

# **Independent Evaluation Kingdom of Cambodia**

Promotion of Cleaner Industrial  
Production in the Kingdom of Cambodia



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



UNIDO EVALUATION GROUP

Independent Evaluation  
**Kingdom of Cambodia**

Promotion of Cleaner Industrial Production in the Kingdom of Cambodia

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The views and opinions of the team do not necessarily reflect the views of the Governments of the Kingdom of Cambodia, Switzerland and of UNIDO.

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## Abbreviations

APO	Asian Productivity Organization
CP	Cleaner Production
CP+	Cleaner Production Plus (as described in Project Document)
CTA	Chief Technical Adviser
GoC	The Government of the Kingdom of Cambodia
IFC	International Finance Corporation (under the World Bank)
ITC	International Trade Center
JA	Junior Assistant
MPDF	Mekong Private Sector Development Facility (co-funded by SECO)
NEX	National Execution Mode
NPC	National Project Coordinator
MDG	Millennium Development Goals of the United Nations
MIME	Ministry of Industry, Mines and Energy (Kingdom of Cambodia)
MoU	Memorandum of Understanding
PMU	Project Management Unit
QMS	Quality Management Systems
SECO	State Secretariat of Economic Affairs (Switzerland)
SER	Self-evaluation Report
SID	Sustainable Industrial Development
STAMEQ	General Directorate of Standards, Metrology and Quality (Vietnam)
STMQ	Standards, Metrology and Quality
TORs	Term of Reference (of this Evaluation)
UNDAF	United Nation Development Assistance Framework (for Cambodia)
UNIDO	United Nations Industrial Development Organization
VNCPC	Vietnam National Cleaner Production Center

## Glossary of terms

<i>Term</i>	<i>Definition</i>
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.

## Executive summary

### 1. Project Description

The project “Promotion of Cleaner Industrial Production in the Kingdom of Cambodia” (“the Project”) funded by the Swiss State Secretariat for Economic Affairs (SECO) was designed as one of three interlinked stand-alone projects in Lao PDR, Cambodia and Vietnam. National counterpart is the Ministry of Industry, Mines and Energy (MIME). The Project started in June 2004 and was expected to finish in June 2008. At the time of this Evaluation Mission, some activities were still under implementation.

As per 7 July 2008, 746’956 US\$ were disbursed out a total budget of 848’000 US\$ (excluding agency support cost).

The Project explicitly aimed at creating synergies with the project “Support to trade promotion and export development in the sub-region of Cambodia, Lao PDR and Vietnam” funded by SECO and executed by the ITC and the “Garment Sector Working Conditions Improvement Project” executed by the ILO. However, no specific details were defined and linkages were not formalized, e.g. through a MoU.

The Project seized an opportunity to follow upon a GoC-DANIDA project with a Cleaner Production (CP)-basic-training component, implemented from 2000 – 2003 together with the Ministry of Environment (MoE) and MIME, yet discontinued due to a strategic change of the Danish Government. The project is not part of an UNIDO Integrated Programme of Cooperation.

Already at the design stage, it was explicitly assumed that the current 4-year pilot phase would be followed by a next phase to strengthen and deepen the results achieved.

The overall development objective of the Project was to “alleviate poverty in Cambodia and to promote the country’s environmental sustainability by increasing industrial efficiency and productivity and by reducing the industry’s environmental and worker’s health and safety impact”. Main expected outputs included:

- **Output 1 Establishing Organizational Structure of Project:** The basic organizational structure of the project is in place.
- **Output 2 Awareness Raising:** The awareness of key stakeholders in cleaner production has been raised (5 sets of activities)
- **Output 3 Implementation of CP Demonstration Projects:** At least 2 demonstration projects are completed every year, for targeted industrial sectors and/or geographical areas (at least one export-oriented sector per year, consider sectors that are object of the trade facilitation project funded by SECO).
- **Output 4 Training Courses on CP and CP-related topics:** At least two training courses offered every year on CP and CP related topics (at least two planned for government agencies involved in licensing new industrial projects).

Expected outcomes were not defined in the Project Document.

## 2. Scope, methodology and limitations to this evaluation

This independent terminal evaluation of the project was carried out on request of UNIDO and the donor at the end of the first project cycle. According to the Terms of Reference (TORs), its main purpose was to enable the GoC, UNIDO and the donor:

- To assess the relevance and needs orientation of the project;
- To assess the efficiency of implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities;
- To assess the outputs produced and outcomes achieved as compared to those planned and to verify prospects for development impact;
- To provide an analytical basis and recommendations for the focus and (re) design for the continuation of the programme under a Phase II;
- Draw lessons of wider application for the replication of the experience gained in this project in other projects/countries.

The evaluation applied an interactive and participatory approach, based on meetings and interviews with a wide range of stakeholders (counterpart, GoC representative, a sample of three beneficiary enterprises, local CP-experts and the CTA of the project). A one-week field mission was carried out to Phnom Penh (Cambodia). Preliminary results and findings were shared with the Project Team in the country and to UNIDO staff at Headquarters and received full endorsement. Furthermore existing documentation such as project documents, monitoring reports, etc. were reviewed and validated through country level perceptions. Conducting this terminal evaluation while the Project Management Unit (PMU) was still in place was a distinctive advantage. Memories of most persons met were still fresh. Moreover, the mission was able to get a first-hand impression of the quality of consultancy work at enterprises and CP training work at one university. Preliminary findings, conclusions, recommendations and lessons learned were endorsed by both counterparts and UNIDO. The TORs did not include a presentation to the donor.

**Limitations to this evaluation included:** Firstly, no self-evaluation reports (SERs) were available and, while there are detailed annual reports, they were not summarized in an overall final report. Although the PMU did an excellent job in preparing and assisting the mission during the field work, the allocated time for the field mission (4 days) was rather short for such a Project and would not be sufficient for an evaluation team who is not already familiar with the development context of Cambodia. Expected outcomes were not defined and it was therefore not possible to assess whether the outputs lead to expected outcomes. Financial reporting, although in line with UN-standards, does not link budget lines to activities and outputs. As it is not known how much funding was employed to achieve each of the outputs, it was not possible to assess efficiency of implementation (value for money) in regards to individual activities. Furthermore, it is also not entirely clear to what degree input to some of the activities (mainly expertise of VNCPC and CTA-input) were cross-funded by the Cleaner Production Project in Vietnam or the CP-Project in Lao PDR.

### **3. Main Findings and Conclusions**

#### **(a) High degree of relevance, in line with original expectations**

This was the right type of intervention with the right partner at the right time, when Cambodia was in the final stage of preparation to access to WTO (completed in 2005). Furthermore, the Project matched well what is one of the core mandates of UNIDO and SECO and is in line with their strategic orientation. It covers a niche where (at this time) relatively few other donors are active in Cambodia and where both UNIDO and SECO have distinctive competitive advantages (in terms of methodology, experience) compared with other agencies (e.g. the Mekong Private Sector Development Facility, MPDF) or the ILO).

#### **(b) Identification and design of the project was generally well done, in particular with regards to:**

- The participatory approach, involving a wide range of stakeholders, in assessing needs of direct beneficiaries, yet no needs assessment on the level of indirect beneficiaries (enterprises, universities) is documented.
- The sector focus of the project (food and textile industries) reflected priorities of the GoC at the time the project was approved. The agro processing, rubber-processing, handicraft and the service sectors (hospitality industry), which have recently emerged as new key sectors in the GoC's economic development strategies and could significantly benefit from the application of CP, have not yet been included.
- The project document contains an excellent introduction of the local context.
- The outputs were translated into clearly measurable performance indicators (however, performance indicators did not include any qualitative criteria).
- The combination of awareness raising, advice on policy level, training and promoting the CP approach through demonstration projects in enterprises led to a comprehensive and well interlinked approach to promoting CP.
- The CP+ approach (holistic approach to productivity- and quality improvements with the aim to improve competitiveness of businesses) rather than only focusing on environmental improvements.
- Efforts to create linkages to other projects, in particular the Trade Promotion Project funded by SECO and executed by ITC (although those were subsequently not formalized and did not materialize as expected).
- The design as a follow-up on a similar DANIDA-funded project (although training input provided by this project were rather modest and could more accurately be described as awareness raising);

Possible areas of improvement for project identification/formulation include:

- Needs assessment should start with indirect beneficiaries (enterprise level) rather than with the needs of the government (no evidence that this was done);

- Although this did not create any particular problems for this project, the project management structure should be clearly defined (in particular regarding specific responsibilities, competences and accountabilities);
  - Outcomes, assumptions and expected impact are not defined;
  - Expected links to ITC/SECO Trade Promotion Project and the ILO “Garment Sector Working Conditions Improvement Project” were neither specified nor formalized (which resulted in no visible synergies with those projects). Obvious possible synergies with the NORAD-funded regional SMTQ project implemented by UNIDO with the same partner (Department of Industry under MIME) and also covering quality/productivity improvements, namely through training in Quality Management Systems such as ISO 9001 and ISO 14000) were not explored. The same is true for MPDF, which is also co-funded by SECO.
  - Although the CP methodology itself includes the documentation of detailed baseline data, against which results can be assessed (at the level of indirect beneficiaries, i.e. enterprises), there was no uniform approach to retrieving and compiling data for all demo-enterprises (e.g. in the annual progress reports, some figures are presented in terms of percentage, some as absolute figures).
- (c) **Ownership:** All beneficiaries displayed an excellent degree of ownership, expressed by personal motivation, active participation in project activities and a relationship of trust with UNIDO experts. Enterprises participating in CP-demonstration projects provided own input in terms of improving equipment and personnel. The GoC provided only in-kind contributions.
- (d) **Effectiveness:** The comprehensive approach of the intervention combining awareness raising, policy advice, training and expert advice was the right approach to achieve the objectives set by the project. Expert advice in all areas was considered very useful by counterparts and was highly appreciated. The project responded in a holistic way to the needs of enterprises (“CP+”) and attempted also to address challenges, which were not directly linked to cleaner production (e.g. tackling HR issues, improving packaging to increase shelf-life, meet basic food hygiene requirements and presentation of products etc.). Cambodian experts worked closely with international experts. The use of Vietnamese CP-specialists was not only cost efficient, but also adequate, as unlike most experts from highly industrialized countries, they were familiar with the level of technological development in enterprises and able to provide more added value. Furthermore, using Vietnamese experts also allowed for capitalizing on capacity building efforts done under the UNIDO/SECO CP-Project in Vietnam (VNCPC).

**At the output level,** most expected results have been achieved as planned. Currently, the project is in the process of completing some documentation and consulting work, using left-over funds, apparently under a non-cost extension.

**At the outcome level,** CP options implemented with support of the project resulted not only in positive effects on the environment, but also contributed to higher competitiveness of participating enterprises by reducing production cost and

enhancing product quality. A direct impact on worker's health (also mentioned in the project document) is not documented. Awareness raising and training on CP among key stakeholders lead to the introduction of CP in the curricula of two universities and provided input for the GoC to propose amendments on the environmental legislation.

**At the impact level**, project outcomes are on the longer term likely to gradually improve environmental sustainability, industrial productivity and competitiveness, increase exports, create labor and contribute to poverty reduction, providing that efforts initiated by the project are sustained.

