

# **Independent Terminal Evaluation**

## **SME Cluster Development**

**UNIDO Project Number: TE/VIE/08/003**



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



**UNIDO EVALUATION GROUP**

**Terminal Evaluation**  
**SME Cluster Development**

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION  
Vienna, 2013

Distr. GENERAL  
ODG/EVA/12/R.17  
July 2013

Original: English

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This document has not been formally edited.

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# Acknowledgements

The evaluators acknowledge with thanks the support and information provided by the numerous individuals and organizations interviewed, in particular the counterpart institutions in Viet Nam, the UNIDO project managers and the UNIDO Field Office in Viet Nam.

## Abbreviations and acronyms

AGTEK	Association of Garment, Textile, Embroidery and Knitting
ASMED	Agency for SME Development (now EDA)
BDS	Business Development Services
CDA	Cluster Development Agent
CIEM	Central Institute for Economic Management
CMT	Cut, Measure, Trim
CONFINDUSTRIA	Confederation of Italian Industries
CT	Cluster Twinning
CTA	Chief Technical Advisor
DPI	Department of Planning and Investment (Province level)
EDA	Enterprise Development Agency
EU	European Union
G/T	Garment and Textile
GIZ	German International Cooperation Agency
GoI	Government of Italy
GoV	Government of Viet Nam
HAWA	Handicraft and Woodworking Industries Association
MOIT	Ministry of Industry and Trade
MPI	Ministry of Planning and Investment
NPD	National Project Director
NPM	National Project Manager
ODA	Official Development Assistance
SC	Steering Committee
SLA	Shoes and Leather Association
SME	Small and medium enterprises
SOE	State Owned Enterprises
TA	Technical Assistance
TPR	Tri-partite Review
UNIDO	United Nations Industrial Development Organization
VCCI	Viet Nam Chamber of Commerce and Industry
VITAS	Viet Nam Textile Industries Association
VTRI	Viet Nam Textile Research Institute

## Glossary of evaluation related terms

Term	Definition
Baseline	The situation prior to an intervention, against which progress can be assessed.
Effect	Intended or unintended change due directly or indirectly to an intervention.
Effectiveness	The extent to which the 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

The present report presents the results of a terminal evaluation of the UNIDO project "SME Cluster Development" (TE/VIE/08/003). The Ministry of Foreign Affairs (DGCS) of the Government of Italy has funded the € 3million project. The main Vietnamese counterpart was the Enterprise Development Agency (EDA) under the Ministry of Planning and Investment (MPI). The second counterpart was the Ministry of Industry and Trade (MOIT). The project was originally planned from July 2009 to June 2012 but has been extended up to December 2012.

## Project design and implementation

The project objective was "to upgrade and strengthen up to three SME clusters/company networks, including those that may be export oriented, and industry associations for twinning with Italian SME clusters/company networks and industry associations and to facilitate business partnerships between selected Vietnamese and Italian enterprises."

Project activities were to produce three logically interconnected, but largely sequential, outputs, whereby output 1 (identification of clusters in Viet Nam and Italy) was to lead to output 2 (upgrading of Vietnamese SMEs and associations) and finally to output 3 (twinning and business matching). Ultimately, the project was to contribute to local economic development in Viet Nam through more competitive enterprises.

Lengthy discussions were required at the start due to substantial differences between the core partners in understanding the concept of clusters. Consequently, a fourth output was added later to provide advisory support to the Government for drafting a national cluster policy.

**Output 1** activities of the project started with mapping and identification of clusters. Four intervention sites were selected:

- (i) Garment and textile industry in Ho Chi Minh City;
- (ii) Garment and textile industry in Hanoi / Hung Yen;
- (iii) Footwear and leather processing in Ho Chi Minh City;
- (iv) Furniture industry in Binh Duong.

**Output 2** upgrading of enterprises, started with signing MoUs with Vietnamese sector associations. Inception workshops and round tables were organised at

each site in order to inform potential client enterprises and identify contents and priorities for enterprise and cluster upgrading. Initially, a total of 77 enterprises subscribed, however only 39 remained active clients throughout the project: 17 from the garment/textile sector, eight leather/shoe companies, and 14 wood/furniture enterprises.

Eighteen (mostly) Italian consultants stayed for a total of 470 workdays in Viet Nam; in addition 240 workdays were spent in Italy. Fourteen long-term national consultants were employed. The Italian consultants, along with their national counterparts, provided direct in-house consultancies to a selection of the participating companies. In addition, 26 training workshops were conducted in Viet Nam. In the furniture sector, upgrading was delivered through a tailored-made master engineering course in Italy for 16 participants from 12 companies. Infrastructure support was provided to the Viet Nam Textile Research Institute to convert it into the leading public quality testing, consulting and training institution for the G/T sector.

The success of the efforts in company upgrading is difficult to assess. Some progress was clearly made with the limited number of client enterprises but the Final Project Report (July 2012) also concluded that the 'intensity' of technical assistance interventions in each enterprise (through direct in-house consultancy and participation in joint training initiatives) was still too limited for ensuring a major and sustainable breakthrough in their capacity and competitiveness. This was confirmed by the feedback the evaluation team has received from companies visited.

Activities for **output 3**, enterprise and cluster twinning, started with a cooperation agreement with the Confederation of Italian Industries (Confindustria). Subsequently, two MoUs in the furniture sector were concluded between Italian and Vietnamese associations. In the G/T sector, the testing body VTRI concluded three MoUs but none could be concluded in the leather and footwear sector. Italy visits were organised for the furniture as well as leather and footwear companies. In 2012, a road show was organised to Italy and a business forum was held in Viet Nam.

The situation related to cluster development, if not cluster twinning, remains vague. At present, companies that participated in the training and promotion events remain single and independent producers. To put it simply, the mission's impression is that the term cluster was used to group the different participating companies under a common umbrella. The term cluster was then more a matter of branding for something that in reality was a rather ad-hoc support to a couple of selected enterprises.

In the additional **output 4**, cluster policy, the Central Institute for Economic Management (CIEM) received international experts' support and has submitted a draft policy paper on "Project on Development of Industrial Clusters, Industrial Zones Related to Promotion of Supporting Industries and Creation of Production Networks" to the Prime Minister's office for consideration of creating pilot clusters in tourism, agro processing, automobiles, electronics, and mechanicals.

## Assessment

The project has been first and foremost relevant or mostly relevant for the (small number of) 39 companies that participated in activities throughout the phase. Its offer was evidently not really relevant to the 38 (out of initially 77) enterprises that withdrew after initial participation. The project's relevance for the professional associations is mixed. In general, it was higher for the Vietnamese associations than the Italian ones and the initial donor vision of a 'fast-track' project, driven by Italian associations did not materialise. The Viet Nam Textile Research Institute received very relevant soft- and hardware support that has boosted its operations. The additional output 4 increased the relevance of the project for the government and its evolving strategic policy framework. The project is relevant to UNIDO, although it can be argued that its relevance to UNIDO would most likely have been stronger had the project not been tied to one European country (Italy).

As with relevance, the picture related to ownership is mixed. It is probably best in the furniture sector where the partner organisations remain in contact and future joint activities may materialise. In the garment and textile as well as the shoemaking and leather sectors, the end of the project also meant the end of related activities with consequently low levels of identification and ownership from the associations and the participating companies.

In terms of efficiency, the project experienced a slow start, due to difficulties in recruiting staff and analysts, but also because partners first had to agree on the very basics of the project concept, caused by the weak contextual adaptation of the design to Vietnamese reality. Start of actual project activities was consequently late with companies and associations; twinning activities but also the major furniture activity (Master course in Italy), only took place in 2012, i.e. almost three years after project start.

When assessing effectiveness and impact, it has to be stated that the project was very ambitious in setting as its goal to initiate substantive change in three sectors within only three years and to do this in finally four locations. Had the project

been able to focus on one sector only (in hindsight, probably furniture) it can be assumed that it would have made substantially more inroads, both in Viet Nam but especially also in Italy.

On a more general level, two points are raised in terms of whether effectiveness (but also efficiency) could have been increased: the first relates to the de facto tied aid set-up. Provision of technical assistance has been on a short-term basis and was at times driven more by availability of Italian expertise than by demands from the Vietnamese SMEs. The second issue relates to the mechanism for technical capacity strengthening, where (expensive) international experts provide direct consulting to (a limited number of) companies. While some 40 Vietnamese companies have profited individually, the systemic (and widely acknowledged) constraint remains of unavailability of qualified general and technical BDS within the country.

The sustainability of those changes that were actually implemented by the participating enterprises can be assumed. The question, however, is to what extent the associations and the 'clusters' have undergone sustainable change or, in other words, whether the impact on individual enterprises has led to systemic change in the industries and in other companies that did not participate in the project.

Functioning clusters are an essential precondition for a project that intends to promote cluster twinning (instead of cluster development). This leads to:

- (i) A semantic issue in that the question arises whether a selection of some 10 to 20 enterprises in a given sector, which are members of the same association, can already be called a cluster.
- (ii) What in particular the project did to develop the client companies into a cluster. Looking from a certain distance, the project was more of a 'classic' SME development venture, involving selected companies and Vietnamese associations, with an added element of exposure trips to Italy for some.

Participating companies were certainly upgraded but are, according to available documentation, not more integrated or functionally differentiated than before. UNIDO initially intended to first implement a 'proper' UNIDO cluster development project and only then to embark on twinning efforts. However, the donor apparently considered this as too slow an approach and strongly promoted a 'fast lane' model, where Italian clusters interested in investing in Viet Nam would directly drive cluster development in Viet Nam. The emerging crisis in Italy

seriously undermined this concept and the exclusive focus on Italy prevented the project from looking for more viable alternatives, e.g. in the Asian region.

## **Issues with regard to a possible next phase**

Currently, discussions in UNIDO, Viet Nam and Italy are on-going on a potential next phase of 18 to 24 months duration. The basic idea is to bank on what has been achieved in the furniture sector and eventually expand to mechanical industries. Two main action lines are to be pursued in furniture: (i) institutionalisation of the woodworking master course in Viet Nam, as well as (ii) joint ventures to produce Italian style and quality furniture in Viet Nam, destined for the ASEAN and other Asian markets.

Related to the first action line, it is advised to assess the potential for institutionalisation and ensuring long-term institutional funding; this would certainly require a firm commitment by the GoV. Also, a clear assessment of the actual demand and 'carrying capacity' of the Vietnamese (or even ASEAN?) market for master woodworkers would be advisable. Related to the second line, the underlying concept of "delocalisation" seems to diverge from the standard UNIDO cluster development and cluster twinning approach and would be a first for the organisation.

## **Main recommendations and lessons learned**

Future project designs should be less ambitious. Dissipation of energies and resources over several sectors does not bring additional benefits of scale; instead the focus should be on one or at least a very limited number of sectors. Best would be to select a single sector and concentrate resources in order to be able to go 'deep and wide'.

In order to achieve systemic (instead of punctual) change investments should be in the long-term build up of local capacities for technical support and general BDS, and in particular also for developing the required institutional framework for SME oriented research, vocational education and finance.

The project has shown that the envisaged 'fast-track' concept, where Italian clusters would have directly driven cluster development in Viet Nam did not work; in future, it is advisable to first ensure local cluster development (along the lines of the tested UNIDO approach) and only then to embark on twinning efforts. In relation to twinning, a sound pre-project assessment is required of the actual demand and interest for twinning in the developed country, as insufficient interest

and commitment by the developed partners can become a killer assumption for any twinning effort.

Finally, UNIDO, as a multilateral agency, should avoid implementing projects that limit the range of support to local industries due to an exclusive link to a single donor country's industries, associations and consultants.

# 1.

## Introduction

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UNIDO has commissioned a terminal evaluation of the project "SME Cluster Development in Viet Nam" (TE/VIE/08/003). The project was originally planned from July 2009 to June 2012 but has been extended up to December 2012. Formally, it constitutes the second phase of the earlier project "Assistance to Establish the National and Provincial SME Support Infrastructure" (TF/VIE/04/001), which ended in December 2007.

The purpose of the project has been to upgrade and strengthen up to three SME clusters or company networks and related industry associations. According to the project document (ProDoc), the main features of the cluster/network development strategy consist of:

- (i) A participatory approach to vision building, which is based on the diagnostic studies carried out in the selected clusters;
- (ii) Capacity building actions based on shared targets, which specifically focus on trust-building, as well as on;
- (iii) Upgrading programmes conducted in line with the framework of cluster-matching; and
- (iv) Ensuring the sustainability of the cluster development process through capacity building of industry associations and by maintaining linkages to local support institutions and services. In addition, the project has been designed to build up international partnerships and to follow a Cluster Twinning (CT) approach in order to strengthen the selected industrial clusters and their relation to the foreign counterparts.

## Origin of the project

The Government of Viet Nam Decree No. 90/2001/ND-CP, dated 23 November 2001, provides the development framework for SMEs in Viet Nam. It details the government's support for industrial subcontracting and cooperation, technology

transfer and product development, with the incentive to expand market access of SMEs and to strengthen their competitiveness.

In August 2004 the Agency for SME Development (ASMED) and UNIDO started implementing the project “Assistance to Establish the National and Provincial SME Support Infrastructure”, funded by the Governments of Finland (TF/VIE/03/001) and Italy (TF/VIE/04/001). The project assisted ASMED and the SME Development Promotion Council in the formulation of the SME Action Plan of the Vietnamese Government, which provides support for export promotion and underlines the importance of cooperation with foreign partners.

The present project has been designated as phase II of TF/VIE/04/001 and takes into consideration the donor’s interest to strengthen cooperation with selected industrial sectors and the proposition of the Vietnamese Government to implement the SME Action Plan prepared for the period of 2006 – 2010.

## **Counterparts**

The Ministry of Foreign Affairs (DGCS) of the Government of Italy has funded the € 3million project. The main Vietnamese counterpart was initially the Agency for SME Development (ASMED), which has been renamed as Enterprise Development Agency (EDA) in 2008, with an expanded mandate to include State Owned Enterprises (SOE); it continues to operate under the Ministry of Planning and Investment (MPI). The second counterpart is the Ministry of Industry and Trade (MOIT).

## **Main project objectives, outcome and outputs**

The targeted outcomes and outputs, as formulated in the ProDoc, are as follows: To upgrade and strengthen up to three SME clusters/company networks, including those that may be export oriented, and industry associations for twinning with Italian SME clusters/company networks and industry associations and to facilitate business partnerships between selected Vietnamese and Italian enterprises.

