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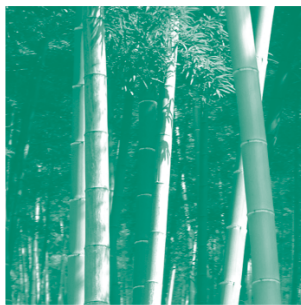
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Independent evaluation
INDIA

UNIDO
Country Service Framework



UNIDO EVALUATION GROUP

Independent Evaluation
INDIA

UNIDO
Country Service Framework



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Contents

Glossary of main evaluation terms used	viii
Executive summary	ix
Quality matrix	xv
1. Introduction	1
1.1 Purpose of the Evaluation	1
1.2 Methodology and Scope of the Evaluation	1
1.3 Programme of the evaluation, composition of evaluation team	2
2. Situation of Industry and Institutional Framework	3
2.1 Industry in India	3
2.2 Institutional Framework	5
3. CSF Summary	10
3.1 Background	11
3.2 Design process of the CSF	11
3.3 Main objectives and structure of the CSF	12
3.4 Provisions for implementation and funds mobilisation	15
4. Implementation of Individual Components/Projects	17
4.1 Component 1: Strengthening the competitiveness of SMEs through technology led interventions	17
4.2 Component 2: Promoting foreign direct investment	38
4.3 Component 3: Promoting cleaner and environmentally friendly technologies and policies	51
4.4 Component 4: Alleviating poverty and promoting industrial growth in less developed areas	69
4.5 Activities outside the CSF Components	78
5. Assessment and Conclusions regarding the Country Service Framework	81
5.1 Relevance to Government policy	81
5.2 Ownership	82
5.3 Sustainability	82
5.4 Results & Reaching Target Groups	83
5.5 External and internal integration and synergies	84
5.6 Results based management (incl. monitoring and steering)	85

5.7 Funds mobilisation	86
5.8 UNIDO corporate strategy and value added	86
5.9 Innovation	87
5.10 Has the CSF reached its objectives as a planning, coordination and implementation modality?	87
6. Recommendations and Lessons Learned at CSF level	89
6.1 Recommendations	89
6.2 Lessons Learned.....	91

List of Tables

Table 1 – Projects selected for field visits during evaluation mission	14
Table 2 – Funding of ongoing projects in the CSF India as of 14/11/2006	15
Table 3 – Use of project resources (US/IND/01/193)	22
Table 4 – Use of project resources (US/GLO/02/059).....	31
Table 5 – Use of project resources (US/IND/03/068)	41
Table 6 – Use of project resources (TF/IND/03/002)	47
Table 7 – Use of project resources (US/IND/02/001)	60
Table 8 – Use of project resources (DG/IND/97/160).....	66
Table 10 – Projects selected for field visits during evaluation mission	77

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List of acronyms and abbreviations

ACMA	Automotive Components Manufacturers Association of India
APCTT	Asian and Pacific Centre for Transfer of Technology
BASIX	Microfinance NGO
BDS	Business Development Services
BVS	Bunkar Vikas Sanstha (Producer cooperative in Chanderi)
CBTC	Cane and Bamboo Technology Centre, Guwahati
CE	Conformité Européenne (EC declaration of conformity)
CDA	Cluster Development Agent
CDP	Cluster Development Programme
CII	Confederation of Indian Industries
CIHT	Central Institute of Hand Tools, Jalandhar
CLRI	Central Leather Research Institute
CNC	Computer Numerical Control
COMFAR	Computer Model for Feasibility Analysis and Reporting
CP	Cleaner Production
CPU	Craft Production Unit
Crore	Indian term for 10 Million
CSF	Country Service Framework
CSR	Corporate Social Responsibility
DCSSI	Development Commissioner Small Scale Industries
DfID	UK Department for International Development
DIPP	Department of Industrial Policy and Planning of the Ministry of Commerce and Industry (Nodal Ministry for UNIDO)
DST	Department of Science and Technology
EB	UNIDO Executive Board
EDI-I	Entrepreneurship Development Institute of India (Ahmedabad)
EPEG	Enabling Pro-poor Economic Growth in Orissa Programme
EU	European Union
FAO	Food and Agriculture Organisation (of the United Nations)
FDI	Foreign Direct Investment
FICCI	Federation of Indian Chambers of Commerce and Industry
GDP	Gross Domestic Product
GEF	Global Environment Facility
GMP	Good Manufacturing Practices
GoG	Government of Gujarat
GoI	Government of India
GoO	Government of Orissa
GTZ	German Agency for Technical Cooperation
HTDDTC	Hand Tool Design Development and Training Centre, Nagaur
HQ	Headquarters
IDF	Industrial Development Fund
IDS	Institute of Development Studies (Sussex)
INBAR	International Network for Bamboo and Rattan
INDEXTb	Industrial Extension Bureau of the Government of Gujarat
IP	Integrated Programme (UNIDO delivery modality at country level)
ISO	International Organisation for Standardisation
ITC	International Trade Centre

ITPN	Investment and Technology Promotion Network
ITPO	Investment and Technology Promotion Office
KVIC	Khadi and Village Industries Commission
Lakh	Indian term for 100,000
MAC	Monitoring and Advisory Committee of the CSF
MDG	Millennium Development Goals
MoARI	Ministry of Agro and Rural Industries
MoSSI	Ministry of Small Scale Industries
MoU	Memorandum of Understanding
MP	Montreal Protocol
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NCPCC	National Cleaner Production Centre
NEDFi	North Eastern Development Finance Corporation
NGO	Non-Governmental Organization
NID	National Institute of Design, Ahmedabad
NISIET	National Institute of Small Industry Extension and Training, Hyderabad
NIT	National Institute of Technology
NMCC	National Manufacturing Competitiveness Council
NSC	National Steering Committee of the CSF
NSIC	National Small Industries Commission
NTFP	Non-Timber Forest Products
OEM	Original Equipment Manufacturer
OSL/EVA	Bureau for Organisational Strategy and Learning/Evaluation Group
OVI	Objectively Verifiable Indicator
PWC	Pricewaterhouse Coopers
RBM	Results-based Management
Rs	Indian Rupees
SBI	State Bank of India
SDC	Swiss Agency for Development & Cooperation
SECO	State Secretariat for Economic Affairs of the Government of Switzerland
SER	Self Evaluation Report
SGFI	Sports Goods Foundation of India
SGMEA	Sports Goods Manufacturers and Exporters Association, Jalandhar
SIDBI	Small Industries Development Bank of India
SME	Small and Medium Enterprise
SSC	UNIDO Centre for South-South Industrial Cooperation
SSI	Small Scale Industry
SWOT	Strength, Weaknesses, Opportunities and Threats
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNESCAP	United Nations Economic and Social Commission for Asia
UPMA	Utkal Pharmaceutical Manufacturers Association, Cuttack-Bhubaneswar
\$	United States Dollar

Glossary of main evaluation terms used ¹

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 development objectives of an 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 an intervention are consistent with the requirements of the end-users, government 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.

¹ Based on a glossary prepared by OECD's DAC working party on aid evaluation, May 2002.

Executive summary

This evaluation covers the UNIDO Country Service Framework for India from its identification and design phase in 2000 to the evaluation mission carried out in November 2006.

The CSF was designed with four components: 1) strengthening the competitiveness of small and medium enterprises through technology-led interventions, 2) promoting foreign direct investment, 3) promoting cleaner and environmentally friendly technologies and policies, 4) alleviating poverty and promoting industrial growth in less developed areas. The total budget of the CSF based on total allotment of currently ongoing projects, is US\$ 30 million, approximately 2/3 of which (US\$ 21 million) have been spent.

The purpose of the evaluation was to determine the results of the CSF at the end of the five-year planning period with emphasis on relevance, effectiveness and sustainability. At the same time it provides a set of recommendations for future activities as well as a number of lessons learned with wider applicability. The focus of this evaluation was on the assessment of the CSF as an approach and a mechanism for the identification, funding, implementation, and monitoring of UNIDO's programme in India.

To achieve this objective, the evaluation was conducted at two levels: evaluation of the CSF as a whole and assessment of selected projects under each of the CSF components. Assessment criteria applied are relevance, effectiveness, efficiency and sustainability. Particular emphasis was put on synergies between activities.

The evaluation's audience is UNIDO, in particular project officers involved in the CSF and the Team Leader; the national counterpart institutions, especially the Ministry for of Commerce and Industry and the Ministry of Small Scale Industry (SSI); donors, in particular the Government of India (35% of funds), Italy, UK and Switzerland (together 14% of funds) and other stakeholders of UNIDO cooperation in India. Approximately 50% of resources for the CSF India come from GEF (29%) and MP (18%).

The evaluation was carried out analysing various sources of information, including the original Programme Document, final- and progress reports (if available), reports and studies produced by the different projects, interviews with counterpart organisations, beneficiaries, consultants employed in the CSF and other cooperation agencies and financial information from UNIDO databases. It should be stressed that the non-existence of meaningful monitoring or self-evaluation reports at the CSF level and the heterogeneous monitoring formats applied at project level are main limitations encountered by the evaluators.

Summative Judgement

While in principle a useful tool, the CSF India has not achieved its main objectives as an effective umbrella of UNIDO's interventions: it did not provide strategic focus, it did not maximize synergies between components and projects, it did not ensure broader and demonstrable development impact of UNIDO's programmes and it did not promote cross cutting issues.

While the CDF as an umbrella suffered from major weaknesses, the projects and programmes contained in the CSF can be considered partly successful due to positive results achieved. Major outcomes of the selected projects are improved Government support to SMEs based on the UNIDO Cluster and Networking methodology, poverty alleviation results in some pilot cases (Chanderi, Orissa) and introduction of innovative environmentally friendly technologies (cane and bamboo, energy efficiency).

On the other hand, a number of projects did not produce significant results. The major problems faced were lack of relevance to the target groups (e.g. cleaner technology), lack of regional focus on less developed areas (e.g. investment summit Gujarat), services were not relevant for UNIDO projects since they were also available from private service providers (e.g. investment promotion services).

Conclusions at the CSF level

The CSF, in principle, is a useful tool for programming, coordinating, supporting implementation and focusing UNIDO interventions in India. For a number of reasons, in practice, the CSF did not perform as expected.

Some weaknesses were found in the original design of the CSF, which did not introduce a clear regional and thematic focus to the UNIDO programme. The development objective of the CSF - poverty alleviation and environmental sustainability - is too broad to provide a basis for a focused programme. Too many regions were selected as priority regions under the different components and no clear emphasis was put on less developed regions. The component objectives reflect main UNIDO service areas (e.g. investment promotion, cleaner technology) instead of Indian development objectives. This was a disincentive for the provision of integrated service packages, synergies between projects and cooperation at HQ level. In fact, the level of integration of UNIDO services was found to be very low, with only very few examples of cooperation, despite a very high potential for synergies and cooperation.

The main causes for the poor performance of the CSF, however, were in implementation. The National Steering Committee (NSC) met only twice in five years. The same is true for the Monitoring and Advisory Committee (MAC). A number of major stakeholders of the CSF, including some National Ministries, State Governments and bilateral donors, were not sufficiently involved in the CSF process. The component committees, foreseen in the CSF

document, were not established, forgoing thereby the opportunity of involving stakeholders at the level most relevant to them.

Furthermore, no adequate monitoring system was in place. Project managers reported to the NSC and MAC not on the basis of a standardized format. This did not allow measuring the contribution of individual interventions to the overall CSF and component objectives. The lack of an effective, results-oriented monitoring system reduced the usefulness of the CSF for the main stakeholders significantly.

Funds mobilisation played no role in CSF implementation. No fund raising strategy was developed and no joint activities for fund raising were carried out by UNIDO and the Government of India.

Summing up, the CSF document was sub-utilized and not used as a management and coordination tool. It did not bring actors together for joint monitoring and decision-making. Instead, the CSF served merely as a summary description of UNIDO activities in the country. This could have been achieved with much less effort (the design process of the CSF took a whole year of consultations).

In spite of all the shortcomings of the CSF during the reporting period, the CSF was found to have a good potential for developing into a sustainable mechanism to enhance UNIDO cooperation in India. A new UNIDO Representative was recently installed in the New Delhi Regional Office and the basis for cooperation with the nodal Ministry, DIPPE, was found to be very good. There seems to be renewed interest in making the CSF work.

Conclusions at the component level

At the level of the individual components the evaluation team comes to the following conclusions:

1) Strengthening the competitiveness of small and medium enterprises through technology-led interventions.

This has been by far the most successful component of the CSF. The projects reviewed during the evaluation mission not only match the intended component objectives but also those policy objectives listed above. The Cluster Development Programme (CDP), developed over the past decade, is UNIDO's flagship programme in India, which also has significantly shaped India's policy environment towards MSMEs.

The most remarkable feature of the Cluster Development Programme in India is the combination in one project of direct assistance with support to capacity building for replication. This approach should be promoted within UNIDO as a model case.

2) Promoting foreign direct investment.

While the FDI growth in India has been significant throughout the last years (40% in 2005), the total stock of FDI remains at a rather low level of 1% of GDP, compared to 3-4% in China². This explains the priority assigned by the Government to further promote FDI in India through Government initiatives and makes UNIDO assistance in the area of investment promotion, in general, relevant.

However, projects visited during the evaluation mission did not show evidence of their effectiveness so far. No direct increases in investment flows have been demonstrated and no significant results in the area of capacity building were reported. The same is true for the promotion of technology transfer, since in none of the sample cases of initiated investment cooperation technology transfer played a role.

Both projects showed that UNIDO, in the field of investment promotion, competes directly with private consulting firms (e.g. Ernst & Young or Price Waterhouse Cooper) in the provision of services such as preparation of promotion materials, organisation of promotional events, preparation of investment profiles.

Overall it appears that the definition of the component is too broad and fails to establish a clear strategy for UNIDO assistance in the area of investment and technology promotion.

3) Promoting cleaner and environmentally friendly technologies and policies.

The component strategy was highly relevant in the Indian context, given the rapid industrial growth in a number of development poles, which results in increased pressure on the environment and calls for external support to make industrial development more sustainable.

In terms of financial resources this component is by far the most important one. Most of the activities carried out under this component fall under GEF (29% of CSF total allotment), in particular the large project for Coal Bed Methane Recovery (DG/IND/04/952), and Montreal Protocol (18% of CSF total allotment). The Coal Bed Methane project, a very complex procurement project which faced severe delays and problems during implementation, can be regarded a very relevant, innovative demonstration exercise for environmental technology. However, so far no direct results have materialised.

Out of the three projects selected for evaluation under this component (Energy Efficiency in Hand Tool SSI Sector, Cleaner Technology project, Cane and Bamboo Technology project), two proved to be effective and have produced good results. The third one (Cleaner Technology) suffered from limited relevance of its services to the target groups.

² Economist Intelligence Unit, Country Report India, December 2005

Important lessons can be learned from the latter project with regard to technology transfer activities of UNIDO.

It has been noted that hardly any relations exist between the individual interventions under this component. Thus potential synergies (e.g. between the energy efficiency and cleaner technology projects) remained unexploited.

4) Alleviating poverty and promoting industrial growth in less developed areas.

The overall objective of this component was highly relevant. As has been argued in this report, the objective is a good example of a more focused development objective for the CSF as a whole.

Only one project was evaluated under this component: the Cluster Development Programme in Orissa. This project was found to be very well designed and implementation has been efficient and effective so far. It is a good example for integration of direct assistance to Clusters with capacity building for replication through local institutions.

Main recommendations

Establish a more focused geographical priority for the UNIDO India Programme, taking into account the priority regions identified by UNDAF, but also taking into account the particular state of industrial development in the regions.

Redefine the thematic priorities of the UNIDO India Programme. Avoid basing thematic priorities on UNIDO service modules. Use concrete development objectives as basis for the definition of components. Each component should have a clear lead counterpart agency (ministry), increasing thereby ownership and relevance of the components to overall Government policy.

Modify and revive the steering and monitoring mechanism of the UNIDO India Programme. A stronger emphasis should be put on steering and monitoring at the component level to ensure involvement of all stakeholders. The monitoring function should be split between the NSC (progress towards overall objectives of the programme) and the component committees (progress of individual projects under components). There is no need for a separate monitoring and advisory committee.

A more effective mechanism for appraisal and selection of new interventions needs to be put in place. It is recommended that decisions on new activities be taken primarily at the component level (i.e. by the component committee).

SSC and ICAMT to be integrated into UNIDO India Programme: the UNIDO Centre for South-South Industrial Cooperation (SSC) and the International Centre for the Advancement of Manufacturing Technologies (ICAMT) should be included in the CSF. The project documents should be revised and clear guidelines should be developed to ensure

coordination of the Centres' activities among each other and with other UNIDO and non-UNIDO initiatives (e.g. APCTT).

All field-based project coordinators, be it national or international experts, should report to the UR on a regular basis, keeping him/her informed of project status, new developments, progress towards objectives, etc.

Main lessons learned

Relevance: UNIDO needs to apply different strategies for different levels and dynamics of industrial development in a certain region. Where growth rates and level of industrialization are already high, generic support to spur growth at the state and sectoral level should not be the first priority. Instead, UNIDO cooperation in such situations should focus on less developed sub-regions or on such systemic bottlenecks that impede the industrial development from reaching the poor part of the population.

Design: The combination in one project of direct assistance with support to capacity building for replication is highly effective and should be applied widely throughout UNIDO.

Corporate Strategy: Evaluation of sample projects showed that UNIDO, in the field of investment promotion, competes directly with private consulting firms (e.g. Ernst & Young or Price Waterhouse Cooper) in the provision of services such as preparation of promotion materials, organisation of promotional events, preparation of investment profiles. Private consulting firms can provide marketable services more efficiently and effectively than UNIDO. Thus, UNIDO should focus on areas of value added where no private services are available.

Results based management: Longer periods without a UNIDO representation in the regional/country office should be avoided. In the absence of a UR, clear procedures should exist to keep the programme steering mechanism functioning. For example, one of the Team Members could be the deputy for the UR with regard to his function in the Steering Committee.

Technology transfer: UNIDO projects, unlike bilateral projects, should not include major limitations with regard to the sources of technology in projects for technology transfer promotion. The experience has shown that such limitations represent a major obstacle for results.

Quality matrix

	Identification	Formulation	Implementation
Relevance	National industrial priorities identified and incorporated in the CSF document, main stakeholders involved in identification and formulation, participatory process.		Interventions relevant to different degrees. Investment promotion less relevant than Cluster and poverty related interventions.
Ownership	Government counterpart participated actively in the identification and formulation process of the CSF		Ownership decreased over time. Some of the main stakeholders not sufficiently involved.
Sustainability	After assistance scenarios not sufficiently defined in CSF document and in many of the project documents. Good design for sustainability in Cluster programmes.		Sustainability of interventions not monitored by NSC
Reaching target groups/Results	Supply oriented identification of interventions to a large extent	Target groups not identified at the CSF level	Performance varied strongly between individual interventions. Target groups reached best by Cluster-like interventions
External coordination	Non-UNIDO initiatives only partially identified, cooperation strategy not included in CSF document, no goals set for external integration.		No major cooperation with other UN or donor initiatives
Programme Integration	Identification not fully demand driven, resulting in limited integration of supply driven interventions	CSF document commits to integration but programme design based too much on UNIDO service areas, no incentives for integration/cooperation	Very few examples of cooperation among UNIDO interventions, hardly any cooperation at UNIDO HQ level
Results based management	Well-structured programme document, developed in a participatory manner, indicators (see “milestones” in CSF document) partly not verifiable but largely adequate. Monitoring Committees foreseen at CSF and component levels.		Monitoring and Steering Committees established but not fully operational, information not collected systematically, no effective and results oriented monitoring
Funds mobilization	Major sources of funding per component identified in the CSF document, consultations with major donors and stakeholders	Fund mobilization strategies not formulated	No fund raising activities carried out jointly by UNIDO and Government of India
UNIDO corporate strategy	Corporate Strategy well reflected in CSF document		Competition with private consulting firms in some cases
Innovation	CSF document includes lessons learned and is based on them. No particular emphasis on innovative interventions in the CSF document.		Some good examples of innovative approaches (Clean Technology, Poverty alleviation/Clusters, Cane&Bamboo)

ΔX

	Good performance
	Medium performance
	Weaknesses

1

Introduction

1.1 Purpose of the Evaluation

UNIDO conducts independent evaluations of its Integrated Programmes and Country Service Frameworks in accordance with its Evaluation Policy. Such evaluations serve three purposes: a) as an accountability tool, to report to the stakeholders (UNIDO, recipient Government and donors involved) on the programme implementation, results achieved and problems encountered; b) to recommend possible changes for the remaining part or for a second phase of the programme; and c) to learn lessons (good practices and practices to be avoided) which can be fed into the learning process of UNIDO.

The purpose of this independent evaluation is to enable the Government of India, UNIDO and the donors to assess the relevance and effectiveness of the Country Service Framework as a planning coordination and implementation modality for UNIDO support to the country.

The evaluation is also designed to produce recommendations to the Government of India, other stakeholders involved and UNIDO on the Country Service Framework. Furthermore lessons learned of wider applicability will be formulated.

It should be mentioned here that a mid-term review of the CSF was planned to take place after two years (i.e. end 2003) but not carried out.

1.2 Methodology and Scope of the Evaluation

The focus of this evaluation is on the assessment of the CSF as an approach and a mechanism for the identification, funding, implementation, and monitoring of UNIDO's programme in India.

To achieve this objective, the evaluation was conducted at two levels: evaluation of the CSF as a whole and assessment of selected projects under each of the CSF components. Assessment criteria applied are relevance, effectiveness, efficiency and sustainability. Particular emphasis was put on synergies between activities.

A representative set of projects (see chapter 3.1) to be reviewed either through a desk study or through a field mission were selected (see Terms of Reference for selection

criteria, Annex I) since the large number of individual interventions did not allow a full coverage.

The list of persons interviewed is included in annex II.

Sources and availability of information

Primary sources of information were interviews with project managers at UNIDO HQ, with Government and private sector counterparts in India as well as with beneficiaries. Secondary sources were project/programme documents and monitoring documents related to the CSF and to the individual projects. No monitoring information was available at the component level of the CSF.

Monitoring information was of varying quality. While some projects conducted systematic monitoring, producing useful and regular reports. Other projects as well as the CSF as a whole were not equipped with adequate monitoring systems. The same is true for self-valuation reports, which were available only in a few cases and not at all at the level of the CSF.

A third source of information were publicly available documents such as official GOI documents, newspaper articles, research articles from different sources.

1.3 Programme of the evaluation, composition of evaluation team

The evaluation mission was composed as follows:

- Ms. Donatella Magliani, Director, UNIDO, OSL/EVA (participated in the mission only partly)
- Mr. Johannes Dobinger, Evaluation Officer, UNIDO, OSL/EVA (Team Leader)
- Mr. Uwe Sturmann, International Consultant

Furthermore two observers participated in the evaluation mission:

- Mr. Lakmanaswamy, Officer of the Ministry of Commerce and Industry, Observer
- Mr. Philippe Scholtes, UNIDO Regional Director, Observer

It was agreed with the nodal ministry not to recruit a national consultant, but to employ a GOI official as an observer instead. The participation of the UNIDO Regional Director as an observer was found to be not in conflict with the independence of the evaluation exercise, since Mr. Scholtes had been appointed as Regional Director only a few weeks prior to the evaluation mission. At the same time, it was expected that his participation would increase the usefulness of the evaluation exercise.

The main external donors were invited to participate in the evaluation mission, but could not arrange for such participation due to resource constraints. The evaluation team visited the donor representatives during the mission, briefed them on the preliminary results and collected feedback. Their comments were taken into account for this report.

2

Situation of Industry and Institutional Framework

The UNIDO Country Service Framework of 2001 provided a very comprehensive, detailed and accurate diagnosis of the problems of Indian industry and its challenges. It remains relevant but needs to be focused on the emerging needs of employment creation and poverty reduction. The most important trends are the following:

2.1 Industry in India

The Indian economy is booming. After only modest growth rates at the beginning of the decade (when the CSF was designed), GDP growth has accelerated over the past 4 years of the 10th plan to more than 8%. The 11th plan (2007-2012) will aim even higher, i.e. a growth rate of 10% by the end of its period with an average of 9%. With the population growing at 1.5% per year, 9% growth in GDP would double the real per capita income in ten years. But the Planning Commission in its Approach Paper to the 11th Five Year Plan (2006) warns: “This must be combined with policies that will ensure that this per capita income growth is broad based, benefiting all sections of the population, especially those who have thus far been deprived”.

The industrial sector has gained considerable strength with the liberalisation of industrial controls and reducing tariff barriers since 1991. The contribution of industry to the GDP had, however, remained stagnant at around 27%, which includes the manufacturing sub-sector of around 17%. Nevertheless, the manufacturing sector, which is a subset of industry, has been growing at an average of 8%. This is quite a remarkable achievement; however, the Planning Commission considers this as unacceptably low, especially if the need for non-agricultural employment is considered. If the GDP is to grow by 9% over the next 5 years, the target growth rate in this sector has to be around 12%.

The progressive trade liberalisation implemented since 1991 has led to the complete dismantling of all quantitative import controls and the reduction of peak import tariffs on non-agricultural products from 300% in 1991 to 12.5% in 2006. Trade liberalisation has forced Indian manufacturers to become more competitive. The Planning Commission names particularly the automobile components industry and the generic drugs industry, which “are in the process of becoming front-runners internationally”. However, there remain many obstacles.

Enterprise Level Constraints

The majority of manufacturing enterprises especially MSMEs remain uncompetitive in international standards. In 2004 the Government constituted a high-level 'National Manufacturing Competitiveness Council' (NMCC), which proposed a strategy for the manufacturing sector. In its analysis the NMCC finds that: "The negative impact of protection given to Indian industry through the aegis of licensing until 1991 has not yet worn off." The past reservation of sectors and sub-sectors for small-scale industries continues for selected food industries, wood and paper products, chemicals, drugs and plastic products, glass and ceramics, mechanical engineering, electronic components, transport equipment, sports goods and stationary items, even though an additional 180 items have been de-reserved in May 2006 as was the case in previous years.

Bureaucratic licensing controls and discretionary approvals have been widely reduced, but there remain many remnants of the control regime that need drastic overhaul. The visitor gets a taste of the regulatory burden when waiting for having a tax invoice issued. Even the Planning Commission (2006) admits: "The burden of multiple inspections by government agencies must be removed and tax regimes rationalised".

Indian manufacturers, particularly SMEs, still battle with a reputation of "low quality – low price". Quality management is the key to export markets, but also to retaining a competitive position in the domestic market.