**(e) Sustainability:**

- **No institutional sustainability:** No institution is in place that would be able to fulfill the role of a CP Center after the end of this project. Services to enterprises were provided through a PMU-structure (with a lifespan per definition limited to the term of the project). In order to achieve a sustainability of results, a follow-up project is needed with a main focus on building/strengthening an institution that is able to continue the work done under the project. The three critical factors for ensuring sustainability of a future CP-Center are ongoing government support, enforcement of environmental laws, and demand for CP-services.
- **Sustainability of awareness raising efforts at policy level:** at the policy level, results are likely to be sustainable, which is evidenced by some efforts of the GoC to enhance enforcement of environment protection and by defining increased competitiveness of export-oriented enterprises and SMEs as a priority. However, all stakeholders emphasized that the practical implementation of both policies required significant further efforts.
- **Sustainability of awareness raising efforts (general public):** at the level of general public, upscaling and national inputs together with continued foreign assistance will be needed to achieve a lasting impact.
- **Regarding capacity building for local experts**, results are only partially sustainable, as trainers need more practice and specialized, industry-specific knowledge. Also, the number of local CP-experts is not yet sufficient to meet Cambodia's potential demand for CP services on a broader scale (in terms of improvement potential in most enterprises).
- **Sustainability of CP-options implemented:** In enterprises that benefited from CP-demo projects, achievements in terms of implemented CP-options are likely to be sustainable (mostly simple, low-investment changes that once in place, are easy to maintain).

- (f) Efficiency:** Due to a lack of financial data linking inputs with outputs and activities, efficiency of individual outputs and/or activities is not assessable. Furthermore, it is not clear whether the input of the CTA who was "shared" with Vietnam and Lao PDR and VNCPC-experts has been accurately allocated to each of the three countries. However, the project was certainly efficient in regards to reasonable overhead costs. High quality of technical input was ensured, despite only part-time CTA was hired. No

costly project infrastructure, such as project cars, was purchased. Moreover, an analysis of budget lines shows that a high percentage of the funds were directly targeted at the beneficiaries. This is a good example for a project with relatively low budget but good results. There is also evidence that funds were used economically.

**(g) Linkages and synergies:** Beyond the linkages among the three CP-Projects in Vietnam, Lao PDR and Cambodia, almost no synergies with other projects were achieved (ITC-Project, ILO-Project, MPDF). The main reason for this might be that the intended linkages were not realistic, unilaterally defined, not specific enough and not formalized with the respective projects. Several initiatives in areas related to CP in Cambodia seem to be under preparation. This will require UNIDO's attention in the identification/design stage for a possible follow-up phase, in order to avoid possible overlaps.

**(h) Overall, the project was well managed**

**Key success factors were:**

- The physical presence of a CTA in the region (alternating between Vietnam, Lao PDR and Cambodia) who also played an important role as a bridge between UNIDO HQ and the counterparts. The CTA was the only and unique focal point for the local counterpart, which allowed for a smooth coordination.
- Appropriate selection of the CTA: The good in-depth knowledge and practical experience in the region of both the current and the former CTA were an important factor for the successful implementation.
- The quality of UNIDO's technical input was praised by all beneficiaries interviewed by the evaluation team. It seems that the right experts were selected for right tasks (including some of the key persons trained under the CP-Project in Vietnam).
- Excellent quality of training courses highlighted by several participants interviewed during the mission;
- Increasing use of local expertise, where such expertise was already available (experts trained in workshops already supported implementation of projects in companies with satisfactory results). The team witnessed an impressive presentation on a CP-topic by a promising young Cambodian student.
- Project management displayed a reasonable degree of flexibility in adjusting to changed needs, for example topics covered in awareness raising and capacity building seminars.
- Apart from occasional minor problems, the working relationship between all stakeholders was excellent.

**Areas for improvement in project management include:**

1. Achievements in companies were generally well documented, however, the quality of trainings and other expert inputs was not systematically assessed (there were also no qualitative performance indicators);
2. Role of counterpart: At the flip-side of having a strong, enthusiastic and highly committed CTA on site, the driving force triggering the implementation of the project was clearly the CTA. In order to ensure capacity building and sustainability, the role of counterparts in phase II needs to be *considerably* strengthened, in particular in building up and managing a CP center. This should be the *main focus in phase II*.
3. Responsibilities, competences and accountabilities of different stakeholders were not defined. While this apparently did not lead to any particular problems, it could cause frictions in the future.
4. Budgeting and financial reporting should not be done only according to budget lines but also in terms of individual outputs and/or activities.

**4. Main recommendations**

- SECO/UNIDO should approve a non-cost extension of existing project until maximum March 2009, in order to maintain a minimum project infrastructure, avoid a gap between two phases and risk of losing momentum and project staff;
- It is recommended that SECO provide as soon as possible funding for a follow-up phase of this project based on a specific proposal elaborated by UNIDO and building in the recommendations in this report. The proposal should include a clear phase-out plan (with gradual reduction of expert input, including the CTA);
- *Prior* to the next phase, the institution fulfilling the role of a CP-Center should be determined through a transparent process in close coordination with UNIDO and SECO and should be granted sufficient financial and organizational autonomy. For transparency and good governance reasons, it should also not at the same time fulfill the role of policy making and enforcement;
- With the aim to move from direct service delivery through a PMU structure to building of an institution that can fulfill the role of a CP Center, further support could be provided in the form of “mixed execution”. This means that UNIDO would still provide direct expert input, but subcontract the major part of activities to a local institution (CP Center). This would possibly require that UNIDO wave the requirement for international bidding in regards to this subcontracting arrangement. It would also call for specific expert input to strengthen the management side of this institution, regular external financial monitoring and an independent financial audit. In order to keep the role of the CTA consistently to coaching and technical input and for the sake of good governance, the task of external financial monitoring should be contracted to a third party.
- UNIDO to revisit sector focus for CP services and include in particular support to the agro-progressing, processed rubber, handicraft and tourism sectors in next phase. The

possibility to capitalize on resources of the Agro Branch and the Trade Capacity Building Branch should be explored.

- Gradually require cost participation of enterprises for services/trainings directly provided to enterprises in order to ensure motivation, not to create a perception that consulting is a free service and to avoid market distortion;
- Define project management structure and job descriptions in details, in particular responsibilities, competences and accountabilities.
- Log-frames (include expected outcomes and assumptions) should be used to define both quantitative and qualitative success indicators. Performance indicators to document results on the enterprise level should be revisited and if possible standardized across CP-Centers receiving support from UNIDO to allow for a systematic benchmarking of performance.
- The three main “critical assumptions” relating to the sustainability of a future CP-Center (a) GoC and other stakeholders’ commitment as measured by continuing contributions (including financial), (b) progress in environmental legislation and its enforcement and (c) the development of a market for CP services should be regularly monitored and reported on the basis of indicators agreed between UNIDO, SECO and the GoC. This should form part of the project agreement for phase II.
- Linkages with other projects (if any) should be realistic, specific and formalized;
- In order to provide a more meaningful and detailed picture on fund use, financial reporting should link expenditures to both budget lines and individual outputs/activities.

## 5. Main lessons learned

- **Sharing expert resources among institutions supported by UNIDO:** The use of Vietnamese CP-specialists as experts for the project was not only cost efficient, but also adequate. Unlike most specialists from highly industrialized countries, Vietnamese experts were more familiar with the level of technological development in enterprises and able to provide more value added. Furthermore, this also allowed for capitalizing on capacity building efforts done under other UNIDO projects and strengthening the network between different CP-centers in the Mekong Region. UNIDO should continue drawing on expert resources in institutions it provided support to. This might for instance also include using food safety or QMS specialists trained by projects under the TCB-branch for CP-centers and vice versa. In order to maintain transparency of fund use in ongoing projects and to encourage a commercial mind-set in those institutions, formal contractual agreements should be used where possible.
- **Using the same CTA on a part-time basis for different projects in the same region resulted in significant economies of scale and scope.** This is a good alternative to hiring a full time CTA for relatively small-scale projects in countries where partners still have limited institutional and/or technical capacities and significant capacity building and project management input is needed.

# Introduction

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## A. Background

The project “Promoting of Cleaner Industrial Production in the Kingdom of Cambodia” funded by the Swiss State Secretariat for Economic Affairs (SECO) was designed as one of three interlinked stand-alone projects in Cambodia, Lao PDR, and Vietnam. It seized an opportunity to follow-up on efforts made under a CP-component of a GoC-DANIDA project from 2000 – 2003 (discontinued due to a strategic change of the Danish Government)<sup>1</sup>. It explicitly aimed to achieve synergies with the project “Support to Trade Promotion and Export Development in the Sub-region of Vietnam, Lao PDR and Cambodia”, executed by the ITC. Yet, specific details on expected linkages with this SECO/ITC-Project were not defined. The mission also found no evidence that linkages with the Garment Sector Working Conditions Improvement Project executed by the International Labour Organization (ILO) materialized in practice<sup>2</sup>, except that one factory visited during the mission was also a beneficiary of the ILO-project.

The project design *explicitly* assumed that the current 4-year pilot phase would be followed by a next phase to strengthen and deepen the results achieved.

The overall development objective of the project was “to alleviate poverty in the Kingdom of Cambodia and to promote the country’s environmental sustainability by increasing industrial efficiency and productivity and by reducing industry’s impact on environment and worker’s health and safety”<sup>3</sup>. Main expected outputs included<sup>4</sup>:

- **Output 1 Establishing Organizational Structure of Project:** The basic organizational structure of the project is in place.
- **Output 2 Awareness Raising:** The awareness of key stakeholders in cleaner production has been raised (5 sets of activities).
- **Output 3 Implementation of CP Demonstration Projects:** At least 2 demonstration projects completed every year, for targeted industrial sectors and/or geographical

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<sup>1</sup> GoC-DANIDA National Capacity Building Programme (NCBP) 2001 – 2003 implemented with the Ministries of Environment and MIME, based on information in Project Document (page 5)

<sup>2</sup> According to Project Document page 10, this ILO-Project has as a basic objective to improve working conditions in Cambodia’s textile and apparel sector by assisting the GoC to put in place the basic legislative, monitoring and capacity building infrastructure. This was done by a „training the consultants“ approach and on-the-job-training in remediating shortcomings.

<sup>3</sup> Project Document December 2003, page 23

<sup>4</sup> Project Document December 2003, pages 23 - 25

areas (at least one export-oriented sector per year, consider sectors that are object of the trade facilitation project funded by SECO).

- **Output 4 Training Courses on CP and CP-related topics:** At least two training courses offered every year on CP and CP related topics (at least a total of two planned for government agencies involved in licensing new industrial projects).

The project document does not use the logframe as a planning tool<sup>5</sup>. While outputs are linked to measurable performance indicators, expected outcomes and assumptions relating to expected outcomes were not defined.

The project started in June 2004 and was expected to finish in June 2008. The first six months were mainly used for preparation work, i.e. recruitment of staff, setting up the project office, recruiting experts. The first activities covering outputs 2 – 4 started in early 2005. At the time of this evaluation mission, a number of activities relating to outputs 2 – 4<sup>6</sup> were still under implementation.

Within the main counterpart (MIME), the Department of Industry was the primarily responsible for the Project.

UNIDO has already started preparations for a possible follow-up phase. This included the drafting of a preliminary project proposal<sup>7</sup>, which was made available to the evaluation team. However, a formal project proposal for a phase II has not yet been prepared and neither SECO nor the GoC have been officially approached.

## B. Purpose and methodology of this evaluation

This independent final evaluation of phase I of the project was carried out on request of UNIDO and the donor at the end of the first project cycle.

The three main functions of independent final evaluations in general are:

- Accountability towards the donor and the national stakeholders;
- Support stakeholders and managers in regards to a possible future cooperation;
- Draw more general lessons learned applicable to other cooperation projects.

This evaluation was based on the Terms of Reference (enclosed in Annex 3) and the UN evaluation norms and standards<sup>8</sup>. The main purpose of this specific evaluation was to enable the GoC, UNIDO and the donor:

- To assess the relevance and needs orientation of the project;
- To assess the efficiency of implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities;

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<sup>5</sup> Current UNIDO Guidelines on Technical Cooperation Programmes and Projects, August 2006, in particular Annex 6.

