups (Industrial Energy Efficiency, Subcontracting and Partnership Exchange, Automotive Supplier Development, and Establishment of the National Cleaner Production Centre) account for approximately 90 % of the total budget and expenditures of UNIDO projects. Ongoing projects represent 81 % of the total budget and 75 % of the total expenditures in all UNIDO projects implemented since the start of operations. These figures indicate that the portfolio has been growing significantly over the years, with a large proportion being approved within the last three to five years.

[4] The Independent Country Evaluation in South Africa was carried out by Octavio Damiani (International consultant, Team Leader), Johannes Dobinger (Evaluation Officer, UNIDO's Evaluation Group), and Jayanthi Aniruth (National consultant).

[5] Each project group includes several sub-projects with different project numbers - due to different funding sources or different phases – all of which form part of one particular project.

[6] Four additional projects provided funds to the field office, with a budget of US$ 99,445 and expenditures of US$ 97,199.

The Country Service Framework

Until December 2008, UNIDO's technical cooperation in South Africa was organized and implemented under a Country Service Framework (CSF) approved by the UNIDO Executive Board on September 26, 2002[7] The CSF (titled 'Towards environmentally and socially sustainable industrial development') had as its objective to enhance capacities in public and private institutions for Business Development Services (BDS) aimed at providing support services required by South African industrial enterprises in the selected priority areas of SME and environmental sustainability, with emphasis on the identified priority provinces.

The programming exercise was initiated shortly after South Africa joined UNIDO in 2000. A high-level technical UNIDO mission visited South Africa in November 2001 to complement the strategic work agreed upon, and agreement was reached with the South African authorities to focus in the first instance on two areas of priority: Small, medium and micro enterprises (SMEs) and environment. A second technical mission that took place in April 2002 held further discussions with the Department of Trade and Industry (DTI) - the main counterpart for the CSF, as the body responsible for industrial sector development in South Africa - and other institutions that were part of the DTI, and also visited existing projects in selected priority provinces, including Limpopo, Mpumalanga, North Western Province and Eastern Cape. The CSF was prepared during the first half of 2002, and approved by UNIDO in September of that year, as mentioned above. However, the CSF was never approved by the Government counterpart (DTI) and thus remained irrelevant for the coordination of activities between UNIDO and the Government (further information on the CSF is contained in chapter 3).

All these projects under the CSF were implemented between 2002 and 2008. After 2008, the only project that continued at the time of the evaluation was the Automotive Supplier Development Programme.

Ongoing projects

Eight projects or project groups were ongoing at the time of the evaluation, with a total budget of about USD 10.08 million and total expenditures of USD 7.29 million. These figures indicate that ongoing projects represent about 75 % of the funds spent by UNIDO projects in South Africa since the start of operations in the country. Projects falling into the "Poverty reduction through productive activities" thematic area account for 51.2 % of the budget and 60.1 % of the expenditures of ongoing projects, while those in the "Environment and Energy" thematic area represent 48.5% of the budget and 39.9 % of the expenditures of ongoing projects. Three projects or project groups (Industrial Energy Project, Subcontracting and partnership exchange, and Automotive supplier development programme) account for 90% of the budget and expenditures of ongoing projects.

The average project/project group size in terms of budget is USD 1.2 million, ranging from USD 4.3. million of the largest project (the Industrial Energy Efficiency Project, which

[7] UNIDO (2002)

represents 42% of the total budget) to USD 100,000 of the two smallest projects. The table below gives a brief summary of the ongoing interventions at the time of the evaluation:

Table 1: Ongoing projects

Project number	Project name	Start date	Completion date	Donor	Budget (USD)	Expenditures (USD)
SESAF09003	SESAF09003 - Automotive Component	4/17/2009	4/30/2012	South Africa	398,100	401,325
SESAF09B03	Automotive component supplier development programme	4/17/2009	4/30/2012	South Africa	1,432,790	1,239,331
SESAF09A03	SESAF09A03 - for Environmental Benchmark	6/15/2009	4/30/2012	South Africa	35,283	16,224
TERAF08013	Infrastructure supplier benchmarking programme	2/4/2008	3/31/2011	South Africa	1,314,301	1,318,028
TERAF08024	Regional Supplier Benchmarking Programme	9/9/2008	9/30/2011	South Africa	713,000	462,886
TERAF10010	Subcontracting and Partnership Exchange Programme	9/23/2010	9/30/2013	South Africa	460,446	236,199
TERAF10A10	Subcontracting and Partnership Exchange Programme	10/25/2010	9/30/2013	South Africa	542,501	444,997
SESAF09001	Industrial Energy Efficiency Improvement in South Africa	10/9/2009	12/31/2013	South Africa	516,102	466,478
SESAF09A01	Industrial Energy Efficiency Improvement in South Africa	5/19/2011	12/31/2013	South Africa	667,945	4,543
UESAF09002	Industrial Energy Efficiency Improvement in South Africa	12/4/2009	12/31/2013	Switzerland/SECO	698,342	706,708
TESAF11001	Industrial Energy Efficiency Improvement in South Africa	3/28/2011	12/31/2013	United Kingdom	2,350,184	1,256,723
SFSAF10001	Training of trainers for the promotion of emerging agro-processing clusters in SA	12/17/2010	12/31/2011	South Africa	100,000	91,310
YAINT10002	Climate change Mitigation of industrial activity	2/17/2010	12/31/2011	Regular Budget	208,115	197,519
GFSAF11004	Greening COP17 in Durban	1/7/2011	5/31/2014	Global Environment Facility	100,000	37,020
MPSAF08003	Preparation of a HCFC Phase Out Management Plan	4/4/2008	12/31/2011	Montreal Protocol	195,000	106,641
MPSAF09005	Preparation for HCFC phase-out investment activities	12/7/2009	6/30/2011	Montreal Protocol	150,000	136,055
TEGLO08030 and XPGLO09016	Strengthening local production of generic drugs	9/22/2008	12/31/2011	Germany and Regular budget	200,000	153,000

1/ The Generic drugs project group is a global project with a small proportion of budget and expenditures in South Africa (approximately USD 200,000 and 153,000 respectively).

Source: Info base and/or Agresso.

The UNIDO Regional Office (URO)

The UNIDO Regional Office (URO) was inaugurated in April 2006. It is located within the DTI premises in Pretoria, covering 10 countries of the Sub-Saharan region including South Africa. At the time of the evaluation, the URO was headed by an interim UNIDO Representative (UR) as the former UR had been re-assigned to a different duty station

earlier in the year. In addition, it comprised a professional staff recently moved from the People's Republic of China, a national professional staff performing as National Programme Officer, one secretary, and one driver. About six UNIDO consultants and one additional secretary working for ongoing projects were also based at the URO.

1.3. Objectives of the evaluation

The terms of reference (TOR, see Annex B) of the South Africa Country Evaluation established that the evaluation seeks to identify best practices, areas for improvement and lessons to enhance the relevance, efficiency, effectiveness, impact and sustainability of future UNIDO interventions in South Africa. In addition, it proposed that the evaluation would focus on the following aspects: a) the relevance and alignment of interventions to national needs and priorities and to international development goals (MDGs and Paris Declaration); b) the achievements of technical cooperation (TC) and global forum (GF)interventions against the planned objectives set out in the Country Service Framework, project/programme documents, and UNIDO's strategic objectives as a whole (Programme and Budget, Medium-Term Programme Framework); c) the efficiency of management and coordination processes, including the performance of the UNIDO Regional Office in South Africa and UNIDO HQ; and d) achievements in relation to cross-cutting issues, including integration and delivering as one UNIDO (coordination, cooperation, exploitation of synergies), contribution to gender equality; contribution to environmental sustainability; fostering of South-South cooperation; and UNIDO's strategic positioning in the country.

1.4. Methodology

The South Africa Country Evaluation was carried out between September and November 2011. The methodology applied included the review of documentation and information about UNIDO activities in South Africa and about the country economic, social and policy context, interviews with project managers at UNIDO's Headquarters, and interviews with stakeholders in South Africa.

The documentation review was carried out during the second half of August and September 2011, including mainly project documents and progress reports of ongoing and completed projects, available project evaluations, the Country Service Framework document and progress reports, and reports about the social, economic and policy context in South Africa (see bibliography in Annex D).

Most of the interviews at UNIDO's Headquarters (HQ) were carried out prior to the evaluation mission, serving to obtain more detailed information and insights about the project's design and implementation. They were open ended, lasted about one hour, and they focused on understanding how the project had originated, the participation of government agencies and private stakeholders in design and implementation, the institutional arrangements for implementation, the results and achievements, and the main challenges faced.

At the end of this period at UNIDO's HQ, an inception report was prepared that served to better define the methodological framework. The inception report highlighted that even though the evaluation would cover all UNIDO activities since the start of operations in South Africa, the main focus would be on the more recent years that includes ongoing projects and recently completed projects. New projects that had not yet started implementation would also be considered, especially to analyze the connections with previous projects, the current positioning of UNIDO in the country, the relationship with government counterparts and the private sector, and the quality of project design. Other issues identified as relevant for the evaluation included: a) the role of the UNIDO Regional Office and its influence in the quality of UNIDO activities in the country; b) the characteristics of the Country Service Framework including reasons and consequences related to the fact that it had not been signed by the Government of South Africa; c) sustainability of project results, with particular attention to the National Cleaner Production Centre created as a result of two projects implemented between 2003 and 2008, and now host agency of the new Industrial Energy Efficiency Project; and d) the connections between old and new projects, as some of the partnerships were built in the early years of UNIDO's work in the country.

The field mission in South Africa was carried out between 12 and 23 of September 2011, including visits to Pretoria, Johannesburg, Cape Town, and Durban. During that time, the evaluation mission carried out interviews with the main stakeholders of UNIDO projects, including authorities and professionals from government agencies and public enterprises involved in implementation, UNIDO consultants working for the different projects under implementation, professional and secretarial staff at the UNIDO Regional Office in Pretoria. These interviews were qualitative in nature and based on open ended questions whose sequence depended on the type of response obtained.

The mission also visited companies that had benefited or were benefiting from the different projects, holding meetings with managers, supervisors, and workers. These visits focused on identifying the activities in which the companies had participated (e.g. training and technical assistance), the participants' perceptions about the relevance of the specific project interventions for their particular problems, the quality of the training, assistance, and other project interventions, and the specific changes that may have been adopted as a result of the particular project or programme. Perceptions, hypotheses, and relevant information from interviews were validated through cross checks by a triangulation of sources and data. While maintaining independence, the evaluation was based on a participatory approach, seeking the views and assessments of all stakeholders.

At the end of the field phase, a wrap-up meeting was held in Pretoria on 23September 2011, during which the mission made a presentation at the premises of the UNIDO Regional Office of the findings and preliminary conclusions. These findings and preliminary conclusions were also discussed with the Deputy Director General of the Department of Trade and Industry (DTI). Another presentation and discussion of findings and preliminary conclusions was made in Vienna at UNIDO Headquarters on 27 September 2011. The preparation of the report took place between October and November, based on the information collected during the previous phases. Finally, the

draft report was distributed for comments in December 2011 and a final version was prepared thereafter.

1.5. Constraints of the evaluation

The main challenge faced by the evaluation team was the limited availability and quality of information. This affected especially the capacity to evaluate Global Forum (GF) activities, which were difficult to track because UNIDO does not keep specific records of them. Even when it was possible to identify some GF activity, no record is kept of their participants or main beneficiaries. In the case of the incipient activities related to the Montreal Protocol, little information was found for the ongoing project, which focuses on project preparation activities for the phasing out of Hydro-chlorofluorocarbons (HCFC).

In addition to these specific constraints, more generally, the availability and quality of information for evaluation was limited. Projects often did not have a well-functioning monitoring and evaluation system. Information for several of the completed projects, including project documents, progress reports, and completion reports were not always available. In the case of some ongoing projects, the available information was insufficient. Evaluation of efficiency was difficult as available data about project costs was not disaggregated at the level of specific activities or outputs.

2

Country context

2.1. Brief overview of recent economic development

Since the late 1940s, South Africa was affected by the politics of apartheid and 'separate development'. These policies exacted a toll on the country in terms of social unrest, economic sanctions, an under-skilled and under-educated workforce, and the costs associated with multiple government administrations established to manage the 'black homelands".[8]

In 1994, the apartheid regime fell and South Africa held the first all-race election, becoming a full constitutional democracy. This dramatic transition addressed the country's political problems and led to an easing of social tensions and the lifting of economic sanctions. In addition, it heralded the re-integration of the country into the global economy, which was accompanied by policies of trade liberalization, deregulation, and tight control of state spending in the pursuit of macro-economic stability.

The economy of South Africa is ranked as an upper-middle income economy, with an estimated per capita Gross Domestic Product (GDP) of USD 7,275 that makes the country one of only four countries in Africa represented in this category.[9] By 2010, the total value of the GDP reached USD 363.7 billion and the population was estimated at 50 million.

Economic growth has been good since 1994, with an annual average growth in GDP of 3.2%, a significant increase on the average annual growth of 1% for the decade before democracy. In fact, the country enjoyed an unprecedented 15 years of GDP growth between 1994 and 2008, with GDP expanding by 72% in this period (see table below).

[8]The Bantu Authorities Act of 1951 and the Promotion of Bantu Self-Government Act of 1959 created 10 African "homelands", reserving 13% of the country's land for the black population while the remainder was reserved for the white population. The homelands lacked natural resources, were not economically viable, were small and fragmented, and were therefore economically dependent on South Africa. Four of these homelands, Transkei, Bophutatswana, Venda and Ciskei, were declared independent, while the others received partial autonomy according to http://www.africanaencyclopedia.com/apartheid/apartheid.html.

[9] World Bank, World Development Indicators 2010.

Table 2: GDP Growth since 1997

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP Growth	2.6	0.5	2.4	4.2	2.7	3.7	2.9	4.6	5.3	5.6	5.5	3.7	-1.7

Source: National Planning Commission and Department for Performance Monitoring and Evaluation.

This record of economic growth has been attributed to several factors. First, foreign capital inflows increased dramatically, which relates with higher business confidence. Between 1994 and 2009, the country received financial inflows of ZAR 639 billion. Second, domestic demand increased, as government policies supported the emergence of a black middle class and social transfers increased the spending power of the poor. Lower interest rates and a stronger national currency in the latter part of this period increased consumer demand for both domestic and foreign goods. Sustained growth in the world economy and a recovery in commodity prices also assisted growth.

The Government's prudent fiscal management led to a debt to GDP ratio of almost 50% in the 1995/96 fiscal year to South Africa's first ever budget surplus in the 2006/97 financial year. This turnaround was made possible by improved revenue collection and tightly managed government spending. Government spending in real terms averaged an annual growth of 0.5% from 1994 to 2005. This sound monetary and fiscal management encouraged continued investment and growth.

The decrease in growth rates to 0.5% in 1998 can be attributed to the crisis in the East Asian countries. However, the South African economy recovered from this slump and achieved growth rates in excess of 5% for three consecutive years from 2005, until the effects of the global financial and economic crisis began to be felt by the local economy. This caused the slowing of growth to 3.7% in 2009 and an actual contraction in the economy of 1.7% in 2009.

South Africa emerged from the recession at the end of 2009 with growth of 2.8% in 2010. GDP is expected to grow at a rate of 3.6% in 2011 and 4.3% in 2012. GDP growth for 2010 was driven primarily by a steady recovery in consumer spending, partially attributed to the FIFA World Cup.[10] Inflation fell to 3.5% by the end of 2010, averaged 4.3% in 2010, and is expected to reach 5.3% in 2011.

2.2. Relative weight of the industrial sector

Table 3 (next page) reflects the changing structure of the South African economy. In 1960, the primary sector accounted for approximately 29% of the economic output of the country. This situation changed dramatically over the last 50 years, with the primary sector contributing only 8.3% to GDP in 2009. The fall in the contribution of mining was particularly dramatic, with a steep decline from almost 25% in 1960 to 5.8% in 2009. This

[10]AfDB, OECD, UNDP, UNECA (2011). African Economic Outlook 2011, South Africa.

fall can be attributed to falling commodity prices and a decrease in the production of gold, as the more easily mined gold deposits are exhausted.

While the share of the secondary sector (including manufacturing; electricity, gas and water; and construction) within GDP has also decreased in the last 30 years, the decline has not been as dramatic as that of the primary sector. The secondary sector decreased from a high of 27.1% in 1980 to 22.5% in 2009. The decrease in the share of the manufacturing sector, which went from 21.4% of the GDP in 1980 to 16.6% in 2009, constituted a large part of this decline. The manufacturing sector has faced intense pressure with the opening up of the South African economy and rapid trade liberalization and has experienced de-industrialization in some sectors. For example, the National Foundry Technology Network (NFTN) indicated that the foundry industry consisted of approximately 400 companies 20 years ago, but that the industry has since contracted to only 185 companies[11].

The importance of the tertiary sector has been growing, moving from a low of 52.9% in 1970 to almost 70% in 2009. The financial and business services and the transport and communication sectors account for the biggest increases in share of GDP within the tertiary sector. Employment within the financial services sector has increased by 78% between 2003 and 2008.

Table 3: Structure of the South African economy, 1950 to 2009[12]

Sector	% of Total Gross Value Added				
	1960	**1970**	**1980**	**1990**	**2009**
Primary	*28.8*	*23.8*	*16.6*	*13.9*	*8.3*
Agriculture, forestry & fishing	4.5	3.1	3.4	3.3	2.5
Mining & quarrying	24.3	20.7	13.2	10.6	5.8
Secondary	*17.4*	*23.3*	*27.1*	*25.5*	*22.5*
Manufacturing	13.4	17.8	21.4	20.2	16.6
Electricity, gas & water	1.1	1.2	1.8	2.3	2.3
Construction	2.9	4.3	3.9	3.0	3.6
Tertiary	*53.8*	*52.9*	*56.3*	*60.6*	*69.3*
Wholesale & retail trade, catering & accommodation	10.4	12.2	12.6	13.0	13.4
Transport, storage & communication	5.2	5.4	6.9	6.6	10.2
Finance, insurance, real estate & business services	14.3	14.7	15.2	16.4	23.9
General Government	17.1	15.6	16.7	18.7	15.2
Other	6.8	5.0	4.9	5.9	6.6
Total	100	100	100	100	100

Source: Roux, A. (2011). Everyone's Guide to the South African Economy, South Africa.

[11] Interview at the National Foundry Technology Network, 13 September 2011.

[12] Roux, A. (2011). Everyone's Guide to the South African Economy, South Africa

According to the economic analysis underpinning the economic strategies of the Department of Trade and Industry (DTI), as set out in the Industrial Policy Action Plan 2, growth within the South African economy has been driven by increases in consumption, based on credit expansion. DTI differentiates between what it calls 'consumption related' sectors, like retail, wholesale, real estate, financial services, insurance, transport, storage and communication, catering and accommodation sectors, which collectively grew by 114% between 1994 and 2010; and the more 'production related' sectors like agriculture, mining, manufacturing, electricity and water and the construction sectors which collectively grew by only 38.3% in the same period. [13]

According to the Industrial Policy Action Plan 2011/2112 – 2013/2014, the manufacturing sector accounts for the largest share of GDP amongst the 'production related' sectors, 54.4% in 2010. Within the manufacturing sector itself, there have been significant variations in performance. While the natural-resource-based sectors (petro-chemicals, aluminum, steel, paper and pulp and cement) have shown relatively strong growth performance, the other manufacturing sectors have stagnated, with only small improvements since 2003. The automotive sector has been the exception, as it has more than doubled in size since 1994 and greatly increased export performance. The exceptional performance of this sector has been attributed to the incentives made available by the Motor Industry Development Programme. Despite this support and the exceptionally strong growth rate, the automotive sector has not performed well in terms of job creation or increasing local content.

Employment within the agricultural, mining and manufacturing sectors declined from 3.01 million in 1994 to 2.58 million in 2006, but still forms a substantial portion (21%) of overall employment of 12,179,346 in 2006. The manufacturing sector shed almost 500,000 jobs from the beginning of 2008, decreasing from approximately 2 million jobs in the first quarter of 2008 to a low of approximately 1.5 million jobs in the second quarter of 2010. Manufacturing employment has since recovered slightly to 1.55 million jobs by the end of the fourth quarter in 2010.

The manufacturing sectors of the economy are identified as being particularly important for growth since they have the highest growth multipliers. The IPAP 2011/2012 document indicates that the 'motor vehicles, parts and accessories' sector has the highest growth multiplier at 3.6%, followed by the 'leather and leather products' sector with a multiplier of 3.1%. In comparison, the 'non-manufacturing' sector with the highest growth multiplier, 'printing, publishing and recorded media' has a growth multiplier of 2.8%.[14]

The post-1994 development of the economy has changed the skills and capital intensity of growth in the South African economy. The increase in non-tradable sectors has led to an increased demand for higher skill levels, within both the private and public sector; with low and unskilled workers accounting for only one third of the employment in this sector. Even though skill intensity in the tradable sectors has increased, 70% of the workers in these sectors are still categorized as low or unskilled workers, with approximately 60% in

[13] Department of Trade and Industry (2011). 2011/12- 2013/14 Industrial Policy Action Plan, South Africa.
[14] Department of Trade and Industry (2011). Industrial Policy Action Plan 2011/12- 2013/14, South Africa.

the manufacturing sector.[15] Given the vast numbers of unemployed workers with low skill levels, this makes the manufacturing sector particularly important to policy makers in South Africa.

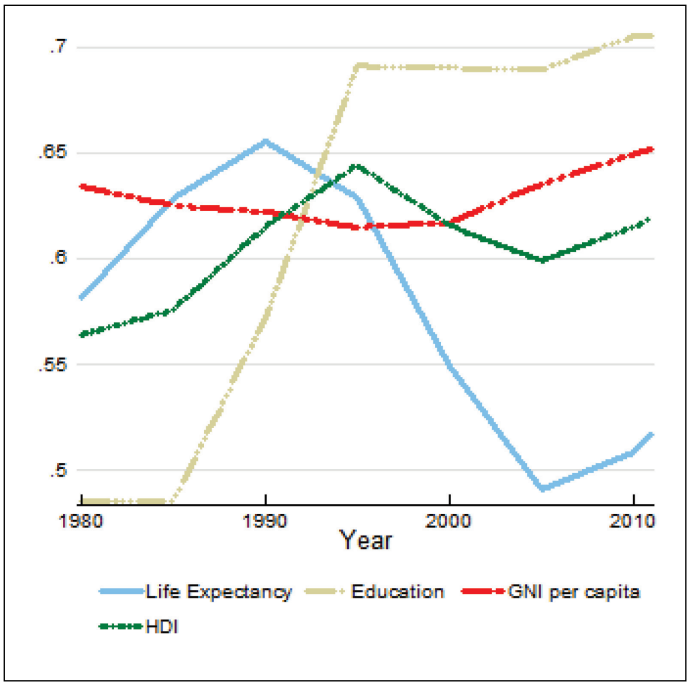
The period since 1994 has seen an important diversification of exports from South Africa, away from reliance on the export of minerals. While the resource-based industries continue to dominate exports from South Africa, their relative importance has declined from 74% in 1994 to 61% in 2006. The automotive industry has been the most important source of growth and diversification in South Africa's manufacturing exports.

Since 1994, the South African Government has actively supported the restructuring of industry in order to better deal with the demands of international competition. Although interventions were undertaken in a number of sectors (for more information, see the section on 'Relevant Government Policies, Strategies and Initiatives') only the programmes in the automotive sector and the upstream resource-based sectors like steel, aluminum and chemicals have been successful.

2.3. Development challenges facing South Africa

Human Development Index

Figure 1: Trends in South Africa's HDI component indices 1980-2011



Source: Human Development Report 2011.

In 2011, the value of South Africa's Human Development Index (HDI) is 0.619, placing the country at position 123 out of 187 countries and territories in the medium human

[15] Department of Trade and Industry (2007). A National Industrial Policy Framework, South Africa.

development category. Between 1995 and 2011, South Africa's HDI value decreased from 0.644 to 0.619, a decrease of 4%. This decrease is driven by a decrease in life expectancy, which went from 59.9 years in 1995 to 52.8 years in 2011. The decrease in life expectancy is attributed to the impact of the HIV/AIDS epidemic.

Figure 1 above illustrates this dramatic decline in life expectancy compared to the other components of the HDI. Between 1995 and 2011, the mean years of schooling increased from 8.2 to 8.5 years, while expected years of schooling remained the same at 13.1 years. In the same period, South Africa's GNI per capita increased by 29.0 %.[16]

Poverty

Levels of poverty remain unacceptably high, but have been improving in recent years. If the R 524 poverty line poverty headcount index is used, poverty has decreased from 58% in 2000 to 49% in 2008. If the ZAR 283 poverty line poverty headcount is used, poverty has decreased from 38% in 2000 to 22% in 2008. The decline in poverty headcount is largely due to an increase in social grant uptake.[17] The National Planning Commission's Institutions and Governance Diagnostic indicates that the South African Government provided social grants to nearly 14 million people in 2010, compared to only 2 million people in 1996[18].

Inequality

South Africa is the second most unequal society in the world, after Brazil. In the period between 1995 and 2008, the Gini co-efficient actually worsened from 0.64 to 0.66. Seventy percent of income accrues to the richest 20% of households, while the poorest 10% get less than 0.6%. The inequality still reflects a racial bias as well, with the mean income for the black population at ZAR 775.46 in 2008, while the mean income for the white population was ZAR 7,645.58.
Per capita Gross National Income (GNI) in 2005 prices increased by 25.8% between 1994 and 2010. However, monthly income for the poorest 10% of the population increased by 33% from ZAR 783 to ZAR 1,041 between 1994 and 2009. In the same period, monthly income for the richest 10% of the population increased by 38% from ZAR 71,055 to ZAR 97,899.

Black economic empowerment

The overlap of race with poverty and inequality in South Africa makes black economic empowerment a key issue for the country. Despite the creation of a black middle class, the vast majority of black South Africans currently enjoys political freedom but has not attained a substantive change in their economic circumstances. The Government has

[16] UNDP (2011). Human Development Report 2011: Sustainability and Equity: A Better Future for All, Explanatory note on 2011 HDR composite indices: South Africa, http://hdrstats.undp.org/images/explanations/ZAF.pdf
[17] National Planning Commission & Department of Performance Monitoring and Evaluation (2010), Development Indicators, South Africa.
[18] National Planning Commission (2011). Institutions and Governance Diagnostic, South Africa.

therefore established laws and regulations like the Employment Equity Act, No. 55 of 1998, the Preferential Procurement Policy Framework Act, No. 5 of 2000, the Broad-based Black Economic Empowerment Act, No. 53 of 2003, and the related Broad-based Black Economic Empowerment Codes of Good Practice in order to promote black economic empowerment.

The purpose of the Employment Equity Act is to achieve equity in the workplace through the implementation of affirmative action in order to ensure the equitable representation of designated groups in all occupational categories and levels in the workforce. Designated groups include black people, women, and persons with disabilities. The Act obliges employers within the public and private sectors to prepare and implement an employment equity plan with annual objectives and numerical targets for each year. The Act stipulates that employers should establish internal monitoring and evaluation procedures and dispute resolution mechanisms, but also obliges the employer to submit regular reports to the Department of Labour, reporting on progress in the implementation of their employment equity plan.[19]

The Preferential Procurement Policy Framework Act (PPPFA) and its associated regulations set out the framework within which all organs of state must develop and implement a preferential procurement policy in order to increase the proportion of state procurement that is awarded to categories of persons who have been historically disadvantaged by unfair discrimination on the basis of race, gender or disability. The PPPFA allows for the awarding of preference points to historically disadvantaged individuals responding to a state tender, thereby increasing the likelihood of them being awarded a tender.[20]

The Broad-based Black Economic Empowerment Act (B-BBEE Act) gives legal imperative to the need for inclusion of black people into the economic life of South Africa. The Act makes it imperative that all state organs and public entities take into account the Black Economic Empowerment (BEE) status of a company when: a) determining qualification criteria for the issuing of licenses, concessions, or other authorizations in terms of any law;(b) developing and implementing a preferential procurement policy;(c) determining qualification criteria for the sale of state-owned enterprises; and(d) developing criteria for entering into partnerships with the private sector[21].

The Act therefore functions as a point of leverage for the state to ensure transformation within the private sector. Before the B-BBEE Act, the black economic empowerment status of an enterprise was judged solely on the basis of the ownership and management of the entity. The B-BBEE Codes of Good Practice broadened the definition of black

[19] The South African Labour Guide, (undated). Summary of the Employment Equity Act, 55 of 1998, issued in terms of Section 25(1), South Africa. http://www.labourguide.co.za/employment-equity/summary-of-the-employment-equity-act-55-of-1998-issued-in-terms-of-section-251-359.

[20] The Republic of South Africa, (2000). The Preferential Procurement Policy Framework Act, No. 5 of 2000, South Africa.

[21] The Republic of South Africa, (2003). Broad-Based Black Economic Empowerment, Act 53 of 2003, South Africa.

economic empowerment to include other elements, together with a weighting system. The Codes of Good Practice added the elements of employment equity, skills development, preferential procurement, enterprise development and socio-economic development to ownership and management control in determining the BEE status of an entity.[22]
While these policies entail a cost, it is widely agreed in the South Africa society that this cost must be borne in order to develop a tenable socio-economic situation in the country. Disappointingly though, the implementation of these policies has been such that they have tended to benefit a small elite of black people rather than the vast majority of the poor. It is therefore necessary for the implementation of these policies to be improved and the outcomes to be better monitored.

Unemployment

Despite sixteen consecutive years of economic growth, the rate of unemployment within South Africa remains unacceptably high at 25.3% in June 2010, according to the narrow definition of unemployment. If the broad definition of unemployment is used, i.e. the 'percentage of people who were without work in the week preceding the interview and were available for work', then the unemployment rate increases to 35.9%[23]. According to the National Planning Commission, almost 60% of the unemployed in South Africa have never been employed.

Unemployment (narrowly defined) increased from 2 million in 1995 to 4.4 million in 2003. It then decreased to 3.9 million in 2007 and again increased to 4.4 million in the third quarter of 2011[24]. Therefore, job creation started outstripping the growth in the labor force by 2007, but the onset of the global economic crisis has reversed this trend, leading to an increase in the number of unemployed.

SME Development

The astonishingly high unemployment rate and the pervasiveness of poverty in South Africa cause households to resort to self-employment and the establishment of survivalist enterprises within the informal economy. These businesses form an important part of household livelihood strategies and the South African Government supports and promotes these micro-businesses in order to assist them to formalize and eventually enter the 'first economy'.

The Government has a number of initiatives that support the growth and development of Small, Medium and Micro Enterprises (SMEs). The SME sector is generally viewed positively for its capacity to generate employment. In South Africa, SMEs contribute more than 40 % of total GDP and account for more than 60 % of employment. However, according to the 2009 Global Entrepreneurship Monitor report, South Africa was ranked

[22]The Department of Trade and Industry, (2007). Background To, Intention & Application of the Codes of Good Practice, South Africa.
[23] National Planning Commission & Department of Performance Monitoring and Evaluation (2010), Development Indicators, South Africa.
[24]Statistics South Africa, (2011).Quarterly Labour Force Survey, Quarter 3, 2011. South Africa.

29th out of 37 countries for new firm activity, with only 2 % of the adult population being involved in new firms. South Africa ranked in the lowest quartile of the surveyed countries in two key measures: opportunity entrepreneurship and new firm activity. Total early-stage entrepreneurial activity rates in South Africa are about half of what they are in other developing countries.

The National Planning Commission has identified the following factors that hinder the development of SMEs: (a) inappropriate regulation, (b) inability to access finance, (c) crime, and (d) inability to compete against prices of large firms. A strategy to promote SMEs must address the challenge of assisting SMEs to access established supply chains. The UNIDO implemented Supplier Partnership Exchange Programme and the Automotive Component Supplier Development Programme, both address this issue of assisting smaller companies to access formal supply chains to the OEMs and public enterprises[25].

Specific challenges related to the industrial sector

A number of factors inhibit the growth and development of the industrial sector in South Africa, including the following:

a) A volatile exchange rate, which makes it difficult for firms to plan and execute investments and to trade successfully in global markets.

b) High cost of capital. Even though nominal interest rates are now at a 30-year low, the relative cost of capital in comparison to South Africa's primary trading partners is still high.

c) Failure to adequately exploit domestic supply opportunities associated with the public capital expenditure programme, large public sector operational expenditure and private procurement expenditure. UNIDO's assistance to suppliers via the Supplier Partnership Exchange Program is specifically linked to opportunities arising from the capital expenditure programme being undertaken by Transnet and Eskom.

d) An aged, unreliable and expensive rail and port system. South Africa has problems with price and quality of the logistics infrastructure needed to support industry, especially on the export side. The efficiency of basic rail and port infrastructure has been undermined by the under-investment in public infrastructure since 1994.

e) While fixed investment by the private sector is lower than needed, it has remained fairly constant. The decrease in state investment in the post-apartheid era has meant that fixed investment rates have fallen far short of the 25% needed in order to move the economy to a higher growth path.

f) Low skill levels. The lack of skills is problematic for the development of the economy, especially within the current context of the global commoditization of

[25]National Planning Commission (2011). Economy Diagnostic, South Africa.

lower value manufacturing. Moreover, the lack of skilled labor constrains growth in higher value, more dynamic goods and services, which are more skill and technology intensive. Given South Africa's current industrial challenges, the NIPF indicates that country's growth path in the short to medium term has to focus on identifying those sectors with intermediate barriers to entry that do not depend on very low costs or on very high levels of technology. However, in the medium to long term, the country's growth path must focus on developing the knowledge economy and the human and technological capabilities needed to by a knowledge economy. It is therefore necessary to focus on industrial upgrading, industrial infrastructure, innovation and technology. The UNIDO SPX programme and the Automotive Component Supplier Development Programme both seek to assist the South African Government in this drive for industrial upgrading through international benchmarking and supplier development activities. The NIPF identifies the need for a 'Manufacturing Excellence Programme' in order to promote industrial upgrading and indicates that benchmarking against local and international peer companies would be a key facet of such a programme[26].

g) Higher electricity costs and costs associated with transitioning to a low carbon economy in the face of growing concerns about climate change: In 2008, the South African economy was beset by rolling black-outs, the first public manifestation of the capacity constraints that currently beset the South African electricity supply system, which has suffered from lack of investment over the last two decades. In addition to current capacity constraints within the electricity system, South Africa's electricity generation system is based on fossil fuels and therefore leads to unsustainably high carbon emissions. Eskom is currently undertaking a capital investment programme to increase the capacity of the electricity system, together with demand side management measures. However, the expansion of capacity has necessitated large increases in the price of electricity in order to finance these investments. The rising cost of electricity poses a serious challenge to industry, and is driving an increasing interest in adopting energy efficient production methods. UNIDO's Industrial Energy Efficiency Project is therefore especially important in assisting South African companies to adapt to their changing environment.