Structural Constraints

A major structural constraint in achieving faster growth in manufacturing is the inadequacy of the physical infrastructure, i.e. roads, railways, ports, airports, communication and electric power supply. An Executive Opinion Survey conducted in 2003 by the World Economic Forum identified the top five problematic factors for doing business in India as "inadequate infrastructure, inefficient bureaucracy, corruption, restrictive labour regulations and tax rates" (quoted as per NMCC 2006)

The Global Competitiveness Report 2006-2007 provides the following country assessment:

"India ranked 43rd overall with excellent scores in capacity for innovation and sophistication of firm operations. Firm use of technology and rates of technology transfer are high, although penetration rates of the latest technologies are still quite low by international standards, reflecting India's low levels of per capita income and high incidence of poverty. Despite these encouraging results, insufficient health services and education as well as a poorly developed infrastructure are limiting a more equitable distribution of the benefits of India's high growth rates."

India continues to suffer from extreme regional imbalances in industrial development. While Maharashtra and Gujarat belong to the most industrialised states, others such as Orissa and the whole Northeastern region (Assam, etc.)

remain poverty-ridden and largely unaffected by industrialisation, particularly manufacturing. Foreign direct investment has significantly picked up during the past years and amounted to about 6 billion in 2005-06, however bureaucratic delays in state-level clearances required by investors still hamper an increased flow of FDI.

Similarly, the economic boom of the last 15 years has largely bypassed the majority of poor people, particularly in rural areas. The Planning Commission states: "Economic growth has failed to be sufficiently inclusive". The number of poor is estimated to be approximately 300 million in 2004-05 with only a marginal decrease of poverty at the rate of 0.79 percentage points per year during 1999-2005. Non-agricultural employment expanded robustly at an annual rate of 4.7% during 1999-2005 but this growth was entirely in the unorganised sector and mainly in low productivity self-employment. Employment in the organised sectors actually declined despite fairly healthy GDP growth.

According to latest prognoses the labour force will increase by about 52 million during the 11th Plan if it grows at the same rate as current projections of working age population. The increase could be much higher, around 65 million, if female participation rates rise at the pace observed during 1999-2005.

It is against this background that the Minister of Commerce and Industry during a recent Leadership Summit announced an important shift in economic strategy towards employment generation:

"While the first phase of reforms in the last 15 years concentrated on creating strong foreign exchange reserves and strengthening institutions like the stock exchanges, the next phase should clearly look at employment generation." According to the Hindustan Times (18-11-2006) the Minister added that the challenge of reforms lay in ensuring that the "benefits of economic reforms reach those sections of society that do not even know that reforms are taking place".

2.2 Institutional Framework

The institutional framework governing industrial development in India is fragmented with issues such as industrial policy and investment promotion looked after by the Department of Industrial Policy and Promotion (DIPP) of the Ministry of Commerce and Industry, while the Ministry of Small-Scale Industries (SSI) is in charge of all matters related to micro, small and medium enterprises (MSMEs). In addition, separate Ministries for Agro and Rural Industries (ARI) as well as Heavy Industries & Public Enterprises were created in October 1999. Besides Central Government, each Indian state has its own ministry/department in charge of industrial development and/or SME promotion at state level.

Considering the above set-up, it is not surprising that the Indian Government's institutional framework is characterised by overlapping and shifting mandates, barriers to coordination and a lack of a unified industrial development strategy.

Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry

The Department of Industrial Policy & Promotion (DIPP) was established in 1995 and has been reconstituted in the year 2000 with the merger of the Department of Industrial Development. With progressive liberalisation of the Indian economy, initiated in July 1991, there has been a consistent shift in the role and functions of this Department. From regulation and administration of the industrial sector, the role of the Department has been transformed into facilitating investment and technology flows and monitoring industrial development in the liberalised economic environment.

DIPP is the nodal department within the Government of India for coordinating UNIDO projects and programmes in India. Under the CSF, the UNIDO activities were to be guided by a National Steering Committee and assisted by a Monitoring and Advisory Committee comprised of all major stakeholders and chaired by the Secretary / Joint Secretary of the Department of Industrial Policy and Promotion. DIPP has had a gate-keeping function for UNIDO projects, since the CSF Steering Committees became defunct sometime in 2003/04, issuing its own Guidelines for Preparation of Project Proposals in September 2005.

Ministry of Small Scale Industries (MoSSI)

According to its own mission statement, the Ministry of Small Scale Industries (MoSSI) designs policies, programmes, projects and schemes in consultation with its organisations and various stakeholders and monitors their implementation with a view to assisting the promotion and growth of micro and small enterprises (MSEs). The Ministry also performs the function of policy advocacy on behalf of the MSEs with other Ministries/Departments of the Central Government and the States and Union Territories.

Implementation of the policies and programmes/projects/schemes for providing various support services to the MSEs is undertaken through its attached office, namely, the Office of the Development Commissioner (Small Scale Industries) also known as Small Industries Development Organisation (SIDO) and the National Small Industries Corporation (NSIC) Ltd., a public sector undertaking of the Ministry.

Other Counterpart Agencies

Besides DIPP and MoSSI, UNIDO projects under the CSF have been implemented by a variety of other Central Government ministries, State governments, and national institutions. The following list is indicative but not necessarily exhaustive:

Central Government

- Textile Committee of India (Ministry of Textiles)
- Department of Science and Technology (DST)

- Small Industries Development Bank of India
- State Bank of India

State Governments

- Department of Industries, Government of Andhra Pradesh
- Department of Industries, Government of Gujarat
- Rural Industries Department, Government of Madhya Pradesh
- Department of Industries, Government of Orissa
- Government of Kerala

Analysis of the Institutional Framework

Significant differences exist in the industrial development philosophy of the two major counterpart institutions, namely the Department of Industrial Policy and Promotion (DIPP) and the Ministry of Small Scale Industries (MoSSI). While representatives of the DIPP highlight the importance of modern technology and foreign direct investment (FDI) for the modern formal industrial sector, the MoSSI's focus appears to be on employment creation by enhancing the competitiveness of the largely informal or unorganised sector, particularly in rural areas.

The Micro, Small and Medium Enterprises Development Act, 2006

The recently enacted Micro, Small and Medium Enterprises Development Act, 2006, has empowered the Central Government to set up a National Board for Micro, Small and Medium Enterprises, to be chaired by Minister SSI, and to advise Government on all matters pertaining to policies and programmes facilitating the promotion and development and enhancing competitiveness of MSMEs. An Advisory Committee was recently constituted under this act, chaired by the Secretary SSI, and consisting of - among others - five officers of Central Government "possessing necessary expertise in matters relating to micro, small and medium enterprises". It is noteworthy that the DIPP is not represented on this Advisory Committee.

Related National and Donor Programmes

UNIDO with its pioneering cluster development initiatives since 1995 has somewhat oriented the whole economic policy-making machinery in India towards cluster development. There is hardly any policy document of note that does not make reference to cluster development as the delivery mechanism for MSME assistance. Consequently, and as an important outcome of UNIDO's replication strategy, many Central Government departments, State Governments and national institutions have set up their own cluster development initiatives in their respective sectors and sub-sectors. Again, the multitude of CDP replications and the large number of clusters assisted made it impossible in the context of this evaluation to form an opinion on the effectiveness, impact and sustainability of these initiatives, which would warrant a comprehensive impact assessment in its own right.

UNIDO should build on this success story and continue to stimulate the cluster development arena with innovative pilot projects which could be replicated elsewhere. The National Manufacturing Competitiveness Council (2006) in its Manufacturing Strategy document confirms:

”The Cluster approach should be the preferred route for improving the manufacturing competitiveness. New and innovative approaches to cluster development should be adopted.”

India has numerous national initiatives as well as donor-funded projects in the fields of industrial development, particularly MSME promotion and particularly cluster development. Within the scope of this CSF evaluation it was impossible to provide a comprehensive overview of all related national and donor programmes.

However, it is noteworthy that the Government of India has severely restricted the work of smaller development agencies. Only those foreign bilateral agencies with an annual budget in excess of US\$ 25 million are now allowed to carry out their programmes in India.

UN System: UNDAF

The India - United Nations Development Assistance Framework (UNDAF) 2008-2012 is the planning framework for the UN in India in its support to the Government’s national priorities. The UNDAF is harmonised with the country’s development plan, the 11th Five Year Plan (2007-2012).

The second India-UNDAF builds on the two crosscutting priorities of the previous UNDAF based on the 10th Five Year Plan priorities – promoting gender equality and strengthening decentralization. Its overarching objective is: “Promoting social, economic and political inclusion for the most disadvantaged, especially women and girls”.

The future UNDAF priority states will be Bihar, Uttar Pradesh, Orissa, Rajasthan, Madhya Pradesh, Chhattisgarh and Jharkhand, which were selected, based on their low ranking on the Human Development Index.

Typical UNIDO areas of intervention (e.g. investment promotion, cleaner production, SME support) are not specifically mentioned in the UNDAF draft document of 16 November 2006. However, cooperation with the private sector is mentioned as one of the mechanisms for coordination and partnerships (see below). The UN Resident Coordinator stated the character of the UNDAF framework as a living document, and invited UNIDO to become actively involved in shaping its operationalization and implementation. The preliminary UNDAF results matrix³ foresees UNIDO interventions under outcome 1 (of four) including areas such as “development of market driven skills and services, public-private community partnerships for livelihood promotion, financial inclusion and entrepreneurship development for disadvantaged groups.

³ A preliminary copy was given to the evaluation team by the UNRC

The evaluation mission considers that there is good potential for cooperation with regard to UNDAF Outcome One, which aims to support the Government to achieve a strengthened policy framework and implementation capacity of large-scale state and national programmes to reduce disparities, for the achievement of 11th Plan Goals. UNDAF Outcome One is also about better targeting so as to reach out to the “unreached”. This outcome shall include experimenting with innovative models and pilots to demonstrate effective ways of improved programme implementation.

Involving the Private Sector

According to the document, the UN will move to strengthen its relationships with the private sector: “Corporate social responsibility is strong within India, with many examples of significant work in place, and the UN will continue to collaborate with such initiatives. The UN will also work with the private sector to develop pilots in which the business models themselves incorporate principles and goals of human development, in order to accelerate achievement of the MDGs. In particular, models for the inclusion of greater employment opportunities for the poor and private sector facilitation of economic and social service delivery will be developed.”

It is suggested that UNIDO could become the lead agency for involving the private sector in corporate social responsibility and employment promotion.

3

CSF Summary

3.1 Background

UNIDO applies three main modalities for the delivery of its services: a) stand alone projects, b) integrated programmes (IP) and c) country service frameworks (CSF). The latter two are different kinds of umbrellas for a number of individual interventions. Other than in the case of Integrated Programmes (IP), where all projects to be included follow a formal procedure including the consecutive adaptation of the IP document, the CSF is a looser framework, the contents of which (the interventions at project level) vary over time. While the IP determines upfront and in a detailed manner the planned interventions (including outputs, activities and budgets), the CSF is an open framework that provides a number of priorities and criteria for the continuous selection of projects.

Prior to the CSF UNIDO's cooperation portfolio in India spanned 19 of the 28 Indian states and 11 industrial sectors. Total resources of some US\$ 30 million were employed mainly in the areas of sectoral support and environmental sustainability. The CSF modality was chosen (see chapter 5.8 for an assessment of that decision) as a means to "shift away from its traditional pattern of organisational response (i.e. stand alone projects) to move quickly and decisively to upstream advisory services and replicable pilot projects on a broader scale – particularly at the all-India level."⁴ Lessons learned from ongoing activities were: successful projects "mushroomed" lacking verification of the validity of original objectives and UNIDO's delivery capacity; collaboration among projects happened only in an ad hoc manner limiting the exploitation of synergies to a minimum; lack of impact of interventions due to scattered approach of small scale interventions.

3.2 Design process of the CSF

The design process involved the following milestones:

- 12/2000: Visit of the Director General of UNIDO to India to discuss development of a CSF with high-level representatives of Government and private sector counterparts.
- 01-04/2001: CSF Team (including Regional Director as Team Leader) identified and approved by UNIDO Executive Board (EB).

⁴ UNIDO Country Service Framework for India, December 2001, UNIDO

- 05-06/2001: preparation and approval of Terms of Reference for the CSF, this is done by Team Leader together with UNIDO's central counterpart at the national level, the Ministry of Commerce and Industry (MCI/DIPP)
- 06-07/2001: Stakeholder survey (questionnaire based) and personal interviews provide the basis for the formulation of the CSF draft by the Team Leader.
- 08/2001: Mission of the CSF Team to India including meetings with stakeholders including the workshop titled "how to accelerate growth with social equity" to further define priorities and focus of UNIDO's activities. Participants include 10 Government ministries, three apex bodies of the private sector, NGOs and donor agencies (115 participants in total). Workshop results are discussed by the CSF team while still in Delhi and incorporated into their individual component strategies.
- 09-10/2001: The UN Country Team endorses the CSF draft and comments received from stakeholders during workshop are incorporated before its submission to the Government of India (GOI).
- 11-12/2001: Final draft cleared by GOI and UNIDO EB, signing of CSF Agreement at UNIDO HQ

It is to be noted that the CSF at the time of its development was a new instrument for UNIDO as well as for GOI. The CSF India was the first of its kind.

The output of the design process was a 46-page document describing the background, the major components and the provisions for implementation of the CSF.

3.3 Main objectives and structure of the CSF

The CSF document states objectives at two distinct levels:

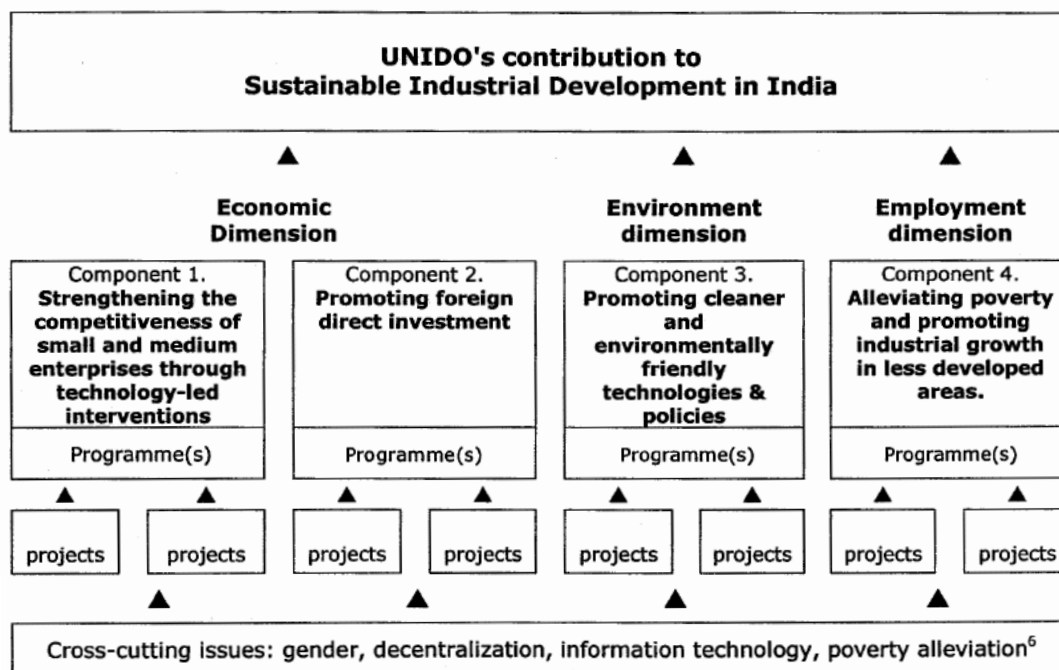
Objectives of the CSF as an umbrella:

- Provide a well-developed strategic focus.
- Maximize synergies within and between UNIDO programmes and other technical assistance initiatives.
- Ensure broader and demonstrable development impact of UNIDO's programmes.
- Promote crosscutting issues (gender, decentralisation, information technology, poverty alleviation).

Objectives of the interventions within the CSF:

- Development objectives: poverty alleviation and environmental sustainability
- Component objectives (SME competitiveness, Foreign Direct Investment, environmentally friendly technologies & policies, poverty alleviation in less developed areas).

Figure 1: Structure and objectives of the CSF India



The regions identified as priority areas for the different components are: Gujarat, West Bengal, Tamil Nadu, Andhra Pradesh, Madhya Pradesh, Rajasthan, Orissa, North East and Sikkim, Himachal Pradesh and Uttranchal.

Punjab, Karnataka, Kerala and Maharashtra, all regions that received UNIDO assistance previously, were not included in the priority list of states of the CSF.

Table 1. Shows the projects selected for field review during the evaluation mission. While the selected projects were found to be sufficiently representative to derive from their evaluation conclusions for the whole CSF, it has to be noted that there is no full clarity as to the role within the CSF of global and regional projects, which have their operational base in India (e.g. ICAMT, South-South Centre).

Especially in the case of the International Centre for the Advancement of Manufacturing Technology (ICAMT) the bulk of its activities lie within India, thus establishing a need and potential for coordination with other projects' activities. Since these projects do not clearly fit under the CSF's main components, they are dealt with in a separate chapter 4.5.

A full list of the projects included in the CSF as per 14 November 2006 is given in Annex III.

Table 1 – Projects selected for field visits during evaluation mission

Component / Project number	Project Title	Donor	Project manager	Total Allotment, 13/11/2006, \$	Total Expenditure, 13/11/2006, \$
Component 1: Strengthening the competitiveness of small and medium enterprises through technology-led interventions					
US/IND/01/193	Support to the country efforts to promote SME cluster development	Italy	M. Clara	1,180,800	1,169,097
US/GLO/02/059	Thematic cooperation between UNIDO and SDC in the areas of SME networking and cluster development	Swiss DC	M. Clara	1,153,300	1,091,788
US/IND/01/118	Supporting small and medium-sized manufacturers in the automotive component industry in India - UNIDO Partnership Programme, Phases II and III	India	K. Bethke	250,000	252,666
XP/IND/02/009				237,131	237,131
SF/IND/04/002				700,000	283,826
Component 2: Promoting foreign direct investment					
TF/IND/03/002	Project to support implementation of Government of Orissa's industrial policy resolution – 2001 (Inv. Prom. Comp.)	U.K.	P. Scott	829,47	577,409
US/IND/03/068	Vibrant Gujarat: Global Investor's Summit	India	O. Padickakudi	222,689	222,373
Component 3: Promoting cleaner and environmentally friendly technologies and policies					
US/IND/02/148	Energy efficiency in hand tool SSI sector in India	India	P. Monga,	\$250,000	\$242,790
SF/IND/02/005				\$272,68	\$268,271
US/IND/02/001	Cleaner technology promotion in India	Switzerland	E. Clarence-Smith	1,450,463	598,639
DG/IND/97/160	Cane & bamboo technological upgradation and networking	UNDP	A. Levissianos	1,504,233	1,472,966
Component 4: Alleviating poverty and promoting industrial growth in less developed areas					
TF/IND/04/048	MSME - MSME Cluster development programme in Orissa	U.K.	M. Clara	569,230	380,785
TOTAL				8,620,000	6,797,741

Source: UNIDO Infobase as of 13 November 2006

3.4 Provisions for implementation and funds mobilisation

The CSF document foresaw a steering and monitoring mechanism consisting of a National Steering Committee (NSC), a Monitoring and Advisory Committee (MAC) (both chaired by DIPP) and several Component Committees.

Roughly half of the CSF in India is funded by the GEF and the Montreal Protocol. The GEF contribution is mainly financing one full sized project (Coal Bed Methane recovery).

The bulk of the remaining 50% of activities under the CSF are funded by India (35%), with the IDF funds playing only a limited role in overall funding. The non-IDF funds from Government agencies come mainly from the Ministry of Coal and ONGC (US\$ 3.6 million), the Ministry of SSI (US\$ 2.4 Million) and the DIPP (US\$ 1.7 million).

The remaining 15% are provided by bilateral donors, mainly Italy, Switzerland and the United Kingdom.

Table 2 – Funding of ongoing projects in the CSF India as of 14/11/2006

		<i>Total Allotment</i>	<i>Expenditure</i>
Total Ongoing Projects	100%	\$ 30,042,982	\$ 21,270,603
Indian IDF	7%	\$ 2,197,360	\$ 1,070,371
Non IDF	93%	\$ 27,845,622	\$ 20,200,232
Non IDF Sources			
Indian Govt. Agencies	28%	\$ 8,470,613	\$ 6,829,398
UNIDO	2%	\$ 452,460	\$ 379,995
UNDP	2%	\$ 535,088	\$ 382,227
GEF	29%	\$ 8,767,984	\$ 7,658,021
MP	18%	\$ 5,458,782	\$ 3,147,883
Bilaterals	14%	\$ 4,160,695	\$ 1,802,708
Italy		\$ 1,152,899	\$ 132,925
UK		\$ 1,398,703	\$ 952,656
Switzerland		\$ 1,450,463	\$ 598,640
Other bilaterals		\$ 158,630	\$ 118,487

Source: UNIDO Regional Office India

4

Implementation of Individual Components/Projects

4.1 Component 1: Strengthening the competitiveness of SMEs through technology led interventions

The Cluster Development Programme (CDP), developed over the past decade, is UNIDO's flagship programme in India, which also has significantly shaped India's policy environment towards MSMEs. This is evident in the announcement by the Finance Minister in his budget speech 2006 that the Prime Minister will constitute an 'Empowered Group of Ministers' to formulate a policy for cluster development.

The various cluster development projects have helped to develop a proprietary UNIDO cluster development methodology based on a social capital approach, which is the key to networking of cluster actors for the benefit of the whole cluster. The Cluster Development Programme has proven innovative and successful not only under direct implementation by UNIDO, but also indirectly through capacity building of a vast variety of counterpart organisations.

In a number of thematic cooperation projects with SDC the cluster development approach has also been successfully modified to aim at poverty alleviation and corporate social responsibility in small-scale industry, handloom and handicraft sectors.

The support project for the automotive component manufacturing industry has successfully developed a training programme for the industry enabling participating companies to enhance their national and international competitiveness. However, this type of high-end business development service could possibly have been provided by the private sector itself.

Cluster Development Project

Support to the Country Effort to Promote SME Cluster Development (US/IND/01/193)

Background

<i>Project number</i>	<i>Title</i>	<i>Allocation (US\$)*</i>	<i>Actual expenditures (US\$)*</i>	<i>Planned duration</i>	<i>Start date</i>	<i>Completion date</i>
US/IND/01/193	Support to the country efforts to promote SME Cluster Development	1,180,801	1,167,818	36 months	12/2001	10/2005

* excluding project support cost, source UNIDO Infobase as of 31 December 2006

Definition

UNIDO defines a cluster as a sectoral and geographical concentration of micro, small and medium enterprises (MSMEs), faced with common opportunities and threats. Such a configuration can:

- Give rise to collective benefits, e.g. the inflow of specialised suppliers of raw materials, components and machinery, or the availability of sector specific skills, etc;
- Favours the creation of common infrastructure and the emergence of providers of relevant technical, administrative and financial services;
- Create a conducive environment for the development of inter-firm cooperation, as well as cooperation among public and private institutions to promote local production, innovation and collective learning.

Hence, the goal of UNIDO cluster development is to help enterprises to specialise, attract missing suppliers and buyers in the value chain, spread innovative ideas and build local capacities to innovate, and most importantly, engender co-operative action.

UNIDO CDP Concept

The UNIDO cluster development programme (CDP) in India aims to strengthen the overall performance and collective efficiency of the MSME clusters by assisting selected local communities of firms and associated institutions in the cluster. This entails the implementation of cluster support initiatives in selected pilot clusters, as well as assistance to a national programme of MSME cluster modernisation and restructuring. The UNIDO CDP considers network development and local governance issues as central to effective cluster development. It consciously avoids funding individual firms.

History

UNIDO did not invent cluster development in India. Already in 1989 the State Bank of India (SBI) took up the first cluster-based initiatives by infusing technology development

in selected clusters, followed by the Small Industries Development Bank of India (SIDBI) initiatives on technology-centred cluster development in 1991.

UNIDO then brought in a more comprehensive approach to cluster development in 1997, when it highlighted the importance of inter-relationship among the several cluster actors and the need to take specific measures that would improve the degree of mutual inter-relationship as also develop individual competencies of intermediary institutions. This “social capital” approach took the cluster development focus beyond setting up of publicly sponsored common facilities and technology-centric support initiatives. The real impetus for cluster-based initiatives in the country came after the year 2000 with a comprehensive cluster based development methodology available after 1997.

In 1997, UNIDO took up cluster development initiative in four clusters across the country. Soon after, a cluster-based growth approach for small enterprises became popular with some state governments, institutions and NGOs as well. These included the state governments of Andhra Pradesh, Gujarat, Kerala and Madhya Pradesh. At the national level, selected ministries and specialised institutions like the Department of Science and Technology (DST), Development Commissioner (handicrafts), Khadi and Village Industries Commission (KVIC), National Bank for Agriculture and Rural Development (NABARD), National Small Industries Commission (NSIC) and Textiles Committee are some of institutions that took up new initiatives. Currently, almost 35 ministries and national and international organisations are directly involved in cluster development activities, either as implementing agencies or as agencies undertaking research on clusters or monitoring and evaluating the impact of cluster interventions or funding cluster development activities, or carrying out a combination of these activities. Apart from UNIDO, the International Labour Organisation has started working in this area recently.

According to the MSME Foundation (2005) the following Government institutions are involved:

- Ministry of Small Scale Industries (MoSSI) through the Office of the Development Commissioner Small Scale Industries (DCSSI);
- Ministry of Textiles through the four offices of the Development Commissioners of Handlooms, Handicrafts, Textile Committee and the Central Wool Board;
- Khadi & Village Industries Commission;
- National Small Scale Industries Corporation;
- National Bank for Agriculture and Rural Development (NABARD);
- National Institute of Small Industry Extension and Training (NISIET).

The positive experience of previous UNIDO assistance in the field of SME cluster development was acknowledged by several Indian institutions, including the Ministry of Small Scale Industries, several State Governments, SME support institutions and development banks, as well as a number of cluster-level organizations. This acknowledgement generated requests for further UNIDO support in the field of SME cluster development, which required UNIDO to significantly broaden the scope of its support to cluster development in India and to shift its focus from direct support at the cluster level to address requests from Central Government, state governments and from SME support institutions in a more capacity building manner.

Relevance

According to data established by the UNIDO CDP Focal Point, there are 388 SME clusters and approximately 6,000 rural and artisan based clusters in India. These clusters together are estimated to account for 60% of the manufactured exports from India. Clusters account for 77 % of all small-scale industries (SSI), about 72% employment, 61% investment, 59% output and about 76% exports.