<sup>6</sup> See page 23 – 24 of the project document.

<sup>7</sup> Unofficial draft for phase II titled “Trade Promotion through Applying Cleaner & Sustainable Production in Cambodia”, dated April 2008

<sup>8</sup> United Nations Evaluation Group (UNEG), Norms and Standards for Evaluations in the UN System, April 29, 2005

- To assess the outputs produced and outcomes achieved as compared to those planned and to verify prospects for development impact;
- To provide an analytical basis and recommendations for the focus and (re) design for the possible continuation of the programme.
- Draw lessons of wider application for the replication of the experience gained in this project in other projects/countries.

The UNIDO Evaluation Group provided systematic feed-back after the mission. None of the two evaluation consultants were involved into the design or implementation of the project. The team applied an interactive, participatory approach, based on meetings and interviews with stakeholders (counterparts, sample of beneficiaries, both representatives of the UNIDO Regional Office in Bangkok and UNIDO headquarters). A field visit to Phnom Penh was carried out, including a visit to two “customer” enterprises of the Project (as indirect beneficiaries). The list of persons and organizations met is attached in Annex 1. The evaluation team reviewed a number of background papers of policy, programmatic and project related nature (see list of documents included in Annex 2).

All discussions with stakeholders during the field visit were open and constructive. Statements were precise, clear and consistent in regards to major findings. Everyone interviewed was willing to proactively provide the evaluation team with relevant information.

Conducting this terminal evaluation before the PMU was closed proved to be a distinctive advantage, as the mission was able to get a first-hand impression namely in regards to the quality of consultancy work at enterprises. Also, memories of stakeholders were still fresh and most persons involved into the implementation of the project were still available.

A feed-back meeting was conducted at the end of the field mission with representatives from the counterpart (MIME) and the PMU to present the preliminary findings, conclusions, recommendations and lessons learned and to provide an opportunity for the counterparts to make comments. A debriefing meeting was conducted in Vienna on July 7, 2008. No presentation was made to SECO.

The mission received endorsement regarding all key findings, conclusions, recommendations and lessons learned.

**Limitations** to this evaluation included:

A self-evaluation report (SER) as a basis for the evaluation, and an updated progress report beyond December 2007 have not yet been prepared by the project. Achievements at the enterprise level in terms of CP options and their impact are available in the annual reports, but they are not consolidated into a final report. While the time allocated for the field mission was rather short (4 days, excluding de-briefing), the PMU did an excellent job in preparing and providing support to the mission.

As the project document does not define expected outcomes, it was not possible to assess outcomes against expectations. Financial reporting, although in line with UN-standards, does not link budget lines to activities and outputs. An assessment of efficiency (value for money) in regards to individual outputs/activities is not possible. It is also not entirely clear to what degree input to some activities (mainly

expertise of VNCPC and input of the CTA) were cross-funded through the CP Projects in Vietnam or Lao PDR (both however also funded by SECO).

Despite those limitations, the factual information obtained during the mission provided sufficient evidence for expressing a well-founded opinion on the issues to be addressed according to the Terms of Reference.

The evaluation team consisting of Daniel Keller, Director of Swiss Consulting Co. Ltd., Hanoi (Vietnam), appointed by UNIDO, Team Leader, and Mr. Toch Sovanna, National Consultant appointed by the GoC, expresses its gratitude to the project counterparts, the Chief Technical Advisor, the Evaluation Group of UNIDO and all persons in UNIDO HQ who supported this mission for the cooperation and excellent support provided throughout the evaluation exercise.



## Project planning and achievements

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### A. Project funding

The project is fully funded by SECO with an overall budget of US\$ 848'000 (excluding agency support cost). As per 7 July 2008, 746'956 US\$ or 88.6% were disbursed, which leaves an uncommitted balance of 101'044 US\$<sup>9</sup>.

### B. Project planning

#### Identification

The project seized an opportunity to complement and partially to capitalize on results of a CP-Project implemented in Vietnam since 1998 and to follow up on a DANIDA project in the area of Cleaner Production<sup>10</sup>. It also aimed at linking into another SECO-funded project in the area of trade promotion<sup>11</sup> as well into a project executed by the ILO<sup>12</sup>.

The type of intervention perfectly matches the operational mandate and the core competencies of UNIDO<sup>13</sup>, which is to alleviate poverty and promote social advance, by supporting developing and transition countries to participate in the world production system by helping them to raise productivity and to develop competitive economies. It also contributed to sustainable industrial development (SID), another strategic objective of UNIDO. Enhancing competitiveness of products and promoting sustainable industrial production in order to help developing and transition countries to better integrate into the world economy, to participate in multi-national supply chains and to capitalize in general on international trade, are also core areas of SECO's cooperation programme<sup>14</sup>.

UNIDO identified the right institutional partner<sup>15</sup>. A participative needs assessment of direct beneficiaries (MIME) by UNIDO experts lead to a high degree of relevance for both direct and indirect beneficiaries, although no assessment of needs at the enterprise level and indirect beneficiaries on the mesa level, (e.g. experts) has been documented.

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<sup>9</sup> Financial reporting provided by UNIDO as per 7 July 2008

<sup>10</sup> GoC-DANIDA National Capacity Building Programme (NCBP) 2001 – 2003.

<sup>11</sup> "Support to trade promotion and export development in the sub-region of Cambodia, Lao PDR and Vietnam" funded by SECO and executed by the ITC.

<sup>12</sup> Garment Sector Working Conditions Improvement Project, see Project Document page 10

<sup>13</sup> UNIDO in brief, June 2005

<sup>14</sup> SECO's strategy 2006 and the SECO's vision 2010

<sup>15</sup> See however recommendations on phase II.

## Formulation

The project was designed as a comprehensive, inter-linked approach to promoting sustainable industrial production, including the institutional side (GoC) and the demand side (enterprises). It promotes a holistic CP+ approach to productivity and quality improvements, which is not limited to reducing negative environmental impact. For instance, the project aims at promoting changes in product development *and* processes, promotes technology change *and* management change, and at environmental impact *and* occupational health and safety. It was intended to mainly focus on export-oriented sectors that were priority to the GoC in 2003 (garment, in order to improve competitiveness in the light of a possible phase out of the Multi-Fiber Agreement and food processing).

Despite the absence of a preparation phase, the project document includes comprehensive, country-specific background information (e.g. principal industrial development issues, a broader analysis of the country's institutional and policy framework and the environmental context).

Several expected synergies with other projects were identified, yet those were "unilaterally" defined, not specific and not formalized through agreements (see Chapter I, above)<sup>16</sup>. An obvious possible linkage to the regional SMTQ project funded by NORAD that just started at the same time, namely in the area of Quality Management Systems, was not explored. Furthermore, at least one of the factories the mission visited was at the same time also benefitting from similar support by the MPDF<sup>17</sup> project executed by the IFC and co-funded by SECO, which both the mission and the Project learned by coincidence. Therefore, with the exception of the two other UNIDO/SECO CP projects in Lao PDR and Vietnam, where considerable synergies in terms of cost savings by coordinating expert input/trainings were achieved, the envisaged linkages to the ITC- and the ILO-projects did not work out in practice.

Nevertheless, it seems that areas of intervention of other donors were carefully taken into consideration at the design stage (except the MPDF project phase II, see footnote) and areas of overlaps or duplications with other donor-funded initiatives seem to be marginal.

The evaluation obtained unanimous confirmation among all stakeholders interviewed that the UNIDO intervention was the right type of intervention at the right time, when Cambodia was in the final stage of preparing for WTO accession in 2005.

The project document explicitly emphasizes the need of a donor-funded follow-up after the current first 4-year phase (designated as pilot phase), in order to achieve sustainable results. This is certainly adequate for a project of complex nature in a country where at the outset, institutional and technical capacities were relatively weak. An explicit strategy on *how to achieve sustainability of results and the expected impact at the end of the envisaged second phase* was not included in the project document.

While the project document outlines a management structure, the specific responsibilities, competences and accountabilities at all levels (including Steering Committee) are not

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<sup>16</sup> Due to the limited time allocated to the field mission, the evaluation team was unable to obtain a view of a representative of those projects. The team has however interviewed the Cambodia Handicraft Network initiated and supported by MPDF and they expressed a high degree of interest in working together with the CP-Project.

<sup>17</sup> Mekong Private Sector Development Facility (MPDF phase II), which started in 1997 and is still ongoing (SECO-funding for phase III: US\$ 4 million out of a total budget of US\$ 50 million). Additional information to this project on [www.mpdf.org](http://www.mpdf.org).

defined. „Responsibilities“ for activities were defined („responsible parties“), however it is not clear *who* among several responsible persons would be accountable for results and competent to make decisions. While this is not in accordance with sound management practices, it apparently did not cause any particular problems.

The traditional agency execution mode through a PMU directly managed by UNIDO creates parallel structures. It is clearly not in line with recent tendencies on Harmonization and Alignment<sup>18</sup>. Furthermore, it is not conducive for working towards the long term perspective of building capacities and ownership in order to institutionalize CP-services in Cambodia. Yet, for a pilot phase in Cambodia at the time the project started, the execution mode was commensurate with absorption/institutional capacities of the country and project partners. For future support however, UNIDO might consider shifting to a form of “mixed execution”, whereas international expert input and maybe provision of highly specialized equipment would still be delivered by UNIDO, but other services subcontracted to a local organization that is committed to become a CP service provider. In selecting an organization, UNIDO should pay attention that this organization does have a reasonable degree of organizational and financial independence. For transparency reasons, it should also not be the same agency that is responsible for setting or enforcing environmental policies. A successful application of this model requires a systematic strengthening of institutional capacities within this local institution, including strategic planning, marketing, and financial accounting. Using the subcontracting mode might require waving bidding requirements under UN-guidelines.

The project is broken down in one immediate objective and four main outputs linked with specifically defined activities. While the outputs as such are not measurable, they are broken down into activities that are used as performance indicators (e.g. number of seminars, trainings, CP-assessments). Most of those performance indicators are clear and measurable in *quantitative* terms, however mostly not in *qualitative* terms (e.g. quality of trainings). Unclear is what is meant by: “2.4. (...) involve them (i.e. the press and other media) in the project results and by 2.2 “(...) hold at least two seminars on CP and related topics, focused on *distinct target groups* to show how CP can influence their work.” The Project also worked out a detailed time schedule for outputs and activities.

While a budget according to UNIDO-budget lines is available, budget lines are not linked to outputs or activities<sup>19</sup>. This would be a good management tool for UNIDO and the donor to assess value for the funds disbursed per output and activity. As an important part of Result Based Management, it would also provide a systematic basis for further organizational learning, in terms of how to allocate funds most economically.

Expected outcomes and related assumptions were not defined. As a conclusion, the Project Document does not meet standard international practice for project plans, in particular, since the logical framework was not consistently applied<sup>20</sup>.

## C. Project implementation

<sup>18</sup> Expressed for example in the PARIS DECLARATION ON AID EFFECTIVENESS Ownership, Harmonization, Alignment, Results and Mutual Accountability, March 2, 2005 (Switzerland is signatory of the declaration, but not UNIDO).

<sup>19</sup> UNIDO input, page 26 of Project Document

<sup>20</sup> See for example SECO's manual on logical frameworks published on [www.seco.admin.ch](http://www.seco.admin.ch)

**Development Objective:** To alleviate poverty in Cambodia and promote the country's environmental sustainability by increasing industrial efficiency and productivity and by reducing industry's environmental and worker health and safety impacts.

**Immediate Objective:** To increase the adoption of Cleaner Production concepts and practices in Cambodian manufacturing enterprises.