2.4. Relevant government policies, strategies and initiatives

As explained above, South Africa faces a number of significant development challenges, including accelerating growth and sharing its benefits more broadly in order to reduce poverty and inequality. In order to address these challenges, the Governments elected since 1994 have implemented a number of policies, strategies, and programmes. This section presents an overview of policies related with industrial sector development.

[26] Department of Trade and Industry (2007), The National Industrial Policy Framework, Pretoria: South Africa.

National Industrial Policy Framework (NIPF)

The NIPF was adopted in January 2007 and provides a framework for South Africa's industrialization process. It focuses on principles and strategic processes to achieve structural change. The vision set out by the NIPF contains the following elements: a) diversification beyond reliance on traditional commodities and non-tradable services; b) promotion of value addition and movement into non-traditional tradable goods and services for the domestic and export markets; c) long-term intensification of South Africa's industrialization process and movement toward a knowledge economy; d) promotion of a more labor absorbing industrialization process; e) broader based industrialization with greater participation of historically disadvantaged people and regions; and f) promotion of industrial development and productive capabilities on the African continent.

The NIPF contains 13 strategic programmes:

a) Sectoral Strategies: The processes that lead to the development of sectoral strategies are expected to be built on better sectoral research and high quality interactions with businesses, labor and other stakeholders, and should result in Key Action Plans for each sector that will be supported by regulatory reform and industrial financing from DTI.

b) Industrial Financing: Would follow core principles, including a focus on new rather than existing activities and, if possible, should have spillover and demonstration effects. Would operate for specified periods and be linked to the achievement of measurable benchmarks by firms.

c) Trade Policy: Would be informed by sector strategies at policy and administrative levels, focusing on decreasing input costs for labor intensive and value-adding industries and pursuing more targeted export promotion and foreign direct investment promotion activities.

d) Skills and Education for Industrialization: would emphasize links between industry and tertiary institutions and seek to increase technical graduates. Would also seek to mediate between high impact sectors and specific vocational institutions.

e) Competition Policy and Regulation: monitoring and investigative role of competition authorities and sectoral regulators would be increased, with particular focus on containing costs of utilities and raw materials.

f) Leveraging Public Expenditure: Investments in recapitalization of the electricity and transport infrastructure for the country, their ongoing related operational costs, and the cost of building and upgrading stadia in preparation for the 2010 Soccer World Cup represented large opportunities for domestic companies.

g) Industrial Upgrading: Support the development of firm-level product and process efficiencies, and for appropriate industrial infrastructure like industrial parks and sector specific infrastructure.

h) Innovation and Technology: Further development of pockets of technology in which South Africa has a potential advantage. Support for product development and commercialization of intellectual property.

i) Spatial and Industrial Infrastructure: Continue research into promoting sustainable regional industrialization. Support for appropriate industrial infrastructure like industrial parks and sector specific infrastructure in areas with latent economic potential.

j) Finance and Services for Small Enterprises: Strengthening of financial and non-financial support and leveraging market opportunities for small firms.

k) Leveraging Empowerment for Growth and Employment: Assist black firms to enter new growth sectors, thereby linking to growth and employment opportunities.

l) Regional and African Industrial and Trade Framework: Explore opportunities for South African public and private sector to promote the development of productive capabilities in Africa.

m) Coordination, Capacity and Organization: The Economic Investment and Employment Cluster will co-ordinate across different government departments that have a role to play in implementing industrial policy. Improve co-ordination at national and sub-national level and increase capacity to implement industrial policy in all relevant entities.

The NIPF emphasizes its role as a framework rather than a blueprint for industrial development and envisages that the detail of the individual interventions would arise from processes undertaken in line with the NIPF principles. The NIPF is therefore accompanied by associated Industrial Policy Action Plans (IPAPs).

Industrial Policy Action Plan (IPAP)

The first IPAP was adopted in August 2007 and presented the first detailed action plan to support the implementation of the NIPF.

In terms of sectoral interventions, the IPAP focused on: a) fast-tracking implementation of four key sectoral plans: Capital/Transport Equipment and Metals; Automotives and Components; Chemicals, Plastics Fabrication and Pharmaceuticals; and Forestry, Pulp and Paper and Furniture; b) continuing implementation of programmes supporting AsgiSA sectors: Business Process Outsourcing and Offshoring, Tourism; and Biofuels; c) implementation of sector projects in: Diamond beneficiation and jewelry, agro-processing, Film & Crafts; d) further strategy work in the following sector: Mining and minerals manufacturing; Agriculture/Agro-processing; ICT & Creative Industries, and White Goods.

In terms of cross-cutting issues, the IPAP focused on: a) design and implementation of an Industrial Upgrading Programme; b) revising industrial financing mechanisms to support industrial policy; c) reducing input costs through competition policy and review of import duties on intermediate goods.

The sectoral intervention in the Capital/Transport Equipment and Metals sector was based on the opportunity to utilize capabilities developed in producing capital equipment for the mining sector to leverage greater economic impact from the planned public expenditure in energy and transport infrastructure. UNIDO's Infrastructure Supplier Benchmarking Programme and the Supplier Partnership Exchange Programme are integrally linked with this sectoral intervention.

The identification of the Automotive and Components sector as a key sector by IPAP, continued the long-term support offered to this sector by successive South African governments. UNIDO has contributed to the support for this sector by partnering with national and provincial government to support the development of the Automotive Industry Development Centre (AIDC) and through its implementation of the Automotive Supplier Development Programme, on which the AIDC is the counterpart agency.

Industrial Policy Action Plan 2010/2011 – 2012/13 (IPAP2)

The Key Action Plan within this IPAP focuses on:

a) Securing sources of concessional financing for disbursement by the Industrial Development Corporation (IDC) into IPAP sectors;

b) Leveraging procurement, with a number of specific actions listed in order to ensure that local suppliers are able to benefit from public and private procurement, including: (i) revisions of the Preferential Procurement Policy Framework Act to award preferential points to suppliers of domestically produced goods and services, including a mechanism for DTI to 'designate' a sector or sub-sector for domestic production, with specified levels of local content; (ii) Identification of strategic procurement 'fleets' and development of long term procurement and local content plans; (iii) strengthening the National Industrial Participation Programme (NIPP) by making it a pre-tender process. Any company winning a tender to provide goods or services with an imported content value equal to or exceeding USD10 million, to government - or state-owned enterprises (SOEs), is obliged to reinvest 30% of the imported content value in the South African economy, via mutually beneficial business projects with local partners; [27]

c) Strengthening the Competitive Supplier Development Programme (CSDP) and its articulation with NIPP. The CSDP seeks to leverage public spending through the inclusion of localization targets within the contracts awarded to international suppliers, especially on the energy and transport recapitalization programmes. The CSDP made it mandatory for Eskom and Transnet to prepare Competitive Supplier Development Plans for submission to the Department of Public Enterprises (DPE). These plans identify and list commodities to be purchased from local industry with due recognition to which industries are approaching

[27] Department of Trade and Industry, (2008). The National Industrial Participation Programme Revised Guidelines, South Africa.

competitiveness and/or are strategic in nature in terms of ensuring reliability of supply;

d) Reviewing and aligning Broad-based Black Economic Empowerment Codes with industrial policy in order to leverage private procurement;

e) Development Finance Institutions to include conditionalities in their financing agreements that oblige borrowers to meet local and regional content requirements;

f) Leverage the 'Proudly South African' campaign to 'accredit' companies with high levels of local content;

g) Continue developmental tariff reform: apply to the International Trade Administration Commission (ITAC) for selective tariff increases on products with significant potential to create/retain jobs and products with import replacement potential;

h) Strengthen implementation of competition policy to lower costs of intermediate goods for productive investments.

In terms of sectors, this IPAP groups sectors into three groups:

a) Qualitatively new areas of focus: metal fabrication, capital and transport equipment, green and energy saving industries, agro-processing;

b) Scale up interventions in existing IPAP sectors: automotives, components, heavy and medium vehicles; clothing, textile footwear and leather; plastics, pharmaceuticals and chemicals; biofuels; forestry, paper, pulp and furniture; cultural industries and tourism; business process servicing;

c) Sectors with potential for long-term advanced capabilities: aerospace, nuclear and advanced materials.

Automotive sector

While small in global terms, the automotive sector in South Africa is an important part of the country's manufacturing sector and currently constitutes almost 12% of total exports. An estimated 90,000 people are currently employed within the vehicle assembly and component manufacturing sectors, despite the fact that 20 000 jobs have been lost in these sectors since the economic downturn of 2008[28].

The motor industry in South Africa was established and developed by the apartheid state, in line with import substituting industrial policies and protected by import tariffs of up to 115%. The industry therefore produced a large variety of models with very short production runs for the small domestic market. The industry was notoriously inefficient and produced vehicles of poor quality. After the advent of democracy in South Africa and

[28] Extract from speech by Rob Davies, Minister of Trade and Industry at the Johannesburg International Motor Show on 10 October 2011.

the introduction of trade liberalization policies, the industry was expected to collapse in the face of international competition, with a devastating impact on regional economies, particularly in the Eastern Cape, and employment figures.

The Department of Trade and Industry therefore developed special sectoral policies to support the upgrading of the sector, including firm-level restructuring and supplier development programmes, clustering initiatives, and a policy package called the Motor Industry Development Programme (MIDP) that provided incentives to promote structural change and rationalization within the industry. The industry also benefited from import restrictions of used cars and a range of provincial and local government initiatives for the provision of infrastructure, factory facilities and special financial arrangements[29].

The Motor Industry Development Programme (MIDP)

The MIDP was introduced in 1995 and was expected to operate until 2012. It was an export-import complementation programme and was intended to assist local industry to transform from a high cost import substitution structure to an outward oriented one in which firms can reduce costs by producing fewer models at increased volumes. The programme sought to encourage OEMs to produce a small range of vehicles inside South African for both the domestic and international market, through the provision of specific incentives. This would, in turn, allow component manufacturers to rationalize their operations as they are able to focus on producing components for a smaller range of vehicles.

The MIDP programme consisted of five elements:

- a phased reduction in import duties on vehicles and components;
- an export-import complementation scheme which allowed vehicle and components exporters to earn tradable "Import Rebate Credit Certificates" (IRCCs) to offset duties on imported vehicles and components;
- access to the standard duty drawback programme for exporters, which allows rebates on import duties paid on components and intermediate inputs used in exported vehicles;
- a duty free allowance on imported components of 27 % of the value of vehicles produced for the domestic market;
- a productive asset allowance (PAA) that provides import duty credits equal to 20 % of the value of qualifying investments.

The incentives in respect of components apply only to those sold directly to OEM manufacturers. The programme therefore excludes components produced for the after-market.

The MIDP has led to many new investments in the motor industry, especially in export-oriented, IRCC-generating activities, which in turn led to a substantial growth in exports of vehicles and components. However, the industry has not achieved economies of scale by

[29] Flatters, F. (2005). The Economics of MIDP and the South African Motor Industry, Canada

rationalizing production into a smaller range of models as intended, since export subsidies have kept domestic vehicle prices high and made it possible for firms to compete, regardless of whether they achieve international efficiency levels.

Despite very large investments in capacity within the last 16 years, employment levels within the industry have not increased significantly. In 1995 the vehicle assembly and component manufacturing sectors accounted for 85,600 jobs, this figure has increased to 90 000 jobs in 2011. Even if one includes the 20,000 jobs that were lost through the recent global crisis, the employment performance of the MIDP has been very poor relative to the cost of the programme. The effects of the MIDP have been reviewed and a new programme, the Automotive Production and Development Programme (APDP) will replace the MIDP fully from 2013.

The Automotive Production and Development Programme (APDP)

While the MIDP incentives were based on exports and benefited vehicle manufacturers, the APDP, rewards local manufacturing and offers benefits to both vehicle manufacturers and components suppliers, regardless of whether the motor vehicles are sold locally or abroad. The APDP's key objective is stimulating the expansion of the automotive manufacturing industry to produce 1.2 million vehicles per annum by 2020, with an associated deepening of the component industry, to create jobs and make a positive contribution to the balance of trade.[30]

The new focus under the APDP is to provide assistance to the component manufactures so that they can provide cost competitive components to the Original Equipment Manufacturers (OEMs) and to international markets via exports. In addition, the APDP offers an incentive to up-skill employees (given our countries skill shortage) and to invest in technology, research and development (aimed at responding to global climate change and tightening of international emission standards).

The APDP contains the following suite of incentives for the automotive industry:

- The Automotive Investment Allowance (AIA) replaced the MIDP's Productive Asset Allowance from June 2009, and provides a 20% return on investments in new plant and machinery for both, OEMs and component manufacturers.
- A discretionary company specific support allowance of 10% on costs incurred for training, research and development, technology, transfer, localization and commissioning.
- The Production Incentive (PI) replaces the import rebate credit certificate (IRCC) scheme and is based on production output rather that value of exports alone. The calculated value of the PI will be awarded to the manufacturer as an import duty credit to be rebated against future automotive imports or to be used as a refund on past component or motor vehicle imports.

[30] Extract from speech by Rob Davies, Minister of Trade and Industry at the Johannesburg International Motor Show on 10 October 2011

- A Local Assembly Allowance (LAA) which will allow OEMs with a plant volume of at least 50,000 units per annum to import a percentage of their components duty-free. The LAA would be offered as import duty credits issued to vehicle assemblers based on the value of motor vehicles produced domestically. The MIDP duty free allowance of 27% will be reduced under the LAA to 20% in January 2013, will reduce to 18% the following year and will stabilize at this level till 2020. Even though the percentage rebate is to be reduced under the APDP, OEMs will receive import duty credits from vehicles produced for the local and export market rather than just vehicles produced for the local market.
- Tariff protection: Import duty rates will be frozen at 20% for components and 25% for light motor vehicles from 1 January 2013. The tariffs will remain in place to discourage imports over locally produced vehicles.[31]

The change of the government support package for the automotive industry from the MIDP to the APDP has helped South Africa to become compliant with the World Trade Organization's (WTO) agreement on subsidies and countervailing measures under the 1994 General Agreement on Tariffs and Trade (GATT). Whether these measures will assist the South African motor industry to expand production to 1.2 million vehicles per year by 2020, with an accompanying increase in employment levels, remains to be seen.

Energy efficiency

South Africa has for a long time followed an industrialization path based on the availability of natural resources and cheap input costs, including cheap electricity. South Africa's industrial base is therefore biased toward large, resource-based, capital and energy-intensive sectors like petrochemicals, steel, aluminum, paper and pulp, and cement. Thirty eight large companies are responsible for 40% of the electricity consumption in South Africa, while 130 companies account for 70% of consumption[32].

However, the beginning of 2008 saw rolling black-outs throughout South Africa as electricity supply was disrupted. The lack of investment in the electricity generation sector over the last three decades has led Eskom, the state owned enterprise responsible for electric power generation and distribution, to a situation of dangerously low reserve margins. While the building of two new coal-fired power stations - Medupi and Kusile - is currently underway, the electricity generated from these stations is scheduled to come on stream in a phased manner between 2012 and 2018. Newspapers have recently reported that the commissioning of the first unit within the Medupi power station is likely to be delayed until 2013[33].

In the interim, Eskom is vigorously pursuing demand side management programmes within households and industry in order to increase efficiencies in electricity usage, thereby increasing reserve margins.

[31] Warrington, A. (undated). What does the new Automotive Production and Development Programme mean for the industry? South Africa.
[32] Interview with National Cleaner Production Centre.
[33] Business Report, 12 October 2011

The outcomes being pursued through the Energy Efficiency and Demand Side Management (EEDSM) policy are: a) quick power system relief; b) relative cost effectiveness; c) quick deployment of interventions across the residential, commercial and industrial sectors to create SME opportunities and quality employment; d) mitigation of greenhouse gas emissions and the resultant climate change impacts; e) participants will realize relief from their energy bills[34].

In 2010 the National Energy Regulator of South Africa (NERSA) approved increases in the Eskom's nominal tariffs of 24.8% for the 2010/2011 year, 25.8% for the 2011/2012 year and 25.9% for the 2012/2013 year. The average electricity price will therefore increase from ZAR 0.33/kwh to ZAR 0.65/kwh in 2012/2013, thereby doubling the average rate in 3 years[35]. These tariff increases are intended to increase revenue for Eskom and contribute to the funding of new generation capacity. The rising cost of electricity is squeezing the margins of businesses within South Africa, especially in the energy-intensive sectors. Industry is therefore seeking ways to become more energy efficient and regain control of their energy bills and its impact on their profitability. The current electricity crisis in South Africa has therefore increased the relevance of the UNIDO Industrial Energy Efficiency Project for enterprises within South Africa and the demand for the services of the project has consequently increased.

Conclusions on country context

From the above description of country conditions and policy initiatives two major conclusions can be drawn for this evaluation. First, despite the relatively high level of development of the South African economy, many areas remain that make UNIDO cooperation with South Africa relevant in principle. Especially the emphasis on pro-poor growth, integration of local SMEs into global value chains and energy related initiatives meet concrete and current challenges the country faces. Second, the Government of South Africa has developed a number of policy initiatives, programmes and projects in areas where UNIDO has core competence. This provides a good basis for UNIDO cooperation to make specific contributions that are well aligned and exploit synergies with Government strategies and initiatives.

[34] The Department of Energy's 'Policy to support the Energy Efficiency and Demand Side Management (EEDSM) Programme for the Electricity Sector through the Standard Offer Incentive Scheme'.

[35] www.southafrica.co.za

3

Assessment of UNIDO activities in the country

This chapter evaluates UNIDO's Technical Cooperation (TC) and Global Forum (GF) activities in South Africa, assessing the relevance, effectiveness, efficiency, impact, and sustainability of projects individually and of the UNIDO cooperation as a whole.

The first section describes the main features of the Country Service Framework, identifying the problems and objectives defined for UNIDO's intervention. The second section presents a general assessment of UNIDO TC activities, based on the quality of design of individual projects, their relevance and ownership, the operational performance of different projects, their impacts and sustainability. The third section focuses on Global Forum activities. A brief summary assessment of individual TC projects is presented in Annex A.

3.1. The Country Service Framework

Until December 2008, UNIDO's TC in South Africa was organized and implemented under a Country Service Framework (CSF) approved by UNIDO Executive Board on September 26, 2002. The CSF was the only programmatic document prepared by UNIDO in South Africa, as no Country Programme Framework or similar document was elaborated after the formal closure of the CSF in 2008.

The CSF (titled 'Towards environmentally and socially sustainable industrial development') defined that UNIDO's activities aimed at assisting the Government of South Africa with its policies fostering sustainable industrial development in particular in areas/sectors with highest poverty and unemployment. According to the CSF, the objective of UNIDO's activities in South Africa was to enhance capacities in public and private institutions for providing Business Development Services (BDS) especially to small, medium, and micro enterprises (SME). Technical cooperation would focus on:

a) Small, medium, and micro enterprise (SME) development, with the components of (i) development of institutional capacities for SME support on a decentralized basis and strengthening of knowledge transfer within supply chains and to provincial levels, and (ii) entrepreneurship development and business promotion in four provinces.

b) Environment, with the components of: (i) establishment of a National Cleaner Production Centre (NCPC), and (ii) support to implementation of cleaner production and waste management.

Four sub-sectoral areas were identified for UNIDO interventions: a) development of leather goods (arts and craft sector); b) fruit processing, with particular attention to the Maroela fruit; c) essential oil production (alternative production for small groups of entrepreneurs and small quantities of plant material); automotive industry, in particular through UNIDO's Business Partnership Programme, which would promote wide participation of SMEs and integration of a large number of firms into the supply chain. The agreed initial range for UNIDO-South Africa cooperation for SME development comprised:

a) Local capacity building for entrepreneurship and Business Development Services (BDS) as a cross cutting area for accelerated and decentralized SME development (all provinces, linkage to priority sectors);

b) Partnership programme with the Automotive Industry Development Center (AIDC) for supporting SME development in the automotive industry supply chain development;

c) Entrepreneurship for small-scale leather based industry (arts and crafts), mainly in the Eastern Cape and North Western Provinces;

d) Entrepreneurship for fruit (particularly Maroela) processing (Limpopo, other provinces to be identified); and

e) Entrepreneurship for essential oils production (Limpopo, Mpumalanga, and North Western Provinces)

For the field of environment, emphasis was on the establishment of a National Cleaner Production Centre (NCPC), and the support to the national programme for pollution control and waste management, including the 'zero waste strategy' to be achieved by 2022, the establishment of institutional capacities for policy and legislation, and the enforcement of env4ironmental laws.

The CSF was planned to extend over a three-year period (2002-2005), with a budget of USD 4.67 million excluding support costs, out of which USD 2.36 million were planned for the SME development component and USD 2.29 million for the Environment component. The implementing agency would be the Department of Trade and Industry (DTI) in cooperation with the Department of Environment and Tourism (DEAT).

The CSF document soon became outdated because of important changes in industrial policy. In addition, the Government disagreed with some specific institutions proposed to participate in the implementation of the programme. Although this problem could have been solved with small adjustments that updated the information contained on government programmes and delete references to specific institutions in some outputs, the underlying obstacle was the marginal participation of the Government in the

preparation of the CSF and lack of ownership of the document. As a result, the CSF was never signed by the Government of South Africa and it was eventually closed by UNIDO in 2008. By that time, the expenditures of approved projects had reached USD 2.23 million, which represented 48% of the budget proposed for the CSF over a three year period that was expected to end in September 2005.

The project or project groups implemented under the CSF were the following:

a) Establishment of the South Africa National Cleaner Production Centre (NCPC). This was the largest project, with total expenditures of USD 1.64 million financed by the Governments of Austria and Switzerland. The expenditures of the NCPC project represent 79.9 % of the funds spent in projects completed until the formal closure of the CSF in December 2008.

b) The Business Partnership Programme (SFSAF/02/001), implemented in partnership with the Automotive Industry Development Centre (AIDC). This project focused on promoting the development of SME domestic suppliers in the automotive industry. It was financed by the Government of South Africa, with total expenditures of USD 251,951.

c) The Infrastructure Supplier Benchmarking Programme (TE/RAF/08/013)which was financed by the Government of South Africa and aimed at strengthening the competitiveness of domestic suppliers by assisting them to enter the supply networks of State Owned Enterprises (SOEs) and the international Original Equipment Manufacturers (OEMs) that supplied the State Owned Enterprises (SOEs), Eskom and Transnet. The project was implemented in three years, having total expenditures by December 2008 of USD 101,828.

d) Assistance to the DTI (YA/SAF/07/001 and YA/SAF/08/001), with a total budget of USD 79,930 to assist the DTI with the implementation of its industrial policy action plan. The two projects focused on the design and implementation of selected projects in four priority sectors (textile and clothing, automotive assembly and components, capital/transport equipment and metals, and agro-processing).

e) Seed funds for the SME development components of the CSF, including: (i) the CSF South Africa, XA/SAF/02/625, which involved USD 174,183 over a three-year period to support SMEs, the creation of linkages between central agencies and provincial capacity building, and carrying out studies in three selected products (leather, essential oils, and fruit/maroela); and the South Africa SME Development Programme, US/SAF/02/115, with expenditures of USD 8,539.

To sum up, in spite of the CSF not being signed by the Government of South Africa, UNIDO projects during the first few years coincided with the priorities established in the CSF. The main projects implemented until the formal closure of the CSF in 2008 were the Business Partnership Programme with the AIDC, which was envisaged in the CSF document, a new area not defined in the CSF focused on strengthening the capacities of

South African suppliers to participate in supply networks of State Owned Enterprises (the Infrastructure Supplier Benchmarking Programme) and the NCPC project.

Less progress than expected was made during the implementation period of the CSF in the components of the SME thematic area, Starting in early 2003, UNIDO and the DTI agreed that the implementation of the SME component would be carried out in two phases, starting with a phase 1 funded by regular UNIDO funds. In this initial phase, priority would be placed on preparing provincial profiles, the development of a programme for creating institutional linkages between central agencies and provincial service providers and provincial capacity building, and the implementation of studies on three selected product groups (leather, essential oils and fruit/maroela) to define the viability of the activities and further proceedings in Phase II. At that time, the DTI would secure in-kind counterpart inputs for the implementation of the component, and it would explore possibilities of co-funding the component with government funds. Eventually, some of the proposed activities were implemented (in particular several studies carried out with the DTI), but did not lead to the preparation of projects as expected. as the seed funds spent did not lead to further activities. As a result, the funds spent in the SME components reached only USD 182,722, which represent only 7% of the budget of USD 2.63 million estimated in the CSF.

Finally, some important projects were identified and prepared close to the termination of the CSF. These projects include: a) Preparation of the Industrial Energy Efficiency Project (Preparatory assistance for the Industrial Energy Efficiency Project, with a budget of USD 40,000 funded by the SECO); b) a comparative study of the automotive industry promotion and support programmes in South Africa and other relevant countries (Brazil, India, Thailand, and Turkey) that served as a basis for the South Africa Government's evaluation of the main government policies towards the automotive industry (Comparative analysis of the South African Motor Industry Development Programme – MIDP, SE/SAF/08/002, with a budget of USD 169,116 funded by the Government of South Africa); c) a second phase of the Infrastructure Supplier Benchmarking Programme (TERAF08013), with a total budget of USD 1.31 million financed by the Government, and which was implemented until March 2011; and d) the UNIDO CEOs Forum in Durban YA/RAF08/027.

Table 4: Projects implemented during the period of the CSF

Project group	Project no.	Pro(T)	Date from	Date to	Donor(T)	Allotments / Expenditures USD 1/
CSF SME Development, Rural, youth and entrepreneurship	USSAF02115	USSAF02115 CSF SOUTH AFRICA: SME DEVELOPMENT	10/4/2002	8/1/2007	Danida-Sub-Saharan Africa	8,539
CSF Small business development	XASAF02625	XASAF02625 - CSF South Africa	10/9/2002	8/31/2005	Regular Programme Of Technical Cooperation	174,183

CSF Export oriented agribusiness and automotive	YASAF07001	Assistance to the Department of Trade and Industry	10/10/2007	12/31/2008	Regular Budget	45,951
CSF Export oriented agribusiness and automotive	YASAF07002	Assistance to the Department of Trade and Industry	2/18/2008	12/31/2010	Regular budget	32,979
National Cleaner Production Centre	UESAF04068	UESAF04068-Programme for the establishment of a NCPC	2/9/2003	12/31/2008	Austria Euro a/c	555,268
National Cleaner Production Centre	USSAF02068	Programme for the Establishment of a NCPC	11/11/2002	3/28/2006	Austria	255,550
National Cleaner Production Centre	USSAF02069	Programme for the Establishment of a NCPC	11/12/2002	12/31/2008	Switzerland / SECO US $ Contrib	833,146
Automotive industry	SFSAF02001	SFSAF02001 IP UNIDO Business Partnership Programme.	2/19/2003	2/28/2006	AIDC Dev Centre Ltd., South Africa	82,835
SPX	YASAF07002	Infrastructure supplier benchmarking programme	10/16/2007	12/31/2008	Regular Budget	101,828
TOTAL						2,090,279

1/ All projects in the table were completed by 31 December 2008 and disbursed all available funds, so allotments and expenditures have the same value

Source: Infobase and/or Agresso, as of 19 October 2010.

3.2. Assessment of TC projects

This section presents an assessment of TC projects in South Africa. The following two tables provide a summary of the assessment of the most important projects or project groups carried out by the evaluation mission and provide a global assessment of how these projects have been doing in terms of relevance and ownership, effectiveness, efficiency, impact, and sustainability. The projects or project groups that received more attention by the evaluation mission were: the Industrial Energy Efficiency Project; b) the Supplier Partnership Exchange Programme (SPX), c) the Automotive supplier development programme; and d) the South Africa National Cleaner Production Centre. The four projects or groups of projects account for approximately 71 % of the total budget and 76.2 % of the total expenditures of UNIDO projects in South Africa during all the history of UNIDO's presence in the country since 2000. For the South Africa National Cleaner Production Centre, the brief assessment is based on a country report for South

Africa prepared as a part of a broader evaluation of the UNIDO-UNEP Cleaner Production Programme prepared by UNIDO's Evaluation Group. Brief assessments were also carried out for the following projects: Climate change mitigation Durban-China; Strengthening the local production of generic drugs, and Training of trainers for agro-clusters. As mentioned in the methodology section in chapter 1, the mission was unable to find appropriate information for other projects, which made it impossible to assess them properly. The assessment of individual projects is presented in more detail in Annex A.

Table 5: Main findings of the evaluation of individual TC projects in South Africa

Project	Main findings
National Cleaner Production Centre 1/	Relevance of the NCPC was good due to a strategic fit with key government priorities for industry development and environmental protection and for private sector because of proven business benefits. The Cleaner Production (CP) concept was also found relevant for academia and research institutes, Ownership of the Centre and of CP as a business practice was also high, the Government provided funding for its operation, and the private sector participated actively in its governance. The effectiveness of the national centre was evaluated as good in its evolving capacity as a CP network facilitator, including the dissemination of information, in-plant demonstrations, training, policy advice, and technology transfer. The effectiveness of programme management (i.e. UNIDO HQ based management of the UNIDO UNEP CP programme) was found as relatively low by the 2007 thematic assessment and the effectiveness of regional networking and technical assistance inputs was mixed (see the project assessment in Annex A for a detailed analysis of effectiveness). Efficiency of operation of the NCPC was evaluated as good, but programme management and technical assistance inputs had a relatively low efficiency due to constraints in the UNIDO system, with an undesirable tendency for micro-management and lacking evidence of the added benefits from the two International Reference Centres (IRCs). The programme had positive impacts in several areas. The NCPC made good contributions to capacity development for resource productivity and environmental management, in particular in the assisted companies, but also wider among public and private sector organisations through its extensive stakeholder initiatives. The NCPC produced professional information materials and engaged with industry and government stakeholders for general promotion of CP, and some evidence was found of increasing interest in CP. In addition, some companies achieved environmental and productivity benefits as a result of quick scans and detailed CP assessments provided by the centre that were found of good quality. Training provided by the centre also led to some good impacts on participating companies. It was also found that there were promising perspectives for the NCPC to have some participation in policy advice and in creating a demand for cleaner technologies. The sustainability of project achievements is very good, in particular for the productivity and environmental benefits achieved in companies and availability of CP services. There is also some evidence for a catalytic role for sustainable industrial development, and the NCPC operates fully funded by the DTI.
Automotive component supplier development programme	The design has been assessed as relevant to the problems of South Africa and its automotive industry, which is the leading manufacturing sector and the most important recipient of foreign direct investment. The programme's ultimate goal of improving the competitiveness of domestic automotive component suppliers is in line with government policies that support the development of the automotive industry and aim at increasing the domestic supply of parts and components. At the same time, the programme objective of promoting financially sustainable

	services by the AIDC, which would involve charging fees to companies that cover fully the costs of the support provided, is not coherent with the emphasis on SMEs proposed by the Programme Document, as the experience shows that SMEs faced difficulties to pay such fees. In addition, the representatives of key automotive industry associations expressed critical views about the quality of the technical assistance provided by the AIDC, and they explained plans to launch a new programme with similar objectives to those of the Tirisano programme. This evidence, along with the difficulties during implementation to elicit interest from the expected number of firms, raise questions about the relevance of the programme to the industry (see the project assessment in Annex A for a detailed analysis of effectiveness). Ownership has been high by the DTI and the AIDC, with the former providing the funding for the programme and the latter implementing the main programme activities. Ownership by the industry associations was assessed as medium, as though they participated actively in the Steering Committee meetings, they were planning a similar programme that would compete with the Tirisano programme. The programme has shown mixed results so far, having met the target of the first phase of providing assistance to 15 suppliers and the participating companies having adopted improvements in their production process. However, these changes could not be fully traced back to the programme. The evaluation found that the programme may face difficulties to achieve its proposed outcomes without implementing substantial corrective measures in its second phase.. The proposed outcome of ensuring that services provided by the AIDC are commercially viable may be difficult to achieve due to the high fees that would be required to cover fully the costs of services. The proposed outcome of demonstrating the impact of the Tirisano programme seems difficult to achieve at present because of the absence of an adequate M&E system, which makes it difficult to attribute observed changes to the programme. At the time of the evaluation, the perspectives of sustainability were low in terms of the capacity of the AIDC to provide commercially viable services due to the difficulties to collect fees from the companies that cover the costs of the services provided. Sustainability of the changes adopted at the firm level as a result of the programme was found to be medium to high.
Supplier Partnership Exchange Programme and Infrastructure Supplier Benchmarking Programme	Both the ISBP and the SPX project have been highly relevant for South Africa and are strongly embedded in government policies for import substitution and leveraging public procurement to promote industrial development, including the National Industrial Policy Framework, the Industrial Policy Action Plans 1 and 2, the Competitive Supplier Development Programme (CSDP), and the revised Preferential Procurement Policy Framework Act (PPPFA). The South African Government provided full funding for both the ISBP and the SPX programmes, and decided to extend the original ISBP to the current SPX Programme, increasing the budget for the second project by 89%. This attests to the relevance and ownership of the programmes to the South African Government. Key government agencies (DTI, DPE, and DST) also participated actively in their design, and government-owned companies (Transnet and Eskom) were also actively involved in their implementation. The projects shows good perspectives of meeting their proposed outcomes (see the project assessment in Annex A for a detailed analysis of effectiveness). Most companies interviewed had positive expectations of being included in the database as an avenue for increased business. The benchmarking service was rated well by some companies, but irrelevant or a pre-condition for inclusion on the supplier database by others, and the quality of the benchmarking service differed across industry associations/SPX Centres. However, an evaluation survey conducted by UNIDO indicated that most of the surveyed South African companies rated the quality of the benchmarking report as “very good” or “good”. While many companies and associations indicated that the SPX opportunity alerts were too generic, three suppliers have signed contracts totaling approximately USD 1 million in value, with opportunities worth a further USD 15 million currently in different stages of the matchmaking process. Insufficient link was found between the benchmarking of suppliers and access to supplier development assistance. The programme shows some indications of inefficiencies, including delays in the contracting