The importance of clusters for the Indian economy is emphasised by the fact that several government ministries have adopted cluster development as a major support element for their respective target groups.

Cluster development supports local economic development, hence contributes indirectly to decentralisation, which is one of the main priorities of the current as well as future India-UNDAF.

Ownership

The Office of the Development Commissioner Small Scale Industry (DCSSI) in the Ministry of Small Scale Industry (MoSSI) is the main counterpart institution for various UNIDO projects on cluster development at the national level. The project “Support to the Country Effort to Promote SME Cluster Development” provided assistance to the office of DCSSI not only to strengthen its own capacity to develop Clusters, but also to act as a monitoring body of other institution’s cluster development initiatives. It also included capacity building to other counterparts.

The Office of the Development Commissioner Small Scale Industries was strongly supportive of the cluster development approach, especially at its Headquarters in New Delhi. Their endorsement of the key principles of the approach (e.g. focus on existing clusters, medium-term intervention, holistic approach on social capital) has been made explicit in a number of public statements.

The office of DCSSI having the triple advantage of being the policy making body, a funding institution and an implementing agency in its own right through a network of field based ‘Small Industries Service Institutes’ provides a unique example of cluster initiative with a vision to reach out to all the industrial clusters within a period of 10 years from the year 2002.

Interaction between the UNIDO CDP and the counterpart even prior to the project under review is likely to have played a role in the DCSSI taking up cluster initiatives using the UNIDO approach. During the implementation of this project the National Steering Committee served as a platform for DCSSI to monitor and realize the significance of the UNIDO CDP, leading to further expansion of its own cluster development programme.

Design

The UNIDO CDP has developed its own methodology consisting of the standard elements for cluster intervention, i.e. the selection of clusters, preparation of a diagnostic study,

trust building among local stakeholders, action plan preparation, implementation, and finally monitoring & evaluation. In the first stage, as per the UNIDO approach the implementing agency conducts a diagnostic study on the constraints and potentials of the cluster and subsequently chalks out a need-based programme. It focuses on capacity building of various local institutions through activities like training, participation in trade fairs, organisation of workshops and study tours to other clusters. Local industry associations and business membership organisations play a critical role in mobilising cluster enterprises for joint action.

The project document is not very detailed. However, given the fairly well documented UNIDO CDP approach, this is not a major shortcoming. However, the project document fails to include a fully-fledged logical framework, a risk assessment and a clearly described end of project situation.

Implementation

Capacity building for counterpart organisations

Seven partner organizations were assisted at the following levels:

- Handholding assistance to 2 cluster initiatives undertaken by the partner;
- Training of Cluster Development Agents (CDAs) on the UNIDO cluster development methodology at two national resource centres, i.e. the Entrepreneurship Development Institute of India (EDII) at Ahmedabad, and the National Institute of Small Industry and Extension Training (NISJET) at Hyderabad;
- Refresher courses conducted for field staff providing guidance and methodological inputs;
- Sensitisation and awareness-building for cluster actors in the two selected clusters, including visits to successful Indian clusters and a study tour to Italian clusters;
- Since 2000 more than 385 CDAs have been trained by UNIDO CDP; in addition at least 18 as trainers, and at least 116 officials in short awareness creation courses;
- Workshops for senior policy makers to sensitise them on the cluster development approach, including national learn-shops to facilitate experience-sharing on cluster development;
- Assistance of partners in the formulation of cluster action plans, monitoring and review of implementation.

Organisation of a nation-wide cluster development programme

- Establishment of a Steering Committee for the UNIDO Cluster Development Programme including all project partners, chaired by the Development Commissioner Small Scale Industries;
- Dissemination of best practices in cluster development through regional meetings, newsletters and a dedicated website, hosting a database of SME and artisanal clusters in India (www.smeclusters.org);

- Establishment of a non-profit Foundation for MSME Clusters to provide a framework to sustain cluster development in India.
- Three national ‘Learn-shops’ were organised to review good practices in cluster development, the role of support organisations and on export consortia;
- An international Expert Group Meeting for UNIDO experts was hosted on monitoring & evaluation of cluster development programmes.

Direct implementation of cluster development assistance in 3 SME clusters

- Three clusters were selected for direct assistance by UNIDO on request by MoSSI (Kota Handlooms, Jalandhar Sports Goods and Bellary Jeans);
- Diagnostic studies were conducted on each of the three clusters;
- Local CDAs were appointed to take up the field-level positions;
- Action plan implementation and monitoring.

Case Study: Sports goods cluster in Jalandhar – Findings

- Some 120 units of total 1200 firms in Jalandhar have participated in the project;
- Exporters work with some 3500 home-based subcontractors doing the manual stitching of inflatable balls;
- Consortium of 11 firms have started project to develop machine-stitching of inflatable balls;
- International expert provided assistance on CE labelling, however, process for certification was found too cumbersome and expensive;
- Buyer-Seller-meeting to facilitate collective purchasing of raw materials;
- One member of the exporters association has supplied FIFA certified balls for the World Cup tournament in Germany 2006;
- Follow-up (pilot) project was started on corporate social investment (CSR) with SDC assistance to introduce social issues into cluster development;
- Sports Forum, an association of 300 suppliers of wood-based products for the domestic market, has established issue-based groups to handle emerging problems.

Table 3 – Use of project resources (US/IND/01/193)
(as reflected in UNIDO InfoBase in US\$)
As of 31 December 2006

	Expenditure	% of total
International Experts	138,375	12%
National Professional Officers	241,657	21%
Administrative Support	47,011	4%
Short Term National Consultants	192,108	16%
Other Personnel Cost	10,502	1%
Project Travel	146,294	13%
Training	269,909	23%
Contracts	0	0%
Equipment	51,382	4%
Sundries	70,584	6%
Total	1,167,818	100%

Results

Direct Cluster assistance

Work in the 3 directly assisted clusters appears of good quality due to high calibre of deployed CDAs. The CDA is the key person in the cluster development process, specially trained to undertake the “integrative function of building the institutional capacities of the local membership-based organisations in the cluster and developing necessary linkages with business development service providers as also public institutions”. They need social competencies, but also economic expertise in the sector or sub-sector concerned. In order to be respected by the cluster entrepreneurs CDAs must be able to advise them on value chain analysis, domestic and global market developments, etc. CDAs deployed by the UNIDO CDP seem to have those traits.

Competitiveness in direct clusters seems to have improved; however, monitoring information on outcomes and impacts is rather sketchy and impressionistic due to lack of company baseline data.

Case Study: Jalandhar Sport Goods Cluster - Outcomes

- Sales in export companies have increased, despite international competition (China, Pakistan) and child labour campaign;
- The project has helped to secure up to 200,000 existing jobs in the sports goods manufacturing industry of Jalandhar;
- Exporters Association (SGMEA) has been strengthened to establish a staffed office and provide better services to its members;
- Exporters Association has arranged for 3-month training courses at the Central Leather Research Institute (CLRI), Jalandhar, for about 100 unemployed school leavers, girls and house wives, and offered to absorb the graduates in their member companies;
- The Jalandhar branch office of the National Institute of Technology (NIT), which in the past trained high-level skilled manpower for the formal sector only, has identified the MSME sector as an important target group and provides specialised training courses on polymer-based sports goods manufacturing and composite technology.
- Sports Goods Foundation of India (SGFI), founded as off-spring of the Exporters Association, is educating suppliers and monitoring them on child labour issues;
- Under the Social Responsibility project, 30 tuition centres for children have been set up;
- 1.4% of sales turnover haven been given to the Sports Goods Foundation.

Capacity Building of Partner Organisations

It is important to note that the evaluation mission was not able to form an opinion based on sufficient empirical evidence on the capacity building results in the seven partner organisations.

CDAs of seven counterpart agencies trained to carry out their own cluster development initiatives. This has resulted in significant quantitative replication effects in indirect clusters:

- Ministry of Small Scale Industries (MoSSI): 83 clusters (total budget 15 Mio US\$)
- Ministry of Agro & Rural Industries (MoARI): 100 clusters (total budget 20 Mio US\$)
- State Bank of India (SBI): 25 clusters
- Industries Commissioner. Government of Gujarat: 26 clusters
- Government of Kerala: 35 clusters

Sustainability

Direct Clusters

As with all directly assisted clusters, an exit strategy is prepared during implementation. Local business associations have been strengthened and are expected to carry on working for the benefit of their members. The local SSI officer based in Jalandhar also participated in the CDP activities, indicating the continued support from his department. Despite all this, the expertise of the UNIDO-employed CDA will be missed.

Indirect Clusters

In the clusters taken up by UNIDO's partner organisations sustainability depends on personnel stability of and financial allocation by counterpart organisations. Where counterpart staff has been working as CDAs, they will continue to do so, provided that staff rotation is kept to a minimum. Where, however, external consultants have been employed as CDAs, no transfer of knowledge to the counterpart agency has been achieved. Without continued funding, little sustainability can be expected.

The MSME Foundation, created as spin-off of the UNIDO CDP, can provide technical backstopping and follow-up services to CDAs employed by counterpart agencies. Thus the support to this institution can contribute to the sustainability of the CDP in India.

Relation to the CSF

The Project document (US/IND/01/193) of 2001 made no reference to the CSF document prepared during the same year.

The CDP Focal Point Coordinator attended 2-3 meetings of the CSF Monitoring & Advisory Committee, however, they were found of no relevance to CDP. All relevant decisions concerning the CDP were made in the project-specific steering committee meetings.

The Focal Point Coordinator was invited as a resource person to participate in the steering committee of the "Energy-efficiency in the Hand Tool Sector" project. As a result that project widened its mandate and provided cluster development services in a holistic manner based on the established UNIDO methodology.

Stakeholders of the project did not report any benefits derived from being part of the CSF.

UNIDO value added

UNIDO provided expertise at the project identification and design stages. Representatives from UNIDO headquarters participated in the annual Steering Committee meetings of the cluster development programme. The respective project manager in Vienna was in frequent email contact with the CDP Focal Point office in Delhi and provided backstopping services.

Most of the methodology was developed by the national experts both in the field and in the Focal Point office in Delhi with valuable inputs from UNIDO HQ. UNIDO's value added may be seen in recruiting, training and developing a cadre of highly qualified and motivated national staff able to drive the cluster development programme and make it increasingly independent from UNIDO headquarters and Delhi field office.

Recommendations

The project introduced the large-scale replication of the CDP approach in many Government departments and agencies. With direct assistance to clusters being less relevant for UNIDO cooperation at this advanced stage, UNIDO should focus future assistance on the development of innovative new methodologies, as well as the further capacity building of counterpart organisations (indirect approach).

The work in indirect clusters taken up by the various counterpart organisations should be more closely monitored to ensure quality control and adequate technical support to CDAs employed by the various counterpart agencies.

A monitoring system needs to be developed that tracks quantitative indicators at output, outcome and impact levels against established baseline data. A standard computerized management information system (MIS) should be established across all cluster initiatives to assist the CDP decision-makers and policy makers to effectively monitor changes at cluster, enterprise and target group levels including workers and their households.

The MSME Foundation should continue to provide technical backstopping to both direct and indirect clusters after project end. The proposed "Centre of Excellence on MSME Cluster Development" should be approved and implemented without further delay in order to ensure sustainability of the CD initiatives executed by the various partner organisations.

Poverty Alleviation in the Chanderi Handloom Weaving Cluster

Thematic Cooperation between UNIDO and SDC in the Areas of SME Networking and Cluster Development (US/GLO/02/059)

Background

<i>Project number</i>	<i>Title</i>	<i>Allocation (US\$)*</i>	<i>Actual expenditures (US\$)*</i>	<i>Planned duration</i>	<i>Start date</i>	<i>Completion date</i>
US/GLO/02/059	Thematic Cooperation between UNIDO and SDC in the areas of SME networking and Cluster Development	1,153,300	1,153,300	36 months	8/2002	8/2006

* excluding project support cost, source UNIDO Infobase 31 December 2006

Previous cluster development projects in India have successfully centred their efforts on enhancing the competitiveness of under performing clusters, hence focusing on economic issues being faced by small and medium-sized enterprises (SMEs). Social aspects, as they are faced by micro entrepreneurs, self-employed artisans and wage-employed labourers have often gone unnoticed by cluster development professionals.

It is against this background of formerly purely economic growth-centred cluster development initiatives that the Swiss Agency for Development and Cooperation (SDC) approached UNIDO to develop and propagate methodologies for promoting the social dimensions of cluster development, particularly poverty alleviation and corporate social responsibility, resulting in two distinct projects:

- US/GLO/02/059: Thematic cooperation in the area of SME cluster development and poverty alleviation in two clusters, i.e. the Chanderi handloom and Sindhudurg food processing clusters;
- US/GLO/04/116: Thematic cooperation in the area of SME cluster development and corporate social responsibility in the Jalandhar sports goods cluster.

An assessment of the first project follows below, while the latter is briefly mentioned under the Jalandhar findings in the context of the cluster development project US/IND/01/193.

Relevance

A large number of artisanal clusters, but also of industrial clusters have a high percentage of poor as producers. Many development practitioners, particularly economists, believe that improved competitiveness will lead to poverty reduction through a trickle down mechanism. However, after several years experience with field-level implementation of cluster initiatives, project manager Michele Clara acknowledges that “growth may well be

a necessary precondition for poverty reduction, but is certainly not sufficient to achieve greater empowerment of the poor and ensuring them acceptable standard of living/working conditions”.

Case Study: Handloom Weaving Cluster in Chanderi

The diagnostic study of the cluster found that weavers, particularly contract weavers and daily wage earners, were largely dependent on master weavers and traders for providing working capital, raw material and for marketing of the finished goods. With no control over the production process and falling capacity utilisation, weavers had less and less earnings, as master weavers and traders were passing on the effects of falling profitability. Master weavers and traders themselves were not comfortable in the market due to poor dyeing quality, lack of innovative designs, and competition from power loom fakes.

The project does target the poor. In the case of the handloom weaving cluster in Chanderi, poverty gets perpetuated due to inadequate access due to inadequate access to finance, absence of appropriate technology and new designs, over dependence on master weavers and traders, ignorance of markets, etc. “The overall operating environment is quite exploitive and not conducive to economic empowerment of the poor” (UNIDO/SDC 2006).

Problems to be addressed by the project:

- Dependence of weavers on master weavers / traders for inputs, working capital and marketing;
- Capital investment requirements for improving market access were too high for individual weavers;
- Master weavers/traders skim off margins of improved productivity.

Considering that poverty alleviation is the overarching goal of UNIDO’s industrial development cooperation, the objective of this project is of utmost relevance.

Ownership

The Rural Industries Department of the Government of Madhya Pradesh, responsible for developing non-farm rural industries, was already one of the UNIDO partner institutions for the project No. US/IND/01/193. Under that project the State Government had already placed officers as cluster development agents (CDAs) and had also appointed a Cluster Development Cell Coordinator for liaising with UNIDO. In addition, the State Government set up a high-powered task force for the development of Chanderi.

At the local level the target group has developed a strong sense of ownership of the project since the newly formed producer group ‘Bunkar Vikas Sanstha’ (BVS) belongs to the self-help groups of poor weavers in Chanderi. A consortium of traders (Chandery Silk Club) represents the better-off master weavers and traders of Chandery.

Design

The project document envisaged three distinct components:

1. Stocktaking and research on the contribution of MSE cluster/network development to poverty reduction.
2. Two pilot projects on poverty-oriented cluster development in India.
3. Dissemination and advocacy of the poverty-oriented cluster development approach as developed under components 1 and 2.

Component 1 (Research) was designed to take stock of existing research into the relationship of cluster development and poverty, and to conduct in-depth case studies, and based upon those to review and document best practices, i.e. the impact of cluster initiatives on poverty alleviation. This would then lead to the design of appropriate monitoring and impact assessment tools (PSIA) for use in cluster development programmes.

Component 2 (Pilot Projects) was to select two clusters on the basis of their scope for poverty alleviation (Chanderi Handloom and Sindhudurg Food-processing clusters) and the replicability of the lessons to be learnt. In these clusters the project was to integrate various elements of cluster development and rural enterprise promotion strategies to identify poverty nodes within them and develop methodologies to reduce poverty among their most vulnerable target groups.

Another envisaged output of this component was the preparation of a methodology to maximise the impact on MSE cluster development on poverty alleviation. For this the pilot projects were to integrate the monitoring and assessment tools designed under Component 1. The learning points from the pilot projects were to inform the research component and vice versa.

Component 3 (Dissemination) was aimed at the diffusion of knowledge generated under components 1 and 2, i.e. publication of review papers, and description of best practices, technical papers on impact assessment tools, newsletter, videos and a dedicated website. Findings of the projects were to be presented in international conferences and national workshops to policy makers, MSE support institutions, donors and NGOs.

Implementation

Implementation of this project was facilitated by an active and constructive cooperation between the Donor (SDC) and UNIDO.

Project Component 1 (Research)

This component was outsourced to the Institute of Development Studies (IDS) at the University of Sussex, UK. The report “Industrial Clusters and Poverty Reduction” (Nadvi/Barrientos 2004) is mainly based on the literature review of the relationship of

cluster development and poverty alleviation, but also attempts to develop a methodology and guidelines for poverty and social impact assessment of cluster development initiatives. As much as the study report refers to the general Indian experience in cluster development, it is rather unfortunate that no reference is made to the ongoing pilot projects under component 2 of the same project.

In addition, an IDS Policy Briefing No 21 (2004) “Small firms clusters: working to reduce poverty” was published on the topic. It re-states the policy challenge in making cluster development more pro-poor and the outlines the following elements as part of a strategy:

Elements of a pro-poor cluster development strategy (as outlined in IDS Policy Briefing 2004):

- **Poverty targeting:** identifying poverty groups and paying greater attention to their specific needs in cluster development. This could imply addressing the specific constraints (such as credit and training) of poorer entrepreneurs and workers.
- **Focusing cluster gains to the poor:** identifying key agglomeration benefits for the poor and fostering cooperative strategies.
- **Recognising cluster difference:** identifying winners and losers and ensuring that marginal groups of workers and producers are not weakened.
- **Promoting social protection:** using formal and informal interventions to strengthen social provisioning around poverty concerns relating to health, occupational hazards, vulnerability and risks.
- **Using cluster mapping** to identify key public and private stakeholders for pro-poor policy interventions.
- **Emphasising labour standards** and improved work practices as a pro-poor endeavour within corporate social responsibility.
- **Using a sustainable learning approach** in impact assessment to develop and improve pro-poor cluster programmes.

However, the IDS Policy Briefing’s reference to the UNIDO pilot projects remains brief and descriptive. Both publications remain largely theoretical and forfeit the opportunity to guide and reflect the field experience in the Indian clusters of Chanderi and Sindhudurg. Nevertheless, it appears that the emphasis on poverty targeting, the introduction of Participatory Poverty Assessments, the involvement of women and minorities, etc. was largely driven by UNIDO and the Donor (SDC through the local representation office), often needing to convince the Indian project team and counterparts of the feasibility and necessity of greater poverty orientation within the Cluster Development Programme.

Project Component 2 (Pilot Projects)

The evaluation mission visited the Handloom Weaving Cluster in Chanderi. The findings are as follows:

Pilot Project: Handloom Weaving Cluster in Chanderi – Findings

- 60 Self-help groups initiated to organize poor weavers and encourage them to start saving & credit activities;
- 2 producer groups “Bunkar Vikas Sanstha” (BVS) were formed to make weavers more independent from master weavers and traders in terms of wages, market access, etc.;
- 12 Master weavers and traders have formed their own group (Silk Club);
- Little evidence on the use of thematic research carried out under the project.

The project activities in the Chanderi Handloom Weaving cluster centre mostly on the creation of two non-profit producer groups (under section 25 of the Company’s Act). The BVS, a kind of multi-purpose cooperative organises raw material purchasing, production and marketing for the members of associated self-help groups. This may be effective but not necessarily innovative.

Project Component 3 (Dissemination)

- A Joint Learning Workshop on ‘Cluster Development and Impact on Poverty’ was held in Sindhudurg (2004) and a report was prepared.
- A Workshop on ‘Cluster Development and Social Issues: Preliminary Findings and Way Forward’ for cluster professionals, CDAs, counterpart officials, research institutes and support agencies was organised in May 2006 in Delhi.
- A working paper on the role of micro finance in poverty-oriented cluster development was prepared by UNIDO Consultant Anke Green: ‘Combining Strengths: Synergies between Cluster Development and Micro finance’ (UNIDO Working Paper No. 14, 2005)
- A promotional video and a conceptual PowerPoint presentation on the Chanderi Handloom Weaving cluster were produced.

The dissemination and experience-sharing activities cover relevant topics, i.e. the parameters that need to be taken into account when developing a more pro-poor cluster development model, e.g. participation of the poor in defining their needs, gender equality, the role of micro finance, social activities, etc. A revised methodology for poverty-oriented cluster development was not yet available at the time of evaluation. The project manager at UNIDO HQ has, however, assured the evaluation team, that a draft-training manual was available and the same methodology being integrated into the GOI “Scheme of Fund for Regeneration of Traditional Industries” (SFURTI).

Table 4 – Use of project resources (US/GLO/02/059)
(as reflected in UNIDO InfoBase in US\$)
As of 31 December 2006

	Expenditure	% of total
International Experts	144,184	13%
National Professional Officers	102,797	9%
Administrative Support	37,308	3%
Short Term National Consultants	104,557	9%
Other Personnel Cost	18,398	2%
Project Travel	137,464	12%
Training	256,537	22%
Contracts	160,395	14%
Equipment	88,315	8%
Sundries	103,346	9%
Total	1,153,300	100%

Results

Considering that there were two simultaneous UNIDO interventions in the Chanderi Handloom Weaving Cluster (indirect support through US/IND/01/193 and direct assistance through US/GLO/02/059), it is difficult to attribute the outcomes and impacts to a specific intervention. This is particularly so, because there is no systematic results-based monitoring system in place, despite the planned outputs of Component 1.

Pilot Project: Chanderi Handloom Weaving Cluster - Outcomes

- SHG members have joined the producer groups to increase their profit margins and turnover;
- More than 500 weavers have developed regular savings habits and more than 40 SHGs have opened bank accounts;
- Marketing links with FabIndia (wholesale export & domestic retail company) and other retail outlets have been established;
- Earnings of BVS members have increased by 15-20% because they now sell directly to the market instead of dealing with traders / master weavers;
- Significant empowerment of female BVS members (women show self confidence, better health, increased literacy, etc);
- A 'Participatory Assessment Report of the Handloom Cluster of Chanderi' was prepared by Indian Grameen Services (Basix), however it falls short of the declared impact assessment.

The project effectively challenged the traditional norms of business as they were established by the master weavers and traders and changed them to the advantage of poor weaving households. The creation of BVS has reduced the dependence of ordinary weavers

on those middlemen who treated them like bonded labour and skimmed most of the profits.

Substantial social gains were made, particularly for women, in terms of self-confidence (coming out of their houses), literacy, SHG participation, savings, and the creation of a women's organisation.

The evaluation team has not found evidence supporting cross-fertilization between the findings of desktop research and those of action-based field research in the two pilot projects in India. The project has stimulated a necessary discussion between the CDP Focal Point team, SDC and UNIDO. It appears that major elements of the evolving poverty-oriented methodology have been introduced into the Orissa CDP (discussed in chapter 4.4.1).

Sustainability

Considering the central role of BVS, sustainability of the project outcomes/impacts will depend on the ongoing efficiency of these producers groups. Currently, BVS is professionally managed by a CEO employed from project funds. Weavers, even though members of BVS, are in the role of workers who receive their orders, raw materials and market links from management. The risk is that with the possible departure of the CEO, management experience and market knowledge may disappear without BVS members being able to take over – the tragedy of many production cooperatives in the developing world.

On the positive side, market links have been firmly established with FabIndia setting up a local office in Chanderi. Follow-up support services will be provided by BASIX, an NGO involved in micro finance (with SDC assistance), as well as the Entrepreneurship Development Institute (EDI-I) of India.

Relation to the CSF

Only obligatory reference is made in the project document to the then recently developed Country Service Framework where “poverty alleviation through cluster development is already envisaged as an important topic of future UNIDO work in India”. Otherwise no relationship with the CSF is documented. However, many linkages to other ongoing cluster development initiatives (Jalandhar, Orissa) exist via the CDP Focal Point Office in Delhi.

UNIDO value added

UNIDO's Cluster Development Programme (CDP) Focal Point made available national experts of high calibre to be deployed in this pilot project (Chanderi).

However, it is questionable whether the UNIDO Focal Point office would have taken up poverty-related cluster work without the thematic cooperation funded by SDC.

With poverty alleviation being confirmed as UNIDO's overriding development objective, it is important that the India Field Office and the envisaged 'Centre of Excellence for Cluster Development' develop the necessary expertise to launch and successfully implement future poverty-oriented pilot measures that can be replicated for the benefit of poor producers in many, particularly artisanal clusters, in rural India.

Recommendations

- Mainstreaming of poverty orientation in all ongoing and future cluster development initiatives, direct and indirect.
- Poverty mapping and targeting of the poor should become part & parcel of the cluster development methodology.
- Measures to specifically empower women in production systems, to enable them to participate more actively, and to address women's social concerns by linking up with NGOs and other funding organisations should be included in cluster development initiatives.
- Systematic impact monitoring of poverty and employment indicators need to be introduced.
- Training of CDAs should be adjusted accordingly to include gender issues, community-based self-help organisations and cooperatives, conflict resolution and the use of participatory assessment tools.
- Follow-up services for the producer groups and self-help groups in Chanderi and neighbouring village need to be arranged with suitable service providers, e.g. EDI (cluster development) and Basix (micro finance).

Sample Project: Supporting Small and Medium-sized Manufacturers in the Automotive Component Industry in India - UNIDO Partnership Programme, Phases II and III

(US/IND/01/118, XP/IND/02/009, SF/IND/04/002)

Background

There are an estimated 8,000-12,000 automotive component manufacturers in India, mostly SMEs. For many years Indian manufacturers in general suffered from a low cost-low quality reputation. Similarly, automotive component manufacturers supplying Indian automobile manufacturers producing cars, trucks and buses in joint ventures with foreign firms were falling behind international competitiveness standards.

In 1997/98 the Indian Automotive Component Manufacturers Association (ACMA) participated in an international benchmarking exercise conducted by the International Trade Centre (ITC), which included benchmark data from different countries. The exercise showed a gap of 10 000 rejection ppm compared to only 500 ppp in European countries.

In 1999 UNIDO approached ACMA to launch a project in support of the Indian automotive component industry. Initially, ACMA members were reluctant, also because of the involvement of FIAT. They did not want to be exclusively associated with one buyer with interests in the Indian market, but also did not want an automobile OEM (Original Equipment Manufacturer) to look too closely into their cost structure.