- (i) Vietnamese and Italian SME industrial sectors are analyzed and up to three SME cluster/networks, including those that may be export oriented and suitable for institutional twinning, are identified;

- (ii) Up to three Vietnamese SME clusters, corresponding industry associations and selected SME's in each sector are upgraded;
- (iii) Up to three Vietnamese SME clusters, including those that may be export oriented, and their industry associations are twinned with Italian clusters and industry associations and business matches are initiated between selected Vietnamese and Italian SME's.

## **Terminal evaluation**

The terminal evaluation of the SME Cluster Development project in Viet Nam was conducted in parallel with a broadly similar project in India, the Cluster Twinning (CT) Component of the Consolidated Project for SME Development (TE/IND/04/001) during August 2012.

The evaluation exercise was combined, as both projects have similar objectives and outputs, in particular with regard to the cluster twinning approach. While each project was assessed individually against their agreed objectives, the evaluation also included an assessment of the cluster twinning approach, based on the experience from the two projects. The Viet Nam evaluation team consisted of Mr Andreas Tarnutzer (international consultant and team leader) and Ms Thuy Nguyen (national consultant).

The purpose of the independent evaluation was to enable the donors, UNIDO and the participating governments to:

- (i) Assess the outputs produced and outcomes achieved (e.g. upgrading results) as compared to those planned;
- (ii) Verify the prospects for development impact and long-term sustainability of the results and benefits;\
- (iii) Assess the continued relevance of project objectives and planned outcomes, including the implicit and explicit assumptions and risks of the project;
- (iv) Assess the efficiency of implementation: quantity, quality, cost and timeliness of UNIDO and counterpart inputs and activities;

- (v) Provide an analytical basis and recommendations for the focus and design for the possible continuation of the project in a next phase;
- (vi) Draw lessons of wider application for the replication of the experience gained in this project for other countries and/or cluster- or upgrading-related projects.

## 2.

# Country and project context

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## Key figures

Viet Nam is classified as lower middle-income economy with a current per capita GDP of \$ 1370. The two prominent international rankings place it at an average position: the 2013 Ease of Doing Business survey by the World Bank ranks it 99 out of 185 economies, slightly behind the East Asia and Pacific average of 86. In the World Economic Forum (WEF) Global Competitiveness Report 2012 to 2013, the country ranks 75 out of the 144 economies measured, down some 10 positions since 2011-2012.

The global financial crisis that broke out in 2008 has substantially affected the country's economic performance during the project period from 2009 to 2012. Exports stagnated due to shrinking global demand, and orders from the leading markets United States and EU were drastically reduced for the project sectors (i) textile and garment, (ii) furniture, and (iii) footwear.

Textile and garment exports (HS50-63<sup>1</sup>) fared best in 2009 and reached \$ 9 billion, a decrease of 0.6per cent from 2008; footwear exports (HS64) were \$ 4 billion, down 14per cent , and furniture exports (HS44) reached only \$ 2.2 billion, 20per cent less than in 2008. Additional obstacles to businesses were the tightened monetary policy and the credit growth limit during the crisis that resulted in very high interest rates (increasing from 14per cent in 2007 to 20 per cent in 2009 and 24per cent in 2010, respectively).

While the country has enjoyed impressive growth rates over the last 20 years, averaging 7per cent to 8 per cent per annum, 2009-2010 saw a decline to 6per cent , and recently a realistic GDP growth target of 4per cent to 4.5per cent has been set for 2013, considerably lower than in the pre-crisis years. The economic and regulatory context for the main target group, the SMEs in the three sectors, remains thus rather unfavourable.

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<sup>1</sup> General Statistics Office of Viet Nam (GSO), 2009.

## **Donor and project landscape**

The SME sector is addressed by a range of ODA projects. UNIDO supports several other projects to strengthen Vietnamese SMEs, i.e. Market Access Support through Strengthening of Capacities related to Metrology, Testing and Conformity; Business Registration Reform; Corporate Social Responsibility; and Green Industry (all of which were included in the 2011 country evaluation). Among the other relevant donor projects are: ADB (Making Markets Work Better for the Poor – M4P); DANIDA (Business Sector Programme Support); EU (Private Sector Support Programme); SNV (Market Access for the Poor – MAP); GTZ (SME Development Programme); ILO (Poverty Reduction through Integrated Small Enterprise development – PRISED); JICA (Assignment of Advisory Expert on SME Promotion Policy); USAID (Viet Nam Competitiveness Initiative – VNCI).

ODA projects specifically oriented at the textile and garment, footwear, and furniture sectors are the Netherlands MOFA Centre for the Promotion of Imports from Developing Countries (in business matching for the textile and garment sector); Batik International (working on CSR in the textile and garment sector); the ILO project Sustaining Competitive and Responsible Enterprises (SCORE) and the SWITCH-Asia project Sustainable Consumption and Production (SCP), both in the furniture sector. No specific collaborations with any of these projects were reported by the UNIDO project and consequently a potential to increase effectiveness and impact of induced changes may well have been missed.

## **Government strategies**

The first instrument of the Government of Viet Nam for overall economic development during the project period was the five-year Socio-Economic Development Plan (SEDP) from 2006 – 2010; the ten-year Socio-Economic Development Strategy (SEDS) for 2011 – 2020 followed. Specifically for SME development, the first SME Action Plan (2006 – 2010) defined (as measure 10) the maximising of the positive impacts of WTO. It prescribed the selection of priority sectors with high export potential and delivery of assistance to SME clusters and relevant cluster actors, such as industry and trade associations and technical centres, to strengthen industry and inter-firm linkages.

The present five-year development plan of SMEs for 2011 – 2015 contains, as fifth group of measures (out of a total of eight groups), to boost SME development, inter alia through cluster development in connection with industrial zones and facilitating access to land by amending the relevant law. It is assumed

that these strategic priorities will translate into respective budget allocations by the Government.

In this context, the project's new partner, the Central Institute for Economic Management (CIEM), under the Ministry for Planning and Investment (MPI), was the core driver in conceptualising clusters in industrial zones and (smaller) industrial parks with the intention to develop supporting industries for connected production networks and value chains. However, discussions with CIEM showed that the cluster concept in Viet Nam remains strongly oriented towards spatial criteria; the wider definition of UNIDO has only partially been taken on board so far.

## **Project planning**

The project design process was not always 'smooth sailing'. Eighteen months after the predecessor project "Assistance to Establish the National and Provincial SME Support Infrastructure" ended in December 2007, the current project was started, this time exclusively financed by Italy. Originally it was to last for three years from July 2009 until June 2012; later it has been expanded until December 2012.

Discussions with UNIDO staff responsible for the initial project design could not fully clarify the reason for designating it as second phase to the predecessor project instead of making it a new stand-alone project. In principle, the declared initial intention was to design the new Viet Nam project along the lines of the India cluster-twinning project, including lessons learnt from the latter.

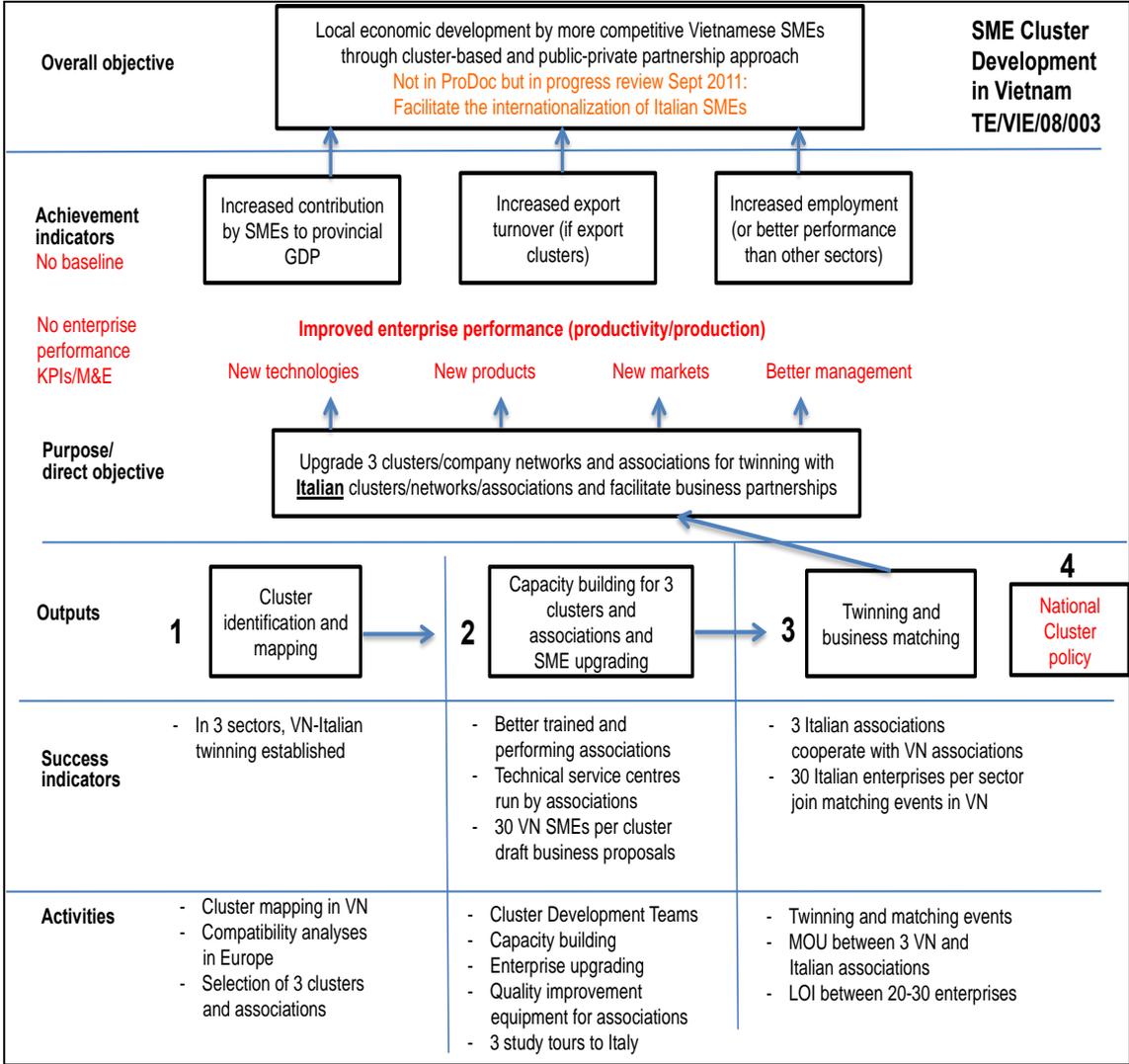
However, some interviewees noted that this was not done to the extent desirable. Apparently, the Italian and Vietnamese governments, along with the ITPO Italy and ASMED, were instrumental in deciding the final shape of the new project. Certain concerns of the UNIDO headquarters to accommodate lessons learnt from the Indian 'sister project' seem to have been overruled due to an unwillingness to change the already drafted ProDoc.

Also, the donor did not envisage a project along the lines of the tested UNIDO cluster development approach (as this was considered to take too much time) but wanted instead to produce fast results, driven foremost by Italian clusters (this assumption later turned out to be too optimistic, not the least due to the emerging economic crisis in Italy).

# Intervention logic

The intervention logic applied for the project is summarised, as per the ProDoc, in the following figure:

**Figure 1: Intervention Logic**



The illustration points to some specifics in the project design. Project activities were to produce three outputs. These were seen as logically interconnected, but largely sequential, sets of undertakings, whereby output 1 (identification of clusters in Viet Nam and Italy) was to lead to output 2 (upgrading of Vietnamese SMEs and associations) and finally to output 3 (twinning and business matching). However, no clear analytical distinction can be made between output 3 and the higher purpose or direct objective, which still remains on the output level. Successful twinning (and the establishment of partnerships) was to directly

accomplish ambitious 'achievement indicators' in terms of GDP growth and increased exports and employment.

However, the essential level of improved performance of individual enterprises in terms of production and productivity increases (here added in red) is not part of the intervention logic and was consequently not (systematically) monitored by the project.

Ultimately, the project was to contribute to local economic development in Viet Nam through more competitive enterprises. Interestingly, in the progress review presentation of September 2011, "facilitation of the internationalisation of Italian SMS" was added to the overall objective; for the first time the Italian part of the envisaged 'win-win' situation was explicitly mentioned. In any case, the intervention logic is more than ambitious for a comparatively small project with, as will be shown, less than 80 initial and only some 40 final client companies in three industrial sectors.

Initially, lengthy discussions were required due to substantial differences in understanding the UNIDO concept of clusters between the core partners, despite the fact that the term cluster was used in the SME Action Plan developed during the predecessor project. The exact reasons why this was the case and why no inception phase was planned to first establish a common understanding on the basic project concept are not known. Somewhat belatedly, a new component or output 4 was then added for integrating a cluster development policy into national strategies.

The First Steering Committee in April 2011 introduced three main changes to the ProDoc:

- (i) Advisory support to GoV was approved for drafting a National Cluster Policy (given as Output 4 in the intervention logic above), to be implemented by the Central Institute for Economic Management (CIEM) of MPI.
- (ii) Most of the original budget for purchasing Italian testing equipment for industry associations was reallocated to the technical assistance budget.
- (iii) The plan to establish quality-testing services was changed to two existing government institutions (instead of building up three industry associations, as originally envisaged). These were (i) the Viet Nam Textile Research Institute (VTRI), the main public service institution in

the garment and textile sector under the MOIT, and (ii) the SME Assistance Centre in HCMC, operated by AED/MPI.