	industry associations and the delivery of the profiling and benchmarking services due to delays in the agreement between UNIDO and DTI and early delays in getting the project started. At the same time, the SPX programme has proceeded at a faster pace than other UNIDO projects in South Africa. The programme has not yet had sufficient time to reflect impact in terms of increased supplier competitiveness, increased volume and value of business between local suppliers and OEMs supplying the SOEs or job creation. Sustainability may face some challenges, including the definition of the institutional arrangements for carrying out key project activities, such as the matchmaking, after the project implementation is completed and UNIDO (which is viewed as an honest broker) is not present in carrying out these activities.
Industrial Energy Efficiency Improvement in South Africa	The project is highly relevant for the country problems and government policies. It is well aligned with the National Energy Efficiency Strategy published in 2005, which included an overall target of a final energy demand reduction of 12% and a more specific target for industry of 15% by 2015. Relevance for the target group – the enterprises – can be considered high as well as they are directly suffering the consequences of the energy shortages. The project stands good chances to become effective, provided that some negative factors can be addressed throughout the remaining project implementation period (see the project assessment in Annex A for a detailed analysis of effectiveness). Some of the factors giving positive indications about future effectiveness include the high value given by participants to the training provided by the project, the high participation in training activities of company staff; the introduction of the South Africa national energy management standard; and the launching of a new Green Energy Efficiency Fund of R 500 million (USD 61 million) that will provide funding opportunities for planned energy efficiency investments. Negative factors that need to be addressed include, among others, the lack of a targeted approach to recruiting energy intensive companies for demonstrations, the challenges of addressing the SME sector (which requires appropriate demonstration cases), the lack of coverage by trainings of some energy-intensive industries (e.g. foundries – smelting & furnaces), and the ambitious target of carrying out 500 energy audits in companies. The ownership from the government counterparts has been high, demonstrated by high levels of co-funding, active participation in project steering. Efficiency has been affected by delays in the project implementation. Actual impact is difficult to evaluate at this early stage, with some factors that might affect project impact, such as the restrictions for use of confidential company data for publication of case studies, which might create problems for disseminating results effectively. Project results are likely to be sustainable due to the strong government ownership and the use of the NCPC as an implementing partner. However, at the time of the evaluation the exact role of the NCPC and the strategy for "transferring" the project leadership over time to national institutions was not yet defined.
Durban Industry Climate Change Partnership Programme	The project is relevant to the problems and government policies in South Africa, as well as to the counterpart agency and the eThekwini Municipality (Durban). The country is both a contributor to, and potential victim of, global climate change given that it has an energy-intensive, fossil-fuel powered economy. The Industrial Policy Action Plan 2 (IPAP2) and the New Growth Path have identified the promotion of "green" and energy-saving industries as an opportunity to promote economic growth and job creation. The Durban Investment Promotion Agency (DIPA) has indicated that it will be setting up a sectoral support mechanism for the 'green economy' sectors, the city of Durban is the host of COP 17 conference in December 2011, and the Municipality signed the Mexico City Pact and the Durban Declaration. Ownership by local government institutions is high, as they are committed to the continuation of key activities after the end of project implementation. The Durban Energy Office co-funds key components of the project, and the KZN Sustainable Energy Forum (KSEF) will be funded jointly by the Energy Office and Trade and Investment KwaZulu-Natal. The project has been effective in increasing the mandate and scope of the work

	undertaken by the eThekwini Energy Office, and in facilitating the establishment of the KZN Sustainable Energy Forum (KSEF), established in 2010 for disseminating information, networking, and oversight governance of the sustainable energy sector in KZN. In contrast, it has not been effective in encouraging South-South collaboration regarding the transfer of technology to manage climate change. The project has also improved the working relationships of the Environmental Management and the Town Planning Branches of the Municipality and their credibility when engaging with stakeholders regarding issues of foreign direct investment and the green economy. Delays have affected negatively project efficiency. The perspectives of sustainability are good, as strengthening of the eThekwini Energy Office is likely to continue after the project is completed, and a strengthened Energy Office is likely to be able to continue the work of the project in terms of climate change mitigation and sustainable energy issues.
Training of trainers for the promotion of emerging agro-processing clusters	The project is relevant for addressing the problem of high levels of poverty in the rural areas of South Africa and government policies aimed at generating employment and incomes in rural areas by improving agriculture and the access of small farmers to markets. UNIDO's competence in the promotion of clusters and business linkages is well established, though the evaluation found that UNIDO was making a relatively marginal contribution in the project, as its main role was to select and contract a service provider to deliver training and mentorship services in cluster development. Ownership of the project is high for the South African AgriAcademy, a South African Non-Governmental Organization (NGO) that took the initiative of contacting UNIDO and obtained the full funding for the project from the Standard Bank. The project was still in an early stage of implementation, so it was too early to evaluate effectiveness, and not enough information was available to evaluate efficiency, though the costs of the project seemed reasonable for the proposed activities.
Strengthening the local production of essential generic drugs in least developed/developing countries	South Africa was not included in country activities of this global project but in regional activities, one of which included the creation of the Southern African Generics Medicines Association (SAGMA), based in South Africa. The creation of SAGMA was evaluated as highly relevant for the problems of the region, due to challenges with the continued dependence on imported products and because governments also aim at benefiting their own industrial sector. In spite of SAGMA's relevance, its effectiveness and impact perspectives were difficult to establish at the time of the evaluation, as it still had not proven to deliver clear benefits to current and potential members. The association made little progress during 2010 in achieving its mission, but it improved during 2011. In terms of sustainability, it is also not clear yet that the association will become self-sustainable, as current and potential members should view that they benefit from their membership in order to pay membership fees. UNIDO's Project Manager has already expressed concerns on this respect, stressing that SAGMA needs to focus on revenue generation activities, charging for specific services or collect fees from members to ensure that it becomes self-sustainable.

1/ Based on UNIDO (2008). Independent Evaluation of the UNIDO-UNEP Cleaner Production Programme. Country Report: South Africa. Vienna.

Relevance

The assessment of individual projects shows that they have been highly relevant to important problems faced by South Africa. Most projects focused on issues that affected the competitiveness of industry, which is viewed by the Government of South Africa as one of the main labor-absorbing economic activities. Therefore, UNIDO projects related in this way with important country problems, including the very high levels of poverty and unemployment and the need to promote economic activities that generate employment.

The Government of South Africa also views the SMEs sector as an important engine for economic expansion, employment generation, and poverty alleviation.

UNIDO projects focused on three types of problems related with the competitiveness of the industrial sector: a) difficulties of domestic suppliers - especially SMEs - to participate in the value chains of important industries, such as the automotive, transport, and power generation, due to technology and management constraints that make it difficult to compete with foreign suppliers; b) low environmental standards of domestic industries and insufficient capacities of national and local government agencies to carry out appropriate environmental controls; and c) energy supply shortages and increasing energy costs faced by the industrial sector (especially energy-intensive industries) that have taken place during the 2000s, along with inefficiencies in the use of energy of South African industry related with a past situation of substantially lower energy costs. The four largest project groups (the Industrial Energy Efficiency Project, the Subcontracting and Partnership Exchange Project, the Automotive supplier development programme and the Establishment of the National Cleaner Production Centre), which account for 91 % of the total budget and expenditures of UNIDO projects during all the history of intervention in the country, can thus be assessed as highly relevant.

At the same time, it can be argued that UNIDO projects focused less than expected on SMEs. The importance of SMEs and their relationship with the reduction of poverty and unemployment was recognized by the CSF prepared in 2002, which included the focus on SMEs in the main objective of UNIDO's activities in South Africa: "to enhance capacities in public and private institutions for providing Business Development Services (BDS) especially to small, medium, and micro enterprises (SME)". While most projects had SME as their main beneficiaries, the evidence collected by the evaluation suggests that they have benefited mainly larger companies and not SME.

The Automotive Supplier Development Project – which worked in its first phase with fifteen suppliers of OEM and will be working with 65 in its second phase - aimed at focusing on second and third tier suppliers, but ended up working mainly with first tier suppliers - a problem that has been recognized by the project manager. The SPX project did not make use of available information about the size of companies that have been benchmarked, profiled, and participated in contracts with suppliers for purposes of project results monitoring at outcome level.

UNIDO projects were also aligned with other important government policies. The Infrastructure Supplier Benchmarking Programme and the Supplier Partnership Exchange Programme (SPX project group) were fully aligned with government policies of leveraging public procurement in order to promote industrial development, as stated by the National Industrial Policy Framework and its accompanying Industrial Policy Action Plans. Among other measures, these policies included localization targets within the contracts awarded to international suppliers by public enterprises.

The Automotive Supplier Development Programme also supports the participation of domestic suppliers in value chains as stated in the National Industrial Policy Framework and the Industrial Policy Action Plans. The programme was also aligned with the main

policies towards the automotive industry, including the Motor Industry Development Programme - MIDP, which emphasized the development of component suppliers so that they could provide cost-competitive components to Original Equipment Manufacturers (OEM) and to international markets via exports.

The Industry Energy Efficiency Programme is in line with the government's National Energy Efficiency Strategy and the plan to develop a national energy management standard. It is also aligned with the objectives of the joint UNIDO-UNEP Programme on Resource Efficient and Cleaner Production (RECP). The Durban Industry Climate Change Partnership Programme (DICCPP) would fit into some of the objectives around the sectoral intervention for the green and energy saving industries;

Finally, the thematic areas of projects related directly with recognized areas of expertise of UNIDO, such as the introduction of environmental standards at the industrial level, and private sector development through micro, small, and medium-size enterprises.

At the same time that projects were in general relevant for the country problems and policies, some of their objectives were not coherent among themselves. In particular, the evaluation identified a lack of coherence between targeting SMEs –which was part of the objectives of several projects—and other proposed project objectives. An example is the Industrial Energy Efficiency (IEE) Project, which aims at maximum energy savings that can be achieved mainly among large firms, not SMEs. Another example is the Automotive component supplier development programme, which proposes as one of its outcomes to promote the provision of commercially viable technical assistance services to automotive industry suppliers. Achieving this objective would require charging fees that have shown to be higher than what SMEs are able to pay.

Ownership

Most of the projects showed a high ownership by the government agencies involved. One of the particular features of UNIDO's TC projects in South Africa has been that most are funded fully or in a large proportion by the government. This is the case of the Automotive component supplier development and SPX project groups, which have been fully funded by the DTI Even in a few projects that are funded mainly by donors, such as the Industrial Energy Efficiency Programme, the South African government provides counterpart funds channeled through the budget of government agencies involved, such as the NCPC in the case of the IEE programme. In the case of the agro-clusters project, ownership by the South African AgriAcademy-SAAA (a NGO that supported small and medium-size farmer groups to access markets). The project itself originated from contacts with UNIDO initiated by the SAAA, and funding is provided fully by the Standard Bank, a private South African financial institution that provides funding for the operation of the SAAA. Of the total budget of ongoing projects, 61% is funded by the South African Government.

Government agencies such as the DTI and the AIDC, and State Owned Enterprises such as Eskom and Transnet, participated actively in the formulation of projects. National and

local government agencies also participated actively in the implementation of projects even when they did not play an active role in the project formulation stage, such as of the NCPC in the IEE programme and the government of the Thekwini Municipality in the Climate change mitigation Durban-China and the Greening COP17 projects. The SAAA was also actively involved in the design and implementation of the agro-clusters programme. The high participation of government agencies in project design and implementation can be explained partly because government counterparts were quite strong, having the ability to discuss more properly the objectives and outcomes of the projects and their alignment with government policies.

In the case of the projects implemented by local government agencies, including the Durban Industry Climate Change Partnership Programme (and the COP 17 project as well), ownership was also found to be high, as the projects were relevant to the local government.

In contrast, some isolated cases show low involvement in design and little ownership during implementation. This is the case of the activities in South Africa of the Generic drugs global project, which has supported the creation of SAGMA, but is not eliciting yet the expected interest from the National Pharmaceutical Associations in the involved countries. In addition, it was noted that ownership by business associations was low in some projects, in particular in the automotive component supplier development programme. In this case, NAMSA and NAACAM participated quite actively in the Steering Committee and in various instances of the programme implementation. However, their leaders expressed critical views about the programme and informed the evaluation team that they were promoting the preparation of a programme similar to the Tirisano but based on the provision of technical assistance to component suppliers based on more experienced engineers. Business associations had a marginal participation in most other projects or project groups, with the exception of the SPX, which contracted 11 business associations to carry out benchmarking studies. While some of them ended up contracting other entities, some became highly interested in undertaking the benchmarking and were interested in the possibility of continuing carrying out this work after the project is completed.

It is interesting to notice that the active role of government agencies in implementation took place even in a context of centralized decision-making at UNIDO Headquarters. Although project managers at HQs concentrated the key decisions of project implementation, the design of several projects included the participation of South African institutions as implementing partners. This includes, for example, host institutions such as the NCPC in the IEE project and the AIDC in the Automotive component supplier development projects, or business associations in the SPX project.

Effectiveness

The assessment of individual projects showed that their effectiveness has been mixed.
Overall, UNIDO cooperation has been most effective in terms of capacity building. The NCPC, the cooperation with AIDC, and the strengthening of the Durban Energy Office are

cases in point. Also the SPX and benchmarking initiatives are likely to lead to lasting capacity building.

Good effectiveness was observed in the field of policy advice. Those projects that included policy components made effective contributions, for example the contributions to introduce a national energy management standard or the support of the KZN Sustainable Energy Forum.

Little evidence has been found in terms of effectiveness at the enterprise level. One of the core barriers was that some projects faced difficulties in attracting interest among their target beneficiaries. This lead in some cases to a drift away from SMEs towards larger companies. At the same time, in some cases trade-offs exist between targeting SMEs and achieving the very ambitious results. An example is the energy efficiency project that aims at maximum energy savings while not targeting the main energy users.

Efficiency

Assessing efficiency does not involve simply analyzing if outputs have been delivered as planned and according to the expected quality, but measuring how economically resources and inputs have been converted into results. Thus, the assessment of efficiency requires some form of cost/benefit analysis. A proper assessment of efficiency would require having available information about costs of different outputs and of the progress in their implementation. However, this information is not available because UNIDO projects have a budget based on types of expenditures (budget lines) and not outputs. In addition, even if this information was available, it would have to be compared with similar projects in a similar context as South Africa.. Having information available from other projects is usually very difficult. Furthermore, as said earlier, most UNIDO projects of UNIDO in South Africa had weak monitoring systems or did not have them at all. Therefore, there was sometimes limited information available even about outputs delivered.

Due to the problems mentioned above, efficiency had to be assessed indirectly, by using other indicators that give an idea of efficiencies and inefficiencies. In this regard, the evaluation found indications of low operating costs, such as project teams of a reasonable size in relation to the value of the projects. At the same time, there were indications of inefficiencies, in particular implementation delays explained partly by implementation problems on the side of counterparts, and also by slow procurement and centralized decision-making by project managers at HQs. Project managers were responsible for a number of projects in different countries, so they were usually unable to respond as quickly as desired. Both South African government counterparts and consultants working for UNIDO projects provided the evaluation mission with examples of decisions about the projects that needed to be taken quickly, but experienced delays, for example because the project manager was traveling to supervise other projects.

The IEE and the SPX projects faced difficulties to find an adequate CTA, which slowed down the implementation of some key activities, such as the assistance to the discussion and preparation of the national energy strategy. Centralization in project management at

HQs also reduced the responsiveness of projects at the local level, such as travel of project staff on short notice.

Impact

The impact of individual projects was difficult to assess due to the absence of adequate M&E systems. Even though projects had information about progress of activities, they did not have available adequate and reliable information about indicators to measure the impact on their development objectives. In addition, most projects had a development objective that often contained several objectives. As a result, projects were often imposed with a combination of development objectives that were quite difficult to achieve. In fact, most projects were found to achieve, or being likely to achieve, some but not all the objectives contained in the defined ultimate goal.

The NCPC project document established that “the ultimate goal was to increase the competitiveness and productive capacity of South Africa's industry through building national capacity in cleaner production, fostering dialogue between industry and Government, and enhancing investments to transfer and develop environmentally sound technologies. This would contribute to facilitating market access and strengthening the economy in a way compatible with environmental protection and social development.” Thus, the project goal included a mix of objectives, including increased industry’ competitiveness, increased industry’s productive capacity, building capacities to deal with cleaner production, increased investments to transfer and develop environmentally sound technologies, and increased market access. The project was successful in developing institutional capacities for addressing cleaner production issues, but less was achieved in terms of adoption of cleaner production technologies at company level. Also, no evidence exists that CP has improved market access.

The Automotive component supplier development programme had as its ultimate goal “to improve the competitiveness of South African small and medium enterprises (SMEs) in the automotive component industry by enabling the Automotive Industry Development Center (AIDC) to provide continuous improvement services on a stand-alone commercial basis.” Even though it is still early to evaluate impact because the project is yet under implementation, the prospects are mixed at this point. While the project (and its predecessors that started as a part of the CSF) helped strengthen the AIDC to provide improvement services to automotive suppliers, the project’s contribution to improve the competitiveness of South African automotive suppliers is unclear. Its work with SMEs (as it was stated in the programme goal) has been very scarce so far, as participating companies have been mostly first-tier suppliers, which are not SMEs. The programme manager informed the evaluation mission that, in face of the difficulties faced to incorporate the expected number of companies in the first phase, the DTI has requested to put an emphasis of the second phase on reaching the expected number of firms, somewhat watering down the focus on SMEs.

The Industrial Energy Efficiency Project had as broader objective to “increase efficiency of industry in South African industry to save scarce energy needed to maintain the targeted 6% of GDP growth, to improve the productivity and competitiveness of industrial

products and to create more jobs, as well as to reduce CO2 emissions. Thus, the project actually had objectives of saving energy, reducing CO2 emissions, improving productivity and competitiveness, and creating employment. The prospects for impact are reasonably good in terms of increasing energy efficiency and saving energy in South African industry. This is also likely to be accompanied by reduction in CO2 emissions. However, improvements in productivity and competitiveness of industrial products and increase in employment by the industry are objectives that may be more difficult to achieve as a result of the project, as they are influenced more by other factors than the use of energy.

In the case of the SPX project, the development objective has been "to provide local industrial manufacturing companies access to tools and services that enhance their performance and enable them to compete to access local and global procurement opportunities." The project is also under implementation, though the previous Infrastructure Supplier Benchmarking Programme had more time to prove results. The evaluation assessed the prospects for achieving the proposed impact as mixed, as the programme is helping manufacturing companies to access local and global procurement opportunities, but it is doing so mainly through matchmaking mechanisms. The contribution to impact of other project elements - such as benchmarking and providing access to technical assistance - are more difficult to prove.

To sum up, the majority of UNIDO projects in South Africa performed reasonably well in terms of prospects for impact, provided that the often over-ambitious project goals are reduced to more realistic and specific objectives. The good results in terms of impact related with the relevance of the projects to the problems of the industry and to government policies and with a quite effective implementation.

It should be noted, however, that for most projects impact orientation, i.e. the degree to which progress towards impact is monitored and resulting information is used for corrective action and projects steering, needs further improvement.

Sustainability

In general, projects in South Africa showed reasonably good sustainability or prospects of sustainability of results.

The NCPC project showed a very good performance in terms of sustainability, with the NCPC being operational several years after the project completion and being funded by the DTI. The NCPC recently opened a new office in the city of Durban and it is the host institution of the Industrial Energy Efficiency Project, for which the evaluation found that it was well qualified and positioned.

The likelihood of sustainability was also evaluated as high for the IEE Project, as given the high relevance and strong Government ownership of the project it is likely to produce sustainable results. The use of the NCPC as an implementing partner further increases the likelihood of sustainability. However, at the time of the evaluation the exact role of the NCPC and the strategy for "transferring" the project leadership over time to national institutions was not yet defined.

In the case of the SPX project, the likelihood of sustainability was evaluated as medium, as there are some important challenges that may not be easy to solve to ensure sustainability of results. This includes the relatively minor issue of licensing arrangements with the developers of the benchmarking tool so that the industry associations interested in applying the tool themselves are able to do so after the project is completed. A more important sustainability challenge is the definition of the institutional arrangements for carrying out key project activities, such as the matchmaking, after the project implementation is completed.

The perspectives of sustainability for the Durban Climate Change Mitigation Industry Partnership Project are good, as strengthening of the eThekwini Energy Office is likely to continue after the project is completed, and a strengthened Energy Office is likely to be able to continue the work of the project in terms of climate change mitigation and sustainable energy issues.

The projects in which the perspectives for achieving sustainability were evaluated as low were the Automotive supplier development programme and the activities of the Generic drugs project in South Africa. In the former, the services provided under the project have not proved yet to be useful for the industry, so it is difficult to predict that firms would be willing to pay for these services once the project is completed. In addition, although the participating companies have shown their willingness to pay for the services that they received, covering the full costs of these services would require fees that many companies (especially SMEs) may not be able to pay. In the case of the Generic drugs project, the prospects for sustainability of the Southern African Generics Medicines Association (SAGMA) created with the support of the project are rather bleak due to a still weak membership and little progress in generating activities that benefit their members, so that they are willing to pay membership fees.

Conclusions

To sum up, the performance of UNIDO projects has been quite good, in particular in terms of relevance and ownership, which has been evaluated as high or medium in most projects. Effectiveness, efficiency, and impact have been acceptable (medium), while sustainability has in general been rated as good or medium, with two projects facing challenges that need to be addressed in order to ensure that their results are sustainable.

Table 6: Assessment of individual TC projects in South Africa

Project	Relevance	Ownership	Effectiveness	Efficiency	Impact	Sustainability
National Cleaner Production Centre						
Automotive component supplier						
Subcontracting and Partnership Exchange						

Industrial Energy Efficiency						
Durban partnership						
Generic drugs						

Symbols:

	High		Medium		Low		Not sufficient information to assess

These good evaluation results can be explained by the following factors:

a) Strong counterpart government institutions, which participated actively in the formulation of projects and made sure that they responded to government policies and priorities.

b) Low relative weight of foreign donors in the funding of UNIDO projects, with the largest proportion of funding coming from the South African Government. This made UNIDO responsive to the priorities of government counterparts. In addition, because they provided the funding for the projects, government agencies became more involved in implementation.

c) The active role in project implementation of government agencies, which contributed to higher impacts on the creation of institutional capacities and to sustainability of results.

The main obstacles faced by projects were implementation delays due to centralized management - more specifically the concentration of decision-making in project managers based at UNIDO's Headquarters - and implementation problems. Centralized decision-making at HQs contributed to delays in the processing of decisions and procurement. Implementation problems were also due to difficulties faced by some projects to recruit and retain a CTA with the expected capabilities and to involve the expected number of participating companies. The latter was in some cases related to the presence of competing programmes, which caused a certain "fatigue" among companies to fill out questionnaires (e.g. benchmarking) or to receive consultants at their premises. To a certain extent, the difficulties to attract firms due to the presence of competing programmes also raise questions about the projects' relevance.

3.3. Global Forum activities

Global forum (GF) activities are those which are initiated by UNIDO to exchange and disseminate knowledge and information, as well as facilitate partnerships. They usually produce outputs, without a clearly pre-identified target group, aiming to increase the understanding of sustainable industrial development issues and solutions. Global forum activities can have informative, advocative and/or normative functions.

In contrast to Technical Cooperation (TC), UNIDO generally does not define explicit objectives for Global Forum (GF) activities, neither at the project level[36] nor at the aggregate level of UNIDO (e.g. Programme and Budget). Moreover, the definition of what constitutes GF is by no means clear cut. In some documents, GF is defined as – after the core area of technical cooperation - a second line of action for UNIDO, i.e. TC and GF being separate lines of UNIDO activity. In other instances, GF is an integral aspect of technical cooperation and thus forms part of UNIDO projects. In practice both forms of GF can be observed. Examples for "non TC-linked GF" are the annual publication of industrial statistics by UNIDO or the UNIDO General Conferences. An example for GF linked to TC is the regional meeting on pharmaceutical production organized within the project "Strengthening the local production of generic drugs in least developed countries (LDCs)".This evaluation only considers the latter type of GF, as the former would have required specific evaluation methods and instruments beyond the scope of this country evaluation. The analysis starts with a review of the identified GF activities and then looks into the contributions of those activities to the three core thematic areas of UNIDO.

Implementation of activities

A significant number of GF activities have taken place in South Africa since UNIDO opened its RO in 2006. Among them are:

AfrIPANet III conference 2006

The third Conference of the African Network of Investment Promotion Agencies AfrIPANet) was held in Johannesburg on 12-14 June 2006. AfrIPANet III was jointly organized with the NEPAD and the South African Department of Trade and Industry.
The main objective of the conference was the presentation and discussion of the African Foreign Investor Survey 2005. Three panel discussions took place during the event on: (i) Relationships between Foreign Direct Investment (FDI) and local development; (ii) Financing Tools to support FDDI and local development; and (iii) FDI and Trade, the Regional Dimension.

CAMI/CEO forum 2008

The 18th session of the Conference of African Ministers of Industry (CAMI-18) was organized under the theme: 'Towards the Accelerated Industrial Development of Africa – the Need for Local Value Addition and Transformation of Raw Materials.' It took place in Durban on 24-25 October 2008.

The main objective of the Conference was to bring together African Ministers of Industry to examine, discuss, and adopt the strategy for the implementation of the Plan of Action, which was adopted during the Summit of Heads of State and Government in February 2008. In addition, the Conference aimed at soliciting the inputs and support from the private sector for the successful implementation of the strategy for accelerated industrial development of Africa.

[36] Exceptions are some larger events and conferences which use a project document with defined objectives.

The agenda included:

- Experts Meeting - Discussion of draft AU implementation Strategy for further consideration by Ministers, as well as senior officials of industry from 53 African countries; AU, UNIDO, UNECA, NEPAD, AfDB, and World Bank.
- African Investment Promotion Agencies Network (AfriPANet) Meeting - part of a series of meetings of African Investment Promotion Agencies held every two years. It ran in parallel with the Expert group meeting and included senior officials from African Investment Promotion Agencies.
- Review of Africa's Industrialization Strategy by UNIDO, AU, UNECA, NEPAD, AfDB and UNIDO-invited CEOs.

South Africa/UNIDO CEO Forum, including the following Roundtables:

- Roundtable 1: Private Sector Perspectives on Africa's industrial Transformation and Competitiveness Strategy.
- Roundtable 2: Supply Chain Development in Africa: business partnerships for supply chain development; financing for supply chain development.
- Roundtable 3: Agribusiness and Food Security: investment opportunities; sectoral regulatory issues.

A total amount of EURO 375,000 was spent on this activity, which included also the celebration of the Africa Industrialization Day (AID) 2008. Most of the funds were used to facilitate travel of participants and UNIDO staff (approx. EURO 145,000) and for the recruitment of short term international experts (approx. EURO 100,000).

The conference was attended by delegations from most African countries and the principal regional organizations (ECOWAS, SADC, COMESA, etc.).

The core output produced by this activity was a declaration of the African Ministers of Trade and Industry that endorsed an implementation strategy for the “Action Plan for Accelerated Industrial Development of Africa”. This action plan had been endorsed in principle at a summit of the African Union in February 2008which directed CAMI to translate the broad directions of the plan into concrete priority actions. Project funds were used to formulate this “implementation plan” which included priority actions in seven clusters (industrial policy, sustainable development, upgrading, etc.).

International Conference on Local Pharmaceutical Production in Africa2011

Following years of preparatory work and consultations in the region, 2011 saw the official launch of a new regional institution, the Southern Africa Generic Medicine Association (SAGMA). The official launch took place in a conference in Cape Town on 4 April 2011, titled ‘Public Launch of Southern African Generic Medicines Association (SAGMA), Theme: The African Union Pharmaceutical Manufacturing Plan for Africa: Pipe Dream of Panacea?’ The organization of the conference and participation of delegates was financed by UNIDO’s global project “Strengthening the local production of generic drugs in least developed countries LDCs)”. The purpose of the conference was twofold: a) to officially launch the Southern African Generic Medicines Association (SAGMA); and b) to provide the key industry players in the pharmaceutical sector the opportunity to network,

shape, share and engage with the challenges, opportunities and threats provided by the African Union's Pharmaceutical Plan for Africa. Government leaders, regulatory bodies, manufactures and distributors of generic pharmaceutical products and international agencies were represented at the conference.

Through the TC project mentioned above, UNIDO has been the key partner of the region's associations of pharmaceutical manufacturers in this process. It appears that this project is an example that successful GF work can become a necessary prerequisite for technical cooperation. SAGMA is expected to promote the interests of the Sub-Saharan African pharmaceutical industry, to provide a forum for harmonization of drug regulation in Southern African countries and for setting up a strategy for the pharmaceutical industry sector for the sustainable supply of locally manufactured life-saving medicines and for creating jobs in a knowledge-intensive industry. However, it should be noted that at the time of the evaluation important issues remained with regard to the sustainability of SAGMA (see brief project assessment in annex A).

Durban participation COP 16 – Mexico City partnership 2010

Through the project "Climate Change Mitigation of Industrial Activities Through Investment and Technology Compacts and Partnerships - South Africa and China (also known as Durban Industry Climate Change Partnership Programme; see project assessment in annex A), UNIDO facilitated the participation of the eThekwini municipality in two important global events: the COP 16 and the Mexico City Pact[37]. This can be regarded as an important element of GF that contributed to strengthen the lasting commitment of Durban to participate in global climate-related initiatives. This is another example of well linked TC and GF.

Energy Minister Conference 2011

In 2011, a conference of Africa Energy Ministers on "Road to Durban: Promoting Sustainable Energy Access in Africa" took place in Johannesburg on September 15 and 16. UNIDO took this opportunity to support African countries in their endeavours to prepare for COP 17 and establish common grounds with regard to the African position in global climate change negotiations. The conference produced an output document, the 'Johannesburg declaration', which summarizes priorities and plans of African countries in the energy field. The UNIDO Director General (D-G) was a speaker in the conference. Moreover, UNIDO organized during the conference a seminar titled "On the Road to Durban: Promoting Sustainable Energy Access in Africa". A budget of approx. EURO 70,000 was used for recruitment and travel of experts to the seminar and preparation of input papers. With UNIDO assuming a key role in the UN's efforts in the energy area (the DG chairs "UN Energy") and energy high on the agenda, the participation in this event shows that UNIDO is playing an active GF role in this field.

[37] The Global Cities Covenant on Climate, "the Mexico City Pact" consists of two parts: the first mentions considerations as to why cities are strategic in combating global warming: the second establishes a set of voluntary commitments to promote strategies and actions aimed at mitigating GHG emissions and adapting cities to the impacts of climate change. To establish and follow up on cities' commitments, the signatories will establish their climate actions in a Cities Climate Registry (CCCR).

Greening COP 17 2011

South Africa hosted the 17th Conference of the Parties (COP17) of the United Nations Framework Convention on Climate Change (UNFCCC) from November 28th to December 9th, 2011. Partnering with UNIDO and the Global Environment Facility (GEF), the project "Greening the COP17" was formulated to demonstrate South Africa's commitment towards reducing Greenhouse Gas (GHG) emissions by promoting clean energy sources and by supporting targeted climate change awareness activities by decision-makers and the general public. Similar to UNIDO's participation in the Energy Ministers conference in September, this project supports South Africa in making a contribution to the global efforts to mitigate climate change[38].

Energy management standards

The definition of GF includes normative work like the promotion of international standards. The Energy Efficiency project (see annex A for project assessment) has a key component that aims at introducing ISO 50001 - a global standard for energy management systems. As UNIDO has been involved in the development of this standard in cooperation with the International Organization for Standardization (ISO), the promotion of the application of this standard and transformation into national standards represents an important linkage between TC and GF.

Assessment of Global Forum activities

Relevance

Overall, the GF activities described above demonstrate that the UNIDO presence in South Africa has led not only to a substantial portfolio of technical cooperation but also to a wide range of GF activities.

South Africa, being the leading economy in the region, has a good potential to attract decision makers from other countries around the world. This is a good basis for UNIDO to fulfill its GF function. More important, the Government of South Africa views itself as an important contributor to the UN system in the provision of global and regional public goods, so it has been very interested in partnering with UN agencies in organizing GF type of activities. A 2009 joint evaluation of the role and contribution of the UN system in the Republic of South Africa[39] recognized that South Africa is an important contributor to UN mandates regionally and globally. It concluded that the whole range of activities pertaining to the provision of regional and global public goods, to which South Africa actively contributes, were not captured in the UNDAF. Thus, it recommended that the Government-UN relationship be located within the totality of South Africa's interests in the provision of public goods at home, in the region, and in the world, rather than be limited to

[38] As this project had only recently initiated activities when the evaluation mission took place, no project assessment was prepared.

[39] Government of South Africa and United Nations Evaluation Group, 2009, Joint Evaluation of the Role and Contribution of the UN System in the Republic of South Africa.

development cooperation. The Joint Evaluation concluded that: “To be relevant in addressing the needs of South Africa as a middle-income country requires a more comprehensive response to the country’s international position and national interests. It also requires an understanding of South Africa’s triple role as a provider of South-South assistance to other developing countries, a financial contributor to the UN system, and a recipient of ODA on the international scene. Some of the looming international issues that South Africa can be expected to deal with in the future include climate change, the financial crisis, food insecurity and international trade, among many others. The UN system plays a significant role in most of these areas, and close cooperation between it and South Africa could be particularly fruitful in ensuring that the voice of developing countries is heard in relevant fora.” The GF work done by UNIDO is considered to be very much in line with these conclusions.

Contributions to overall objectives in UNIDO thematic areas

Effectiveness is generally measured in terms of achievement of objectives. The fact that GF objectives are frequently not clearly defined represents a fundamental barrier to evaluability of GF. Moreover, contributions to socio-economic and environmental impacts are likely to be not discernable or measurable, as the nature of GF is to raise awareness and generate knowledge about new trends and developments (innovative character).