Due to this and other problems (UNIDO and Govt of India agreed on project document without consulting ACMA), it was only in 2001 that the first project phase started. By that time ACMA had initiated its own project for 14 larger member companies together with the Confederation of Indian Industries (CII). Then the UNIDO project started to provide services also to SMEs at lower cost.

The following assessment is based on an impact assessment conducted by Pricewaterhouse Coopers in 2006 as well as interviews with the relevant stakeholders.

Relevance

The training programme for the automotive component manufacturers came at right time, when the automobile industry in India is booming, and needs to become internationally competitive. Considering the continuing demand from the industry the project is highly relevant from a sectoral point of view.

However, the fact that services of a similar nature are available from private consulting firms should be noted. This reduces the relevance as soon as companies are free riding on subsidised programmes. Hence, if private services exist, there is a need to phase out assistance and let the market take over.

Ownership

ACMA has not only cooperated in the design of the training course, but has developed strong ownership of the project, as it has established a technology advisory section with 8-10 staff members. The Indian Government, here the Department of Heavy Industries, Ministry of Commerce and Industry, has been supportive of the project extensions.

Design

The UNIDO Partnership Programme for the Indian Automotive Components Industry has been designed as a training intervention on advanced manufacturing and quality management techniques, spread over 30 months, for selected SMEs in four regions with concentrations of automotive part manufacturers. The cluster concept in this project is not necessarily based on geographical concentration, but on similar problems faced by companies. It also differs from the UNIDO cluster development approach as it provides individual enterprise assistance, whereas the CDP focuses on enhancing the performance of clusters through networking of cluster actors.

The project had three objectives:

- To provide direct enterprise assistance in order to enhance performance of domestic SMEs enabling their inclusion in the global supply chain;
- To expand the scope and outreach of the programme (Phase 1) to upgrade competitiveness of an increasing number of target companies in India;
- To ensure sustainability of the programme and build a pool of well trained national engineers.

The criteria for participation in the training programme are as follows:

- Turnover: up to Rs 500 Mio (US\$ 11 Mio);
- Member of the Automotive Component Manufacturers Association (ACMA), or supplier recommended by an ACMA member company;
- Commitment to participate regularly over full training period and to attend all 30 review meetings;
- Discipline to participate regularly and to attend monthly review meetings over 30 month training period “very religiously”.

Essentially, the project consists of a 30-month long training programme delivered to selected participant companies through industry counsellors. The training comprises of 5 elements:

- Class room training for company employees conducted by the counsellor in the respective region;
- Shop floor visits with “hands-on” instruction by the counsellor;
- Monthly review meetings to monitor progress;
- Visit to other participant companies in the “cluster”;
- Exposure visits to model companies to observe best practices in the industry.

The project design is based on the principle of squeezing increased levels of productivity without adding new costly technology, except for quality assurance purposes.

Implementation

The project was implemented so far in three phases:

Phase	Period	Project No.	Type of Phase	No of Firms participating
I	2001-2002	1999-2000	Pilot Phase	20 firms
II	2002-2004	XP/IND/02/009	Implementation	40 firms
III	2004-2007	SF/IND/04/002	Expansion	58 firms

While Phase I was a limited intervention with only 20 firms in the Western region participating, Phase II started in 2002 with 40 firms from the Southern region for originally intended 3 years. Upon the request of the Government of India and based on the recommendation of the CSF Steering Committee, the project has been scaled up in 2004 (Phase III) to include 58 additional enterprises, totalling 95 units at present (3 drop-outs). The employment size of participant companies ranges from 25-600 employees.

The monitoring system is based on a mandatory monthly response from each company to a list of 7 key enterprise performance and quality measures, e.g. number of defect parts per million (ppm), labour productivity, stock turnover, delivery schedule achievement, overall equipment effectiveness, value added per employee cost, and floor space utilization. However, social development indicators are not covered, despite the declared focus of Phase II (increased) on corporate social responsibility and poverty reduction.

Results

A total of 95 ACMA member companies participated and benefited from the training programme.

An impact assessment of Phase II of the UNIDO Partnership Programme was conducted in February 2006 by Pricewaterhouse Coopers on the request of the Indian Government.

According to the PWC report (2006) sales turnover of most companies increased significantly and new customers were added. The competitiveness of the Indian automotive parts sector improved considerably (see PWC report for details on the performance on the seven indicators listed above).

The Automotive Component Manufacturers Association (ACMA) has established a dedicated technology advisory section with 8-10 staff members providing technology-related services to its members.

Possibly as a result of the project services ACMA has increased membership from 400 (2004) to currently 512 member companies (2006), 115 of which have been covered by the project.

Sustainability

According to the PWC report (2006) the project's training programme has enhanced the performance of the participating companies in the short run. However, "it remains to be seen if these firms will be able to sustain the improvements achieved over the course of the programme in the longer run".

Demand from ACMA members continues to be very strong. The fees for the UNIDO Partnership Programme are pegged at 0.3% of the respective company's sales turnover, up to a maximum fee of US\$ 10,000. The cost for the training programme per participant company is currently calculated at US\$ 11,000, hence the project is about to break even.

However, the project so far has not managed to train a sufficient number of national engineers as industry counsellors to sustain or even expand the training programme. According to ACMA the shortage of high-calibre counsellors is the major bottleneck for a successful expansion of the project. More so, without training and grooming additional counsellors, the project runs a serious risk of losing its few engineers to the private sector who is keen headhunting qualified and experienced engineers.

According to the project coordinator, the National Manufacturing Competitiveness Council and the DIPP intend to replicate the project approach by broadening a similar training programme for other sectors through the respective industry associations.

Relation to the CSF

This project is one of the few cases in India where the CSF played a decisive role in its development. Based on an initial request by ACMA, the CSF Monitoring and Advisory Committee (MAC) recommended scaling up the project and including more companies in the training. The Government Department of Heavy Industries then applied for an extension of the project in 2004.

There was also significant interaction with other UNIDO projects in India:

- The former UNIDO Representative took the initiative to have industry counsellors of the automotive project trained by the National Cleaner Production Council (NCPC) on waste reduction, and have content incorporated into the automotive training manual.
- The hand tool project had requested assistance in training hand tool manufacturers along the lines of the Automotive training programme; however, the request was declined due to shortage of manpower.

UNIDO value added

UNIDO's input was apparently concentrated during the initial concept phase; however, the training contents and methodology were developed by the Confederation of Indian Industries (CII). Apparently, there is little innovation in the training programme during phases II and IIA. Project documents have largely been copied from one phase to the other without much modification (except for expansion).

Recommendations

- The project should continue providing basic courses for other interested ACMA members, if necessary, provide subsidies for smaller firms; however, UNIDO should phase out support for basic training.
- As a matter of urgency the project needs to train more industry counsellors:
 - domestically for ongoing basic training courses;
 - internationally for new advanced training content.
- UNIDO may assist ACMA in training of counsellors for advanced training in new concepts (e.g. value stream mapping).
- The Indian Government may continue to assist ACMA by institutionalising the project as a public service institute. If this is not feasible, the project services should be commercialised along the lines of private Business Development Services (BDS) providers.
- UNIDO and the Indian Government should replicate the training approach in other industry sectors (e.g. hand tool sector).

4.2 Component 2: Promoting foreign direct investment

The overall objective of this component stated in the CSF document was “the promotion of sustainable inflows of foreign direct investment (FDI) into India in general, and to enhance international linkages of Indian industry through joint ventures, equity participation and business alliances in particular”. Furthermore the promotion of technology transfer through investment flows was stated as an objective.

While the FDI growth in India has been significant throughout the last years (40% in 2005), the total stock of FDI remains at a rather low level of 1% of GDP, compared to 3-4% in China⁵. This explains the priority assigned by the Government to further promote FDI in India through Government initiatives and makes UNIDO assistance in the area of investment promotion, in general, relevant.

⁵ Economist Intelligence Unit, Country Report India, December 2005

However, projects visited during the evaluation mission did not show evidence of their effectiveness so far. No direct increases in investment flows have been demonstrated and no significant results in the area of capacity building were reported. The same is true for the promotion of technology transfer, since in none of the sample cases of initiated investment cooperation technology transfer played a role.

Both projects showed that UNIDO, in the field of investment promotion, competes directly with private consulting firms (e.g. Ernst & Young or Price Waterhouse Cooper) in the provision of services such as preparation of promotion materials, organisation of promotional events, preparation of investment profiles.

Overall it appears that the definition of the component is too broad and fails to establish a clear strategy for UNIDO assistance in the area of investment and technology promotion.

4.2.1 Sample Project 1: Vibrant Gujarat: Global Investors' Summit

Background

<i>Project number</i>	<i>Title</i>	<i>Allocation (US\$)*</i>	<i>Actual expenditures (US\$)*</i>	<i>Planned duration</i>	<i>Start date</i>	<i>Completion date</i>
US/IND/03/068	Vibrant Gujarat Investor's Summit	222,689	222,305	17 months	21/11/ 2003	27/9/2006

* excluding project support cost, source UNIDO Infobase 31 December 2006

This project was the last in a series of 9 UNIDO interventions of similar nature in cooperation with the GOI and a number of state governments within the period 1994 - 2003. Prior to the present project, an India Intechmart was organized in Ahmedabad, Gujarat in 1998.

The project was formulated following a request from the Government of India and the Government of Gujarat. The originally foreseen budget of US\$ 176.500 was later increased to the amount stated in the table above.

The immediate objective of the project was to "increase and facilitate the flow of resources needed to further stimulate industrial development in the state of Gujarat". The project strategy included promotion of investment proposals through the UNIDO ITPO (Investment and Technology Promotion Offices) network, preparation of promotional material and assistance in organizing the Vibrant Gujarat investors' summit, which took place in Gandhi Nagar, Gujarat 28-30 of September 2006.

The project was funded entirely by Indian IDF funds. The project funds were complementary to the resources provided directly by the Governments of India and Gujarat for the investors' summit, which were in the vicinity of US\$ 1 million. The main counterparts of the project were the Industrial Extension Bureau of the Government of Gujarat and the DIPP at the national level.

Relevance

FDI inflows in India are concentrated in four out of India's 29 states. Gujarat is one of them⁶. Industry contributes about 39% to the GDP of Gujarat with an annual growth rate of 18% (2004 to 2005). Gujarat hosts 171 industrial estates and ranks 2nd in state-wise percentage share of net value added by manufacturing in India⁷.

This relative and absolute high level of industrial development and dynamism raises the question whether UNIDO's support should concentrate on a region, where the market dynamics seem to be sufficient to take care of business. It could be argued, that UNIDO's continuous support prior to the project had contributed to creating this dynamism. However, it seems highly unlikely, given the limited amount of resources deployed in a number of small-scale projects, that UNIDO assistance has played a significant role. This is supported by the fact that Gujarat has a long track record of being one of the most dynamic regions in India. Government officials met during the evaluation did not see a direct relationship between UNIDO's support and the investment dynamics in the region.

The lesson to be learned from this experience seems to be that UNIDO needs to apply different strategies for different levels and dynamics of industrial development in a certain region. Where growth rates and levels of industrialization are already high, generic support to spur growth at the state and sectoral level should not be the first priority. Instead, UNIDO cooperation in such situations should clearly and explicitly focus on less developed sub-regions or on such systemic bottlenecks that impede the industrial development from reaching the poor parts of the population.

Summing up, it can be said the project, while highly relevant to the Government of Gujarat, was not relevant for UNIDO assistance.

Ownership

It is likely that UNIDO has had a significant role in establishing the investors' summit tradition in Gujarat. The Intechmart in 1998 was the first Global event of its kind in Gujarat. In this respect there is strong ownership of the concept with the main counterpart. However, it should be noted that this is not a result of the present project, which was implemented at a later stage.

Design

The project design included 4 major outputs:

1. 100 industrial investment project proposals identified and prepared;
2. set of promotional materials prepared;
3. increased awareness of the international business community about investment and technology transfer opportunities in the state of Gujarat;
4. organization of Vibrant Gujarat: Global Investors' summit.

⁶ Economist Intelligence Unit, Country Report India, 2005

⁷ Doing Business in Gujarat, Government of Gujarat, Ernst & Young, 2006

These outputs, however, were not expected to be produced mainly by UNIDO but by the state counterpart agency. The only UNIDO activity within output a, for example, consisted in establishing linkages between the INDEXTB website and the UNIDO website with regard to investment proposals identified and prepared by the INDEXTB. From the project document it cannot be seen which outputs were supposed to be produced by UNIDO. The same is true for the activities to be carried out. In most of the cases it assigns outputs and activities to “GOI, UNIDO, FICCI, State Govt.”, i.e. to the whole group of main stakeholders without explaining who was supposed to do what.

As a result, the project document does not clearly reflect the main activities and outputs produced by the project. It suggests a comprehensive intervention centred on a large number of investment proposals to be generated within the project, while in reality the core activity of the project was the organization of the missions of Indian delegations to a number of countries.

Most importantly, the project does not contain any strategy for lesson learning and replication of pilot experiences in other regions.

Implementation

As shown in table 5, the project budget was largely (90%) used for sundries and hospitality. The bulk of this amount was spent for travel of counterpart staff to different countries to promote Gujarat as a destination for FDI in general and a number of concrete investment proposals in particular.

Only 3% of the inputs were used with a certain capacity building element for a short-term (1 month) delegate programme to the ITPO Tokyo.

Table 5 – Use of project resources (US/IND/03/068)
(as reflected in UNIDO Infobase in US\$)
As of 31 December 2006

	Expenditure	% of total
UNIDO Staff travel	13,677	6%
Fellowships	6,997	3%
Sundries	192,147	86%
Hospitality	9,500	4%
Total	222,306	100%

The outputs foreseen in the project document were largely produced as planned, but with limited value added from UNIDO. No indicators for measuring the effectiveness of the project were included in the project document and no adequate monitoring was carried out by the project manager with regard to the outcomes of the project, in particular as far as investment flows are concerned. The list of Memoranda of Understanding (MOUs) presented in the annex of the self-evaluation report is not an adequate indicator for effectiveness (see also remarks under “results and sustainability”).

Results and sustainability

The self-evaluation report dated 19 June 2006 states that the project purpose has been achieved and refers to a list of MOUs signed during the Vibrant Gujarat event between potential investors and the Government of Gujarat. A visit of the evaluation team to one of the companies listed showed that there was no causal relationship between the investment decision and the project activities. Thus it is questionable, and rather unlikely, that the project purpose to increase the flow of resources has been achieved.

The reports about the visits of high level Government and private sector representatives to a number of countries (USA, Canada, Japan, South Korea, Australia, Switzerland and the UK) are limited to a description of the meetings carried out. No reports are available regarding the direct results (e.g. investment deals concluded) of these missions.

The self-evaluation report also states that the project results are sustainable, since the counterpart agency continues to apply UNIDO methodology for their investment promotion activities. This has not been confirmed during the meeting of the evaluation team with the counterpart agency. It is also not clear which methodology the report refers to, since it is not mentioned in the project document or in the reports. Furthermore no capacity building element (e.g. training) was part of the project. The counterpart agency explained that in future events more emphasis will be put on individual meetings with potential investors, in stead of high level meetings with representatives of public and private sectors.

The report from the delegate to Japan expresses satisfaction with the programme. An extensive list of contacts shows that the programme was used to raise awareness about Gujarat in Japan and to prepare the ground for increased Japanese investment flows.

The project was identified, planned and implemented in an ad-hoc manner. It is likely that the benefits of the resources invested in this project could have been much larger had the project formed part of a clear strategy of UNIDO assistance in the area of investment promotion in India and had they been invested in capacity building instead of direct assistance.

Relation to the CSF

The project, based on its overall objective to increase investment flows, clearly fits into the thematic and regional priorities as well as the overall objectives stated in the CSF document.

While the project document refers to the CSF and its component 2, investment promotion, there is no evidence of any linkages or synergies with other projects or activities under the CSF during design and implementation.

UNIDO value added

The project is a complementary activity to the organisation by the state Government of a Global Investors' summit. As such it would be expected that the contributions from UNIDO do add specific value within UNIDO's core competence and that cannot be provided locally. While the travel of Government officials and representatives of business organisations could be an appropriate strategy to add UNIDO value, this has to be questioned in this case for two reasons: first, there is no evidence that the travels carried out have led to new investments in Gujarat. Neither did the counterpart organisation know of such effects, nor are they reflected in the available monitoring reports. Second, it is likely that the travels arranged under this project could have been carried out by the counterpart organisations (INDEXTB, FICCI) without UNIDO assistance: half of the visits carried out were to Indian consulates or institutions like the Indo-American Chamber of Commerce and Industry, hardly contacts that would depend on UNIDO to be established.

The value added derived from the promotion of investment proposals through the UNIDO network remains unclear since no reports are available with regard to the effectiveness of such promotion.

This suggests that the main advantage of UNIDO assistance in this case consisted in the greater administrative flexibility of UNIDO project funds as compared to Government funds, in particular as far as travel to foreign countries are concerned. While this might be a very convincing argument for using UNIDO services from a pragmatic point of view, it is not in line with UNIDO's mandate as a specialised agency, which aims at providing specific know-how and technical assistance.

The delegate programme to the ITPO Tokyo added specific value from UNIDO by providing a good platform for the delegate to establish ample contacts with potential investors in Japan.

It should be noted that the latest business promotional materials for Gujarat⁸ were prepared by a private consulting firm directly recruited by the Government of Gujarat. The same firm also organizes the next investors' summit to take place in 2007. This clearly illustrates, that there is no need for UNIDO assistance in this type of services. The market provides high quality services and the capacity to contract these services is well established in the Government of Gujarat. For obvious reasons, UNIDO should not be competing with private consulting firms.

⁸ Doing Business in Gujarat, Government of Gujarat, Ernst & Young, April 2006

4.1.1 Sample Project 2: Investment Promotion Component Orissa

Background⁹

<i>Project number</i>	<i>Title</i>	<i>Allocation (US\$)*</i>	<i>Actual expenditures (US\$)*</i>	<i>Planned duration</i>	<i>Start date</i>	<i>Completion date</i>
TF/IND/03/002	Project to support implementation of GoO Industrial Policy Resolution 2001 – Investment Promotion Component	829,471 (planned: 979,471)	602,948 (including 29,006 current year obligation)	3 years, extended to 4 years	1 Dec. 2003 (first PAD date)	ongoing

* excluding project support cost, source UNIDO Infobase, 31 December 2006

The Industrial Policy Resolution 2001 (IPR) of the Government of Orissa (GoO) was developed with the support of UNIDO (preparatory assistance TF/IND/01/001), UNDP and the Department for International Development of the United Kingdom (DFID) in the period January to June 2001 and entered into force in December 2001. The Department of Industry (DOI) of the GoO requested assistance in the implementation of the IPR. In response, UNIDO and DFID initiated programming activities including extensive consultations with key stakeholders in the public and private sectors.

The result was a comprehensive support programme consisting of 7 components, all of which were originally planned to be executed by UNIDO. At a later stage only two components, namely Cluster Development and Investment Promotion were retained for UNIDO execution. Both components were entirely funded by DFID. The overall guidance for the implementation of the 7 components programme was to be provided by the DOI and DFID.

The overall objectives of the entire programme were threefold: streamlining structures, improving the regulatory environment and improving Government capacity.

The original strategy of the IP component was based on the establishment and build-up of capacity of the “Orissa Investment Promotion Agency (OIPA)” within the GoO. This plan was revised during a participatory workshop in January 2005 in Puri, Orissa, which recommended establishing instead the “Team Orissa”, a network of existing government and private sector entities. The main emphasis of the project remained on capacity building but a stronger mandate to promote industrial diversification in Orissa was introduced.

The main counterpart for the project is the state agency for investment promotion “Industrial Promotion and Investment Corporation of Orissa Ltd.” (IPICOL) and the Department of Industry of the GoO.

⁹ Refer also to the background section of project TF/IND/04/048

Relevance

The project was formulated on the basis of the Industrial Policy Resolution 2001 of the State Government. The activities foreseen in the project document correspond to the priorities established in the policy resolution.

The overall goal of the investment promotion component is stated in the original document as “Government capacities for attracting foreign and large domestic investment enhanced“. The document establishes the relevance of the investment promotion component on the basis of the following factors:

- A lack of FDI in Orissa, which as a poor region has been bypassed by the India-wide trend to increased FDI inflows;
- A believed good potential for FDI in non-traditional sectors, such as tourism, marine products, downstream mining, crafts and agro-processing;
- The main inhibiting factors being related to the lack of capacity of the public sector (no strategy and vision, no investment promotion activities, lack of supportive institutional environment, lack of networking of Govt. agencies with companies and other public sector institutions).

This analysis seems to fall short of considering the fact that inhibiting factors, especially in a less developed region such as Orissa, are not limited to a lack of public sector capacity to attract investment. Important shortcomings might also be poor infrastructure (road, ports, air) the availability of basic inputs such as water and electricity as well as qualified human resources, among others.

However, on the positive side, the Industrial Policy Resolution 2001 contains a commitment of the GoO to address the infrastructure problem and the IPR support programme includes a component for the promotion of public private partnerships (PPP) for infrastructure development. The Investment Promotion component introduces a phased approach, starting promotional activities for some strategic sectors first, before investment into PPPs and mining support services will be promoted in phase 2. The question remains, in how far persisting bottlenecks in terms of physical infrastructure, availability of basic production inputs and availability of adequately qualified human resources will represent a barrier to attracting new investments, thus reducing the immediate relevance of the promotional activities. Monitoring of the effectiveness of promotional activities should be carried out to ensure continued relevance of the approach and sector selection.

The Strategic Business Plan Framework (SBPF) for the planned investment promotion agency was elaborated one year after project implementation had started. This document established a clear priority on promoting an “Industrial Diversification Agenda” attracting investments in sectors like fisheries, agro-industry, IT and tourism, thereby increasing the overall relevance of the project. However, it can be assumed that investments in such sectors are rather medium scale investment projects, which differ from the traditional large-scale investments (mostly mining) in so far as they are affected to an even larger extent by the above-mentioned constraints in the framework conditions. While the industrial diversification element introduced in the SBPF is considered highly relevant, it

has still to be demonstrated that the project has the capacity to achieve progress towards this goal.

The relevance of UNIDO support for generating additional large-scale mining and heavy industry investments is bound to be limited, given the long experience of Orissa with such kind of investments and the fact that such investments do not take the typical route of a UNIDO promoted investment proposal (e.g. ITPO network). Nevertheless, the increased capacity of Team Orissa in facilitating investments can be regarded a relevant contribution to an increased investment flow also in these areas.

Summing up, the objectives as well as the capacity building approach of the project can be considered relevant, since it aims at bringing more diversified industrial development to a less developed region and other interventions, related to the project, provide support to improve the framework conditions for investment.

Ownership

Ownership with regard to the concept of Team Orissa was found to be high within the State Government counterpart agency IPICOL and the Department of Industry of the GoO. The workshop organised in January 2005 in Puri contributed significantly to this by applying a participatory approach to the definition of Team Orissa. The concept of Team Orissa will also figure prominently in the new Industrial Policy Resolution 2007.

Design

The design of the programme was a lengthy process. Joint UNIDO/UNDP/DFID missions were carried out in March and April 2002 and resulted in a draft programme document designed jointly by DFID and UNIDO, which originally foresaw the execution of the whole programme by UNIDO. The final version of the document was approved in October 2003 only.

The format used for the investment promotion component was not the UNIDO project document format and did not clearly describe outcomes, outputs and activities. The logical framework table includes very generic indicators without setting clear targets (e.g. number of investment proposals released for promotion). No budget sheet was attached to the project document apart from the indicative budget for the overall programme. The document does not state the kind and quantity of inputs expected from the State Government. In a capacity development project this must be considered a major shortcoming.

The causal relationship between the project purpose (enhanced Government capacity in investment promotion) and the overall programme goal “higher and pro-poor economic growth and employment in Orissa”) is not evident, since no focus on pro-poor investments is included in the component’s strategy.

In February 2005 the design of the project was substantially modified (Puri workshop). The main output of the original document, the establishment of a new Orissa Investment Promotion Agency (OIPA) was changed to the creation of a network called “Team Orissa”

and a stronger aspect of industrial diversification was introduced. No relation was established between the output document of the workshop (SBPF) and the original project document. Thus, it was unclear which document provided the basis for evaluation and monitoring of project progress.

The Puri document consisted of the SBPF for Team Orissa and a section that identifies the priority sectors for investment promotion. This document is a very detailed and useful plan of activities. As such it is a good tool for project management and staff. However, the SBPF is not an adequate substitute for an updated project document agreed upon by all stakeholders.

Implementation

After signing of the project document in October 2003 funds for the project were released swiftly in December 2003. 2004 was a diagnostic, recommendations, and consensus building phase. This phase was developed with the support of a national Chief Technical Advisor (CTA) based in Orissa and three international consultants in the areas of investment strategy management, institution building and knowledge management. Approximately US\$ 90,000 was spent in that year. This phase resulted in the development of the UNIDO Strategic Business Plan Framework (SBPF).

In 2005 and despite the local support of the CTA, the project encountered numerous delays, mainly institutional and staffing in nature, which did not allow the implementation of the activities as planned. Based on a request of the GoO a UNIDO National Consultant was placed in the Resident Commissioner Office in Delhi to support ongoing promotion activities.

Finally, in December 05, effective implementation of the SBPF started. The GoO appointed Executive Director assumed his function shortly before that. At that time approximately US\$ 356,000, some 40% of the total allotment, had been spent.

Table 6 – Use of project resources (TF/IND/03/002)
(as reflected in UNIDO Infobase in US\$)
As of 31 December 2006

	Expenditure	% of total
International Experts	255,592	42%
National Experts	114,190	19%
Short Term National Consultants	10,868	2%
Other Personnel Cost	46,318	8%
Training	5,872	1%
Contracts	55,587	9%
Equipment	42,016	7%
Sundries	72,508	12%
Total	602,948	100%

The monitoring of project progress during the first two years of project implementation (2004 and 2005) was not effective. Only very few reports exist and they do not follow an appropriate and systematic format. Neither the evaluation team, nor the donor could obtain a clear picture of the project activities during the first two years of the project (2004/2005). It is questionable, whether during that phase there was a need to have a CTA in place.

The monitoring improved when SBPF implementation started in 2006. A systematic planning and follow up of activities was introduced using a format based on the SBPF and the objectives and activities established therein. The format is being used twice a year to monitor project progress and to adjust the work plan of the coming half-year.