## Fund mobilization and expenditures

Fund mobilisation and utilisation for the project was as follows:

**Table 1: Project Budget**

<b>TE/VIE/08/003 Project Budget (all figures in €)</b>	<b>ProDoc</b>	<b>Revised in SC 04/11</b>	<b>Spent/ committed as of June 2012</b>
BL11 - International Experts/Consultants	777,000	1,152,582	1,183,027
BL13 - Administrative Support Personnel	36,000	44,786	46,605
BL15 - Travel of project staff/experts	45,000	70,858	130,943
BL16 - UNIDO Personnel Costs (PM, HQ staff)	15,000	31,286	60,513
BL17 - National Experts/Consultants	263,950	361,943	298,726
BL21 - Subcontracts	123,500	156,143	211,790
BL32 - Study Tours	125,000	130,057	161,387
BL33 - In Service Training	293,500	229,285	214,952
BL45 - Equipment	920,000	419,577	265,854
BL51 - Sundries	55,916	58,350	81,071
<b>TOTAL</b>	<b>2,654,867</b>	<b>2,654,867</b>	<b>2,654,867</b>
UNIDO support costs (13%)	345,133	345,133	345,133
<b>Project total</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>

Source: Final Project Report, 13 July 2012, p. 37

Initially, a sizeable part of the budget was allocated for importing Italian equipment; this was changed in the First Steering Committee (April 2011), when around 60 per cent of the equipment budget (BL 45) was reallocated to TA by international and national experts (BL 11 and 17). Equipment expenses were basically used to upgrade VTRI and finally turned out to be even smaller than in the revised budget.

With Italy as donor, the project was oriented on Italian clusters as partners and the utilisation of mostly, but not exclusively, Italian experts. Expenses for the experts finally came to 44.5 per cent of the overall operational budget and the related travel budget also increased threefold.

Not included in the above table is the extension of the project up to 31 December 2012, financed from accrued interests (approximately € 40,000) for completing reporting tasks for the Government of Viet Nam and ensuring the smooth completion of pending activities and related procedures.

## 3.

# Project planning

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## 3.1 Output 1: Cluster mapping and selection of three pilots

The project started with mapping and identification of clusters between July 2009 and June 2010. Initially, completion of Output 1 was planned after six months, with Output 2 starting immediately after and Output 3 after a further seven months. However, the actual implementation of Component 1 required one year, i.e. double the planned time, due to delays in recruitment of national staff and consultants for sector analyses.

After preparatory steps (desk reviews, expert interviews, both in Viet Nam and Italy), six clusters were analysed in detail: three in the North (Thai Binh and Nam Dinh for G/T, Phu Yen for leather/footwear), and three in the South (G/T in HCMC, Footwear and Leather in HCMC, Wood/Furniture in Binh Duong).

Collecting relevant information on clusters proved difficult, since the concept of industrial cluster was new to Viet Nam. The tender to identify a research agency had to be repeated several times as candidates withdrew after realising the complexity of the task. Delays occurred during acquisition and systematisation of data on existing SME clusters, as information was fragmented and incomplete as well as often out-dated or unreliable. Again it can be argued that, for a follow-up project, some of these difficulties could have been foreseen and appropriately planned for.

The selection of clusters for intervention was based on the criteria:

- (i) Potential for growth and integration in global markets;
- (ii) Twinning potential with Italian enterprises;
- (iii) Feasibility, sustainability, relevance and replication potential.

The final selection of four project intervention sites was made in the so-called Tripartite Meeting in October 2010.

- (i) Garment and textile industry in Ho Chi Minh City;
- (ii) Garment and textile industry in Hanoi / Hung Yen;
- (iii) Footwear and leather processing in Ho Chi Minh City;
- (iv) Furniture industry in Binh Duong.

## **3.2 Output 2: Upgrading of enterprises and clusters start-up activities**

Output 2 was implemented during two years, between July 2010 and June 2012. It consisted of training and provision of technical assistance to participating enterprises and supporting institutions.

MoUs were signed with:

- (i) The HCMC furniture association HAWA;
- (ii) SLA (shoes and leather association of HCMC and South provinces);
- (iii) AGTEK (the garment/textile association in HCMC and the South), as well as
- (iv) With VITAS (the national association of garment and textile industries). The MoUs defined cooperating roles and commitments for implementing cluster-upgrading activities under the project.

To start field activities, inception workshops and round tables were organised in each area with the industry associations in order to inform potential client enterprises and identify contents and priorities for enterprise and cluster upgrading. Early 2011, a technical assistance programme was designed for each cluster; a cost contribution of around 5 per cent by the participating companies was fixed and a call for application launched through the sector associations and in the media.

For each cluster, a cluster development team was recruited. Each team was led by an international industry advisor and coordinated by a national Cluster Development Agent (CDA). The first CDA for furniture was recruited in November 2010; recruitment for the footwear and garment CDAs was completed in February and March 2011. National experts were added to the teams during March and April 2011 for supporting the implementation of industry upgrading plans. It took thus almost two years since the project start in July 2009 until the field teams were fully operational.

Quick audits were conducted on 80 pre-selected enterprises by teams of international and national experts to collect enterprise data, finalise enterprise selection and define upgrading needs. According to the associations and the CDAs interviewed, it took quite some efforts, including repeated personal phone calls, to convince and 'recruit' participating enterprises. Initially, a total of 77 enterprises subscribed, however only 39 remained active clients throughout the project, as shown below.

## Enterprise upgrading

The implementation of industry upgrading programmes in the three sectors lasted one year, from July 2011 to June 2012. The following table presents the 'big picture' for the three sectors, in terms of:

- (a) Total enterprises, association members and project clients;
- (b) Support by international and national experts.

**Table 2: Overall figures of the three sectors**

	<b>Garment/ textile</b>	<b>Leather/ shoes</b>	<b>Wood/ furniture</b>	<b>Total</b>
Enterprises in Sector		600	800	4100
Members of Associations	500	160	340	1000
Initial subscribers	34	22	21	77
Upgrading clients	17	8	14	39
International Experts (IE)	6	2	10	18
IE missions	16	7	4	27
IE person days	400	160	150	710
IE days in factories	160	100	50	310
National Experts (NE)	8	3	10	21

Source: info from NPM, sector CDAs, Final Report July 2012.

As mentioned above, participation of enterprises was low and it took some efforts to convince owners to join. Discussions with the CDAs revealed the following main reasons for this:

- The project did not make an initial 'splash', i.e. organise a major launch event with prominent business people. Instead, invitations to participate in project activities were simply sent through letters from the associations. The response to these letters was almost zero;

hence intensive telephoning was required. Still, the initial targets could not be met in footwear and furniture.

- CDAs had difficulties in convincing companies, as many other projects had engaged them before with little of practical use to offer. Companies were also hesitant to disclose their businesses and saw the project as being too closely affiliated with the government. Consequently, participating companies often delegated junior staff to the training.

Eighteen (mostly) Italian consultants stayed for a total of 470 workdays in Viet Nam; in addition 240 workdays were spent in Italy (including the woodworking master programme and business partnership promotion). Fourteen long-term national consultants (including 4 CDAs) were employed. The Italian consultants, along with their national counterparts, provided direct in-house consultancies to a selection of the participating companies. In addition, 26 training workshops were conducted in Viet Nam.

## **Garment & Textile (G/T)**

In G/T (and footwear), upgrading programmes focused on priorities identified as main gaps by enterprises and experts: (i) product design and development, (ii) marketing, (iii) production organisation (including quality control), and (iv) value addition.

Due to the fact that the selected G/T enterprises were requested to provide a small contribution to the TA cost, some companies were reluctant to join, as they were not clear what they would actually receive. Consequently, only 14 companies signed the agreement and even fewer actually paid their share of the training cost.

Of these, most were CMT (cut, measure, trim) garment producers who receive the cloth and designs along with the mostly international orders. Their core interest is to secure sufficient orders to operate their assembly lines at full capacity; most are now affected by the export crunch due to reductions in international orders.

According to the CDAs, the most appreciated training was in pattern making and all clients confirmed the good applicability of what they learned. Interest in training for marketing and design was limited as these subjects were of less relevance to the daily activities of CMT companies and would require investments in designers, etc., which the predominantly family-owned businesses were not ready to make.

Training in production management was also less successful as garment production in Viet Nam is labour intensive (as opposed to capital intensive like in Europe). Experts' advice was said to be based on EU conditions, which often proved too costly for Vietnamese garment factories. Unlike for the other sectors, no visit to Italy was organised for the G/T companies due to project budget constraints.

## **Support to the Viet Nam Textile Research Institute (VTRI)**

The Viet Nam Textile Research Institute has its headquarters and its Textile Testing Centre (TTC) in Hanoi and a branch office in HCMC. VTRI received generous project support. It was upgraded and strengthened in management, marketing and technical capacity as well as in technology/equipment, with the intention to convert it into the leading public quality testing, consulting and training institution for the G/T sector. A substantial investment of approximately \$ 400,000 was made in new testing equipment for the TTC.

Agreements were signed with the Italian scientific institute Città Studi Biella for training and with ICQ Global, specialised in safety and quality certification of consumer products, for testing and certification support. Related training modules were provided as well as management, organisational and marketing consultancies.

The TTC has been certified in ISO 17025, allowing it to carry out tests and calibrations. The records show that the Institute conducted between 250 and 300 tests per month in 2012, some 90 per cent of which were ordered by national and international private companies. The Institute assumes its present overall market share in testing to be around 20 per cent, up from 5 per cent before the UNIDO project inputs; 70 per cent of its income derives from commercial testing and certification.

## **Leather and footwear**

Integrated shoe production exists in Viet Nam since long time, in particular for heels production, sewing and form making, and specialised companies exist since many years. The CDA rated the design training as most practical and successful.

However, computer-based design training was less effective, as only few companies use computer in designing (and no computers were supplied to the other ones). Training on marketing and production management by a local expert was also rated as less effective because advice was too general and not practical.

The footwear CDA was of the opinion that lack of funds was the core reason for the reduction from 22 initial clients to eight at the end. For instance, no specific technical training could be organised for the four tanneries that had initially applied. Also, the footwear trainings were seen as too short (usually four days) to have deeper impact on the mostly family-owned businesses. A study tour was organised to Italy and six footwear companies participated as exhibitors in the Expo Riva Schuh fair in Riva del Garda in Italy.

## **Furniture**

The current level of specialisation in the furniture sector is limited as most enterprises engage in the full production cycle; if at all, specialisation occurs in varnish.

Initially, training were organised for 21 companies in 2011. Training in production management was highly appreciated and some companies requested for more practical on the job training. Other companies dropped out, leaving the final number of clients at 14. Main reasons given by the furniture CDA for the drop-outs are (i) prevalence of small family-owned companies in scattered and dispersed areas, and (ii) project assistance that focused on larger companies with more advanced technology.

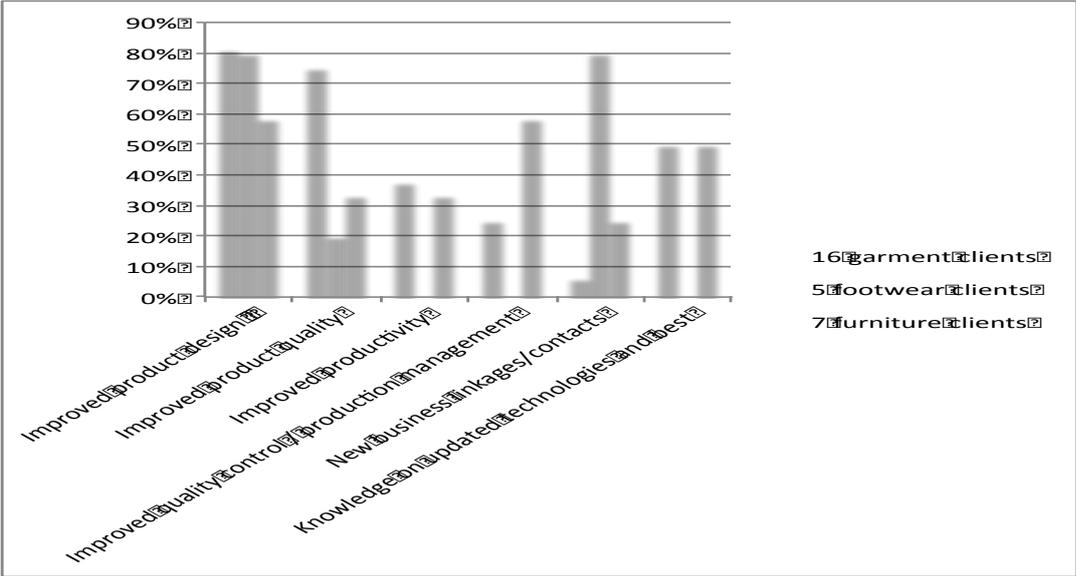
For the latter, a different training programme was then designed. Upgrading was delivered through a tailored-made master engineering course in Italy for 16 participants from 12 companies in February/March 2012. The University of Pordenone (located in one of the main Italian woodworking industry districts) conducted the five week classroom part; followed by the three-week practical part in Italian furniture companies. Feedback from the participating companies was very positive.

It is on this core group of some 12 further developed and more innovative furniture companies that an eventual future phase of support intends to concentrate (see chapter 7 for future plans currently being discussed).

# Conclusions on upgrading efforts

The success of the efforts in company upgrading is difficult to assess. The project conducted exit polls after certain trainings, as well as a survey that specifically asked for the results of the improvement and upgrading efforts. Unfortunately, the project's database only contains the responses of a total of 28 client companies. The graph below shows the summary results of this small survey.

**Figure 2: Survey on Improvement and Upgrading Results**



Source: project database (excel workbook, undated)

Apart from the fact that utilising percentages is not strictly correct with so few respondents per category, the graph presents a mixed picture in relation to the effectiveness of the upgrading efforts and is rather difficult to interpret, as no explanatory text accompanies the database. The small number of respondents per category additionally decreases the validity of the findings.

Improvements in product design were rated best in all three sectors. Product quality improvements were good for garment companies, but much less for the others. Footwear clients did not report any improvements in productivity or in quality control/production management but were most satisfied with new business linkages; garment companies, on the other hand, not at all (no Italy visit was organised for them). Half of the respondents in garment and furniture reported increased knowledge on new technologies; this was not the case with footwear companies.

To sum up the upgrading efforts under Output 2, it is best to quote the frank and open final report of the project: "The 'intensity' of technical assistance interventions in each enterprise (through direct in-house consultancy and participation in joint training initiatives) was still too limited for ensuring a major and sustainable breakthrough in their capacity and competitiveness. It was clear in many cases that a far more extensive training and coaching program was needed, in all intervention areas (design, product development, marketing, production and quality management) – unfortunately far beyond what was allowed by project resources. As was also commented by enterprise managers in their final feedbacks, the project was very useful in providing best practices, analyse gaps and provide suitable recommendations, delivering initial training and consultancy on key competence areas, but with a limited extent and without being able to coach and support the implementation of the upgrading measures recommended. The difficulties encountered in identifying and recruiting local consultants with good expertise level – who should have complemented the role of international experts providing follow-up support to enterprises – increased the impact of such limitations."<sup>2</sup>

It will be discussed below (chapter 6) whether the allocation of even more funding to develop a very limited number of companies can really be seen as a valid proposal for further activities or whether not cost-effectiveness considerations should lead to other project designs with a more systemic approach.