However, it can be safely assumed, that GF in general is expected to contribute to more or less concrete a) institutional and b) policy outcomes. Such outcomes can be observed in South Africa in several cases. The Johannesburg declaration of the African Ministers of Energy, the introduction of international energy management standards in South Africa and the active participation of the Durban municipality in international climate partnerships are all examples of effects to which UNIDO has contributed. These examples also show that the contribution of UNIDO’s GF activities was strongest in the “environment and energy” thematic area.

Also in the area of “poverty reduction through productive activities” some contributions were observed. For example, the consensus building about the need to improve framework conditions for local generic drugs manufacture has led to the establishment of a new regional institution – SAGMA. An example of a concrete policy outcome is the declaration of CAMI that adopts the implementation strategy for the accelerated industrial development initiative for Africa.

Conclusions and remaining issues

From the assessment above it can be concluded that GF is a relevant and important area of UNIDO activity in South Africa. However, not much more can be said, as there is a lack or even absence of planning, monitoring and reporting on activities from a GF perspective. GF activities usually develop ad-hoc, when opportunities emerge. While this is not necessarily a problem, it limits the possibility of establishing a stronger partnership with the Government of South Africa in the GF arena, and it compromises the possibilities of evaluating the impact of GF activities.

4

Management processes at the country level

This chapter focuses on the management processes at the country level, analyzing the main features of project management, including the institutional arrangements for project implementation, the relationship between UNIDO and the Government, and the role of the UNIDO Regional Office in South Africa.

4.1. Project management

Following the typical implementation approach of UNIDO, the management of its projects in South Africa has been the responsibility of project managers based at Headquarters in Vienna.. Project managers played an important role in the identification of potential project opportunities, the preparation of project documents, and the negotiation of the new projects. During implementation, project managers also played a key role in the procurement of goods and services, being responsible for signing the obligation documents (MOD) that initiate the contracting of consultants and procurement of equipment and other goods. Project managers were also responsible for the relations with the government counterparts and for providing technical support to the CTAs, international and national consultants contracted for the implementation of projects.

At the level of South Africa, the larger projects usually had an international CTA contracted by UNIDO who responded to UNIDO's project manager, a National Project Director from the main government counterpart, and international and national consultants who executed specific project activities. Some of the projects (for example, the Industrial Energy Efficiency project and the SPX project) had a more or less formalized Project Management Unit (PMU). In the first case, the PMU included a representative from UNIDO, the National Project Coordinator based at the NCPC, and the Deputy Project Director from DTI. The PMU meets every two weeks usually at the premises of the UNIDO Regional Office to coordinate activities. Projects also had a Steering Committee with representatives of the various stakeholders, meeting once or twice a year and having responsibility for more strategic decisions and promoting coordination between government counterparts and UNIDO.

This basic implementation model of UNIDO projects in South Africa led to some inefficiencies, related mainly to the centralization of decision-making in project managers based at HQ This led to delays, as it was naturally more difficult for managers based in HQ and responsible for several projects in several countries to provide guidance and react to specific problems.

Although projects in South Africa were organized under the normal principles of UNIDO, including in particular the responsibility of UNIDO as implementation agency and of project managers in HQs in the project management, they were characterized by some degree of decentralization related to several factors:

a) The role played by the URO in project identification and conceptualization and in procurement. This role was especially relevant in the case of the Industrial Energy Efficiency Project. In addition, contracting of national consultants, procurement of some goods, and payments of less than EUR 20,000 were carried out by the URO in South Africa, though it was the Project Manager at HQ who initiated the process through the preparation of the MOD. In the case of the IEE project, project management had been recently decentralized (in September/October 2011) to a newly assigned EE staff at the URO. This means that in the near future, the key managerial decisions will be taken in South Africa and not at HQ, which should improve UNIDO responsiveness and increase the ability to provide guidance to the project.

b) The active role played by government counterparts in design and implementation. Because government agencies in South Africa had good in-house capacity and provided a significant proportion of the funding in most of the projects, they participated actively in the preparation of the project documents, making sure that they were aligned to the existing government policies. The Government was especially concerned about UNIDO helping in the implementation or operationalization of government policies, and in some cases about the updating of existing policies (Energy Efficiency) or the evaluation of key policies (MIDP in the automotive industry). Government agencies were host institutions in several projects, being responsible for implementing key project activities. For example, the AIDC - an agency that promoted the development of the automotive industry that was part of the DTI - was the host institution of the Automotive component supplier development programme, being responsible for the most important project tasks, including disseminating information about the programme, selecting the participating companies that would receive programme services, and providing them with training and technical assistance. The NCPC - a centre that is part of the structure of the Council for Scientific and Industrial Research (CSIR) and funded by the DTI - was the host institution of the IEE project, being responsible for the implementation of training to service providers on energy efficiency and of carrying out audits or quick scans in participating small firms. The government of the municipality of eThekwini also played an active role in the implementation of the Climate Change Mitigation Durban-China project. The DTI and other government agencies were active in their participation in the projects' steering committees.

c) The South African Government provided the largest proportion of the funding of UNIDO projects in the country. While part of the budget was transferred to UNIDO, another part that corresponded to local expenditures (especially for payment of salaries) was transferred directly to the host institutions.

This more decentralized implementation and higher degree of participation of local actors in decision making played an important role in the performance of different projects. In fact, UNIDO's relationship with government partners was viewed positively by other UN agencies and donors. According to the UN Resident Coordinator, UNIDO is doing a good job and is ahead of other agencies in terms of close cooperation with government counterparts. This is also shown by the fact that UNIDO is hosted by DTI, which allows for daily interaction.

At the same time, the mission observed some discomfort from UNIDO consultants when the local institutions took what they viewed as a too active role, treating UNIDO as a mere "subcontractor" to implement certain specific tasks. It was also noted that UNIDO consultants working for several projects were based at the URO, not at host institutions or other key government counterparts.

4.2. The UNIDO Regional Office

Since its establishment in 2006, the URO is located in the premises of the Department of Trade and Industry (DTI) in the city of Pretoria, and it oversees the operations of ten countries, including South Africa. The UNIDO UR (UR) appointed when the office was opened remained in his position until early 2011. Since that moment, an interim UR was appointed until a new one is selected appointed, most probably at the end of 2011. Besides the UR, the URO has four regular UNIDO staff, including two professional, one secretary and one driver. The professional staff includes one National Programme Officer contracted at the end of 2010 and one Energy specialist who had been recently transferred from the UNIDO office in Beijing (People's Republic of China) to the URO. It was expected that the management responsibilities of the Industrial Energy Efficiency Project would be transferred to this person.

In addition to these permanent UNIDO staff, six other consultants and one secretary working for projects in South Africa are also based at the UNIDO premises. Two of these consultants (one of them an international CTA) and the secretary work for the SPX project, while the other four local consultants work for the Automotive component supplier development programme, the Industrial Energy Efficiency Project, the COP 17 Project, and the Generic Drugs Project. Until 2010, there was also a CTA working for the IEE Project based at the URO. For the assessment of the URO project staff and resources are not taken into account. However, it should be noted that some of the project staff does support the URO in its more general tasks. For example, the secretary working for the SPX has worked half of her time for the URO since 2009.

The main responsibilities of the URO include: a) the representation of UNIDO vis-à-vis governments; b) dialogue with the Government, UN agencies, and donors, and contributing to UNIDO's visibility, for example by participating in local and regional industrial development events; c) contributing to TC project development – especially identification and fundraising; and d) effective management of TC activities, including monitoring of TC implementation, liaising with Government project counterparts and local donor representatives, management of the Imprest account, and local procurement and

contracting. While the URO has all these responsibilities in the ten countries covered, the activities in South Africa demand approximately 60 to 70 % of the time.

As explained earlier, the URO is located at the premises of the DTI, having a good office space, office equipment (computers, printers, etc.) and one vehicle. The URO receives from UNIDO an annual budget of USD 105,000 from regular budget funds that is used for covering expenditures in local travel, communications (telephone, internet, and cellular phone services), gas and maintenance of the vehicle, and common services of the One UN system (such as security and UN system awareness). In addition, UNIDO provided additional programmatic support to UNIDO field offices through two specific projects, one of which covered the period 1 May 2006 - 31 December 2007 (YARAF06B04 and XPGLO06B04) and the other one from 1 June 2008 to 31 May 2010 (YARAF08B04 and XPGLO08018). According to UNIDO Infobase, these projects provided Euro 64,647 to the URO. The funds were primarily used to recruit international and national consultants. No reports were provided with regard to the concrete tasks and results of these recruitments.

Based on the analysis of documents and interviews conducted, the evaluation team identified a number of strengths and weaknesses of the URO in South Africa.

Strengths

The evidence collected from the mission suggests that the URO played an important role in the dialogue with the Government and in the identification and conceptualization of projects. In particular, the Industry Energy Efficiency Project was identified at the URO, based on the example of a similar UNIDO project in the People's Republic of China. At the time of the evaluation, a new project in the area of local production of pharmaceuticals funded by Italy's cooperation had been recently identified and negotiated by the URO.

UNIDO is viewed positively by other international cooperation agencies working in South Africa, especially in its relationship with government counterparts. For example, the UN Resident Coordinator in South Africa expressed that UNIDO is ahead of other agencies in terms of alignment and close cooperation with government counterparts. This is also shown by the fact that UNIDO is hosted by DTI, which allows for daily interaction.

The URO also played an active role in local procurement (especially contracting of consultants) and processing of payments through the Imprest account. However, it should be noted that the additional work created by the management of the Imprest account has increased even more the workload to be absorbed by the office with no additional resources having been made available (see weaknesses below).

Efforts have been made to involve the URO more in decentralized project management. The assignment of a professional with a technical specialization in energy efficiency, one of the most important areas of UNIDO cooperation in South Africa, is a good sign towards a more decentralized implementation approach. At the time of the evaluation, the assignment of a second professional in the area of private sector development was under discussion.

During the last few months, the acting UR has given considerable efforts in promoting regional programmes based in South Africa. The most important would focus on the theme of trade capacity building, including industrial upgrading and quality infrastructure. In this regard, UNIDO prepared a concept note of an Industrial Upgrading and Modernization Programme (IUMP), which would have the objective of strengthening the competitiveness of manufacturing SMEs in high-potential sectors, with the aim of facilitating enhanced regional and global integration. The programme would focus on the establishment of regional value chains in the agro-Industries, mineral and metal working process and Pharmaceutical sectors. During a two-day workshop focused on the SADC Regional/Common Industrial Policy that took place in Johannesburg in November 2011, the SADC Secretariat decided to collaborate with UNIDO in expanding the concept paper into a full-fledged project document before February 2012, which would be used for funds mobilization, with an anticipated project commencement date to be on/or before October 2012. In addition, UNIDO would now also be active in SADC programmes on Energy Efficiency, Cleaner Production, and Renewable Energy, including the establishment of a SADC Renewable Energy and Energy Efficiency Centre, similar to the one UNIDO has already established in Cape Verde for ECOWAS.

These recent activities, and the fact that UNIDO is viewed as a neutral broker, show the potential of the URO to assist economic regional integration activities, focused on capacity building that allow the countries under the URO to cope with industrial issues in the integration process.

Finally, as it will be explained in the next chapter, the Delivering as One (DaO) and UNDAF activities were not considered a priority. At the end of 2010, a National Programme Officer was contracted as a permanent staff, having as one his main responsibilities participating in the DaO activities, not limited to South Africa. It must be recognized that the DaO process has moved slowly in South Africa. As a result, joint activities are scarce, and there are no joint projects, such as those financed by the Millennium Development Goals Fund.

Weaknesses

Very limited availability of human resources; The number of permanent staff, both technical but in particular secretarial, is too low for the needs of the URO, considering that the office covers nine countries other than South Africa that also demand time, efforts, and resources for travel. The number of projects has been growing significantly during the last few years (especially since 2008), imposing higher demands of staffing and with regard to advice and guidance to new staff to enable them to contribute effectively to interventions. These demands have not yet been met. The ability to service the nine countries other than South Africa within the URO's mandate has been most affected. If the URO were to play other roles that would contribute greatly to improve performance of projects, such as providing implementation support, the technical and secretarial staff would be totally insufficient.

Local procurement and the processing of payments through the Imprest account have improved efficiency when compared to the previous system of payments through the

UNDP, but it has increased significantly the workload. When making a payment through the Imprest account, a MOD is sent by a Project Manager to the URO, where the only secretary available at the URO enters the payment in the system, which is authorized by the UR. It has been estimated that the secretary at the URO is currently employing approximately 80 % of her time in the management of local procurement and processing of payments for all 10 countries covered by the URO. Only one of these countries (Mozambique) is currently operating an Imprest account, but part of the process is still made at the URO, as the payments are introduced in the system by the UNIDO Desk in Mozambique, but the final authorization for payment is given by the UR. Botswana is in the process of creating an Imprest account. There is also some inefficiency related with the particular functioning of the Imprest account, in particular the need to issue checks for payments instead of making payments electronically.

The role of the URO was marginal in providing implementation support to projects. Even though tasks such as the assistance in the establishment of contacts with local counterparts, in administrative matters, in payments through the Imprest account, and the participation in Steering Committees of projects were regularly performed by the URO, it lacked human resources to perform a more consistent and adequate support to projects. In addition, there is also no clear mandate for the URO in terms of project monitoring and implementation support, as these tasks are performed by the project managers at HQ.

The trend to decentralize project management, which has made more progress in the case of the Energy Efficiency Project, is seriously hampered by Information Technology (IT) problems. In particular, it was found that new staff does not go through an initial training process that includes learning how to work properly with Agresso. Most important, it was mentioned that Agresso did not work properly from the URO.

The centralized implementation approach also causes local staff to not always be well integrated in implementation as responsibilities, communication lines and levels of authority between the HQ based project manager and local staff is often not clear. In addition, UNIDO consultants working for several projects in South Africa were based at the URO, instead of sitting in hosting institutions or other key government counterparts.

Synergies among projects are sometimes not exploited due to an individualistic approach to project management. For example, the COP 17 project did not use the partnership built before with the Durban Energy Office through the Climate Change partnership project; also two different benchmarking approaches were used by two different projects (SPX and automotive).

There is no monitoring and reporting at the country level. The results-oriented work plan is not being used and there is little or no interaction between the UNIDO Office and the Government with regard to strategic orientation of UNIDO's interventions/portfolio in the country.

To sum up, the evaluation assessed positively the work of the UNIDO Regional Office in South Africa, considering the very limited human resources and funds that were available for its work. The tasks that it performed well were the relationship with Government, the

identification of opportunities for new TC projects, and the administration of local procurement and payments through the Imprest account. In contrast, the weakest functions were the monitoring and implementation support to TC projects, which can be explained by the very low funds for such tasks, the insufficient human resources, the limited technical inputs from HQs as well as the lack of formal authority over projects and consultants, who respond to project managers. In addition, recent activities developed by the URO show the potential role of assisting economic regional integration activities, focused on capacity building that allow the countries under the URO to cope with industrial issues in the regional integration process.

4.3. Monitoring and implementation support of TC projects

Project monitoring can be defined as the collection and management of information about project implementation to report the progress in outputs and outcomes to different stakeholders, to verify that the project is making progress according to plans and to timely identify problems and constraints. As part of their organizational structure, projects usually have a monitoring and evaluation system that includes the continuous availability of quantitative and qualitative indicators that measure outputs and outcomes, as well as methods to collect information about related indicators and to report the progress of implementation to the project manager and to various project stakeholders (Government, UNIDO, donors, etc.).

Meanwhile, supervision can be defined as the oversight by the agency (e.g. UNIDO) of the project implementation through periodic missions that verify the validity of monitoring information (on progress towards results), identify possible corrective actions, interact with the Government in the search for solutions to problems, and make recommendations to PMUs, thus having also an implementation support nature. In UNIDO's TC projects, supervision is the responsibility of project managers, who perform this task based on information that they obtain from CTAs, international and local consultants, hosting institutions, and other stakeholders. Because projects do not have formalized M&E systems, project managers also frequently face difficulties to obtain adequate information that serves them to identify problems timely and make adequate decisions.

As said earlier, project managers based at UNIDO Headquarters were responsible for the management of TC projects in South Africa, which included M&E. At the field level, the implementation of project activities took place through a combination of specialized consulting firms contracted by UNIDO (e.g. benchmarking in the Automotive Project), host institutions (e.g. NCPC in the Energy Efficiency Project or AIDC in the Automotive Project) and international and national consultants contracted by UNIDO, with some also having a CTA. While all of these project partners were involved in implementation, most projects did not have a formalized monitoring and evaluation system. Though they did collect some information, this was not used to report the progress towards outcomes and impact. In general, several of the stakeholders mentioned above managed information, especially regarding the activities that were their responsibility. For example, the host institutions had information about the number of companies or technicians who had

participated in the training that they provided, and the consulting firms also had information about the participants in their activities (e.g. benchmarked firms, or participants in training). Furthermore, while most projects had information about activities and/or outputs, they lacked indicators that served to measure the progress in the achievement of the project outcomes and impact. As said earlier, the project manager was responsible for M&E, as a part of the project management responsibilities, including consolidating the information into a results-based project monitoring. Managers often delegated these tasks to project staff, such as CTAs. However, most projects in South Africa did not have CTAs, becoming unclear who was responsible at the field level for overseeing and consolidating the available data.

As a result, the information found by the evaluation mission was limited and of low quality, not serving as an adequate management tool to identify implementation problems in a timely manner. It also constrained the possibilities of evaluating project impacts. One of the reasons for these problems is that project documents usually included neither a Monitoring and Evaluation Plan nor a budget for Monitoring and Evaluation. Project managers certainly faced the same constraints related with the limited availability of information, which hampered their capacity to identify problems and obstacles to implementation. Because of the limited monitoring information, UNIDO also faced difficulties to report the progress of most of its projects in South Africa to the Government and to donors. It is important that the URO did not have any responsibility for monitoring and evaluation, even though it was expected by South African Government agencies and donors to provide adequate information on UNIDO's operations in the country.

5

UNIDO and the Delivering as One process in South Africa

5.1. The UN system in South Africa

The presence of the UN in South Africa is relatively recent. During the apartheid era, the country was generally excluded from the UN system. After the introduction of a democratic Constitution in 1994, South Africa entered the international fora as an important political and economic contributor to UN bodies and the Non-Aligned Movement, and it also contributed regionally in the African Union and SADC. At the national level, the UN specialized agencies, funds and programmes also started to offer assistance to the new) Government. An agreement on development cooperation with UNDP was signed in October 1994 by President Mandela, and different agencies started to establish in the country.

Eight specialized agencies, funds, and programmes focused exclusively in South Africa are currently present in the country: the Food and Agriculture Organization (FAO), the United Nations Development Programme (UNDP), the UN Population Fund (UNFPA), the Joint UN Programme on HIV/AIDS (UNAIDS), the UN Human Settlements Programme (UNHABITAT), the UN Children's Fund (UNICEF), the UN Information Centre (UNIC) and the World Health Organization (WHO). In addition, several UN agencies have located their regional offices there, many of which also cover South Africa in addition to other countries in the sub region. Those UN agencies and bodies include UNIDO, the UNDP Regional Centre, the International Labour Organization (ILO), the Office of the UN High Commissioner for Refugees (UNHCR), the International Organization for Migration (IOM), the UN Office for the Coordination of Humanitarian Affairs (OCHA), the World Food Programme (WPF), the UN Office on Drugs and Crime(UNODC), UNAIDS, the Office of the UN High Commissioner for Human Rights (OHCHR), the UN Development Fund for Women (UNIFEM), the UN Environment Programme (UNEP), the UN Mission in the Democratic Republic of the Congo (MONUC), and the UNFPA.

5.2 The UN Development Assistance Framework (UNDAF) 2007-2010

From 1994 to 1999, the UN system did not have a single coordinating framework for its engagement with South Africa, so different agencies entered the country at different times, engaging with the Government in terms of its specific mandates. During this period, cooperation focused on support of the Reconstruction and Development Programme. The first country cooperation framework was prepared between 1995 and

1997, having the broad objective of reducing poverty within a sustainable human development framework. A review mission carried out in 2001 recommended that the subsequent cooperation framework concentrated on HIV&AIDS, sustainable integrated rural development, and regional integration.

The first UN Development Assistance Framework (UNDAF) was prepared for the period 2002-2006, defining the three priority areas identified by the 2001 review mission, as well as discussions with the Government, civil society organizations, and bilateral agencies. The last UNDAF was prepared for the period 2007-2010, having been extended until the preparation of a new one. The current UNDAF[40] aims to align itself with the achievement of the MDGs and with government programmes in a 'cluster' format, with the UN clusters corresponding to those of the Government. UNIDO is included as a partner in several important themes:

a) Governance and administration clusters, Joint Programme (JP) outcome 2 (Improved processes related to the macro-organization of the state);

b) Economic, investment, and employment cluster, JP outcomes 5 (Enhanced skills of Government and social partners to respond to the needs of the labor market), 6 (Strengthened government ability to develop and implement coordinated 'second economy' interventions), and 7 (Strengthened government capacity to implement selected 'first economy' interventions);

c) International Relations, Peace and Security Cluster, JP outcome 8 (Strengthened capacity of South Africa to support the African Union Commission and other policy-related institutions, such as the New Partnership for Africa's Development, the African Peer Review Mechanism, the Pan-African Parliament, African Court of Justice and Human Rights, and SADC in addressing socio-economic, peace and political issues to implement the Africa agenda), focused on capacity building;

d) Social cluster, JP 24 (Strategic management and coordination of programmes for subsistence and small emerging farmers are supported to improve their food security and livelihoods).

As it will be shown in the next section, a joint evaluation of UN activities in South Africa carried out recently found that although the UNDAF 2007-2010 has been aligned with the Government's strategic priorities and the Millennium Development Goals (MDGs), the Government of South Africa had a low involvement in its preparation. This conclusion calls into question the relevance of the UNDAF as the main mechanism of UN-South Africa cooperation.

[40] http://www.undp.org.za/remository/Country-Programme/UNDAF-2007-2010/

5.3. Relevance and effectiveness of the UN-South Africa cooperation

The recent presence of the UN system in South Africa, along with the particular characteristics of the country, which differ significantly from those of other African countries, have led to discussions questioning the role and contribution of the UN system in the country. Between August 2008 and March 2009, an independent evaluation of the role and contribution of the UN system to the Republic of South Africa was carried out by an independent, external team of South African and international evaluation specialists.[41] Its objective was to assess the relevance and effectiveness of cooperation between South Africa and the UN system within the three-tier strategic policy priorities of the country: a better South Africa, a better Africa, and a better world. Thematic evaluations were conducted in four mutually agreed-upon areas – development, peace and security, the environment and humanitarian assistance – from which conclusions were drawn. In addition, three cross-cutting issues were assessed, namely addressing gender equality, HIV&AIDS prevention, and human rights and democracy promotion.

The evaluation report was released in 2009, presenting very critical findings. It recognized the challenges faced by the UN system in the South Africa in the post-apartheid era, as a consequence of working in a middle-income country that was, in many ways, different from other African states in which the UN was working. According to the report, the relationship at the country level suffered from mutual lack of knowledge and confidence, and sometimes contradictory ways of working. It argued that the cluster system developed through UNDAF did not resolve this, and opinions on the usefulness of UNDAF varied. UN agencies assist South Africa through their individual mandates and capacities, trying to engage in strategic policy debate as they do in many other countries. They tend to find South Africa difficult to work with in that regard, due to the lack of access to high-level officials who can take strategic decisions. Therefore, strategic debate in the country tends to be weak, if not absent altogether. More specifically, the evaluation found that:

a) Almost all the interventions evaluated were in line with national needs and strategic government priorities as outlined in Vision 2014;
b) The interventions were also consistent with UN organization mandates and international standards. UN capacity-building activities addressed real gaps and helped introduce new approaches. However, some major issues were addressed through small projects only, having limited impact; in such cases, the UN response did not meet expressed national needs, which called for a more comprehensive response.
c) The UNDAF and its broad programmatic priorities are aligned with the Government's strategic priorities in Vision 2014 as well as with the Millennium Development Goals (MDGs). However, the report stresses that the UN was the primary driver of UNDAF content in South Africa, with little involvement of the South African Government. Thus, the relevance of the UNDAF as the main mechanism of UN-South Africa cooperation can be called into question. In addition, the report highlighted the

[41] Government of South Africa-United Nations Evaluation Group (2009).Joint Evaluation of the Role and Contribution of the United Nations System in the Republic of South Africa. New York.

absence of real dialogue between the UN agencies and their government counterparts, which in turn relates with a level of mistrust on the part of some government officials about assistance offered by the UN and a lack of openness to external advice. Furthermore, as only a 'framework', UN agencies along with government departments do not always feel bound by it or by the Common Country Action Plan, and often develop activities that are not included within them.

d) Regarding the effectiveness of cooperation, the report evaluated it as fairly positive overall. Many activities were found to be highly effective in reaching their objectives, the majority was effective, and a smaller number were less than effective. Strategic dialogue between the UN and the Government has generally not been effective, and access to government officials at higher levels proved difficult. Such officials have limited awareness of UN mandates and capabilities. Constraints on the effectiveness of the UN system relates with poor understanding of the basic structure of the South African Government, competition among UN agencies, lack of communication among government departments, administrative procedures of both the Government and the UN that are slow and constrain effective cooperation, and administrative requirements of UN agencies that are different from those of the Government and not fully in line with Paris Declaration Principles.

The main problems affecting the UN-South Africa partnership included:

a) Lack of a comprehensive framework for the cooperation between the UN system and the Government of South Africa, as the country engages with the UN system in a number of ways that are not reflected in the UNDAF.
b) Ineffective institutionalization of partnerships, as the rules of engagement within the UNDAF and the Common Country Action Plan are not clear to all of those government officials involved in their implementation.
c) Limited understanding by some government officials of roles and mandates of UN agencies, with some government officials involved in the implementation of programmes not having a solid understanding of the UN system and how it works. Conversely, there is a strong sense from government officials that international UN staff not always fully understand the complexities and nuances of working in the South African political environment.
d) Coordination challenges related with different planning and budgeting timeframes and different lines of accountability of the various UN agencies and government departments. On neither side there was a 'single entry point to the system (be it UN or Government), and the UN Resident Coordinator was said not to have played such role.
e) Inability to attract and retain national staff, due to the competition with the public sector and other development partners that may offer more attractive career opportunities.
f) Mixed success in partnering with civil society and non-governmental organizations, though the UN had developed good partnerships with research and academic institutions.

The report also highlights that while the UN system has long experience in working with middle-income countries, it has been difficult for UN agencies to fully draw upon this

experience to establish working relations with South Africa that take into consideration the specificities of the country. Instead, emphasis has been given to development cooperation for which the UNDAF has been jointly prepared. In this context, the UN has often been seen by government agencies as just 'another donor', or as a service provider, thereby narrowing the perception to a one-way relationship rather than one in which both sides can make important contributions to the other.

The report makes several recommendations, including the following list that might be of particular relevance for future UNIDO cooperation in the country:

a) Develop a comprehensive cooperation framework, with the goal of creating a flexible, permanent structure that covers the range of international relations related to the provision of national, regional and global public goods and reflect South Africa's position as a middle-income country.
b) Enter into a joint strategic planning process that produces clear guidelines for roles and responsibilities.
c) Reviewing the roles of key government departments in relation to the UN, giving importance to improving the relationship with technical government departments and agencies with clearer and more flexible mechanisms.
d) Improve coordination between government departments and UN agencies through bi-annual round-table discussions in which priorities and programmes can be reviewed.
e) In addition, it is recommended that the UN at country and headquarters levels take steps to develop a unique model of 'Delivering and Receiving as One' for South Africa, taking into account its status as a middle-income country and aiming to support national priorities in a comprehensive manner.
f) Strengthen UN leadership at the country level, with the Resident Coordinator becoming the 'chief executive officer' of the system at the country level, with a separate office, instead of serving the dual role as Resident Coordinator and head of agency simultaneously, and the UNDP country office being led by a country director.
g) Add value, focusing on high-end value-added activities that generate knowledge and information for policies and programmes.
h) Enhance the specialized expertise of UN staff. It is recommended that UN agencies, funds and programmes ensuring that career staff posted to South Africa by agencies, funds, and programmes are experts or researchers in their respective areas of expertise.

5.4. Participation of UNIDO in the UN Country Team

As one of the UN agencies in South Africa, UNIDO has participated in the UN mechanisms at the country level, being a member of the UN Country Team, which comprises 17 UN agencies, funds and programmes in Southern Africa. The UR has been the UNIDO officer responsible for the official representation toward the Government of South Africa, as well as the representation of UNIDO in the UN Country Team. At the end of 2010, UNIDO contracted a National Programme Officer based at the URO who – among other responsibilities - has participated in the meetings of the UN Country Team.

The participation of UNIDO in the UN Country Team has been influenced by obstacles related both to the functioning of the UN system in South Africa and to the views prevalent at UNIDO of the UN reform process. Regarding the former, the Joint Evaluation mentioned in the previous section identified several important obstacles that made the relationship with the Government and the coordination between UN agencies difficult. In particular, the situation of the UN Country Team management was defined as unsatisfactory and a major obstacle to UN-Government of South Africa cooperation. The report mentions that there is already one UN office in Pretoria to accommodate most of the Country Team, but the problems have originated not so much on the physical location of agencies, but on the lack of an effective interaction among them. This related mainly with lack of leadership, a function to be performed by the UN Resident Coordinator but which has been affected negatively by the fact that the post has been filled for some time by various agency heads acting as Resident Coordinators with relatively little resources and management authority.

In addition to these obstacles, prevalent views within UNIDO of the DaO process and some of the principles of the Paris Declaration also contributed to the weak participation of UNIDO in the UN Country Team. Evidence collected by an Independent Country Evaluation in Mozambique – one of the eight One UN Pilot countries - carried out in 2010 by UNIDO Evaluation Group argued that most UNIDO project managers were skeptical about the One UN process for various reasons, including among others the time and difficulties involved in coordinating joint activities.[42] Most UNIDO's officers at HQs and at the URO who were interviewed as a part of both evaluations were skeptical of the DaO process, and tended to the view that it implied some risks with regard to UNIDO's competitive advantages as a technical cooperation agency and to the efficiency of technical cooperation. As a consequence, while UNIDO did well in South Africa in the application of some of the principles of the Paris Declaration – such as alignment with government policies - it did worse in some others in which UNIDO officers were more skeptical, including the use of country systems and procedures (for financial management, procurement, auditing, results framework, and monitoring) and harmonization (common arrangements at country level with other UN agencies and donors for planning, funding, disbursement, monitoring, evaluation, and reporting to Government). These views contributed to giving low priority to the participation in UN Country Team meetings and other joint activities. It is important to mention that there are no Joint Programmes in South Africa . Some agencies, including UNIDO and ILO among others, did start to prepare a proposal to the Millennium Development Goals Fund focused on the development of agricultural clusters, but the initiative eventually did not materialize.

In spite of these problems, UNIDO's work in South Africa was viewed positively by other UN agencies and the UN Resident Coordinator. In particular, the location of the UNIDO Regional Office at the DTI premises, the partnership of UNIDO with several key government agencies (such as the DTI, the DOE, and the DPE), the participation of

[42] The team leader of this Country Evaluation in South Africa also participated as a team leader in the Country Evaluation in Mozambique, interviewing a substantial number of project managers and top management at UNIDO to learn about their views about the One UN process.

UNIDO in important policy discussions (such as the review of the Energy Policy), and the fact that UNIDO received a significant proportion of its funding for its projects in South Africa from the Government were all viewed very positively. The Joint Evaluation Report also highlighted UNIDO's role and projects in the environment sector, highlighting the provision of normative support to the designated national authority, the Energy Efficiency Project, the Climate Change Mitigation Project in Ethekwini (Durban), and the creation of the National Cleaner Production Centre.