**Table 1: Outputs planned and realized (as reported by project)<sup>21</sup>**

<b>Output 1</b>	Planned/Realized
<i>The basic organizational structure of the project is in place</i>	<p><b>Planned:</b> Establish Steering Committee, choose the staff of the PMU and place them under UNIDO contract, prepare an inception report for submission to the Steering Committee, SECO and UNIDO</p> <p><b>Implemented:</b> All implemented on time (the mission did not check on the inception report).</p>
<b>Output 2</b>	Planned/Realized
<i>The awareness of key stakeholders in CP has been raised.</i>	<p><b>Planned activities:</b></p> <ul style="list-style-type: none"> <li>• At least one national conference on CP aimed at entrepreneurs, policy-makers, financial institutions, and other key stakeholders.</li> <li>• At least two seminars on CP focused on “distinct target groups” (<i>comment: not defined</i>) to show how CP can influence their work.</li> <li>• Make at least three presentation a year at conferences</li> <li>• Brief the press and other media on the project, involve them in the project results (<i>comment: unclear, what is meant by “involving the press into project results”</i>).</li> <li>• Prepare brochures and other publicity material.</li> </ul> <p><b>Realized activities (2005 – 2007):</b></p> <ul style="list-style-type: none"> <li>• Total CP Awareness Raising Seminars: 8</li> <li>• Total Presentations on CP: 11</li> <li>• Total Participants: 565</li> <li>• Mass Media Coverage: 23 articles/TV reports</li> <li>• Information dissemination through various publications, website, brochures, leaflets, publications, annual reports, case studies etc.</li> <li>• Mix of publication material for different target audiences.</li> </ul> <p>→ Targets defined in project documents exceeded.</p>
<b>Output 3:</b>	Planned/Realized
<p><i>At least two demonstration projects completed every year, for targeted industrial sectors and/or geographical areas.</i></p> <p><i>At least one sector per year should be an export-oriented sector. Note should be taken of the sectors that are the object of the trade facilitation project funded by SECO.</i></p>	<p><b>Planned activities (3.1 – 3.9, summarized)</b> Sector selection, awareness raising seminars for enterprises in selected sectors, enterprise selection, selection of national experts, in-plant-assessments, reports on impact, printing and distribution case studies.</p> <p><b>Realized activities:</b></p> <ul style="list-style-type: none"> <li>• Number of CP-Demonstration projects: 16</li> <li>• Number of participating units: 16</li> <li>• CP options identified: 401</li> <li>• CP options implemented: 194</li> <li>• Investments made by units: not available</li> <li>• Rapid CP-assessments (quick scans): 9 (completed)</li> <li>• <b>Environmental impact:</b> The project did not establish</li> </ul>

<sup>21</sup> Source: „Indicators for CP Project Cambodia: 2005/2006/2007)

	<p>meaningful statistics concerning overall environmental and financial impact on enterprises during the entire duration of the project (for 2005: no figures, 2006: savings defined in percentage (baseline unknown) and 2006 in quantitative figures, e.g. tons, liters).</p> <ul style="list-style-type: none"> <li>• <b>Financial impact:</b> same comment</li> </ul> <p>→ Assessment of environmental and financial impact achieved is not possible.  → Targets in terms of number of participating enterprises were met.</p> <p><b>Sectors (demo units):</b></p> <ul style="list-style-type: none"> <li>• Export-oriented garment/dyeing: 4 (2005), 3 (2007)</li> <li>• Food sector: 7 (2006), 2 (2007)</li> </ul> <p>(Not able to identify whether “due attention has been given to the sectors that are the object of the trade facilitation project funded by SECO”).</p>
<b>Output 4</b>	Planned/Realized
At least two training courses offered every year on CP and CP related topics (at least two in total planned for government agencies involved in licensing new industrial projects, at least five in total run in the provinces with most industry.	<p><b>Planned activities (4.1 – 4.5 summarized)</b>  Prepare and implement training courses</p> <p><b>Realized activities:</b></p> <ul style="list-style-type: none"> <li>• Number of person/days training: 1'709</li> <li>• National experts/enterprise staff trained: 64</li> <li>• Project reported also special CP training conducted for the Institute of Technology of Cambodia (ITC), a course on CP-Energy Efficiency, and CP in education for university lecturers.</li> </ul>

### Case Study LYLY Food Industry Co. Ltd

LYLY Food Industry Co. Ltd, a family-owned enterprise established in 1990 and expanded in 2004, is one of the leading producers of snacks in Phnom Penh. Major production steps include corn grinding, blending, snacks moulding, crisping (in oven), oil & ingredients mixing, and packaging. The company currently has a total workforce of around 50 workers and a capacity to produce 1'500 tons of snacks per year (output in 2007 around 1'200 tons/year). LYLY joined the project in April 2006. A detailed CP assessment was carried out, which resulted in identifying 25 CP-options, of which 20, requiring an investment of totally US\$12'000 have so far been implemented. 6 persons attended CP-training (6 production steps). Most of the significant savings were generated by reducing waste in production rather than energy savings. Equally important for the owner was also a remarkable improvement in *product quality*. Some CP-options are of high demonstration value for other enterprises, such as for example saving energy by using exhaust from the stove (crisping process) to heat the oil used for spraying and the recycling of products that were broken at the stage of moulding. On a longer term, the owner intends to export snacks to neighbouring countries and needs support in implementing internationally recognized food safety standards. She aims to expand production aims at designing the new facility according to best engineering practices.

Source: Case Studies published by the Project, amended/validated during field mission.



# Assessment of project results

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## A. Relevance

### Policy relevance

The project was highly relevant and fully in line with the strategies, plans and policies of the GoC<sup>22</sup>, as well as with the objectives and priorities of the main counterparts, and the target groups. It fits well in Cambodia's overall economic development strategy to enhance the competitiveness of locally manufactured products in order to better meet local demand (thus also contribution to import substitution) and export demand.

#### Key points of national strategies, plans and policies

##### Relevant to Cleaner Production

- Capitalizing on the international integration of the Cambodian economy (ASEAN - WTO accession);
- Encourage the production of higher value added products with more sophisticated production methods;
- Policy of Trade Sector Wide Approach (TRADE SWAP) - legal reform, trade promotion, capacity building within trade infrastructure + private sector, SME promotion;
- Create Employment for rural population, improve working conditions/livelihood of workers;
- Encourage environmentally sustainable production (environment protection law);
- Implementation of international commitments of Cambodia in the field of environment (Multilateral Environmental Agreements).

### Relevance to target groups

While the project was relevant to the main counterpart (MIME) in terms of policy advice and awareness raising, the direct relevance of building technical capacities in CP-services for the main counterpart was limited. The MIME is mainly responsible for developing and implementing policies relating to trade and industry. The core tasks of the Ministry are not congruent with the main aim of the project, i.e. providing CP services.

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<sup>22</sup> Content of policies was retrieved through interviews with main GoC stakeholders. The team was not able to obtain copies of the respective policies in English.

The project would be more relevant to a service provider targeting enterprises (not necessarily a consulting company), but the mission was told that at the outset of the project, no such service provider existed. Some existing potential partners might be the Cambodia Chamber of Commerce and Industry (CCI), the Phnom Penh SME Association, as well as the different sector associations (e.g. the Garment Manufacturers Association or the Craft Networks of Cambodia<sup>23</sup>).

### Relevance to Enterprises

The content of the programme was relevant for the enterprises visited by the mission. In regards to the overall relevance for local enterprises, it should however be emphasized that at least in Phnom Penh, international donors compete intensively among each other for providing free consulting services, especially to the few “success stories” among private sector SMEs. The oversupply of *generic* consulting services provided through ODA-funded projects lead to a situation, where companies get increasingly reluctant to participate in projects. On the other hand, enterprise associations complained that some of the private enterprises that would most desperately need support were neglected since it was difficult for a project to achieve an immediate visible impact. For instance, a Taiwanese textile factory visited by the mission participates at the same time in at least three donor-funded programs with similar topics (MPDF executed by the IFC and in the ILO Garment Sector Working Conditions Improvement Project). The PMU was apparently not aware of this. The local snack producer mentioned above also benefitted from support of a full-time engineering expert working for 6 months on site, provided by the Japan Overseas Development Corporation (JODC)<sup>24</sup>. They got also “visits” from MPDF and from the Asian Productivity Organization (APO).

Nevertheless, in most local SMEs, an urgent and immediate need for productivity- and product quality improvements remains. The baseline is very low and it will take a lot of efforts to gradually reach competitiveness in line with other countries in the region. The implementation of ASEAN+ free trade area will expose companies to even more competition (see also comments under “Effectiveness”). Relevance for exporting enterprises would be significantly increased through advice in how to get *officially recognized certifications* required by export clients. It became also clear that for enterprises, *the only selling proposition for using CP services is to improve their financial bottom line, and not to reduce their environmental footprint (unless their customers require it)*<sup>25</sup>.

Relevance of the environmental benefits of CP for enterprises will be increased by a more stringent enforcement of environmental protection laws. This should go in parallel with more conducive policies to encourage investments into environmentally friendly technology, for example through tax incentives<sup>26</sup>.

<sup>23</sup> Craft Network Cambodia (CNC) agency was established/funded by IFC under MPDF, with 14 members, assists members to export handicrafts such as silk, bamboo, furniture, home decor. One of the main areas of assistance is on quality improvements and on fulfilling technical standards required by importing countries. CNC aims at gradually charging fees for services.

<sup>24</sup> Funded by the Government of Japan

<sup>25</sup> It should be noted that demand for socially and environmentally friendly manufactured products stems mainly from U.S. and European rather than from Asia, which is still the main importer of products from the Mekong Region. Thus, the driving force for companies that are not part of multi-national catering to western markets remains is clearly the improvement of the bottom line.

<sup>26</sup> High-technology imports are currently subject to high import tariffs (e.g. solar technology 48%).

According to the experience in Vietnam, strengthening the enforcement of environmental norms is likely to take several years and requires sustained support, including awareness rising and training on the central and local levels.

Another challenge is how to provide enterprises with access to capital for investments into environmentally friendly technology. One possible approach is a model similar to the “Green Credit Trust Fund”, established under the SECO Programme in Vietnam. The Green Credit Trust Fund (GCTF) is an instrument for the promotion of SME investments, which result in a positive impact on the environment. GCTF facilitates access to finance for SMEs with insufficient collateral by guaranteeing 50% of credits granted to the SMEs. If a company achieves certain environmental improvements, measured against pre-defined indicators, GCTF reimburses up to 25% of the investment costs. The environmental improvements to be achieved as well as the indicator are determined and subsequently verified by the Vietnam Cleaner Production Centre (VNCPC)<sup>27</sup>.

### **Relevance to the Millennium Development Goals (MDG)**

The overall objective of the project indirectly contributes to the achievement of the Millennium Development Goal 1 (Eradicate extreme poverty and hunger) by creating more jobs through facilitating the development of a competitive industry. It directly supports MDG 7 - environmental sustainability - and MDG 8 - developing partnership for development – by improving the access of Lao to new markets and technologies.<sup>28</sup>

However, so far no direct impact in terms of MDG indicators could be observed.

### **Relevance to UNIDO**

The project perfectly matches the operational mandate and core competencies, expertise and experience in industrial development of UNIDO and is in line with the key points of the overall CP-strategy of UNIDO, namely in regards to the holistic and sectoral CP approach.