The national stakeholders did not know the detailed overall budget of the project until very recently (a budget of local available resources was provided). This inhibited a participatory approach to decision making in the project. Not surprisingly, the State Governments' expectations, at the time of the evaluation, differed in some points from the UNIDO implementation strategy (e.g. production of first class promotional material, less international experts employed in the project).

The SBPF did not establish a relation between activities and budget resources. This left unclear to which extent the business plan could be implemented with the remaining resources.

Results and sustainability

During the first two years of project implementation (2004 and 2005) no significant results in terms of capacity building and investment promotion were produced. The main achievement of this project period is the SBPF, which continues to be the main reference for the projects' and Team Orissa's activities.

During the first year of effective implementation (2006) outputs for capacity building have been produced by the project (two delegates have been trained in ITPO UK, exposure visits of Team Orissa/GoO officials to international investment seminars were organised, training was given to IPICOL/Team Orissa staff, TOR for staff developed, action plans prepared, etc.). These efforts have led to an improved institutional capacity of Team Orissa, reflected by the general appreciation of its services by investors met during the evaluation mission.

In terms of investment generation no significant results were reported. This is hardly surprising due to the long consultation period in 2004, the delays in implementation of the project in 2005 and the difficulties faced in mobilising State Government contributions to the project (the Executive Director assumed his functions only late 2005).

During the first two years of operation, instead of focusing on capacity building, the emphasis seems to have been more on direct assistance in handling the growing workload of facilitating investments in sectors such as mining and metal processing industries. Thus, the results in terms of capacity building and industrial diversification in this phase are very limited. A clearer distinction between the project's tasks and the daily operation of IPICOL seems to be necessary, in order to ensure that the project's main focus keeps being on capacity building, diversification and such investments that complement the ongoing investments in mining.

So far the project has provided services and activities mainly in the field of escort services for mega investment projects, mostly in the traditional sectors (mining, metallurgy). Few other services (e.g. promotional events, direct targeting, opportunity studies) have been provided so far.

In contrast with original plans, Team Orissa has not been established as an independent legal entity. The staffing situation of the secretariat of Team Orissa remains below the original plans to assign 20 staff.

Initial promotional activities have been carried out in cooperation with the ITPO UK and at the local and national level. The bulk of investment proposals dealt with in this context are in the field of traditional industries (steel, aluminium, mining, cement) and large-scale investments. So far no diversification effect of the project is visible. However, during 2006 a number of initiatives have been taken up (e.g. promotion of investment in fly-ash based cement production, promotion of a fish processing plant for venture capital funding through ITPO UK). Given the short duration of “effective implementation”, it is too early to assess the effectiveness of these initiatives.

Sustainability

With regard to the human resources of Team Orissa the evaluation team did not obtain clear evidence of how many staff (full time equivalents) are available in the Team Orissa secretariat. There were indications that the current staffing was not sufficient (in quality and quantity).

The expected end of project situation as stated in the original project document foresees that “the State Government will ensure the continued operation of the Orissa Investment Promotion Agency through regular budget allocations for its promotional work”. So far the contributions provided by the State Government to complement the project resources (approximately US\$ 50,000 for support to the Delhi office and US\$ 80,000 to IPICOL) have not reached a level that would allow full-continued operations after the project end in 2007.

These issues suggest that a clear Government commitment regarding resources and staffing of the Team Orissa secretariat is needed to ensure sustainability of the project’s work.

Furthermore, the bulk of project resources had been spent prior to the effective set up of Team Orissa. Thus it is questionable, whether remaining project resources will be sufficient to establish a sustainable investment promotion capacity in Orissa.

Relation to the CSF

The overall objective of the project clearly fits into the strategy of the investment promotion component of the CSF. No linkages to other UNIDO projects were established in the project document, not even with the Cluster component of the Orissa programme. During implementation no linkages with other UNIDO projects were established.

UNIDO value added

Value was added by UNIDO in the design stage, contributing substantially to the programme document.

Value was also added by assigning highly qualified and experienced international consultants to the project, which resulted in the 3-year business plan of Team Orissa.

So far no substantial value was added through the ITPO network of UNIDO, while some initial cooperation has taken place with ITPO UK and ITPO Tokyo, which is likely to add value in the future.

Recommendations

- The project manager who was responsible for this project since its inception is leaving UNIDO HQ for a field assignment. The evaluation team believes that this project will require intensive backstopping in the coming year, which cannot be provided by somebody as a secondary activity. Thus, UNIDO should nominate as soon as possible a new project manager at Headquarters.
- The staffing requirements of the project, including national project staff, international experts and staff provided by the Government of Orissa for the operation of the secretariat of Team Orissa should be revised as soon as possible.
- A clearly structured, concise document, containing objectives, outputs and activities of the project as well as measurable indicators should be elaborated as soon as possible and agreed upon by the UNIDO project manager, the Donor and the State Government. The document should serve as a clear guide for the CTA and the counterpart for monitoring and steering of the project.
- The project budget should be revised in light of priority activities to be carried out with remaining project funds. A concise budget sheet should be elaborated based on the activities contained in the business plan and indicating the sources of funds, in particular UNIDO and State Government.
- The implementation of a delegate programme should be given due consideration to increase value addition through the UNIDO ITPO network.
- Emphasis during the first two years has been on facilitation and support to prospective investors rather than on promotion and capacity building. This should be avoided in the remaining project period.
- The expected contributions of the State Government to the sustainable operation of Team Orissa should be specified as soon as possible in terms of staffing and funds.
- Adequate training should be provided to Team Orissa staff with regard to environmental and social safeguards for different types of investment projects.

Remark:

After the evaluation mission a delegation of the Government of Orissa, in a visit to UNIDO HQ, brought to the attention of the evaluation team that very promising results are currently materialising as a result of this project. Among others, investments in fly-ash/cement production are seen as a direct result of the project's active promotion activities. Furthermore, a new IPR has been published, reflecting a very strong ownership of the Team Orissa concept by the GoO. While these developments happened after the evaluation, it should be noted that the evaluation team takes these as indicators for improving effectiveness and ownership of the project.

4.3 Component 3: Promoting cleaner and environmentally friendly technologies and policies

The overall objective of this component stated in the CSF document was “to promote sustainable energy and environmental technologies and policies in a few key industrial sectors”. The strategy to achieve this goal puts emphasis on economically attractive preventive approaches such as cleaner production, cleaner technology and environmental management. Furthermore activities in the area of ozone depleting substances (Montreal Protocol), sustainable energy (e.g. energy efficiency and conservation technologies) and bio-diversity conservation form part of the component strategy.

The above-mentioned elements of the component strategy are all highly relevant in the Indian context, given the rapid industrial growth in a number of development poles, which results in increased pressure on the environment and calls for external support to make industrial development more sustainable.

In terms of financial resources this component is by far the most important one. Most of the activities carried out under this component fall under GEF (29% of CSF total allotment), in particular the large project for Coal Bed Methane Recovery (DG/IND/04/952), and Montreal Protocol (18% of CSF total allotment).

While the Coal Bed Methane Recovery project was not covered by this evaluation, it should be noted that this large-scale procurement project has faced severe delays and difficulties along its implementation, which started in 1999 and is still ongoing. An external evaluation was conducted in November 2004 commissioned by UNDP, the GEF implementing agency of the project. The evaluation generated a number of lessons learned that seem relevant for the implementation of similar projects in the future, in particular with regard to project design and procurement procedures.

In spite of the problems mentioned above, the Coal Bed Methane project can be regarded a very relevant, innovative demonstration project for environmental technology. However, so far no direct results have materialised.

Out of the three projects selected for evaluation under this component (Energy Efficiency in Hand Tool SSI Sector, Cleaner Technology project, Cane & Bamboo Technology project), two proved to be effective and have produced good results. The third one (Cleaner Technology) suffered from limited relevance of its services to the target groups.

It has been noted that hardly any relations exist between the individual interventions under this component. Thus potential synergies (e.g. between the energy efficiency and cleaner technology projects) remain unexploited.

4.3.1 Sample Project: Energy Efficiency in Hand Tool Sector

National Programme for Promoting Energy Efficiency in Hand Tool SSI Sector in India (SF/IND/02/005 and US/IND/02/148)

Background

The hand tool sector in India lacks international competitiveness due to the longstanding protection under the old industrial regime, which reserved the sector for small-scale industries under a certain investment limit. The legacy of this policy is still visible, even though, in the post-reform period, the focus has changed from 'protection' to 'promotion' of the SSI sector through partial de-reservation, change of investment limits and incentives for improving competitiveness through technology upgrading and capacity building. As a result: "Technological obsolescence is one of the major problems, especially with the SSI in general and the hand tool tiny sector in particular due to lower investment compelling them to go for lower quality of traditional plant and machinery as also going for second hand machines. It results in reduced productivity and increased cost of production making them uncompetitive leading to lower demand due to the poor quality" (UNIDO project document 2002).

Technically obsolete machinery such as outdated hand tool furnaces waste a lot of energy, increase production costs and make units less competitive. Consequently, energy efficiency has received attention from policy makers, industry associations and enterprises as a possible means of enhancing competitiveness, conserving resources and environmental protection. The hand tool sector being highly energy intensive (according to project document 18-20% of total cost are accounted for by energy) and export oriented was identified for leveraging energy efficiency through cluster development.

Relevance

Besides the growing energy demand of the hand tool sector itself, there are increasingly energy shortages manifested in frequent electricity blackouts and rising energy costs, particularly for liquid fuels and gas, which have underscored the relevance of energy efficiency in industry.

The hand tool industrial sector is comprised of mostly small-scale and micro enterprises. Over the years the industry has undergone a rapid expansion. In Punjab (Jalandhar and Ludhiana clusters) there are an estimated 2500 small-scale and micro enterprises, i.e. 60% of total sector. In addition, there are some 800 hand tool units (20%) in Nagaur, Rajasthan, another 400 (10%) in Tumkur, Karnataka, and

the remaining 10% are spread all over India. The estimated total investment is US\$100 million and around 25,000 workers are employed in the hand tool industry.

There is a huge export market potential for hand tools from India. At the time of the project design (2002), the world trade in hand tools was estimated at US\$17 billion, expected to grow to about US\$100 billion over the next 10-12 years. Despite the size of the overall market, India accounted only for 0.4% of the world trade in hand tools. China and Korea are the main competitors. The project target was to achieve an export growth rate of 25% per annum, compared to an average of 17% annual growth in the previous years.

All company representatives interviewed by the evaluation team confirmed the relevance of the project. However, they also indicated that future needs are rather in the field of technology transfer, especially as far as raw materials savings is concerned (currently the average is 55% of raw material transformed into final product, while the international benchmark is 77%).

Ownership

The Office of the Development Commissioner SSI in the Ministry of Small Scale Industries is the national counterpart agency.

Other cooperating partners are the 'Central Institute of Hand Tools' (CIHT) in Jalandhar, Punjab, and the 'Hand Tools Design Development and Training Centre' (HTDDTC) in Nagaur, Rajasthan. They have been actively involved in the transfer of technology to participating hand tool firms.

The beneficiaries of the project are the energy-intensive and export-oriented hand tool SSIs based in the two clusters of Jalandhar and Nagaur, which constitute approximately 80% of hand tool units in the country. Naturally, they have a keen interest in the project.

Design

The project document proposes an integrated strategy of saving energy and raw materials, technology upgrading of production processes, improving the productivity and quality standards and economy of scale, which can make SSI enterprises competitive to meet the challenges posed by globalization.

The project with its two field locations in Jalandhar and Nagaur is coordinated by a project office in Delhi, which appears a bit top heavy for only two project sites outside Delhi. The national expert recruited to coordinate the project was an IAS

officer then on duty at the MoSSI; he had been involved from project formulation to implementation but left the project before completion when the leave of absence granted by his State cadre expired.

From the very beginning of project design it was realised that technology upgrading alone will not solve the comprehensive problem of lack of competitiveness of the hand tools industry, which requires a more holistic approach. As much as the entry point for working with the hand tool units was a focus on energy savings, a flexible and holistic implementation approach was applied adjusting to the diverse needs of target companies, e.g. the need for upgraded technology, improved manufacturing processes, quality assurance and marketing assistance.

Implementation

The project has changed focus from energy efficiency towards improved manufacturing practices, general technology upgrading and market development assistance.

Case Study: Hand Tool Cluster in Jalandhar – Findings

- Diagnostic study led to selection of 30 hand tool units in Jalandhar (and 10 in Nagaur);
- Energy audits have been conducted in selected hand tool units;
- Hand tool companies are also supported in implementing a quality management system (5S, 3M, Kaizen, etc);
- 10 units are being assisted in getting ISO 9000 certification;
- Technology upgrading: new CNC machines and forging press technology is being demonstrated at the Hand Tool Institute for emulation by hand tool units.

The widened focus of the project is appreciated; however, it remained at individual enterprise assistance and fell short of developing the hand tool clusters in Jalandhar and Nagaur in a holistic manner. Networking activities such as common raw material purchasing, joint marketing or the strengthening of industry associations were no expressed objectives of the project, but rather an unplanned, but welcome side effect.

Monitoring is done on the basis of project status reports, but lacks systematic data collection for pre-defined indicators.

Results

The project team jointly with the Central Institute of Hand Tool (CIHT) has been successful in demonstrating cost savings to the selected hand tool units in the areas of energy efficiency.

Some hand tool companies have started selling to China and African countries; some units supply European brand manufacturers.

In the project status of October 2006 energy savings were reported to be at 5% of total energy cost, or 2% of total cost of production. The productivity improvements are estimated to be 4.0% of production costs. The total cost savings in a typical assisted hand tool company across all its activities are estimated to be 8.6%. While this falls short of the goal set in the project document (15-20%), some future activities initiated by the project (introduction of press forging technology), could lead to an overall cost saving ratio as originally planned.

Furthermore, hand tool companies report an average increase in employment of 10%, which may partly be attributable to the increased competitiveness reported above, but are probably due to a generally favourable business environment.

Case Study: Hand Tool Cluster in Jalandhar – Outcomes

- Energy-savings in selected units: up to 25%;
- Some medium-sized units have installed new CNC technology for dye-making as demonstrated by the hand tool institute;
- Productivity / Quality Control: Most units have introduced improved house-keeping measures;
- Market awareness created during trade fair visits, but little response with regard to sales deals (MoUs);
- Unacceptable lack of occupational health and safety measures in both CIHT and hand tool units;
- Increase in competitiveness is reported.

Sustainability

The Central Institute of Hand Tools receives significant Government (MoSSI) funding for its operations, i.e. training of manpower and the purchase of up-to-date machinery. There is, however, a need for continued capacity building with regard to the demonstration of new technologies and their introduction in hand tool manufacturing units.

Currently, the mostly medium-sized hand tool manufacturers participating in the project pay 50% of the costs for the energy-efficiency, technology-upgrading and quality management services. Considering that these firms are thriving in a booming industry, full commercialisation of the project services appears justified for the better-off hand tool companies. However, there may be a need for continued subsidisation for the smaller beneficiary units.

Due to the absence of a Cluster Development Agent (CDA) little effort has so far been made to strengthen industry associations such as the 'Hand Tools Manufacturers Association', which cannot yet be expected to carry on the networking function of the project.

Relation to the CSF

The Project Coordinator participated in 2-3 meetings of the CSF Monitoring and Advisory Committee, which apparently led to some exchange of experience with the UNIDO Automotive Component Industry Project; however, this did not result in joint action with regard to the quality management training offered by both projects independently.

Due to his experience with holistic cluster development initiatives the UNIDO CDP Focal Point Coordinator was co-opted onto Hand Tools Project Steering Committee, however, the central role of a cluster development agent (CDA), a prominent feature of UNIDO's cluster development methodology, was not retained for this project.

UNIDO value added

UNIDO HQ's expertise in energy efficiency issues was used during the design phase of the project. The project document lists the project's objectives, outputs, activities and budget figures in great detail, but formulates only few outcome and impact indicators.

There is no linkage at the planning stage with other ongoing UNIDO projects, particularly the cluster development initiatives listed in Chapter 1, e.g. the Jalandhar Sports Goods Cluster assisted under project No.US/IND/01/193.

Recommendations

- CIHT should continue to introduce new technologies to cluster units and demonstrate their benefits to the industry; however:
- The focus of activities should shift towards the smaller hand tool units in the two clusters.
- Medium-sized units that can afford to pay for commercial Business Development Services (BDS) will be required to do so; smaller units can be subsidized, if necessary;
- The project must introduce effective occupational health and safety measures in training and operations in order to continue qualifying for UNIDO assistance.

- In its productivity enhancement and quality management activities the project should link up with Automotive Component Project to share experience on management training and to learn from its commercial BDS approach (fees).

4.3.2 Sample Project 2: Cleaner Technology Promotion in India

Background

<i>Project number</i>	<i>Title</i>	<i>Allocation (US\$)*</i>	<i>Actual expenditures (US\$)*</i>	<i>Planned duration</i>	<i>Start date</i>	<i>Completion date</i>
US/IND/02/001	Cleaner Technology Promotion in India	1,450,463	750,504	5 years	April 2002	Planned 12/2006, ongoing after extension

* excluding project support cost, source UNIDO Infobase as of 31 December 2006

UNIDO assistance in the field of cleaner production in India initiated in the early 90ies. After demonstration projects the National Cleaner Production Centre (NCPC) was established in 1995, hosted by the National Productivity Council (NPC) in New Delhi.

The Cleaner Production (CP) concept includes various types of CP action, with technology substitution being one of them. At the enterprise level, the most frequent CP action promoted by NCPCs is so called “good housekeeping”, i.e. low cost, easy to introduce measures. In contrast to this, high-investment technology changes are more difficult to achieve. However, they harbour the potential for larger environmental and economic long-term effects on industry performance. Thus, CP professionals are eager to identify ways to convince firms to invest in cleaner technology.

Experience has shown that in most cases the introduction of new technologies is beyond the capacities of NCPCs. This has been confirmed by an in-depth evaluation of selected UNIDO activities on development and transfer of technology¹⁰, which identifies lack of funding for higher-investment solutions as the most important of several causes.

The present project was formulated to promote the adoption by Indian companies of cleaner technologies through a combination of several measures that should overcome the constraints faced by NCPCs. The original project idea and initiative came from the Swiss State Secretariat for Economic Affairs, which is also the donor of the UNIDO project and of a complementary bilateral project, through which the international expertise was provided by a Swiss international reference centre.

The NCPC India was selected as national executing agency. Together with its host institution they were the main operational counterparts in India. The DIPP as nodal Ministry for UNIDO cooperation was the overall counterpart institution.

¹⁰ UNIDO evaluation report ODG/R.11, 1999

A mid-term review of the project was carried out in November 2004 against the background of stakeholders' concerns that the project had not produced the expected results.

Relevance

The overall objective of the project, combining pollution reduction (not prevention!) and increased competitiveness of enterprises, as well as the selection of the two regions Karnataka and Gujarat, both regions with a relatively high level of industrial activity, was clearly relevant and in line with the component objectives and priorities established in the CSF document.

The industrial sectors selected (dye and dye-intermediates in Gujarat, automotive parts and energy co-generation in Karnataka) can be regarded relevant from the point of view of their environmental improvement potential. As the lack of results during project implementation indicates and supported by national stakeholders, the relevance of these sectors for technology import from Switzerland and other OECD countries was limited.

Cleaner technology (CT) is typically defined by contrasting it to end-of-pipe effluent treatment. However, the present project applies a much broader definition to cleaner technology, including also end-of-pipe technologies that lead to reduction of pollution at source (see page 9 of the project document). This reduces the relevance of the project for the objective of promoting preventive approaches, which is clearly the overall goal of UNIDO's cleaner production programme. However, this was not found to be a major problem for the national stakeholders.

The project focused very clearly on the transfer of technologies from Switzerland "or, if not available or not competitive, from other OECD countries" (see page 9 of the project document). This limitation reduced the relevance of the project significantly from the Indian stakeholders' point of view, since during implementation it became clear that in many cases other, non-OECD countries were more relevant as sources of technology.

Discussions with stakeholders showed that the underlying concept of CT remained unclear to most of them. In many cases it is believed that any modern technology would improve the efficiency of resource use as compared to outdated technologies, i.e. any new technology is a CT. It appears that this question is rather misleading. In fact what matters is whether the objective of a CT audit should be the possible environmental benefit or just the potential of the client to invest in new technology. Emphasis on the environmental benefits generated by CT is an imperative for the relevance of the project, and needs to be further stressed.

Ownership

With the exception of the limitation described above regarding the scope and definition of CT concept, the ownership of the objectives and methods applied (CT assessment and pre-assessment) was found to be good. The NCPC and service providers visited during the evaluation mission will continue to deliver CT services to their clients without UNIDO support.

Design

The project design was mainly done by the donor, SECO, who had identified the need for the project in the first place. The project foresaw a split into two parts: one part came under the “national coordination” of UNIDO. This referred to all activities carried out in India (i.e. those carried out by the NCPC and the local service providers. The second part was framed into a bilateral cooperation project managed directly by SECO. This part included the international expertise to be provided by the international (Swiss) reference centre. This model was expected, according to the project document, to provide greater flexibility as compared to a single project under UNIDO responsibility.

However, the lack of an entity with overall responsibility for the entire project led to inefficient communication between UNIDO, the Indian and the Swiss project teams, creating thereby a serious obstacle for efficient implementation.

The project document gives a very detailed and clear description of the project strategy and the organisation envisaged for implementation. Terminology does not fully correspond with UNIDO standard terms. However, objectives, outputs and activities are well formulated. No success indicators at the level of objectives and outputs are included. Instead, numerical goals for service delivery are set on an indicative basis.

Some of the implicit assumptions of the project, turned out to be unrealistic, given the lack of results in concrete technology transfer:

- Availability of relevant technology: Proven cleaner technologies were not available on the shelf as expected. The Swiss/OECD technology providers frequently cannot offer the type of technology required by Indian firms. Technology providers are not always willing to undertake the effort needed to adapt to Indian conditions or to combine parts of their technology with local inputs. The latter is frequently required because of cost considerations.
- Need for adaptation: In many cases a technology-gap exists between Indian enterprises (in particular if they are SMEs) and the Swiss/OECD technology providers. As a result, cleaner technologies cannot always be implemented without major adaptations (up- or down scaling). This might require even some research & development efforts.
- Focus on Swiss technology: the project document clearly emphasises Swiss technology as the preferred source of technology. The selection of only one international reference centre, based in Switzerland, ensured this preference. This narrow geographic focus translated into a major constraint for service providers vis-à-vis their clients, who expected different technology options to choose from.

Implementation

The project was approved in November 2001 by UNIDO and the first Project Allotment Document (PAD) was released in April 2002. The national project coordinator started his work in May 2002.

Table 7 – Use of project resources (US/IND/02/001)
 (as reflected in UNIDO Infobase in US\$)
 As of 31 December 2006

	Expenditure	% of total
International Experts	77,118	10%
Short Term National Consultants	239,700	32%
Other Personnel Cost	53,189	7%
Training	4,000	0%
Contracts	367,356	49%
Sundries	9,143	1%
Total	750,504	100%

As can be seen from table 7 close to 50% of project funds were used for subcontracts. Some 35 subcontracts were given to 10 local service providers, who delivered services (mainly CT assessments and pre-CT assessments) to enterprises. A distinction was made between first and second level service providers, with the first ones initiating the cooperation activities and then training further, second level, service providers to increase the project's capacity.

A rather complex system was developed to ensure that service providers received payments on the basis of services delivered. Companies were identified by the service provider; their relevance confirmed by the NCPC/UNIDO; the service was then delivered by the service provider; finally the company confirmed service delivery. Then UNIDO disbursed the agreed amount per service.

Two international experts were employed in the project. One carried out a mid-term review in November 2004. The second one was employed as a facilitator, following the recommendations of the mid-term review to facilitate the participatory re-design of the project strategy. No report of the facilitator assignment was made available to the evaluation team.

A national coordinator, one regional coordinator for both selected regions and some specialists (finance, CDM) were recruited to support the project implementation. Monitoring at the objective level (pollution reduction, enterprise competitiveness) has not been carried out.

Overall, the implementation of the project can be regarded as efficient, given the relatively high number of services delivered during the first two years of project implementation (e.g. 49 CT assessments and 82 pre-assessments, which corresponds to the planning figure of 105 assessments¹¹). However, efficient implementation was seriously hampered by the split of the project into a multilateral and a bilateral project without establishing an overarching entity that would have ensured coordination of both parts. Furthermore, the management of subcontracts for service providers could be more efficient if decentralised to the NCPC.

¹¹ see Progress report December 2004

Results and sustainability

While it can be said that the project has been carried out in a reasonably efficient manner (activities carried out as related to inputs, timeliness), the effectiveness stayed far below expectations. The following objective/outcomes/outputs were foreseen in the project document:

<p>Objective: To reduce environmental pollution and improve competitiveness of enterprises through adoption of CT</p>
<p>Expected Outcomes: (stated in project document as “strategic objectives”)</p> <ol style="list-style-type: none"> 1. Implant CT in a significant number of companies 2. Create institutional capacity to provide CT services 3. Analyse success factors for, and obstacles to, the transfer of CT
<p>Outputs:</p> <ol style="list-style-type: none"> 1. Project capacities and structures established 2. Consulting services of service providers used by Indian companies 3. Training services of service providers used by consultants and enterprises 4. Information about CT available 5. Report on project obstacles and enabling measures for CT

No data was made available regarding the impact in terms of pollution reduction and improved enterprise competitiveness. However, given the low number of actual technology transfers, the core expected outcome of the project and the most relevant for achieving direct impact, it can be said that the project objective has not been achieved so far.

Regarding the three expected outcomes of the project, good progress has been made towards outcome 2 and 3. 8 service providers were trained. Service providers interviewed during the evaluation expressed that through the project their capacities for CT assessments and technology transfer have improved.

Based on a mid-term review, a report on major obstacles and lessons learned was prepared and has been shared and discussed with project stakeholders. A facilitator was recruited to refocus the project together with stakeholders. However, no information was made available to stakeholders as to the results of this facilitation process.

As far as outcome 1 is concerned no single technology transfer has been concluded through the project mechanism, i.e. based on the technology sourcing through the IRC. Recently one interesting success case has been reported. A project for a common treatment and recycling plant for sulphuric acid has been developed together with the IRC for a chemical industrial estate in Ankleshwar (Gujarat)¹². Beneficiaries of this project expressed their satisfaction with the quality of services received through the project. Furthermore, the service providers have reported that the international floating of technology requests by the IRC has improved in quality and led to promising contacts in some cases.