### **3.3 Output 3: Enterprise and cluster twinning Italy-Viet Nam**

After initial contacts with a number of Italian industry associations, the project reached a cooperation agreement with the Confederation of Italian Industries, Confindustria (the major general industry association in Italy, with a regional and sectoral structure of confederated organisations). A Letter of Intent (LoI) was signed between Confindustria, MPI, UNIDO and the Italian Ministry of Foreign Affairs. Confindustria accepted to play an active role in promoting awareness among Italian enterprises about project goals and business opportunities in Viet Nam, in promoting industrial and institutional partnerships with Vietnamese counterparts, and in identifying technical resources and training experts to involve in upgrading programmes.

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<sup>2</sup> Final Project Report, 13 July 2012, p 21.

The ProDoc set the targets of: (i) three Italian associations and (ii) 30 Italian companies per sector cooperating with Vietnamese counterparts, leading to 20-30 LoIs to be concluded.

Most progress was clearly made in the furniture sector. Two MoUs have been concluded between private sector associations:

- HAWA – Federlegno, on general furniture sector collaboration and exchanges;
- HAWA – EXPOSICAM, on participation in respective furniture fairs.

A third MoU was concluded between the Forestry University of Hanoi and the University of Pordenone, for replicating the furniture master programme in Viet Nam. This MoU is currently put on hold, as it is planned to establish the collaboration rather with the Asian Institute of Technology as more suitable organisation for such a venture.

In the G/T sector, the testing body VTRI has concluded three MoUs:

- VTRI – ICQ Global, on collaboration in garment quality testing and inspection;
- VTRI – Città Studi, for a plan to establish a master course in textile;
- VTRI – Tecnotessile, on providing technical consultancy.

Finally, the Asian Institute of Technology has concluded a MoU with the Istituto di Moda Burgo on the possibility to establish a fashion school.

No MoUs could be concluded in the leather and footwear sector that incidentally also resulted with only eight active client companies. However, six footwear enterprises and representatives of the industry association SLA participated as exhibitors in the Expo Riva Schuh international fair in Riva del Garda, Italy in June 2012.

The major project efforts under output 3 were organised in 2012:

- The Viet Nam Road Show in Italy, in March/April 2012, was organised in cooperation with the Embassy of Italy and other Italian associations. Four workshops were held in major industrial cities (Milano, Padova, Bologna and Pesaro), in cooperation with local Chambers of Commerce and

Confindustria. More than 400 Italian enterprises and institutions attended the workshops.

- The Viet Nam Business Forum ("Partnership for Development"), held in HCMC in May 2012, was the final business twinning promotion or B2B event, attended by 34 Italian enterprises and six institutions (which fully paid their expenses). They met over 90 Vietnamese partners in a total of over 300 meetings. Some meetings were followed by individual factory visits.

Although these results are positive and promising, they are still preliminary only. Existing agreements are at a very initial stage, and a few concluded earlier did not overcome initial difficulties. The goal of establishing formal cooperation agreements (MoU) between associations of the two countries was only reached in the furniture sector and for the testing organisation VTRI.

Overall, only a limited number of Italian SMEs was sufficiently motivated to come to Viet Nam and assess business opportunities in the country. At the end of the project only anecdotal evidence exists of actual B2B contracts that have been concluded. The real potential waits to be developed of the joint ventures or other business and production agreements between Vietnamese and Italian SMEs.

The situation related to cluster development, if not cluster twinning, remains vague. At present, companies that participated in the training and promotion events remain single and independent producers. To put it simply, the mission's impression is that the term cluster was simply used to group the different participating companies under a common umbrella; one could also have used the straightforward term of project clients. The term cluster was then more a matter of branding for something that in reality was a rather ad-hoc support to a couple of selected enterprises.

Clustering remains a spatial concept at best, since cooperation linkages, both as vertical and horizontal networks, are very weak or non-existent; an adequate supporting environment with professional institutions and a functioning BDS network is locally not available yet. Furthermore, the mission could not detect any sign of emerging "cluster governance", an important component of UNIDO's cluster development approach.

## 3.4 Additional outputs

### New output 4: Cluster Policy

The first cluster-related discussions started at MPI and CIEM after the recommendations of the Viet Nam Competitiveness Report 2010. The report advocates clusters as "geographic concentration of firms, specialised assets, and institutions in particular fields".

Based on a proposal and decision of the 1<sup>st</sup> SC, UNIDO signed a MoU with the Central Institute for Economic Management (CIEM) in May 2011, to cooperate on research related to cluster development approaches and policy for industry development in Viet Nam.

The expected result is a policy proposal to the government for "promoting the development of industrial clusters, production networks and value chains in order to strengthen the competitiveness and sustainable development of Vietnamese industries".

A special issue of CIEM's Economic Management magazine was published in February 2012, with contributions by international experts (from Czechoslovakia, Austria, New Zealand, etc.). In addition, the UNIDO 'Industrial Cluster Development Training Kit' was translated and disseminated among the government and business community to promote the cluster concept.

CIEM has recently submitted a draft of the policy paper as "Project on Development of Industrial Clusters, Industrial Zones Related to Promotion of Supporting Industries and Creation of Production Networks" to the Prime Minister's office for consideration of creating pilot clusters in tourism, agro processing, automobiles, electronics, and mechanicals (and thus none of the project sectors) in the three main regions of Viet Nam; formal approval of the proposal is pending.

## Websites

To the understanding of the mission, three different websites have been designed and set up under the project:

- [www.smecluster.vn](http://www.smecluster.vn), the project's own website;

- [www.unionb2b.com](http://www.unionb2b.com), for business matching (with the logos of UNIDO, ASMED (sic!) and Cooperazione Italiana); a recent attempt did not allow access to an English version;
- [www.smestac.gov.vn](http://www.smestac.gov.vn), the homepage of the SME Assistance Centre in HCMC.

Unfortunately, despite specific requests, no information could be furnished on the amount of traffic, etc., on these sites. Also, discussions did not show any existing concepts for post-project sustainability of the websites, despite the investments made into design and hosting so far. The unionb2b website, for instance, was said to cost \$ 3,600 per year for hosting and maintenance; it is not known where this budget would come from after December 2012.

## **3.5 Partners and support institutions**

### **Partners**

The associations as main partners and players (apart from the individual companies) showed varying performances. The furniture association HAWA was clearly the best and most dynamic. It profited from the exchange with Italian partners, with which two MoUs could be concluded. The footwear/leather association SLA is small and was assessed as deficient in staff; no MoU could be concluded with an Italian partner. The G/T association VITAS is active on national level and oriented towards SOEs; also no MoU could be concluded. AGTEK, the garment/textile association in HCMC and the South is closer to the private sector, but again no MoU could be concluded.

The idea to support existing government institutions for providing quality-testing services (instead of building up capacities and institutions within the associations, as originally envisaged) has yielded good results in case of the VTRI. The SME Assistance Centre in HCMC, on the other hand, does not show anything of the qualifications and drive required to successfully promote the private sector's export readiness.

The project employed a total of 18 international experts (from Italy, with the exception of two garment experts) who conducted 27 missions for a total of 710 person days. Comments from the CDAs as well as companies visited give, on the one hand, good feedback on the work of most of the experts. However, it was also mentioned that it was sometimes evident that they were new to the

Vietnamese situation, resulting in advising for ambitious blueprints not applicable to the Vietnamese production specifics.

The 17 national experts (excluding the CDAs) were given good marks in furniture but were less appreciated in the G/T and shoe sectors. In general, the project suffered from the lack of national experts or BDS providers with enough experience and consulting capacity in technical and business fields and sufficient English for interacting with international experts.

The national partner EDA concentrated its efforts on policy advice, service centres, and workshops as well as training initiatives for government officers; the project staff mostly ran the actual TA programme for companies and associations independently. The 'parent' ministry MPI is foremost focused on FDI and large companies; it is argued that for any future similar collaboration, the MOIT may be a more suitable national partner, as its core mandate is industrial and trade development.

## **3.6 Project steering and management**

The UNIDO Allotment Holder or Programme Manager in Vienna managed the project; the present manager took over the task in spring 2010. The National Programme Director (NPD) headed the Project Management Unit (PMU). His counterpart was the international Chief Technical Adviser (CTA), who led the international and national experts and supervised the full-time National Programme Manager (NPM) in ensuring day-to-day project management. The Investment and Technology Promotion Office (ITPO) Italy was foremost active in providing logistical support through establishing contacts and follow up with Italian associations and experts. Unfortunately, the donor did not allow the project to spend any budget directly on consultants for contacting and negotiating with potential partners in Italy, which considerably slowed down activities at that end.

A first Tripartite Meeting for project steering took place in October 2010, i.e. more than one year after start of operations; subsequently the first official Steering Committee (SC) was organised in April 2011, i.e. almost two years after start. Reasons for these delays remain unclear but several interviewees attributed the delays to a lack of responsiveness of the UNIDO HQ based project management. The 2<sup>nd</sup> (and last) SC took place in October 2011. Despite provisions in the ProDoc, industry associations were not represented in the SC meetings.

The monitoring system of the project is foremost client and output related. The comprehensive system records activities and type of support received for each

participating company. Data are compiled and analysed in a consolidated monitoring excel work sheet, last updated in July 2012. The database also contains information on participants' feedback on the training.

The semi-annual and annual Progress Reports provide an enormous amount of factual details on trainings, missions and other activities, but contain very little analytical and strategic elements. In particular, information on (the many) problems encountered, but also solutions developed and lessons learned, are not readily accessible and do not become apparent to the reader.

Progress Reports only refer to the output-related success indicators (what was done) but not to the outcome or achievement indicators (what has changed due to the project activities). Consequently, fact-based statements on improvements in competitiveness are neither possible on the level of the participating companies nor on the level of clusters.

Next to the above-mentioned client and activity database, the monitoring function has been outsourced to a part-time national expert who produced, at long last, a Monitoring and Evaluation report in July 2012. The report basically repeats output-related information contained in the progress reports. The existing UNIDO cluster monitoring guidelines<sup>3</sup> have certainly not been utilised.

On the other hand, the Draft Final Project Report, also dating from July 2012, is a good and comprehensive document that, next to describing progress made, also analyses reasons for deficiencies and provides related recommendations. Unlike the activity-based normal progress reports, the Final Report has been a good source of analytical information for the evaluation

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<sup>3</sup> UNIDO: Monitoring Guidelines and Tools for Pro-poor Cluster Initiatives.

# 4.

## Assessment

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### 4.1 Relevance and ownership

The project has been first and foremost relevant or mostly relevant for the 39 companies that participated in activities throughout the phase. For this small group, the relevance is proven by the positive to very positive feedback from the end-of-training surveys. Some deductions to this statement must be made, for instance, in relation to the computer-based design as well as marketing and production trainings for the leather and footwear clients. Also, the small result survey, discussed at the end of chapter 52, shows further limitations in relevance of project activities to the client companies.

The project was evidently not really relevant to the 38 (out of initially 77) enterprises that withdrew after initial participation. According to the CDAs, companies dropped out due to a range of reasons, like insufficient project budget (for instance for specialised tannery training), general loss of interest (due to the long start-up period), inadequate or expensive advice by experts, but also due to a widespread preoccupation with managing the survival of family businesses, etc.

The project's relevance for the professional associations is mixed. In general, it was higher for the Vietnamese associations than the Italian ones, including the main partner Confindustria, contradicting the initial donor vision of a fast-track project, driven by Italian associations. On the other hand, it was of some relevance for the organisations in the furniture sector, foremost HAWA and its Italian partners Federlegno and EXPOSICAM – provided the plans for future collaboration would indeed materialise.

Among the two service providers, only VTRI rose to the occasion of the offer for technical and equipment support; how far the MoUs with its Italian partners will lead to concrete actions in the post-project period (without project financing) remains to be seen.

After the initial disagreements on cluster concepts and approaches, the request of AED and MPI to include the new Output 4 for drafting a cluster policy paper increased the relevance of the project for the government and its evolving strategic policy framework. The Cluster Twinning approach pursued by the

project, on the other hand, is of less relevance for the Government according to CIEM and EDA statements.

The project is relevant to UNIDO, although it can be argued that its relevance to UNIDO would most likely have been stronger had the project not been tied to one European country (Italy). On the other hand, the on-going internal discussion on cluster twinning can profit from the fact that Italy also funded a 'sister' cluster-twinning project in India. This will allow cross-analysing the experiences of both projects for strategic learning related to cluster twinning efforts within UNIDO and for the wider development discourse.

As with relevance, the picture related to ownership is mixed. It is probably best in the furniture sector where currently HAWA and its partner organisations in Italy are still in contact. In the G/T as well as shoemaking and leather sectors, the end of the project also meant the end of related activities with consequently low levels of identification and ownership from the associations and the participating companies.

## **4.2 Efficiency**

The project experienced a slow start, due to difficulties in recruiting staff and analysts, but also because partners first had to agree on the very basics of the project concept, caused by the weak contextual adaptation of the design to Vietnamese reality. The assumed integrated SME clusters did not exist and there was no common understanding of the cluster concept. The efficiency of project implementation is consequently assessed as rather low, especially in the initial period. This should have been prevented by better preparations and negotiations between the partners. After all, the project was a follow-up to an earlier project between the same partners.

Though difficult to assess in retrospect, indications point to an initially not entirely professional UNIDO project management in headquarters; the situation has later improved after the new PM took over. In addition, suboptimal communication and cooperation between the NPD and the CTA in Viet Nam did increase transaction costs and negatively influenced efficiency. The consequence of these deficiencies was a very late start of actual project activities with companies and associations; twinning activities (Italy Road Show, B2B meeting in HCMC), but also the major furniture activity (Master course in Italy), only took place in 2012, i.e. almost three years after project start.