### **Relevance to the Donor**

Increasing competitiveness of enterprises in terms of quality and productivity in order to enable them to export their products to international markets is the core area of the SECO Trade-Cooperation Programme. Thematically, the intervention fits well into the (current) Development Strategy of the Swiss Government for the Mekong Region from 2008 - 2011<sup>29</sup>. Although Cambodia is not a priority country of Swiss development policy, the strategy explicitly states the following in regards to Cambodia: “(...)to enhance the country’s supply capacities in the export sector and to expand its exports, SECO builds on the experience on similar projects in Vietnam to support trade promotion and export development. The focus is on building capacities in trade promotion for SMEs and on improving the competitiveness of SMEs. The latter combined with environmental objectives is also the aim of the Cleaner Production Centre Programme of SECO. Since Cambodia is not a priority country for SECO, this support will not be expanded but rather

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<sup>27</sup> Fact Sheet SECO Private Sector Development Programme, [www.seco.admin.ch](http://www.seco.admin.ch)

<sup>28</sup> For a definition on MDG 8, see <http://www.undp.org/mdg/goal8.shtml>

<sup>29</sup> Source: Swiss Cooperation Strategy in the Mekong Region, 2007 – 2011, Swiss Agency for Development and Cooperation (SDC) and State Secretariat for Economic Affairs (SECO), © SDC 2007

*phased out (...)*.<sup>30</sup> An phase out of the CP-Project in Cambodia should leave sufficient time to establish and consolidate the NCPC.

### **Relevance to the Paris Declaration on Aid Effectiveness<sup>31</sup>**

The organizational mode of the project is clearly not in line with current trends of fulfilling ownership, harmonization, alignment and results principles, expressed for example by the Paris Declaration on Aid Effectiveness. This in particular with regards to (1) parallel structures established to implement the project (PMU) and (2) no responsibility of the counterpart in regards to implementation and to financial management. It should however be highlighted that the execution mode was commensurate with the rather limited absorption and management capacities of local partners at the time the project was designed. It also seems that most donors are still using the traditional implementation mode for their projects in Cambodia. The project was however well *aligned* to the top priorities of local counterparts and reasonably well *harmonized* with interventions of other donors (with some overlapping activities to an ILO and MPDF, yet a differentiation regarding the approach promoted by the project). Traditional agency execution to implement the project was relevant for a pilot phase implemented with partners whose capacities for executing (at least parts) of the project nationally had not yet been created.

## **B. Ownership**

Local counterparts expressed a high degree of ownership, reflected by:

- Personal motivation of everyone interviewed; even the top management of counterparts was in details informed about project activities;
- Clear evidence for a relationship of trust developed between UNIDO experts and staff of all local counterparts interviewed;

Yet, there was no financial input of the government<sup>32</sup> and participating enterprises (except for investments made for implementing CP-options). In regards to the GoC, this might be due to the limited budget available and in regards to enterprises, the PMU structure would not allow for receiving consulting fees, even if enterprises were willing to pay for services.

The high degree of ownership by counterparts does however not include financial ownership. In line with UNIDO policies, counterparts were not provided with financial reports, which is also a missed opportunity for capacity building in fund management in the view of a future CP-center. Although the lack of financial ownership was – although explicitly contested - not seen as a major problem by MIME, concealing financial information from counterparts is likely to further reinforce the pressure on UNIDO to shift to full-fledged National Execution Mode (NEX) for future projects.

<sup>30</sup> Swiss Cooperation Strategy in the Mekong Region, 2007 – 2011, 3.7 Cambodia Programme

<sup>31</sup> PARIS DECLARATION ON AID EFFECTIVENESS Ownership, Harmonization, Alignment, Results and Mutual Accountability, March 2, 2005 (Switzerland is signatory of the declaration, but not UNIDO).

<sup>32</sup> With the exception of equipment and a car that was provided by the GoC-DANIDA NCBP Project.

## C. Effectiveness

### Expert Input

The quality of technical input provided by UNIDO was high. Activities were well implemented. UNIDO selected the right experts for the right tasks. Expert advice in all areas was considered very useful and was highly appreciated by counterparts and beneficiary companies. Due to the fact that the required technical expertise is not yet available in Cambodia, the project still depended heavily on international expertise (mainly delivered by the CTA and Vietnamese experts). Nevertheless, local experts were increasingly provided with more responsibility towards the end of the project (e.g. they worked independently in companies). In general, it was good to target a relatively small number of enterprises and to spend enough time to really make a difference. The problem of many other donor-funded projects in the field of business development services is that they remain superficial. Adding tangible benefits for participating enterprises needs however time, including for regular follow-up. Bad experience with poor services delivered by other projects made it rather difficult for the Project to convince enterprises of the benefits to participate in the programme.

The Project also produced excellent case studies and reports for enterprises that benefited from a CP assessment. Savings in terms of energy and cost are well documented (see however comment to limitations in regards to overall figures in the annual report). One point to make the data even more meaningful would be to relate cost-savings to total production cost and (if possible) to revenues<sup>33</sup>. This would allow for better demonstrating productivity improvements (not only on cost savings).

### Selection of Sectors and Target Enterprises

The Project selected the food processing sector (9 companies) and the (mostly foreign-owned) export-oriented garment sector (7 companies) as its main focus. It became not clear whether those sectors were at the same time targeted by the SECO/ITC Trade Promotion Project (as envisaged). In any case, the sector focus for a possible follow-up phase should be carefully revisited in the light of current GoC policies, in particular the National Export Strategy 2007 - 2010.

While the inclusion of large foreign-owned garment factories made sense for CP-demonstration and training purposes, it is certainly not coherent with the aim of the project to support the already more competitive foreign-invested sector to the detriment of the fledgling local industry. Using Official Development Assistance to provide free consulting services for international companies is problematic. For services provided to foreign-invested enterprises, fees should at least cover the direct costs. Overall, the project still struck quite successfully a balance between local small-scale enterprises with a low baseline, where it was possible to achieve a significant impact and more advanced companies (mostly foreign-invested) companies. While in the former, it is possible to make a real difference in terms of competitiveness, such businesses would probably not be able to pay for services of a CP center. Meanwhile, the impact of CP-services in large enterprises (in terms of improving competitiveness) might be lower. However, larger enterprises are more likely to be future paying clients of a CP Center. Implementing CP services in larger

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<sup>33</sup> Such figures might be difficult to obtain. The way the project reported is in line with current practices of CP centers in developing countries and principles outlined in the MoUs signed with client enterprises.

enterprises from various sectors also allows for a better demonstration effect, building credentials and capacity building of staff.

On a longer term, enterprises benefitting from CP-services should be gradually required to contribute to the cost. The price scale might differ according to the type of enterprise (small scale, large scale, foreign-invested, local etc.). Providing services free of charge will lead to crowding out the fledgling consulting sector, market distortion and above this, create a perception among clients that consulting is a complementary service provided by international donors. This is detrimental to the development of a business development service sector, as nobody will be interested to compete against ODA-funded projects.

### **Strategic Reorientation of the Trade and Industrial Policy**

Garment manufacturing is still Cambodia's largest industry, generating 35% of GDP and 70% of exports in 2007. The industry currently provides employment to 360,000 workers, over 90% of whom are young women (18-24 years old) who support families in rural areas. An estimated 1.4 million family members depend on garment worker salaries. Quotas that facilitated the growth of Cambodia's garment sector have or will expire soon: the Multi-Fibre Arrangement (2004) and restrictive safeguards on Chinese garment exports (2008). Cambodian garment exports will then have to compete on equal terms with regional rivals such as China and Vietnam. To reduce the high dependency on garment sector, Cambodia aims at diversifying its production and export profile. The Economic Institute of Cambodia (EIC) identified five sectors with the significant potential for export diversification, namely: organic rice, cashew nuts, rubber, silk and tourism. The criteria of selection included: Priority sector of the National Export Strategy 2007-2010, comparative advantage of Cambodia, value added within the country, use of domestic/local inputs, potential for export earnings and employment opportunities, sustainability of production and possible exports.

Source: Economic Institute of Cambodia (EIC), Export Diversification and Value Addition for Human Development, Phnom Penh, June 2007

**The project reached well the primary target groups** envisaged in the project document (general public through media, universities, government officials, enterprises).

- **Awareness rising:** The project reached well the primary target groups, including parts of the general public. For example, the local press regularly reported on awareness raising activities. It also seems that policy advice and input was positively considered by the GoC.
- **Training:** in the course of the project, national consultants became increasingly active in actively providing input to CP demonstration projects, consisting in CP assessments and identifying/implementing CP options. The project also cooperated with at least two universities. The mission learned that some students selected CP-related topics for their graduation papers (the mission was able to attend a session at the Institute of Technology of Cambodia, where a student successfully defended his thesis on a CP-topic). Some of the National Experts are faculty members of the Institute of Technology and confirmed that they integrated elements of the CP-approach into their teaching.

- **Technical assistance to enterprises:** Participating enterprises were well reached. Enterprises established CP-Teams and participated actively in trainings provided under the project. To achieve a real change within the industry of Cambodia, many more demonstration projects will be needed. Due to the limited scope and duration of the project, it was only possible to reach a tiny percentage of the industry.

Although there is no evidence that a specific strategy was outlined at the design stage, the project contributed to **creating favorable conditions for future replication of activities and upscaling of the CP-concept in Cambodia**, for instance:

- The dissemination of CP-success stories is likely to spur interest in CP among enterprises and increase future demand.
- Besides policy makers, the general public was included into awareness rising activities. This is important because - as experience in Vietnam shows - public pressure is a crucial factor for better enforcement of environmental laws.
- Training of university professors who then integrated CP methodology into their teaching is likely to have a multiplier effect and lay the basis for upscaling CP services, as students will gradually apply CP when entering their professional life.

## D. Efficiency

As mentioned earlier, it was in most cases impossible to assess efficiency of individual outputs in details, as (1) the financial reporting system available to the evaluators does not link inputs with outputs and activities and since it is not clear how VNCPC expert input is accounted for and how CTA costs were allocated to each of the three countries.

**Table 2: Structure of Expenditures (as reported by UNIDO)<sup>34</sup>**

<i>Expenditures by budget lines/type of input (in US\$)</i>	<i>Budget</i>	<i>Total as at 25.06.08</i>	<i>% of budget (rounded)</i>	<i>% of budget disbursed (rounded)</i>
11-99 International Experts	402500	351247	47.92	87.27
13-99 Administrative Support Personnel	6831	5576	0.81	81.62
15-99 Project Travel	61032	57422	7.27	94.08
16-99 Other Personnel Cost	12989	5988	1.55	46.1
17-99 Short-term National Consultants	137359	121191	16.35	88.23
21-99 Subcontracts	33800	33589	4.20	99.38
32-99 Study Tours	16789	14863	2.20	87.50
33-99 In-Service Training	91200	86302	10.86	94.62
35-99 Non-UNDP Meetings	13000	9401	1.50	72.31
49-99 Equipment Procurement	22500	17258	2.70	76.70
51-99 Sundries	50000	44019	5.95	88.04
99-99 Total	<u>848000</u>	<u>746856</u>	100	88.46

<sup>34</sup> Figures based on Financial Report as per 7 July 2008 provided by UNIDO, percentages calculated by the Evaluation Team. The budgeted amounts and the budget lines are not equivalent with those provided in the Project Document, as during the project, allocations were changed based on changed requirements.

An analysis of budget lines (Table 2) shows however, that overhead costs were comparatively low. This was mainly due to the cost saving benefits of sharing the CTA with projects in Vietnam and Lao PDR as well as keeping purchases for project infrastructure to a minimum (e.g. no project car). Therefore, it was possible to channel a high percentage of funds directly into activities that added value for the targeted beneficiaries. Overall, it can be concluded that funds were used efficiently and economically. The relationship between cost and outputs is favorable.

## E. Sustainability

On the institutional level, the key problem is that no institution is in place that would fulfill the role of a CP Center after the end of this project. Services were provided through a PMU-structure. Once dissolved after the project ends, there will be no institutional set-up that could continue providing policy input, training and service provision. Sustainability of results clearly require a follow-up phase with a main focus on building an institution that is able to continue the work done under the project.