6

Conclusions and recommendations

6.1. Conclusions

a) The performance of UNIDO projects in South Africa has been reasonably good, in particular in terms of relevance and ownership. Effectiveness, efficiency, and impact have been acceptable (medium on an average) and sustainability has been in general been rated as good or medium, though two of the projects face sustainability challenges.

b) Relevance to country problems, government policies, and UNIDO's areas of expertise was high. Although the CSF prepared and approved by UNIDO in 2002 was not signed by the Government, UNIDO projects addressed a well-defined set of problems that affected the competitiveness of industry, which the South African Government views as one of the main labor-absorbing economic activities. Identified problems include: a) the difficulties of domestic suppliers to participate in the value chains of important industries, such as the automotive, transport, and power generation; b) low environmental standards of domestic industries and insufficient capacities of national and local government agencies to carry out appropriate environmental controls; and c) energy supply shortages and increasing energy costs faced by the industrial sector, along with inefficiencies in the use of energy of South African industry.

c) UNIDO projects have been aligned to specific government policies that have been developed to address the problems mentioned above, focused in particular on leveraging public procurement in order to promote industrial development, promoting the development of component suppliers in the automotive industry, improving energy efficiency, and promoting the industrial use of cleaner technologies. The main policies with which UNIDO projects are aligned, like the National Industrial Policy Framework and its accompanying Industrial Policy Action Plans, the Motor Industry Development Programme – MIDP, the National Energy Efficiency Strategy, and the plan to develop a national energy management standard, are very potent industrial policies that affect the performance of the industrial sector. UNIDO projects have become important instruments to implement these policies.

d) The thematic areas of UNIDO projects in South Africa relate directly with recognized areas of expertise of UNIDO, such as the introduction of environmental standards at the industrial level, and private sector development through micro, small, and medium-size enterprises. At the same time, UNIDO projects focused less than expected on SMEs - a priority sector for the South African Government due to its capacity to generate employment. Although the Project Documents of most projects

included SMEs among their expected beneficiaries, the evidence collected by the evaluation suggests that most projects have benefited mainly larger companies and not SME.

e) Although projects were in general relevant to country problems, government problems, and UNIDO areas of expertise, the evaluation found that some projects lacked coherence between their proposed focus on SMEs and some of their main objectives. For example, the Industrial Energy Efficiency (IEE) Project aims at maximum energy savings, which can be achieved mainly among large firms, not SMEs. The Automotive component supplier development programme proposed as one of its outcomes the provision of commercially viable technical assistance services to automotive industry suppliers, which would in turn require charging fees that have shown to be higher than what SMEs are able to pay.

f) Most of the projects showed a high ownership by the government agencies involved, with most being funded fully or in a large proportion by the South African Government. The DTI was UNIDO's main counterpart, as the body responsible for industrial sector development in South Africa. The high participation of the DTI and other government agencies in project design and implementation can be explained partly because the South African government counterparts are quite strong, having the ability to discuss more properly the objectives and outcomes of the projects and their alignment with government policies. The fact that the South African government provided most of the funding for the projects also prevented the design of projects based on donors' priorities, which sometimes may not be those of the Government.

g) In general, the effectiveness of UNIDO projects has been evaluated as medium, being strongest in the area of capacity building (e.g. NCPC, Durban Energy Office) and policy advice and weakest at the enterprise level. In the latter area a certain trade off seems to exist between the objectives of some projects (e.g. CO2 reduction, energy savings, or financial sustainability by charging full costs of services) and the goal to develop SMEs.

h) Efficiency was rated in general as medium, with indications of low operating costs such as project teams of a reasonable size in relation to the value of the projects, but also indications of inefficiencies related with implementation delays.

i) The majority of UNIDO projects in South Africa performed reasonably well in terms of progress towards impact or impact orientation. However, most projects had a development objective that often contained several objectives. Thus, they were imposed with a combination of development objectives that were quite difficult to achieve. Most projects were found to achieve, or being likely to achieve, some but not all the objectives contained in the defined ultimate goal. The reasonably good prospects in terms of impact relate with sound project approaches (e.g. combining policies with demonstrations in EE) and the high relevance of the projects addressing real problems of industry.

j) In general, projects in South Africa showed reasonably good sustainability, or good prospects of sustainability of results. However, sustainability was an important

challenge for the ongoing Automotive supplier development programme and the activities of the Generic drugs project in South Africa.

k) The observed results can be explained by: (i) strong government counterpart institutions, which participated actively in the formulation of projects and made sure that they responded to government policies and priorities; (ii) low relative weight of foreign donors in the funding of UNIDO projects, leading to lower influence of their priorities; and (iii) active role in implementation defined by the project documents for government institutions.

l) The main obstacles during implementation related with centralized decision-making by project managers at HQ, slow procurement procedures, presence of competing programmes, and difficulties in some projects to hire an adequate CTA. These problems caused mainly implementation delays. In addition, there were missing opportunities of generating synergies among different projects, as well as of having more impacts on capacity building if UNIDO's consultants had been based on government agencies instead of at the URO premises.

m) Although projects in South Africa were characterized by centralized management, they had some degree of decentralization related with: a) the role played by the URO in project identification and conceptualization and in procurement; b) the active role played by government counterparts in design and implementation, being responsible for implementing key project activities, and participating in the projects' steering committees; c) the transfer of part of the government funds for the project directly to the hosting institutions.

n) Global Forum activities have been a relevant and important area of UNIDO work in South Africa. Many of the GF activities have been implemented in partnership with the Government of South Africa, which relates with its view of South Africa as an important contributor to the UN system in the provision of global and regional public goods and the interest in developing a relationship with the UN system not only as a recipient of ODA, but also in as an important contributor to UN mandates regionally and globally. GF activities in South Africa are in general expected to contribute to more or less concrete institutional and policy outcomes, in particular in the Energy and Environment and in the Poverty Reduction through Productive Activities areas.

o) The work of the UNIDO Regional Office in South Africa was assessed quite positively, in light of the very limited human resources and funds that it had available, and the general context of difficulties and low performance of the UN system in the country. The tasks that it performed better were the relationship with the Government, the identification of opportunities for new TC projects, and the administration of local procurement and payments through the Imprest account. UNIDO is viewed positively by other international cooperation agencies working in South Africa, especially in its relationship with government counterparts. This is also shown by the fact that UNIDO is hosted by DTI, which allows for daily interaction. In addition, there is a potential for the URO to assist economic regional integration activities, focused on capacity building that allow the countries under the URO to cope with industrial issues in the integration process.

p) In contrast, the weakest functions were the monitoring and implementation support to TC projects. The most important constraints identified to the effectiveness of the URO include: (i) very limited availability of human resources to service South Africa and nine other countries, especially considering the growth in the number of projects during the last few years (especially since 2008), (ii) the increase in the workload related with local procurement and the processing of payments through the Imprest account; (iii) IT problems that create obstacles to a more decentralization project management, including mainly the fact that Agresso does not work properly from the URO; (iv) the challenges of building partnerships with government agencies in South Africa;(v) the lack of a good integration of local staff in implementation of HQ managed projects, due to the lack of clear responsibilities, communication, and budget management; (vi) synergies among projects not exploited; and (vii) lack of monitoring and reporting at the country level, which hampers the possibility of a better interaction with the Government.

q) The participation of UNIDO in the UN Country Team has been influenced by obstacles related both to the functioning of the UN system in South Africa and to the views prevalent at UNIDO of the UN reform process.

r) UNIDO tended to do well in South Africa in the application of some of the principles of the Paris Declaration – such as alignment with government policies - but did worse in some others in which UNIDO officers were more skeptical, including the use of country systems and procedures (for financial management, procurement, auditing, results framework, and monitoring) and harmonization (common arrangements at country level with other UN agencies and donors for planning, funding, disbursement, monitoring, evaluation, and reporting to the Government). These views contributed to giving low priority to the participation in UN Country Team meetings and other joint activities.

6.2. Recommendations and lessons learnt

This section presents a set of recommendations to improve the operations of UNIDO in South Africa, taking into account the problems identified by the evaluation and the factors explaining them, as well as the lessons from cases that worked well and led to positive results.

6.2.1. Recommendations

On the design of a new cooperation framework and new projects in South Africa

a) UNIDO should prepare a new country programme that defines the objectives of UNIDO's activities in the country, focusing on issues in which UNIDO has recognized experience and expertise. However, and in contrast to the experience with the CSF, the new cooperation framework should have the following characteristics: (i) it should be prepared jointly with the government main counterparts; (ii) it should focus on supporting the Government in the

implementation of its industrial policies and strategies; (iii) it should incorporate mutually agreed Global Forum activities; these GF activities should be carefully planned, with defined outputs and outcomes, and monitored and evaluated; and (iv) it should define clear indicators and mechanisms for joint monitoring and evaluation.

b) SMEs have been a priority in government policies since the end of apartheid, as a way of reducing the very high unemployment rates, especially among the black population. Wherever possible, UNIDO projects should increase their focus on SMEs.

c) Following the recommendations of the Joint Evaluation of the Role and Contribution of the UN System in the Republic of South Africa, the new cooperation framework should include provisions to ensure increased participation of UNIDO in joint activities with the UN Country Team. This includes, among others, higher coordination with other UN agencies in South Africa and participation in joint programming.

On project implementation

a) Wherever feasible, Project Management Units (whenever they exist) and international and local consultants hired by UNIDO to work for different projects in South Africa should be based at the premises of government counterparts rather than at the URO, in order to increase ownership and potential for capacity building. However, in some cases the need to strengthen the field office through project staff might be warranted.

b) Project implementation should be decentralized, including the transferring of management to the URO whenever possible. However, the required human resources and capacities need to be kept in mind, as it has been proposed for the Industrial Energy Efficiency Project with the transfer to the URO of a specialized UNIDO project manager.

c) UNIDO projects should make increasing use of South African procurement systems, and involve government counterparts in the implementation of project activities as much as possible, in line with the principles of the Paris Declaration and the recommendations of the Joint Evaluation of the Role and Contribution of the UN System in the Republic of South Africa.

d) To enable use of country procurement systems UNIDO should develop and carry out standard capacity assessments of partner agencies.

On project monitoring and evaluation

a) Each project should include a monitoring system based on its logical framework and results-based indicators. Project documents should include a budget for monitoring and the contracting during project implementation of a specialized person in charge of collecting the necessary information. If this was not possible,

one person in the URO should be tasked with the monitoring of several projects. The costs of the latter could be shared among the projects under implementation.

b) UNIDO should improve significantly the reporting and communication to the Government and donors on the progress and results of each of its projects. Reporting should be based on the agreed results-based indicators, and it should include workshops to discuss results and recommendations for improvement.

c) Projects would benefit greatly from a more systematic project supervision carried out by UNIDO, which would serve to periodically (e.g. every six months or one year) to collect and report information to UNIDO's project manager about the progress of implementation, identifying problems and making recommendations to solve them. Supervision modalities could vary, with the URO playing an important role, or also relying on a network of specialists at the regional level who would work as short-term consultants

On the UNIDO Regional Office

a) Strengthen the URO's availability of human resources, preparing a staffing plan that responds to new demands of a more decentralized implementation. This would include at least one additional administrative position and one additional professional staff to manage the expanding portfolio, in particular in the private sector development area (e.g. SPX, automotive, clusters).

b) Improve the flow of information within the URO office and with counterparts and donors by establishing a country-level monitoring and reporting every six months and organizing meetings with counterparts and UNIDO staff to present and discuss the progress in the implementation of different projects.

c) Promote coordination and synergies between projects through regular office staff meetings, preferably on a fortnightly basis.

d) To enable decentralized project management, UNIDO should also provide training to local staff on the use of Agresso/SAP and should solve the problems with the remote functioning of Agresso/SAP by assigning an IT staff to solve the problem on the ground.

e) UNIDO treasury should authorize online banking for the URO with no further delay.

On specific ongoing projects

<u>Automotive component supplier development programme</u>

a) Focus the second phase of the programme on 2nd and 3rd tier suppliers and SME, which are the beneficiaries proposed by the Project Document and the ones that will benefit most from the programme activities, as they usually face

more problems and competitiveness challenges and have more difficulties to access adequate training and technical assistance.

b) Improve the integration of the two key components of the programme – benchmarking and technical assistance – by i) making better use of benchmarking studies as a basis for defining the key features of technical assistance to be provided to client companies and ii) equipping advisors with standardized diagnostic tools to define the assistance to suppliers, so that the quality of the services provided depend less on the individual industrial advisors.

c) Strengthen M&E to evaluate results and identify key lessons.

Subcontracting and Partnership Exchange Programme

a) Target firms that are able and willing to use the benchmarking tool effectively and consider charging a fee for the benchmarking service, so that better alignment is reached with the Automotive component supplier development programme, which charges fees for benchmarking services.

d) Control quality of benchmarking service delivered by industry associations: consider conducting random company surveys that focus on the quality of the benchmarking process as well as the quality of the development interventions identified in the benchmarking report.

e) Send opportunity alerts to relevant associations/companies only. The current generic opportunity alerts contribute to the general company fatigue.

f) Find a licensing solution for the future use of the benchmarking software as soon as possible.

g) Develop the UNIDO exit strategy as soon as possible.

Industrial Energy Efficiency Improvement in South Africa

a) Demo cases need to be established also for smaller sized firms.

b) An urgent solution for the problem of local procurement and recruitment of local consultants needs to be found; the evaluation team recommends a long-term solution using the CSIR/NCPC instead of managing this through UNIDO (for example through a subcontract to CSIR/NCPC).

h) The project M&E system should be strengthened, using performance indicators linked to project objectives and targets. For these indicators baseline information should be collected at company level so that effectiveness of trainings and audits can be reported on. The M&E system should also distinguish between trained consultants and company staff.

i) Project reporting should be improved, with more detailed information on project activities and outputs being made available to all project stakeholders (including

the donor). Information should be collected based on results and indicators specified in the project document.

j) The number of energy audit quick scans (500) should be reduced. The corresponding savings should be used to offer more comprehensive packages for energy efficiency "upgrading" on a subsidized basis.

k) A strategy for disseminating results from demo companies (awards, road-shows, opinion leaders, etc.) should be prepared soonest. This might be outsourced to a professional marketing or PR company.

Training of trainers for the promotion of emerging agro-processing clusters in South Africa

a) Baseline and targets should be defined for the results indicators of the project.

Climate Change Mitigation of Industrial Activity through Investment and Technology Compacts and Partnerships

a) Identify and disseminate lessons from the experience of the project regarding methodologies to develop climate change partnerships.

b) The needs of the counterpart agency should be defined and international expertise sourced on issues like renewable energy, policy and incentive requirements for attracting 'green FDI', and climate change mitigation strategies in order to meet the needs for international best practice and learning.

6.2.2. Lessons learnt

a) The experience in South Africa may provide interesting lessons on how UNIDO might approach its work in upper middle income countries with conditions similar to South Africa, including in particular stronger government counterparts, higher capacity to finance projects, and less role of foreign donors in the financing of projects. This experience suggests the need for UNIDO to establish a partnership based on a stronger role of the Government in the preparation of strategies and project documents, project implementation and management, and monitoring and evaluation of results. New methodologies would be required for: (i) preparing a cooperation framework that defines the objectives of UNIDO activities in South Africa, the main areas in which it will operate (also including GF activities), and the possible specific projects; (ii) monitoring and evaluating the agreed results-based indicators; (iii) reporting and communicating on the progress and results obtained; (iv) ensuring a high participation of government counterparts-host institutions in project implementation and an increasing use of procurement systems; and (v) focusing UNIDO's contribution in activities that add value based on UNIDO's experience and methodologies in different thematic areas, rather than as a mere contractor.

b) GF activities may be an important area of cooperation with upper middle income countries such as South Africa interested in participating in global discussions

and in playing a role in the provision of regional and global public goods. GF activities should be incorporated in the cooperation framework of countries interested in these activities, and they should be carefully planned, monitored, and evaluated.

c) The work carried out by the URO in South Africa shows that UNIDO's field offices may play a key role in the relationship with the Government, the identification of opportunities for new TC projects, the improvement of country operations in general, and the assistance to regional integration activities, focused on capacity building that allow countries to cope with industrial issues in the integration process.. However, field offices need to be strengthened appropriately in the availability of human and material resources to be able to carry out their duties adequately.

d) Higher efforts should be made to increase coordination and synergies among projects working in the same country in similar issues. Specific measures for coordination and synergies should be defined during the design phase, with an important role to be played by the URO.

Annex A: Assessment of TC projects

This annex presents an assessment of individual projects and project groups. The ones for which assessments have been done include the most important ones in terms of funding and for which there was information available that made it possible to evaluate them. One of the projects (Establishment of the National Cleaner Production Centre) had been evaluated, so there was an evaluation report available. As mentioned in the methodology section in chapter 1, the mission was unable to find appropriate information for several projects, which made it impossible to assess them properly.

A. South Africa National Cleaner Production Centre (UESAF04068, USSAF02068, and USSAF02069)

UNIDO's Evaluation Group carried out in 2007 an Independent Evaluation of the UNIDO-UNEP Cleaner Production Programme, which included independent country evaluations for 18 NCPCs, including South Africa's NCPC.[43] This assessment is based on the findings of the South Africa Country Report prepared as a part of that evaluation and takes into account some findings from the present country evaluation.[44]

Project description

In September 2002, during the World Summit on Sustainable Development (WSSD) held in Johannesburg, the Department of Trade and Industry (DTI), UNIDO, the Governments of Austria and Switzerland, and the Council for Scientific and Industrial Research (CSIR) - a centre that is part of the Department of Trade and Industry - agreed to establish the South African National Cleaner Production Centre (NCPC). Three projects implemented between 2002 and 2008 supported the establishment of the NCPC, with total expenditures of approximately USD 1.63 million. The projects were implemented by UNIDO in cooperation with the CSIR, having as executing agency the Process Technology Centre at CSIR in cooperation with private sector associations.

The projects were based on UNIDO's experience in establishing NCPCs in many countries (a total of 23 at the time the project document was prepared in 2002). Their ultimate goal was to increase the competitiveness and productive capacity of South Africa's industry through building national capacity in cleaner production, fostering dialogue between industry and Government, and enhancing investments to transfer and develop environmentally sound technologies. This would contribute to facilitating market access and strengthening the economy in a way compatible with environmental protection and social development.

It was defined that the NCPC would have a strong sectoral approach and concentrate on working in the three most industrialized regions of South Africa: Eastern Cape, Western Cape and Kwa-Zulu Natal. Cleaner Production Focal Points would be established in each of these three regions. The NCPC would serve a coordinating and catalytic role for

[43] UNIDO (2008). Independent Evaluation of the UNIDO-UNEP Cleaner Production Programmeme.Vienna.

[44] UNIDO (2008). Independent Evaluation of the UNIDO-UNEP Cleaner Production Programmeme. Country Report: South Africa. Vienna.

enhancing the application of UNIDO's holistic cleaner production approach as an efficient tool to improve industry's competitiveness and decrease its negative environmental impact. It was proposed that the NCPC would carry out in-plant assessment projects, training programmes, cleaner production (CP) technology and investment promotion, policy advice, and information dissemination. In addition to supporting the South Africa NCPC, it was expected initially that CP activities would be expanded to other countries of the region, helping to establishing a CP network within SADC sub-region.

The target beneficiaries included: SMEs and especially export oriented companies and subcontractors to the production chain; regulatory governmental institutions, industrial, financial and environmental policy-makers; industrial research institutes and universities connected to industries; sectoral institutions and organizations; national consultants who would be trained on the practical application of UNIDO's holistic CP approach; previously disadvantaged universities and students; and the quality of the environment, which would also benefit due to decreased emissions.

Implementation

The South Africa NCPC was formally established in 2003 in the Council for Scientific and Industrial Research (CSIR), being hosted at present by its Manufacturing and Materials Business Unit in Pretoria. An interim review was carried out in May 2004, which found deficiencies in project preparation and suggested that a process be initiated to redefine the niche and strategy for the NCPC. A revised strategy and business plan and a final version was approved at the end of 2004, which aimed at repositioning the NCPC as a national asset in support of customized sector programmes and the National Cleaner Production Strategy. The NCPC was subsequently re-launched from April 2005 under the leadership of a new director recruited from the private sector and with assistance from a part time Chief Technical Advisory position.

The business strategy retained the focus on three key sectors (agro-processing, textile and chemicals), with the strategic intent to expand to mining and automotive sectors. The regional focus was consolidated to serve the Western Cape (with a full branch office at the CSIR campus in Cape Town), Gauteng and KwaZulu Natal Provinces (both from headquarter in Pretoria). In the first half of 2011, a new branch office opened in the city of Durban, serving the KwaZulu Natal Province. The NCPC operates as a facilitator to incubate and enable market development for CP and CP-related services. Its activities include advocacy and promotion, capacity building, technical assistance to enterprises (audits and quick scans), sourcing and transfer of CP tools and best practice, and project management and facilitation of key CP initiatives. The NCPC operates by contracting CP service providers, including universities, individual consultants and consulting firms.

Since early 2006, the NCPC received funding from the South African Government (through DTI), and it operated fully funded by the DTI since 2008. Operation costs represented approximately 20% of the funding, while the remaining 80% was project based funding ultimately originating from an EU funded credit line within DTI for sector-specific industry support initiatives (SWEEEP). In case of the NCPC, this funding paid for the projects in the three priority sectors (textile, agro-business and chemicals), and costs of outsourced services to provide training, undertake assessments and prepare information materials, It has operated as a 'ring fenced' centre within the CSIR with separately managed budgets and its own brand, while maintaining access to support

services from CSIR (e.g. accounting, human resources, contract management, IT support etc.).

At the time of the present Country Evaluation, the NCPC was the host institution of UNIDO's Energy Efficiency Programme, and it had participated in the Automotive supplier development programme by providing environmental benchmarking services, applying the tools and methodology from the UNIDO CP Toolkit.

Relevance and ownership

The evaluation found that relevance of the NCPC was good for the Government because of strategic fit with key government priorities for industry development and environmental protection and for private sector because of proven business benefits. The CP concept was also found relevant for academia and research institutes, though the NCPC did not purposely address their needs. In addition, the evaluation found some ambiguity in views on the relevance of CP services. In fact, although information dissemination, CP assessments and training continue to be considered relevant by various stakeholders, the NCPC was no longer substantively involved in delivering these services, and instead it increasingly provided services mainly to the network of CP professionals.

Ownership of the Centre and of CP as a business practice was found to be high. The Government was already providing funding to the SANCPC at the time of the Cleaner Production Programme Evaluation, and it was on track to implement CP policy. The private sector endorsed strongly the NCPC through active contribution to governance.

The present Country Evaluation found that relevance and ownership of the NCPC continues to be high, and the Government continues to provide funding to its operations.

Effectiveness

The effectiveness of the NCPC was evaluated as good in its evolving capacity as a CP network facilitator in South Africa. The effectiveness of programme management (i.e. UNIDO HQ based management of the UNIDO UNEP CP programme) was rated as relatively low by the 2007 thematic assessment. An important drawback was that during project preparation insufficient consideration had been given to local CP and CP-related initiatives. There were also signs of differences in strategy and intent between programme management, counterpart national government and host institution, which were also highlighted in the mid-term review that was carried out in 2004. The effectiveness of regional networking and technical assistance inputs was found to be relatively mixed, with some more successful and some less successful initiatives.

Efficiency

Efficiency of operation of the NCPC was evaluated as good. For international networking within the UNIDO-UNEP CP Programme, efficiency was found as acceptable, with the caveat that the networking intensity was relatively low. Both programme management and technical assistance inputs had a relatively low efficiency due to systemic constraints in the UNIDO system (with an undesirable tendency for micro-management) and lacking evidence of the added benefits from the two International Reference Centres (IRCs).

Impact

The Independent Evaluation of the NCPC reviewed the results of the establishment and operation of the NCPC in terms of outputs, outcomes and impacts for the five service areas of the UNIDO-UNEP CP Programme:

a) *Information dissemination/Awareness creation*: Good evidence was found that the NCPC produced professional information materials and engaged with industry and government stakeholders for general promotion of CP. It was found that subsequent use of information materials and follow up to stakeholder events was not routinely tracked, but there was some evidence of increasing interest in CP.

b) *In-plant demonstrations*: Quick scan and detailed CP assessments were conducted on behalf of the NCPC by contracted CP experts. The evaluation found solid evidence of good quality of the services delivered and the quick scan reports, though it argued that they needed a higher focus on costs and benefits of CP implementation. Outcomes were monitored and confirmed some uptake of recommended CP options. However, impacts were not monitored, even though the evaluation found some indirect evidence that environmental and productivity benefits were achieved by some companies.

c) *Training*: At the time of the evaluation, the NCPC facilitated advanced CP auditor training on an irregular basis, while introductory CP training for enterprises was provided outside the NCPC, mainly through the Waste Minimization Clubs. Despite the small training volume, the evaluation found good evidence for outputs (i.e. successful organization and delivery of training) and promising evidence at outcome level (at least 20% of participants in recent CP auditor training had become active CP auditors).

d) *Policy advice*: The NCPC was represented in the steering group overseeing the development of the National Cleaner Production Strategy (championed by the Department of Environmental Affairs and Tourism), though the revised operational strategy did not give the NCPC a specific mandate or resource allocation for undertaking policy advice.

e) *Technology transfer:* The NCPC was also restricted in launching specific technology transfer initiatives. However, the evaluation found likely that its CP advocacy and the CP assessments might indirectly contribute to creating a demand for cleaner technologies.

Sustainability

The sustainability of project achievements is very good in particular for the productivity and environmental benefits achieved in companies (outcomes) and availability of CP services (outputs). There is also some evidence for a catalytic role for sustainable industrial development, but this is relatively confined to the priority sectors NCPC is working with. The NCPC operates fully funded by the DTI.

B. Automotive component supplier development programme (SE/SA/09/003)

Project description

The project was signed by UNIDO and the Department of Trade and Industry (DTI) in April 2009, with an estimated budget of ZAR 20,623,611 (excluding support costs) that represented approximately USD 2.2 million at that time.[45] It was expected to be implemented during three years, including two phases of 18 months each.

The project originated on an existing Business Partnership Programme between UNIDO and the Automotive Industry Development Centre (AIDC) –a South African government-owned agency - that had started in 2003-2004. This generated a continuous improvement programme called 'Tirisano' or 'Working Together' implemented by AIDC, focused on supporting domestic component suppliers of the South African automotive industry to make them competitive, with an emphasis on SME and Black Economic Empowerment (BEE) suppliers. The programme aimed at raising operating efficiency at the plant level, focusing on reducing waste and down-time, improving worker safety, and strengthening teamwork and motivation among supervisors and shop-floor workers. It operated through placement of engineers or 'industry advisors' part-time with a company to identify and propose solutions to shortcomings in the production process. Between 2003 and 2007, the programme worked with around 30 companies in five clusters, two of which were located in Gauteng and one in Eastern Cape. In addition, UNIDO had carried out a comparative study of the automotive industry support programmes in other middle income countries as a part of the evaluation of the South African Government Review of the MIDP.

Based on this experience, AIDC requested UNIDO's support to deepen the existing Tirisano programme by incorporating international best practices, expanding its reach to around 75 component suppliers (this target was later reduced to 65), and establishing sustainable stand-alone business development services. In addition, UNIDO would contribute with its expertise in environmental benchmarking and cleaner production technology, and with a more rigorous evaluation of the programme's impact and the collection of appropriate data for impact assessment at the firm level.

The ultimate goal of the project is to improve the competitiveness of South African SMEs in the automotive component industry by enabling the AIDC to provide continuous improvement services on a stand-alone commercial basis. The supporting objectives are to assess and demonstrate the impact of the Tirisano programme at the firm level and to extend and market it among a broader range of Tier 1 and Tier 2 suppliers.

The ultimate beneficiaries of the project would be tier 1 and tier 2 SME and BEE component suppliers of the OEMs, which were expected to benefit from improvements in shop-floor organization, more efficient energy use, more reliable project management, and improved market access. Proximate beneficiaries would be the AIDC, which would acquire the capacity to serve automotive component suppliers on a commercially

[45] In April 2009, the exchange rate was ZAR 9.379 per US dollar. By the time of the field work phase of the evaluation (in September 2011), the value of the US dollar amounted to ZAR 8 per US dollar. The total value of the project including 13 % of support costs was ZAR 23,705,300, equivalent to USD 2.53 million at the time the project was signed.

sustainable basis, and the DTI, which would improve its capacity to monitor and evaluate the impact of this programme and of other supplier development programmes.

The programme would be implemented into two phases - a testing and a rollout phase - each lasting 18 months. The testing phase would target around 15 companies and would involve modifications to the existing Tirisano programme, including the development of new modules for cleaner production and project management, and a rigorous assessment of the programme's impact, beginning with a broad benchmarking exercise of the automotive sector promoted through NAACAM and NAAMSA. The rollout phase would target 60 additional companies (this target was later reduced to 50 companies), and would be implemented if the testing phase is considered successful.

The expected outcomes of the programme would be that AIDC is able to deliver commercially viable services to component suppliers that enable them to achieve gains in plant-level efficiency and cost savings as a result of better working practices. According to the Programme Document, it was intended that the programme become financially sustainable after three years, meaning that by the end of the programme company contributions would cover the entire cost of the support provided to them. Ultimately, changes promoted by the programme would enable local South African component suppliers to meet the contractual demands of local OEMs and of export markets. This would in turn increase the local supply content among the OEMs and increase exports of automotive components.

The programme outputs included: a) development and implementation of a benchmarking methodology (process and environmental) from both participating and non-participating ('control') firms, as a basis for a rigorous firm-level evaluation of the Tirisano's programme impact and for providing companies with an indication of their standing relative to competitors; this output would take the form of an evaluation report; b) development and implementation of new continuous improvement activities, which would consist of modifications to the Tirisano programme to include management and supervisor training, assistance with tool and die changing, cleaner production training, and project management training; and c) rollout of the Tirisano programme and extension of continuous improvement methodology to other sectors, including capital goods and foundry, among others.

Implementation

The implementation of the 'Automotive Component Supplier Development Programme' started in April 2009, with an expected completion by April 2012. At the time of the evaluation, the programme was about to complete the first or testing phase of eighteen months, and preparations to start the second or rollout phase were under way. The first phase provided services to 15 companies, including benchmarking, training modules, and technical assistance. The first months of implementation focused on the preparation of contracts and the selection of participating companies and of experts who would assist them, while the benchmarking and the assistance to companies started in the second semester of 2009.

The initial and final operational performance benchmarking exercises were carried out by B&M Analysts, a recognized South African consulting firm with vast experience in the benchmarking methodology and in the South African automotive industry. B&M was

contracted directly by UNIDO. In addition, the National Cleaner Production Centre (NCPC) carried out quick environmental assessments for selected companies, and it provided basic training in cleaner technologies to AIDC advisors and participating companies. Both B&M and NCPC were contracted by UNIDO. Meanwhile, AIDC was responsible for providing training and technical assistance to the beneficiary companies.

The assistance to each company consisted of the provision of training modules, visits of an industrial advisor about once every two weeks, and the placement of a junior advisor (most frequently a university student of the Engineering programme) for one year. The assistance of the industrial advisor focused on initial meetings with management and staff, followed by workshops involving employees at all levels that serve to analyze different parts of the production process, and identify and improvements. Each participating company paid initially a fee of ZAR 65,000 (approximately Eur 6,500 or USD 8,125) per year, which was later increased to ZAR 80,000 (Eur 8,000 or USD 10,000) per year. This fee included the benchmarking, training, and technical assistance, and it is expected to increase during the second phase of the programme.

Relevance and ownership

The review of documentation and the meetings carried out by the evaluation mission in South Africa suggest that the design of the 'Automotive supplier development programme' has been relevant to the problems of the country and of the automotive industry. The automotive industry is very important in South Africa, being the leading manufacturing sector and the most important recipient of foreign direct investment. At the time when the programme was formulated, the automotive industry accounted for 15 % of exports and directly generated about 108,000 jobs. The competitiveness of the automotive industry relates partly with the costs of parts and components, which in the case of South Africa are mainly (between 60-70%) imported. South African component suppliers have been under continuous pressure to decrease costs or lose business to competitors from other countries such as Brazil, India, and China.

In addition, the programme has been relevant to the government policies in place during the last few years. The programme's ultimate goal of improving the competitiveness of domestic automotive component suppliers is in line with the policies of the South African Government that support the development of the automotive industry and that aim at increasing the domestic supply of parts and components. When the programme was formulated, the main industrial policies in place in South Africa were the National Industrial Policy Framework (NIPF) and the Industrial Policy Action Plan (IPAP), which recognized the automotive and automotive component industry as one of the leading sectors requiring immediate interventions. The programme design was aligned to the NIPF, as it aimed at building a domestic supply capacity that is internationally competitive and that creates sustainable employment. In addition, by emphasizing on SME and on Black Economic Empowerment (BEE) suppliers, the programme would support the broader aim of the South African Government of encouraging Black Economic Empowerment.

The programme was also aligned with the main policies towards the automotive industry, which emphasized on the development of component suppliers so that they could provide cost-competitive components to Original Equipment Manufacturers (OEM) and to international markets via exports. Until 2008, the policies in place supporting the

automotive sector included the Motor Industry Development Programme (MIDP), which was approved in 1995 to help the South African automotive industry to adjust and increase its competitiveness in the new post-apartheid trade policy environment. Among others, the MIDP included incentives to vehicle exporters and to components exporters, as firms producing vehicles or components for export qualified for duty drawbacks on all imported components and received "Import Rebate Credit Certificates" (IRCCs) in proportion to their exports. In 2008, the South African Government approved a new Automotive Production and Development Programme (APDP), which evolves from the previous export-based incentive of the MIDP to a local manufacturing incentive, regardless of whether the motor vehicles are sold locally or abroad. One of the key incentives of the APDP includes a production Incentive to both OEMs and component manufacturers based on production output rather than export values. Manufacturers also receive value-added support to encourage increased levels of local value addition along the automotive value chain, with positive spin-offs for employment creation.[46] The ADPD will replace fully the MIDP in 2013.

Finally, the programme is aligned with UNIDO's mandate to support the integration of small and medium sized enterprises into local and global supply chains. UNIDO has experience in similar programmes in other countries such as India, where UNIDO had collaborated with the Confederation of Indian Industries to train AIDC staff members in cluster development and cleaner production.

Although the programme was relevant for the country problems and policies, the programme objective of promoting financially sustainable services by the AIDC and setting fees to be paid by participating companies that cover the costs of the support provided to them is not coherent with the emphasis expected on SMEs, which faced difficulties to pay the programme fees. In addition, the representatives of NAMSA AND NAACAM who were interviewed by the evaluation mission expressed critical views about some aspects of the programme, in particular the quality of the technical assistance provided to the participating companies. The mission was informed by these associations of their plans to launch a new programme with similar objectives of the Tirisano programme, focused on providing technical assistance to automotive component suppliers with a pool of experienced engineers who retired from the automotive industry. The critical views about the programme by the industry associations, their plans to launch a programme with similar objectives, and the difficulties of the programme to elicit interest from the expected number of firms (though this problem have various causes), raise questions about the relevance of the programme to the industry.

The alignment of the programme with national policies and the active participation of AIDC and the DTI in the preparation of the Project Document, explain the high ownership of the programme by the AIDC and the DTI. The DTI provides the funding for the programme, and AIDC is in charge of its implementation. Ownership by the industry associations was found to be medium, as though they participated actively in the implementation of the programme (e.g. in the Steering Committee meetings), they were planning a similar programme that would be competitive with the Tirisano programme.

[46] The new APDP is structured in four key elements namely, tariffs, local assembly allowance, production incentives and automotive investment allowance.

Effectiveness

The programme has shown mixed results so far. While it has been able meet the target of the first phase of providing assistance to 15 suppliers, and the case studies carried out by AIDC show that the participating companies have adopted improvements in their production process, the available information makes it difficult to attribute changes to the programme. In addition, the interviews carried out by the evaluation mission with managers at several participating companies suggest that the quality of the services provided and the results obtained have been heterogeneous. The interviews with participating companies showed that the associations of the automobile industries (NAMSA) and its suppliers (NAACAM) have mixed views about the 'Automotive component supplier development programme'.

Efficiency

In general, the evaluation faced difficulties to assess properly the efficiency of UNIDO's activities due to limited information on costs and benefits of the project. However, there are indications that suggest a low efficiency, including in particular a substantial delay in implementation. This delay is partly related with the global crisis, which affected negatively the South African automotive industry and thus created difficulties to recruit the 15 companies that participated in the programme in the first phase. However, it can also be explained by problems at the level of UNIDO, as the original programme manager left in early 2010 and there was a transition phase when the programme was assigned to the new manager internally. In addition, the preparation of the contractual arrangements with AIDC took longer than expected, and the difficulties to recruit the 15 companies of the first phase can also be explained by the presence of similar competing programmes and the fees charged by the programme –which are high for smaller firms, while other programmes provide free services.