On a more general level, two points are raised in terms of whether the efficiency could have been increased: the first relates to the de facto tied aid set-up. Provision of technical assistance has been on a short-term basis and was at times driven more by availability of Italian expertise than by demands from the Vietnamese SMEs. The second issue relates to the mechanism for technical capacity strengthening, where (expensive) international experts provide direct consulting to (a limited number of) companies. While some 40 Vietnamese companies have profited individually, the systemic (and widely acknowledged) constraint remains of unavailability of qualified general and technical BDS within the country.

SMEs interviewed pointed to the need to have more continuous access to technical expertise, allowing for a closer interaction between technical inputs and on-the-job applications. Such support must be available locally and cannot efficiently be provided by foreign consultants in the long run. Similar UNIDO projects often use a different approach, by directly focusing on developing and training of local technical and business consultants to develop a sustainable BDS market in the sectors and countries. Such an approach might have increased the efficiency of this project.

## 4.3 Effectiveness and impact

At the outset, it has to be stated that the project was very ambitious in setting as its goal to initiate substantive change in three sectors within only three years and to do this in finally four locations. Added to this was the fact that in all three sectors a substantial range of activities had to be prepared and conducted in Italy (for which no direct budget was approved by the donor). In addition, the project was tasked, in mid-term, with output or component 4 to assist developing a cluster policy. All in all, it was indeed a tall order.

Had the project been able to focus on one sector only (in hindsight, probably furniture) it can be assumed that it would have made substantially more inroads, both in Viet Nam but especially also in Italy.

Budget constraints were often mentioned as a restricting factor that prevented the project from being more effective. For instance, training were generally said to be of too short duration, no exposure trip to Italy was financed for the G/T sector, and no special training could be organised for tanneries, etc.

In general, it can be assessed that **Output 1** was effectively implemented, if one duly considers the more than anticipated amount of work required to find qualified staff and establish the factual basis; the clusters had to be identified first and

time-consuming discussions were needed with the government partners to define a common cluster concept.

In **Output 2**, the project did as much as possible with the limited budget; the availability (and the of tying to) Italian consultants influenced effectiveness (as well as efficiency). Given the rather mixed findings of the mentioned small results survey, effectiveness of the foreign trainers in upgrading the Vietnamese enterprises was not impressive. As said above, alternative approaches followed by UNIDO in other projects (developing and training of local technical and business consultants to develop a sustainable BDS market) most probably would have improved effectiveness and, in particular, would have led to changes at sectoral level and not just in a few individual enterprises.

**Output 3** was taken up last and has made least progress. The furniture sector stands out, as most progress was made despite an initially slow start but where eventually activities may continue. In the other two sectors, the underlying project design assumption that twinning would be a logical (and almost automatic) sequence to upgrading did not materialise.

Next to reasons specific to the Vietnamese context (G/T sector dominated by CMT companies, family businesses reluctant to join, etc. – and which, by the way, were not anticipated when designing the project) it is without any doubt that the international and in particular also Italian crisis after 2008 has had a direct impact on project progress. Simply put, it became increasingly difficult to 'sell' to associations and companies in Italy the notion that supporting their competitors and even twinning with them was a good idea.

**Output 4**, developing a cluster policy, was not part of the original ProDoc. Without additional budget, the project was able to incorporate this potentially promising initiative. It improved cooperation with the Government and has influenced the cluster-related (but not cluster twinning) policy and strategy discussions in the country. However, this is yet to translate in concrete action plans and related budget allocations by the Government. Also, some companies visited expressed reservations to move to new 'clusters' (i.e. industrial parks) as they were afraid of the cost of moving and were not clear what exactly the additional benefits would be. As said above, clusters in Viet Nam continue to be broadly identified as spatial zones, different from the vertically and horizontally integrated UNIDO cluster concept.

Core twinning events like the Italy Road Show and the B2B event in HCMC did happen late in the project period and many people interviewed regretted that the project moved towards real action only after a long waiting period.

Finally, as also discussed above, the cost-effectiveness of the chosen enterprise and association upgrading approach can at least be questioned. Is employing 18 international consultants who spend around 700 person days for an actual target group of less than 40 enterprises really the most cost effective way? With the possible future exception of furniture (which will be discussed below), the mission was not able to identify any level of systemic impact on the local industries.

## 4.4 Sustainability

The sustainability of those changes that were actually implemented by the participating enterprises should be ensured. The question, however, is to what extent the associations and the 'clusters' have undergone sustainable change or, in other words, whether the impact on individual enterprises has led to systemic change in the industries and in other companies that did not participate in the project. Again, it is argued that, with the probable exception of the furniture association HAWA, the other partner associations (SLA, VITAS, AGTEK) did not undergo profound changes that will fundamentally alter their way of operation in the future. VTRI is again the exception in this respect.

Unfortunately, next to no systematic information is available from the project on the impact and sustainability of contacts made during events like the B2B forum in HCMC. Anecdotal evidence shows that contracts were made but they are simply not quantifiable. However, it also has to be acknowledged that information on actual number and volume of business contracts between companies is notoriously difficult to obtain, as this is rightly regarded as business secret not to be shared with outsiders. Finally, again anecdotal evidence shows a few Italian experts that have been independently employed by larger Vietnamese companies, as they proved to be able to produce value for money during their project mandates.

Sustainability thus remains an issue in terms of what systemic changes will be left behind in the local industries (outside of the few direct client enterprises) after UNIDO funding has stopped.

## 4.5 Cluster approach and cluster twinning

The Viet Nam Competitiveness Report of 2010 provided the first major input to the cluster discussion in Viet Nam. This has been backed up by the UNIDO support to CIEM and the project's initial research provided valuable information. It is now clear that naturally developed sectoral industry aggregations do exist and are relevant in Viet Nam, either;

- (i) As traditional craft villages (with a few now industrializing their products), or
- (ii) as modern industries, mainly agglomerating around urban centers with good infrastructure access, or
- (iii) at the site of large FDI enterprises with satellite subcontractors, for instance in the automotive sector.

Spatial clustering of the second type above exists in garment, footwear, furniture, and food processing, among others. However, cooperation linkages and integration, both in vertical and horizontal networks, are very weak or not existent, and no real supporting environment in terms of professional BDS or strong associations is available; capacities of government support organisations is weak.

While thus spatial concentrations of same sector companies do exist, there is next to no awareness among those companies of being part of a cluster and what this actually could mean. Finally, according to information from other informed donors, there is already an excess of industrial zones and parks in the country and the different provinces are said to have difficulties in finding enough companies for relocation, foremost due to the high cost involved.

However, functioning clusters are an essential precondition for a project that intends to promote cluster twinning (instead of cluster development). This leads to (i) a semantic issue in that the question arises whether a selection of some 10 to 20 enterprises, which are members of the same association, can already be called a cluster, and (ii) what in particular the project did to develop the client companies into a cluster.

Looking from a certain distance, the project in Viet Nam was more of a 'classic' SME development venture, involving selected companies and Vietnamese

associations, with an added element of exposure trips to Italy for some. Participating companies were certainly upgraded but are, according to available documentation, not more integrated or functionally differentiated than before.

According to UNIDO staff involved in the project design, the initial intention had been to implement a 'proper' UNIDO cluster development project first and only then to embark on twinning efforts. However, the donor apparently considered this as too slow an approach and strongly promoted a 'fast lane' model, where Italian clusters interested in investing in Viet Nam would directly drive cluster development in Viet Nam. The emerging crisis in Italy seriously undermined this concept and the exclusive focus on Italy prevented the project from looking for more viable alternatives, e.g. in the Asian region. Vietnamese companies were suddenly perceived as competitors rather than as potential investment partners. Whether it would have worked better in a different economic environment is obviously difficult to assess.

## 5.

# Issues with regard to a possible next phase

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The present allotment holder and the long-term Italian consultant for the furniture sector are currently involved in discussing a potential next phase of 18 to 24 months duration. In the furniture sector most progress has been made and the basic idea is to bank on what has been achieved in the past. Also under discussion is expansion to mechanical sectors or industries.

As understood from discussions with the core actors, two main action lines are to be pursued in furniture:

- (i) Institutionalization of the woodworking master course in Viet Nam with the Asian Institute of Technology (the earlier candidate for this, the Forestry University has been dropped); as well as
- (ii) Support to direct B2B ventures, where Italian companies will enter into joint ventures with the aim to produce Italian style and quality furniture in Viet Nam, destined for the ASEAN and other Asian markets. The required TA and training are to be directly provided by the Italian companies to their Viet Nameese partners; hence no more international short-term experts would be required.

It is planned to involve around ten Italian and some 30 Vietnamese companies; the associations HAWA and Federlengo should play a core role. The envisaged budget is € 1.5 million; approximately 50 per cent is sought from Cooperazione Italiana; the remaining share is planned to come from the Italian private sector (Federlengo, chambers of commerce, regional industry promotion units, etc.), as well as from Vietnamese Government funds.

Given that the negotiations are still going on, and assuming the above summary of the core concept is correct, the following remarks can be made on the new phase proposal:

- B2B for ASEAN markets: This is a new concept consisting of support to what has been labelled delocalisation. It seems to diverge from the

standard UNIDO cluster development and cluster twinning approach. The approach focuses on a few but more advanced and enterprising Italian companies that want to compensate for declines in turnover in their European markets and at the same time profit from cheaper labour and production costs in Viet Nam. There is thus a strong emphasis on internationalisation of the Italian companies (as was also 'unofficially' added to the Logframe of the current project). Issues that should at least be analysed and discussed in this context are: (i) whether support to again very few companies must not be considered as market distortion; as well as (ii) how to argue the potentially sensitive and 'hot' issue of job losses in Italy that could be seen as a result of such an intervention.

- Master course in woodworking in Viet Nam: in principle, this is a good idea and would be a logical next step from the pilot course in Italy.
- However, it seems advisable to already now assess the potential for institutionalization and ensuring long-term institutional funding; this would certainly require a firm commitment by the GoV. Also a clear assessment of the actual demand and 'carrying capacity' of the Vietnamese (or even ASEAN?) market for master woodworkers would be advisable. It is assumed that classes would need to be considerably larger than the 12 students in Pordenone for the programme to become financially sustainable.

## 6.

# Main recommendations and lessons learned

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The mission was informed that a similar UNIDO project in Tunisia was active in one single sector (garment and textile) and had more time and a larger budget at its disposition. The inception period for trust building and to develop an action plan was nine months in Viet Nam, but 15 months in Tunisia.

The thinly spread resources of the Viet Nam project were a major barrier to effectiveness and impact. Consequently, future project designs should learn from this experience and be less ambitious. Dissipation of energies and resources over several sectors does not bring additional benefits of scale; instead the focus should be on one or at least a very limited number of sectors. Best would be to select a single sector and concentrate resources in order to be able to go 'deep and wide'.

As alternative future project concept, the focus could also be firmly placed on achieving systemic (instead of punctual) change in selected sectors and clusters. This would mean investing in the long-term build up of local capacities for technical support and general BDS, and in particular also for developing the required institutional framework for SME oriented research, vocational education and finance.

The underlying frame conditions need to be clarified before a project is designed. It is surprising that in the present project, despite it being a follow-up to a predecessor project, very basic information on selected industries and existing clusters (or rather spatial concentrations) had to be collected first in a time consuming process.

Also, the core conceptual elements of any project should be agreed before start of the project; in this case it refers to the discussions required to arrive at a common understanding of what a cluster is (assuming this understanding has now been reached, of which the mission is not totally convinced).

It is furthermore essential that a sound pre-project assessment is made on the actual demand and interest for twinning in the developed country; to this end, funding has to be sought for project preparation activities. Mistakes in predicting

interest and commitment by the developed partners can become a killer assumption for any twinning efforts.

Finally, UNIDO, as a multilateral agency, should avoid implementing projects that limit the range of support to local industries due to an exclusive link to a single donor country's industries, associations and consultants.

# **Annex A: Terms of Reference**

## **Terms of Reference**

### **Terminal Evaluation of two UNIDO Projects in the area of Cluster Development:**

#### **TE/IND/04/001 and TE/VIE/08/003**

**A) UNIDO Project in Viet Nam: TE/IND/04/001 “Consolidated Project for SME Development in India through establishment of mutual credit guarantee schemes, cluster twinning and foreign investment and technology promotion”.**

#### **I. BACKGROUND**

Small and medium-size enterprises (SME’s) are considered to play an essential role in developing countries as they contribute to the diversification of economies, make major contribution to job creation and have a significant impact on poverty alleviation. Although in the case of India, SME’s account for a significant percentage of employment they are facing several constraints limiting their development such as difficulties in securing financial resources needed to support investments; lack of access to information regarding technology and markets; and lack of international exposure<sup>4</sup>. With these limiting factors in mind, this project, which has been in operation since 2007, was designed to strengthen the position of Indian SME’s by using an integrative approach which is based on three core components:

- Establishment of cooperation agreements between Indian and foreign clusters (Cluster Twinning Component);
- Promotion of foreign direct investment & technology (Investment & Technology Promotion Component);
- Promotion of a Mutual Credit Guarantee Schemes (MCGS Component).

These three components have been divided into two broad areas which have to be understood as strictly integrated: Cluster Twinning and

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<sup>4</sup> A more detailed description on the situation of SME’s in India can be found in the project document.

Investment/Technology Promotion on the one hand and Mutual Guarantee Schemes on the other hand. Through the main activities of Cluster Twinning and attracting foreign direct investment and technology the project has focused on the increase of the capabilities of Indian SME's to successfully integrate in the global economy. The creation of Mutual Guarantee Schemes has had the objective to support those enterprises that, in spite of having potential to growth and sound ideas, might experience difficulties in mobilizing the financial resources to implement projects.

A specific project coordination function has been foreseen in order to manage the close interaction between the Cluster Twinning team, the Investment Promotion Unit and the Fund Management Facility. The implementation of the activities pertaining to the three components have been assigned to different organizational units of UNIDO, namely the Business, Investment and Technology Services Branch (PTC/BIT), the UNIDO Regional Office in India and UNIDO's Investment and Technology Office in Italy (ITPO-Italy).

### **Origin of the program**

Since its creation, UNIDO has undertaken several programs for the development of SME's in India including activities of investment and technology promotion. Notable among these are the Investmart and Intechmart Series held since 1994. Under this program several events have been organized focusing on various regions and sectors of India. UNIDO organized various delegations from developed countries for these events and carried out follow-up activities.