**Awareness of CP-issues on the policy level** seems to be sustainable in the sense that all government agencies interviewed were familiar with the CP-approach. At the level of general public, ongoing efforts are needed and the GoC needs further support.

**Regarding capacity building of local experts**, results are only partially sustainable, as trainers need more practice and specialized, industry-specific knowledge. Furthermore, the critical number of experts to maintain good quality CP-services in the country is not yet available. If the project stops at this point, most CP-experts (except the CP-teams in companies) would possibly find other employment and would not continue working as CP-consultants. In the best case, they would be able to work for other related donor-funded initiatives or apply their knowledge within new jobs inside or outside the industry.

**Results achieved in enterprises:** in enterprises visited by the mission, achievements in terms of implemented CP-options seem to be sustainable. Implemented CP options typically are of low-cost investments, consisting in simple changes that are easy to maintain. As labor is cheap in Cambodia and in some factories, energy/water cost account for only a small part of input cost, the pressure on companies to improve their productivity is lower than in other countries. Whether enterprises will engage into further continuous improvements depends also on the enforcement of environmental protection laws and market demand for environmentally friendly produced goods and services.

## F. Project management

### 1. Strengths

**Overall, the project was well managed, in particular:**

- **The selection of the CTA** with appropriate personality, skills, understanding of the country context and leadership skills by UNIDO was a key success factor.
- **The high quality of technical input** was praised by all beneficiaries interviewed by the evaluation mission. It seems that the right experts for right tasks were appointed.

Seminars organized were excellent from a standpoint of teaching methodology, interactive seminars (the mission attended one workshop). Participants highlighted a high degree of enthusiasm of both local and international UNIDO experts. The use of Vietnamese experts (VNCPC) allowed for achieving a multiplier effect with the CP-Project in Vietnam, contributed to the establishment of a network for south-to-south cooperation, and allowed reducing cost for international experts. The Evaluation Team was also told that often, input from experts of developing countries who are more familiar with the technology used in Cambodian enterprises was more useful to companies. It seems that towards the end of the implementation, the project increasingly used local expertise, where available (experts trained in workshops already supported implementation of projects in companies with satisfactory results). Most local experts felt they were able to independently conducting CP-assessments (yet, the Evaluation Team had no means to verify this).

- **Excellent working relationship between UNIDO and local partners:** Apart from occasional minor problems, the working relationship between all stakeholders (including enterprises) was excellent. Evidence for this is also that everyone expressed a strong wish to continue the cooperation.

## 2. Weaknesses

Nevertheless, there is room for improvement in the following areas:

### Weaknesses:

- **Synergies with other projects:** expected synergies with other projects (except VNCPC and the CP-Project in Lao PDR) were in practice only marginally achieved, in particular the envisaged cooperation with the Trade Promotion Project of ITC/SECO, which was already in the final stage of implementation by the time the project started.
- **Limited management role of the counterpart:** At the flip-side of having a strong, enthusiastic and highly committed CTA on site, the driving force behind the implementation of this project was clearly the CTA. The role of counterpart in phase II needs to be significantly strengthened, in particular in building up and managing a CP center. This should be the main focus in phase II.
- **Decision making processes:** Some stakeholders felt that UNIDO was only partially flexible and responsive to changed needs (steering committee meets only once/year). The mission was not able to validate this on specific cases. More autonomy in decision making at the project level (in line with approved budgets and well defined objectives) would certainly allow for better catering to local needs. There should also be a mechanism for decision making between physical Steering Committee Meetings (e.g. by circular or phone conference). Applying a form of mixed execution for the next phase would largely address this problem.
- **Monitoring and reporting:** Progress reports are comprehensive but were not updated at the time of the final evaluation. The last document received reported the status as per December 2007, although some activities were still under implementation (e.g. documentation, some consulting work). Achievements in companies are generally well documented in case studies<sup>35</sup> (this is a part of the CP-methodology). Nevertheless,

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<sup>35</sup> But not systematically in the Annual Reports (no figures for 2005, impact in terms of minimum/maximum percentage in 2006, absolute figures in 2007).

indicators on the project level should be better selected in terms of their *relevance* to measure environmental and financial impact. For instance, reporting the number of options proposed versus the number of options implemented is not very significant, as one single option might lead to a higher economic impact as all other options together. More conclusive would be to *relate the saving potential of all options identified (in terms of resource and cost savings) to savings effectively achieved by realized options*<sup>36</sup>. Similarly, the project documented *cost and resource savings* (in percentage, financial and/or quantitative terms), but does not relate them to total production cost and revenues. Thus, an assessment of *how much productivity has improved* – which is the crucial success factor for enterprises - is not possible.

- **There is no evidence of a systematic assessment of quality of trainings and other expert inputs** (reporting only relates to the number of trainings and participants).
- **Financial budgeting and reporting** per year was only provided during the de-briefing meeting. Financial reporting, although in line with UNIDO policies, does not allow for a clear picture what has been spent for what activity. The information for the donor on how the funds were used is rudimentary. In order to provide the necessary transparency, the evaluation team recommends that in addition to the minimum UNIDO standards, a financial reporting template following a matrix system be established, which presents the expenses according to components (e.g. legal infrastructure, competence development, laboratory development, all on a country basis for regional projects) in addition to the usual budget lines.

## G. Horizontal issues

Synergies in form of economies of scale and scope were achieved with the two other stand-alone CP projects in Vietnam and Lao PDR, specifically:

- Sharing a CTA and experts for all three projects;
- Using the VNCPC as a reference center and provider of expertise for the project;
- Sharing know-how through exchanges among the three projects in general.

However, there are also a number of missed opportunities for synergies, in particular:

- The envisaged synergies/cooperation between the project and other ongoing trade-related projects funded by SECO did only marginally materialize.
- There is also no indication of communication with the UNIDO SMTQ project in Cambodia with the same partner funded by NORAD), which was implemented in parallel and a similar SECO-funded intervention in Vietnam, where expertise in many areas relevant for enterprises targeted by the project would be available.

At least three other initiatives in Cambodia are currently active in similar areas (MPDF, the ILO, and the Japanese Government). Further initiatives are under preparation (e.g. the initiative in EU on Sustainable production & Consumption). The evaluation team was not able to gain a comprehensive overview, but suggest that this should be done at the

<sup>36</sup> Examples of meaningful parameters for measuring impact can be found in: Dr. Jürg M. Grütter, “Impact Assessment of SED Centers“, realized on behalf of SECO in November 2005

identification stage for a possible new project (and included into the project proposal for a possible follow-up phase).

**Table 3: Summary of main strengths and weaknesses of the Project**

Main Strengths	Main Weaknesses
<ol style="list-style-type: none"> <li>1. Selection of the right CTA;</li> <li>2. Timeliness and relevance of the intervention;</li> <li>3. High level of ownership expressed by beneficiaries;</li> <li>4. Comprehensive approach of the intervention (awareness raising, capacity building, demonstration projects);</li> <li>5. The CP+ methodology addressing a wide range of issues contributing to improving competitiveness, beyond CP;</li> <li>6. Results on enterprise level are well documented through case studies.</li> <li>7. High quality of technical input;</li> <li>8. Efficiency in terms of high percentage of input channeled into activities that directly benefit counterparts. No costly project infrastructure (e.g. cars) and management overhead. Economic use of funds, while still maintaining quality of input.</li> <li>9. Economies of scale and scope with projects in Vietnam and Lao PDR, in particular the use of Vietnamese experts.</li> </ol>	<ol style="list-style-type: none"> <li>1. Potential for synergies with SECO-ITC, MPDF (co-funded by SECO), and NORAD SMTQ projects not exploited; partially since linkages not specified and formalized;</li> <li>2. While the needs assessment of direct beneficiaries was well done, there is no evidence of a needs assessment at the level of indirect beneficiaries;</li> <li>3. Log-frame as standard project management tool not applied; no outcomes defined. Only quantitative, not qualitative performance indicators.</li> <li>4. A number of performance indicators on enterprise level are not significant for measuring impact.</li> <li>5. Project document does not clearly define responsibilities, competences and accountabilities within the management structure.</li> <li>6. Financial budgeting and reporting, although in line with UNIDO norms, does not provide information on fund use as per specific outputs/activities.</li> <li>7. Sustainability questionable without follow-up phase that successfully builds institutional and technical capacity of an institution, which is able to act as a CP service provider.</li> </ol>

# IV

## Recommendations and lessons learned

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### A. Recommendations to UNIDO

#### 1. Formulation of phase II

UNIDO should consider the consistent and accurate use of log frames as a project management tool. Log frames include expected outcomes linked to assumptions rather than only outputs/activities. Success indicators should be specific, measurable, accurate, realistic and tough. Both qualitative and quantitative parameters should be used. Project management structure should not only include an organizational chart, but also define clear responsibilities, competences and accountabilities for each counterpart. An „advisory committee” with consultative function might be the better platform to exchange information and ensure stakeholder involvement than a large steering committee at the operational level with many members not directly involved into the project. For decision making, a steering committee might for instance only include SECO, UNIDO, the local counterpart and the top-management of the CP-Center. Also, a mechanism should be established to make key decisions between physical meetings.

Projects aiming at developing enterprise support services under a PMU tend to not yield sustainable results. Therefore, the focus of phase II should shift towards capacity building and institutional development of a CP-center with adequate financial/operational autonomy, which is able to continue operating beyond the limited time of a project. Consequently, the new project document should provide for a project management structure that is adapted to the operations of a CP center, not a PMU. Specifically, the CP center should be managed by a local management team with proven credentials in CP approved by UNIDO, while the steering committee would have *guiding role regarding UNIDO/SECO support to the center*, similar to a Board of Directors. The new center should adopt a financial/managerial accounting system suitable to its operations, not a project, which might require the assistance of a specialist. The main role of CTA in phase II should gradually move to training trainers coaching the management of the CP center rather than acting him/herself as a trainer and manager. In order to facilitate the process of shifting from direct service delivery through a PMU structure to building up an institution that can fulfill the role of a CP Center, UNIDO could consider using a form of “mixed execution” for project implementation. This means that UNIDO would still provide direct expert input, but subcontract the major part of activities to a local institution (CP Center). This would possibly require that UNIDO wave the requirement for international bidding in regards to this subcontracting arrangement. Besides an annual financial audit, expert input to strengthening the management side and ensuring a regular external financial monitoring might be required. In order to keep the role of the CTA consistently to coaching and technical input, the task of external financial monitoring should be contracted to a third party.

## 2. Concept for a future CP-Center in Cambodia

At the outset of the project, a clear concept needs to be developed (including mission statement, aim, strategy and structure). The evaluators have not in details examined the question of a future business model for the center to be established. As outlined above, in order to serve the purpose of strengthening CP in Cambodia and achieve the expected socio-economic impact, the future CP center will need to offer a multi-pronged set of services that can be divided into three main categories:

- Services provided on a commercial basis to enterprise clients (medium enterprises, foreign-invested enterprises). Revenues from those service should eventually at least cover direct cost such as salaries of consultants, testing material etc. and gradually generate enough revenues to contribute to overhead costs;
- Services provided to enterprises at subsidized rates (for small enterprises with a development objective): Revenues (if any) will in the best case contribute to covering direct cost. Core funding is needed to subsidize those services;
- Services in public interest (such as training, awareness raising, policy advice), which the CP center will provide free of charge (or at subsidized rates). Core funding is needed to cover most of the cost (except where donors/sponsors directly pay for such services).

It is therefore obvious that the future CP-Centre will require continuous access to core funding (consisting of contributions by the GoC and funding from other sources, such as ODA, international NGOs, sponsoring etc). Due to budget constraints in the foreseeable future, contributions from the GoC (e.g. in form of basic salaries of staff and in-kind contributions, such as offices) are not likely to cover overhead costs and direct costs regarding to provision of service in public interest. This is in particular if the quality of service provision is to be maintained, which requires inter alia competitive salaries, continuous training of experts, maintenance and amortization of appropriate equipment. The CP-center is therefore likely to continue to depend on donor resources or sponsoring far beyond the timeframe of a possible second phase.