Impact

The information collected by the evaluation mission suggests that the programme will face difficulties to achieve its development objective without implementing substantial corrective measures in its second phase. The programme objective includes improving the competitiveness of SMEs in the automotive component industry and enabling the AIDC to provide continuous improvement services on a stand-alone commercial basis. First, it was found that SMEs have benefited little from the programme so far, with most of the 15 participating firms being 1st tear suppliers that are quite large. As said earlier, this relates mainly with the existence of several competing programmes and the fees charged by the programme, which are viewed as high by SMEs. These problems have already been identified by UNIDO's programme manager, so it is expected that greater efforts are made in the second phase to recruit 2nd and 3rd tier, smaller firms. In addition, it has been proposed that fees are charged according to a sliding scale according to the firms' size.

Second, the information collected by the evaluation mission in the participating companies suggests that the effects of the programme on their operational performance and competitiveness have been mixed. According to the managers interviewed, some of the companies found that the assistance received was useful to implement some improvements that reduced waste and increased productivity. In contrast, others found that the quality of assistance was lower than expected. Several of the companies interviewed did not find the benchmarking useful.

Third, although AIDC is a government-owned agency that will continue to exist after the programme is completed, it is still not possible to predict that it will be able to provide the services that it is providing with the programme on a commercial basis.

Sustainability

Sustainability was part of the programme's main objective itself, as it was proposed that AIDC would be able at the end of implementation to provide training and technical assistance to automotive component suppliers on a commercially sustainable basis. At the time of the evaluation, the perspectives of sustainability are low. The fees proposed at the prodoc to be charged to participating companies showed to be too low to cover the full costs of the services provided, The subcontract that UNIDO prepared for the AIDC amounts to approximately Euros 400,000 for 15 companies, which would represent an average of close to Euros 27,000 per company. Thus, fees that are high enough to cover fully the costs of the services provided to companies might be too high for a significant proportion of them. As a consequence, the project manager has been discussing with the DTI to More important, the services provided under the project have not proved yet to be useful for the industry. Hence, services for which firms would have to pay may not have the expected demand if they do not provide services of good quality. The evaluation mission was informed by the main associations of the automotive industry (NAAMSA) and its suppliers (NAACAM) that they are developing an alternative programme with similar objectives focused on contracting retired managers from the automotive industry to perform as industry advisors of component suppliers.

Factors explaining programme results

As explained above, the programme experienced several problems, including:

a) Heterogeneous quality of the services provided to component suppliers. This can be explained partly by a lack of standardization of the assistance provided to the companies, which has depended highly on the capacity and methods used by each individual industrial advisor. In addition, AIDC placed two individuals to provide technical assistance to participating firms; one of them was a professional engineer who worked as industrial advisor, visiting the company once every two weeks, and the other one an engineering university student placed on a full time basis for one year. Different stakeholders viewed this approach, which did not provide the necessary expertise and know-how, as associated with low quality technical assistance. Several stakeholders were of the opinion that technical assistance should be provided by more experienced professionals.

b) Little relationship between the benchmarking studies and the type of assistance provided to the beneficiary companies. The benchmarking carried out by B&M and the assistance to firms by AIDC run in a highly independent manner, with AIDC's industrial advisors not making use of the information from the benchmarking of individual firms. In addition, the benchmarking was broader and more comprehensive (covering each firm as a whole), while AIDC interventions usually addressed a specific production line or the packing area, which may not be detected at a more aggregate level.

c) Although UNIDO has implemented similar programmes in other countries, UNIDO seems to provide little value added to the Automotive supplier development programme in South Africa UNIDO. The Programme Document was prepared based mainly on inputs from the AIDC, and most of the programme inputs during implementation, including the training modules and the technical assistance provided to the participating companies, have been basically developed by AIDC, with marginal UNIDO participation. The training and technical assistance were delivered by engineers hired and trained by AIDC to perform as industrial advisors. While UNIDO also has experience in industrial benchmarking and another project under implementation in South Africa applies a benchmarking tool as one of its major activities, the benchmarking activities in the Automotive supplier development programme are carried out by B&M, which is a well-known consulting firm based in South Africa that has been using its own benchmarking tools. In recent months, UNIDO has contracted on a part-time basis an experienced international consultant to the automotive industry to provide guidance to the programme. This consultant visits the country periodically, and his services have been assessed very positively by different programme stakeholders.

d) The programme has experienced substantial delays related with initial slowness in signing the contract between UNIDO and AIDC, followed by difficulties to recruit the expected number of firms. The difficulties to recruit the expected number of companies may be an indication that the programme fees are too high in relation with the quality of services that it provides. In addition, it can be explained by the presence of several similar competing programmes targeting automotive suppliers. However, the insufficient demand raises questions about the quality of the services provided by the project.

e) Finally, the programme has still not developed an effective evaluation system that serves to evaluate the impacts of the programme interventions in the beneficiary companies' operational efficiency and competitiveness and to identify lessons from experience. The benchmarking studies did not provide the information necessary for evaluation, as they helped in comparing the position of the firms vis-a-vis their competitors and even observing their evolution over time, but it covered each firm as a whole, while AIDC interventions usually addressed more limited issues, such as a specific production line, which may not be detected at a more aggregate level. While AIDC carried out case studies of the participating firms to analyze the changes promoted by the training and technical assistance, a more rigorous and independent evaluation is needed to quantify the results of the programme, identify lessons learned, and provide recommendations for improvement.

Recommendations

The following recommendations are made to deal with the challenges mentioned above:

a) Focus the second phase of the programme on 2nd and 3rd tier suppliers and SME, which are the beneficiaries proposed by the Project Document and the ones that will benefit most from the programme activities, as they usually faced more problems,

face more competitiveness challenges, and have more difficulties to access adequate training and technical assistance.

b) Improve the integration of the two key components of the programme – benchmarking and technical assistance – by i) making better use of benchmarking studies as a basis for defining the key features of technical assistance to be provided to client companies and ii) equipping advisors with standardized diagnostic tools to define the assistance to suppliers, so that the quality of the services provided depend less on the individual industrial advisors.

c) Strengthen M&E to evaluate results and identify key lessons.

C. Subcontracting and Partnership Exchange Programme (TE/RAF/10/010) and Infrastructure Supplier Benchmarking Programme (TE/RAF/08/013)

Project description

The Subcontracting and Partnership Exchange Programme (SPX) was preceded by the Infrastructure Supplier Benchmarking Programme (ISBP, YASAF07002 and TE/RAF/08/013). The two projects financing the ISBP started in October 2007 and were completed in March 2011, while the SPX project started in September 2010 and will extend until September 2013 with funding from the Government of South Africa. A similar regional Africa-wide programme (Regional Subcontracting and Partnership Exchange Programme, TERAF08024) also operated with its base in the country between September 2008 and September 2011. The South African Government also provided funding for these Africa-wide activities. The projects aimed at strengthening the competitiveness of suppliers within South Africa by assisting them to enter the supply networks of State Owned Enterprises (SOEs) and the international original equipment manufacturers (OEMs) that supply the SOEs. As it will be explained below, the ISBP focused on developing suppliers by first benchmarking their current capacities and then supporting them in achieving the required levels to penetrate the supply chains of the main contractors and SOEs. The SPX projects incorporated other tools, including the profiling of potential suppliers and matchmaking with contractors.

The aggregated budget of the SPX project group amounts to USD 3.13 million (USD 2.42 million of the national programmes and USD 0.71 million of the regional programme).

The Infrastructure Supplier Benchmarking Programme (ISBP) was coordinated and funded by the DPE, but included the participation of the Department of Trade and Industry (DTI) and the Department of Science and Technology (DST). Implementation of the ISBP started in January 2008 and was expected to last for three years. During 2010, it was agreed by all stakeholders that the project scope of the ISBP would be increased and that the DTI would assume primary responsibility for funding and overseeing the programme in support of the objectives of the Industrial Policy Action Plan 2 (IPAP2) launched in 2010. This originated the Subcontracting and Partnership Exchange Programme (SPX), which would collaborate with a broad network of local industrial associations and capacitate them to roll out programme services and support to their extensive constituency of local industrial suppliers still with greater emphasis on linking suppliers to Eskom and Transnet value chains.

According to the project document, the main aim of the new SPX project is to 'provide local industrial manufacturing companies access to tools and services that will enhance their performance and enable them to compete to access local and global procurement opportunities'. The project proposes to achieve this by setting up a network of 15 SPX Centres within functioning industrial associations, so as to increase outreach to a greater number of companies.

Implementation

As explained above, the projects of the SPX project group started in October 2007 with the Infrastructure Supplier Benchmarking Programme. The programme currently ongoing is the Subcontracting and Partnership Exchange Programme, which is expected to be completed by September 2013. Until October 2011, the expenditures of the SPX project group amounted to USD 2.56 million, including USD 2.1 million of the national programmes and USD 0.46 million of the regional programme.

The projects have been managed by UNIDO Headquarters and executed through a project team based at the UNIDO offices in Pretoria. The ongoing SPX project consists of four activities: a) supplier profiling; b) benchmarking; c) facilitate supplier capacity building; and d) matchmaking.

The industrial associations offer the SPX profiling and benchmarking services to their member companies and load the information onto the central SPX database managed by the SPX team within the UNIDO office. The information from the benchmarking process is expected to be utilized by the benchmarked company, the industrial association and the SPX team to identify problem areas within the company and to link the company to support mechanisms in order to address these problems, thereby increasing the capacity and competitiveness of local suppliers. Finally, the SPX Team use the information elicited from the supplier profiling and benchmarking to develop a database of local suppliers, their products and their capabilities. This information is used to facilitate linkages between local suppliers and market opportunities identified by the SPX through engagement with the SOEs and their major suppliers. The aggregated information from the database should allow the SPX Team to map the capacity of local industrial sectors so as to advise buyers and SOEs regarding the potential to source inputs locally.

It is important to note that the ISBP project contracted two international benchmarking companies to develop a new 'UNIDO' benchmarking tool to meet the objectives of this project. This benchmarking tool offers a generic (as opposed to sector-specific) benchmarking that looks at general business practices and not technology specific measures. This benchmarking tool has since been 'rolled out' for use in SPX programmes in other countries, under license from the developers.

In addition, the programme developed a second technology benchmarking tool for specific use in the foundry sector. According to the project manager, this means that UNIDO has now available a unique tool that could be employed elsewhere, and which is currently starting to be used in India and China. The use of the tool in multiple countries is expected to generate a unique data base covering foundry specific measures of performance and practices, such as waste measures and power use per unit of output.

In the first year of implementation the project contracted a further 5 Industrial Associations as SPX Centres, in addition to the original 6 associations that were contracted by the ISBP project. These 11 associations have succeeded in profiling almost 450 companies. The programme has set a target of 1250 profiles to be loaded onto the database within three years. The programme has benchmarked 123 companies, with a three year target of 400 benchmarks.

After analysis of the benchmarking reports, the SPX has referred 68 companies to DST for possible Technology Assistance Packages (TAPs). The latest progress report does not reflect on the outcome of these referrals. The project document sets a target of up to 100 companies that should be matched to support programmes. In order for the project to be effective in increasing supplier competitiveness, it is essential that these companies are able to successfully access support in their attempts to upgrade.

In terms of the matchmaking function to be performed by SPX, 16 Requests for Information (RFIs) were sent out to industry and 98 companies had responded by the end of March 2011. Seventeen companies have since been asked to submit quotations in two procurement processes. The project document sets a target of more than 200 RFIs to be initiated during the project period.

Relevance and ownership

Both the ISBP and the SPX project have been highly relevant for South Africa and are strongly embedded in national policies for localization and import substitution, embodied in polices like the National Industrial Policy Framework, its Industrial Policy Action Plans, the Competitive Supplier Development Programme (CSDP), and the revised Preferential Procurement Policy Framework Act (PPPFA). South Africa has been investing substantially in the country's electricity and freight transport infrastructure, and these policies aimed at leveraging public spending by including targets of domestically supplied components within the contracts awarded to international suppliers. Consequently, the Department of Public Enterprises (DPE) put in place the 'Competitive Supplier Development Programme' (CSDP) in consultation with its State Owned Enterprises, which was adopted by the South African Cabinet in January 2007. The CSDP made it mandatory for Eskom and Transnet to prepare Competitive Supplier Development Plans for submission to the Department of Public Enterprises (DPE). These plans would identify and list products to be purchased from local industry with due recognition to which industries are approaching competitiveness and/or are strategic in nature in terms of ensuring reliability of supply.

Ownership by the South African Government of the projects in the SPX project group has been high. This can be explained by their high relevance to the national policies, and the fact that they were fully aligned with new national government programmes. The South African government agencies involved (DTI, DPE, and DST) participated actively in their design. Transnet and Eskom are also actively involved in the programme, identifying the original opportunities for local suppliers within their supply chains and using the services of the SPX in undertaking capability studies to define the local content targets for tenders to be issued. The SPX appears to be the key instrument in operationalizing their CSDP obligations.

Supplier benchmarking was an element of the conceptual framework for the 'Competitive Supplier Benchmarking Programme" approved in January 2007, and later in that year, the DPE developed a proposal for a supplier benchmarking programme. The DPE established a Benchmarking Working Group (BWG) with Eskom and Transnet, the Department of Trade and Industry (DTI), the Department of Science and Technology (DST), and the Industrial Development Corporation (IDC), and a programme concept was developed under the direction of the BWG. In September 2007, on the invitation of UNIDO, DPE officials attended the Expert Group Meeting on UNIDO SPX Network, during which discussions with UNIDO led to the preparation of the Infrastructure Supplier Benchmarking Programme (ISBP). The ISBP would be implemented over three years starting in 2008 to support the South African Government's CSDP programme by providing supplier support to the CSDP objective.

Effectiveness

This section analyzes below several issues related with the project effectiveness.

- *Difficulty in attracting client companies*:

The project experienced difficulties in attracting the targeted number of companies to participate in the programme, especially with respect to the benchmarking activity. This can be attributed partly to company fatigue due to the large number of development programmes focused on improving the competitiveness and performance of manufacturing companies in South Africa. For example, the National Foundry Technology Network indicated that the only programme working with South African foundries in 2008 was the Technology Station programme run by the then GTZ. In 2011, more than 20 public sector departments and entities are supporting the foundry sub-sector. Eskom indicated that this 'industry fatigue' led to the inability of an Industry Association to elicit responses to an industry capability survey carried out in preparation of Eskom's new programme that includes proposed power plants. In spite of this competition from several programmes and its effect on 'industry fatigue', the difficulties to attract the targeted beneficiaries raises the question of relevance of the programme to these beneficiaries, and it may affect the ultimate effectiveness of the programme.

In order to manage this problem, the SPX programme is attempting to move away from a specific target of benchmarks per industry and has instead tried to link the benchmarking to specific matchmaking opportunities as they arise. This change in the modus operandi might serve to improve the effectiveness of the SPX programme, since the benchmarked firms are more likely to engage in remedial actions to address problems identified through the benchmarking process if they see that these changes are directly linked to the potential for more business in the immediate/near future. Moreover, benchmarked firms that are able to enter the supply chains of the SOEs or OEMs are more likely to get support from these customers in improving their performance and processes.

It is worth noting that the experience of the KwaZulu-Natal Tooling Initiative (KZNTI) - one of the associations providing benchmarking and profiling services to the SPX – has been quite different in terms of the demand for the benchmarking service from tooling companies. In fact, KZNTI has exceeded the target of 15 benchmarks and identified a further 40 tooling companies that have indicated that they would like to be benchmarked.

KZNTI has therefore secured R 300,000 from the Durban Provincial Department of Economic Development to continue the SPX benchmarking using the SPX tools.

- *Profiling and database*

Most companies interviewed had positive expectations of being included in the database and see it as an avenue for increased business. Some companies indicated that access to 'contacts' within foreign companies is the most attractive service offering of the SPX Programme.

- *Benchmarking*

Company perceptions of benchmarking

The interviews of the evaluation mission with managers of companies that were participating in the SPX programme showed that the benchmarking service offered by the SPX was rated well by some companies. However, others viewed it as irrelevant, or as a pre-condition for inclusion on the supplier database.

An evaluation survey of companies that received benchmarking services from the SPX Programme conducted by UNIDO showed substantially more positive results. According to the 'Analytical Report of an Evaluation Survey among Companies Participating in Enterprise Upgrading/ SPX Programmes of UNIDO', "14 out of the 15 companies (93.30%) rated the quality of the Benchmarking report as very good or good". Only one company rated it as 'very weak'. Also the usefulness, was rated quite positively: while 73.3% of the companies rated it as "very useful" or "useful". However 26.6% rated it as either "not really useful" or "not useful at all", which indicates that there is room for improvement of usefulness.

Quality of benchmarking service

The interviews undertaken by the evaluation team indicated that the quality of the benchmarking service differed across industry associations/SPX Centres. The major differences were found in the quality of the benchmarker's engagement with the company and the follow-up activity after the completion of the benchmarking report.

The interview with the SPX team indicated that they are aware of the problem and that retraining has been provided to some associations. The SPX team has also increased the frequency of meetings with contracted associations in order to manage this issue. Meetings are now held every two months rather than every three months.

The Chief Technical Advisor (CTA) indicated that services from one-third of the associations have been problematic and that only some of the associations will be contracted as SPX Centres in the next year. He indicated that the agreement would not be renewed with some associations, while others would be 'awarded' a reduced amount of funding.

Benchmarking as a tool for supplier upgrading

Benchmarking needs to be done on a regular basis in order to become an effective tool for continuous improvement. From the interviews with benchmarked companies, it appears that companies believe that the SPX programme will undertake benchmarking

within a company only once, with the company's future access to benchmarking services unclear. The project document reflects the following target: 'Up to 400 suppliers benchmarked with UNIDO benchmarking methodology'. However, it does not make clear the number of times and frequency of the application of the benchmarking tool.

Telephonic discussions with the UNIDO project manager indicated that the SPX programme is based on repeated benchmarks with each company in order to evaluate and track progress over time. He indicated that the first round of benchmarking was undertaken a year ago and the re-benchmarks will start within the next two months. While the clarification from the project manager is appreciated by the evaluation team, it must be noted that this aspect of the programme is not clear to participating companies.

- *Match-making*

Because the matchmaking activities were only incorporated into the SPX project (not in the ISBP), and this project is at an early stage, the effectiveness of the match-making function is still an open question. While many companies and associations indicated that the SPX opportunity alerts were too generic, three suppliers have signed contracts totaling approximately USD 1 million in value, with opportunities worth a further USD 15 million currently in different stages of the matchmaking process.

- *Supplier capacity-building*

Interviews with benchmarked companies and other stakeholders indicate that there isn't a sufficient link between the benchmarking of suppliers and access to supplier development assistance. While the profiling and the benchmarking are seen as important steps in identifying the opportunities for local industry, stakeholders expressed their view that the project should now focus on 'follow-up' activities that result in better impact.

With regard to enterprise development, the SPX team argued that the project is not responsible for providing direct enterprise support or supplier development services, with the project role being to facilitate matching service requirements (emanating from the benchmarking report) and existing service providers in South Africa. In this regard, an electronic brochure of various service providers was developed and placed on the SPX website and to which the management of the benchmarked company can refer.[47] According to the information provided by the SPX team, the project has facilitated referrals to 68 companies to the DST's Technology assistance packages, 12 companies to Cleaner production interventions (NCPC), 4 companies to lean manufacturing interventions (AIDC) and 6 companies to competitiveness improvement incentives (ProdSA). The project is expected to appoint a 'Supplier Development Specialist' later in 2011, who is expected to contribute with these efforts and collect feedback from companies on the effectiveness of these interventions."

The evaluators acknowledge that the SPX should not be providing direct enterprise support and should rather be facilitating access to support provided by numerous other players in this market space. However, it is important that this 'facilitation' is not limited to referrals and that the progress of companies being referred to other service providers be

[47] The link is http://www.unido-spx.co.za/?page_id=1031.

tracked to ensure that co-operation arrangements with these service providers are effective. The addition of the Supplier Development Specialist to the SPX team should improve this follow-up activity with benchmarked enterprises.

- *Competition with local providers of benchmarking services*

The project currently offers fully subsidized benchmarking services and might therefore be a source of unfair competition for local service providers. The project has, indeed, received a complaint regarding this matter from a local benchmarking company that has provided services to UNIDO and DTI on other projects. An agreement has been reached with this service provider and the matter resolved to the satisfaction of both parties. However, other local service providers might be suffering the effects of the market distortion in terms of decreased demand for their services, but might not be aware of UNIDO's distorting presence in the market and for this or other reasons, might be unable to articulate a complaint and negotiate an agreement.

The written response from the SPX team indicates that while benchmarking services are currently provided free of charge, the project team believes that companies will be willing to pay for these services in later stages of the project, once the value of these services have been demonstrated in terms of successful matchmaking and new contracts. The project will consider the suitability of calculating fees on a sliding scale, so as not to disadvantage smaller companies.

Efficiency Information about project costs per output is insufficient to measure efficiency. However, some indications of inefficiencies are the following:

- The prolonged contracting process between UNIDO and the DTI delayed the contracting of the industry associations and the delivery of the profiling and benchmarking services. The written response from the SPX team indicates that the contracting delays were due to the complexity of the funding assembly process by DTI, who needed to assemble funds from DPE and DST, and clarify contracting procedures with UNIDO with the South African Treasury.
- Early delays in getting the project started could have been avoided with better management from UNIDO. The DTI indicated that delays at the beginning of the project were caused by the fact that UNIDO recruited somebody to 'develop the programme', who was then unable to undertake this task adequately. This observation is difficult to understand in a context where UNIDO supposedly offers a fairly well developed product with tools to aid the implementation of new SPX programmes and centres (although it should be noted that after 2007 UNIDO started to undertake a substantial revision of the SPX programme aiming at the creation of more tangible benefits for SMEs). The delays seem to have been exacerbated by the numerous changes in the Chief Technical Advisor on the project (there have been four CTAs on this project within a period of three years).

At the same time, the SPX programme has proceeded at a faster pace than other UNIDO projects in South Africa (e.g. 'Industrial Energy Efficiency Improvement Project' and 'Automotive Supplier Development Programme') in recruiting beneficiary companies, which is an indication of higher efficiency relative to the other projects.

Impact

The programme has not yet had sufficient time to reflect impact in terms of increased supplier competitiveness, increased volume and value of business between local suppliers and OEMs supplying the SOEs or job creation.

However, it is worth noting that the project log frame sets activity or output related targets, but contains no targets in terms of development impact. The current log frame focuses on measuring SPX project activities e.g. numbers of RFIs initiated rather than the outcome of the matchmaking process.

Sustainability

- UNIDO needs to define a clear exit strategy sooner rather than later. Post UNIDO licensing arrangements with the developers of the benchmarking tool should be defined as soon as possible and the terms of their access to the tool should be communicated to the industry associations.

- Another sustainability challenge involves the definition of the institutional arrangements for carrying out key project activities, such as the matchmaking, after the project implementation is completed and UNIDO is not present in carrying out these activities. As mentioned below, UNIDO has played a key role as an 'honest broker' between the public and private sector, and is trusted to keep information confidential. The telephone conversation with the SPX project manager indicated that institutional arrangements for the sustainability of the project will be explored in greater detail later in the project cycle but also indicated that the SPX Coordinating Office is likely to be absorbed into the DTI. The pros and cons of this suggestion should be carefully considered given the necessity for perceived independence, impartiality and confidentiality of the 'honest broker'.

Factors explaining project results

- UNIDO's role as an honest broker between the public and private sector was cited as key by industry organizations and companies interviewed. UNIDO is trusted to keep confidential the information that is provided by the private sector in terms of weaknesses identified within individual supplier companies, allowing companies to engage in the process more honestly than would be possible if the programme was managed by Government.

- The SOEs indicated that UNIDO's project management role is essential to the success of the programme, since UNIDO is a neutral third party to the procurement process. Since UNIDO plays the match-making role between the potential local supplier and the primary supplier to the SOEs, it allows the SOE to maintain an appropriate distance from potential local suppliers, even while it meets its CSDP obligations.

Recommendations

- Target firms that are able and willing to use the benchmarking tool effectively and consider charging a fee for the benchmarking service.

- Apply M&E at the level of outcomes and impact.
- Control quality of benchmarking services delivered by industry associations: consider conducting random company surveys that focus on the quality of the benchmarking process as well as the quality of the development interventions identified in the benchmarking report.
- Send opportunity alerts to relevant associations/companies only. The current generic opportunity alerts contribute to the general company fatigue.
- Find a licensing solution for the future use of the benchmarking software as soon as possible.
- Develop the UNIDO exit strategy as soon as possible.

D. Industrial Energy Efficiency Improvement in South Africa (UE/SAF/09/002 SECO, TE/SAF/11/001 DIFID, SE/SAF/09/00 DTI), SE/SAF/09/A01(DTI)

Project description

Following several meetings between the UNIDO Regional Office and staff of the UNIDO Energy Efficiency Unit (EEU) with government officials and industry representatives in 2007, the Department of Minerals and Energy of SA requested UNIDO's technical assistance in improving energy efficiency in the country. While a project identification form (PIF) for a GEF project had been prepared shortly thereafter, it was decided to approach bilateral donors with a view to obtain funding without delay, in order to respond quickly to increasing energy supply shortages.

In July 2008 the EEU submitted a Service Summary Sheet (SSS) to UNIDO's approval body (PAC). Switzerland provided USD 40000 for project formulation and in January 2009 a fully fledged project document was approved for funding by Switzerland (SECO; Euro 2 million), the United Kingdom (DFID, Euro 2 million) and South Africa (DTI; Euro 1.5 million)[48]. Counterpart co-funding was estimated to amount to Euro 10 million, partly provided in-kind (staff time) by different project stakeholders and partly as cash contributions of the enterprises participating in the project. An agreement was signed between all stakeholders in October 2009 and the first project funds were allocated in December 2009.

The project aims at contributing to a sustainable transformation of industrial energy usage practices in South Africa and possibly in the Southern African Region, by putting the system of Energy Management Standards (EMS) in place and ensuring that industries in agro-processing, chemical and liquid fuels, mechanical engineering, automotive and mining industry use it. In order to achieve this goal, the project aims at stimulating the demand of energy efficient services through formulation and implementation of an enabling policy framework including a supportive financial mechanism for EE, creation of institutional capacity to implement the EMS, awareness raising, energy audits, and demonstration projects. It is also planned to support the supply of Energy Efficient

[48] All figures including agency support cost of 13%; the total project budget excluding support cost is Euro 4,867,256.

services by building the institutional capacities to accredit, certify EMS compliance, and by training local trainers and consultants in EMS implementation and energy system optimization, as well as in energy management in the targeted sub-sectors. Sharing experience gained and providing initial support to the neighboring countries in the region have also been envisaged.

The overall objective of the project is to ensure that **"**South African industrial energy consumption improves with 15% efficiency by 2015, contributing to sustain the targeted GDP growth (See further above)".

Four outcomes were expected to contribute to this objective:

- Policy: An effective national policy framework for implementing and monitoring industrial energy efficiency management in South Africa are in place and aligned with the climate change mitigation measures at national, regional and international levels
- Standards: Supportive standards and capacity in place (compatible with ISO energy management standard) for delivering sustainable improvements in energy efficiency in the industry sector, and contributing to improved international competitiveness and job creation
- Experts: A cadre of qualified industrial energy management and system optimization experts from the public, academic and private sectors are available as technical resource to industry and the country
- Demos: Targeted industrial clusters: 1. Agro-processing; 2. Chemical and liquid fuels; 3. Metal processing and mechanical engineering; 4. Automotives; 5. Mining, and others became interested in and able to use system optimization technique and services and Energy Management Standard through implementation of demonstration projects

The leading national project partners are the Department of Trade and Industry (DTI) and the Department of Energy (DoE, formerly DME) who jointly chair the project's steering committee (SC). Other members of the SC are Business Unity South Africa (BUSA), SECO, DFID UNIDO, the Department of Public Enterprises (DPE), the Treasury and the signatories of the Energy Efficiency Accord[49] (EEA). The leading implementing partner is the National Cleaner Production Centre (NCPC), an institution that provides technical advice to companies. It was originally set up by the SA Government in cooperation with UNIDO and SCEO and functions within the Council for Scientific and Industrial Research (CSIR).

Implementation

At the outset the project struggled with establishing itself solidly. As planned, an international Chief Technical Advisor (CTA) was selected and started working in March 2010. But his contract was not extended beyond January 2011, leaving the project

[49] In 2005, in response to the adoption of the Energy Efficiency Strategy of the Republic of South Africa, the National Business Initiative (NBI) formulated and facilitated a voluntary Energy Efficiency Accord which was signed by a number of progressive South African companies and government. The government was represented in this Accord by the Department of Minerals and Energy (DME) and the Accord was aimed at assisting the implementation of the strategy and contributing to the achievement of the announced targets; Assessment study of the energy efficiency accord, DME & NBI, 2008.

without a strong international coordination on the ground. In the meantime, support from UNIDO was provided by a junior expert and the project coordination was partly taken over by the national project manager, based at the NCPC. At the time of the evaluation mission the recruitment of a successor CTA had not been carried out. Alternatively, stakeholders were considering the alternative that the CTA function would be taken over by a UNIDO staff member specialized in EE and recently transferred to the SA office.

At the time of the evaluation the SC had met five times. In order to reserve SC meetings for strategic issues, a project management unit was established composed of DTI, UNIDO and NCPC representatives, to deal with operational issues of the project. According to stakeholder interviews a considerable amount of time in the SC meetings was devoted to discussions about the revision of the energy efficiency strategy without tangible progress towards a consensus (e.g. on the issue of voluntary vs. compulsory targets), thereby foregoing opportunities to make more progress on other issues.

The project established training centres in Pretoria, Durban and Cape Town. A project website was established in March 2011 (www.iee-sa.co.za).

With regard to the 4 outcome areas the following progress in production of outputs has been recorded:

Policy (outcome 1)
After an international tender a contract was awarded for the revision of the National EE Strategy and an advisory group for the revision established, three consultative workshops were held with different sectors (Government, industry, transport & green buildings). The revision was still ongoing at the time of the evaluation. It is planned that the revised strategy will be launched during the COP 17 conference in Durban (November 2011). Other outputs like roll-out of EE policy to SADC countries (a first workshop was organized in June 2011) and the revision of financial incentives (an inventory of existing incentives has been prepared) had not made much progress yet at the time of the evaluation.

Standards (Outcome 2)
After publication of the South African Standard for Energy Efficiency (SAT 50001) first steps have been taken to build national capacity for the implementation. A study tour was organized to Sweden with participants from DTI, South African Bureau of Standards (SABS); South African National Accreditation System (SANAS). A working group has been established with SABS to prepare a work plan for training of auditors.

Experts (Outcome 3):
Good progress has been made in the area of experts' training. Part-time international specialists were recruited to develop training packages and deliver training on energy management system, energy system optimization in compressed air, steam, pumping, motor and fan; 3 part-time local specialists, each on: pumping, steam and compressed air, and 2 full-time local project managers have been recruited to assist in the development of the training packages, and delivery of the training courses.
Training materials have been developed in the different energy system areas and several 1- and 2 day trainings were held with more than 500 participants. The trainings were not provided free of charge and the project had accumulated (at the time of the evaluation mission) an amount of approx. USD 20,000.

Demonstration projects (Outcome 4):
Less progress has been made so far on the implementation of demonstration projects. Presentation about the project was made in 15 workshops. Expressions of interest were received from several companies to host trainings and consequently become demonstration companies. However, it was not possible yet to determine whether the ambitious target of the project with regard to demonstration companies (25 cases) will be met.

Work on carrying out 500 energy audits had not yet started. This was partly due to problems in agreeing on the appropriate procedure for subcontracting the audits to local companies and consultants.
By October 2011 approximately 35% of the Euro 4.9 million budget had been spent. Most of the funds were used for the recruitment of short term international experts, the CTA for one year and the trainings organized so far.

Relevance and ownership

In 2005, following the adoption of the Energy Efficiency Strategy of the Republic of South Africa, a number of progressive South African companies signed a voluntary Energy Efficiency Accord with the Government through the Minister of Minerals and Energy. This Accord was facilitated by the National Business Initiative (NBI) and its main aim was to assist in implementing the strategy and contributing to the achievement of the announced energy efficiency targets.

The National Energy Efficiency Strategy published in 2005, included an overall target of a final energy demand reduction of 12% and a more specific target for industry of 15% by 2015. To convene the business of the Accord and its link with the Government, an Energy Efficiency Technical Committee (EETC) was formed with NBI playing the management and secretariat roles. The committee meets on a regular basis to share best practices on the promotion of energy efficiency within their respective companies and to exchange ideas of common interest with regards to energy efficiency. The EETC is chaired by one of the signatory companies and the deputy chair is provided by the Department of Minerals and Energy (DME)

The project objective is well aligned with the above mentioned national efforts and the set target of increased energy efficiency by 15% coincides with the target set for industry in the National Energy Efficiency Strategy[50]. The continuing shortages of energy supply in the country imply that relevance has not diminished, rather increased, over time.

Relevance for the target group – the enterprises – can be considered high as well as they are directly suffering the consequences of the energy shortages. The good turnout of company representatives at trainings and the collection of trainings fees also demonstrate the relevance of the project for industry.

Also the ownership from the Government counterparts has been high, demonstrated by high levels of co-funding, active participation in project steering.

[50] Energy Efficiency Strategy of the Republic of South Africa, Department of Minerals and Energy, 2005 (http://www.info.gov.za/view/DownloadFileAction?id=88503)

Effectiveness

As the project is yet at a rather early stage (a mid-term evaluation is scheduled for 2012) not much can yet be said about actual effectiveness. However, a number of factors give indications about future effectiveness:

Factors driving effectiveness:

- The trainings have been highly valued and the majority of trainees were company staff who can implement their knowledge directly in their enterprises
- The introduction of the SA national energy management standard provides for strong guidance for SA companies.
- The NCPC has experience in working with companies, which provides for potential synergies with the project activities
- In October 2011 the Industrial Development Corporation (IDC) of South Africa and the German Development Bank (KfW) have launched a R500 million ($ 61 million) Green Energy Efficiency Fund (GEEF). This should provide for sufficient funding opportunities for planned EE investments.