Investment promotion has been one of the key areas of UNIDO's activities supported by Italy. In August 1985, an exchange of notes was concluded between UNIDO and the Italian Government for the establishment of an Office in Italy (ITPO-Italy). ITPO-Italy has contributed to the identification, promotion and implementation of industrial projects in all sectors in developing countries. India has been a focus country and the ITPO-Italy has been hosting a delegate program<sup>5</sup> for the country since 1995.

Since 1996, UNIDO has been collaborating with the Government of India in the field of SME cluster development through project US/GLO/95/144 (UNIDO-Italy Program for SME Development) funded by the Italian Ministry of Foreign Affairs. In addition, the UNIDO Cluster Development Program benefited from project US/IND/01/193 ("Support to Country Effort to Promote SME Cluster

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<sup>5</sup> A delegate programme places professional of developing countries for a limited period of time in an ITPO with a view to the promotion of investment opportunities in their countries of origin.

Development”) that supported various public sectors in India to develop their own cluster initiatives.

ITPO-Italy, with the support of the Indian Cooperation, had already undertaken activities to promote Mutual Credit Guarantee Schemes in India based on the Italian approach. In April 2000, UNIDO organized, in cooperation with the Office of the Development Commissioner for Small Scale Industries (DCSSI), a roundtable on Credit Guarantee Schemes which was followed by a seminar jointly conducted by UNIDO, the Federation of Indian Chambers of Commerce and Industry and the DCSSI.

In June 2000, ITPO-Italy organized an interactive meeting on Credit Guarantee Schemes with the Italian guarantee funds and banks for the Foreign Minister and the accompanying delegation. The Minister indicated that Mutual Credit Guarantee Schemes and Cluster Twinning were key priorities of the Indian Government. Subsequently, a MoU for Promotion of Credit Guarantee Schemes and Institutional Capacity Building for SME Development in India was signed by the Indian and the Italian Government. In addition, the Ministry of DCSSI has requested UNIDO assistance in promoting Mutual Credit Guarantee Schemes in India following the Italian approach, and to promote twinning of Italian and Indian clusters in industrial sectors.

### **Counterparts**

The consolidated project has been funded by the Government of Italy – Ministry of External Affairs (General Directorate for Cooperation and Development). The Development Commissioner, Ministry of Small Scale Industries (DCSSI) is the counterpart support agency for the implementation of the project in India, and in Italy the UNIDO’s Investment and Technology Office (ITPO-Italy) is the assigned counterpart organization to provide support for the implementation process.

### **Main objectives, outcomes and outputs**

The project has been designed to contribute to UNIDO’s long-term development objective to foster economic growth and reduction of poverty through sustainable industrial development activities. Targeted outcomes, outputs, as formulated in the project documents, are as follows:

### **Twinning of Clusters (TEIND04A01)**

1. To enhance the dynamism and competitiveness of two Indian clusters through twinning arrangements between the selected Indian and foreign clusters.
  - 1.1 A proposal for cooperation finalized between Indian and foreign clusters (particular emphasis on training programs) and approved between the counterparts;
  - 1.2 Capacities of the institutions upgraded and new services/functions identified;
  - 1.3 Capabilities of SME are upgraded in the fields of production, design, innovation, marketing and purchase;
  - 1.4 Cooperation between Indian and foreign clusters enhanced.

This component includes the “social aspects component”, which was added to the project in 2011 with an extra budget of EURO 132,919 (including support cost), which is included in the amounts shown in the finance table on page 4. The component aims at linking improved social and environmental performance (e.g. working conditions) to competitiveness gains for the enterprises.

### **Investment and Technology Promotion (TEIND04B01)**

2. To enhance the performance of Indian SME’s through investment and business partnership agreements with foreign companies.
  - 2.1 UNIDO Investment Promotion Unit (IPU) established and linked up;
  - 2.2 Local SME’s prepared for matchmaking with foreign companies;
  - 2.3 Increased awareness on the part of foreign investors, technology suppliers and/or buyers/ trade agents of business conditions and specific investment opportunities;
  - 2.4 Assistance provided at the contractual stages.

## Mutual Credit Guarantee Fund (TEIND04C01)

3. To facilitate collateral-free third party guaranteed loans by credit institutions to small scale industries.

3.1 Establishment of a fully functional Mutual Credit Guarantee Scheme for projects such as joint ventures, subcontracting agreements, technology transfer etc.

## II. BUDGET INFORMATION

**Table 3: Overall Project Budget Information (USD) – TEIND04001**

<b>Buli</b>	<b>Item</b>	<b>Planned Allotment (USD)</b>	<b>Total Allotment (USD)</b>	<b>Total Expenditure (USD)</b>	<b>Implementation</b>
19-99	Personnel	1,664,000	3,045,042	2,685,658	88%
29-99	Contracts	191,300	127,505	18,720	15%
39-99	Training	859,900	326,297	240,591	74%
49-99	Equipment	221,600	12,654	12,654	100%
59-99	Miscellaneous Cost	304,900	117,075	90,106	77%
<b>Total</b>		<b>3,241,700</b>	<b>3,628,573</b>	<b>3,047,729</b>	<b>84%</b>

**Table 4: Component A – Cluster Twinning (in USD) – TEIND04A01**

<b>Buli</b>	<b>Item</b>	<b>Planned Allotment (USD)</b>	<b>Total Allotment (USD)</b>	<b>Total Expenditure (USD)</b>	<b>Implementation</b>
19-99	Personnel	292,500	746,132	637,741	85%
29-99	Contracts	191,300	127,505	18,720	15%
39-99	Training	203,900	63,251	29,659	47%
49-99	Equipment	32,100	2,763	2,763	100%
59-99	Miscellaneous	9,900	7,185	725	10%
<b>Total</b>		<b>729,700</b>	<b>946,836</b>	<b>689,608</b>	<b>73%</b>

**Table 5: Component B – Investment Promotion (in USD) – TEIND04B01**

<b>Buli</b>	<b>Item</b>	<b>Planned Allotment (USD)</b>	<b>Total Allotment (USD)</b>	<b>Total Expenditure (USD)</b>	<b>Implementation</b>
19-99	Personnel	577,500	1,247,621	1,063,514	85%
39-99	Training	314,000	90,432	64,483	71%
49-99	Equipment	76,000	4,569	4,569	100%
59-99	Miscellaneous	113,000	64,707	53,617	83%
<b>Total</b>		<b>1,080,500</b>	<b>1,407,329</b>	<b>1,186,183</b>	<b>84%</b>

**Table 6: Component C – Mutual Credit Guarantee Schemes (in USD) – TEIND04C01**

<b>Buli</b>	<b>Item</b>	<b>Planned Allotment (USD)</b>	<b>Total Allotment (USD)</b>	<b>Total Expenditure (USD)</b>	<b>Implementation</b>
19-99	Personnel	259,500	819,732	758,936	93%
39-99	Training	342,000	60,397	36,998	61%
49-99	Equipment	76,000	5,322	5,322	100%
59-99	Miscellaneous	109,000	38,526	30,921	80%
<b>Total</b>		<b>786,500</b>	<b>923,977</b>	<b>832,177</b>	<b>90%</b>

**Table 7: Component D – Coordination Unit (in USD) – TEIND04D01**

<b>Buli</b>	<b>Item</b>	<b>Planned Allotment (USD)</b>	<b>Total Allotment (USD)</b>	<b>Total Expenditure (USD)</b>	<b>Implementation</b>
19-99	Personnel	534,500	231,557	225,467	97%
39-99	Training		112,217	109,451	97%
49-99	Equipment	37,500			
59-99	Miscellaneous	73,000	6,657	4,843	73%
<b>Total</b>		<b>645,000</b>	<b>350,431</b>	<b>339,761</b>	<b>97%</b>

Source: Infobase, 28 February 2012

## **Main activities and current progress:**

### **a) Cluster Twinning:**

The clusters and stakeholders to implement the Cluster Twinning approach have been identified as leather and footwear clusters in Chennai (Tamil Nadu), Agra and Shantiniketan, while the automotive industry clusters are located in Chennai (Tamil Nadu), Pune and the National Capital Region of Delhi.

In July and October 2007 and in April 2008, international cooperation agreements for the automotive, footwear and leather cluster were signed between Indian and foreign associations. A database has been created to identify suitable companies for potential partners, and different cluster surveys and diagnostic studies have been conducted. During the year 2008, 14 SME's of the footwear sector have been assessed to reveal training needs and to identify technological gaps in the production process.

For the automotive cluster an Enterprise Gap Analysis (EGA) was carried out in November 2008, which was followed by activities such as training and workshops on "Vision Building & Strategy Development and Website Modernization", inter-company cooperation. Additionally, a supplier development program was launched in Pune.<sup>6</sup>

During the period between May 2008 and December 2010, several training programs (e.g. design and trend forecasting, fashion and trends, best practice in footwear manufacturing, study tours, cluster development, 3D CAD/CAM applications, skill development of Santiniketan Cluster micro enterprises, lean manufacturing and other types of technical training) and seminars (e.g. "Technology Innovation in Footwear Manufacturing", "Design and Trends Forecasting in Footwear Industry") were organized for a different number of stakeholders (e.g. cluster development agents) and participating SME's. Alongside these activities, an impact assessment of the training programs has been finalized for the footwear sector. During the year of 2011, some of these activities continued (e.g. 3D CAD/CAM applications, lean manufacturing) while additional trainings (workshops for the introduction of cleaner technologies) and other activities (e.g. study tours for the exchange of best practice, participation in the Indian International Leather Fair) were conducted.

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<sup>6</sup> Additional information regarding the content of the cooperation's can be found on the project homepage: [http://unidosmeindia.org/test.php?content\\_id=MEN-6](http://unidosmeindia.org/test.php?content_id=MEN-6) [02 March 2012].

Additionally in 2011, measures were taken to strengthen the institutional framework of the sector and to reorganize the cluster firms in order to improve stakeholder participation.

### **b) Investment and Technology Promotion**

The activities and outputs under this component include the establishment of 5 Subcontracting exchanges (SPX), 5 institutions functioning as “Business Promotion Institutions (BPIs)”, the identification of investment proposals (84 proposals for a total of USD 249 million in progress report end of 2010), trainings for investment appraisal (COMFAR), delegate programmes with ITPO Italy, exhibitions, and a supplier development programme.

### **c) Mutual Credit Guarantee Schemes**

The component produced a draft national scheme for MCGS in India. A number of awareness raising and training activities were carried out. 5 Industry associations have expressed interest in setting up MCGS with their members and the project produced pre-feasibility studies for these.

## **B) UNIDO Project in Viet Nam: TE/VIE/08/003 “SME Cluster Development”**

### **I. BACKGROUND**

The purpose of this project (Phase II of TF/VIE/04/001) was to upgrade and strengthen up to 3 SME clusters/company networks and related industry associations. According to the project document, the main features of the cluster/network development strategy consist of: (a) a participatory approach to vision building, which is based on the diagnostic studies carried out under the selected clusters; (b) capacity building actions based on shared targets, which specifically focus on trust-building and capacity building activities, as well as on upgrading programs conducted in line with the framework of *cluster-matching*; and (c) ensuring the sustainability of the cluster development process through capacity building of the industry associations and by maintaining linkages to local support institutions and services<sup>7</sup>. In addition, the project has been designed to build up international partnerships and to follow a Cluster Twinning approach in order to strengthen the selected industrial clusters and their relation to the foreign counterparts.

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<sup>7</sup> See also “Thematic Evaluation of UNIDO Cluster and Networking Development Initiatives”; [http://www.unido.org/fileadmin/user\\_media/About\\_UNIDO/Evaluation/Project\\_reports/e-book\\_cluster-report.PDF](http://www.unido.org/fileadmin/user_media/About_UNIDO/Evaluation/Project_reports/e-book_cluster-report.PDF)

## **Origin of the program**

The Government Degree No. 90/2001/ND-CP, dated 23 November 2001, provides the development framework for SME's in Viet Nam. It confirms the government's support for industrial subcontracting and cooperation, technology transfer and product development with the incentive to expand the market access of SME's and to strengthen their competitiveness.

In August 2004 the Agency for SME Development (ASMED) and UNIDO started implementing the Phase I of the project "Assistance to Establish the National and Provincial SME Support Infrastructure", funded by the governments of Finland (TF/VIE/03/001) and Italy (TF/VIE/04/001). This phase assisted ASMED and the SME Development Promotion Council in the formulation of the SME Action Plan of the Viet Namese government which provides the support for export promotion and underlines the importance of cooperation with foreign partners. In the SME Action Plan 2006-2010, Measure 10 defines the following: *Maximizing the positive impacts of WTO prescribes the selection of 4 priority sectors with high export potential and delivery of assistance to SME clusters and relevant clusters actors such as industry and trade associations and technical centers to strengthen industry and inter-firm linkages.*

These measures taken by the tese government reflect the important contribution of the SME sector to the economic development of the country. According to the project document, in the period of 2000 – 2005 the Vietnamese SME sector contributed 28% of 7.6 million newly created jobs.

The present project has been designed to function as the Phase II of TF/VIE/04/001 and takes into consideration the donor's interest to strengthen cooperation with selected industrial sectors and the proposition of the Vietnamese government to implement the SME Action Plan prepared for the period of 2006 – 2010. The project has to be seen in line with the long-lasting UNIDO support of SME cluster development which is closely connected to the Italian experience in this sector. ASMED intends to continue providing support for the project, as it has already done in Phase I.

## **Counterparts**

The project has been funded by the Government of Italy – Ministry of Foreign Affairs (DGCS). The Agency for SME Development (ASMED) and the Enterprise Development Agency (EDA) under the Ministry of Planning and Investment (MPI) together with the Ministry of Industry and Trade (MOIT) are the national counterpart agencies of the project in Viet Nam.