It should be noted, that while no technology transfer has been achieved through the project (i.e. with the IRC), service providers have concluded technology transfers applying

¹² The issue of funding of this project has not yet been resolved.

their own technology sourcing (the NCPC reported 5 technology transfers concluded and 3 large scale projects worth US\$ 3 million in development). In this context, good results have been reported with technology transfer to groups of companies, based on a Cluster approach. Service providers recommend strengthening this approach. Good potential has also been reported for CDM projects.

Sustainability

Given the positive results in terms of capacity building the basis for a sustainable result of the project has been established. However, the project has not yet demonstrated that CT can be effectively promoted through the methodology applied.

Relation to the CSF

No relation to or interactions with other CSF projects were reported. However, there seems to be good potential for synergies with cluster development initiatives and investment promotion projects.

UNIDO value added

UNIDO has added value to this project through the methodologies applied for CT assessments and the efficient (under the given circumstances) administration and quality control of the national project inputs (service providers, national consultants).

International expertise did not come under UNIDO responsibility in this project. Also the overall coordination was not with UNIDO. At least the latter point should be changed to ensure effective communication between project stakeholders.

Recommendations

- The remaining funds should be used for a second phase of the project, which gives due consideration to the lessons learned so far, in particular with regard to the sourcing of technology through international reference centres, which should be chosen also on a case by case basis, if necessary.
- The envisaged focus on CDM projects seems to be valid and should be pursued.
- The next phase of the project should apply a cluster approach where this is relevant and viable. To this effect cooperation with the UNIDO Cluster programme should be sought and the experience of work in similar clusters should be taken into account.
- The potential for cooperation with the IPR programme in Orissa should be explored.
- UNIDO should appoint as soon as possible a new project manager at HQ with sufficient free capacity to implement this project. The UNIDO project manager should have the overall responsibility and authority for coordinating all project inputs, including the international reference centre(s). Ideally, the international reference centre(s) should be contracted by UNIDO, not the donor.

- The report of the facilitator and a proposed amendment of the project document should be made available to all stakeholders.
- Monitoring at the level of the objective and the outcomes, including definition of meaningful indicators, should be installed as soon as possible.

4.3.3 Sample Project 3: Cane & Bamboo Technological Upgradation and Networking Project (DG/IND/97/160)

Background

<i>Project number</i>	<i>Title</i>	<i>Allocation (US\$)*</i>	<i>Actual expenditures (US\$)*</i>	<i>Planned duration</i>	<i>Start date</i>	<i>Completion date</i>
DG/IND/97/160	Cane & bamboo technological upgradation and networking	1,504,233	1,472,967	32 months	7/2000	4/2004

* excluding project support cost, source UNIDO Infobase as of 31 December 2006

Traditional bamboo handicrafts and furniture has been produced throughout the North Eastern region for a long time. However, productivity remained low because of the limited knowledge, lack of skills and basic tools. Quality was generally poor due to several reasons: bamboo used for handicrafts and furniture is often not mature enough and not treated, poor processing and workmanship, and lack of finishing materials and skills.

In 1999, after initial discussions between the Indian Government and UNIDO, an intensive national consultation came up with recommendations for planning the development of the bamboo industry sector. It was in this context that the concept of a specialised institution dealing solely with cane and bamboo was conceptualised.

The Cane and Bamboo Technology Centre (CBTC) was set up at Guwahati with the aim of identifying and disseminating technologies for economic enhancement of crafts people and small and medium-scale entrepreneurs, and also to enhance the skills and quality of goods produced in the cane and bamboo sector of the North Eastern region. CBTC was also planned to strengthen the capacity of existing support institutions through networking and linking them with specialised institutions in India and abroad.

The institutional set-up was rather complex. In 2000 UNDP committed US\$ 1.5 million for the 'Cane & Bamboo Technological Upgradation and Networking Project'. The Department of Science & Technology (DST), Government of India, was the executing agency for the project and had therefore overall responsibility for the project to the Indian Government and the UNDP. UNIDO was assigned as implementing agency, while the North Eastern Development Finance Corporation (NEDFi) became the counterpart agency at local level, responsible for project activities through the Cane and Bamboo Technology Centre (CBTC).

Relevance

The project is highly relevant to Government priorities. Already in 1999 the Prime Minister announced a major initiative, indicating the commitment of the Government of India (GOI) to a comprehensive and integrated programme to promote and develop bamboo. GOI's expectation was that the up-scaling of the sector will open the doors for augmentation of economic opportunity, income and employment, in particular in the relatively less developed North-East where bamboo has the potential to be an important vehicle for sustainable and widespread economic development. This is reaffirmed with the intentions of the National Bamboo Mission (see below).

It is also highly relevant to UNIDO, since it contributes directly to the Millennium Development Goals, i.e. MDG 1 (poverty alleviation) and MDG 7 (Sustainable Environment).

Enterprises and Government authorities visited by the evaluation team confirmed the relevance and effectiveness of the CBTC as a source of know-how in technical as well as policy-related fields.

Ownership

The North-Eastern Council and the 8 state governments of the North-Eastern region (Assam, Meghalaya, Mizoram, Nagaland, etc) have a very strong interest in the project, since it offers an economic development strategy based on locally available resources. They have realised that bamboo and cane industries have the potential to transform the poor and less developed region.

Similarly, the National Government has recognized the relevance of the bamboo sector for employment generation and poverty alleviation. Ownership is good, but there are overlapping responsibilities between different government ministries. The Ministry of Agriculture has been assigned to be the nodal ministry for bamboo-related activities, in particular the National Bamboo Mission, while at the same time the DST remains in charge of the National Mission for Bamboo Application.

Design

The original project document was prepared by UNDP in the context of its Technology Management Programme without the participation of UNIDO. After UNIDO was chosen as implementing agency, some important changes were introduced following UNIDO advice. The document formulates objectives, activities and intended impacts, but lacks a clear-cut logframe with measurable indicators at all result levels.

The overall development objective of this project was the generation of income and the creation of employment opportunities for cultivators, craftspeople and small entrepreneurs in North East India. New knowledge and know-how was to improve their capabilities. Ecological sustainability through sustainable practices and management of resources was a second development objective of the project as it intended to promote ways in which the potential of cane and bamboo could be used to help conserving the fragile eco-system of the region. The project also wanted to

contribute to the realisation of the immense potential of cane and bamboo for propelling local economic development.

The immediate objectives of this project were enhancing access of stakeholders to advanced information, technology and know-how, and the establishment of a technological and resource network that facilitates technological upgrading, provides linkages with the market, financial and credit organisations and with other support agencies, encourages association and cooperation amongst sector constituents and offers a platform for the setting of agendas for research and support. The central element of this strategy was the setting up of the Cane and Bamboo Technological and Resource Centre (CBTC) in the region.

The CBTC objectives were to promote employment and income generation through making relevant industrial & craft technologies as well as business opportunities more accessible. The core of the project strategy is the strengthening of the institutional structure of resource centres in the region and upgrading the skills of entrepreneurs, trainers and craftspeople to achieve the widest possible dissemination. In order to achieve this objective, the identified centres will be equipped with appropriate resources (machines, tools and equipment for demonstration purposes, training facilities, etc.).

It appears that the range of possible interventions was too wide to be sufficiently focused, however, it is the very nature of an applied technology research project to identify the activities during the course of implementation. The document lacks concise definitions of expected results at all levels, which makes results-based management and monitoring almost impossible. The same applies for the project document for phase II, which was never approved and implemented (see 1.5 below).

Implementation

Despite (or rather because of) the rather vague project design, the CBTC has taken the opportunity to be a centre of creativity and innovation. The multitude of activities generated by the CBTC is very impressive.

The CBTC has experimented with various bamboo processing technologies, initially using imported machinery, but then adapting them to the characteristics of the harder Indian bamboo species. The CBTC has developed dozens of product prototypes, which can be taken up commercially by local entrepreneurs. The research, design and testing activities of the CBTC have been complemented by training for various types of users, dissemination of knowledge, as well as with interventions at policy level.

Since the start of the project in 2000 more than 2400 people (including 530 women) have been trained in 3-month courses in basic bamboo technology; during the actual project phase 900 participants were trained. Trainings had also been conducted for delegates from Nepal, Cuba, South Africa, etc, some of them facilitated by UNIDO, others arranged by themselves after having heard about the CBTC.

The overall activities of the CBTC resemble a technology-led cluster approach, i.e. facilitating backward and forward linkages of bamboo processing and manufacturing units. The project applies a value chain approach involving poor farmers in the pre-processing stages of the production of sophisticated bamboo products.

Table 8 – Use of project resources (DG/IND/97/160)
(as reflected in UNIDO Infobase in US\$)
As of 31 December 2006

	Expenditure	% of total
International Experts	185,230	13%
Administrative Support	32,836	2%
Short Term National Consultants	176,122	12%
Other Personnel Cost	98,327	7%
Project Travel	105,891	7%
Training	160,086	11%
Contracts	372,996	25%
Equipment	248,986	17%
Sundries	92,496	6%
Total	1,472,970	100%

Results

With UNIDO assistance the CBTC has moved the bamboo sector successfully from the traditional handicraft focus to a more industrial approach of manufacturing engineered bamboo products for various applications replacing timber.

Institution building of the project has been very good. The CBTC has developed into a well-known resource centre for bamboo technology, both nationally and internationally. The task for preparing the Detailed Project Report for the National Bamboo Mission was entrusted to the Cane & Bamboo Technology Centre (CBTC) in Guwahati.

The CBTC provided technical assistance and start-up support to more than 40 small and medium-sized bamboo processing and manufacturing enterprises. Products include bamboo flooring, furniture, building construction materials such as mats and boards, window blinds and miscellaneous handicraft products such as bags, table mats, incense sticks, etc. The evaluation team visited two medium-sized commercial production units and both were in their first year of operation. The entrepreneurs acknowledged the assistance provided by the CBTC in terms of technology selection, training, raw material supply, business plan preparation, marketing, etc. Innovative bamboo technology has also been used in housing construction and implemented in several tourist resorts of the North-East.

The CBTC has been active also in South-South cooperation, providing training in countries like China, Malaysia, Philippines. Also officials from Bhutan were trained

in the CBTC for capacity building purposes, with the CBTC charging fees for the training.

At the policy level state and national governments are now actively supporting the development of bamboo-based economic activities. The National Bamboo Mission, a comprehensive plan to develop the bamboo based economy, was prepared and funded. The expectations are high and the outlook is promising:

“The economic and social benefits from these activities have been worked out as 8.6 million job creation in the Tenth Plan, building up of 2 million ha bamboo resource and market opportunities worth Rs. 6500 crore (US\$ 1.4 billion) with an investment of Rs. 2600 crore, (US\$ 560 million) enabling 5 million families of artisans and farmers crossing the poverty line.” (Ministry of Agriculture 2005)

Sustainability

More than 2 years after project termination, which would have been the end of many other centres, the CBTC is alive and kicking. Work goes on with the financial support from the North-Eastern Council, even without UNIDO assistance.

The CBTC has put Bamboo on the political agenda, and its services are sought after by many institutions in India. There is a continuous demand for training from both inside India as well as from abroad, which is not only a sign for effectiveness, but also indicates sustainability.

In cooperation with GTZ a new training course was developed leading to a certificate of national recognition (approved by the Ministry of Employment and Training).

Some fees are charged for the services offered by the CBTC, but they are not fully covering the cost yet. The strategy of the CBTC for financial sustainability is a mixed one, charging fees wherever possible and mobilising government/donor funds for other activities.

Relation to the CSF

There were no significant linkages between the CBTC and other UNIDO activities within the Country Service Framework. Contacts with the Cluster Development Programme were attempted, but did not materialize.

The CSF was also of no use when an application for a project extension was rejected by the DIPP. There is no evidence that the proposal for a second phase was even discussed at the National Steering Committee. As a result, the CSF has failed to ensure the continuation of one of the most successful and promising UNIDO projects in India.

In 2004 the Ministry for the North-East had committed US\$ 700,000, but required an US\$ 300,000 contribution from the IDF. However, DIPP questioned the innovative character of the second project phase and considered it unnecessary.

Considering the truly innovative character of the project and the high importance that the Central Government attaches to both the development of the bamboo sector in general and the North East in particular, the evaluation team recommends approval of the second phase of the project. For the latter a revision of the document might be necessary.

UNIDO value added

UNIDO (and UNDP as funding agency) were the principal international partners. Value was added through contributions to the design of the project (in particular the emphasis on industrialisation of Bamboo as opposed to continued support to the handicraft sector), the linkages to international technology providers (INBAR, China) and intensive backstopping (three monthly steering committee meetings).

The CBTC values the UNIDO assistance for various reasons:

- UNIDO facilitated the initial exposure visit of government officials, entrepreneurs and UNIDO staff to China in order to study industrial processing of bamboo, which effectively kick-started the project.
- UNIDO's international network has enabled technology transfer and south-south cooperation between CBTC and similar institutions abroad.
- UNIDO's status as an international agency makes it easier sub-contracting foreign firms and bringing in international experts, and also allows duty-free import of machinery.
- UNIDO's status as an UN agency is helping the CBTC accessing rural areas where Government is unpopular for political reasons.
- The CBTC would appreciate linkages with UNIDO's cluster development programme (CDP) in order to develop rural clusters of bamboo growers and producers of semi-processed bamboo stripes.

Recommendations

- The project should be used as a model case for technology-led interventions.
- The proposal for the second project phase is strongly recommended for approval, subject to an updated revision in light of recent developments. It should be complementary to the activities and interventions of the National Bamboo Mission and the National Mission for Bamboo Application.
- Emphasis of future UNIDO support should be on innovation, strengthening of technological capacities and international exposure of firms and institutions.

- A possible future project should also cooperate with specialised agencies in the agricultural and agro-forestry fields (e.g. FAO) to address the supply-side issues of bamboo plantations and rural income generation.
- In order to access export markets there should be comprehensive testing facilities at the CBTC for assessing quality, environmental, health and other standards including CE compliance.
- The cane & bamboo technology subject could be included in the work plan of the envisaged South-South Centre. However, it is important to note that the South-South Centre should refrain from competing with the south-south cooperation activities of the CBTC. Technical cooperation flourishes best directly between the subject matter specialists without any additional layer of bureaucracy. The South-South Centre could be assisting in opening up new contacts and finance the costs of technology transfer as well as international training and exposure visits to and from India.

4.4 Component 4: Alleviating poverty and promoting industrial growth in less developed areas

The objective of this CSF component was “to provide support to the pressing objective of more equitable growth”. Under this component, UNIDO intended to concentrate its efforts on the relatively less advanced states of the country. The only project visited by the evaluation mission was the MSME cluster development project in Orissa, this itself being a component of the DfID-funded ‘Enabling pro-poor economic growth’ programme. The component objective is in line with most recent policy statements by the Planning Commission in its Approach Paper for the 11th Plan, i.e. that growth must be more equitable and broad-based than before. It could be argued that the objectives of UNIDO’s CSF have anticipated the policy developments in India by several years.

The Orissa CDP uses the same methodology as the cluster development projects reviewed under Component 1. It could have been easily subsumed under that component without any problems. Similar to the cross-cutting issues of poverty alleviation and gender equity UNIDO could then have a general focus on the economically less advanced states, as it is also foreseen by the latest UNDAF document.

4.4.1 Sample Project: MSME Cluster Development Programme in the State of Orissa (TF/IND/04/X48) - Component 5 of the DfID-funded 'Enabling Pro-Poor Economic Growth in Orissa' (EPEG) Programme

Background

<i>Project number</i>	<i>Title</i>	<i>Allocation (US\$)*</i>	<i>Actual expenditures (US\$)*</i>	<i>Planned duration</i>	<i>Start date</i>	<i>Completion date</i>
TF/IND/04/048	MSME Cluster development programme in Orissa	569,231	432,565	48 months	2/2005	ongoing

* excluding project support cost, source UNIDO Infobase as of 31 December 2006

Orissa is one of the poorer Indian states. The proportion of people below the poverty line is estimated at 48.6% compared to 26% for the whole of the country. Almost 90% of the poor live in rural areas and belong to scheduled tribes and castes (dalits).

The DfID-funded 'Enabling Pro-Poor Economic Growth in Orissa' (EPEG) Programme that was designed to tackle poverty in the state of Orissa holistically has 7 different components, of which UNIDO is responsible for the execution of the Investment Promotion component No. 3 and for the Cluster Development component No. 5.

UNIDO started implementing the cluster development component in Orissa in collaboration with the Government of Orissa only April in 2005 after a preparatory period of 1 year. Currently, UNIDO implements the CDP in three direct clusters, namely the Bhubaneswar-Puri-Konark stone carving cluster, the Barpali handloom cluster, and the Rourkela small-scale steel industries (SSI) cluster, with a fourth cluster (Non-Timber Forest Products) coming up later. In addition, UNIDO provides technical support to four corresponding Directorates of the Government of Orissa in implementing similar cluster development initiatives in up to 16 other clusters in Orissa under their respective jurisdiction.

Relevance

The relevance of cluster development projects in India in general has been highlighted in previous chapters of this evaluation report. Here, the relevance of two particular cluster initiatives of the Orissa CDP is explained:

Case Study 1 : Stone-Carving Cluster in Bhubaneswar-Puri-Konark (Direct Cluster)

- The cluster has about 60 craft production units with some 520 wage-employed artisans, in addition 330 household units, as well as 15 traders/bigger businesses with a total turnover of US\$ 550,000;
- The cluster contributes to significant Income generation for the poor;
- Self-help groups of artisans are serving both economic objectives and social ends (health, hygiene).
- There appears to be a significant domestic market for stone ornamental items like the replica wheel of the Kornak temple.

The stone-carving cluster supplies a countrywide demand for religious ornaments and employs hundreds of low-skilled rural people in non-farm jobs, underlining the relevance of the intervention.

Case Study 2: Pharmaceutical Cluster in Cuttack-Bhubaneswar (Indirect Cluster)

- There are 54 pharmaceutical manufacturers in the cluster with a turnover of US\$ 4 Mio, employing some 900 workers directly and another 500 persons indirectly;
- Cluster intervention deals with major threat to industry survival, i.e. enforcement of GMP (Good Manufacturing Practices) compliance;
- Hundreds of jobs were at risk due to the industry threat.

The project support came at the right time when most pharmaceutical manufacturers are battling with GMP compliance and are threatened to be forced out of business. The intervention is therefore very relevant for cluster survival.

Ownership

The Industrial Policy of 2001 of the Government of Orissa explicitly identifies the objective of encouraging clusters of small-scale firms engaged in similar lines of business. One particular line of business, which it identifies, is that of crafts based products. The cluster approach is considered to be the main strategy for promoting growth among micro and small enterprises. Paragraph 23 of the Industrial Policy states that the cluster approach will work with existing SME and micro-enterprise clusters in the state, as well as encourage new small firms to locate within clusters. It also specifies that the cluster approach will seek to develop common facilities that help cluster-based producers to improve and develop new skills and new products, improve quality, and better market their products.

Design

The project objectives were:

1. Creation of a coordination framework to steer a cluster development programme in Orissa
2. Provision of direct assistance to promote at most three clusters within Orissa
3. Promotion of pro-poor local economic development in Orissa through a cluster development strategy.

While the activities leading to objective No. 1 are mainly concerned with the establishment of a project management and steering mechanism, activities under objectives 2 and 3 are concerned with the implementation of direct and indirect cluster development initiatives.

- Direct intervention by UNIDO in three clusters; one each from handloom, handicraft and small-scale industries (SSI). Later, a fourth cluster of non-timber forest products (NTFP) had been added.

- Support to Government directorates for replication the CDP approach in 16 “indirect clusters”. UNIDO technical advisers provide handholding support and guidance to cluster development agents deployed by Government in those indirect clusters.

The project design with direct and indirect clusters combines direct assistance very effectively with capacity building, hence increases the chances of long-term sustainability.

The project document provides no performance and impact indicators at all. The logical framework matrix that was developed after project start in 2005 lists objectively verifiable indicators (OVIs), some but not all include quantitative targets.

Implementation

The implementation of the 4-year cluster development component started only in April 2005 by a team of 5 people (project manager, 3 technical advisers) in the central office of Bhubaneswar and 6 staff members in 4 direct clusters

It is evident from research reports that the implementation phase is accompanied by several impact studies and assessments commissioned by either project management and/or the Government of Orissa:

- Implementation of ‘Craft Village Scheme’, Evaluation Report by Rajveer Singh, Apex Cluster Development Services, for Directorate of Handicrafts & Cottage Industries, August 2005
- Impact of Credit Flow to the Artisans under Cluster Development Programme in Orissa: A Flash Assessment and Development of Impact Monitoring Tool, by Akshara Network for Development Support Services, September 2006

These studies indicate a high degree of reflection and learning on behalf of the UNIDO project team and its Government counterpart agencies.

Direct Clusters

The CDAs employed by UNIDO have been trained by Xavier Institute of Management (XIM).

Case Study 1: Stone-Carving Cluster Bhubaneswar-Puri-Konark (Direct Cluster) – Findings

- Project interventions were directed at craft production unit (CPU), household & cooperative levels;
- The project has initiated at least 8 self-help associations with some 140 members among household units. Similarly, the CPUs have been organized in 3 SHAs, as well as the bigger enterprises;
- Training in stone-carving skills is employment-oriented and gender-sensitive (mainly women and girls);
- Exposure visits to markets and other handicraft clusters have been organised for some 80 artisans;

- Common facilities such as stone-cutting machines have been initiated;
- Loans totalling US\$ 55,000 have been facilitated to some 175 artisans.

Indirect Clusters

16 indirect clusters are supported (2 SSI clusters, 6 handicraft clusters, 5 handloom clusters, plus 3 NTFP clusters=

Nine of approximately 500 industrial officers were selected for CDA training with faculty from UNIDO CDP and EDI-I in August 2005.

Case Study 2: Pharmaceutical Cluster Cuttack-Bhubaneswar (Indirect Cluster) – Findings

- Diagnostic study prepared by Government Officers of the Cluster Development Cell, Industries Directorate, and trained as CDAs;
- The Utkal Pharmaceutical Manufacturers Association (UPMA) was activated to deal with the challenges of the GMP compliance requirements collectively;
- As much as CDAs were trained by the project, UPMA members still consider the UNIDO technical adviser, who should play a backstopping role, as their CDA. The Government CDA is still learning on the job.

Considering the rather short period of implementation since April 2005 (18 months) an impressive degree of envisaged outputs has been produced. In the rural stone-carving cluster self-help groups have been formed or revived, skills-upgrading courses been conducted, and market linkages established.

Table 9 – Use of project resources
(as reflected in UNIDO Infobase in US\$)
As of 31 December 2006

	Expenditure	% of total
International Experts	0	0%
National Professional Officers	62,700	14%
Administrative Support	23,000	5%
Short Term National Consultants	125,850	29%
Other Personnel Cost	6,000	1%
Project Travel	50,800	12%
Training	78,000	18%
Contracts	32,200	7%
Equipment	34,900	8%
Sundries	19,115	4%
Total	432,565	100%

Results

It is still too early into the 4-year project implementation period to observe long term development impacts, however, there are promising outcomes in both types of clusters (direct and indirect).

Case Study 1: Stone-Carving Cluster Bhubaneswar-Puri-Konark (Direct Cluster) - Outcomes

- SHGs of stone carvers benefit from joint procurement of raw material and joint marketing;
- Marketing cooperative founded and common retail outlet near Sun Temple at Konark opened;
- Formation of self-help groups and cooperatives led to joint procurement and marketing;
- Joint procurement has led to cumulative savings of approx US\$1200 per cycle of purchase;
- At least 12 “self-help cooperatives”, i.e. without Government involvement, created;
- 175 artisans (125 household units and 50 CPUs) have used a total credit of US\$ 55,000, mainly for working capital, i.e. raw materials and wages (loan sizes vary between US\$ 100 and 1000);
- Additional sales of some US\$120,000 generated until August 2006.

All quantitative figures have been supplied by the project team; they could not be verified due to lack of verifiable monitoring data and shortage of time. However, discussions with SHG members confirmed substantially increased earnings. Some women group members doubled their income within 7 months after attending skills training and/or loan usage.

Case Study 2: Pharmaceutical Cluster Cuttack (Indirect Cluster) - Outcomes

- Pharmaceutical companies realised increased bargaining power in negotiating with suppliers, banks, consultants, etc.;
- 14 members formed a consortium to deal with the requirements of the GMP Act; they are meeting regularly and share their knowledge with non-members as well;
- Consortium hired consultant for GMP-compliant production and factory layout, and shared the costs;
- Pharmaceutical companies’ survival is likely to be achieved due to investment in factory layout, new machinery, air-conditioning, suctioning ducts, water handling, and in-house testing facilities.

Capacity building of Government-employed CDAs is done on-the-job by UNIDO technical advisers and replication in indirect clusters appears to be progressing well.

Sustainability

In the direct clusters, particularly handicrafts and handloom clusters, NGOs are being trained and capacitated to provide basic micro-enterprise promotion and micro finance support to self-help groups of artisans and CPUs. It is expected that these NGOs will

continue to provide these services after project end. However, NGOs also require funding, which, if not provided by donors, may be generated from the commercial provision of micro finance and business development services (BDS).

Sustainability of indirect cluster initiatives will depend on personnel stability (CDA will stay during project period), financial allocation by Government counterparts, and the self-help initiative of industry associations. In order to top up funding of GoO directorates, the MoSSI (Central Government) has recently allocated US\$ 500,000 to the Government of Orissa for cluster development.

The MSME Foundation, created as spin-off of the UNIDO Cluster Development Programme, should provide technical backstopping and follow-up services after project end.

Relation to the CSF

The project had essentially no relationship with the UNIDO CSF, even though an explicit reference to the upcoming programme in Orissa was entered under the fourth CSF component, thereby securing the approval in principle of the nodal ministry for the continued work in Orissa. Similarly, reference to the CSF was made in the original project memorandum 'Support to the Implementation of Orissa's Industrial Policy Resolution 2001 (2002), however, this was hardly more than name-dropping. In the updated project memorandum as well as in the cluster-specific project document no reference to the UNIDO CSF was made.

There is however, extensive cooperation with the Delhi-based CDP Focal Point, effectively linking the Orissa CDP to the countrywide Cluster Development Programme. It is noteworthy that UNIDO's CDP has successfully developed a personnel pool of qualified and experienced professional who can be deployed for upcoming projects tasks. An example is the Ex-CDA from the Chanderi handloom pilot cluster who is now employed as technical adviser for the indirect Orissa handloom clusters

UNIDO value added

The project manager reports strong methodological & guidance input from UNIDO HQ via email contact as well as from his colleagues in the UNIDO CDP Focal Point office in Delhi.

Substantial value was added by UNIDO through the project design, which is based on the long experience in the implementation of cluster initiatives.