Factors negatively affecting effectiveness:

- Given the ambitious energy saving targets of the project, focusing on energy intensive industries seems important (e.g. foundries). So far, however, there has been no targeted approach to recruiting companies for demonstrations; recruitment is rather done on an ad-hoc basis. This indicates an implementation approach that is rather based on production of outputs (number of demonstration cases produced) than on outcomes and impact (amount of energy saved).
- The project focus on SMEs might limit the opportunities to work with some of the major energy consumers (e.g. steel industry). On the other hand, addressing the SME sector also requires demonstration cases that address typical SME problems and solutions. So far demonstration companies are mostly larger firms.
- Trainings do not cover specific needs of some energy-intensive industries (e.g. foundries – smelting & furnaces)
- The target of carrying out 500 energy audits in companies is very ambitious. More importantly, the experience of similar interventions for cleaner production shows that a short term diagnostic in most cases does not lead to important changes at plant level. In most cases only the “low hanging fruits” (i.e. no- or low investment solutions) are implemented. Hence, there is a risk that the energy audit component will contribute little to overall project effectiveness (several interviewees expressed that they expect most impact to come from the demonstration cases).

In conclusion the project stands good chances to become effective, provided that the negative factors can be addressed throughout the remaining project implementation period.

Efficiency

The project is delayed and the project life time will probably have to be extended. Identification and recruitment of all project staff took longer than expected. Several issues affected project efficiency and led to a rather slow start:

- The contract of the identified CTA ended after one year and no replacement has been found. At the same time, the capacities of the UNIDO Regional Office to provide support was undermined as the original senior industrial development officer supporting the project was transferred out of South Africa and replacement took approximately six months. This led to a bottleneck of strategic guidance and coordination.
- The parallel project funding (partly through UNIDO partly directly from the SA Government to project partners) created issues like different salary levels or unclear procedures for "borrowing" funds from one budget to be reimbursed from the other. This affected implementation progress.
- Some unresolved issues remain regarding roles and responsibilities in the process of recruiting local consultants for trainings and energy audits. As it was not clear whether NCPC/CSIR or UNIDO should handle these recruitments the roll-out of the related activities was delayed.
- Until recently the project was managed by a project manager at UNIDO HQ. In September/October 2011 project management was decentralized to the newly assigned EE staff at the UNIDO Regional Office. Decentralization of project management should improve UNIDO responsiveness and increase the ability to provide guidance to project. However, combining the roles of Project Manager (supervision) and CTA (implementation and monitoring) requires almost exclusive dedication of the person to the IEE project.
- The project reporting was rather minimalistic. While comprehensive information was found to be available at the local NCPC offices, project progress reports lacked detail and were not sufficiently results oriented.

Impact

Actual impact cannot be expected at this early stage of the project. However, some factors were observed that might affect project impact. First, the replication of energy efficiency measures introduced in demonstration companies might be hampered by the fact that not enough consultants come to the trainings. Company staff trained usually has limited effectiveness for replication as they can be used for trainings only to a limited extent. Second, the restrictions for use of confidential company data for publication of case studies might create problems for disseminating results effectively.

Sustainability

Given the high relevance and the strong government ownership the project is likely to produce sustainable results. The use of the NCPC as an implementing partner further increases the likelihood of sustainability. However, at the time of the evaluation the exact role of the NCPC and the strategy for "transferring" the project leadership over time to national institutions was not yet defined.

Factors explaining programme results

The project design is logically coherent and the project theory (that combining policy review with the introduction of standards, training and demonstrations will eventually lead to wide-spread energy savings) is considered viable by stakeholders (based on interviews). The core elements of the original project design are well known by all parties involved, in particular by all members of the project team, which demonstrates that the project document has been used well to communicate the project objectives and approaches, with a view to ensure effective cooperation of all parties involved.

The good quality of the international trainers contributed to the positive results of the trainings conducted so far. It is essential to obtain trainers who add value through ample experience in industry from outside SA.

The efficiency issues mentioned above resulted in a less-than-expected project progress at the time of the evaluation mission.

Recommendations

The following recommendations are made to deal with the challenges mentioned above:

a) Demo cases need to be established also for smaller sized firms.
b) An urgent solution for the problem of local procurement and recruitment of local consultants needs to be found; the evaluation team recommends a long-term solution using the CSIR/NCPC instead of managing this through UNIDO (for example through a subcontract to CSIR/NCPC).
c) The project M&E system should be strengthened, using performance indicators linked to project objectives and targets. For these indicators baseline information should be collected at company level so that effectiveness of trainings and audits can be reported on. The M&E system should also distinguish between trained consultants and company staff.
d) Project reporting should be improved: more detailed information on project activities and outputs should be made available to all project stakeholders (including the donor) and information should be collected based on results and indicators specified in the project document.
e) The number of energy audit quick scans (500) should be reduced. The corresponding savings should be used to offer more comprehensive packages for energy efficiency "upgrading" on a subsidized basis.
f) A strategy for disseminating results from demo companies (awards, road-shows, opinion leaders, etc.) should be prepared soonest. This might be outsourced to a professional marketing or PR company.

E. Training of trainers for the promotion of emerging agro-processing clusters in South Africa (SF/SAF/10/001)

Project description

The project originated from a request of the South African Department of Agriculture for a partnership to strengthen capacities of the South African AgriAcademy (SAAA), industry experts, and community leaders to extend cluster development support services to emerging agri-businesses. The SAAA is a South African Non-Governmental Organization (NGO) created in 2001 and based in the town of Stellenbosch (Western Cape Province) that provides market intelligence, information, training and business advice/coaching and strategic market linkages to small farmers, in particular land reform beneficiaries. These farmers lack business, marketing, financial and management expertise, as well as value addition capabilities and access to markets.

The South African AgriAcademy (SAAA) had developed since 2005 a training programme for agri-businessmen and women called "Market Access Development Programme

(MDP)", which focused on access to export markets. In addition, a mentorship model was developed with the national Department of Agriculture in three provinces. The programme was implemented in Limpopo, KwaZulu Natal and Eastern Cape over a period of three years. It was a modular programme and focused on technical market access requirements, marketing, finance and costing, management and organizational behavior which included soft skills.

The experience of the MDP led to the conclusion that emerging agri-businesses would not be able to gain lasting market access due to limited volumes / economies of scale, lack of administrative support, marketing capacity and market information, costing skills, and finance. Thus, intense follow-up support was needed to secure sustainable market access and skills improvement. Accordingly, a cluster development approach was identified as a solution to train and support agri-businesses to allow them to enhance their competitiveness and their business. This would in turn help to create more sustainable employment opportunities in rural areas.

According to the Project Document, the cluster approach is considered highly relevant to enhance long-term profitability and to strengthen market access of the target group, and to thus create better and more sustainable jobs amongst new and previously disadvantaged agri-businesses and women entrepreneurs.

The project beneficiaries include experts and community leaders that are associated with SAAA and its support programmes, who would receive training on UNIDO's methodology for cluster and network development with a specific focus on capacitating cluster development agents (CDA). Once this core group has been trained, SAAA will be able to extend cluster and network development services to emerging agri-businesses, who would be organized in clusters and reach a state of collective efficiency. These actors would also benefit from the ongoing land and redistribution reform in South Africa) following the termination of this project.

The objective of the project is to extend cluster and network development services to emerging agri-businesses, so that these can reach a state of collective efficiency and enhance the sustainability of their businesses, thereby contributing to job creation for marginalized groups and to poverty reduction. The ultimate result to be achieved is institutional capacity building and the establishment of a core group of cluster development agents (CDAs): up to 25 SAAA staff members and associated experts (pre-selected CDAs, but also including community leaders and current cluster members). Project activities include training and business advice to the target beneficiaries. It is proposed that UNIDO brings in expertise to carry out training/coaching of cluster development agents and community leaders, while the SAAA is responsible for ensuring that the experts selected for participation in the training are already working with or assigned to a specific cluster location.

The total project cost is USD 113,000 including support costs for a one-year period. These funds were provided to the SAAA by the Standard Bank, a South African private financial institution that has given support to SAAA activities during the last five years. UNIDO is the executing agency of the project, while the SAAA is the main counterpart and the South African Departments of Agriculture, Forestry, and Fisheries (DAFF) and of Trade and Industry (DTI) are the government coordinating agencies. The main project

activities include the selection and recruitment of international experts responsible for training and coaching, the identification of local experts to be trained as cluster development agents and promoters, the organization of one-week introductory training course in UNIDO's cluster and network methodology and presentation/adaptation of roadmap, coaching and monitoring of cluster development agents by international experts and additional training courses based on a modular approach, and preparation of a final report with recommendations for eventual future capacity building initiatives.

Implementation

The project started in early 2011, having so far completed the first training for SAAA staff and selected participants from potential clusters, who are expected to become the future CDAs. The training took place in August 2011 and consisted of a six-day course in cluster development delivered to 24 participants. In addition to staff from the SAAA and the DAFF, the other participants were selected from a pool of applicants that included producers selected by farmer groups identified as potential clusters and others proposed by the DAAF or who knew about the course and applied. The course was delivered by the Foundation for Micro, Small, and Medium Enterprises Clusters (MSME), an Indian NGO contracted by UNIDO with experience on UNIDO's cluster approach and methodology. It focused on understanding the concept of clusters and networks, the possibilities of clusters in the South African context with a special reference to agro-based clusters, the use of the methodology of clusters/networks mapping, the steps of UNIDO's clusters development approach and various models of cluster/network development, the rationale for clusters and networks selection, the preparation of clusters diagnostic studies and action plans, and the role of Cluster Development Agents. According to the interviews carried out by the evaluation mission, the quality of the course was good, though SAAA staff who participated in it suggested the incorporation of more case studies.

A one-week follow-up training for the same participants was planned for the first half of November 2011. In the meantime, participants (who are potential CDAs) were implementing an exercise of cluster diagnosis that was expected to be completed by the end of September. A third training was planned to take place in January or February of 2012.

Relevance and ownership

The project can be considered an introductory initiative that focuses on creating capacities on clusters development among South African institutions and starting to work on tentatively five clusters that have been identified, which are located in Eastern Cape, Northern Cape, Western Cape, Limpopo and KwaZulu Natal and are engaged in the production of fruit and vegetables (citrus, sub-tropical products, groundnuts, grapes, beets, etc.). In parallel to the implementation of this project, SAAA, with the possible involvement of UNIDO, foresees conducting feasibility studies for agro-processing activities in two out of the five clusters.

The project is coherent with the problems and government policies in South Africa. In fact, the Government of South Africa considers as a priority problem the high levels of poverty in rural areas (where approximately 70% of South Africa's poor people reside), and government policies aim at generating employment and incomes in rural areas by improving agriculture and the access of small farmers - especially beneficiaries of land reform programmes - to markets. The main policies include the Strategic Plan for South

African Agriculture approved in 2001 and the Land and Agrarian Reform Project (LARP) approved in February 2007. The latter aims at redistributing 5 million hectares of white-owned agricultural land to 10,000 new agricultural producers, increase black entrepreneurs in the agribusiness industry by 10%, provide universal access to agricultural support services to the target groups, increase agricultural production of the target groups by 10-15%, and increase agriculture trade by 10-15% for the target groups. The LARP integrates all major provincial, local and NGO initiatives.

The project is also coherent with UNIDO's fields of expertise, as UNIDO's competence in the promotion of clusters and business linkages (CBL) is well established and derives from the successful implementation technical assistance programmes implemented in the areas of cluster, consortia, partnerships and CSR development since the mid-1990s in Latin America, Africa, Asia and Eastern Europe. UNIDO-CBL counts with methodologies, training packages and tools formulated through the combination of action-oriented research and experience from field-level implementation, and it has carried out field-based research on new, emerging issues such as pro-poor cluster development and a broadening of cluster to local economic development objectives.

In spite of its recognized expertise in the area of clusters, the evaluation mission found that UNIDO was making a relatively limited contribution in the project, as its main role was to select and contract a service provider to deliver training and mentorship services in cluster development. Thus, it is possible to argue that SAAA could have contracted itself the service provider (MSME Foundation) and carry out the project activities without UNIDO's participation. However, it should be noted that the original project proposal developed by UNIDO envisaged much broader cooperation but was not implemented for lack of funding.

Ownership of the project is high for the SAAA, which took the initiative of contacting UNIDO and obtained the full funding for the project from the Standard Bank, which has supported SAAA's activities for several years. The South African Departments of Agriculture, Forestry and Fisheries and of Trade and Industry are the main government counterpart organizations for the project and are being/will be consulted at every step of the project development and implementation phases. In addition, the Department of Trade and Industry (DTI) is currently working on a national programme (and strategy) on regional industrial cluster development, so it approached UNIDO to explore the possibility of adding an additional activity to the existing project, as they would be interested to learn about the UNIDO approach and issues of particular relevance for policy makers (covering about 15 Ministry and provincial government representatives).

Effectiveness, efficiency, impact, and sustainability

At the time of the evaluation, the project was still in an early stage of implementation, as it had completed the first of the proposed training courses and the participants had started the diagnosis of clusters. Thus, it is still too early to evaluate effectiveness, impact, and sustainability. In addition, it must be noted that the logframe presented in the Project Document proposed a number of indicators to measure the achievement of the project objective, outcomes, and outputs. However, no specific targets were defined for these indicators.

Not enough information was available to evaluate efficiency, though the costs of the project seem reasonable for the proposed activities.

Recommendations

Baseline and targets should be defined for the results indicators.

F. Climate Change Mitigation of Industrial Activities through Investment and Technology Compacts and Partnerships - South Africa and China (also known as Durban Industry Climate Change Partnership Programme (YAINT08A09 and YAINT10002)

Project description

The activities of this project are part of a larger two-country project including South Africa and the People's Republic of China, focused on developing partnerships on climate change mitigation involving national enterprises and multinational companies operating in the two countries. The China component of the overall two-country project is funded under a three-year project by the Spanish Millennium Development Goals Fund, while the South Africa component is funded by UNIDO's regular budget, with a total allotment of USD 221,104. The South African component proposed to assist the country, particularly the city of Durban, in establishing a platform that would facilitate the dissemination of environmental/climate change mitigation best practice for industry and manufacturing, aiding the municipal government's goal of achieving a low carbon, and possibly an eventual carbon neutral, city economy.

According to the project document, the project was designed to test two models for development of industry compacts/partnerships on climate change mitigation. The horizontal approach would be used to foster an industry compact within a specific geographical industrial location in the city of Durban in South Africa. The vertical approach would be used to foster country-wide sectoral compacts in China.

The South African project activities were implemented by UNIDO, in partnership with the eThekwini Municipality Energy Office, Durban Investment Promotion Agency (DIPA), and the Durban Chamber of Commerce and Industry, establishing a platform for the dissemination of environmental/climate change best practice for industry. The project would link to its sister project in China wherever possible and would share experiences between related/similar companies and form inter-company agreements or wider Global Compact agreements.

The project activities set out in the project document were: (1) undertake participatory analysis of relevant issues and development of the horizontal compact approach - resulting in a draft compact structure; (2) engage industry in a Learning Forum and identify different areas/sectors for industry compacts; (3) conduct a 'Round Table' engagement for CEOs on role of industry in climate change; (4) participate in China-Africa Investment Forum and develop possible MOU between UNIDO and the Forum; and (5) Launch industry compacts and operationalize contents; and were scheduled to be concluded between November 2008 and December 2010.

The project was extended beyond this period in order to support the work of the local partnership group established through the implementation of the project. The local partnership group has been branded as the Durban Industry Climate Change Partnership Programme, or DICCPP. The key outcome pursued through the project extension (YA/INT/08/A09), planned to run from April to December 2011, is a sustained partnership of the industrial and public sector in Durban to effectively contribute towards climate change mitigation and adaptation.
The main activities to be undertaken during this period were:

(1) Provide institutional support to the eThekwini Energy Office by assisting with:

> (a) Implementation of the mitigation responsibilities of the Mexico City Pact by registering Durban's Greenhouse Gas Inventories, implementing local climate change mitigation measures to achieve the city's reduction targets and the creation of a local funding mechanism for climate interventions;
> (b) facilitation and formalization of partnerships with international climate change partners, including donor agencies, international agencies, other local governments and other cities;
> (c) Facilitation of the Industrial Energy Efficiency Programme within KZN;
> (d) Providing project support for Climate Change Mitigation by developing programme documents, concept notes and funding applications.

(2) Consolidate partnerships with the National Business Initiative (NBI) and Durban Chamber of Commerce and Industry (DCCI) through joint events to promote climate change efforts by industry and commercial stakeholders and promotion of key industry energy efficiency interventions in the city for COP 17. Events would be managed under banner of 'Durban Climate Change Partnership Programme'.

(3) Deliver support for GEF Projects by providing Durban-based assistance to the implementation of the COP17 Greening Project and by assisting the EThekwini Energy Office to develop a project proposal to GEF focused on Energy Efficiency and Renewable Energy.

(4) Support the further development of the KwaZulu-Natal Sustainable Energy Forum (KSEF) through regular meetings, effective flow of information to forum members and facilitating access to commercial and funding opportunities. Assist the eThekwini Economic Development Department, Energy Office and Durban Investment Promotion Agency to investigate the potential of establishing a formal Green Economy Cluster.

As mentioned earlier, the China component of the project was funded under the three-year project "China Climate Change Partnership Framework (FMCPRO8003)", funded by the MDG-F and implemented by nine UN Agencies and ten government counterpart organizations, plus numerous national and international research institutes, scholars and experts who also contribute to programme outputs. According to the project document, the outcomes would be:

- Outcome 1: Mainstreaming of climate change mitigation and adaptation into national and sub-national policies, planning, and investment frameworks;
- Outcome 2: Establishment of innovative partnerships and dissemination of

technologies to mitigate climate change and increase local access to sustainable energy;
- Outcome 3: Accelerated action by China in assessing vulnerability to climate change and developing adaptation plans and mechanisms.

While the project document for the China Climate Change Partnership Framework (FMCPRO8003) makes no mention of the project activities to be carried out in or with Durban, it is assumed that these were to be undertaken as a means of attaining 'Outcome 2: Establishment of innovative partnerships and dissemination of technologies to mitigate climate change and increase local access to sustainable energy'.

Implementation

The original project objectives and activities were ambitious, but project staff found that the institutional and policy environment had not yet been established and therefore focused work in this area, with the agreement of the UNIDO project manager and counterpart agency. The project has contributed to the establishment of an enabling institutional environment through the strengthening of the Energy Office and to the establishment of the KZN Sustainable Energy Forum.

The project was supposed to encourage South-South collaboration regarding the transfer of technology to manage climate change. Toward this end, a delegation of Chinese solar water heating manufacturers visited Durban and a delegation of Durban businesses then went to China. The project intended to facilitate the import of the solar water heaters produced in China, with a long term view to having the Chinese manufacturers set up manufacturing enterprises within South Africa. However, while these Chinese manufacturers initially indicated that their companies have South African Bureau of Standards (SABS) registration, it was later found that this was not the case. This aspect of the project has therefore stalled while this registration takes place.

Relevance

The National Climate Change Response Green Paper, 2010 notes that "South Africa Is both a contributor to, and potential victim of, global climate change given that it has an energy intensive, fossil-fuel powered economy and is also highly vulnerable to the impacts of climate variability and change". It is therefore imperative that South Africa acts quickly in order to mitigate and adapt to the effects of climate change. The policy also recognizes that a broad national effort is required in order to mitigate climate change and indicates that this national effort should include business, all spheres of Government and civil society, making the DICCPP project very relevant to the country.

The Industrial Policy Action Plan 2 (IPAP2) and the New Growth Path also identify the promotion of "Green" and energy-saving industries as an opportunity to promote economic growth and job creation. IPAP2 identifies the following areas for further investigation and support: (1) the manufacture and installation of solar water heating systems, testing the viability of concentrated solar thermal options as a renewable energy source, wind energy generation, biomass energy generation, recycling, industrial energy efficiency programmes and water efficiency systems. The Durban Investment Promotion Agency (DIPA) has indicated that it will be setting up a sectoral support mechanism for the 'green economy' sectors in line with the IPAP and that the KZN Sustainable Energy

Forum would be a key instrument for this work. The project is therefore relevant for the economic development of the city and for DIPA.

Finally, the city of Durban will be hosting the COP 17 conference in December 2011 and the Municipality is a signatory to the Mexico City Pact and the Durban Declaration. As the host city for COP 17, it is essential that Durban is able to demonstrate effective climate change response mechanisms. The project is thus highly relevant to the counterpart agency, the eThekwini Municipality.

Ownership

A mutually beneficial and mutually supportive relationship has been established between the eThekwini Energy Office and the project. Project staff members are instrumental in continuing to support the work of the Energy Office and the Energy Office co-funds key components of the project, as with the budget for the establishment of the KZN Sustainable Energy Forum (KSEF).

UNIDO funding for KSEF will end at the end of 2011. The forum will then be funded jointly by the Energy Office and Trade and Investment KwaZulu-Natal. Ownership of the project therefore appears to be high, with local government institutions committed to continuing project activities beyond the project period.

Effectiveness

- The project appears to have been effective in increasing the mandate and scope of the work undertaken by the eThekwini Energy Office. The eThekwini Municipality established the Energy Office with a mandate limited to decreasing energy consumption within municipal infrastructure. The first phase of the DICCPP project changed this focus by providing a global and strategic view of climate change issues, through interaction from the Vienna based project manager. The UNIDO and United Nations brand was instrumental in convincing the municipality to broaden the focus of the Energy Office. UNIDO enabled this process by seconding the Local Project Officer to the Energy Office and he was later engaged as Manager of the Energy Office by the municipality.
- The project has not been effective in encouraging South-South collaboration regarding the transfer of technology to manage climate change. In order to meet this objective, a delegation of Chinese solar water heating manufacturers visited Durban and a reciprocal visit to China was undertaken by a delegation of Durban businesses. The project intended to facilitate the import of solar water heaters produced in China, with a long term view to having the Chinese manufacturers set up manufacturing facilities in South Africa. However, while these Chinese manufacturers initially indicated that their companies had South African Bureau of Standards (SABS) registration, it was later found that this was not the case. This aspect of the project has therefore stalled while this registration takes place. No other activities with regard to co-operation between China and Durban have taken place via this project.
- The project has been effective in facilitating the establishment of the KZN Sustainable Energy Forum (KSEF), which has attracted 350 members. KSEF was established in 2010 “to meet the need for information dissemination, networking, and oversight for the governance of the sustainable energy (SE) sector in KZN”, addressing both

renewable energy and energy efficiency. "[51] While KSEF currently draws members from the Durban area only, the forum will be extended to include the whole of KwaZulu-Natal.

- Project staff indicated that UNIDO plays an important role as a neutral third party in encouraging companies to undertake greenhouse gas reporting. Companies are reluctant to supply this information directly to the local municipality since the municipality has regulatory responsibilities in terms of environmental management.
- The Durban Investment Promotion Agency reported that the climate change project has improved their working relationships with the Environmental Management and the Town Planning Branches of the Municipality and has allowed them to improve their credibility when engaging with these stakeholders regarding issues of foreign direct investment and the green economy.

Efficiency

Project staff reported frustrations and delays in project implementation due to:

- Lack of clarity regarding the overall management system for the project in terms of the role of the Regional Office vis-à-vis the Project Manager in Vienna. Project staff indicated that the previous UNIDO Representative (UR) assumed administrative oversight of the project, while the Project Manager in Vienna assumed technical responsibility. However, later on also the Deputy UR became involved in the project. It therefore appears that the UNIDO project management system is defined by the interests and/or competencies of individuals rather than a clear division of responsibilities for efficient project delivery;
- Staff turnover at the URO has been high and key staff members have moved into other positions in UNIDO before replacements have been recruited. Project handover to incoming staff has therefore not been effectively managed, leading to delays on the project while new staff members learn about the project.

Project staff also reported frustration with the fact that the details of the COP 17 Greening Project had been negotiated with the national counterpart agency, the Department of Environmental Affairs (DEA), without reference to eThekwini Municipality, which is now expected to implement key aspects of the project. Durban-based project staff therefore experienced difficulty in convincing the relevant departments of the eThekwini Municipality to undertake the project actions, in the absence of official communication between UNIDO, DEA and eThekwini Municipality.

Impact

The evaluation team does not have sufficient information about this project in order to form an opinion on the likely impact of this project.

Sustainability

The strengthening of the eThekwini Energy Office is likely to continue after the project is completed, and a properly capacitated Energy Office is likely to be able to continue the work of the project in terms of climate change mitigation and sustainable energy issues. When the UNIDO project first began interacting with the eThekwini Energy Office, the office was manned by one official who had been seconded from the Electricity

[51] eThekwini Municipality Energy Office, (undated). Summary Briefing Document: KwaZulu-Natal Sustainable Energy Forum, South Africa

Department of the municipality into the newly established Energy Office. In 2009 UNIDO seconded the local project officer to the Energy Office in order to better support the work and institutionalization of the office. The local project officer was later employed by eThekwini as the permanent manager of the Energy Office.

The Energy Office now has an approved organigram including 10 staff positions, five of which are permanent and five of which are temporary. Three of the five permanent positions have already been filled, with recruitment for the remaining two positions planned for the near future. All five temporary positions have already been filled. The growth of the Energy Office in the last two years indicates the municipality's commitment to managing climate change and sustainable energy issues and a fully capacitated Energy Office is likely to deliver on this mandate.

The KwaZulu-Natal Sustainable Energy Forum (KSEF) will continue to operate after the end of the UNIDO project. The Energy Office and Trade and Investment KwaZulu-Natal (TIK) have committed to funding the operation of KSEF over the next two years and a tender was recently advertised in order to identify a company to manage the operations of the forum for the two year period.

Factors Explaining Project Results

The failure of the project to deliver on the 'China-Durban' linkage is not completely unexpected, given the fact that these activities are not listed in the project document for the China Climate Change Partnership Framework, and did not seem to feature largely in the work undertaken by the local project staff.

Recommendations

- The project document for the 'Climate Change Mitigation of Industrial Activity through Investment and Technology Compacts and Partnerships' indicates that this project and the CCCPF project would yield learning regarding methodologies to develop climate change partnerships. The evaluation team recommends that this learning be unpacked and written up for dissemination to both project teams and more widely.
- DIPA indicated that the counterpart agency would benefit from the provision of international expertise on issues like renewable energy, policy and incentive requirements for attracting 'green FDI', climate change mitigation strategies, etc. Project staff reported that no international experts had participated on the project to date. The reason for this is currently unknown to the evaluation team since the project budget included USD 90 000 (36% of the budget) for the provision of international experts. The evaluation team recommends that based on the needs of the counterpart agency (and subject to availability of funding) international expertise be sourced to facilitate international best practice and learning.

F. Strengthening the local production of essential generic drugs in least developed/developing countries (TE/GLO/08/030) and Strengthening the local production of generic drugs in least developed countries (LDCs) through the promotion of SMEs, business partnerships, investment promotion and South-South cooperation (TE/GLO/05/015)

Project description

The project "Strengthening the local production of essential generic drugs in Least Developed and Developing Countries" is a global project co-funded by the German Government and UNIDO, with a total budget of 3.3 million Euros over five years. The project covered activities in 14 countries, out of which 11 were African countries.[52] South Africa was not included in the country activities but in regional activities, one of which included the creation of the Southern African Generics Medicines Association (SAGMA), based in South Africa.[53]

The project originated from the difficult access of large parts of the population in least developed and developing countries to essential pharmaceuticals against Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS), tuberculosis (TB) and malaria, and the devastating effects of these diseases in those populations.

The overall development objective of the project is to enhance access to essential medicines needed to combat pandemic diseases, thus improving the public health situation in DCs, enabling the population to fully mobilize their productive capabilities, thus contributing to enhanced economic growth. The project's immediate objective is to enhance the supply of the population in DCs with a range of generics at affordable prices, through promoting the local production by Small and Medium Size Enterprises (SMEs) of high quality essential drugs.

To achieve this objective, the project intends to promote the establishment and/or expansion and upgrading of SMEs in three or four selected LDCs or DCs for the local production of internationally recognized, high-quality, essential generic medicines. The project was being implemented at three levels: i) macro-level policy advice, which includes improvement of business, legal and regulatory environment, national multi-stakeholder public-private dialogue and/or sector strategy formulation, and awareness raising/networking workshops; ii) meso-level institutional capacity building, and iii) micro-level direct support to enterprises.

The direct project beneficiaries have been: a) at the national level, four selected SMEs (two companies in Ghana and one each in Botswana, Lesotho-(discontinued) and Cameroon) for local production of essential medicines, which received technical advice and training; and 14 governments that have become aware of the topic of local production and the importance of creating a business-friendly environment to allow a local production of pharmaceuticals; and c) at the regional level, the beneficiaries were workshop participants representing the private sector and government bodies and institutions, notably regulatory authorities for pharmaceuticals from the Association of Southeast Asian Nations (ASEAN), the East African Community (EAC), the Economic Community of West African States (ECOWAS), and SADC countries. Workshops provided platforms for

[52] The countries included in the project were Ghana, Botswana, Kenya, Cameroon, Lesotho, Zambia, Senegal, Tanzania, Zimbabwe, Nigeria, Cambodia, Lao PDR, and Bangladesh.

[53] The other regional institution supported by the project was the West African Pharmaceutical Manufacturers Association (WAPMA)

public-private dialogue and exchange on the prospects of and prerequisites for creating a commercially viable pharmaceutical manufacturing base in the region.

Implementation

The project started in 2006 and was evaluated between December 2009 and January 2010.[54] The creation of the Southern African Generics Medicines Association (SAGMA) originated from a workshop organized by UNIDO/BMZ/SADC that took place in Lusaka in 2008 with companies and business associations from various countries in the Southern African region. The discussions in the workshop identified the need for a sub-regional advocacy and service provision in the generic medicines manufacturing sector. As a result, a private-sector-driven initiative emerged for establishing SAGMA.

The project provided advisory and capacity building support towards the establishment of SAGMA, through international expertise including a lawyer. Cost sharing and facilitation of meetings led to the creation of an organizing committee with members from seven countries and the preparation of the statutes of the association. As a result of these efforts, SAGMA was inaugurated in December 2009, with the mission of achieving self-sufficiency and reliability in the promotion of local production of affordable, efficacious, quality generic medicines in Southern African Developing Countries. SAGMA is expected to promote the interests of the Sub-Saharan African pharmaceutical industry, to provide a forum for harmonization of drug regulation in Southern African countries and for setting up a strategy for the pharmaceutical industry sector for the sustainable supply of locally manufactured life-saving medicines and for creating jobs in a knowledge-intensive industry. SAGMA is hosted at the National Association for Pharmaceutical Manufacturers (NAPM) of South Africa.

The project has supported the operational costs of SAGMA, financing since February 2011 the salary of a Project Associate based in UNIDO's premises in Pretoria, being supervised on a day-to-day basis by the SAGMA Chairperson and reporting formally (monthly activity reports) to UNIDO's Project Manager in Vienna. In addition, the project has covered the costs of running SAGMA office from UNIDO's offices (internet, telephone charges, and stationary) for up to EUR 500 per month, and financed a public launch event of SAGMA that took place on 4 April 2011 in Cape Town, including all conference costs, travel and accommodation for six speakers and the Project Associate, and four other participants, with a total cost of EUR 11,000. It is expected that SAGMA continues to operate beyond February 2012 without UNIDO support, and a Business Plan and a 'SAGMA fundraising and income generation strategy' had been prepared that make provisions for the sustainable running of the association.

Relevance and ownership

The evaluation report of the project assessed the creation of SAGMA as highly relevant for the problems of the region. Most of the medicines in Southern Africa are imported from low cost suppliers. While there are benefits from these low cost imports, there are also challenges with the continued dependence on imported products, and governments also aim at benefiting their own industrial sector. Although there are a number of

[54] UNIDO's Evaluation Group carried out the Independent Evaluation of the 'Strengthening the local production of essential generic drugs in least developed/developing countries' (TE/GLO/08/030 and TE/GLO/05/015) between November 2009 and January 2010. The evaluation report was published in October 2010.[54]

formulation facilities capable of expanding and providing greater supplies, they faced challenges to meet the Current Good Manufacturing Practice (CGMP) that were required by regulatory authorities locally, regionally and internationally. In most countries there is some tension between the mandates of the departments or ministries of Trade and Industry and those of Health, as the mandate of the Department of Health is to get maximum quantities of medicines to the majority of the population in an accessible manner, which unfortunately is contradictory with the supply by local manufacturing that is not able to offer competitive prices.

The creation of SAGMA resulted from workshops and training implemented by the project as a part of the promotion of public-private dialogue and exchange on the prospects of and pre-requisites for creating a commercially viable pharmaceutical manufacturing base. These initiatives created awareness of the need for sub regional advocacy and service provision to the generic medicines manufacturing sector. The Heads of State through the African Union demonstrated their commitment to supporting the local pharmaceutical producers in Africa through the commissioning of the Pharmaceutical Manufacturing Plan for Africa (PMPA).

Effectiveness, efficiency, impact, and sustainability

In spite of SAGMA's relevance, its effectiveness and impact perspectives were difficult to establish at the time of the evaluation, as it still had not proven to deliver clear benefits to current and potential members. The association made little progress during 2010 in achieving its mission, but it improved during 2011.

In terms of sustainability, it is also not clear yet that the association will become self-sustainable, as current and potential members should view that they benefit from their membership in order to pay membership fees. So far, not much progress has been made to establish revenue generating services and the willingness of members to pay fees has been limited. According to the information collected by the evaluation, a total of 17 companies (manufacturers and retailers) were participating of SAGMA by February 2011, and only two of them were paying the annual membership fees of USD 1,000. By the time of the evaluation fieldwork in September 2011, the number of SAGMA members had increased to 20, with 17 having completed the formalities of membership application, and 7-8 members were paying the membership fees.

A problem that was identified by the evaluation relates to the fact that SAGMA's chairperson, who was very dynamic and had played a key role in the progress made in recent times by the association, had recently resigned because he had been contracted by UNIDO to assume the role of CTA for the overall project. This created the urgent need to find a replacement who can continue to provide the necessary leadership.

In addition, the nature of SAGMA as a regional association most probably requires broader efforts to involve countries other than South Africa, as unbalanced relations to one of the members, especially South Africa, should be avoided as this could lead to reduced interest and trust from other countries. A rotating presidency might be helpful in this context.

Annex B: Terms of Reference

Contents

I. Background

UNIDO and South Africa

South Africa became a UNIDO member in 2000. Since then, 24 different technical cooperation projects have been initiated, 13 of which have been completed. UNIDO cooperation has focused on cleaner production and SME support.