## Main objectives, outcome and outputs

Targeted outcomes and outputs, as formulated in the project documents, are as follows:

- To upgrade and strengthen up to 3 SME clusters/company networks, including those that may be export oriented, and industry associations for twinning with Italian SME clusters/company networks and industry associations and to facilitate business partnerships between selected Vietnamese and Italian enterprises.
- Vietnamese and Italian SME industrial sectors are analyzed and up to 3 SME cluster/networks, including those that may be export oriented and suitable for institutional twinning are identified.
- Up to three Vietnamese SME clusters; corresponding industry associations and, selected SME's in each sector are upgraded.
- Up to 3 Vietnamese SME clusters, including those that may be export oriented, and their industry associations are twinned with Italian clusters and industry associations and business matches are initiated between selected Vietnamese and Italian SME's

## II. BUDGET INFORMATION

**Table 8: Overall Project Budget Information (EUR) – TEVIE08003**

Buli	Item	Planned Allotment (EUR)	Total Allotment (EUR)	Total Expenditure (EUR)	Implementation
19-99	Personnel	1,136,950	1,457,295	1,267,358	87%
29-99	Contracts	123,500	215,307	135,560	63%
39-99	Training	418,500	280,228	225,868	81%
49-99	Equipment	920,000	165,855	10,740	6%
59-99	Miscellaneous	55,917	65,464	58,745	90%
	Support Costs	345,133			
<b>Total</b>		<b>3,000,000</b>	<b>2,184,149</b>	<b>1,698,271</b>	<b>78%</b>

Source: Infobase, 28 February 2012

### **Main activities and current progress:**

According to the progress reports the implementation status can be summarized as follows: During the year 2009 the project focused mainly on preparation activities (e.g. recruitment of staff, preliminary research) for Output 1 (selection of the clusters) which is directed at the selection of the industrial clusters. In June 2010 Output 1 was completed, with the selection of three industrial clusters in the sectors of garment/textile, footwear/leather and wood/furniture. This selection process was based on the previously conducted cluster surveys, the recommendations of international business matching experts and on the selection criteria agreed upon by the CTA and PMU. The planned establishment of the Project Steering Committee was initially postponed to a later stage of the project. The completion of the cluster selection and the start of the update activities were delayed by approx. six months. The selected industry clusters are located in the Vietnamese provinces of Ho Chi Minh City and Bin Duong.

According to the second progress report, during the first half of 2010 the activities to implement Output 3 (Cluster Twinning) started with a cooperation agreement with the Confederation of Italian industries, Confindustria. A letter of intent among Confindustria, UNIDO, the Italian Ministry of Foreign Affairs and the Vietnamese Ministry of Planning and Investment was signed. Confindustria was expected to undertake several activities during the projects: promotion of awareness and involvement of Italian enterprises, support for institutional partnerships, identification of technical resources and conducting various trainings.

In May 2010, a study tour was organized, involving high level representatives of the Ministry of Planning and Investment (MPI) and the Enterprise Development Agency (EDA). To follow-up on these activities, a national workshop was held in June 2010 involving different stakeholders from the private sector to present the results of the selection phase and the road map for the implementation of the cluster development.

In October 2010 the first project Tripartite Review Meeting (TPR) was held, where the NPD and the CTA presented the status report and future project activities. Additionally, in cooperation with CIEM/MPI, a proposal was prepared and launched in 2011 to support national policies with regard to industrial clusters.<sup>8</sup>

The activities for Output 2 (upgrading) were started in the last quarter of 2010, in particular for the selected industries in the furniture and the textile cluster, including policy advice for the national implementation of cluster support policies.

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<sup>8</sup> This information can be found in the document of the progress review presentation, September 21<sup>st</sup> 2011.

It formed part of a bundle of activities directed at disseminating capacity and awareness for the cluster development approach to government support agencies. As a result, a program of training courses for officers of SME supporting institutions (mainly DPI and DOIT) was finalized in the last quarter of 2010.

Another group of activities (e.g. establishing cooperation agreements, selecting development agents) was prepared to settle the ground for the cluster and enterprise upgrading activities starting in November 2010. A MoU was proposed to local partnering industrial associations (HAWA, VITAS+AGTEX, SLA/LEFASO) and was received very positively. For HAWA it was agreed and finalized in the end of 2010. Moreover, a capacity building program focusing on cluster development, the identification of cluster/enterprise strategic plans and including a training module on export consortia was conducted at the national level. In 2011, two feasibility studies were launched to upgrade the Textile Research Institute supporting the garment/textile clusters, in Hanoi and HCMC and the SME support centre in HCMC.<sup>9</sup>

As part of the planned activities on the enterprise level, a training program was put in place, which was designed for furniture industries in HCMC and Binh Duong, and a factory benchmarking and consulting program was established for the textile industries both in the HCMC and Hanoi/Hung Yen clusters.

### **C) SCOPE AND PURPOSE OF THE EVALUATION**

The independent evaluation covers two UNIDO projects, namely TE/IND/04/001 and TE/VIE/08/003. The evaluation exercise is combined as both projects have similar objectives and outputs, in particular with regard to the Cluster Twinning approach. While each project will be assessed individually against their agreed objectives, the evaluation will also include an assessment of the Cluster Twinning approach, based on the experience from the two projects.

With respect to the project TE/IND/04/001, the evaluation will be carried out in two stages, with the first stage evaluating the Cluster Twinning Component and the other project components (MSGC, Technology and Investment Promotion), which are still in the process of finalization, scheduled to /be assessed at a later stage (probably end of 2012 or early 2013). The project TE/VIE/08/003 will be evaluated in parallel with the first stage of TE/IND/04/001.

The purpose of the independent evaluation is to enable the donors, UNIDO and the participating governments to:

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<sup>9</sup> Ibid.

- Assess the outputs produced and outcomes achieved (e.g. upgrading results) as compared to those planned;
- Verify the prospects for development impact and long-term sustainability of the results and benefits;
- Assess the continued relevance and validity of the project approach; including the relations between project objectives and planned outcomes, implicit and explicit assumptions and risks of the project;
- 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 further methodological development of the project approach (in particular Cluster Twinning methods) and for the possible continuation of the project(s) in a next phase;
- Draw lessons of wider application for the replication of the experience gained in this project for other countries and/or cluster- or upgrading-related projects.

In order to assess the above mentioned dimensions of the project, the following criteria/questions will guide the evaluation team:

### **Project identification and formulation**

The extent to which:

- A participatory project identification process was instrumental in selecting problem areas and counterparts requiring technical cooperation support;
- The project/program was formulated based on a clear intervention logic and included appropriate output and outcome indicators and valid means-end relationship between the project objective(s) and outcomes and the higher-level program-wide or country level objectives;
- The project formulation and design encompasses the macro-, meso- and micro-dimensions of upgrading in an integrated fashion (e.g. have trade and industrial policies been incorporated in the design; were external

structural problems such as infrastructure, access to finance been addressed; etc).

### **Relevance**

- Are project objectives aligned to national and/or regional policies?
- Are project objectives and outcomes relevant to the needs and priorities of target groups and beneficiaries?
- Are project objectives aligned to UNIDO thematic priorities and program outcomes; in particular the UNIDO methods and approaches in the area of Cluster Development?
- Are interventions at the levels of the firms, of the institutions and at the policy level aligned and complement each other?
- Can interventions overcome negative external effects (international context, business environment, factor markets)?
- Are internal and external synergies with other technical assistance activities used?

### **Efficiency of implementation**

- Have UNIDO and counterpart inputs been provided as planned in terms of timeliness, quality and quantity?
- Did use of inputs lead to the production of foreseen outputs?
- Was the cost of inputs (consultants, equipment, sub-contracts) reasonable and comparable to the cost of equivalent inputs?

### **Effectiveness**

- Were the outputs produced used by the target beneficiaries?
- Did outputs lead to the planned outcomes?

- How effective was the cooperation between enterprises and within the private sector and industrial associations? (e.g. number and quality of joint initiatives, partnership agreements and business proposals);
- Were other institutional outcomes (such as capacity building) achieved?

### **Impact and sustainability**

- Impact at the micro level;
- Did the supported firms increase competitiveness (including costs, quality, and lead time), investments, sales and employment?

### **Impact on the meso level:**

- Did the clusters and sectors targeted achieve upgrading with regard to processes, technology and productivity; higher value and more complicated products; and broader and higher value added functions?
- Have vertical (supply) and horizontal (subcontracting) linkages between local and foreign and within local firms increased?
- Did the level and the quality and skill-level/content of employment increase?

### **Potential for a wider impact on the macro level in terms of:**

- Industrial development and economic growth;
- Number and quality of jobs;
- Poverty reduction effects (the assessment will be based on the framework provided in Annex 4)

Identify any unintended (positive or negative) effects of the project.

### **Project coordination and management**

The extent to which:

- The national management and overall field coordination mechanisms of the project have been efficient and effective;
- The UNIDO HQ-based and/or field-based management, coordination, quality control and technical inputs have been efficient and effective;
- 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;
- Changes in planning documents during implementation have been approved and documented;
- Synergy benefits can be found in relation to other UNIDO and non-UNIDO activities in the country.

## **D) METHODOLOGY**

The evaluation will use a mixed method approach, collecting and analyzing information from a range of sources. The evaluation will encompass the following steps:

### **I. Document review**

A desk review of different sets of documents will be carried out as a first step, including:

- Review of the project- and program documents;
- Review progress reports, work plans, technical reports from subcontractors and consultants and corresponding terms of reference;
- Review of UNIDO strategic documents (program and budget, medium term planning framework, etc.) and evaluation reports (Viet Nam country evaluation, Indian country evaluation, Cluster thematic evaluation, Industrial upgrading thematic evaluation);
- Review of recent literature and publications related to the projects and their approaches;
- Documents on strategies and program of other development cooperation agencies active in this field;

- Financial documents.

## **II. Review of the intervention logic of the program**

Based on the desk review the lead evaluation consultant will analyze the *intervention logic* (or “*theory of change (TOC)*”) of the program. This will map out how inputs and activities will (or should have) logically led to outputs, outcomes and impacts. This will enable the evaluation to determine in how far the design of the program is adequate, whether it is consistent with UNIDO’s main objectives and/or whether it contains critical strengths and/or weaknesses that need to be addressed. As an essential part of this analysis, major features of the projects underlying intervention logic, such as in particular the concepts of *upgrading*, *collective efficiency* (and/or *joint action*) and Cluster Twinning, should be assessed with regards to their definition, implementation and appropriateness to deliver the development objectives. The framework provided in Annex 4 will function as the common basis for the assessment of *upgrading* activities.

## **III. Interviews of UNIDO staff and experts**

- Semi-structured interviews with UNIDO project managers and UNIDO Representatives in Field Offices;
- Interviews with other stakeholders such as donor representatives, staff of related UN agencies, etc.

## **IV. Counterpart and beneficiary survey**

A survey will be carried out to triangulate findings from desk review, review of intervention logic and interviews with UNIDO staff. The final survey design and selection of the survey participants will be done in consultation with the project manager. Depending on this selection it will be necessary to prepare different tailor-made survey instruments. It is suggested to prepare at least two survey instruments for the following target groups:

- Key staff in national agencies/ministries cooperating with the projects;
- Final beneficiaries (SME cluster companies, strengthened institutions, etc.): with a focus on the validity of the TOCs and results (including upgrading achievements).

## **V. Interviews of UNIDO counterparts and beneficiaries**

- Semi-structured interviews with UNIDO counterpart agencies and beneficiaries (national agencies/ministries, SME cluster companies, industrial associations, etc.);
- Semi-structured interviews and site visits in the project countries.

## **E) EVALUATION TEAM and TIMING**

The evaluation will be conducted by one independent international evaluation consultant acting as team leader, and two national evaluators, one from each of the two countries involved.

The UNIDO evaluation group 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. The members of the evaluation team must not have been directly involved in the design and/or implementation of the project. The project managers and field offices will support the evaluation team by liaising with counterparts and preparing the evaluation missions to the selected countries.

The first phase of the evaluation is scheduled to take place in the period July/August 2012, covering the Cluster Twinning component of the India project and the entire Viet Nam project. The second phase of the evaluation will be carried out towards the end of 2012/beginning of 2013 and will cover the remaining components of the India project.

## **F) REPORTING**

The evaluation reports shall follow the structure given in annex 1. Reporting language will be in English. The draft version of the evaluation reports will be submitted 6-8 weeks after the field missions, at the latest. The following reports will be produced:

- Project evaluation report of project TE/VIE/08/003;

- A review report on the UNIDO Cluster Twinning Approach, based on the assessment of the relevant activities of the two projects;
- Project evaluation report of project TE/IND/04/001.

**Review of the Draft Reports:** The draft reports will be shared with the respective UNIDO Project Managers 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 Reports:** 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).

# **Annex 1**

## **Template of in-depth evaluation reports**

### **I. Executive summary**

- Must be self-explanatory;
- Not more than five pages focusing on the most important findings and recommendations;
- Overview showing strengths and weaknesses of the project.

### **II. Introduction**

- Information on the evaluation: why, when, by whom, etc.;
- Information sources and availability of information;
- Methodological remarks and validity of the findings;
- Project summary (“fact sheet”, including project structure, objectives, donors, counterparts, timing, cost, etc).

### **III. Country and project context**

This chapter provides evidence for the assessment under chapter VI (in particular relevance and sustainability).

- Brief description including history and previous cooperation;
- Project specific framework conditions; situation of the country; major changes over project duration;
- Positioning of the UNIDO project (other initiatives of government, other donors, private sector, etc.);
- Counterpart organization(s); (changes in the) situation of them

#### **IV. Project Planning**

This chapter describes the planning process as far as relevant for the assessment under chapter VI.

- Project identification (stakeholder involvement, needs of target groups analyzed, depth of analysis, etc.);
- Project formulation (stakeholder involvement, quality of project document, coherence of intervention logic, etc.);
- Description of the underlying intervention theory (causal chain: inputs-activities-outputs-outcomes);
- Funds mobilization.

#### **VI. Project Implementation**

This chapter describes what has been done and provides evidence for the assessment under chapter VI.

- Financial implementation (overview of expenditures, changes in approach reflected by budget revisions, etc.);
- Management (in particular monitoring, self assessment, adaptation to changed circumstances, etc.);
- Outputs (inputs used and activities carried out to produce project outputs);
- Outcome, impact (what changes at the level of target groups could be observed, refer to outcome indicators in ProDoc if any).

#### **VII. Assessment**

The assessment is based on the analysis carried out in chapter III, IV and V. It assesses the underlying intervention theory (causal chain: inputs-activities-outputs-outcomes). Did it prove to be plausible and realistic? Has it changed during implementation? This chapter includes the following aspects:

- Relevance (evolution of relevance over time: relevance to UNIDO, Government, counterparts, target groups);

- Ownership;
- Efficiency (quality of management, quality of inputs, were outputs produced as planned? Were synergies with other initiatives sufficiently exploited? Did UNIDO draw on relevant in-house and external expertise? Was management results oriented?);
- Effectiveness and impact (assessment of outcomes and impact, reaching target groups and upgrading achievements);
- Sustainability;
- If applicable: overview table showing performance by outcomes/outputs.