The project benefited in design and implementation from a close cooperation with the local representation of the Donor (DFID). The project's approach combining direct with "indirect" interventions at the Cluster level was a result of intensive discussions between UNIDO and the Donor.

Recommendations

- Product diversification in stone carving sector is required.
- Handicrafts sector needs innovation and entrepreneurial thinking. The project should conduct entrepreneurship training with the objective of diversifying production with innovative product ideas.
- Linkages to financial service providers, particularly micro finance institutions are required in order to avoid reinventing the joint liability mechanism in self-help groups.
- Lessons of the Chanderi project on poverty alleviation should be incorporated and appropriate tools to be further developed.
- Technical backstopping of Government-employed CDAs in indirect clusters need to be strengthened.
- Establish a logical framework matrix with performance and impact monitoring indicators, including those suitable for monitoring poverty alleviation and employment effects.
- Mainstream into all UNIDO interventions the project design, which is based on direct and indirect interventions, i.e. an in-built replication and continuation strategy.

Table 10 – Projects selected for field visits during evaluation mission

Component	Project number	Project title	Relevance	Ownership	Design	Implementation	Results	Sustainability	Relation to CSF	UNIDO Value Added	Total	Project Performance
1) SME competitiveness through technology-led interventions	US/IND/01/193	Support to the country efforts to promote SME cluster development	5	5	5	5	4	4	1	3	4,0	very good
	US/GLO/02/059	Thematic cooperation between UNIDO and SDC in the areas of SME networking and cluster development	5	5	5	3	4	4	1	3	3,8	good
	US/IND/01/118 - XP/IND/02/009 - SF/IND/04/002	Supporting small and medium-sized manufacturers in the automotive component industry in India - UNIDO Partnership Programme, Phases II and III	3	5	3	3	4	4	3	1	3,3	good
2) Promotion of Foreign Direct Investment	TF/IND/03/002	Project to support implementation of Government of Orissa's industrial policy resolution – 2001 (Inv. Prom. Comp.)	4	4	3	2	2	2	2	3	2,8	mediocre
	US/IND/03/068	Vibrant Gujarat: Global Investor's Summit	1	1	3	2	1	1	2	2	1,6	poor
3) Cleaner Technologies and Policies	US/IND/02/148 - SF/IND/02/005	Energy efficiency in hand tool SSI sector in India	4	4	3	4	4	3	2	3	3,4	good
	US/IND/02/001	Cleaner technology promotion in India	3	3	2	4	1	2	1	3	2,4	mediocre
	DG/IND/97/160	Cane & bamboo technological upgradation and networking	5	5	3	5	5	5	1	4	4,1	very good
4) Poverty Alleviation in less dev. areas	TF/IND/04/048	MSME - MSME Cluster development programme in Orissa	5	4	5	5	4	4	1	4	4,0	very good
			3,9	4,0	3,6	3,7	3,2	3,2	1,6	2,9	3,2	
	Evaluation criteria average		good	very good	good	good	good	good	poor	Mediocre	good	

4.5 Activities outside the CSF Components

A number of projects were carried out in the reporting period under the title of global projects, while the bulk of their activities were implemented in India. This is true in particular for the International Centre for the Advancement of Manufacturing Technology (ICAMT), the Technology Diffusion and Support Programme (TDSP) and the recently approved but not yet operational South-South Centre (SSC).

The evaluation found that three of these projects are of significant size and thus importance for UNIDO Cooperation in India, they all focus to some degree on technology-led interventions and there is a certain tendency or likelihood of separation from the CSF, while at the same time the potential for creating synergies through integrating them in the CSF appears to be very high. Thus, the three projects needed to be considered in the context of the CSF evaluation.

International Centre for the Advancement of Manufacturing Technology (ICAMT), SF/GLO/02/004

This project was evaluated recently in a separate independent evaluation¹³. The evaluation recommended a clearer focus of the ICAMT on sectors whose priority need is technology upgradation, possibly on crosscutting manufacturing technologies (such as machine tools, foundry and forging, mechatronics, etc.) and/or sectors with a potential for outward-bound technology transfer. Furthermore a stronger institutionalisation of the Centre, which had been managed as a project rather than as an institution, was recommended.

A revised version of the project document was given to the evaluation team by the DIPP for comments. It does not yet fully reflect the above-mentioned recommendations of the evaluation. In particular, the following issues need to be clarified in the document: institutionalisation of the ICAMT (when and how will the institutional capacity be built so that UNIDO can phase out the technical assistance to the ICAMT?), does the ICAMT come under the CSF and its monitoring and decision making mechanisms? For India-focused activities: what is the division of labour between ICAMT and TDSP? How will they coordinate activities? The list of potential sectors is still very long and includes sectors like leather, textile and auto components, which are not crosscutting manufacturing technologies.

The recent launch of the Centre for South-South Industrial Cooperation (SSC) increases the need of a clear focus for the ICAMT's future operations (see also comments on SSC below).

During the CSF evaluation mission, the evaluation team became aware of the Asia Pacific Centre for Technology Transfer – APCTT (see Box 1), which engages in international technology cooperation. The APCTT comes under the United Nations Economic and Social Commission for Asia (UNESCAP) and targets SMEs, universities and research centres.

A cooperation between UNIDO and APCTT existed until 2002 through a project to support the “Technology Bureau for International Industrial Partnerships”, located at the premises of APCTT. The objectives of the ICAMT and the APCTT are not identical. The ICAMT is not limited to the Asian region and is (or should be) more focused on manufacturing

¹³ see UNIDO evaluation report R2, March 2006

technology. However, there is a potential for mutual support and cooperation between the ICAMT and the APCCT, which should be further explored.

Box 1

The Asian and Pacific Center for Transfer of Technology (APCTT)

The APCTT, established in 1977 and located in Delhi, has from the start been heavily involved in the transfer of technology, including environmental technology (DANCED subsidizes up to 80% of environmental hardware or technology adaptation). The Centre started with information and matchmaking of technology services. This did not work very satisfactorily, so it changed to technology brokerage. Integrated services including finance, negotiation, etc. are offered. Brokers are trained in special courses. In Asia overall the Centre makes around 3,000 contacts a year. Deals worth less than 100,000 US\$ are not considered worthwhile to pursue. In general the approach is business oriented. However, there are very few completed deals per country and SMEs are hardly reached due to different operating structures of companies in these countries (SMEs are not accustomed to work with brokers or management consultants). All technologies are promoted, with any new technologies being de facto considered cleaner technologies.

Source: background document of the Cleaner Technology project, 2001

Technology Diffusion and Support Programme (TDSP), SF/GLO/02/013

The four sectoral programmes (lock, machine tools, toy, stone) pooled under the umbrella of the “Technology Diffusion and Support Programme for Small Scale Industries (TDSP; SFGLO02013)”, were originally developed and implemented by the ICAMT. At a later stage, the TDSP was used as a common project for the four sectors with a project director and one staff to support implementation in the same way as ICAMT had done before.

While bringing the four sectoral programmes together made sense from a project management perspective and also from the donors point of view (the Ministry of Small Scale Industry is the main donor of all four programmes), the separation of the TDSP from the ICAMT created an “identity crisis” for the ICAMT, where the lack of strategic focus of the ICAMT in the sense of its original mandate (international institution) became evident. This makes it necessary to define the division of labour between the two UNIDO initiatives more clearly.

UNIDO Centre for South-South Industrial Cooperation (SSC), US/GLO/06/015

The SSC has been launched in 2006 as part of UNIDO’s renewed emphasis on south-south industrial cooperation¹⁴. As such it forms part of a strategy to establish a number of Centres around the globe (China is being finalized, discussions are ongoing with Egypt, South Africa and Brazil). The SSC is not yet fully operational. Given its likely importance for future UNIDO cooperation in India, a copy of the project document was reviewed by the evaluation team.

¹⁴ Industrial development, trade and poverty reduction through South-South cooperation, UNIDO, 2006

The following issues were noted:

- The focus areas of the SSC include south-south technology transfer, an area also covered by the ICAMT. Hence there is a need for coordination between the two.
- As a global project, the SSC does not come under the UNIDO country programme in India. However, many SSC activities will likely have a basis in India, transferring experiences from India to other countries. Hence, there is a good reason for relating this UNIDO initiative with other UNIDO initiatives in India, many of which offer pilot experiences with good potential for replication in other developing countries. The most obvious way to achieve such a relation is to include the SSC in the CSF (or its successor arrangement).
- The release of funds (US\$ 3 million are earmarked) will be on a project-by-project basis. It is unclear, how the identification and formulation of projects will be coordinated with the UNIDO regional office. Again, the mechanism to achieve effective coordination appears to be the CSF.

Recommendations

- The project document for the recently approved South-South Centre needs to be revised to serve as a workplan / strategy including a description of the expertise that the centre will build up in-house and indicators to measure progress towards the established objectives.
- All three projects, including the SSC, should come under the new programmatic framework as crosscutting activities (e.g. involving Cluster, Technology, Environment), liaising and coordinating their activities with other UNIDO projects in India.
- The ICAMT project is at present internally reviewed by UNIDO. Based on the draft version duplications with SSC and TDSP are likely to occur. Two options for ICAMT possible:
 - if focus continues to be on project development merge with SSC or establish the ICAMT as the “technology branch” of the SSC;
 - if it becomes a technology centre for manufacturing technologies with in-house technological expertise and clear sectoral focus (like e.g. CBTC for Bamboo) ICAMT should closely cooperate and form part of the institutional network of SSC.
- The project managers of the ICAMT and of the Centre for South-South Industrial Cooperation should provide information on the potential for cooperation with the New Delhi based Asian and Pacific Centre for Transfer of Technology (APCTT), which is a subsidiary body of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

5

Assessment and Conclusions regarding the Country Service Framework

5.1 Relevance to Government policy

The CSF, in principle, is a useful tool for coordination of UNIDO activities in India. The main components included in the CSF are all relevant to Government policy. However, the document as a whole is too ambitious, since it tries to achieve thematic and geographical focus, while at the same setting very broad objectives and including a large number of states, some of which are bigger than many individual countries. As a result, the envisaged focusing of UNIDO cooperation has not been achieved.

Several cooperation agencies (bilateral and multilateral) have established a much clearer geographic focus on the less developed regions within India. For example, the next UNDAF foresees the following priority states: Bihar, Uttar Pradesh, Orissa, Rajasthan, Madhya Pradesh, Chhattisgarh and Jharkhand.

A main conflict between overall objectives of the CSF arises from the question whether support should be given to community based development, mainly through the support to SMEs and related institutions in less developed areas, or cooperation should focus on improving overall sectoral competitiveness through nation-wide, more high-technology -oriented interventions.

The relevance of these different objectives is different for the various Government actors. Looking at the projects that receive support from the different Ministries, it appears that poverty alleviation is more important to the Ministry of SSI, while sectoral competitiveness and technological advancement is more important for DIPP.

This conflict could be resolved by changing the component-structure of the CSF. While component objectives are currently based on UNIDO services, they could be rather based on concrete development objectives and cut across several UNIDO services. Furthermore, a more focused development of objective of the CSF is needed. A good example for this is the current objective of component 4, poverty alleviation in less developed areas, which is actually broad enough to serve as a development objective for the whole programme. Each component should then use the full range of UNIDO services to achieve its objectives.

The CSF is a dynamic framework, which should have the flexibility to develop and adjust to new circumstances in order to keep its relevance. To ensure this, all main stakeholders need to be involved as much as possible. While the overall coordination of the CSF falls under the responsibility of the DIPP, the different components should

be steered and monitored by the relevant Government counterpart (i.e. the one, whose mandate is most consistent with the component objective), thus giving a greater importance to the steering and monitoring of the CSF at the component level. This could also result in greater ownership of the CSF as a whole by the different stakeholders.

5.2 Ownership

The design process of the CSF (see Chapter 3.2) involved major stakeholders at the level of the national Government, apex bodies of private industry, other UN agencies represented in the UN Country Team and donor agencies. It was a sufficiently open and participatory process, carried out over one year without major interruptions and delays. This provided a good basis for a CSF owned by stakeholders at the national level.

Before the priority areas of the CSF had been identified, a UNIDO CSF team with specialists of the different UNIDO service areas had been formed. This indicates that the identification of priorities was not fully based on country needs, but to some extent on the availability of UNIDO expertise in certain areas, particularly those with ongoing activities in the country. However, the nodal ministry (MCI/DIPP) was involved in the selection of the CSF team thereby reflecting Government participation in the selection of main UNIDO services to be included in the CSF.

It appears that during implementation the participation of two important stakeholder groups was rather limited: the state governments and the bilateral donors. As a result, these groups do not have strong ownership with regard to the CSF. It can also be observed that the participation in the steering and monitoring committees (NSC and MAC) of the most important Indian non-IDF partner, the Ministry of SSI, decreased over time. The four component committees, which were planned to be part of the CSF's steering and monitoring structure, were not established. This has limited the involvement of counterparts at the component level.

Overall, it can be said that ownership of CSF was good in the case of DIPP and UNIDO Regional Office. But these two main stakeholders failed to share responsibilities with-, and to generate ownership from other major stakeholders.

5.3 Sustainability

Overall, the CSF as a country framework for UNIDO cooperation, stands a good chance of being a sustainable mechanism, given the importance assigned to it by the main government counterpart, DIPP.

However, the CSF did not contribute to the sustainability of individual interventions. The single example of a decision taken by the NSC that led to expanding of an ongoing project, thereby indicating that the steering committee did look into the sustainability of this intervention, is the one of the automotive project.

In general, the lack of meaningful and systematic monitoring information represents an obstacle for the CSF steering mechanism to facilitate sustainability of interventions.

At the component level, the sustainability was best in Component 1 (Clusters) and 4 (Poverty alleviation) and weakest in Component 2 (Investment Promotion). An exceptional good case of sustainable intervention is the Cane & Bamboo project, which comes under component 3.

5.4 Results & Reaching Target Groups

As can be seen from chapter 4 (see table 10 for an overview), the results of the different interventions under the CSF vary highly. Based on the analysis of the sample projects selected for this evaluation, the Cluster Development Programme under component 1 achieved the most notable results in terms of capacity building as well as at the target group level (increase in income, secure existing and generate new employment, social capital).

The other end of the spectrum is the Investment Promotion projects under component 2. Here literally no credible results could be observed from the projects analysed. One of the two projects suffered from an ad-hoc, small-scale approach to support ongoing activities of a state government. The other project struggles with a difficult project environment. Given the limited amount of resources available, it seems advisable to reconsider the investment promotion activities in India with a view to formulate a country strategy that can ensure results oriented and relevant interventions.

In the field of energy & environment (component 3) some notable results were observed at the enterprise level and in terms of capacity building. However, Montreal Protocol and GEF projects were generally not included in the overall monitoring of the CSF. This should be changed, so that in future the overall impact of UNIDO interventions in this area can be analysed.

For the fourth component, poverty alleviation in less developed areas, not only the project listed (MSME development in Orissa) but also the Cane & Bamboo project (listed under component 3, Energy & Environment) has to be taken into consideration. Both projects have shown good results at the enterprise level, reached the target groups and strengthened local capacities and have a good potential to significantly contribute to the component objective.

Overall, the most successful interventions are those who used the good results demonstrated at a pilot level or in a first phase, to generate ownership in national

and/or state governments, who then decided to replicate the experience with their own resources. This is particularly true for the Cluster Development Programme and the Cane & Bamboo project.

With regard to reaching target groups it should be noted that the CSF document does not explicitly define the target groups of each component. This must be considered a major shortcoming in the design. The next programming framework should define the target groups at component level.

5.5 External and internal integration and synergies

External Integration

The integration of individual interventions with those of other donors and UN agencies was found to be very limited. The current UNDAF, which goes into its last year in 2007, does not include UNIDO priority areas to a significant extent. Main priorities of this as well as the coming (2008-2012) UNDAF are decentralisation and gender equality.

The weak external integration of the CSF can be seen in the light of the limited involvement of bilateral donors and other stakeholders in the implementation of the CSF. The resulting low level of ownership did not facilitate external integration.

Internal Integration

Integration across projects and components of the different services provided by UNIDO was extremely rare. None of the projects analysed has sub-allotments for implementation of other UNIDO branches. The CSF failed in achieving a better coordinated provision of services by UNIDO. This problem is related to the fact that in many cases project development was carried out bypassing the regional office, directly between UNIDO HQ staff and Indian counterparts.

As has been highlighted in chapter 4.5, some activities, in particular regional and global projects, are not clearly defined as part of the CSF, despite the fact that they have a strong local component and good potential for cooperation with other UNIDO projects in the country. The best examples for this are the projects that come under the “Technology Diffusion and Support Programme for Small Scale Industries”. This programme consists of individual interventions like the “National Programme for the Development of Indian Toy Industry” and similar projects for the sectors Stone, Lock and Machine Tool. The overall programme has a budget of US\$ 2.1 million. These projects have been found not to be of a global nature. Thus they should be included in the CSF so that their potential for synergies and coordination with other UNIDO activities in India can be fully exploited.

The same is true for the activities of the International Centre for Advancement of Manufacturing Technology (ICAMT). This project is currently under reformulation, following the recommendations given in a recently carried out evaluation. It needs a clearer focus on manufacturing technology.

Finally, and maybe most importantly, the recently launched UNIDO Centre for South-South Industrial Cooperation (South-South Centre) is about to develop into one of the main UNIDO interventions in India. Global in its nature, the future Centre will have strong links with Indian institutions and industry. Thus, it requires from the beginning, good coordination and integration into the CSF.

5.6 Results based management (incl. monitoring and steering)

The CSF document foresees a steering and monitoring mechanism consisting of a National Steering Committee (NSC), a Monitoring and Advisory Committee (MAC) (both chaired by DIPP) and several Component Committees.

This mechanism came to work properly for a very limited time only. In total, four meetings were held over a period of five years (two meetings of NSC, two meetings of MAC). Furthermore, the component committees were not established. Given that the component committees would have allowed the participatory involvement of different stakeholders, the failure to establish these committees led to a low degree of participation. For example, the main bilateral external donors of the CSF (Italy, Switzerland, UK), which account for 15% of total allotment, were not involved in the steering and monitoring mechanism of the CSF.

The terms of reference for the different committees were not formulated as foreseen in the CSF document. Unclear responsibilities or division of labour between the committees for important questions like: selection of projects to be included in CSF, decisions regarding staffing of projects, etc. was insufficient to provide for effective steering of the CSF.

This shortcoming led to long delays in approval/selection of projects, which in turn caused negative effects on the continuity of interventions (e.g. the establishment of a Centre of Excellence for MSME Cluster Development).

The sectors and regions identified for priority action in Investment Promotion activities did not coincide with the sectors and regions covered by the projects analysed by this evaluation. This illustrates the fact that the CSF was not effective in focusing the UNIDO interventions at the sectoral and regional levels.

The criteria established by the CSF document for the selection of new projects (see page 41 of the CSF document) are not sufficiently specific to allow for an effective selection of projects by NSC or to provide proponents with sufficient guidance for project identification and preparation.

The DIPP issued in September 2005¹⁵ a list of criteria for the appraisal of new projects and distributed this list among Government Ministries. The criteria included in this list are more practical and useful (with some exceptions) for effective project selection. However, the criteria alone are not sufficient. A more inclusive process,

¹⁵ Office Memorandum of DIPP, dated 2nd September 2005

including responsive feedback cycles between proponents and the CSF steering mechanism, needs to be put in place. Furthermore, a stronger ownership and participation of all stakeholders at the component level is needed. New projects should be dealt with at the component level mainly and, applying the principle of subsidiarity, only in case general CSF issues (e.g. if IDF funding is needed, if coordination with interventions in other components are not sufficiently planned for, if projects are carried out without the regional or overall thematic focus of the CSF, etc.) are concerned.

The CSF has not been used as a management tool. For that a systematic monitoring system, including a standard reporting format for all projects, would have been necessary. The contribution of individual interventions to the development goal of the CSF and of the components was not measured and appropriate indicators were not applied. This is considered a major shortcoming and probably the main reason why the CSF could not achieve its objectives as a coordination, programming and implementation instrument.

5.7 Funds mobilisation

The CSF document foresaw the preparation of funding strategies at the component level by the component committees. Since these committees were not established, no funding strategies were prepared.

The National Steering Committee did not play a proactive role in fund raising. Thus, the usefulness of the CSF for the mobilisation of additional resources was very limited.

However, the evaluation team considers the CSF to have a good potential for fund raising activities. Key to this would be a broader participation of key stakeholders from the different components, including state governments, bilateral donors and national ministries. The critical mass behind the CSF could thus be demonstrated to other institutions and funding sources (e.g. development banks, other national ministries).

5.8 UNIDO corporate strategy and value added

The Country Service Framework modality has been phased out in UNIDO technical cooperation to a large extent. This raises the question, whether a CSF or the preferred UNIDO modality, the Integrated Programme (IP), should be applied for future cooperation in India¹⁶. The evaluation team arrived at the conclusion that the CSF (or a similar type of programmatic framework) seems to be a good choice for a country like India.

¹⁶ While a CSF is a rather loose, flexible framework for all UNIDO interventions, an IP is a fully developed programme, including details from the objective- to the activity level and a budget.

Some of India's states exceed, in terms of population, economic activity and geographical extension, the size of many nations. So even with a geographical focus, unless UNIDO's intervention is limited to a very small number of states (e.g. 1 or 2), an IP would not be compatible with the large number of stakeholders involved and the flexibility required for UNIDO's cooperation in India. Furthermore, the following reasons suggest avoiding an all-India IP:

- Given the accelerated dynamics of India's economic development, the needs of industry change rapidly. This requires a flexible instrument that allows responding to new developments, while not losing focus at the same time.
- A large number of Government ministries continuously develop new initiatives and programmes that require UNIDO support and that fit well into the overall goals set by the CSF.

However, at the state level or for thematically focused interventions in different regions, the concept of IP could be applied to ensure better-focused interventions. A number of such IPs could then come under the umbrella of the CSF.

5.9 Innovation

The introduction of the CSF itself was to some degree an innovative exercise. The CSF document refers to the past experience and the lessons learned with stand alone projects mushrooming across sectors and themes.

On the other hand, the CSF did not introduce an innovative approach to programming of UNIDO activities in India. Nevertheless, to some extent the CSF has facilitated a certain degree of oversight, to avoid copying of standard interventions with little value added.

The element of innovation should figure more prominently among the monitoring and steering criteria applied by the future CSF mechanism.

5.10 Has the CSF reached its objectives as a planning, coordination and implementation modality?

The CSF India has not achieved its main objectives as an effective umbrella: it did not provide strategic focus, it did not maximize synergies between components and projects, it did not ensure broader and demonstrable development impact of UNIDO's programmes and it did not promote cross cutting issues. The different reasons for this are explained above.

However, the CSF was created some benefits. The CSF provided a good overview of UNIDO cooperation in the country, which facilitated the work of the nodal ministry in cooperating with UNIDO and the work of the regional office. But these, very basic benefits

of the CSF, could have been achieved with less effort, producing simply a regular summary of ongoing and completed projects, clustering them around certain themes.

If the CSF is maintained in the future, the expected benefits must go beyond these basic ones. If time and effort is invested in the formulation of a new CSF and its regular update, this is can be only justified, if there is a strong commitment to make use of the future CSF as a true management tool.

6

Recommendations and Lessons Learned at CSF level

6.1 Recommendations

- Establish a more focused geographical priority for the UNIDO India Programme, taking into account the priority regions identified by UNDAF, but also taking into account the particular state of industrial development in the regions.
- Redefine the thematic priorities of the UNIDO India Programme. Avoid basing thematic priorities on UNIDO service modules. Use concrete development objectives as basis for the definition components. Each component should have a clear lead counterpart agency (ministry), increasing thereby ownership and relevance of the components to overall Government policy.
- Define clearly and explicitly the target groups of the UNIDO India Programme interventions at the component level.
- The element of innovation should figure more prominently among the monitoring and steering criteria applied by the future programme steering and monitoring mechanism.
- Modify and revive the steering and monitoring mechanism of the UNIDO India Programme. A stronger emphasis should be put on steering and monitoring at the component level to ensure involvement of all stakeholders. The monitoring function should be split between the NSC (progress towards overall objectives of the programme) and the component committees (progress of individual projects under components). There is no need for a separate monitoring and advisory committee.
- A more effective mechanism for appraisal and selection of new interventions needs to be put in place. It is recommended that decisions on new activities be taken primarily at the component level (i.e. by the component committee).
- Formulate clear terms of reference for the different committees.
- Include Montreal Protocol and GEF projects in the overall monitoring of the UNIDO India Programme.

- The UNIDO Centre for South-South Industrial Cooperation (SSC) and the International Centre for the Advancement of Manufacturing Technologies (ICAMT) should be included in the UNIDO India Programme. The project documents should be revised and clear guidelines should be developed to ensure coordination of the Centres' activities among each other and with other UNIDO and non-UNIDO initiatives (e.g. APCTT).
- Induction courses should be provided for new, locally recruited project coordinators, covering UNIDO project management, particularly monitoring & reporting requirements.
- The monitoring system of the UNIDO India Programme should be designed as soon as possible. The system should apply the principles of results-based management and use standardized reporting formats. Training of all project staff (HQ, field and project offices) on RBM and standardized results-based monitoring would be advisable.
- All field-based project coordinators, be it national or international experts, should report to the UR on a regular basis, keeping him/her informed of project status, new developments, progress towards objectives, etc.
- Longer periods without a UNIDO representation in the regional office should be avoided. In the absence of the UR clear procedures should exist to keep the programme steering mechanism functioning. For example, one of the UNIDO India Programme Team Members could be the deputy for the UR with regard to his function in the Steering Committee.
- The degree of detail of the next programme document should be commensurate with the intended use as a management tool (see also chapter 5.10). E.g. if no impact results-based monitoring is foreseen, there is no need for defining indicators. It is recommended to develop a "Country Programme" as defined by the UNIDO Executive Board in its decision of 10 October 2006.

Recommended next steps:

- Launch a parallel process of Programme Framework formulation and a short-term work plan 2007 including most urgent measures. E.g. approval/extension of successful and relevant projects (Centre of Excellence for Clusters, Cane & Bamboo), revision of documents of SSC and ICAMT, revision of Orissa IP programme.
- The new Programme Framework to be developed as soon as possible, e.g. through a participatory workshop in early 2007, to re-define the overall objectives of the programme.
- Establish clear procedures binding for UNIDO staff, UNIDO regional office and project proponents to make sure that Government criteria as well as UNIDO criteria for project development are met.

- Establish as soon as possible a country level panel for the selection of UNIDO project coordinators and other leading project positions in order to ensure a transparent and merit-based approach (see ICAMT evaluation).