The UNIDO Regional Office in Pretoria, South Africa, was inaugurated officially on April 19, 2006. It covers 10 of the 14 countries of the Southern African Development Community (SADC) region.

UNIDO in South Africa – Technical cooperation

The programming exercise for the preparation of the UNIDO Country Service Framework (CSF) was initiated shortly after South Africa joined UNIDO in the year 2000. The initial assessment, review of background documentation and information collected during two technical programming missions formed the basis for the determination of the rationale for a UNIDO response to South Africa's needs, and the design of the UNIDO strategy. From September 2002 until December 2008, UNIDO's technical cooperation in South Africa was organized and implemented under the Country Service. As such, the CSF covered, inter alia, the cooperation in the identified project areas between UNIDO and the South African Department of Trade and Industry. However, the CSF had never been officially signed by the South African Government.

The overall objective of the CSF was i) "… to enhance capacities in public and private institutions for Business Development Services (BDS) aimed at providing support services required by South African industrial enterprises in the selected priority areas of SME and environmental development, with emphasis on the identified priority provinces.

"[55] and (ii) "… to enhance the competitiveness and productive capacity of the national industry, primarily SMEs, through the increased application of cleaner production techniques and the transfer of environmentally sound technologies."[56] Along these lines the CSF had two main components:

1 – SME development, including the following initiatives:

- Local capacity building for entrepreneurship and Business Development Services (BDS) as a cross cutting area for accelerated and decentralized SME development (all provinces, linkage to priority sectors);
- Partnership programme with the AIDC (supply chain development and backward linkages);
- Leather goods development (arts and crafts), mainly in the Eastern Cape and North Western Province;
- Fruit processing and Maroela (Limpopo, other provinces to be identified);
- Essential oils production (Limpopo, Mpumalanga, North Western Province).

2 – Environment including the following initiatives:

- Establishment of a National Cleaner Production Centre (NCPC), and
- Support to the implementation of the national programme for pollution control and waste management, including the 'zero waste by 2022' waste management strategy.

With the exception of the automotive supplier programme, all of the projects initiated under the CSF have been completed or discontinued. Several other and most of the currently ongoing technical cooperation activities were not part of the CSF.

Looking forward[57], UNIDO will increasingly align its cooperation activities in South Africa with relevant components of the Government's IPAP2 Policy and NPC. In regards to the NPC, UNIDO's contribution to the achievement of the NPC will focus primarily on two parts. The first being the high unemployment rate in South Africa and an analysis of its sources and how economic growth and industrial change and upgrading can generate employment. Secondly, UNIDO will support the NPC in developing a new growth path which aims to shift away from South Africa's former unsustainable resource-intensive and exclusive growth path.

South Africa's high unemployment rate is a major contributor to widespread poverty, which in turn hampers economic expansion. Although South Africa has a ratio of employment to GDP growth of 0.6 to 0.7 % which is above the average in successful emerging economies, the country is struggling to create inclusive growth.

UNIDO is assisting the Government of South Africa in this challenge with several technical assistance and value chain development projects. Among other projects, UNIDO is strengthening the capacities of the South African agricultural sector with the

[55] Republic of South Africa. Programmeme document. Country Service Framework - Towards environmentally and socially sustainable industrial Development (2002)
[56] *ibid*
[57] The following paragraphs on the future plans of UNIDO cooperation in SA have been provided by the UNIDO Regional Office in South Africa.

“Training of Trainers for the Promotion of Emerging Agro-Processing Clusters in South Africa”. This projects aims to generate employment through the provision of market intelligence, information, training and business advice/coaching and strategic market linkages to companies in the agro-processing and aquaculture sectors. The automotive industry is another key industrial sector for UNIDO, where it aims to improve the competiveness of local manufacturers in this industry with the opening of new opportunities for employment generation. UNIDO’s “Comparative analysis of the South African Motor Industry Development Programme” (MIDP) focuses on value chain development to enable local companies to participate in the local and international supply chains and to devise strategies to better respond to the challenges of this highly competitive global market. A major aspect of this analysis is also the examination of the devised policies’ effects on job creation and productivity growth.

A key recommendation of the New Growth Plan underlines a shift from the resource dependent and consumption-led growth to a more balanced and investment-led growth. A key challenge in this move is to improve the regulatory environment and access to capital and markets for small, medium and micro enterprises (SME).

UNIDO will contribute to the Government of South Africa’s efforts to achieve this goal through programmes such as the “Subcontracting and Partnership Exchange” (SPX) programme, that links domestic enterprises in developing countries to the supply chains of large domestic or international companies. The aim of SPX is to develop the capacities of local small and medium size enterprises (SMEs) to meet buyers’ needs and to identify profitable business/investment opportunities for them.

In regards to the global climate change debates and South Africa’s voluntary commitment at the COP 16 in Cancun to reduce its carbon emissions by 34 % by 2020 and by 42 % by 2025, another key challenge is to build a new development path that is more sustainable, less dependent on the exploitation of non-renewable resources and that uses renewable resources more sustainably and strategically.

In order to help the South African Government in achieving these targets UNIDO has therefore launched - in partnership with DTI, DOE, SECO and DFID - an Industrial Energy Efficiency Programme which aims to make the South African industrial energy consumption 15% more efficiency by 2015. This and other projects implemented by UNIDO - like the Cleaner Production Programme - are contributing to the national GDP growth and carbon emissions reduction targets.

The main ongoing initiatives are briefly described below:

1. The Infrastructure and supplier benchmarking programme for South Africa

The South African Cabinet adopted in January 2007 the "Competitive Supplier Development Programme" to maximize the impact of the investment programme of the State Owned Enterprises (SOE) on local industries. Concurrently, South Africa embarked on a major infrastructure development programme in excess of $28.5 billion, which is predominantly driven through three state-owned companies, namely Eskom (electricity generation and transmission), Transnet (freight transport infrastructure), and PBMR (pebble-bed modular reactor). The overall objective of this Supplier Benchmarking Programme is to maximize the economic impact by developing the capacity of the South

Africa supplier base to successfully compete for participation in the SOE infrastructure-related supply networks.

UNIDO, in this context, formulated a project to develop a supplier benchmarking tool. The project also lead to a second follow-up project for expanding the experience and tools to a broader Africa-wide application through a regional project for establishing an African SPX Network. A mid-term review of this cluster of projects is foreseen under the present country evaluation.

2. Automotive component supplier development programme

This project builds on UNIDO's existing involvement with the Automotive Industry Development Centre (AIDC) which began under the CSF in 2002. In collaboration with the Confederation of Indian Industries and drawing also on the experience of the UK automotive sector, UNIDO provided assistance to identifying relevant continuous improvement methodologies and training to AIDC staff members in cluster development and cleaner production. UNIDO is conducting a comparative study of automotive industry support programmes in other middle income countries as part of the Government's review of the Motor Industry Development Programme. This project will draw on the diagnostic tools developed under the supplier benchmarking programme (see 1 above). The ultimate goal of this project is to improve the competitiveness of South African SMEs in the automotive component industry by enabling the AIDC to provide continuous improvement services on a stand-alone commercial basis.

3. Training of trainers for the promotion of emerging agro-processing Clusters

In July 2009, UNIDO received a letter of request from the South African Department of Agriculture for a partnership to strengthen capacities of the SAAA, industry experts and community leaders to extend cluster development support services to emerging agri-businesses. The cluster approach is considered highly relevant to enhance long-term profitability and to strengthen market access of the target group, and to thus create better and more sustainable jobs amongst new and previously disadvantaged agri-businesses and women entrepreneurs.

Once the trained support institutions make use of the capacities that are to be developed through this project and roll out assistance schemes to local agri-businesses, employment and income opportunities of marginalized segments of society will be expanded and qualitatively improved. The project will thus also, in a wider sense, contribute to the achievement of the MDG 1 on Poverty Reduction.

4. Industrial energy efficiency improvement programme in South Africa

The programme aims at contributing to a sustainable transformation of industrial energy usage practices in South Africa and possibly in the Southern African Region, by putting the system of Energy Management Standards (EMS) in place and ensuring that industries in agro-processing, chemical and liquid fuels, mechanical engineering, automotive and mining industry use it. The broader objective of the project is to increase the energy efficiency of industry in South Africa in order to save the scarce energy needed to maintain the targeted 6% GDP growth, to improve the productivity and competitiveness of industrial products and to create more jobs, as well as to reduce CO2

emissions. The programme is financed by the Governments of South Africa, Switzerland, and the United Kingdom.

5. The preparation of a HCFC phase-out management plan and the preparation for HCFC phase-out investment activities (polyurethane foam sector).

Both projects are implemented by UNIDO and in line with the guidelines of the Multilateral Fund (MLF) of the Montreal Protocol (MP).

6. Regional projects with activities in South Africa

A number of regional projects had major activities in South Africa and will be taken into consideration for this evaluation, among them:

- Global project to strengthen the local production of essential generic drugs in developing countries (DCs)
- Regional SPX and benchmarking projects

7. Project pipeline

Currently several projects are under preparation. The project pipeline will give indications with regard to future capacity requirements at HQ, at the Regional Office and of counterparts.

II. Rationale and purpose of the evaluation

This country evaluation is being undertaken as foreseen by the revised Work programme of the Evaluation Group for 2010/2011, following a request from UNIDO Management to give priority to country evaluations in South Africa, Nigeria and Kenya. The evaluation will be a forward-looking exercise as it will seek to identify best practices, areas for improvement and lessons to enhance the relevance, efficiency, effectiveness, impact and sustainability of future UNIDO interventions in South Africa.

The key users of this evaluation will be UNIDO management at Headquarters, the UNIDO Regional Office in South Africa, the Government of South Africa and the various organizations in South Africa cooperating with UNIDO. For these stakeholders the evaluation should constitute a starting point and key input for the design of a possible next UNIDO South Africa country programme.

Furthermore, the evaluation will serve as an input to the following thematic evaluations:

- UNIDO's contribution to the MDGs
- Performance of the UNIDO Field Offices
- Thematic Evaluation of UNIDO initiatives related to competitiveness and enterprise upgrading[58]

[58] This thematic evaluation conducted surveys of beneficiary companies in South Africa. The survey results will be used as evaluation evidence for the country evaluation.

III. Scope and focus of the evaluation

The country evaluation will use DAC evaluation criteria (relevance, efficiency, effectiveness, impact and sustainability) and will go beyond a mere documentation of results by identifying factors that have facilitated or impeded the achievement of the objectives.

The evaluation will focus on the following aspects:

- The relevance and alignment of interventions to national needs and priorities and to international development goals (MDGs, Paris Declaration etc.)
- The achievements of technical cooperation (TC) and global forum (GF) interventions against the planned objectives set out in the Country Service Framework, different project/programme documents and against UNIDO's strategic objectives as a whole (Programme and Budget, Medium-Term Programme Framework)
- The efficiency of management and coordination processes including the performance of the UNIDO Regional Office in South Africa and UNIDO HQ
- Achievements in relation to cross-cutting issues:
    - Integration and Delivering as One UNIDO (coordination, cooperation, exploitation of synergies)
    - Contribution to Gender equality
    - Contribution to environmental sustainability
    - Fostering of South-South cooperation
- UNIDO's strategic positioning in the country

The time period to be covered by the evaluation is the period since the start of the CSF in 2002 until March 2011 with emphasis on the last 3 years. Projects and programmes completed before this period will be taken into consideration only insofar as they are important for the context of interventions during the evaluation period. The exact scope of the country evaluation will be defined in the inception report.

IV. Evaluation issues and key evaluation questions

A. Evaluation of technical cooperation (TC) activities

Technical cooperation is the most important part of UNIDO's activities world-wide and also in South Africa. The evaluation should provide evidence-based findings and conclusions on the following questions that refer to the UNIDO activities in the country as a whole as well as to individual national and regional projects:

- Are UNIDO interventions aligned to national needs, development goals and priorities, including the MDGs?
- Are UNIDO interventions coherent?
- To what extent did national stakeholders (government, non-government, national and local) participate at the design and implementation stages?
- To what extent did the target population and participants take ownership of the projects? To what extent did they contribute with their own resources?

- What outputs have been produced by TC projects in South Africa and did they contribute to the expected outcomes and impact as specified in project and programme documents?
- What factors have been contributing to effectiveness or ineffectiveness?
- To what extent does UNIDO coordinate its interventions and is aligned with other development partners?
- Have potential synergies between different interventions been exploited?
- How does UNIDO add value to the different interventions and initiatives?

B. Evaluation of global forum (GF) activities

Global forum (GF) activities are those which are initiated by UNIDO to exchange and disseminate knowledge and information, as well as facilitate partnerships, producing an "output", without a pre-identified client, which increases the understanding of sustainable industrial development issues and solutions. Global forum activities have informative, advocating and normative functions.
The assessment of global forum activities will include:

- UNIDO GF activities nurturing national knowledge and dialogue with regard to industrial development and, at the same time,
- activities at the national level, including TC projects, nurturing UNIDO GF activities and products

The exact approach to assess global forum activities will be defined in the inception report.

C. Evaluation of UNIDO's participation in country-level coordination mechanisms

For UNIDO, the principle of harmonization set out in the Paris Declaration and the effective coordination within the UN System (Delivering as One - DaO) are increasingly important issues. The evaluation should provide evidence on the organisation's performance and identify causes and reasons for successes and failures.

- Does UNIDO contribute to the UNDAF, the UN Country Team and other system-wide coordination mechanisms?
- Did the CCA/UNDAF/DaO Support Programme facilitate UNIDO's participation in country-level coordination mechanisms?
- Were the resources provided by UNIDO for these purposes sufficient?
- How does the participation in UN activities affect UNIDO's performance?
- How are partnerships and coordination with national stakeholders and other development partners managed?

D. Evaluation of management at country level and performance of the Regional Office

- How did implementation arrangements affect ownership and capacity building?
- How did the implementation modalities affect the perspectives of sustainability of projects and programme interventions?

- How do UNIDO's field presence and HQ support planning, implementation and monitoring of TC and GF activities?
- Is the field presence adequately equipped to assume the assigned functions?
- Are the existing capacities being used in an efficient manner?
- To what extent are UNIDO activities coordinated and integrated? (One UNIDO)
- To what extent does UNIDO's Regional Office in South Africa (RO) coordinate with other relevant Field Offices, including Heads of UNIDO Operations and Partnership Centres?

The performance of the RO in conducting their mandated functions and achieving stated objectives will be assessed against the results-based work programme of the office. The work plans usually include five outcomes:

- Outcome 1: UNIDO visibility enhanced at global, regional/sub-regional and country levels
- Outcome 2: Responsiveness of UNIDO to national/ regional priorities: TC programme and project development; Fund raising
- Outcome 3: Effective participation in UN initiatives at country level including UNDAF, PRSP, UNDG, One UN etc.
- Outcome 4: Promoting Global Forum activities with direct link to UNIDO priorities and to the potential increase of UNIDO portfolio in the region and worldwide
- Outcome 5: Effective management of TC activities and UNIDO office

V. Evaluation approach and methodology

In terms of **data collection** the evaluation team will use different methods ranging from desk review (project and programme documents, progress reports, mission reports, search in UNIDO's database Agresso, evaluation reports, etc) to individual interviews, focus groups, statistical analysis, literature research, surveys and direct observation. The concrete mix of methods will be described in the inception report.

The evaluation team should ensure that the findings are **evidence based**. This implies that perceptions, hypotheses and assertions obtained in interviews will be validated through cross checks and **triangulation** of sources.

While maintaining independence, the evaluation will be carried out based on a **participatory approach**, which seeks the views and assessments of all stakeholders. These include government counterparts, private sector representatives, other UN organizations, multilateral organizations, bilateral donors, beneficiaries as well as UNIDO regular and project staff.

Depending on formal requirements, the complexity and the strategic importance of each project/activity, different approaches will be used for the assessments:

a) Project assessment:

For projects that do not formally require a fully fledged evaluation or that are not yet due for evaluation, but for which a comprehensive assessment is regarded important.

The following methodological components will be applied: an assessment of the project documentation including an assessment of project design and intervention logic; a

validation of available progress information through interviews with key stakeholders and beneficiaries; a context analysis of the project to validate implicit and explicit project assumptions and risks, including interviews with government agencies and donors regarding the developments and tendencies in the project-specific environment.

b) Reviews:

For projects that are likely to start soon, that have started very recently or that are considered important for other reasons a review will be carried out. The following methodology will be applied: a review of the available documentation; a validation of the foreseen intervention logic/design with a special focus on the relevance to national priorities and to the country programme or UNIDO´s strategic priorities. This will also include Montreal Protocol projects.

c) Non-TC evaluation issues

The evaluation issues described in chapter IV B, C and D will use several sources of information such as self assessments by the UNIDO Regional Office, interviews with key UN partners of UNIDO and bilateral donors, interviews with national partner institutions, review of available evaluations and studies, interviews with UNIDO HQ staff and project managers.

Deviations from this proposed methodology need to be explained and justified in the inception report.

VI. Timing

The country evaluation is scheduled to take place between July and November 2011. A field mission for the evaluation is envisaged for first half of September 2011.

Activity	**Estimated date**
Collection of documentation at HQ	July 2011
Desk Review by members of evaluation team	July 2011
Initial interviews at HQ to assess scope	July 2011
Inception report	August/September 2011
Mission to South Africa and presentation of preliminary findings to the Government	September 2011
Presentation of preliminary findings at HQ	September 2011
Drafting of report	October/November 2011
Collection and incorporation of comments	October 2011
Issuance of final report	November 2011

VII. Evaluation team

The evaluation team will include:

1. One senior international evaluation consultant who will act as team leader with responsibility for the evaluation report and who will cover assessments of the evaluation issues outlined in section V of the TOR.
2. One national evaluation consultant who will participate in all evaluation activities and contribute to the assessments under the direction of the team leader, in particular with a view to assessing the UNIDO activities in the light of national objectives, strategies and policies, cooperation priorities and institutional capacities.
3. One staff member of UNIDO Evaluation Group who will participate in all evaluation activities and contribute to the assessments under the direction of the team leader, in particular with a view to assessing UNIDO activities in the light of UNIDO's overall objectives, policies, competencies and capacities.

The international and national evaluators will be contracted by UNIDO. The tasks of the consultants are specified in their respective job descriptions.

All members of the evaluation team must not have been involved in the design and/or implementation, supervision and coordination of any intervention to be assessed by the evaluation and/or have benefited from the programmes/projects under evaluation.

One member of UNIDO's Evaluation Group will manage the evaluation and will act as a focal point for the evaluation consultants. Additionally, the UNIDO Regional Office in South Africa and the respective project teams in South Africa will support the evaluation team and will help to coordinate the evaluation mission.

VIII. Evaluation process and reporting

The evaluation team will use a participatory approach and involve various stakeholders in the evaluation process. It will present its preliminary findings to the Government, to the UR and Director, UNIDO Regional Office, programme and project staff in the field and to stakeholders at UNIDO Headquarters. A draft evaluation report will be circulated for comments. The reporting language will be English.

Review of the draft report: The draft report will be shared with UNIDO and the Government for initial review and consultation. They may provide feedback on any error of fact and may highlight the significance of such errors in conclusions. The evaluators will take comments into consideration when preparing the final version of the evaluation report.

The draft report will be submitted 6-8 weeks after the field mission, at the latest, to the Government of South Africa and to UNIDO for comments.

IX. Deliverables

I. Inception Report
II. Presentation of preliminary findings to counterparts and HQ staff
III. Draft Report
IV. Final Report

X. Quality assurance

All UNIDO evaluations are subject to quality assessments by the UNIDO Evaluation Group. Quality control is exercised in different ways throughout the evaluation process (briefing of consultants on EVA methodology and process, review of inception report and evaluation report).

Annex C: List of persons met

At UNIDO HQ:

Name	Position	Unit
Smail Alhilali	Industrial Dev. Officer	PTC/EMB/CPU
Kai Bethke	UNIDO Representative	Regional Office Mexico
Mithat Kulur	Unit Chief	PTC/BIT/ITU
Khac Tiep Nguyen	Industrial Dev. Officer	PTC/ECC/IEE
Yuen-Hoi Lee	Industrial Dev. Officer	PTC/AGR/AIT
Alois Mhlanga	Industrial Dev. Officer	PTC/ECC/RRE
Juergen Reinhardt	Sen. Ind. Dev. Officer	PTC/BIT/CUP
Petra Schwager	Industrial Dev. Officer	PTC/EMB/CPU
Yuri Sorokin	Industrial Dev. Officer	PTC/MPB/RAU
Natascha Weisert	Industrial Dev. Officer	PTC/BIT/CBL
Mathilda Muweme	Programme Officer	PTC/BRP/AFR
Stefano Bologna	Former UR in South Africa	Managing Director, ICS

In South Africa:

Name	Position	Project/Organization
UNIDO Regional Office		
François D'Adesky	UR a.i.	UNIDO
James New	Deputy UR	UNIDO
Levy Maduse	National Programme Officer	UNIDO
Marjorie Chalungumana	Secretary	UNIDO
UNIDO Project Staff		
Henning Viljoen	Project Coordinator, SPX Project	UNIDO
Richard Bean	Project Coordinator, Chief Technical Advisor, SPX Project	UNIDO
Claudia Giacovelli	Project Consultant, IEE Project	UNIDO
Henrik Moberg	Project Consultant, Automotive supplier development programme	UNIDO
Tsungirirai Moyo	Project Consultant, Generic drugs project	UNIDO
Ntombizodwa Nkabinde	Secretary, SPX Project	UNIDO
Government and partners		
Nkumbuzi	Project Manager	Automotive Industry Development Centre (AIDC)
Rickus Lube	Project manager, Supplier Development	Automotive Industry Development Centre

		(AIDC)
Bianca Jagger	Senior Project Manager, Supplier Development Department	Automotive Industry Development Centre (AIDC)
Freddie Herselman	Project Manager, Metals 1	Department of Trade and Industry
Malebo Mabitje-Thompson	Chief Operations Officer, Divisional Management Unit, Industrial Development Division	Department of Trade and Industry
Tshenge Demana	Director	Department of Trade and Industry, IEE Project
Zakele Mdlalose		
Xolile Mabusela	Director	Department of Energy, IEE Project
Mkhululi Mlota	Director	DTI (Automotive Component Supplier DP)
Nimrod Zalk	Deputy Director General	DTI
Gerswynn Mckuur	National Project Manager, IEE Project	National Cleaner Production Centre
Alf Hartzenburg	Regional Project Manager, IEE Project	National Cleaner Production Centre
Fatima Boltman	Communication Officer, IEE Project	National Cleaner Production Centre
Henk Langenhoven	Competitive Supplier Development	ESKOM
Fanie van der Walt	Group Supplier Development Manager	TRANSNET
A. Petersen	Contracts Manager	eThekwini Municipality
Mandy Erstzen	Personal Assistant	South African Agri Academy (SAAA)
Margaret Mckenzie	Local Project Officer	eThekwini Municipality, IEE Project
Jonathan Ramayia	Local Project Officer	eThekwini Municipality, IEE Project
Donors		
Markus Schrader	Head Economic Cooperation and Development	Embassy of Switzerland
Oskar Brandenberg	National Programme Officer	Embassy of Switzerland
Companies and company associations		
Dries Horn	Plant Manager, Plant 1 Rosslyn	MA Automotive Rosslyn Ltd
Norman Malinga	Managing Director	Fabor Engineering
Adrian Padt	Owner	CST Consolidated Systems Technologies Ltd
Nathie Maseko		ZF Spartan
Arden Wessels	Senior Manager, Environmental Engineering & Compliance	Toyota SA Motors (PTY) Ltd
Rowland Chute	Director	Daliff Precision Engineering (PTY) Ltd

Korbus (JC) de Beer	Industry Development Executive	South African Institute of Steel Construction
Adrie El Mohamadi	Project Leader	National Foundry Technology Network
Ashley Bhugwandin	Regional Progamme Manager	Kwazulu-Natal Tooling Initiative
Russel Curtis	Chairman KwaZulu-Natal Chairmain	Institute of Directors Southern Africa
Roger Pitot	Executive	NAACAM
Nico Vermulen	Executive	NAAMSA
Consulting firms		
Justin Barnes	Chairman	B&M Analysts (Benchmarking)
UN system		
Agostinho Zacarias	UN Resident Coordinator	UN

Annex D: Bibliography

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Annex E: List of projects *(O – Ongoing / C – Completed)*

Project Group indicates where more than one project budget is used to fund a particular project.

Project Grouping	Project No.	Pro(T)	Proj stat	Date from	Date to	Impl/ah(T)	Pro.type(T)	Donor(T)	Allotments $ (a)	Total Exp $ (f=d+e)	Funds Avail $ (g = a-b-c-d-e)
	SESAF08002	SESAF08002 - Comparative Analysis	C	04/08/2008	05/30/2010	KULUR, Mithat	Non-IP Others	South Africa	169,116	169,116	0
	SFSAF02001	SFSAF02001 IP UNIDO Business Partnership Programme.	C	02/19/2003	02/28/2006	BETHKE, Kai	Integrated Programme (IP)-Others	AIDC Dev Centre Ltd., South Africa	82,835	82,835	0
NCPC	UESAF04068	UESAF04068-Programme for the establishment of a NCPC	C	02/09/2003	12/31/2008	SCHWAGER, Petra	National Cleaner Production Center	Austria Euro a/c	555,268	555,268	0
NCPC	USSAF02068	Programme for the Establishment of a NCPC	C	11/11/2002	03/28/2006	SCHWAGER, Petra	Integrated Programme (IP)-Others	Austria	255,550	255,550	0
NCPC	USSAF02069	Programme for the Establishment of a NCPC	C	11/12/2002	12/31/2008	SCHWAGER, Petra	National Cleaner Production Center	Switzerland / SECO US $ Contrib	833,146	833,146	0
	USSAF02115	USSAF02115 CSF SOUTH AFRICA: SME DEVELOPMENT	C	10/04/2002	08/01/2007	OTT, Gabriele	Integrated Programme (IP)-Others	Danida-Sub-Saharan Africa	8,539	8,539	0
	XASAF02625	XASAF02625 - CSF South Africa	C	10/09/2002	08/31/2005	BETHKE, Kai	Integrated Programme (IP)-Others	Regular Programme Of Technical Cooperation	174,183	174,183	0

Project Grouping	Project No.	Pro(T)	Proj stat	Date from	Date to	Impl/ah(T)	Pro.type(T)	Donor(T)	Allotments $ (a)	Total Exp $ (f=d+e)	Funds Avail $ (g = a-b-c-d-e)
	YARAF06B04	YARAF06B04 UNIDO Field Offices	C	08/24/2006	12/31/2008	D'ADESKY,François	Non-IP Others	Regular Budget	32,478	32,478	0
	YASAF07001	Assistance to the Department of Trade and Industry	C	10/10/2007	12/31/2008	MOLL, John Peter	Non-IP Others	Regular Budget	45,951	45,951	0
	YASAF07002	Infrastructure supplier benchmarking programme	C	10/16/2007	12/31/2008	KULUR, Mithat	Non-IP Others	Regular Budget	101,828	101,828	
	YARAF08027	UNIDO CEOs Forum, Durban, South Africa	C	09/29/2008	12/31/2010	KENYON,Thomas John	Non-IP Others	Regular Budget	33,072	32,932	140
	YARAF08B04	Programmatic Support Funds	C	09/29/2009	12/31/2010	D'ADESKY,François	Non-IP Others	Regular Budget	39,758	37,512	2,246
	YASAF08001	Assistance to the Department of Trade	C	02/18/2008	12/31/2010	LEE, Yuen-hoi	Non-IP Others	Regular Budget	32,979	32,979	0
Automotive Component	XPSAF09004	XPSAF09004 - Automotive Component Supplier	C	08/14/2009	12/31/2010	WEISERT, Natascha	Non-IP Others	Regular Programme Of Technical Cooperation	38,194.44	38,194.44	0.00
Automotive Component	SESAF09003	SESAF09003 - Automotive Component	O	04/17/2009	04/30/2012	WEISERT, Natascha	Non-IP Others	South Africa	398,100	401,325	(3,225)
Automotive Component	SESAF09B03	Automotive component supplier development programme	O	04/17/2009	04/30/2012	WEISERT, Natascha	Non-IP Others	South Africa	1,432,790	1,239,331	193,459
CC Mitigation	YAINT08A09	Climate change Mitigation of industrial activity through	C	05/11/2009	12/31/2009	NGUYEN, Khac Tiep	Energy and Environment	Regular Budget	12,989	13,054	(65)

Project Grouping	Project No.	Pro(T)	Proj stat	Date from	Date to	Impl/ah(T)	Pro.type(T)	Donor(T)	Allotments $ (a)	Total Exp $ (f=d+e)	Funds Avail $ (g = a-b-c-d-e)
CC Mitigation	YAINT10002	investment and technology compacts and partnerships – Durban, South Africa and China	O	02/17/2010	12/31/2011	NGUYEN, Khac Tiep	Energy and Environment	Regular Budget	208,115	197,519	10,596
Industrial Energy Efficiency	USSAF08004	PREPARATORY ASSISTANCE-INDUSTRIAL ENERGY EFFICIENC	C	08/11/2008	12/31/2010	NGUYEN, Khac Tiep	Non-IP Others	Switzerland / SECO US $ Contrib	40,007	40,007	0
Industrial Energy Efficiency	SESAF09001	Industrial Energy Efficiency Improvement in South Africa	O	10/09/2009	12/31/2013	NEW, James (ex NGUYEN, Khac Tiep)	Non-IP Others	South Africa	516,102	466,478	49,624
Industrial Energy Efficiency	SESAF09A01	Industrial Energy Efficiency Improvement in South Africa		05/19/2011	12/31/2013	NEW, James (ex NGUYEN, Khac Tiep)	Non-IP Others	South Africa	667,945	4,543	663,402
Industrial Energy Efficiency	UESAF09002	Industrial Energy Efficiency Improvement in South Africa	O	12/04/2009	12/31/2013	NEW, James (ex NGUYEN, Khac Tiep)	Non-IP Others	Switzerland/SECO Euro contr	698,342	706,708	(8,366)
Industrial Energy Efficiency	TESAF11001	Industrial Energy Efficiency Improvement in South Africa		03/28/2011	12/31/2013	NEW, James (ex NGUYEN, Khac Tiep)	Non-IP Others	United Kingdom	2,350,184	1,256,723	1,093,461
	GFSAF11004	Greening COP17 in Durban	O	01/07/2011	05/31/2014	NGUYEN, Khac Tiep / MHLANGA, Alois Posekufa	Energy and Environment	GEF01 - Global Environment Facility	100,000	37,020	62,980
	MPSAF08003	PREPARATION OF A HCFC PHASE - OUT MANAGEMENT PLAN	O	04/04/2008	12/31/2011	SOROKIN, Yury	MP-PRP (Project Formulation)	Montreal Protocol	195,000.00	106,641	88,359

Project Grouping	Project No.	Pro(T)	Proj stat	Date from	Date to	Impl/ah(T)	Pro.type(T)	Donor(T)	Allotments $ (a)	Total Exp $ (f=d+e)	Funds Avail $ (g = a-b-c-d-e)
	MPSAF09005	Preparation for HCFC phase-out investment activities (polyurethane foam sector)	O	12/07/2009	06/30/2011	SOROKIN, Yury	MP-PRP (Project Formulation)	Montreal Protocol	150,000	136,055	13,945
	SESAF09A03	SESAF09A03 - for Environmental Benchmark	O	06/15/2009	04/30/2012	ALHILALI, Smail	Non-IP Others	South Africa	35,283	16,224	19,059
	SFSAF10001	Training of trainers for the promotion of emerging agro-processing clusters in South Africa	O	12/17/2010	12/31/2011	WEISERT, Natascha	Non-IP Others	South Africa	100,000.00	91,310	8,690
SPX	TERAF08013	The Infrastructure supplier benchmarking programme	O	02/04/2008	03/31/2011	KULUR,Feyyaz Mithat	Non-IP Others	South Africa	1,314,301	1,318,028	(3,727)
SPX	TERAF08024	Regional Supplier Benchmarking Programme	O	09/09/2008	09/30/2011	KULUR,Feyyaz Mithat	Non-IP Others	South Africa	713,000	462,886	250,114
SPX	TERAF10010	Subcontracting and Partnership Exchange Programme (supplier profiling, benchmarking and buyer match-making)	O	09/23/2010	09/30/2013	KULUR,Feyyaz Mithat	Non-IP Others	South Africa	460,446	236,199	224,247
SPX	TERAF10A10	Subcontracting and Partnership Exchange Programme (supplier profiling, benchmarking and buyer match-making)	O	10/25/2010	09/30/2013	D'ADESKY,François	Non-IP Others	South Africa	542,501	444,997	97,504
	XPGLO06B04	XPGLO06B04 - Prog. Support for UNIDO	O	11/28/2006	06/30/2010	D'ADESKY,François	Non-IP Others	Regular Progr Of Technical Coop	21,440	21,440	0
	XPGLO08B04	XPGLO08018 - PSF for Field Offices	O	05/27/2008	12/31/2010	d'ADESKY,François	Non-IP Others	Regular Progr Of Technical Coop	5,769	5,769	0

Project Grouping	Project No.	Pro(T)	Proj stat	Date from	Date to	Impl/ah(T)	Pro.type(T)	Donor(T)	Allotments $ (a)	Total Exp $ (f=d+e)	Funds Avail $ (g = a-b-c-d-e)
	TEGLO08030	Strengthening the local production of essential generic drugs in developing countries (DCs)	O	09/22/2008	12/31/2011	REINHARDT,Juergen	Non-IP Others	EURO Trust Funds	1,609,617	1,592,475	17,142
	XPGLO09016	Strengthening the local production of generic drugs in least developed countries (LDCs) through the promotion of SMEs, business partnerships, investment promotion and South-South cooperation (UNIDO contribution towards TE/GLO/05/015/Germany)	O	06/24/2009	12/31/2011	REINHARDT,Juergen	Non-IP Others	Regular Progr Of Technical Coop	325,062	324,125	937
		TOTAL (in $)[59]							**14,299,890**	**11,519,368**	**2,780,522**

[59] Source: Infobase and/or Agresso, as at 2011-10-19

Printed in Austria
ODG/EVA/11/R.57—April 2012—70

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