#### **VII. Issues with regard to a possible next phase**

- Assessment, in the light of the evaluation, of proposals put forward for a possible next phase;
- Recommendations on how to proceed under a possible next phase, overall focus, outputs, activities, budgets, etc.

#### **VIII. Recommendations**

- Recommendations must be based on evaluation findings;
- The implementation of the recommendations must be verifiable (indicate means of verification);
- Recommendations must be actionable; addressed to a specific officer, group or entity who can act on it; have a proposed timeline for implementation;
- Recommendations should be structured by addressees:
  - UNIDO,
  - Government and/or Counterpart Organizations ,
  - Donor.

#### **IX. Lessons learned**

- Lessons learned must be of wider applicability beyond the evaluated project but must be based on findings and conclusions of the evaluation.

## Annex 2

### JOB DESCRIPTION

**Post title:** International Evaluation Consultant  
**Duration:** 53 days; split contract:  
 1<sup>st</sup> assignment: 35 days over 3 months  
 2<sup>nd</sup> assignment: 18 days over 2 months  
**Project:** SME Cluster Development/Upgrading  
 (Viet Nam and India)  
**Entry on Duty Date:** 1<sup>st</sup> contract: 15 July 2012  
 2<sup>nd</sup> contract: 1 December 2012  
**Duty station:** Home base with travel to Viet Nam, India and Austria

#### **Duties**

The consultant will carry out an in-depth evaluation of the above mentioned UNIDO projects in accordance with the Terms of Reference (TOR).

<b>Duties</b>	<b>Duration 1st assign.</b>	<b>Duration 2nd assign.</b>	<b>Location</b>	<b>Results</b>
Study program and project documentation including progress reports and documentary outputs of the project.	5 days	2 days	Home base	List of issues to be clarified; first draft of chapters on project design.
Evaluation mission program: liaise with the UNIDO project manager to set up meetings/interviews in countries.	2 days	1 day	Vienna	Mission program reflects evaluation priorities.
Field mission: carry out meetings, visits and interviews of stakeholders according to the mission programme.	14 days (7 days each to India & Viet Nam)	7 days (India)	India, Viet Nam	Information gathered on issues specified in TOR.
Drafting main preliminary				Draft conclusions

conclusions and recommendations and discuss them with project staff, counterparts, stakeholders.				and recommendations.
Presentation and discussion of preliminary findings and recommendations with UNIDO project manager, UNIDO representative in India/ Viet Nam and UNIDO Evaluation Group. Fill information gaps (request additional document and reports where necessary).	2 days	2 days	Vienna	Feedback from project manager and UNIDO Evaluation Group, information gaps filled.
Prepare the draft evaluation report according to TOR.	10 days	5 days	Home base	Draft report prepared and sent to UNIDO/ OSL/EVA.
Review feedback received on draft report and prepare final evaluation report.	2 days	1 days	Home base	Final evaluation report submitted to OSL/EVA.
<b>Total</b>	<b>35 days</b>	<b>18 days</b>		

**Qualifications:**

- Advanced university degree in a field related to industrial development;
- Extensive knowledge and experience in the field of enterprise upgrading; and SME development; experience in Cluster development an asset;
- Experience in conducting evaluations.

**Language:** English

**Background information:** see the Terms of Reference

## **JOB DESCRIPTION**

**Post title:** National evaluation consultant  
**Duration:** 2w/m over a period of 5 months  
**Project:** SME Cluster Development/Upgrading (India)  
**Entry on Duty Date:** 1<sup>st</sup> contract: 15 July 2012  
 2<sup>nd</sup> contract: 1 December 2012  
**Duty station:** Various locations in India  
**Duties:**

As a member of the evaluation team and under the supervision of the evaluation team leader, the consultant will participate in the evaluation according to the Terms of Reference. He/she will participate in all evaluation activities and contribute to the assessments in particular with a view to assessing the UNIDO activities in the light of national objectives, strategies & policies, cooperation priorities and institutional capacities. In particular, he/she will be expected to

Duties	Duration	Location	Results
Study programme and project documentation including progress reports and documentary outputs and ToR; Study relevant background information; Assist in the preparation of the inception report.	0,4 w/m	Home base	Analytical overview of available documents; list of issues to be clarified; background data needed for evaluation collected at field level; inputs to inception report
Participate actively in meetings, visits and interviews according to the evaluation programme; Participate in drafting the main conclusions and recommendations, and present them to stakeholders in accordance with the instructions of the team leader.	0,8 w/m	India with travel inside the country	Notes, tables; information gathered on issues specified in ToR; Draft conclusions and recommendations
Participate in the preparation of the report according to the instructions of the team leader.	0,8 w/m	Home base	Inputs to the report
<b>Total</b>	<b>2 w/m</b>		

**Qualifications:**

- University degree in a field relevant to industrial development;
- Knowledge of India's industrial development situation, institutions and programmes; in particular with regard to SME support;
- Knowledge in the field of private sector development an asset;
- Working experience with international organizations and the UN system an asset;
- Evaluation experience desirable.

**Languages:** English

**Background information:** see the Terms of Reference attached

## JOB DESCRIPTION

**Post title:** National evaluation consultant  
**Duration:** 1 w/m days over 2 months  
**Project:** SME Cluster Development/Upgrading  
 (Viet Nam)  
**Entry on Duty Date:** 15 July 2012  
**Duty station:** Various locations in Viet Nam

### Duties:

As a member of the evaluation team and under the supervision of the evaluation team leader, the consultant will participate in the evaluation according to the Terms of Reference. He/she will participate in all evaluation activities and contribute to the assessments in particular with a view to assessing the UNIDO activities in the light of national objectives, strategies & policies, cooperation priorities and institutional capacities. In particular, he/she will be expected to:

Duties	Duration	Location	Results
Study relevant programme and project documentation including progress reports and documentary outputs and ToR; Study relevant background information (national policies, international frameworks, etc); Assist in the preparation of the inception report.	0,2 w/m	Home base	Analytical overview of available documents; list of issues to be clarified; background data needed for evaluation collected at field level; inputs to inception report
Participate actively in meetings, visits and interviews according to the evaluation programme; Participate in drafting the main conclusions and recommendations, and present them to stakeholders in accordance with the instructions of the team leader.	0,4 w/m	Viet Nam with travel inside the country	Notes, tables; information gathered on issues specified in ToR; Draft conclusions and recommendations
Participate in the preparation of the report after the instructions of the team leader	0,4 w/m	Home base	Inputs to the report
<b>Total</b>	<b>1 w/m</b>		

## **Qualifications**

- University degree in a field relevant to industrial development;
- Knowledge of Viet Nam's industrial development situation, institutions and programmes; in particular with regard to SME support;
- Knowledge in the field of private sector development an asset;
- Working experience with international organizations and the UN system an asset;
- Evaluation experience desirable.

**Languages:** English

**Background information:** see the Terms of Reference attached

## Annex 3

**Table 9: Checklist on evaluation report quality**

Report quality criteria	UNIDO Evaluation Group Assessment notes	Rating
Did the report present an assessment of relevant outcomes and achievement of project objectives?		
Were the report consistent and the evidence complete and convincing?		
Did the report present a sound assessment of sustainability of outcomes or did it explain why this is not (yet) possible?		
Did the evidence presented support the lessons and recommendations?		
Did the report include the actual project costs (total and per activity)?		
Quality of the lessons: Were lessons readily applicable in other contexts? Did they suggest prescriptive action?		
Quality of the recommendations: Did recommendations specify the actions necessary to correct existing conditions or improve operations ('who?' 'what?' 'where?' 'when?'). Can they be implemented?		
Was the report well written? (Clear language and correct grammar)		
Were all evaluation aspects specified in the TOR adequately addressed?		
Was the report delivered in a timely manner?		

### Rating system for quality of evaluation reports

A number rating 1-6 is used for each criterion:

Highly Satisfactory = 6,

Satisfactory = 5,

Moderately Satisfactory = 4,

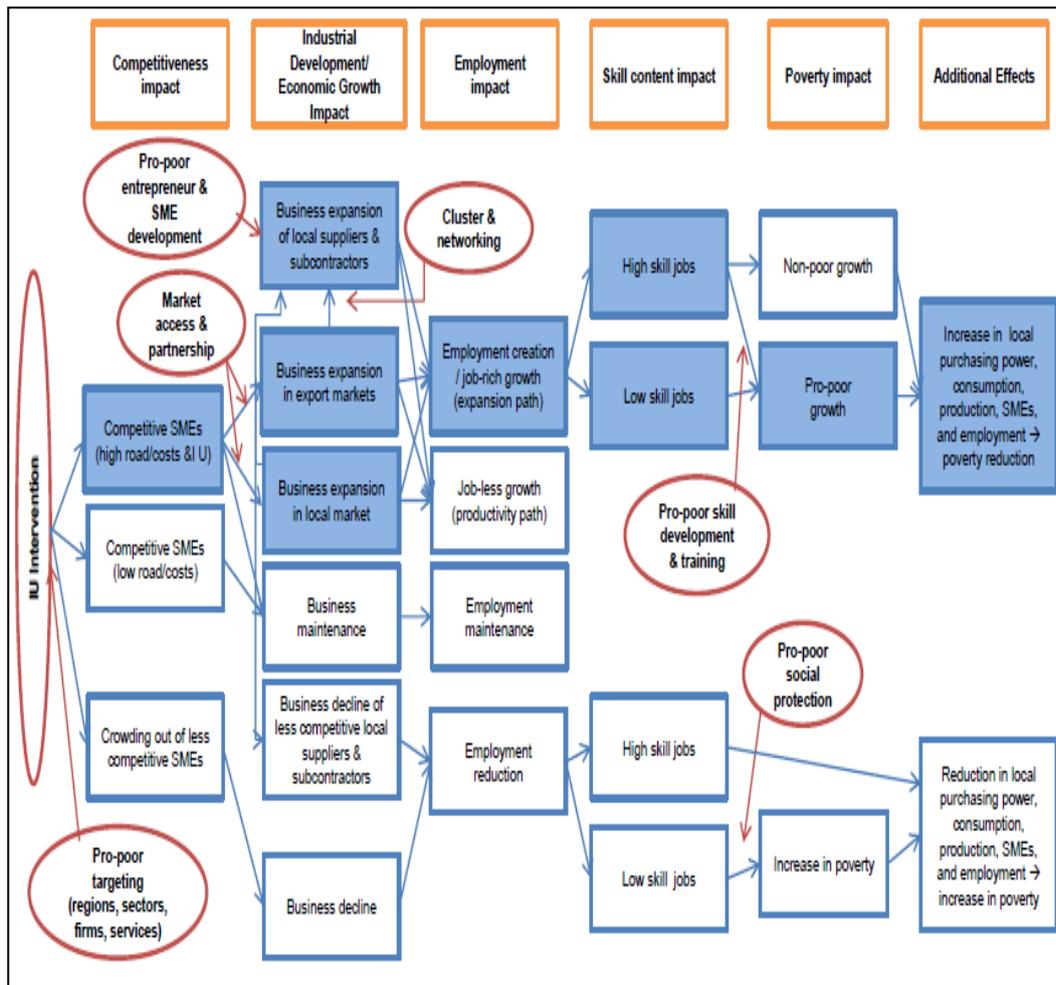
Moderately Unsatisfactory = 3,

Unsatisfactory = 2,

Highly Unsatisfactory = 1,

Unable to assess = 0.

**Figure 3: Poverty Impact**



## Annex B: Organizations/companies visited and people met

Name	Job title/Position in company/organization	Name of company/organization
Mr. Patrick Gilabert	UNIDO Representative	UNIDO
Ms. Hoang Mai Van Anh	National Programme Coordinator	UNIDO
Mr. Nguyen Van Thong	Director VTRI	VTRI
Mr. Le Van Dao	VITAS, Vice Chairman	Project Office
Mr. Tran Duc Thanh	National Expert (Textile & Garment)	Project Office
Mr. Truong Tuan Nghia	Senior National Expert (M&E)	Project Office
Ms. Nguyen Thi Hang Nga	CDA (Textile & Garment) Hanoi	Project Office
Mr. Nguyen Trong Hieu	EDA, Deputy Director; National Project Director	EDA (ASMED)
Ms. Brigitte Bruhin	Deputy Country Director, Economic Development Cooperation	SECO/Swiss Cooperation Office
Mr. Nguyen Thi Xuan Thuy	Director Industrial Strategy and Integration Policy Division	MOI (IIPS)
Ms. Doan Thi Bich Ngoc	Hoang Duong Garment Co. (CANIFA)	CANIFA, Managing Director
Ms. Nguyen Thi Yen Chau	B&B, Director	Yen Chi Garment Co. (B&B)
Mr. Tran Kim Hao	CIEM, VN Economic Management Review, Chief Editor	CIEM
Mr. Le Xuan Sang	Deputy Chief Editor	CIEM
Ms. Nguyet	Deputy Chief Editor	CIEM
Mr. Huynh Van Hanh	HAWA, Standing Vice Chairman	HAWA Office
Mr. Nguyen Van Khanh	SLA, Secretary General	HAWA Office
Mr. Le Hoai Van	HAWA Office	CDA (Wood & Furniture)
Ms. Vu Thuy Quynh	CDA (Footwear)	HAWA Office

<b>Name</b>	<b>Job title/Position in company/organization</b>	<b>Name of company/organization</b>
Mr. Nguyen Van Khanh	SLA, Secretary General	HAWA Office
Mr. Le Hoai Van	CDA (Wood & Furniture)	HAWA Office
Ms. Van	National expert (Textile & Garment)	Project staff
Mr. Huynh Quang Thanh	General Director	Hiep Long Furniture
Mr. Dien Quang Hiep	Chairman & Director	MIFACO
Mr. Nguyen Huu Phuc	Chairman	COMO
Mr. Tran Doan Thoan	Vice Director	AGTEX28-
Mr. Nguyen Van Tuat	Deputy Director in Charge	MPI/AED Assistance Centre for SMEs in South Viet Nam
Mr. Vu Van Lan	Production Director	Vina Shoes
Mr. Quach Loc Thanh	Production Director	Thuan Buom Co