A concept on *how to access outside funding* (besides and after UNIDO/SECO support) should be included in the business model. Outside resources may also exist in obtaining donor funding to implement projects. Capacity building in fund raising (nationally and internationally, including designing and writing of project proposals) should also be done (*by an expert specialized in this field*).

In order to allow for a sound financial planning and cost calculation, the new CP-center should adopt a financial/managerial accounting system suitable to its operations, not a project, right at the outset of operations. *This will also require input by an expert specialized in financial management*<sup>37</sup>.

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<sup>37</sup> Recommendations on financial/managerial accounting and fund raising capacities are also based on key findings in different evaluations/institutional assessments Daniel P. Keller has lead or participated in, including the Evaluation of the UNIDO Integrated Programme in Vietnam (2005), the Mid-Term Evaluation of the Regional Forestry Training Center in Bangkok, Thailand (RECOFTC), funded by the Governments of Sweden and Switzerland (2006), the Programme supporting Vietnamese Organizations in Socio-Economic Integration of Street Children funded by Terre des hommes Lausanne and the Government of Switzerland (2007), Institutional Assessment of the General Directorate for Standards, Metrology and Quality in Vietnam (conducted for UNIDO in 2006).

### 3. Horizontal issues (linkages)

Linkages to other projects seem often difficult to materialize if links are not built into the design of all related projects. Coordination and linkages among projects need to be formalized (e.g. by means of cooperation agreements or MoUs). Specifically, UNIDO might explore the possibility of linkages and synergies with the ongoing phase II of the STMQ project funded by SECO in Vietnam (namely in using specialists of STAMEQ trained under the project under a service contract). Areas of interest provided by STAMEQ might include Quality Standards, Labor Standards, Good Manufacturing Practices, Food Safety Standards, etc. Furthermore, UNIDO should continue drawing on resources of VNCPC on a contractual basis and sharing expert resources. Furthermore, opportunities for cooperation with MPDF and the ILO should be explored.

### 4. Monitoring and Reporting

Although not required by UN-standards, financial reporting should be improved by linking expenses according to budget lines to specific activities or output. Quality of trainings and expert work should be systematically assessed (rather than just reporting on the number of trainings, participants and expert man days).

Indicators to measure impact of CP on enterprise level should be redefined in a way that they provide a meaningful picture on the performance of CP-work in terms of value added. For example in case studies, cost savings (in financial terms) should be related to total production cost and revenues, in order to allow for an assessment of how much productivity has improved. Instead of just reporting on the number of CP-options proposed/implemented, the saving potential of all options identified (in terms of resource and cost savings) could be related to savings effectively achieved by realized options.

Introducing a standardized system of performance indicators across all CP-centers supported by UNIDO would allow for a systematic benchmarking of performance.

The three main “critical assumptions” relating to the sustainability of a future CP-Center (a) GoC and other stakeholders’ commitment as measured by continuing contributions (including financial), (b) progress in environmental legislation and its enforcement and (c) the development of a market for CP services should be regularly monitored and reported on the basis of indicators agreed between UNIDO, SECO and the GoC. This should form part of the project agreement for phase II.

### 5. Project Content

The evaluators recommend covering the following topics:

- The CP center supported by UNIDO should cover CP services, awareness raising (including among local and central GoC officials), policy advice to the GoC (including on implementation of international treaties) and training. At the same time exercising regulatory or law enforcement functions would be contrary to the spirit of the CP-methodology. Policy advice should mainly serve the purpose to create a regulatory environment that is enabling to the application of CP-methods. The limited scope of this evaluation did not allow for assessing interest and institutional capacities of possible host organizations for a CP-Centre.
- In regards to service provision to industry, it is recommended to focus on strengthening capacities in sectors most relevant to Cambodia’s economic development (support to the agro-progressing, processed rubber, handicraft sectors and the service industry – namely hotel and tourism).

- The limited scope of this evaluation did not allow for assessing interest and institutional capacities of possible host organizations for a CP-Centre.
- Continue using a comprehensive approach to improving product quality and productivity (CP+), including other tools to increase competitiveness;
- Gradually start requiring adequate cost participation of beneficiaries for consulting activities in order to ensure commitment and avoid market distortion. This in particular for services provided to foreign-invested enterprises;
- Training activities should continue to include universities, in order to increase the pool of local experts. In particular, it is recommended that the CP center provides support in establishing a training curriculum *each* for technical students (engineering) and students of environmental science in Cambodian language. Those are the two faculties for which the CP-methodology would be of most relevance.
- While infrastructure provision should clearly not be a main focus of the project, a budget for upgrading equipment that is directly needed for a CP center to fulfill its core functions (especially „dry equipment“ to be used for measurements in factories) should be allocated. A needs assessment for such equipment should be conducted at the design stage of the project.
- Consider addressing the problem of access of enterprises to loans for financing CP options (e.g. through sharing experience in other countries, consider facilitating contacts with institutions/donors interested in financing Clean Technology, similar to the model used in Vietnam by the SECO-funded Green-Credit Trust Fund).

#### **6. Sharing resources and internal know-how within UNIDO**

UNIDO's Agro Branch and the Trade Capacity Branch should be given the possibility to look at the project proposal for phase II to give their opinion where they can be of help.

## **B. Recommendations to GoC**

1. Facilitate the establishment and operations of a CP-center with adequate financial and operational independence (in particular the ability to generate revenues, to manage its own budget, to enter into contractual agreements etc.). The host institution should be selected through a transparent process in close coordination with SECO and UNIDO. For reasons of good governance, the host institution should also not at the same time fulfill the role of policy making and enforcement. We recommend approaching UNIDO for a presentation of successful role-models in other countries, which can then be adapted to the specific socio-economic, legal and political conditions in Cambodia.
2. Favorable consideration of a project proposal submitted by UNIDO that will be formulated along the lines of above recommendations.
3. Further strengthen the enforcement of environmental protection laws and create favorable conditions for the import and use of environmentally friendly technology.

## C. Recommendations to the Donor

### 1. Non-cost extension of phase I

Provide non-cost extension of phase I until latest March 2009 in order to continue activities in line with outputs 2 – 4 (awareness raising, capacity building, and CP-demonstration projects).

### 2. Continue support through a second phase of the project

Continue support to a phase II of the project as soon as possible, with a *clear focus on institutional strengthening and technical capacity building of a CP center plus a gradual phase out strategy*. Phase out should also include assistance in identifying funding from other sources after SECO-support ends. Formal commitment of the GoC to establish or designate an existing institution with own legal personality and own budget as a CP center should be a pre-condition for further funding. In order to support the GoC with preparations of establishing a CP center, we recommend that the Steering Committee of phase I present to all stakeholders different options for the establishment of a CP center based on experience of a number of other countries with similar conditions.

## D. Lessons learned

### 1. Sharing expert resources among institutions supported by UNIDO

The use of Vietnamese CP-specialists as experts for the project was not only cost efficient, but also adequate. Unlike most specialists from highly industrialized countries, Vietnamese experts were more familiar with the level of technological development in enterprises and able to provide more value added. Furthermore, this also allowed for capitalizing on capacity building efforts done under other UNIDO projects and strengthening the network between different CP-centers in the Mekong Region. UNIDO should continue drawing on expert resources in institutions it provided support to. This might for instance also include using food safety or QMS specialists trained by projects under the TCB-branch for CP-centers and vice versa. In order to maintain transparency of fund use in ongoing projects and to encourage a commercial mind-set in those institutions, formal contractual agreements should be used where possible.

### 2. Use the same CTA for different projects in one region on part-time basis

Using the same CTA on a part-time basis for different projects in the same region resulted in significant economies of scale and scope. This is a good alternative to hiring a full time CTA for relatively small-scale projects in countries where partners still have limited institutional and/or technical capacities and significant capacity building and project management input is needed.

### Annex 1: List of Persons and Organizations met

<i>Date/Time</i>	<i>Organization/Persons met</i>
May 4, Sun 12:00 – 14:00	<b>Briefing Meeting in Hanoi (Vietnam)</b> Dr. Heinz Leuenberger, Director Energy and Cleaner Production Branch
June 16, Mon 09h00-10h30	<b>Institute of Technology of Cambodia (ITC)</b> Attend defending of thesis of CP-intern of CCPC. Meet Dr. Chunhieng Thavarith, Deputy Director of ITC and SC Member; Dr. Davin Uy, Director of Research and Development, and National Experts (Mr. Mith Hasika, Ms. In Sokneang, Mr. Srey Malis).
June 16, Mon 10h30-12h00	<b>Royal University of Phnom Penh, Department of Environmental Science</b> Ms. Va Dany, Head of Department and SC Member; Mr. Yim Mong Teun, Lecturer and Researcher (National Expert).
June 16, Mon 13h30 – 14h30	<b>Meet representative of UNIDO Regional Office (Bangkok) in Phnom Penh</b> Ms. Ayumi Fujino, Representative and Head of Office Ms. Sooksiri Chamsuk, National Programme Officer
June 16, Mon 14h30 – 16h00	<b>General Department of Industry, MIME</b> Dr. Tung Ciny, Deputy Director General Mr. By Pitou, Director of Department of Industrial Techniques
June 17, Tue 09h00 - 10h00	<b>Ministry of Environment</b> Mr. Chhea Marith, Deputy Director, Department of Environment Pollution Control
June 17, Tue 10h30 – 11h00	<b>MIME</b> H.E. Dr. Sat Samy, Under Secretary of State, Adviser to H.E. Samdech, Prime Minister
June 17, Tue 11h00 – 12h00	<b>MIME</b> Mr. Hou Leng, Coordinator of UNIDO Regional SMTQ Project funded by NORAD
June 17, Tue 14h00 – 16h00	<b>PMU Cambodia Cleaner Production Project</b> Dr. PK. Gupta, Chief Technical Adviser Mr. Va Chanmakaravuth, Deputy Programme Coordinator
June 18, Wed 09h00 - 10h00	<b>Roo Hsing Garment Factory</b> Mr. Ky Song Chandara, Administrative Manager
June 18, Wed 10h00 – 11h00	<b>Ly Ly Food Industries</b> Ms. Keo Mom (Guorch), Owner/Director Mr. Taigi Banno, JODC Expert at Factory
June 18, Wed 14h30 – 17h00	<b>Lotus Pond</b> (Handicraft Project in Kandal Province silk products, incl. site visit) Ms. Sompén Kutranon (Thai Citizen), Director
June 19, Thu 09h00 - 10h00	<b>Ministry of Commerce</b> Mr. Suon Prasith, Bureau Chief of Trade SWAp Secretariat, World Trade Net Coordinator (also worked for IFC/MPDF Crafts Network)
June 19, Thu 10h30 – 11h30	<b>Craft Network Cambodia (CNC)</b> funded by IFC/MPDF Ms. Leonila “Onie” Luna, Production & Quality Assurance Manager Mr. Neth Rotha, Finance + Administration Manager
June 19, Thu 13h30 – 15h30	<b>Garment Manufacturing Association in Cambodia (GMAC)</b> Mr. Ly Tele Heng, Manager
June 19, Thu 16h00 – 17h30	<b>Phnom Penh Small and Medium Industry Association (PSMIA)</b> Mr. Heng Heang, Director and SC Member
June 20, Fri 09h00 - 10h00	<b>Meeting with National Experts:</b> Mr. Sok Par, Mr. Srey Siyorn, Mr. Hang Seitha, Mr. Nun Sophana (all trained under the project)
June 13, Fri 14h00 – 15h30	<b>De-briefing with project team and MIME</b> (presentation of major findings, conclusions, recommendations and lessons learned).
July 7, Mon	<b>De-briefing with UNIDO Evaluation Group</b> at UNIDO Headquarters in Vienna
July 8, Tues 09:00 – 10:00	<b>UNIDO Headquarters Vienna</b> Meeting Dr. Heinz Leuenberger, Director Energy and Cleaner Production Branch

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## Annex 2: Reference Documents

### Cambodia

#### Project Documents:

- UNIDO/GoC/SECO: Project Document December 2003;
- Dr. Permod Kumar Gupta: Draft Project Document Phase II;

#### Project Reports:

- Cambodia Cleaner Production Programme: Annual Reports 2005/2006/2007;
- Cambodia Cleaner Production Programme: Various Fact sheets and promotion material published under the project;
- Cambodia Cleaner Production Programme: Work plans, Indicators, Monitoring Reports 2005/2006/2007;
- Cambodia Cleaner Production Programme: Case studies established under the project (reviewed during field mission), one publication (Food Processing) on file;
- UNIDO: Monthly financial report as of July 7, 2008 (last updated on 30.6.2008).