6.2 Lessons Learned

- **Relevance:** UNIDO needs to apply different strategies for different levels and dynamics of industrial development in a certain region. Where growth rates and level of industrialization are already high, generic support to spur growth at the state and sectoral level should not be the first priority. Instead, UNIDO cooperation in such situations should focus on less developed sub-regions or on such systemic bottle-necks, that impede the industrial development from reaching the poor part of the population.
- **Design:** The combination in one project of direct assistance with support to capacity building for replication is highly effective and should be applied widely throughout UNIDO.
- **Corporate Strategy:** Evaluation of sample projects showed that UNIDO, in the field of investment promotion, competes directly with private consulting firms (e.g. Ernst & Young or Price Waterhouse Cooper) in the provision of services such as preparation of promotion materials, organisation of promotional events, preparation of investment profiles. Private consulting firms can provide marketable services more efficiently and effectively than UNIDO. Thus, UNIDO should focus on areas of value added where no private services are available.
- **Results based management:** Longer periods without a UNIDO representation in the regional/country office should be avoided. In the absence of a UR, clear procedures should exist to keep the programme steering mechanism functioning. For example, one of the Team Members could be the deputy for the UR with regard to his function in the Steering Committee.
- **Technology transfer:** UNIDO projects, unlike bilateral projects, should not include major limitations with regard to the sources of technology in projects for technology transfer promotion. The experience has shown that such limitation represent a major obstacle for results.

Annex 1: Terms of Reference

4 October 2006

Terms of Reference of the **INDEPENDENT EVALUATION OF THE COUNTRY SERVICE FRAMEWORK IN INDIA**

Background information of CSF India

The Country Service Framework (CSF) for India has been developed by UNIDO in close cooperation with the Indian Government authorities, particular the Nodal Agency, the Ministry of Commerce and Industry, the State Governments, the private sector and civil society and all major UN and development agencies.

The CSF was conceived as a flexible and strategic tool for focusing UNIDO activities in India, to achieve greater programmatic coherence and development impact of its projects and programmes.

The starting date of activities of the CSF was January 2002. The CSF was planned to cover a five years period.

UNIDO's core mission for the CSF in India is to help poor people and poor regions lift themselves out of poverty and ensure that the environment is protected, nurtured and sustained. The overall development goals of the CSF in India are poverty alleviation and environmental sustainability. All major components and programmes under the CSF aim to further UNIDO's objectives of making industries more competitive, creating productive jobs, and promoting a sound and sustainable environment.

The principal industrial development challenges of India are highlighted and addressed by the major components of UNIDO which cover four major areas:

1. Strengthening the competitiveness of small and medium enterprises through technology-led interventions
2. Promoting foreign direct investment
3. Promoting cleaner and environmentally friendly technologies and policies
4. Alleviation poverty and promoting industrial growth in less developed areas.

A special aim of the CSF is to obtain enhanced synergies between UNIDO activities in India, and those of other agencies and organizations working in India, especially in the context of the achievement of the UN Development Assistance Framework (UNDAF) and other UN integrative frameworks, and thereby ensure maximum development impact.

The independent evaluation

Independent evaluation is an activity carried out during and/or at the end of the programme/project cycle for the purpose of identifying areas for improvements, learning through evaluation process and for accountability vis-à-vis the Government, donors and UNIDO management. The evaluation attempts to determine as systematically and objectively as possible the relevance, efficiency, results (outputs, outcomes and impact) and sustainability of the programme. The evaluation assesses the achievements the programme/project against its key objectives, as set in the programme/project document(s), including re-examination of the relevance of the objectives and of the design. It also identifies factors that have facilitated or impeded the achievement of the objectives.

In the case of a Country Service Framework (CSF) the independent evaluation assesses against the above criteria the CSF as a whole and some selected projects.

Purpose of the evaluation

The purpose of this evaluation is to enable the Government of India, UNIDO and the donors to assess the relevance and effectiveness of the Country Service Framework as a planning coordination and implementation modality for UNIDO support to the country.

In order to draw conclusions, selected projects and programmes implemented or under implementation within the CSF will be reviewed either through a desk review of previous evaluations and studies or through an assessment under this exercise.

The evaluation is expected to result in findings and recommendations and lessons learned to the Government of India and UNIDO on the Country Service Framework.

Project Coverage

The focus of this evaluation will be to assess the CSF as an approach and a mechanism for the identification, funding, implementation, and monitoring of UNIDO's programme in India.

To achieve this objective, the evaluation will be conducted at two levels: evaluation of the CSF as a whole and assessment of selected projects under each of the CSF components.

The projects to be reviewed either through a desk study or through a field mission under this evaluation exercise will be selected on the basis of the following criteria:

- a. Projects with budget over US\$ 500,000
- b. Projects with interventions at policy level
- c. Projects combining demonstration with feedback to policy level (with potential replication)
- d. Projects in a priority geographical area
- e. Projects demonstrating a particular methodology or approach

Projects for which an independent evaluation or similar rigorous assessment has already been carried out based on specific donor requirements will only be assessed within the context of the CSF overall evaluation. Findings / recommendations of these reports will be reviewed and validated in light of developments since the previous evaluation/assessment was carried out.

Projects funded by the Global Environment Facility (GEF) and regional projects are excluded from the evaluation considering that they have or will be reviewed under separate evaluation arrangements.

Based on the above criteria, the following projects will be reviewed using the methodology indicated below:

Component / Project number	Project Title	Donor	Project manager	Total Allotment as of 30/05/2006 US\$ (infobase)	Total Expenditure as of 30/05/2006 US\$ (infobase)	% Financed & Expenditure	Previous assessment	Evaluation methodology
Component 1: Strengthening the competitiveness of small and medium enterprises through technology-led interventions								
USIND01193	Support to the Country Efforts to Promote SME Cluster Development	Italy	Michele Clara	\$1,180,800	\$1,168,966	99%	YES – Project Progress Report	Field visit
US/GLO/02/059	Thematic Cooperation Between UNIDO and SDC in the Areas of SME Networking and Cluster Development - 36 months Dec. 02 - Nov. 05	Swiss Agency for Development Cooperation	Michele Clara	\$1,153,300	\$890,455	77%	NO	Field visit
USIND01118	Supporting Small and Medium-sized Manufacturers in the Automotive Component Industry in India - UNIDO Partnership Programme-Phases II and III	India	Kai Bethke	\$250,000	\$252,907	101%	YES – Self-assessments and external evaluation	Desk review Taking into Account Previous assessments
XPIND02009				\$234,463	\$237,676	101%		
SFIND04002				\$700,000	\$149,149	21%		
USIND01002	National Programme for Development of Indian Stone Industry (Completed)	India	Vladimir Kozharnovcih	\$80,398	\$80,398	100%	Evaluation of ICAMT project covered these projects	Additional desk review on CSF related aspects
USIND01003	National Programme for Development of Indian Toy Industry (Phase 1)			\$176,991	\$117,648	66%		
SFGLO02004	Operational Phase of the International Centre for Advancement of Manufacturing Technology			\$1,748,435	\$883,451	51%		
SFGLO02013	Technology Diffusion and Support Programme for Small Scale Industries			\$2,031,515	\$1,530,217	75%		
Component 2: Promoting foreign direct investment								
TFIND03002	Project to Support Implementation of Government of Orissa's Industrial Policy Resolution - 2001 (Investment Promotion Component)	United Kingdom	Patricia Scott	\$829,471	\$401,601	48%	NO	Field visit
USIND03068	Vibrant Gujarat: Global Investor's Summit	India	Padickakudi Chacko Ousep	\$222,689	\$222,373	100%	NO	Field visit

Component 3: Promoting cleaner and environmentally friendly technologies and policies								
USIND02148 USIND02005	Energy Efficiency in Hand Tool SSI Sector in India	India	Monga, Pradeep K.	\$250,000 \$272,681	\$210,671 \$252,036	84% 92%	NO	Field visit
USIND02001 DG/IND/97/160	Cleaner Technology Promotion in India Cane & Bamboo Technological Upgradation and Networking - Completed 31 March 04	Switzerland UNDP	Clarence-Smith Antonios Levissianos	\$1,450,463 \$1,504,233	\$747,442 \$1,472,966	52% 98%	YES – Mid term review YES- Terminal Report	Desk review plus selected interviews Desk review Taking into Account Previous assessments
Component 4: Alleviating poverty and promoting industrial growth in less developed areas								
TFIND04048	MSME - MSME Cluster Development Programme in the State of Orissa	United Kingdom	Michele Clara	\$368,415	\$239,412	65%	NO	Field visit
TOTAL				\$12,423,854	\$8,857,368	71%		

Methodology

The evaluation will be carried out through analyses of various sources of information including desk analysis, survey data, interviews with counterparts, beneficiaries, partner agencies, donor representatives, programme managers and through the cross-validation of data. While maintaining independence, the evaluation will be carried out based on a participatory approach, which seeks the views and assessments of all major parties including counterparts, project/programme managers and selected beneficiaries.

The evaluation is carried out during the implementation period of the CSF. The majority of component projects are still ongoing. The focus of the evaluation and the methodology pursued will be learning lessons for improvements of future activities, in particular with respect to the CSF as a programming and implementation tool.

Issues for CSF-wide evaluation

1. Relevance, Ownership and Participation

The extent to which:

- The CSF was formulated jointly with the Government authorities.
- The CSF includes development objectives, which will contribute to goals established by the country as well as the Millennium Development Goals.
- There is continuing agreement among the stakeholders that the objectives of the CSF and its projects are still valid in light of the present national industrial strategy or if deletions, adjustments or refocusing are required.

2. Programme management

- To what extent have the Government central authority and UNIDO field office been in a position to set priorities for CSF and play a role in project selection and monitoring of implementation.
- How successful has been the developing of new projects/programmes.
- External factors (rules and regulations, procedures, administrative mechanisms, etc.) that have impeded the discharge of management responsibilities by the CSF counterparts, UNIDO Team Leader and Project/Programme managers.

3. Funds mobilization and administration

- The role and ability of the Government and counterparts to contribute (in kind and/or cash) to the programme and their taking an active part in funds mobilization.
- Priorities of Government (co-) funding.
- Problems encountered in balancing UNIDO policy and CSF priorities with donor priorities and funding modalities.
- The adequacy and effectiveness of funds mobilization and administration by UNIDO HQs.

4. Coordination and synergy effects

The extent to which:

- The CSF facilitates coordination with other development cooperation programmes, both bilateral and multilateral ones (in particular UNDAF).
- Coordination and synergy among components or projects has been a declared and achieved objective of the CSF.
- The CSF directly or indirectly promotes improved national inter-institutional cooperation arrangements, including public-private sector cooperation and partnerships.

5. Overall CSF results

- Major results in policy formulation, and capacity building.
- Discernible contribution of the results achieved so far to progress in economic, environmental and social areas (impact).
- Potential to contribute to the achievement of the Millennium Development Goals.
- The result (success) indicators, which have been developed for the CSF, if any, and whether they facilitate the assessment of progress towards national and international development targets.

Issues for project-specific evaluation

1. Ownership, relevance and design:

The extent to which:

- The project was formulated with full and active participation of the national counterpart and/or target beneficiaries, in particular the industrial stakeholders.
- Coordination was envisaged with other projects within the CSF or with any other development cooperation programmes in the country.
- The logical framework has been applied in the formulation of the project document.
- The outputs as formulated in the planning document are still relevant and sufficient to achieve the planned objectives or whether amendment and/or discontinuation of the project is recommended.

2. Efficiency of implementation

The extent to which:

- UNIDO and Government/counterpart inputs in kind and in cash have been provided as planned and on time and were adequate to meet requirements.
- The quality of UNIDO services (expertise, training, equipment, methodologies, etc.) was as planned and met expectations.
- Resources/inputs were economically used for activities and led to outputs as planned.

3. Effectiveness and impact of the component project

The extent to which:

- The target beneficiaries are using outputs produced.
- Outcomes have been or are likely to be realized through utilization of outputs.
- There are prospects for developmental impact. What changes (economic, environmental, social) at the target beneficiary level (industry, community) have occurred or are likely to occur?

4. Relevance and relationship to the CSF

The extent to which:

- Each project adheres to the strategy of the CSF
- Each project contributes to the overall goals of the CSF

Composition of the evaluation team

UNIDO and the Government of India will carry the evaluation jointly. Therefore, the team will be composed as follows:

- The Director and one staff member of the Evaluation Group of UNIDO
- One international expert with knowledge of development issues, extensive evaluation experience in particular in the fields of SMEs and private sector development.
- One national expert recruited by UNIDO in close consultation with the Government of India, well acquainted with policy and institutional framework for industrial development in the country, with extensive expertise in the private manufacturing sector and with experience in evaluation of private sector development projects.
- Optional: one representative of the donor community involved in the CSF.
- During the evaluation mission, if necessary, two teams will be formed in order to ensure coverage of most of the CSF activities by direct field visits.

Members of the assessment team must not have been directly involved in the design and/or implementation of the programme/projects.

The UNIDO office in the country will support the evaluation team.

Representatives of major bilateral donors will be briefed and debriefed; they will be offered to participate as observers during the evaluation of projects they have funded.

Although the members of the evaluation team should feel free to discuss with the authorities concerned all matters relevant to their assignment, they are not authorized to make any commitment on behalf of UNIDO or a donor.

Work Plan

In detail, the evaluation will consist of the following steps:

- August 2006: Submission of revised ToR and proposed evaluation dates to the Indian Government.
- 15th of September 2006: Identification and recruitment of national and international consultants.
- 31st of September 2006: Desk review. Preparation of Self-Evaluation reports.
- 3rd week of October 2006: Interviews with the project managers at UNIDO HQ by UNIDO Evaluation staff.

- 1st to 18th November 2006: field mission, presentation of preliminary findings and recommendations to counterparts in India and to UNIDO managers at HQ. (Note: length and modalities of field visit to be determined once existing information on projects to be evaluated has been analysed)
- November-December 2006: Discussion of preliminary findings with UNIDO staff, report writing
- 31st December 2006: Final Evaluation Report

As the report is the product of independent team acting in their personal professional capacities, it is up to that team to make use of the comments made by the parties on the draft report and to reflect them in the final report. However, the evaluation team is responsible for reflecting any factual corrections brought to their attention prior to the finalization of the report.

The final report will be submitted electronically (in Word) by the Evaluation Team to UNIDO that will take care of its printing, distribution and dissemination of evaluation results.

Annex 2: List of Persons Met

Name	Title	Designation	Organisation	Email
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Annex 2: List of persons met

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Annex 3: List of projects as of 14 November 2006

Project No(s).	Project Manager	Total Allotment	Expenditures	Donors
XPIND06002 INDEPENDENT EVALUATION OF THE COUNTRY SERVICE FRAMEWORK IN INDIA	MAGLIANI Donatella	\$52,665	\$41,177	UNIDO
USIND05A06 BUSINESS PARTNERSHIP PROGRAMME FOR THE DEVELOPMENT OF SELECTED INDUSTRIAL SECTOR - AGRO FOOD PROCESSING SECTOR	SCHEBESTA, Karl	\$156,500	\$133,325	Indian IDF
XPIND05A04 UNIDO - FICCI/ICICI JOINT DEVELOPMENT PROGRAMME: BUSINESS PARTNERSHIP PROGRAMME FOR THE DEVELOPMENT OF SELECTED INDUSTRIAL SECTORS IN INDIA - "AGRO-FOOD PROCESSING SECTOR"	SCHEBESTA, Karl	\$85,097	\$53,621	UNIDO
MPIND05007 CTC PHASE-OUT FOR THE CONSUMPTION AND PRODUCTION SECTORS: 2005 ANNUAL PROGRAMME	OSHIMA RYUICHI	\$3,500,000	\$1,217,777	MP
USIND05006 BUSINESS PARTNERSHIP PROGRAMME FOR THE DEVELOPMENT OF SELECTED INDUSTRIAL SECTORS IN INDIA	MONGA, Pradeep K.	\$162,084	\$52,850	Indian IDF
XPIND05005 RENEWABLE ENERGY BASED ECONOMIC DEVELOPMENT: PV/WIND/HYBRID BASED RURAL COMMUNITY DEVELOPMENT CENTRES IN REMOTE ISLANDS IN LACCADIVES	VARGHESE ALEXANDER	\$46,039	\$44,055	UNIDO
XPIND05004 BUSINESS PARTNERSHIP PROGRAMME FOR THE DEVELOPMENT OF SELECTED INDUSTRIAL SECTORS IN INDIA	MONGA, Pradeep K.	\$74,231	\$74,756	UNIDO
USIND05001 NATIONAL PROGRAMME TO SUPPORT ENERGY EFFICIENCY AND QUALITY STANDARDS IN CERAMICS SMALL AND MEDIUM SCALE ENTERPRISES (SMES)	MONGA, Pradeep K.	\$176,991	\$122,311	Indian IDF
TEIND04C01 CONSOLIDATED PROJECT FOR SME DEVELOPMENT IN INDIA THROUGH ESTABLISHMENT OF MUTUAL CREDIT GUARANTEE SCHEMES, CLUSTER TWINNING AND FOREIGN INVESTMENT AND TECHNOLOGY PROMOTION	ZAKHARIAN VICTOR SOURENO	\$319,054	\$0	Italy
TEIND04B01 CONSOLIDATED PROJECT FOR SME DEVELOPMENT IN INDIA THROUGH ESTABLISHMENT OF MUTUAL CREDIT GUARANTEE SCHEMES, CLUSTER TWINNING AND FOREIGN INVESTMENT AND TECHNOLOGY PROMOTION	KULUR FEYYAZ MITHAT	\$366,864	\$0	Italy

Project No(s).	Project Manager	Total Allotment	Expenditures	Donors
TEIND04A01 CLUSTER TWINNING COMPONENT: CONSOLIDATED PROJECT FOR SME DEVELOPMENT IN INDIA THROUGH ESTABLISHMENT OF MUTUAL CREDIT GUARANTEE SCHEMES, CLUSTER TWINNING AND FOREIGN INVESTMENT AND TECHNOLOGY PROMOTION	RUSSO FABIO	\$253,373	\$0	Italy
DGIND04952 COAL BED METHANE RECOVERY AND COMMERCIAL UTILIZATION	KHAN ENVER FARID	\$535,088	\$382,227	UNDP
USIND04054 RENEWABLE ENERGY BASED ECONOMIC DEVELOPMENT: PV/WIND/HYBRID BASED RURAL COMMUNITY DEVELOPMENT CENTRES IN REMOTE ISLANDS IN LACCADIVES	VARGHESE ALEXANDER	\$155,325	\$80,593	Indian IDF
TFIND04048 MSME CLUSTER DEVELOPMENT PROGRAMME IN THE STATE OF ORISSA	CLARA, Michele	\$569,231	\$380,786	UK
USIND04016 E FOR PRODUCTIVITY AND QUALITY (E4PQ): HIGH-TECH PROGRAMME TO INCREASE INDUSTRIAL E-PRODUCTIVITY AND QUALITY IN INDIA	PADICKAKUDI CHACKO OUSEP	\$353,982	\$21,776	Indian IDF
SFIND04002 SUPPORT SMALL AND MEDIUM-SIZED MANUFACTURERS IN THE AUTOMOTIVE COMPONENT INDUSTRY IN INDIA - UNIDO BUSINESS PARTNERSHIP PROGRAMME - PHASE II (INCREASED)	BETHKE KAI	\$700,000	\$283,827	Indian Govt.
TEIND04001 CONSOLIDATED PROJECT FOR SME DEVELOPMENT IN INDIA THROUGH ESTABLISHMENT OF MUTUAL CREDIT GUARANTEE SCHEMES, CLUSTER TWINNING AND FOREIGN INVESTMENT AND TECHNOLOGY PROMOTION	SCHOLTES PHILIPPE ROGER	\$213,608	\$132,925	Italy
USIND03002 ESTABLISHMENT OF REGIONAL CENTRE FOR SMALL HYDRO POWER AT ENERGY MANAGEMENT CENTRE, TRIVANDRUM	VARGHESE ALEXANDER	\$100,000	\$99,777	Indian IDF
TFIND03002 PROJECT TO SUPPORT IMPLEMENTATION OF GOVERNMENT OF ORISSA'S INDUSTRIAL POLICY RESOLUTION - 2001 (INVESTMENT PROMOTION COMPONENT)	KULUR FEYYAZ MITHAT	\$829,472	\$571,870	UK
MPIND02163 PLAN FOR PHASE-OUT OF CFCS IN THE REFRIGERATION (MANUFACTURING) SECTOR	PRODAN SERGIY K.	\$673,200	\$645,681	MP
USIND02148 PROMOTING ENERGY EFFICIENCY IN HAND TOOL SSI SECTOR IN INDIA	MONGA, Pradeep K.	\$250,000	\$242,791	Indian IDF
MPIND02132 CONVERSION OF CARBON TETRACHLORIDE AS CLEANING SOLVENT TO TRICHLOROETHYLENE AT NAVDEEP ENGINEERING, PALGHAR	SHATRAUKA VIKTAR	\$661,842	\$660,772	MP

Project No(s).	Project Manager	Total Allotment	Expenditures	Donors
GFIND02025 DEVELOPMENT OF A NATIONAL IMPLEMENTATION PLAN IN INDIA AS A FIRST STEP TO IMPLEMENT STOCKHOLM CONVENTION ON PERSISTENT ORGANIC POLLUTANTS	OHAYO-MITOKO, Grace Jane	\$317,000	\$295,961	GEF
SFIND02005 NATIONAL PROGRAMME FOR PROMOTING ENERGY EFFICIENCY IN THE HAND TOOL SSI SECTOR	MONGA, Pradeep K.	\$272,681	\$268,286	Indian Govt.
SFIND02004 COAL BED METHANE RECOVERY AND COMMERCIAL UTILIZATION	KHAN ENVER FARID	\$3,619,928	\$3,590,402	Indian Govt.
USIND02001 CLEANER TECHNOLOGY PROMOTION IN INDIA	CLARENCE-SMITH EDWARD PA	\$1,450,463	\$598,640	Switzerland
MPIND01225 CONVERSION OF CARBON TETRACHLORIDE AS PROCESS AGENT TO CYCLOHEXANE AT AMOLI ORGANICS LTD., MUMBAI	SHATRAUKA VIKTAR	\$385,368	\$385,473	MP
MPIND01176 CONVERSION OF TETRACHLORIDE AS PROCESS AGENT TO MONOCHLOROBENZENE AT FDC LTD., ROHA	SHATRAUKA VIKTAR	\$238,372	\$238,180	MP
USIND01003 NATIONAL PROGRAMME FOR THE DEVELOPMENT OF THE INDIAN TOY INDUSTRY: PHASE I	KOZHARNOVICH VLADIMIR	\$176,991	\$117,648	Indian IDF
GNIND98G34 COAL BED METHANE RECOVERY AND COMMERCIAL UTILIZATION	KHAN ENVER FARID	\$8,450,984	\$7,362,060	GEF
On-going Global and Regional Projects				
USGLO06015 ESTABLISHMENT OF A UNIDO SOUTH-SOUTH INDUSTRIAL COOPERATION	HAIDARA FATOU	\$265,487	\$0	Indian IDF
SFGLO02013 TECHNOLOGY DIFFUSION AND SUPPORT PROGRAMME FOR SMALL SCALE INDUSTRIES	KOZHARNOVICH VLADIMIR	\$2,129,569	\$1,777,893	Indian Govt.
SFGLO02004 OPERATIONAL PHASE OF THE INTERNATIONAL CENTRE FOR ADVANCEMENT OF MANUFACTURING TECHNOLOGY	KOZHARNOVICH VLADIMIR	\$1,748,435	\$908,990	Indian Govt.
TFRAS04001 REGIONAL NETWORK ON PESTICIDES FOR ASIA AND THE PACIFIC (RENAP)	OHAYO-MITOKO, Grace Jane	\$158,630	\$118,487	Bilaterals
XPGL005005 TOWARDS MDG 1 AND 8: SOUTH-SOUTH RESPONSE TO POVERTY ALLEVIATION (FACILITATING NEW ENTERPRISE CREATION AND ENHANCING COMPETITIVENESS OF SMES IN DEVELOPING COUNTRIES	MOONGANANIYIL V. JOSEPH	\$194,428	\$166,386	UNIDO

Project No(s).	Project Manager	Total Allotment	Expenditures	Donors
USGLO05005 TOWARDS MDG 1 AND 8: SOUTH-SOUTH RESPONSE TO POVERTY ALLEVIATION (FACILITATING NEW ENTERPRISE CREATION AND ENHANCING COMPETITIVENESS OF SMES IN DEVELOPING COUNTRIES)	MOONGANANIYIL V. JOSEPH	\$400,000	\$199,300	Indian IDF
TOTAL of On-going Projects		\$30,042,982	\$21,270,603	
Indian IDF Contribution to On-going projects in India	(7% of Total Allotment)	\$2,197,360	\$1,070,371	
Non-IDF Contribution to On-going projects in India	(93% of Total Allotment)	\$27,845,622	\$20,200,232	
Non-IDF Sources are:				
Indian Government Agencies	(28% of Total Allotment)	\$8,470,613	\$6,829,398	
UNIDO	(2% of Total Allotment)	\$452,460	\$379,995	
UNDP	(2% of Total Allotment)	\$535,088	\$382,227	
GEF	(29% of Total Allotment)	\$8,767,984	\$7,658,021	
MP	(18% of Total Allotment)	\$5,458,782	\$3,147,883	
Bilaterals	(14% of Total Allotment)	\$4,160,695	\$1,802,708	
<i>Italy</i>		<i>\$1,152,899</i>	<i>\$132,925</i>	
<i>UK</i>		<i>\$1,398,703</i>	<i>\$952,656</i>	
<i>Switzerland</i>		<i>\$1,450,463</i>	<i>\$598,640</i>	
<i>other bilaterals</i>		<i>\$158,630</i>	<i>\$118,487</i>	
Contribution from Indian Government Agencies*	(35% of Total Allotment)	\$10,667,973		
Contribution of DIPP to On-going Projects	(13% of Total Allotment)	\$3,945,795		
<i>Through IDF source</i>		<i>\$2,197,360</i>		
<i>Through Non-IDF source</i>		<i>\$1,748,435</i>		
Contribution of Ministry of Heavy Industries	(2% of Total Allotment)	\$700,000		
Contribution of Ministry of Coal and ONGC	(12% of Total Allotment)	\$3,619,928		
Contribution of DCSSI	(8% of Total Allotment)	\$2,402,250		
<i>* indicates that the contribution of the Ministry of Chemicals and Petrochemicals is included in the RENAPAP project (TFRAS04001) and not shown here.</i>				

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