#### Other Documents:

- Asian Development Bank: Hang Chuon Naron, Recent Macroeconomic and Financial Sector Developments, February 2008;
- Craft Network Cambodia (an initiative established by the International Finance Corporation, IFC): brochure on activities

### Lao PDR<sup>38</sup>

#### Project Documents:

- UNIDO/GoL/SECO: Project Document December 2003;
- Dr. Permod Kumar Gupta: Draft Project Document Phase II;

#### Project reports/publication:

- Dr. Permod Kumar Gupta: Cleaner Production Promotion Activities, Presentation held to a Swiss press delegation in June 2008;
- Lao Cleaner Production Programme: Annual Reports 2005/2006/2007;
- Lao Cleaner Production Programme: Work plans, Indicators, Monitoring Reports 2005/2006/2007;
- UNIDO: Monthly financial report as of July 7, 2008 (last updated on 30.6.2008);

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<sup>38</sup> Selected information of those reference documents for the evaluation of the UNIDO/SECO Project „Promotion of Industrial Cleaner Production in the Kingdom of Cambodia (mission from 16.6.2008 – 20.6.2008) was also used as a basis to establish this report.

- Lao Cleaner Production Programme: Case studies established under the project (reviewed during field mission), two publications on file;
- Lao Cleaner Production Programme: Two sample presentations held by participating enterprises in the CP-workshop on 14.6.2008 in Vientiane;
- Lao Cleaner Production Programme: Summary of CP Results 2007;
- Lao Cleaner Production Programme: Mini-guide to Cleaner Production.
- Vientiane Times, June 12, 2008: Article “Cleaner production aims to boost industry growth”.

**Other documents:**

- Department of Development and Transition – SECO: Strategy 2006, March 2002;
- UNIDO: UNIDO forging ahead, Milestones achieved 2006 – 2007;
- GoL: Decree on the Promotion and Development of Small and Medium Sized Enterprises (GoL, 2006). Provides legal basis for establishment of SMEPDO;
- GoL: Environmental Protection Law (1999) and Constitution;
- GoL: Strategic Plan on Governance, 2006 – 2010;
- GoL: National Environment Strategy 2020 and Action Plan 2006 – 2010;
- GoL/United Nations Country Team: United Nations Common Country Assessment (CCA), Vientiane, June 2006;
- GoL: National Biodiversity Strategy to 2020 and Action Plan to 2010 (partially established with assistance of the Swiss Agency for Development and Cooperation, SDC);
- The World Bank Office in Vientiane: Lao PDR Economic Monitor, April 2008;
- Brochure Small and Medium Enterprise Promotion and Development Office (SMEPDO);
- APO: Brochure;
- APO: Report by Expert Mission to Lao, Review of Green Productivity Demonstration Project (GPDP), Proposal in Vientiane Lao PDR;
- GoL: The Ninth round Table Meeting 28-29 November 2006, Vientiane. Recent Developments, Annual Plans and Budget, Aid Effectiveness, Vientiane, Nov 2006;
- Lao National Chamber of Commerce & Industry: Directory 2008 – 2009;
- UNIDO: Integrated Programme of Cooperation between the Lao PDR and UNIDO, Phase II, 2004 – 2008, November 19, 2004

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## Annex 3: Terms of Reference

### Terms of Reference Independent Terminal Evaluation of the UNIDO Project(s):

**US/LAO/03/049**  
*PROMOTION OF CLEANER INDUSTRIAL PRODUCTION IN THE LAO PEOPLE'S  
DEMOCRATIC REPUBLIC*

**US/CMB/03/048**  
*PROMOTION OF CLEANER INDUSTRIAL PRODUCTION IN THE KINGDOM OF CAMBODIA*

#### I. BACKGROUND

The projects aim to support Lao PDR's and Cambodia's efforts to achieve the Millennium Development Goals, especially those related to poverty eradication and environmental sustainability that were adopted at the United Nations Millennium Summit in 2000. This support is offered in the context of UNIDO's CP Strategy, which is based on a holistic and sectoral approach.

The project assists the Governments of both countries to improve the productivity and competitiveness of its growing industry, as well as improve its access to international and more local markets, through the application by export-oriented enterprises of cleaner production techniques and technology. The support was planned for a period of four years, during which time activities will focus on building national capacity in cleaner production through awareness-raising, conduction of in-plant demonstrations sectors within the food processing sectors.

All project activities are undertaken by national staff under the supervision of UNIDO, with the assistance of experts from the Viet Nam Cleaner Production Centre as well as other international and UNIDO experts. By the end of the project, it is expected that many export-oriented enterprises will have increased their productivity and competitiveness as well as their environmental performance through greater resource efficiency; because of this, they will be in a position to obtain greater access to international markets. Furthermore, national capacity will be in place to ensure replication of cleaner production practices and methods, and to ensure that cleaner production concepts are also applied to new industrial investments.

#### OBJECTIVES

The immediate objective of the projects is to increase the adoption of cleaner production concepts and practices in manufacturing enterprises, especially those that are export-oriented.

## II. BUDGET INFORMATION

Project No.	Total Allotment (USD)	Total Expenditure (USD)	% Total Implemented
US/LAO/03/049	838,000	686,014	
US/CMB/03/048	848,000	720,038	
<b>Total</b>	<b>1,686, 000</b>	<b>1,406,052</b>	<b>83%</b>

Source and date of information: UNIDO InfoBase, February 2008

## III. PURPOSE

The purpose of the independent **terminal** evaluation is to enable the Governments, UNIDO and donors to:

- Assess the outputs produced and outcomes achieved as compared to those planned and to verify prospects for development impact and sustainability.
- Assess the efficiency of implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities.
- Provide an analytical basis and recommendations for the focus and design for the possible continuation of the project in a next phase (if applicable).
- Draw lessons of wider application for the replication of the experience gained in this project in other projects/countries.

## IV. METHODOLOGY

The evaluation is conducted in compliance with UNIDO evaluation policy as an Independent **Terminal** Evaluation.

Independent evaluation is an activity carried out during the project cycle, which attempts to determine as systematically and objectively as possible the relevance, efficiency, achievements (outputs, outcomes and impact) and sustainability of the project. The evaluation assesses the achievements of the project against its key objectives, as set in the project document, 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.

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.

The thorough analysis of the relevant facts includes the review of inputs used, activities carried out, management mechanisms applied (in particular planning, monitoring and self assessment) and project specific framework conditions (in particular policy environment, counterpart capacities, related initiatives of Government, donors and the private sector). The analysis of these facts is essential part of the evaluation work and provides the evidence base for the assessment of the project.

While maintaining independence, the evaluation will be carried out based on a participatory approach, which seeks the views and assessments of all parties. It will address the following issues:

### **Ownership and relevance**

The extent to which:

- (i) The counterpart(s) has (have) been appropriately involved and are actively supporting the implementation of the project approach.
- (ii) The outputs as formulated in the project document are still necessary and sufficient to achieve the expected outcomes and objectives.
- (iii) The national management and counterparts were able and willing, to contribute (in kind and/or cash) to project implementation and in taking an active part in funds mobilization.

### **Efficiency of implementation**

The extent to which:

- (i) UNIDO and Government/counterpart inputs have been provided as planned and were adequate to meet requirements.
- (ii) The quality of UNIDO inputs and services (expertise, training, equipment, methodologies, etc.) was as planned and led to the production of outputs.

### **Effectiveness**

Assessment of:

- (i) The relevance of the outputs produced and how the target beneficiaries use the outputs.
- (ii) The outcomes, which have been or are likely to be realized through utilization of outputs.

### **Impact and sustainability**

- (i) Identify what long term developmental changes (economic, environmental, social) have occurred or are likely to occur as a result of the intervention and how far they are sustainable.

### **Project design**

The extent to which:

- (i) project design reflected Government/counterpart needs
- (ii) project design was coherent and facilitated achievement of objectives

### **Project coordination and management**

The extent to which:

- (i) The national management and overall field coordination mechanisms of the project have been efficient and effective.
- (ii) The UNIDO HQ based management, coordination, quality control and technical inputs have been efficient and effective.
- (iii) Monitoring and self-evaluation was carried out effectively, based on indicators for outputs, outcomes and objectives and using that information for project steering and adaptive management.

- (iv) Coordination envisaged with any other development cooperation programmes in the country has been realized and benefits achieved.
- (v) Synergy benefits can be found in relation to other UNIDO activities in the country.

#### **Recommendations for next phase (if applicable)**

The extent to which proposals put forth by the project team for the next phase:

- (i) are relevant to Government priorities in the future;
- (ii) compatible with currently available implementation capacities;
- (iii) are based on logically valid means-ends relationships and take into consideration factors to mitigate likely risks.

#### **V. EVALUATION TEAM**

The evaluation team will be composed of an international evaluation consultant and one national evaluation consultant in each country (to be endorsed by UNIDO and the respective Government).

UNIDO evaluation group will be responsible for the quality control of the evaluation process and reports. It will provide inputs regarding findings, lessons learned and recommendations from other UNIDO evaluations, ensuring that the evaluation report is useful for UNIDO in terms of organizational learning (recommendations and lessons learned) and its compliance with UNIDO evaluation policy and these terms of reference.

All consultants will be contracted by UNIDO. The tasks of each team member are specified in the job descriptions attached to these terms of reference.

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

UNIDO Field Office in Vietnam will support the evaluation team. Donor representatives from the bilateral donor representations will be briefed and debriefed.

#### **TIMING**

The evaluation is scheduled to take place in the first semester of 2008. The field mission for the evaluation is planned for June 2008. After the field mission, the international evaluation consultant will come to UNIDO HQ for debriefing. The final version of the evaluation report will be submitted 6-8 weeks after the debriefing at the latest.

#### **REPORTING**

A separate evaluation report will be prepared for each of the two projects. The evaluation reports shall follow the structure given in annex 1. Alternatively, the format used in for country reports in the ongoing CP Programme evaluation can be applied. Reporting language will be **English**.

**Review of the Draft Reports:** Draft reports submitted to UNIDO Evaluation Group are shared with the corresponding Programme or Project Officer for initial review and consultation. They may provide feedback on any errors of fact and may highlight the significance of such errors in any conclusions. The consultation also seeks agreement on the findings and

recommendations. The evaluators will take the comments into consideration in preparing the final version of the report.

***Quality Assessment of the Evaluation Report:*** All UNIDO evaluations are subject to quality assessments by UNIDO Evaluation Group. These apply evaluation quality assessment criteria and are used as a tool for providing structured feedback. The quality of the evaluation report will be assessed and rated against the criteria set forth in the Checklist on evaluation report quality (annex 2).